

WHEAT

17th-24th, FEBRUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Up During the Week
- Wheat Prices Steady with Weak Biasness at Spot
- Food Ministry to Release 365,000 Tonnes of Wheat

TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: March (Future)

NCDEX wheat futures turn down during the week on fresh selling as well as long liquidation. The stock Position of wheat at NCDEX accredited warehouses decreased sharply from 4872 MT to 556 MT as on 22.02.07 as 4760 MT delivery information was reported towards February 20, 2007 expiry contract. Most active March contract traded down around Rs.954/qrtl over last week's closing off Rs. 968.2/qrtl and hovered between Rs.942.4-977.0 with lower Open Interest and good volumes. However, volumes of trade showing decreasing trends throughout the week.

Candlesticks are showing bullish sentiments. The prices closed below 9-day and 18-day EMA. Stochastic is in normal region and moving upwards following a bullish crossover. MACD is in negative region and running down. Wheat is likely to trade bullish following a steady to firm opening.

Outlook:

The wheat futures at the NCDEX are expected to remain range bound with weak undertone on the outlook of higher production and fresh arrivals in Gujarat and M.P. Food Ministry's decision to release 365,000 Tonnes wheat through states at subsidized rates will add bearish tone also.

Advice:

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



Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 st	2 nd	1 st	2 nd
March Contract	935	925	960	970

MARKET FUNDAMENTALS:

Wheat prices remained weak in majority of wheat wholesale markets. At Delhi, Wheat data for mills declined to Rs.40/qrtl to Rs.1050-1055/qrtl. The arrivals remained around 4,000-5,000 bags. The fresh arrivals are continued in Gujarat as well as Madhya Pradesh Mandis. The wheat prices in Rajkot mandis decline to Rs.905-910/qrtl on the back of fresh arrivals of 6,000-7,000 bags. The mandis in Indore witnessed 5,000-6,000 bags fresh arrivals and price decline to Rs.945-950/qrtl. The government has planned to release 365,000 tonnes of wheat at 986.06 rupees per 100 kg to states for sale in open markets in February and March to curb the prices. This no doubt will add bearish tone in near future. The traders and millers are looking for the release. The prices of wheat product remained firm and the demand is likely to increase because of coming holi

festivals. Some product demand is mainly supporting the sentiments. However, this year's area under wheat is 9.2 % more than the average and 6.8 % more than the last year's area. India is likely to produce a record Wheat crop this year if the weather continues to favours till harvest. The unseasonal rains during pre flowering stage of crops helped in crop growth. Wheat tender of FCI was postponed because of poor response from buyers owing to tender price much higher than the prices prevailing in the spot market. Govt. may consider the price. However, on the outlook of higher production, Agriculture Minister may allow the wheat export from India if weather conditions are favorable and output exceeds 72.5 Mln Tonnes this year. Private traders are also free to procure locally produced wheat. The higher purchase is expected during March last to April. This year Govt. is likely to procure handsome

amount of wheat and likewise announced a higher MSP of Rs.750/qlt. The government's wheat stocks are reported to higher about 6.2 Mln Tonnes as on February 1 than those of 4.8 million tonnes a year ago. However, the stock is much lower than the stipulated 8.2 million tonnes.

PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	17.02.07	24.02.07
Atta (90kg)	1113	1077
Maida Grade 1(90kg)	1273	1273
Suji (50kg)	713	713
Chokar (50 kg)	360	347
Chokar (35 kg)	243	231
Chakki Atta (90kg)	990	950

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

Markets	17.02.07	24.02.07
Delhi (Lawrence Road)	1090	1050
Haryana (Karnal)	1060-1065	1020-1025
Punjab (Khanna)	1080-1085	1080-1085
Rajasthan (Kota)	1105-1110	1040-1045
Uttar Pradesh (Kanpur)	1100-1105	1060-1065
Madhya Pradesh (Indore)	1095-1100	945-950
Uttar Pradesh (Bareilly)	1080-1085	1065-1070
Punjab (Sunam) Loose	950	970-975
Ludhiana (Jagraon) Loose	965-970	940-945
Rajkot Mill Price	930-940	905-910
Madhya Pradesh (Bhopal)	950-1000	850-925

INTERNATIONAL AND DOMESTIC NEWS:

Food Ministry to Release 365,000 Tonnes Wheat Through States at Subsidized Rates

Food Ministry has stated that it would release 365,000 tonnes of wheat from FCI stocks, through the States at Rs.986.06 per quintal plus reasonable handling charges, to curb rising prices. With rabi wheat crop prospects brightening, aided by recent rains and increased acreage, wheat prices are expected to be steady to subdued in the coming days.

Wheat Exports From India May Resume in Case of Bumper Production

Agriculture Minister Sharad Pawar will consider about allowing the wheat export from India if weather conditions are favorable and output exceeds 72.5 Mln Tonnes this year.

Private Traders are Free to Procure Locally Produced Wheat

Private traders are free to procure locally produced wheat. According to Agriculture Minister Sharad Pawar ruled out the speculation in the local market that the government may restrict private wheat purchases in order to build its own stocks.

Government Plans to Procure Adequate Wheat this Season

The Ministry of Food, Public Distribution and Consumer Affairs is likely to procure adequate quantity of wheat in 2007-08 marketing season in order to meet the PDS demand and to hold adequate buffer stock. The MSP for wheat for the 2007-08 marketing season is Rs. 750 per quintal. With second advance estimates projecting the wheat production around 72.5 million tonnes against 69.4 million tonnes of last year, it is expected that FCI and State agencies will be able to procure substantially higher quantities of wheat this year. They procured 92.3 lakh tonnes of wheat in the last rabi. In this regard the Secretary, Food and Public Distribution has asked the respective State Secretaries to take necessary actions in order to run the procurement operations smoothly in all states, particularly in M.P, Rajasthan and U.P where wheat acreage has grown this year. FCI and State agencies have been asked to ensure strict monitoring at procurement centres so that the quality of the procured grain is not below the FAQ (fair average quality). Moreover, the state governments have also agreed to make arrangements for additional storage and make sufficient funds available to their agencies so that farmers get their payments immediately on delivery of wheat.

Govt Banned Wheat Export till 31 December 2007

According to a latest notification by the Director General of Foreign Trade (DGFT), Notification N0.44 (RE-2006)/2004-2009, dated 09 February, 2007, the Central Government has prohibited export of wheat upto 31.12.2007.

Govt. Wheat Stocks: Up against Last Year; Down against Stipulated

To control the rising prices of essential food items, the Govt has banned wheat exports for the year 2007. According to the notification from the Directorate General of Foreign Trade the ban came into effect on February 9. Recently. The higher prices of wheat in India makes the export not competitive also. The wheat production is likely to 72.5 Mln. tonnes in the current year according to the second advance estimates of Govt. The recent rainfalls in main wheat growing region of the country is beneficial for crop growth. Market arrivals of wheat generally begin from last of March to April every year, but due to early sowing operations in the current season, government expects early market arrivals. Last year the government could procure only 9.23 million, as the procurement price was low at Rs 650 per quintal. The private agencies had procured good amount and created artificial shortage of wheat during the last year. This leads the government to import 5.5 million tonnes in 2006-07. This year Govt. is likely to procure handsome amount of wheat and likewise announced a higher MSP of Rs.750/qlt. The government's wheat stocks are reported to higher about 6.2 Mln Tonnes as on February 1 than those of 4.8 million tonnes a year ago. However, the stock is much lower than the stipulated 8.2 million tonnes.

Expected Good Crop in Pakistan Rising Export Anticipation

Wheat production in Pakistan is likely to higher this year around 22.5 Mln. Tonnes as against the last years' 21.6 Mln. Tonnes. Recent precipitation in major wheat growing parts of the country helped in crop growth. Pakistan's wheat harvesting is expected to begin in March and will be concluded by the end of April. The expected good crop in the year as well as bumper crop in the

last year has boosted domestic supplies and rising the expectation of export. In December, Pakistan's federal government allowed exports of 5 lakh tonnes of wheat by private mills and traders. Further, the country is likely to export up to 22 lakh tonnes of wheat between Jan. 1, 2007 and March 31, 2008. The wheat export prices of Pakistan is comparable to prices of Russian, Kazakh and Australian wheat.

Wheat Procurement in M.P. Will Start 5 days Ahead of Normal Schedule

The Government is looking very aggressive in procuring wheat this season from the very beginning of crop arrivals. The government will start procuring wheat from Madhya Pradesh five days before of normal schedule i.e. March 15 instead of March 20. The fresh crops in M.P. are likely to start early this season because of early sowing. However, wheat procurement in others state will begin on normal schedule. The procurement usually commences on April 1 in Punjab and Haryana, and by the second week of April in Uttar Pradesh.

The STC Imported 49.93 lakh tonnes Wheat So Far

The State Trading Corporation has imported 49.93 lakh tonnes of wheat so far as on 12.02.07. The imported wheat had arrived at eight Indian ports i.e., Mundra, Kandla, Vizag, Chennai, Tuticorin, Kakinada, Mumbai and Cochin ports. Of the wheat arrived so far, 49.09 tonnes had been discharged from ships. About 42.26 lakh tonnes had been moved out of the ports. The rest amount i.e., 5.57 lakh tonnes is expected to arrive by the end of February.

USDA Long-Term Projections: Global Wheat Imports

Growth in wheat imports is concentrated in those developing countries where robust growth in income and population underpins increases in demand. Important growth markets include Sub-Saharan Africa, Brazil, Egypt, and Pakistan. World wheat trade (including flour) expands by nearly 27 million tons (23 percent) between 2007 and 2016 to 140 million tons.

- Egypt maintains its position as the world's largest importing country, as imports climb slowly to nearly 10 million tons. Imports by Brazil, another large importer, are projected to approach 9 million tons. Brazil's climate generally does not favor wheat, and in some key wheat-producing states, winter corn is expected to have better returns than wheat.
- Imports by developing countries in Sub-Saharan Africa, North Africa, and the Middle East rise 11 million tons and account for 40 percent of the total increase in world wheat trade. In most developing countries, little change in per capita wheat consumption is expected but imports expand modestly because of population growth and limited potential to expand production.
- Changing consumption patterns will boost wheat imports by some major importing countries. In Indonesia, strong economic growth and diversification of diets are projected to increase per capita wheat consumption. Mexican consumers are projected to continue substituting wheat for corn in their diets.
- Lower wheat-to-corn price ratios during most of the projection period enable wheat to compete effectively with corn for feed use in a number of countries. South Korea is projected to substitute 1 million tons of feed wheat for corn

annually by 2016. Europe is expected to continue to account for the largest share of global wheat feeding.

- China has been a small net exporter of wheat in recent years, but production constraints cause it to become a net importer by 2009/10 and to import nearly 2 million tons annually by 2016.

Source: USDA

USDA Long-Term Projections: Global Wheat Exports

The top five wheat-exporting nations (the United States, Australia, Canada, the EU-25, and Argentina) account for 73 percent of world trade in 2007-2016. This is down from a high of 87 percent in 2000/01, mostly due to increased exports from the Black Sea area. U.S. wheat exports are projected to account for 22 percent of global wheat trade, down from 25 percent in the past 5 years.

- Shares of the world wheat market held by Canada, the EU, and the United States decline slightly, offsetting increases by Australia, Ukraine, Russia, Argentina, and other Europe.
- In Canada, increased demand for vegetable oils, especially rapeseed oil for biodiesel production, and for barley is expected to reduce wheat area, which causes Canadian exports to trend slowly downward.
- The EU set-aside rate, currently 10 percent, is assumed to be lowered during the projections. However, most of any increase in planted area will go to rapeseed.
- Ukraine, Russia, and Kazakhstan have become significant wheat exporters in recent years. Low costs of production and new investment in their agricultural sectors have enabled their world market share to climb to as high as 18 percent in 2005/06. Exports from Ukraine and Russia are projected to continue gaining market share, more than offsetting a slight decline in the share held by Kazakhstan. However, because of the region's weather extremes, high year-to-year volatility in production and trade can be expected. Also, continued real appreciation of these countries' currencies, caused mainly by domestic inflation, could mitigate the rise in exports.
- China has been a small net exporter of wheat in recent years, but becomes a net importer of nearly 2 million tons annually by 2016. This is offset by other Europe, mostly Romania and Bulgaria, which shifts from a small net importer to a net exporter of more than 2 million tons. Most of these exports go to the EU-25.
- Exports by Turkey and other smaller exporters change little or trend slowly downward during the projection period. Although India has exported some wheat in recent years, exports are expected to be minimal as stocks remain relatively tight.

Source: USDA

USDA Wheat Export Sales 25% Above the Previous Week

Wheat: Net sales of 450,800 metric tons were 25 percent above the previous week, but 5 percent under the prior 4-week average. Increases were reported for Japan (114,100 MT), Egypt (63,000 MT), Italy (60,000 MT), Thailand (53,500 MT), Taiwan (45,600 MT), Mexico (38,800 MT), and Nigeria (30,300 MT). Net sales of 25,000 MT for delivery in 2007/08 were for Nigeria. Exports of 428,600 MT were 5 percent above the

previous week, but 19 percent under the prior 4-week average. The primary destinations were Thailand (94,000 MT), Egypt (63,000 MT), Indonesia (50,000 MT), Japan (46,400 MT), and Nigeria (40,500 MT).

This summary is based on reports from exporters for the period February 9-15, 2007.

Source:USDA

WEATHER WATCH

Last week's western disturbance as an upper air system over East Uttar Pradesh and adjoining Bihar lay over Assam & Meghalaya on 15th, over east Arunachal Pradesh and adjoining Assam on 16th and moved away eastwards on 17th. However, another upper air cyclonic circulation lay over Bangladesh and neighbourhood at lower levels on 17th and 18th. A fresh western disturbance affected Western Himalayan region during 16-18th. Another western disturbance affected the region from afternoon of 20th. An easterly wave affected south peninsula and Lakshadweep islands during 17-21st.

Rainfall:

Isolated to scattered rain/snow occurred over Jammu & Kashmir and Himachal Pradesh during many days of the week. Isolated rain/thundershower occurred over Punjab on 15th & 19th and over Rajasthan on 16th and 18th. Rain/thundershower occurred at isolated places over West Bengal & Sikkim during first half of the week and over Orissa and Jharkhand on 17th and 18th. Scattered/fairly widespread rain/thundershower occurred over northeastern States during 15-18th. Isolated/scattered rain/thundershower occurred over Coastal Andhra Pradesh on 18th, over Tamil Nadu during 18-20th, over Kerala during 19-21st and over Lakshadweep Islands on 20th and 21st. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 28th February 2007

Due to a western disturbance, isolated to scattered rain/thundershower is likely over northwest & Central India

on 25th, over east India on 25th & 26th and over northeast India on 26th. Another western disturbance is likely to affect Western Himalayan region and adjoining plains towards the end of the week. Isolated to scattered rain/thundershowers likely over extreme south peninsula during 2nd half of the week.

Source: IMD

FOREX (As on 26th FEBRUARY, 2007):

Foreign Currency	Rs. per unit
1 US \$	44.28
1 Euro	58.10
100 Yen	36.46
1 British £	86.64

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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