

Wheat

6th June-11th June 2005

MAJOR ACTIVITY HIGHLIGHTS

- Latest Harvesting Position in Major Wheat Producing States
- Demand, Supply And Prices At Important Centres
- International and domestic news
- International wheat prices

*Latest Procurement of wheat as on 6/06/05

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 in yield as compared to last year in blocks of Ferozpur, Amritsar, Kapurthala, Gurudaspur & Muktasar districts, but it is more than the last year in some of the districts of the State. Consequently, the productivity of the Wheat crop in the State has been estimated 4228 as against 4207 Kg/ha. of the last year. The reduction in yield is due to :

1) rains, hailstorm and strong winds experienced in the months of February & March and,

2) the frequent rainfall in these months in above mentioned districts where the soil is alkaline in nature leads to temporary water logging which affected the standing crop.

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 06/06/2005 (In '000 tonnes)

State/ U.T.	2005-06 * (October To September)		
	FCI	State agencies	Total
Bihar	-	-	-
Delhi	3	-	3
Gujarat	-	-	-
Haryana	617	3907	4524
Himachal Pradesh	-	-	-
Jammu & Kashmir	-	-	-
Jharkhand	-	-	-
Madhya Pradesh	14	467	481
Punjab	1428	7582	9010

DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

Market Highlights

Delhi:

The market prices for wheat at the Lawrence Road remained range bound with stable note in this week amid moderate arrival. The market arrival was moderately high in this week as against the last week. The average arrival was in the range of 4000-5000 bags in this week.

Ahmedabad:

The market sentiment in Ahmedabad remained almost 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 Rs735-745 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 Rs690-700 per quintal.

Ludhiana:

Ludhiana market showed stable to steady position in this week amidst stable demand. The wheat has been quoted at the range of Rs.695-705 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:

The most active June and July contract at NCDEX witnessed a range bound with stable sentiment in this week. The market remained strong due to less government procurement, expected drop in

production, average arrival, hoarding the stock by the traders and farmers etc.

Table: Price and Arrivals in Delhi Markets in This Week

Centres	Prices (Rs/qt.)		Arrivals (bags)	
	11.06.05	4.06.05	11.06.05	4.06.05
Lawrence	755-756	755-760	5000-6000	3000-4000
Mills	755-756	755-760	8000-10000	3000-5000
Narela	720-725	720-730	4000-5000	NR
Nazafgarh	725-735	730-740	4500-5000	NR

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

Wheat Products	11.06.05	4.06.05
Atta (90kg)	753	753
Maida (90kg)	853	853
Suji (50kg)	472	472
Chokar (50 kg)	295	289
Chokar (35 kg)	185	179
Chakki Atta (90kg)	730	730

CONCLUSION

The over all market prices for wheat remained almost stable with range bound sentiment in the most part of the country in this week amid moderate arrival and government selling. The global market sentiment also remained range bound with stable tone in this week. Therefore it is expected that the market would continue this tone in the coming days.

overall size from 85 per cent of GDP in 1999-2000 to 59.4 per cent of GDP in 2004-05.

Wheat Prices Likely to Increase 5-10%

The prices of all daily food items, like rice, sugar, cooking oil, milk, fruits and vegetables, are likely to stay steady or even dip as healthy supplies keep grocery stores well-stocked, at least till the year-end. The only concern is over wheat, where prices may rise 5-10%. It is expected that the prices of all food items, except wheat, will remain steady to bearish till the end of this year's kharif (October). The price rise in commodity exchanges may be a bit higher. While rice prices may remain steady, sugar prices may actually dip due to ample supplies. With a closing stock of 45 lakh

INTERNATIONAL AND DOMESTIC NEWS:

Pakistan Witnessed 8.4 Per Cent Growths in Fiscal Year

Successive increases in the wheat prices (about Rs 100 per 40 kg), shortage of wheat and mismanagement resulted in sharp increase in wheat and flour prices. The prices of other food items registered sharp increase owing to sympathy effect and demand pressures. The survey also expects Pakistan would receive over USD 1 billion foreign direct investment (FDI) during 2004-05. This, the survey maintains, should be enough to finance the current account deficit of 1.2-1.5 per cent of GDP, which is the most likely expectation for the year. The survey said the public debt, which has actually increased during the year, reduced in

tonnes and a bumper crop predicted for next year, sugar prices will remain under pressure. First, the rains may recover in late July-August, which may take away some of the pain. Moreover, the crops are more affected by lack of moisture in the soil. That has not been forecast yet. But, market analysts believe the government may be unduly optimistic, especially about wheat. Wheat will certainly pose a problem for the poorer sections of the society. Even a 10% rise means an increase of Rs 800/tonne with a cascading effect up the value chain. So it will certainly have an impact.

US Wheat Harvest Delays Amidst Rain

Friday's heavy rains may have delayed the start of the wheat harvest in some areas of Sumner County of the US up to a week. A flood dumped more than 2 inches of the wet stuff on the golden fields of grain Friday. Unofficially, the Wellington area received 2.10 inches of rain in less than an hour. The areas around Caldwell received just less than 1 inch of rain Friday. Local wheat farmers are no doubt keeping a close eye on the weather. There is a chance of rain late in the week.

Reducing Wheat Flow by FCI may Strike Poor Families

The food ministry is likely to reduce the quantity of wheat given each month to every family below the poverty line (BPL). It is also expected that FCI (Food Corporation of India) will increase in the prices at which FCI sells wheat to both above-poverty line (APL) families and private millers. FCI estimates it has enough wheat to supply ration shops for the next 10 months. But that may be hopeful. With demand for subsidised wheat going up sharply even in the usually dull April-May, FCI may actually have just enough stock for five months, without digging into buffer stocks. FCI's open market sales are a critical factor to ensure the steady wheat prices. On an about 17 MMT wheat requires in India annually for its public distribution system (PDS) and targeted programmes in a normal year. According to the latest FCI control room figures, it had wheat stocks of 14.7 MMT as on June 1. According to FCI estimates, this means it has stocks available for 10 months to supply to the targeted PDS. Demand for FCI stocks is usually the lowest in April-May as the harvest has just come in and open market price are very low.

Indian Wheat Export Likely to Fade Amid Less Stock

It is expected that the chance of wheat export during 2005-06 will very less due to the stock in the granaries has fallen to the lowest level since 1998. The latest procurement report indicates that wheat stocks with the government on the first of next month could be around 14.3 million tonnes. This is the lowest level since July 1, 1998, when it touched 16.5 million tonnes. The wheat stocks may just about hit the stipulated minimum buffer level, which is set by the government for July 1 each year at 14.3 million tonnes. Progressive procurement of wheat by the Food Corporation of India (FCI) and other government agencies was stood at 14.74 million tonnes as of June 3 and progressive market arrivals were at 15.87 million tonnes. Procurement by June 3 last year was 16.26 million tonnes and progressive market arrivals were 17.5 million tonnes. The minimum buffer stock is required for meeting public distribution system (PDS) needs.

Global Wheat Prices Likely to Go Up Amid Australia's Drought

The Australia's wheat crop production is expected to decline due to a worsening drought. Therefore it could put pressure on global wheat prices. Australia is the second largest exporter of wheat. The Australian Bureau of Agricultural and Resource Economics (ABARE), the government forecasting agency, reported it now expected a wheat crop of 16 MMT, down from 20.4 MMT in its March forecast, and 21% below last year's 20 MMT. New South Wales is set to be considerably the hardest-hit state, with production down 55% at about 4 MMT, followed by Queensland with a 27% fall. ABARE added that the situation would be much worse were it not for good conditions in Western Australia, which, in contrast, is inclined to increase its winter crop by 16% this year. By early June, no significant planting rainfall had been recorded in most cropping areas of New South Wales, Victoria or South Australia and the weather outlook was poor, with only a 35-45% chance of average rainfall in much of south-eastern Australia in the coming weeks.

India Requires Restriction to Grasp Wheat Prices

According to traders, the domestic wheat prices are rolling and government grain stocks are falling down, therefore the government, should take immediate steps to arrest rates. Wheat prices started moving up from May, when the offtake is low because of the summer season, due to fears of lower output. Prices could soar further in winter when wheat demand peaks. It is expected that the prices would explosive in the months of September and October; therefore the government will have to take a call on it now, according to trade sources. Traders said wheat prices had blast up to Rs 7,60 a quintal from around Rs 7,20 a quintal in mid-May. However prices remained around the government's support price of Rs 6,40 a quintal at the same time last year. Analysts emphasized that the government should put restrictions on stocks held by traders and allocate more grains for the poor from the state's stocks.

Indian Food Grain Stocks Witnessing to Lower This Year

According to a Food Ministry official, India had grain stocks of 28.08 million MT on May 1, which was more than 3 million MT lower than a year ago. The stocks comprised 15.05 million MT of wheat and 13.03 million MT of rice. The stocks are lower than last year mainly due to wheat procurement has been less this year. Indian agencies have procured about 14.76 million MT of wheat as on June 6 this year, against 16.29 million MT at the same time a year ago. Traders expect wheat output this year to be around 71 million MT. India had 4.06 million MT of wheat stocks on April 1 against the buffer stock requirement of 4 million MT.

Ministry Said Wheat Sales to Continue Amid Adequate Stock

According to the food ministry, they would continue to sell wheat in the open market from the Central grain pool and they also indicated that it would not pursue its earlier proposal to the Cabinet for decreasing the supply of foodgrains to below poverty line (BPL) households. According to food secretary S K Tuteja, though the procurement of wheat this year might fall by around two million tonne, the total stocks available with the government would still be adequate to meet the requirement for various purposes. The total wheat availability this year would be around 18.8 MMT, including this year procurement and last year stock. On the other hand the wheat requirement was likely to be maximum 17 MMT, including around 12 MMT

for the public distribution system (PDS), between 1.5 and 2.0 MMT for welfare schemes and around one to 1.5 MMT for the rural development ministry's employment oriented schemes. For this reason the government did not expect any shortage of wheat. Though the wheat-based industry in the south had proposed earlier to the government to facilitate wheat imports at the southern ports, but it was not acclaimed with this demand, Tuteja revealed. According to Tuteja, the futures trading of wheat was responsible for higher wheat prices in domestic spot market.

U.S.A. Enjoys with Good Winter and Spring Wheat Crop

It was noticed that 48 percent of the winter wheat crop was rated good to excellent at early of May, which was considerably lower from mid April when 70 percent of the crop was rated good to excellent. The winter wheat crop didn't show much damage from the frosts in April until the crops started heading out. In May empty heads started appearing. The winter wheat crop had good moisture to start the year, but then an extended period of dryness causes the empty heads and some leaf rust and stripe rust has been showing up in some areas, which reduces the yield. Winter wheat harvest has already initiated in the far southern U.S. with initial reports indicating good yields, but lower protein levels. If protein levels continue lower in the winter wheat crop that could mean another good year for protein premiums for hard red spring wheat. In U.S., the planting of spring wheat crops is delayed due to cool and wet weather. According to analysts, U.S. could create some

pressure on prices if the winter wheat harvest is better than expected and good growing conditions prevails for spring wheat.

USDA: Lower Wheat Stocks Amid Lower production

Projected U.S. 2005/06 ending stocks of wheat are down 59 million bushels from last month due to smaller beginning stocks and lower production. Beginning stocks are down 14 million bushels with higher projected food use and exports for 2004/05. Forecast winter wheat production is 45 million bushels less than last month because of lower yields. Projected use is unchanged from last month but is down 131 million bushels from last year. The 2005/06 projected price range is \$2.65 to \$3.15 per bushel, up 10 cents on each end from last month compared with an estimated \$3.39 for 2004/05. The 2005/06 global wheat outlook has shifted modestly from last month with projected production falling, imports increasing, and stocks declining. Foreign production is down 1.6 million tons due mostly to smaller crops in Australia (down 1.5 million), the EU-25, Argentina, India, and Morocco. These declines are partially offset by larger crops in Russia (up 2 million tons) and Turkey. Projected global imports are up fractionally, mostly due to larger imports by Morocco, Tunisia, and Nigeria. The pattern of global exports has shifted from last month with larger exports projected for Russia and Turkey and smaller exports for Australia, Argentina, and India. Global consumption rises fractionally due largely to increased wheat feeding in Russia. Global wheat stocks fall with the largest declines in the United States and Australia.

INTERNATIONAL WHEAT PRICES

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

	ASW 10%		AH 11.5%		APH 13%		APH 14%	
	28.05.05	10.06.05	28.05.05	10.06.05	28.05.05	10.06.05	28.05.05	10.06.05
Jun '05	146	146	182	184	186	188	210	212
Jul '05	130	125	174	164	178	167	202	192
Aug '05	127	130	174	171	178	175	202	200
Sep '05	123	123	171	168	174	172	199	197
Oct '05	132	130	180	171	184	175	208	200
Nov '05	-	135	-	176	-	180	-	205

PORT WATCH

Mundra Port is expecting 'Zara' to load 16,800 MT of wheat. Taurus will be handling the vessel.

WEATHER WATCH

Monsoon Outlook

Southwest monsoon advanced into some more parts of southwest Bay, entire southeast Bay, parts of westcentral Bay, some more parts of eastcentral Bay and parts of north east Bay of Bengal on 2nd. It further advanced into Kerala, and also into some parts of south Arabian Sea, parts of Tamil Nadu and some more parts of southwest Bay of Bengal on 5th. It has further entire south Arabian sea, parts of central Arabian sea, entire Kerala and southern parts of coastal Karnataka, some more parts of Tamil Nadu, southwest, central and northeast Bay on 6th. It has further advanced over some more parts of central Arabian Sea, most parts of Coastal Karnataka, some more parts of South Interior Karnataka, Tamil Nadu and some more parts of southwest Bay on 7th. Southwest monsoon further advanced over some more parts of eastcentral Arabian Sea, Goa, entire Coastal Karnataka, most parts of South

Interior Karnataka, Tamil Nadu, parts of Rayalaseema and southern parts of Coastal Andhra Pradesh, entire southwest Bay and some more parts of central Bay on 8th.

Rainfall

Rain/thundershowers occurred at many places over Andaman & Nicobar Islands, northeastern States, West Bengal & Sikkim, Karnataka, Kerala and Lakshadweep; at a few places over Orissa Jharkhand, Uttaranchal Himachal Pradesh, Jammu & Kashmir, Konkan & Goa and Andhra Pradesh and at isolated places over the rest regions of the country. Isolated dust storm / thunderstorm accompanied with squall occurred over plains of northwest India. Heavy to very heavy rainfall occurred at a few places over Andaman & Nicobar islands. Isolated heavy rainfall also occurred over Assam and Meghalaya, Sub Himalayan West Bengal & Sikkim and interior Karnataka.

Outlook

Conditions are favourable for further advance of southwest monsoon into the northeastern states and some more parts of south peninsula during the second half of the week.

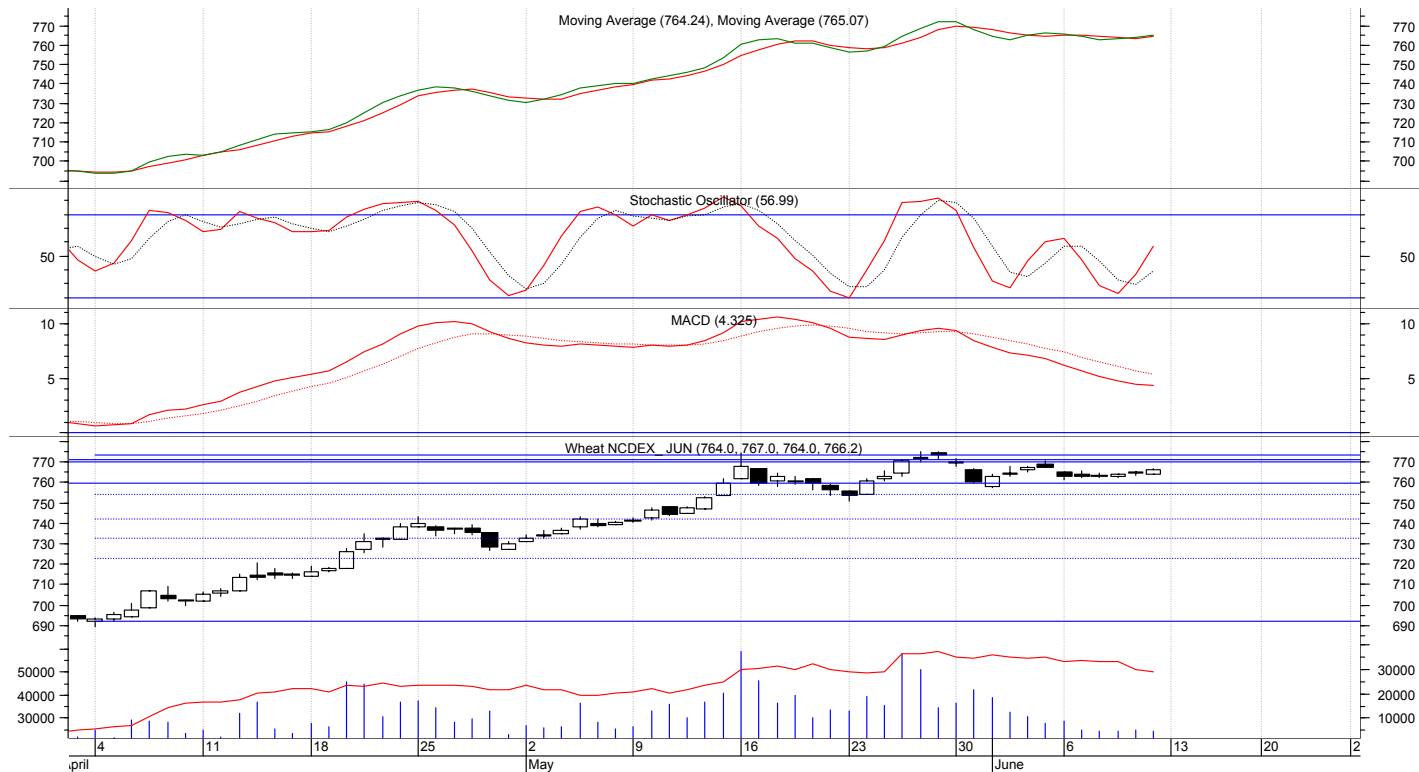
TECHNICAL ANALYSIS

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 (58.09) 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 770.20 marks and a support level may be seen at 763.12 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 with range bound in the coming days. The volume and open interest are indicating that there is no strong support from the market.

Recommendation:
Remain long.

Indicative Closing Forex Rate 1 USD = Rs 43.56

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