

## Wheat

12<sup>th</sup> June-18<sup>th</sup> 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 13.06.05

### 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)

#### Progressive Procurement of Wheat as on 13.06.05.

State	Total procurement in marketing season 2004-05 (Apr. - Mar.)	Progressive Procurement as on 13.06.2005	
		In Marketing season 2005-2006	In Marketing season 2004-2005
Haryana	51.15	45.24	51.07
Madhya Pradesh	3.49	4.82	3.31
Punjab	92.40	90.10	92.40
Rajasthan	2.79	1.59	2.79
Uttar Pradesh	17.41	5.54	14.44
All-India	167.96	147.72	164.63

## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

The market prices for wheat at the Lawrence Road remained strong with range bound 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 8000-10000 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 Rs745-750 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 Rs690-695 per quintal. There was not any significant arrival.

#### Ludhiana:

Ludhiana market showed very strong sentiment in this week amidst high demand and anticipated production loss. The wheat has been quoted at the range of Rs.730-735 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, Hisar, Hodal and Palwal markets of Haryana, wheat is traded at the range of Rs 665-670, Rs.705-710, Rs.700-750, and Rs.700-740 per quintal. However in the Karnal market the price was too higher at the range of Rs 730-735 per quintal.

#### Rajasthan:

In Rajasthan market, the wheat prices remained strong due to no arrival. The wheat prices at Khairtal and Alwar prevailed at Rs.700-710 and 700 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

## INTERNATIONAL AND DOMESTIC NEWS:

### Wheat Area in India:

As for total area coverage under wheat during 2004-05, it stood at 265.38 lakh ha as against 265.59 lakh ha during 2003-04. It is expected that the wheat output could be only marginally lower than projected production of 74.05 million tonnes.

### Charges on import:

Adding **freight charges** of about \$40 (Rs 1,740) per tonne, APW (Australian prime wheat) lands at Indian ports on an average price of \$180 (Rs 7,830) per tonne. At 50 per cent **duty levels**, the duty element is at \$90 (Rs 3,915), taking

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	17.06.05	11.06.05	17.06.05
Lawrence	755-756	758-760	5000-6000	3000-4000
Mills	755-756	770-775	8000-10000	3000-5000
Narela	720-725	725-735	4000-5000	NR
Nazafgarh	725-735	720-730	4500-5000	NR

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

Wheat Products	11.06.05	17.06.05
Atta (90kg)	753	769
Maida (90kg)	853	857
Suji (50kg)	472	475
Chokar (50 kg)	295	293
Chokar (35 kg)	185	185
Chakki Atta (90kg)	730	735

## 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. But the strong sentiment was noticed at the weekend. Therefore it is expected that the market would continue this tone in the coming days.

the price to \$270 (Rs 11,745) per tonne. The port **handling charges** (unloading, bagging, etc) are at about Rs 500-600 per tonne in Southern ports, thus increasing the price to Rs 12,245-12,345.

### Wheat Import Costs More from Australia than Others

In India, the domestic rice prices are firming up although the import feasibility is still unviable. In the domestic market, wheat prices have already firmed up touching Rs 7,550-7,570 a tonne. In the international market, Australian prime wheat (APW) is ruling high at about \$140 (Rs 6,090 at Rs 43.5 per dollar) per tonne at f.o.b. basis now. On a

c.i.f. basis, adding freight charges, duty levels, the port handling charges (unloading, bagging, etc) thus increasing the price to Rs 12,245-12,345 a tonne. Relatively lower handling charges like at Kandla port, the price for importers at ports to Rs 12,145 per tonne of wheat. French wheat is priced at about \$130-135 per tonne f.o.b. Importing wheat from Ukraine, Kazakhstan and Russia, the quality of which would be relatively inferior, would cost in the \$140-145 range at c.i.f. basis, with the current f.o.b. prices hovering around \$110-120 per tonne. With duties, the price shoots up to \$210-217.5 (Rs 9,135-9,461). The handling charges further increase the price by Rs 400-600 depending on the port used for landing. Wheat from Argentina, which is closest to Indian wheat and blends easily, would cost about \$125-130 on f.o.b., but the freight charges of \$60 per tonne take the price up to \$185-190 at c.i.f. With duties, prices would touch at least \$277.5 (Rs 12,071). Moreover if India enters in the international market as importers the prices is likely to go up. By the by, from about November 2000, India has exported about 17.83 MMT of wheat from the central pool at low prices ranging from \$90 to \$110. Wheat exports from the central pool were at 14.69 lakh tonnes (LMT) in 2000-01, 27.36 LMT in 2001-02, 55.28 LMT in 2002-03, 72.2 LMT in 2003-04 and 8.76 LMT in 2004-05. Ironically, when India was an exporter, wheat prices dropped to low levels and now that it may need to import, it would have to do so at much higher levels.

### Chinese Grain Prices Showed Mixed Sentiment

In May, the integrated average purchase prices of three grains (rice, wheat, corn) in 25 main grain production provinces (districts, cities) of the country were 71.18-yuan/50 kg (similarly hereinafter), with a decrease of 1.02 percent over the previous month. The purchase price of rice dropped slightly, in particular, the price of indica rice produced in some southern production areas dropped a little bit, the average purchase price of rice in main production areas was 80.46 Yuan, with a decreased of 1.13 percent over the previous month. From January to March, the retail prices of finished grain basically kept stable, compared with January, the rice price in March decreased slightly by 0.23 percent. The price of wheat continued to decrease in small scale; the average purchase price of wheat in main production areas was 73.28 yuan, with a decrease of 2.59 percent over the previous month. Meanwhile, corn price continued to recover with slowing

down up trend. The average purchase price of corn in main production areas was 53.13 yuan, with an increased of 1.55 over the previous month.

### Govt. Procurement Witnessed to Drop Behind Wheat Woes

According to agricultural secretary Radha Singh, the high wheat prices and decreasing stocks are primarily due to lower procurement by the government and should not be linked to output during the current crop year ending June. In fact, the year's output is nearly 2% higher than last year at 73.50 million tonne (MMT). Private players including multinationals are estimated to have purchased around 4-5 MMT of wheat in Uttar Pradesh whereas the government's own procurement is less than 1 MMT in the state. The procurement has declined; mainly due to government agencies did not make the requisite purchases in states like Uttar Pradesh. Government's wheat stocks as on Jun. 1 are down 24.2% on year at 14.7 MMT, according to latest official data. The Government procurement was around 14.8 MMT of wheat up to June 14, over 3 MMT lower than the targeted 18 MMT. In Punjab and Haryana, there is a strong procurement network run through middlemen called 'arthiyas', which is not the case in other states. The ministry is now considering imports to meet the shortfall in wheat stocks for running the public distribution system and welfare schemes. The main driving force for price hike is mainly due to private players purchased huge quantities of wheat and also holding back of stocks. According to Singh, the trader's estimation of wheat output at 69-71 MMT was baseless.

### Wheat: USDA Latest Export Sales Report

Net sales of 335,900 metric tons (MT) were down 39 percent from the previous week. Major increases were reported for Japan (141,600 MT), South Africa (38,500 MT, switched from unknown destinations), Nigeria (33,000 MT), Venezuela (28,000 MT), South Korea (27,500 MT), Italy (27,000 MT), and Mexico (21,000 MT). Exports of 394,300 MT were 30 percent below the week earlier and 20 percent under the prior 4-week average. The primary destinations were Nigeria (69,400 MT), Egypt (57,800 MT), Taiwan (47,100 MT), South Africa (38,500 MT), Japan (28,500 MT), and Mexico (28,000 MT).

## 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

No latest news of current vessel position.

## WEATHER WATCH

### Monsoon Outlook

Last week's trough at sea level off Konkan-Kerala coasts persisted upto 12<sup>th</sup>. It was seen off Kerala coast on 13<sup>th</sup> & 14<sup>th</sup> and from Konkan to Kerala coasts on 15<sup>th</sup>. Last week's upper air cyclonic circulation over North Interior Karnataka became less marked on 9<sup>th</sup>. Last week's trough at lower levels from West Rajasthan to Assam and the upper air cyclonic circulation over Pakistan & adjoining Punjab also became less marked on 9<sup>th</sup>. The other upper air cyclonic circulation over Jharkhand & neighbourhood moved northeastwards on 9<sup>th</sup> and became less marked on 10<sup>th</sup>. A fresh upper air cyclonic circulation was seen over Coastal Karnataka & adjoining Konkan & Goa on 11<sup>th</sup> & 12<sup>th</sup>. It became less marked on 13<sup>th</sup>. An upper air cyclonic circulation extending between 2.1 & 5.8 km a.s.l. lay over southwest Bay of Bengal & Tamil Nadu on 13<sup>th</sup> & 14<sup>th</sup>. It became less marked on 15<sup>th</sup>. A North-South trough from northeastern States to central Bay of Bengal extending between 2.1 & 5.8 km a.s.l. was seen from 10<sup>th</sup> to 13<sup>th</sup>. It became less marked on 14<sup>th</sup>. However, a trough extending upto 2.1 km a.s.l. from Sub-Himalayan West Bengal & Sikkim to north Bay of Bengal was seen on 14<sup>th</sup> & 15<sup>th</sup>.

### Rainfall

Light to moderate rainfall occurred at **many places** over Andaman & Nicobar Islands, Sub Himalayan West Bengal & Sikkim, Coastal Karnataka and Kerala; **at a few places** over northeastern States, Gangetic West Bengal, Konkan &

Goa, Madhya Maharashtra, Marathwada, Coastal Andhra Pradesh, Tamil Nadu & Pondicherry, interior Karnataka and Lakshadweep. It was **isolated** in the remaining parts of the country outside Uttar Pradesh and East Madhya Pradesh where weather was mainly dry. Isolated duststorm also occurred over plains of northwest India.

### Heavy Rainfall

**Isolated heavy rainfall** also occurred over Andaman & Nicobar Islands and North Interior Karnataka on 1 or 2 days of the week.

### Maximum Temperatures

Heat wave to severe heat wave conditions prevailed over many parts of Orissa, Jharkhand, Bihar, Chhattisgarh and Coastal Andhra Pradesh on many days of the week. Heat wave conditions also prevailed over Vidarbha, East Uttar Pradesh and south Madhya Pradesh on many days and parts of Telangana, Rayalaseema, West Madhya Pradesh & southeast Rajasthan on some days of the week.

Highest maximum temperature in the country was recorded 49.5°C at Talcher (Orissa) on 13<sup>th</sup> June 2005.

### 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.

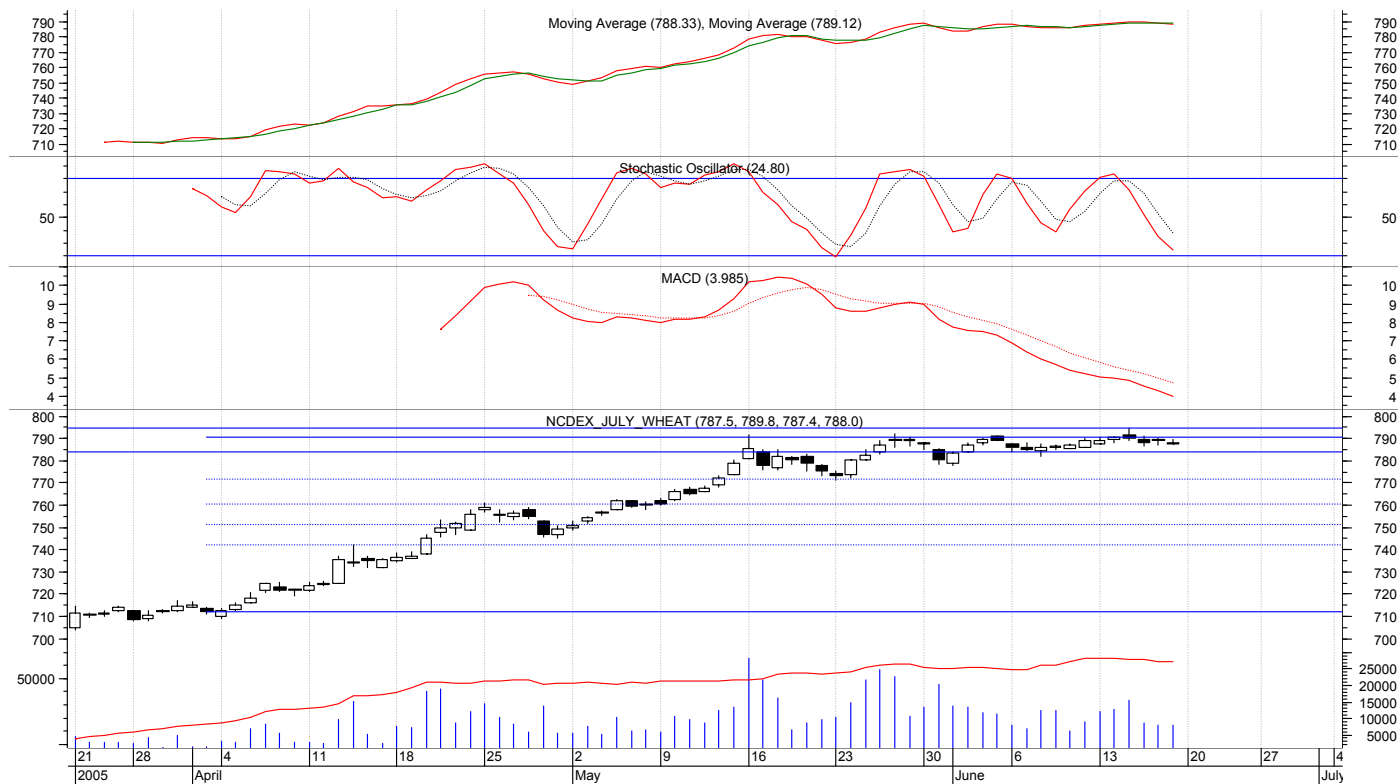
## TECHNICAL ANALYSIS

Commodity: Wheat

Contract: JULY (Future)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)



**Candlesticks:** The candlestick pattern is indicating towards a slightly downward sentiment. The opening in the next day may be on the lower side. RSI (46.79) 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 up and is going downwards, indicating weak 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 up and is going downwards, indicating weak sentiment.

**Resistance and Support level:**

The resistance level at present is at 794.90 marks and a support level may be seen at 784.10 marks.

Almost all the indicators are pointing towards the weak ness of the prices. The trading sentiment is expected that the price for wheat would remain slightly weak 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 short.

**Indicative Closing Forex Rate<sup>1</sup> USD = Rs 43.59**

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