

## WHEAT

30<sup>th</sup> May-4<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

#### WEEKLY WHEAT NEWS

##### India:

**Wheat: Latest Harvesting Position in Major Wheat Producing States (As on 26.05.2005)**

The area covered under Wheat crop till date is **265.392 lakh ha.** which is **100.60%** of the normal area under Wheat crop. It is nearly **1%** less area coverage compared to corresponding period of previous year.

##### Harvesting Position:

**Maharashtra, Gujarat, Karnataka, Bihar, Uttaranchal, Madhya Pradesh, Chhattisgarh, West Bengal, Rajasthan, Punjab, Haryana, Uttar Pradesh, Himachal Pradesh and Jammu & Kashmir.**

The harvesting of the Wheat crop of the state is completed.

##### Yield Reduction:

**Punjab:** - There is an yield reduction of Wheat crop mainly in Kapurthala & Gurudaspur districts due to:

1) Rising temperature prevailed at tillering stage,

2) Heavy rainfall at later stage near maturity, although, the production has gone down in a few district of the State, the overall production scenario in the state as a whole has been little higher than that of previous year, details awaited from the State.

**Himachal Pradesh:-** Reports of yield reduction have been available from H.P. due to appearance of loose smut. The situation needs further assessment. Details have been asked from Govt. of H.P. and reports awaited.

**Uttaranchal:-** There are reports of yield reduction ranging from 7% to 10% of Wheat crop in Udham Singh Nagar & Haridwar districts due to :

1) Continues rains during throughout February Month,

2) High temperature during March, details awaited from the State.

(Source: GOI)

#### Procurement of Wheat during RMS 2005-06 by FCI and State Agencies

Position as on 24/05/2005 (In '000 tonnes)

STATE/ U.T.	2005-06 * (OCTOBER to SEPTEMBER)		
	FCI	State agencies	Total
Delhi	2	-	2
Haryana	617	3904	4521
Himachal Pradesh	-	-	-
Madhya Pradesh	14	460	474
Punjab	1427	7574	9001
Rajasthan	117	39	156
Uttar Pradesh	35	444	479
Uttaranchal	6	34	40
Total :	2218	12455	14673

#### DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

## Market Highlights

### Delhi:

The market prices for wheat at the Lawrence Road bounced back at this weekend from its recent loss and remained very strong in this week with the range of Rs. 755-760 per quintal. The market arrival was moderately low in this week as against the last week. The arrival was in the range of 3000-4000 bags in this weekend.

### Ahmedabad:

The market sentiment in Ahmedabad remained strong but range bound in this week amidst stable supply. The arrival was less in this week. The wheat crop has been supplying to MP and Rajasthan etc. The wheat was traded at the range of Rs.740-745 per quintal.

### Amritsar:

The wheat prices in Amritsar market remained range bound with strong sentiment throughout this week. The price for wheat was noticed within the range of Rs.690-695 per quintal. The wheat was supplying to Delhi by illegal way, according to trade sources.

### Ludhiana:

Ludhiana market showed stable to steady position in this week amidst strong demand. The wheat has been quoted at the range of Rs.700-705 per quintal.

### Maharashtra:

In Maharashtra, the market position remained unchanged in this week and wheat was traded at the range of Rs.790-795 per quintal.

### Haryana:

In the Kaithal, Samalkha, Hisar, Hodal and Palwal markets of Haryana, wheat is traded at the range of Rs 675-680, Rs.705-710, Rs.700-705, Rs.640-700, and Rs.650-665 per quintal. However in the Karnal market the price was too higher at the range of Rs 720-722 per quintal.

### Rajasthan:

In Rajasthan market, the wheat prices remained strong due to less arrival. The wheat prices at Khairtal and Alwar prevailed at Rs.690-695 and 680-685 per quintal.

### Vyada Bazaar:

Wheat June and July futures at NCDEX witnessed a weak sentiment in the first couple of days in this week but bounced back from its recent losses. The market remained strong due to less government procurement, drop in production, strong demand, hoarding the stock by the traders and farmers etc. The most active June and July contract witnessed to stable with range bound in this weekend.

Table: Price and Arrivals in Delhi Markets in This Week

Centres	Prices (Rs/qt.)		Arrivals (bags)	
	28.05.05	4.06.05	28.05.05	4.06.05
Lawrence	750-755	755-760	8000-9000	3000-4000
Mills	750-753	755-760	8000-9000	3000-5000
Narela	710-725	720-730	NR	NR
Nazafgarh	715-745	730-740	NR	NR

NR: Not Reported

## Conclusion

The demand for wheat remained more over strong in most of the market. The main reason behind this were less arrival, drop in output, less wheat procurement, illegal

hoarding etc. Therefore it is expected that the market would continue this tone in the coming days.

Table: Prices of Wheat Products in This Week (in Rs.)

Wheat Products	28.05.05	4.06.05
Atta (90kg)	753	753
Maida (90kg)	853	853
Suji (50kg)	474	472
Chokar (50 kg)	279	289
Chokar (35 kg)	172	179
Chakki Atta (90kg)	720	730

## INTERNATIONAL AND DOMESTIC NEWS: AWB Released Its Latest Pool Outlook on Wheat

The Australian wheat marketing board, AWB International, offered its first look about with wheat delivered to its 2005-06 marketing pools. In releasing the Estimated Pool Returns (EPR), General Manager, Sarah Scales announced a 2005-06 EPR for benchmark APW of \$186 per metric tons (MT) (FOB, GST exclusive), which is prevailing within the previously quoted range of \$180 to \$190 MT. AWB's 2005-06 EPR base rates include APH at \$204.00 MT, ASWN at \$188 MT, APDR at \$212 MT and AGP at \$175 MT. According to Scales, the 2005-06 National Pool also included the introduction of the new premium pay grades as part of Golden Rewards - Premium Choice Varieties. This is the first year for Premium Choice Varieties payments, a program to increase the inherent value of the National Pool wheat stock by encouraging adoption of targeted varieties with end-use quality characteristics demanded by our customers. For 2005-06 Pool we have established a number of pay premium grades, which will attract a flat premium for the accepted varieties.

### Indonesia's headache Due to Indian wheat

Indonesian flour millers are spending wakeful nights for two reasons for China and India. Hit by surging imports of cheaper wheat flour products from the two Asian giants, Indonesian wheat flourmills are expecting the government would soon take steps to protect its domestic industry from the competition, which has sharply eroded profit margins. Indonesia's Bogasari Flour Mills, which owns the world's two biggest flour mills. The Southeast Asian nation currently imposes a duty of 5% on wheat flour imports. But industry officials say it has done nothing to stop an influx of cheaper flour from China and India, who they said were 'dumping' about 150,000 tonnes of the commodity in Indonesia every year. In this respect, some traders reported that a lot of flour was also coming in to Indonesia through illegal channels. India and China are dumping flour, while they continue to protect their own markets with high tariff barriers.

### High-Quality Wheat Cultivation Boosted China's Revenue

The main fundamental news behind the generation of immediate revenue of 1.97 billion yuan (238 million US dollars) was technologies of high- quality wheat cultivation, which has been applied in China over the past six years. The technologies were developed under a programme named as "Agricultural Technology Jump Plan" initiated by the Ministries of Agriculture and Finance in 2000 and have been applied to 10 million hectares of farmland. Therefore the wheat out put was increased by more than 750 kilograms per hectare and brought extra revenue of 1,500 yuan or 181 US dollars. Last year 43.9 percent of China's wheat land was sown to high- quality wheat.

### Wheat Demand Hovering Amid Output Worries

According to trade sources, the rally in wheat prices is likely to continue for at least a week. This is due to worries of lower-than-expected output this year, good buying by multinational companies, alleged hoarding by stockists and uncontrolled speculation.

Currently, multinationals like ITC Agribusiness (India), Cargill Foods, and Hindustan Lever and stockists are believed to be hoarding wheat. This has pulled up prices to touch a peak of Rs 800-825 per quintal, according to sources. Also, the price rise has led the roller millers to demand import of duty-free wheat, as the production this year is likely to be below consumption. According to CEO of ITC Agribusiness, the total purchase by the big companies put together is not more than 2 per cent of total output. The US Department of Agriculture has projected India's annual consumption at 75 MMT, multinational companies peg consumption at 65 MMT. It is expected that the crop in Punjab, Haryana and Uttar Pradesh to be 10-15 per cent lower year-on-year, while in Madhya Pradesh the yield may be 5 per cent higher, but it could not offset the losses in the other States.

### Australia Expects Drop in Wheat Output Amid Drought

The world's second largest wheat exporter is Australia, likely to cut its production forecast for the grain by about 14 percent because a drought in the country's southeast may reduce crops. It is expected that the October-to-January harvest will produce 19.5 MMT of wheat, from 20.4 MMT a

year earlier. The Australian Bureau of Agricultural & Resource Economics forecasted a crop of 22.6 MMT in March and will release its next forecast on June 7. Smaller production would reduce a global oversupply that's caused prices to fall down 14 percent on the Chicago Board of Trade the past year.

## WTO will Confer India to Augment Exports of Rice and Wheat

According to the Industry body Assocham, rationalization of import duties, removal of non-tariff barriers and reduction in subsidies is necessary under the WTO, who will provide tremendous opportunities for export of agricultural and

agro-based processed products in India. Therefore India has followed these regimes. These measures would enable the country to tap the increased opportunities created by the new trade regime under WTO. The major products identified for exports are rice, wheat, fruits and fruits based

## INTERNATIONAL WHEAT PRICES

**Latest Australian wheat board exports cash prices indicative basis quotes over US futures**

## Port Watch

Loading of 15,500 MT of wheat is expected at Kandla Port on the vessel 'Pelagos' to Bangladesh. Rishi agents are

products. The emerging markets for this purpose would be Australia, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Singapore, Thailand, and Sri Lanka.

## FCI's Wheat Procurement Turn Down

It is witnessed that the procurement of wheat in the leading state of Punjab has touched 92.52 lakh MT this season, while the purchase of the Rabi crop by the Food Corporation of India (FCI) remained 15.9%, against last year's 23.2%. The FCI's share in wheat procurement in Punjab has slipped to half in the last five years as the central agency had procured 32.5% in 2001. FCI had set a target of procuring 20% of the total arrivals, but it could not be met due to mainly the state agencies were eager to purchase more than the allocation, because the quality of the crop remained very good this year. Out of the five state agencies, Markfed procured 26.3% (24.34 lakh MT) of the total arrival of 92.52 lakh MT this season, followed by PUNSUP (21.6%), Pungrain (12%), Punjab Agro (11.9%) and Punjab State Warehouse Corporation (11.5%).

## Monsoon Outlook

Southwest monsoon has advanced over south Andaman Sea and over southern parts of southeast Bay of Bengal on 26<sup>th</sup>. It further advanced into the remaining parts of Andaman Sea, some more parts of southeast Bay of Bengal and some parts of southwest Bay of

	ASW 10%		AH 11.5%		APH 13%		APH 14%	
	28.05.05	20.05.05	28.05.05	20.05.05	28.05.05	20.05.05	28.05.05	20.05.05
May '05	155	155	184	184	188	188	213	213
Jun '05	146	146	182	182	186	186	210	210
Jul '05	130	130	174	174	178	178	202	202
Aug '05	127	127	174	174	178	178	202	202
Sep '05	123	123	171	171	174	174	199	199
Oct '05	132	132	180	180	184	184	208	208

handling the vessel.

Bengal on 28<sup>th</sup>. Southwest monsoon has further advanced into parts of east-central Bay and some more parts of south Bay of Bengal on 31<sup>st</sup>.

## Rainfall

Rain/thundershowers occurred at many places over Andaman & Nicobar Islands Northeastern States, Sub-Himalayan West Bengal & Sikkim, Coastal and South Interior Karnataka, Kerala

## Weather Watch

and Lakshadweep and at a few places over Jammu and Kashmir, South Madhya Maharashtra, Chhattisgarh, Coastal Andhra Pradesh, Rayalaseema, Tamil Nadu, and North Interior Karnataka. It was isolated in the remaining parts of the country. Isolated Heavy Rainfall also occurred over Andaman and Nicobar Islands, Assam, Sub Himalayan West Bengal and Sikkim, Kerala and Lakshadweep on some days of the week.

## Outlook

Conditions are favourable for onset of monsoon over Kerala towards the end of week. Ongoing rainfall activity over Andaman & Nicobar Islands is likely to continue. It may get enhanced over south Peninsula and Northeastern States. Heat wave conditions may prevail over northwestern, northern and west-central parts of the country.

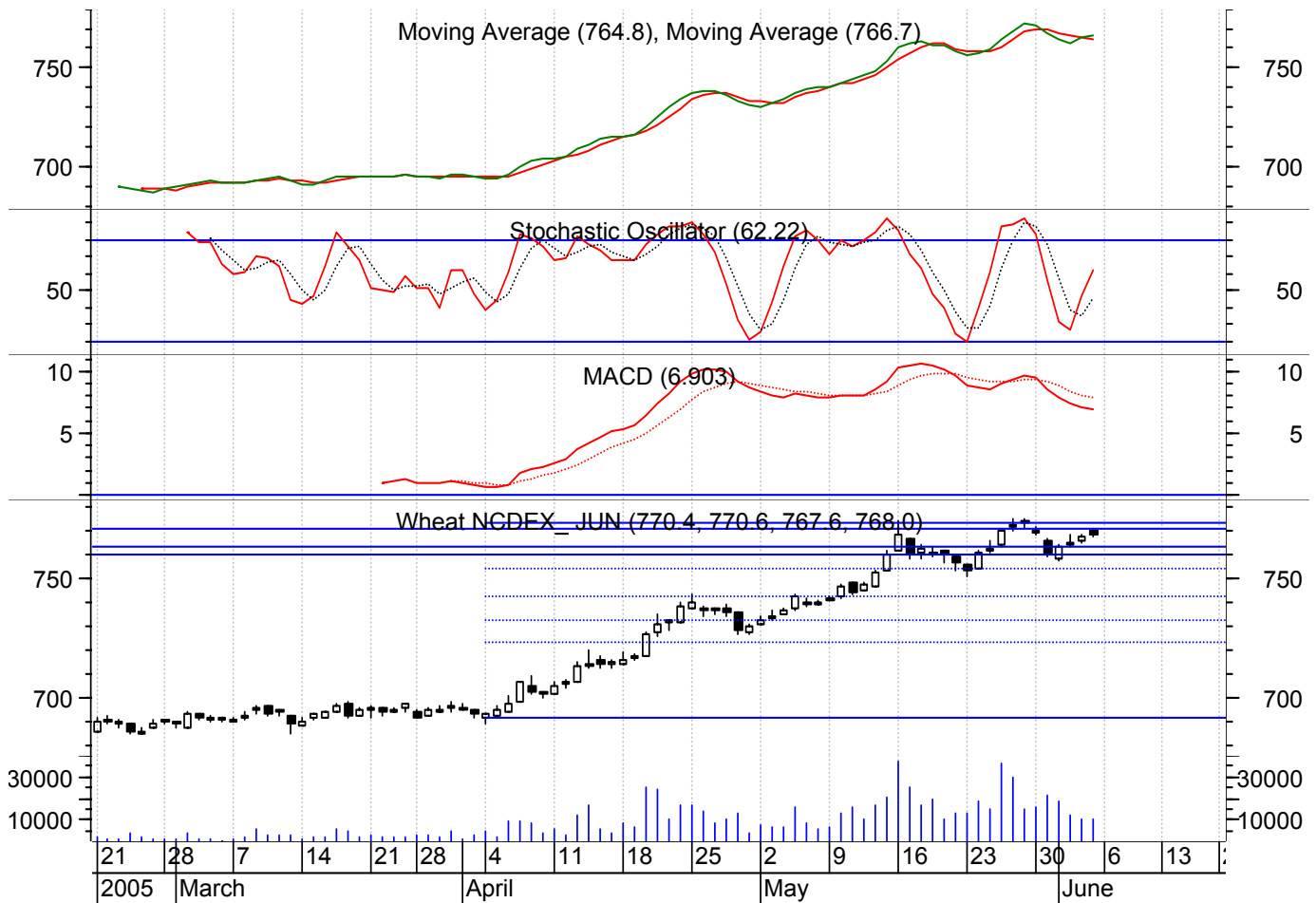
## TECHNICAL ANALYSIS

Commodity: Wheat

Contract: JUNE (Future)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)



**Candlesticks:** The candlestick pattern is indicating towards a slightly strong sentiment. The opening in the next day may be on the upper side. RSI (59.63) is in neutral.

**MACD:** The MACD (7-day) has made a bearish crossover with its EMA as it bent downwards.

**Stochastic:** The %K-line after cutting the %D -line from down is going upwards, indicating strong ness of the

market. But it is prevailing in between the oversold and overbought condition.

**Moving Average:** The 3-day moving average line is cutting the 5-day moving average line from down and is going upwards, indicating strong sentiment.

**Resistance and Support level**

The resistance level at present is at 771.30 marks and a support level may be seen at 763.10 marks.

Almost all the indicators are pointing towards the strong ness of the prices. The trading sentiment is expected that the price for wheat would remain slightly strong in the coming days. The volume and open interest are indicating that there is no strong support from the market.

**Recommendation:**

Remain long.

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