

WHEAT

03rd -10th, FEBRUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Govt. Estimated This Year's Wheat Output is 72.50 Mln Tonnes

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures traded rangebound with firm biasness during the week. Increased buying interest at lower levels supported the futures. The stock Position of wheat at NCDEX accredited warehouses decreased to 4924 MT as on 08-Feb-07 as against last week's 5396 MT. Most active February contract traded up around Rs.1032 over last week's closing off Rs. 1010 and hovered between Rs.1009-1034 with lower Open Interest and decreasing volume.

Candlesticks showing firm sentiments. Prices closed above 9-day and 18-day EMA. Stochastic are in normal region and moving upwards following a bullish crossover. MACD is in positive territory and moving upwards.

Outlook:

The wheat futures at the NCDEX are expected to remain rangebound with firm undertone on the expectation of some yield reduction. However, increased fresh arrivals at Gujarat are pressurising sentiments.

Advice:

Sell on high towards resistance levels for medium-term (5-6 days) trading.

MARKET FUNDAMENTALS:

Wheat prices quoted steady to weak in majority of wheat wholesale markets during the week. The lower wheat and wheat product demand at higher price levels pressurised the sentiments at first part of the week. However, the market sentiments recovered during the last part of the week on the second advance estimates, released by Ministry of Agriculture, correcting the wheat production from 74 million tonnes to down 72.5 million tonnes due to high temperatures prevailed during January month. Despite the increased acreage by over 17.4 lakh hectare as on 09.02.2007, the possibilities of some yield reduction on rising temperature mainly underpinning the bullish tone. In the majority of wheat producing areas the crop is in tillering to booting stages. However, reports of flowering have come in from parts of Uttar Pradesh. The very next stages after tillering are heading and flowering stages. Excessively high temperatures and drought are harmful to wheat. Wheat plant requires about 14-15°C optimum average temperatures at the time of ripening. The crop condition is



Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
February Contract	1000	993	1045	1058

normal in northern India as it is cultivated under irrigated condition. The irrigation is reportedly assured in Haryana, Uttar Pradesh and Punjab. The crop that was sown early is in a good condition, while the one sown late is facing problem due to rising temperatures. However, Madhya Pradesh, Bihar, Orissa needs some rains as well as lower temperature as some crops are cultivated under rainfed condition there. The traders reported yields likely to be lower in the absence of rains. The Wheat acreage in Madhya Pradesh is among the largest. The area in that State is up by 5.4 lakh hectares this year. Therefore, in case of loss in yield in the state might be reduced the total production in the country. The news of fresh imports in wheat has started gaining ground in both market as well as official circles. At Delhi, Wheat data for mills quoted between Rs.1040-1065/qlt during the week. The arrivals remained around 3,000-6,000 bags. Chakki millers are the active buyers. To contain price rise of wheat/atta, the Government has decided to release upto 4 lakh tons of wheat in February and March in the open market through the Food Corporation of India.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	03.02.07	10.02.07
Atta (90kg)	1059	1059
Maida Grade 1(90kg)	1210	1210
Suji (50kg)	678	678
Chokar (50 kg)	350	350
Chokar (35 kg)	235	235
Chakki Atta (90kg)	950	950

SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)

Markets	03.02.07	10.02.07
Delhi (Lawrence Road)	1040	1060
Haryana (Karnal)	1015-1020	1020
Punjab (Khanna)	1055-1060	1040
Ahmedabad	1115-1120	1165
Rajasthan (Kota)	1050-1055	1090
Uttar Pradesh (Kanpur)	1025-1030	1070
Madhya Pradesh (Indore)	1050-1055	1075
Uttar Pradesh (Bareilly)	1035-1040	1060
Punjab (Sunam) Loose	960	950-960
Ludhiana (Jagraon) Loose	910-920	920-925
Rajkot Mill Price	1040-1050	1040-1045
Madhya Pradesh (Bhopal)	1000-1025	950-990

INTERNATIONAL AND DOMESTIC NEWS:

Govt. Estimated This Year's Wheat Output is 72.50 Mln Tonnes

According to second advance estimates of the Agriculture Ministry, this year's wheat output is 72.50 Mln tonnes. This is higher than the 69.5 mln tonnes production of the year 2005-06, but way below the all-time-high 76.4 Mln Tonnes achieved in the year of 1999-2000. It is also lower as compared to the second advance estimate in the year 2005-06. That was 73.06 Mln tonnes. Wheat has been sown in 281.782 lakh ha so far as on 1st February, 2007 compared to 264.336 lakh ha in the corresponding period last year, representing an increase of over 17.5 lakh hectare. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season and 260.5 lakh ha on an average in the preceding five years. Significantly higher coverage has been reported in Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh.

Wheat Crop is Normal in North, M.P. Looking for Rains

In the majority of wheat producing areas the crop is in tillering to booting stages. However, reports of flowering have come in from parts of Uttar Pradesh such as Agra. The very next stages after tillering are heading and

flowering stages. Excessively high, or low temperatures and drought are harmful to wheat. Cloudy weather, with high humidity and low temperatures is conducive for rust attack. Wheat plant requires about 14-15°C optimum average temperatures at the time of ripening. When temperatures are high, too much energy is lost through the process of transpirations by the plants and the reduced residual energy results in poorer grain formation and lower yields. The crop condition is normal in northern India as it is cultivated under irrigated condition. The irrigation is reportedly assured in Haryana, Uttar Pradesh and Punjab. The crop that was sown early is in a good condition, while the one sown late is facing problem due to rising temperatures. However, Madhya Pradesh, Bihar, Orissa needs some rains as well as lower temperature as some crops are cultivated under rainfed condition there. The traders reported yields likely to be lower in the absence of rains. Irrigation has been facing a problem due to power shortage. The Wheat acreage in Madhya Pradesh is among the largest. The area in that State is up by 5.4 lakh hectares this year. Therefore, in case of loss in yield in the state might be reduced the total production in the country. However, the Govt. estimated the wheat output 72.5 Mln tonnes as against the earlier expectation of 74 Mln tonnes. However, the temperature and rainfall in the coming days is very vital for actual output.

Wheat Acreage Up by Over 17.4 lakh ha

Wheat has been sown in 281.782 lakh ha so far as on 8th February, 2007 as compared to 264.336 lakh ha in the corresponding period last year, representing an increase of over 17.4 lakh hectare. Wheat covered 266.47 lakh ha area in the entire rabi 2005-06 season and 260.5 lakh ha on an average in the preceding five years. This year's area under wheat is 8.2 % more than the average and 5.8 % more than the last year's area. Significantly higher coverage has been reported in Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh. The crop condition is normal.

Source: PIB

IGC Optimistic about Increase in World Wheat Acreage

The International Grains Council estimated an increase in world wheat acreage by 3.5% in 2007. The production is estimated 621 million tonnes, a rise of 32 million tonnes on 2006. Biggest increases of wheat acreage were expected in the European Union, Russia, the United States, India and Australia, whereas they may be reductions in Canada and China. It also estimated some increase in ending stocks forecast by 2 million tonnes at 116 million tonnes.

U.S. Wheat Use and Stocks Projections Unchanged This Month

U.S. wheat supply, use, and stocks projections for 2006/07 are unchanged this month. The season-average farm price is projected at \$4.20 to \$4.30 per bushel, up 5 cents on the lower end of the range and down 15 cents on the upper end from last month.

Source: WASDE

Global 2006/07 wheat Output Projected Up This Month

Global 2006/07 wheat production is projected 1.3 million tons higher this month, due to upward adjustments in FSU-12 that more than offset reductions in EU-25. The largest production changes are a 2.0-million-ton increase in Kazakhstan and a 0.7-million-ton decrease in EU-25. Global consumption is raised 1.8 million tons with increases in Canada, EU-25, and FSU-12. The increase in Canada reflects stronger feeding use as implied by recently released stock data. Consumption is lowered for Libya and Turkey and results in lower expected imports for these countries. Exports for Russia are raised 0.5 million tons

as exports for EU-25 are lowered the same amount. Smaller changes in a number of other countries result in the small month-to-month increase in world exports. Global ending stocks for 2006/07 are lowered 1.0 million tons. Stocks are lowered for Canada and EU-25. Despite reductions for Russia, Ukraine, and Uzbekistan, stocks rise in FSU-12 as increases are projected for other member states, especially Kazakhstan.

Source: WASDE

Wheat: USDA Export Sale Highlights

Wheat: Net sales of 732,600 metric tons were 31 percent above the previous week and 56 percent over the prior 4-week average. Increases were reported for unknown destinations (126,500 MT), Egypt (122,600 MT), Iraq (91,900 MT), Taiwan (85,700 MT), Venezuela (69,000 MT), Indonesia (55,000 MT, all switched from unknown destinations), and Yemen (50,000 MT). Decreases of 10,000 MT were reported for Thailand. Sales of 110,000 MT for delivery in 2007/08 were reported for unknown destinations. Exports of 589,500 MT were 3 percent above the previous week and 19 percent over the prior 4-week average. The primary destinations were Taiwan (100,300 MT), Iraq (97,100 MT), the Philippines (68,300 MT), Japan (61,800 MT), and Egypt (57,600 MT).

This summary is based on reports from exporters for the period January 26 - February 1, 2007.

SOURCE: USDA

WEATHER WATCH

A western disturbance as an upper air system lay over Jammu & Kashmir and neighbourhood on 3rd and moved away eastwards on 4th. Another western disturbance as an upper air system affected Western Himalayan region during 5-6th and was moving away eastwards on 7th. An induced upper air cyclonic circulation in the lower levels lay over West Rajasthan and neighbourhood on 5th, over northeast Rajasthan and adjoining Haryana on 6th and over Haryana and neighbourhood on 7th. A cyclonic circulation in the lower levels lay over East Uttar Pradesh and adjoining Bihar on 6th & 7th. A trough from this system extended upto north Telangana on 7th. Another cyclonic circulation in the lower levels lay over Gangetic West Bengal and neighbourhood on 5th and north Orissa and neighbourhood on 6th. It became less marked on 7th.

Rainfall:

Scattered to isolated rain/snowfall occurred over Western Himalayan region during 4-7th. Isolated rain/thundershowers occurred over Rajasthan, Punjab and Haryana on 6-7th and over Uttar Pradesh on 7th. Scattered to isolated rain/thundershower occurred over northeastern States and Sub-Himalayan West Bengal & Sikkim throughout the week. Isolated rain/thundershower also

occurred over Orissa on 3rd and 5-7th and over Gangetic West Bengal and Jharkhand on 5th. Mainly dry weather prevailed over the remaining parts of the country during the week. Isolated morning fog conditions prevailed over Indo-Gangetic plains throughout the week except on 3rd when the morning fog conditions occurred at many places over the region. Fog also occurred at many places over Orissa and Sub-Himalayan West Bengal & Sikkim during morning hours on 3rd.

Outlook for the week ending on 14th February 2007

A fresh western disturbance is likely to cause scattered precipitation over northwest and east India for 2-3 days commencing from 9th. Rise in night temperature over plains of northwest India during 9-12th and fall thereafter. Dense fog conditions are likely over plains of northwest India towards end of the week.

FOREX (As on 10th FEBRUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.06
1 Euro	57.46
100 Yen	36.30
1 British £	86.34

IGC WORLD WHEAT ESTIMATES (25.01.07)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				24.11	25.01
Production	556	629	618	587	589
Trade	103	110	107	108*	106
Consumption	596	617	623	607	606
Stocks	125	137	133	114	116
Year-Year Change	-40	+12	-4		-17
5 Major Exporters [#]	41	55	57	35*	37

* Adjusted for EU-27

Source: International Grains Council

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