

## Wheat

18<sup>th</sup> -23<sup>rd</sup>, July 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Demand, Supply And Prices At Important Centres
- International And Domestic News
- International Wheat Prices

### DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

#### Market Highlights

##### Delhi:

The price for wheat in Delhi market traded at the range of Rs.761-762 per quintal at Lawrence road at this weekend amidst more arrival in this week against previous week and government intervention programme. The prices remained at higher side first few days of this week but rebounded later due to more arrival of 10000-12000 gunny bags.

##### Ahmedabad:

The market sentiment in Ahmedabad hovered around Rs.9-10 and settled at Rs.798-799 per quintal at this weekend amidst less supply and more demand. The wheat crop has been supplying to MP and Rajasthan etc.

##### Amritsar:

The wheat prices in Amritsar market witnessed to decrease trend from Rs.710-715 to Rs.690-695 per quintal in this week amid less demand and monsoon activity. The godown stocks were sold in the market. The traders and big farmers are hoarding the stock to get long-term profit. There was not any significant arrival.

##### Ludhiana:

The market price for wheat in Ludhiana remained range bound with stable undertone in this week amid moderate demand. The wheat has been quoted at the range of Rs.740-745 per quintal and in Jagraon; it was traded at the range of Rs.720-722 per quintal.

##### Maharashtra:

In Maharashtra, the wheat has been traded at higher side due to shortage of stock as monsoon activity and strong demand. The wheat was traded at the range of Rs.820-825 per quintal, which was increased from Rs.800-805 per quintal of previous week's range.

##### Haryana:

In the Hisar, Hodal and Palwal markets of Haryana, wheat is traded at almost unchanged position with the range of Rs.705-710, Rs.700-730, and Rs.700-725 per quintal. The main factor for this was stable demand. The wheat was sold from this market to Delhi mandis. In the Karnal market the wheat was traded at the range of Rs.741-745 per quintal.

##### Rajasthan:

In Rajasthan market, the wheat prices remained range bound with mixed sentiment due to less arrival, monsoon activity, and hoarding the stock by the traders. The wheat

prices at Khairtal and Alwar prevailed at unchanged position of Rs.700 per quintal in this week. In Kota, the wheat prices increased Rs.11-12 at the range of Rs.781-782 per quintal.

##### Uttar Pradesh:

In U.P. the market prices for wheat remained weak as flour millers released their stocks in the market and also monsoon activity. In Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.740-745, Rs.798-802 (mill quality), Rs.795-797 and Rs.739-740 per quintal at this weekend.

##### Vyada Bazaar:

The most active August and September contract at NCDEX witnessed a range bound with slightly weak undertone in this weekend. However the prices got down tremendously at first few days of this week but later it rebounded and settled at stable range. The August and September contract at NCDEX likely to increase slightly in the coming weeks. The wheat market fluctuated is mainly due to less government procurement, expected drop in production, average arrival, hoarding the stock by the traders and farmers, and monsoon activity, and also government intervention programme etc.

#### Market Price For Wheat In Different Regions (In Rs./Quintal)

Market	16.07.05	23.07.05
Delhi (Lawrence Road)	768-770	764-765
Haryana (Dhabwali)	685-690	685-695
Ahmedabad	789-790	798-799
Ludhiana	735-740	740-745
Ludhiana (Jagraon)	720-725	720-722
Rajasthan (Kota)	768-770	781-782
Amritsar	710-715	690-695
Madhya Pradesh (Indore)	795-797	811-813
Uttar Pradesh (Bareilly)	740-745	739-740
Uttar Pradesh (Shahjahanpur)	790-792	779-782
Maharashtra	800-805	820-825

### Prices of Wheat Products in This Week (in Rs.)

Wheat Products	23.07.05	16.07.05
Atta (90kg)	800	799
Maida (90kg)	822	841
Suji (50kg)	511	521
Chokar (50 kg)	243	239
Chokar (35 kg)	161	165
Chakki Atta (90kg)	745	745

### CONCLUSION

It is witnessed that the wheat prices is fluctuated according to the arrival. As arrival increases the spot and futures market decreases and vice-versa. In this week the wheat prices remained almost strong in most of the centres at this weekend. The market sentiment is totally depended on speculation that is import for wheat and production downfall. Therefore the traders and flour millers are anticipating that the prices would increase in the end of this year due to consumption will increase in this time. In global market the wheat price remained down at this weekend. However it remained strong at first few days of this week. Chicago Board of Trade (CBOT) wheat futures bounced back from its recent losses on Friday after declining with corn and soybean prices at midday when forecast for rain was reported for next week. The September wheat settled 3.5 cents higher at \$3.305 per bushel and CBOT December wheat closed up 2 cents at \$3.445, after losing 18.75 cents since last Friday's close. August wheat options will expire Friday. Funds ended net even after modest trade. CBOT December wheat traded both sides of its 200-day moving average, at \$3.42, and its 100-day moving average, at \$3.43, on weather uncertainties before closing above both levels. Crop conditions are scheduled to be released Monday in the U.S. Department of Agriculture's weekly crop progress report. The U.S. soft red winter wheat harvest is nearly complete; the spring wheat harvest is nearing. Cash U.S. soft red winter wheat basis bids were unchanged, grain dealers said. Overnight, U.S. wheat export business was slow. The value of the dollar rose slightly Friday against the yen following Thursday's losses. Gains on the dollar make U.S. dollar-denominated grain more expensive to foreign buyers.

Therefore it can be expected that the market price for wheat would remain strong in domestic spot as well as futures market as a long term, but in short term it might be continue the range bound with stable sentiment.

### INTERNATIONAL AND DOMESTIC NEWS:

#### Farm Goods Prices Up amidst Uneven Monsoon

It was witnessed that the prices of various agricultural commodities have shown a tendency to rise due to delayed monsoon and uneven rainfall coverage since June 1, which is believed the official date for onset of monsoon. The Union Minister for Agriculture and Food, Mr Sharad Pawar, has reported that the monsoon was progressing well and there could be a record kharif foodgrain production this year. But according to the IMD (India Meteorological Department) on Saturday, the rainfall during June 1-July 13 remained 1% cent below the normal rainfall of 284.1 mm. The monsoon has been spread unevenly so far this year,

according to IMD statistics. This is one of the main reasons for prices hike up. A typical example of the rainfall behaviour is Andhra Pradesh, where the Telangana region has experienced excess rainfall, while the Rayalaseema region has received normal rainfall. But, coastal Andhra has received poor rainfall. The deficient rainfall has been witnessed in Tamil Nadu, eastern Uttar Pradesh, Bihar, Assam, Meghalaya and Marathwada in Maharashtra.

#### Wheat Prices Higher due to Fall in Production

The increase in the prices of some foodgrains can be ascribed to a fall in production in the last crop year (July 2004-June 2005). For example, the wheat prices have currently attempt to over Rs.750 a quintal from around Rs 715 on June 1. However the prices were prevailed below Rs 700 a quintal during the same time last year. The main cause is that wheat production has been pegged at 72 million tonnes (mt) against 72.11 mt during 2003-04. Also, the fall in the buffer stocks held by the Food Corporation of India has added fuel to surging prices. The stocks are projected to be around 14 mt as on July 1 against the revised norm of 26.90 mt. Buffer stocks are held by the Government to meet any food emergency arising out of drought or flood.

#### Wheat: Less Arrival Pushed Up the Prices in Delhi

The domestic spot prices for wheat have been remained firm in Delhi mandis. It is witnessed that the wheat was traded at the Lawrence road around Rs.770-772 a quintal. Less arrival from U.P. and Haryana pushed up the prices over Rs.770 a quintal. The average arrival is around 4000-5000 gunny bags.

#### World Wheat Outlook on Exports & Planting

USDA reported weekly U.S. wheat export inspections totaled 17.514 million bushels, which is as same as with the estimation of traders and above last week's 13.392 million bushels. The tally included 2.199 million bushels shipped to Iraq, a former top U.S. wheat customer. In other wheat export news, South Korea bought Friday 55,000 metric tons of optional-origin feed wheat from Bunge. Syria sold 150,000 tons of wheat and Iraq was reportedly close to buying up to 200,000 tons of wheat from Iran for delivery this year and early in 2006, according to an Iraqi trade official. In global news, the Buenos Aires Cereals Exchange lowered its 2005-06 planted acreage forecast to 5.5 million hectares from 5.67 million hectares a week ago. The latest plantings estimates is also lower than the 6.09 million hectares planted a year ago, when Argentina produced a record 16.345 million metric tons of wheat. Ukraine had harvested 5.3 million tons of grain by Friday on 19% of the total area to be harvested. And according to the traders, wheat prices in major producing regions in China rose slightly in the week ending Monday, but they expected an easing due to average buying interest. China is the world's largest wheat producer.

#### Overnight U.S. Wheat Export News

In overnight U.S. wheat export news, Egypt's main state wheat buyer, the General Authority for Supply Commodities, said it bought 265,000 metric tons of wheat, on a free on board basis. The purchase included 60,000 tons of U.S. soft white wheat at \$135.79/ton and 55,000 tons of U.S. soft white wheat at \$135.79/ton. Egyptian wheat tender included 30,000 tons of French milling wheat at \$127/ton; two cargos each 30,000 tons of Russian wheat at \$113/ton; and 60,000 tons of Australian standard white wheat at \$138/ton, GASC told Dow Jones. The U.S. Commodity Credit Corporation sought 29,810 metric tons of

hard red winter wheat for Ethiopia. In global wheat news, key producer Argentina cut its forecast for 2005-06 wheat plantings to 5.63 million hectares from 5.9 million, the Agriculture Secretariat said. If the forecast is accurate, planted acreage would be down about 10% from a year ago, when farmers produced a record 16 million metric tons of wheat. Argentina also reported May wheat exports were up 6.7% from the previous May amid larger 2004-05 productions and competitive pricing, the Secretariat said.

### **S. Africa Lowers Its Wheat Planting Area**

The preliminary area estimate of SAGIS (South African Grain Information Service) for 2005-06 winter wheat is 817,500 hectares, which is 1.5% lower than the 830,000 hectares planted for the previous season. An estimated 380,000 hectares or 46% are in the Free State, 315,000 hectares or 39% in the Western Cape and 47,000 hectares or 6% in the Northern Cape.

### **CAG: Center Lost Rs 2,300 Crore on Bungle Buying by FCI**

It was founded by the Comptroller and Auditor General (CAG) that the Centre has lost around Rs 2,300 crore, due to the irregularities in the procurement and export of wheat and rice by the Food Corporation of India (FCI) during 2001-04. The CAG has also found the procurement agency favouring individual exporters, ignoring even notification of the ministry. According to the CAG's findings, a copy of which is available with FE, the Centre has allowed FCI to export 19.71 million tonne of wheat and 13.53 million tonne of rice during 2001-04 to liquidate excess stock in the Central pool. However, the excess stock of the minimum buffer stock in the Central pool was caused due to FCI increased its procurement of wheat and rice. According to the CAG, the export price fixed by the ministry for wheat was lower due to incorrect economic cost and higher carrying cost. Further, the sale price fixed for export was based on ex-FCI port godown basis and also the agency had compensated transportation charges.

### **Foodgrain Stocks Declined due to Low Wheat Stocks**

The overall foodgrain stocks have been declined due to low wheat stocks in the Central pool and therefore the minimum buffer norms declined below by about 25 lakh tonnes (lt) as on July 1. Now the government has decided to offer rice instead of wheat for the Food-for-Work programmes in the North-East and Kerala due to low wheat stocks. According to Pawar, there are States like the North-East that have been demanding rice instead of wheat. The Union Minister for Agriculture, Food and Consumer Affairs, Mr Sharad Pawar, on Wednesday reported that the stock situation was comfortable to meet the country's requirements this year. As on July 1, there was an estimated stock of 245 lakh tonnes (lt) of foodgrains in the Central Pool, comprising 145 lt of wheat and 100 lt of rice (including unmilled paddy). The buffer norms set by the Government for July 1 requires 269 lt of foodgrains (9.8 lt of rice and 17.8 lt of wheat). Generally the monthly offtake from the Central Pool ranges between 140-150 lt. So, there should not be any shortfall, according to a senior Food Ministry official. Besides this, the Minister said that wheat prices were now under control and there is nothing to worry at present.

### **Global Wheat Outlook**

According to CBOT traders, Iraq was interested in buying up to 1.5 million tons of wheat, including both U.S. and Australian wheat. China's revaluation of its yuan Thursday had little effect on U.S. wheat futures near term, they also

reported. China, the fourth-largest importer of U.S. wheat last year, increased the value of its yuan 2% versus the value of the dollar. In related news, China's Ministry of Agriculture said Thursday that its 2005 wheat supplies were expected to lag those of last year. Chinese wheat supplies were deemed sufficient to meet demand, and wheat stocks at the end of 2005-06 were expected to be down 4.89% on year, the ministry said in its June wheat market monitoring report. The ministry didn't give any new projections on imports. The weekly European Union grain tender was canceled for Thursday because of a public holiday in Belgium. In addition to the normal free-market and intervention grain tenders, traders were waiting to hear the E.U. grain management committee's decision on moving grain to drought-stricken Spain.

### **Indian Wheat Prices Dwindling due to Hoarding Charges**

The wheat prices are witnessed to increase manifolds in this year against previous year's price range amid allegations of hoarding by multinationals, flour millers and stockists. The futures contracts for September are quoting at Rs 811, October Rs 827 and November Rs 840 today. Mandis are looking increasing amount of wheat stocks, despite decline in government's procurement to 14.79 million tonne from 16.79 million tonne last year. The procurement remained down due to lower government MSP (Minimum Support Price) of Rs.640 per quintal, which was far below than the market price. MNCs and flour millers have, however, opposed the allegations of hoarding by stating that stockists were not willing to sell at the moment on hopes of getting a higher price following a month or two. The developments have resulted in uncontrolled speculation in the derivatives market. While the government estimates the shortfall in 2005 crop at a not-too-significant 72 million tonne compared with 72.11 million tonne last year, market players peg the recently harvested crop at around 69-70 million tonne. Even according to a senior scientist at the Indian Agricultural Research Institute pegged the crop output at over 70 million tonne. Some others feel that prices are likely to rise further following the delayed south-west monsoon. According to market talk, delayed monsoon has not allowed soil moisture to reach optimum levels and this will affect the next rabi sowing of the crop, said analyst K.N. Rahaman. Agriculture experts, however, oppose such a supposition. It is too early to predict such an impact about the rabi wheat crop. Further, good rains in the gangetic regions will help increase fertility and improve water reserves and irrigation facilities, B.B. Singh, head-genetics, Indian Agricultural Research Institute.

### **Wheat: US Wheat Export Hovered around 42%**

According to the latest report of USDA, the net sales of 589,100 metric tons (MT) of wheat were 91 percent above the previous week and 16 percent over the prior 4-week average. Major increases for Nigeria (115,900 MT), Taiwan (92,200 MT), Thailand (89,000 MT), Mexico (87,700 MT), South Korea (63,000 MT), Iraq (59,900 MT), Mozambique (21,400 MT, including 21,000 MT switched from unknown destinations), and Ecuador (20,700 MT--all switched from unknown destinations) were partially offset by decreases for unknown destinations (24,500 MT), and Italy (20,000 MT). Exports of 428,300 MT were 42 percent above the week earlier and 14 percent over the prior 4-week average. The primary destinations were Nigeria (68,800 MT), the Philippines (60,200 MT), Iraq (59,900 MT), Mexico (48,100

MT), and Japan (46,300 MT). (The week for 8<sup>th</sup> July to 14<sup>th</sup> July)

### Global Wheat Outlook

It was witnessed that Argentina's farmers had planted 71% of the country's 2005-06 wheat crop by Thursday, the latest Agriculture Secretariat data show. That compares with 62% a week ago. Planting remains slow compared with a year ago, when farmers had sown 86% of a larger crop. European Union cereal output in 2005-06 is forecast at 258.9 million metric tons, a decline of 8.9% on the year, according figures released Friday by E.U. agricultural organization's COPA-COGECA. The figures are based on crop observations made as of July 5. E.U. soft wheat production is projected at 118.1 million tons, down 4.4% from 2004-05; while E.U. durum wheat output was forecast at 7.4 million, down 38.6% on the year, according to the Brussels-based organizations.

### Australia's Wheat Exports to Iran Experienced a Big Slump

Australia's wheat exports to Iran experienced a big slump last year due to the result of Iran's self-sufficiency in production last year. According to the Australian Department of Foreign Affairs and Trade, Australia's wheat exports to Iran have slumped from \$750 million in 2001 to \$152 million in 2004. Iran used to be one of the main

buyers of Australian wheat. Meanwhile, Iran's exports to Australia decreased from 52.6 million in 2003 to 27.9 million in 2004.

### Progressive Procurement of wheat as on 11.07.05 lakh tonnes

State	Total procurement	Progressive Procurement as on 11.07.2005	
		In Marketing season 2005-2006	In Marketing season 2004-2005
Haryana	51.15	45.29	51.15
Madhya Pradesh	3.49	4.85	3.49
Punjab	92.40	90.10	92.40
Rajasthan	2.79	1.59	2.79
Uttar Pradesh	17.41	5.60	17.41
All-India	167.96	147.88	167.92

### WORLD WHEAT OUTPUT RECORD

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
						Prev.	Curr.
<b>Production</b>	582	581	566	555	625	604	604
<b>Trade</b>	102	107	105	102	106	107	108
<b>Consumption</b>	584	586	600	594	612	607	608
<b>Stocks</b>	202	198	164	124	137	132	133
<b>Year-year Change</b>	-2	-4	-34	-40	+13	-4	-4
<b>Major Exporters a)</b>	53	50	42	39	51	52	52

a) Argentina, Australia, Canada, EC, United States

Source: IGC

### INTERNATIONAL WHEAT PRICES

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

	ASW 10%		AH 13%		APH 13%		APH 14%	
	22-Jul	21-Jul	22-Jul	21-Jul	22-Jul	21-Jul	22-Jul	21-Jul
Jul '05	132	131	158	160	162	164	186	188
Aug '05	124	122	172	172	175	176	200	201
Sep '05	106	104	157	156	160	160	185	184
Oct '05	118	117	166	166	170	170	194	194
Nov '05	123	121	170	170	174	174	199	199
Dec'05	114	113	167	166	171	170	195	194



## PORT WATCH

No latest news of current vessel position.

## WEATHER WATCH

### METEOROLOGICAL ANALYSIS

Last week's upper air cyclonic circulation extending in the lower tropospheric levels over West Uttar Pradesh and neighbourhood persisted upto 18<sup>th</sup> and became less marked on 19<sup>th</sup>. The other upper air cyclonic circulation over northwest Rajasthan & adjoining Punjab and central Pakistan persisted upto 19<sup>th</sup> and became less marked on 20<sup>th</sup>.

A fresh upper air cyclonic circulation extending in the lower tropospheric levels formed over Bangladesh and neighbourhood on 14<sup>th</sup>. It persisted on 15<sup>th</sup> and became less marked on 16<sup>th</sup>.

Another upper air cyclonic circulation developed over southwest Bay of Bengal on 14<sup>th</sup> which persisted next day also extending upto mid-tropospheric levels. It lay over southwest Bay of Bengal off north Tamil Nadu-south Andhra Pradesh coast tilting southwestwards with height on 16<sup>th</sup>. Subsequently, it moved inland and was seen over North Interior Karnataka and adjoining Telangana on 17<sup>th</sup> & 18<sup>th</sup>. It became less marked on 19<sup>th</sup>.

A fresh upper air cyclonic circulation lay over Marathwada & neighbourhood extending between 3.1 & 5.8 km a.s.l. on 20<sup>th</sup>.

The axis of monsoon trough at sea level was located at its near normal position during first half of the week. However, it was seen north of its normal position with its eastern end passing through the foothills of the Himalayas during the second half of the week.

### RAINFALL

Southwest monsoon was active to vigorous over Sub-Himalayan West Bengal & Sikkim, Bihar, East Uttar Pradesh, East Rajasthan and interior Karnataka on many days of the week and over Nagaland, Manipur, Mizoram & Tripura, Assam & Meghalaya, Arunachal Pradesh, Gangetic West Bengal, Orissa, Jharkhand, Uttaranchal, Himachal Pradesh, Haryana, West Madhya Pradesh, west Rajasthan, Coastal Karnataka, Rayalaseema and Coastal Andhra Pradesh on one or two days of the week.

During the week, enhanced rainfall with heavy to very heavy falls occurred over East Rajasthan, Uttar Pradesh and Western Himalayan Region. Moderate rainfall activity

with isolated heavy falls continued over northeast India throughout the week. Moderate rainfall also occurred over Peninsular India including Maharashtra throughout the week with isolated heavy falls in the second half. Rainfall activity remained generally subdued over Gujarat, West Rajasthan and Punjab.

### RAINFALL DURING THE WEEK(FOR THE WEEK ENDING ON 20<sup>TH</sup> JULY, 2005)

Out of 36 meteorological sub-divisions, rainfall was excess/normal in 22, deficient/scanty in 14 meteorological sub-divisions (Actual: 63.3 mm, Normal: 67.7 mm and Departure: -6%).

### CUMULATIVE SEASONAL RAINFALL (1<sup>ST</sup> June to 20<sup>TH</sup> July)

Out of 36 meteorological sub-divisions, rainfall was excess/normal in 29 and deficient/scanty in 7 meteorological sub-divisions (Actual: 349.5 mm, Normal: 349.6 mm and Departure: 0%).

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

A comparative data of cumulative seasonal rainfall during the corresponding period of last five years is given in Table-1. District-wise distribution of excess, normal deficient and scanty rainfall is shown in Table-2.

### OUTLOOK FOR THE WEEK ENDING ON JULY 27, 2005

i) A low-pressure area is likely to form over northwest Bay of Bengal during the middle of the week and revive monsoon rainfall activity over the country in general.

ii) Rainfall activity along the west coast is likely to enhance.

iii) Ongoing rainfall activity along the foothills of Himalayas is likely to decrease in the second half of the week.

iv) Increase in rainfall activity is likely over east central India and adjoining north peninsular India during the second half of the week.

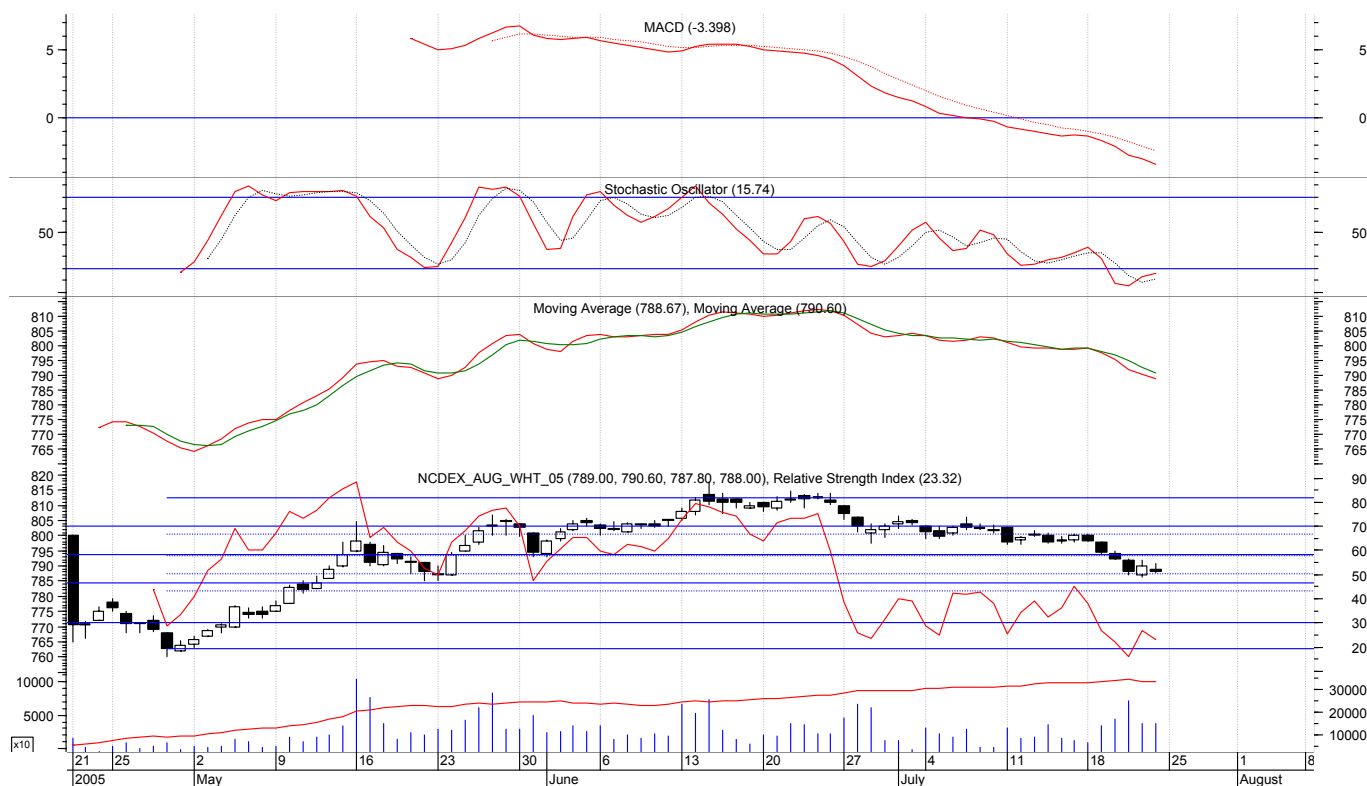
## TECHNICAL ANALYSIS

**Commodity: Wheat**

**Contract: AUGUST (Future)**

**Exchange: NCDEX**

**Perspective: Very Short Term (Daily)**



**Candlesticks:** The candlestick pattern is indicating towards a slightly downward sentiment. RSI (23.32) is in oversold condition.

**MACD:** The MACD (7-day) is moving downwards and it is still in negative territory.

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

**Moving Average:** The 3-day moving average line is going to downward direction after cutting the 5-day moving average line from up, indicating weak sentiment.

#### Resistance and Support level:

The resistance level at present is at 794.05 marks and a support level may be seen at 784.50 marks.

Almost all the indicators are pointing towards the weak ness of the prices. Therefore the trading sentiment is expected to remain range bound with slightly weak undertone in the coming days. The volume and open interest are indicating that there is strong support from the market.

**Recommendation:** Remain short.

**Indicative Closing Forex Rate** 1 USD = Rs 43.39

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