

## Wheat

27<sup>th</sup> June-2<sup>nd</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:

More arrival and less demand in the market pushed the wheat prices lower in Lawrence road in the first couple of days in this weekend but it rebounded in middle of this week due to monsoon activity and tight supply. The price has decreased from Rs.770-772 of previous week rate to Rs.767-768 per quintal.

##### Ahmedabad:

The market sentiment in Ahmedabad remained very strong in this week amidst less 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.765-770 per quintal.

##### Amritsar:

The wheat prices in Amritsar market remained unchanged in this week amid limited arrival. The price for wheat was noticed within the range of Rs.695-705 per quintal. There was not any significant arrival.

##### Ludhiana:

Ludhiana market also showed range bound with stable sentiment in this week amidst moderate demand. The wheat has been quoted at the range of Rs.725-730 per quintal.

##### Maharashtra:

In Maharashtra, the market position was hovering amidst less arrival in this week and wheat was traded at the range of Rs.820-825 per quintal.

##### Haryana:

In the Hisar, Hodal and Palwal markets of Haryana, wheat is traded at the range of Rs.710-715, Rs.700-730, and Rs.700-725 per quintal. However in the Karnal market the wheat was traded at the range of Rs 732-735 per quintal.

##### Rajasthan:

In Rajasthan market, the wheat prices remained range bound with stable position due to less arrival. The wheat prices at Khairtal and Alwar prevailed at Rs.700-705 and Rs.685-690 per quintal. It is expected that the price would hover in the long term due to less production in this region.

##### Uttar Pradesh:

In U.P. the market price for wheat remained range bound in most of the places. In Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.745-750, Rs.790-795 (mill quality), Rs.778-780 and Rs.734-738 per quintal.

##### Vyada Bazaar:

The most active July and August contract at NCDEX witnessed a range bound with strong 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)	
	25.06.05	2.07.05	25.06.05	2.07.05
Lawrence	770-772	767-768	6000-7000	8000-10000
Mills	770-775	765-766	7000-8000	8000-10000
Narela	730-745	730-740	NR	5000-7000
Nazafgarh	735-745	728-735	NR	5000-7000

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

Wheat Products	25.06.05	2.07.05
Atta (90kg)	776	784
Maida (90kg)	865	886
Suji (50kg)	479	491
Chokar (50 kg)	285	266
Chokar (35 kg)	177	170
Chakki Atta (90kg)	740	740

## CONCLUSION

The over all market prices for wheat remained almost strong sentiment in the most part of the country in this weekend amid moderate arrival, government selling and hoarding the stock by the firmer and traders. But at the ahead of this weekend the prices remained weak in most part of the country due to monsoon and selling activity. The market was corrected at this weekend. In Ahmedabad the most part of the area were under water and the trading activity remained very poor. 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 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:

### Wheat Prices Down on Spreading of Rains

India's wheat futures dropped on news of the spreading rains. The wheat prices remained at Lawrence road in Delhi at Rs. 767-768 per qtl amidst less demand and monsoon activity. It is witnessed that winter crop sowing had picked up in the western states, but many areas in the central and northern parts of the country were still waiting for rains, according to trade sources. Groundnut, soybean, cotton and rice are major crops sown in June and July and harvested in October and November.

### China is to Issue Purchase Plan for Wheat

Under the requirement from Chinese government, China Grain Reserves Corporation (CGRC) is to procure up to 6.5 million MT of newly-harvested winter wheat in some main producing provinces in the near future in bids to protect most of the farmers income from grain growing. The procurement prices for the 6.5 million MT of new wheat are to stand at no less than RMB1,440/MT for white wheat in Shanxi, Shandong and Henan and no less than RMB1,380/MT for red wheat in Jiangsu, Anhui and Hubei. China is to issue the plan for new wheat purchase in the near future, so as to stabilize market prices for wheat. According to the information, China is to purchase 6.5 million MT new wheat from the main producing areas within this month, along with the prices for red wheat to stand at RMB1,380/MT and prices for white wheat at RMB 1,440/MT. (RMB 8.28---US \$1.00)

### Domestic Wheat Prices Showed Downtrend in Delhi

The domestic wheat spot prices remained down on Tuesday in Delhi mandis amidst monsoon activity, moderate arrival and less demand. The wheat was traded at Lawrence road in Delhi at Rs.760-763 per quintal with the average arrival of 6000-7000 gunny bags. The flour mills price prevailed at Rs.765-770 per quintal with the average arrival of 5000-6000 gunny bags. It is expected that the market would remained weak in the coming days.

### SEWA Helps Women Farmers for Online Trading

The women farmers will soon have the option of selling online directly to the buyers to avoid the middleman and also distress selling. The Self-Employed Women's Association (SEWA), in collaboration with the National Commodity and Derivatives Exchange Limited (NCDEX), is

going to create a network in 14 districts, which the women can use to sell their produce at the best available price. And the farmers can sell any commodity, from salt to castor, and from wheat to maize, in this cyber market. It will benefit 1.5 lakh farmers. District level workers of SEWA are currently undertaking an orientation programme to get familiarities with the new system. They, consecutively, will train the women farmers in villages. SEWA is helping women farmers by marketing their products through the Mahila Gram Hat where the producers and the buyers meet and strike deals. The new system will give women farmers to access a much bigger market, where the price cannot be dictated by local factors. The trading would begin at the Gram Hat centre in the city within a week. Within two months, all 14 districts where SEWA is operational would be covered.

### M.S.Swaminathan: India has no Need to Import Wheat

The father of the Green Revolution M.S. Swaminathan, who is Agriculture scientist, said that India had enough wheat and therefore there would be no need to import wheat in the future. He also reported that India achieved self-sufficiency in foodgrain production a long time back. There is no possibility that the country would become wheat-deficient. He pointed out that there was a need to increase production to eradicate poverty

### Customs Duty Rate Likely to Reduce by 5%

It is revealed by the Union Finance Minister, Mr P. Chidambaram that the Centre suggested for reducing the peak Customs duty rate by 5%, move towards a Central value-added tax (VAT) rate and make the coverage of service tax more inclusive. Mr Chidambaram said states must enlarge their tax base, rationalise the tax regime, improve tax administration and focus on effective implementation of a modern VAT regime at the 51st National Development Council meeting. The government had reduced the average Customs tariff to 15% in the current Budget of this year. Government's further reduction in the tariff is in accordance with the objective to align India's tariffs with Asean levels.

### No Need for India to Import Wheat: Experts and UN Body

The Food ministry sources point out that there is not likely to be any need for imports. Though the production of wheat is below expectation, but it has been more than that in last year. Enough stocks are also available in the government to meet the requirement. The buffer stock of wheat is maintained to take care of any emergency. However, the government is not reluctant to imports, if there is a forceful need for it, the sources maintain. According to the latest government estimates, it is reckoned the wheat harvest at around 73.5 million tonne. This is about 1.4 million tonne higher than last year's output of 72.1 million tonne. The total demand for wheat from the official stocks is projected to be less than 17 million tonne, including about 12 million tonne for the public distribution system (PDS), 1.5 to two million tonne for welfare schemes and about 1.5 million tonne for rural development programmes. This is lower than the total estimated availability (in government stocks) of slightly below 19 million tonne (about 14.8 million tonne procurement plus 4.1 million tonne carry-forward stock). According to FAO estimation also that there is no need for import wheat in India.

## **FAO: International Wheat Prices Likely to Remain Down**

It is forecasted by the FAO that the wheat market prices is likely to continue the downward trend into the new season. International wheat prices remained below the previous year's levels for the seventh consecutive month to March, due to large worldwide supplies. The upcoming harvests in the northern hemisphere will begin to influence prices in the coming weeks.

## **U.S. Wheat Planting Lagging from Pre-Report Estimate**

The government reported Thursday U.S. 2005 all-wheat plantings of 58.080 million acres, lagging the average analyst pre-report estimate of 58.392 million acres and last year's 59.674 million acres. The acreage figure also lagged the government's March U.S. wheat seedings estimate of 58.592 million acres. The government also reported Thursday June 1 U.S. wheat stocks totaled 540 million bushels, above analysts' average estimate of 533 million bushels and just below last year's 546 million bushels.

## **IGC: World Wheat Output Remain Unchanged**

According to latest 2005-06 forecast report of The International Grains Council (IGC), wheat production unchanged at 604 million metric tons (MT), for a 21 million MT decrease from 2004-05, but still likely to be the second largest crop on record. The total is unchanged from last month but forecasts have been trimmed for Australia, Canada and India and increased for Russia, Ukraine and China, the IGC said in its discussion of 2005-06 crop prospects report. Drought-breaking rains in Australia's very dry south-east came too late to prevent an area reduction, while recent rainfall in Argentina prevented a further deterioration in crop prospects.

## **USDA Latest Report on Durum Wheat Stocks**

Durum wheat stocks in all positions on June 1, 2005 totaled 37.2 million bushels, up 41% from a year ago, according to the USDA's latest stocks in all positions estimates for the United States. On-farm stocks, at 24.1 million bushels, are up 77% from June 1, 2004. Off-farm stocks totaled 13.1 million bushels, up 3% from a year ago. The March - May 2005 indicated disappearance of 18.5 million bushels is up 3% from the same period a year earlier.

## **Winter Wheat Area Harvest Reduced in US**

According to the USDA seeded area estimates for 2005, the 2005 winter wheat planted area, at 41.4 million acres, is 4% below last year and down less than 1% from the previous estimate. Area harvested for grain is estimated at 34.3 million acres, down 2% from the June 1 forecast and 1% below the 2004 total. Texas planted acreage decreased 100,000 from the previous estimate, while the Missouri estimate decreased 50,000. Small-planted acreage increases and decreases were noted in several other States. Harvested acreage declined from the previous forecast across much of the country, especially in the southern Great Plains where growers were plagued by dry spring weather and freeze damage.

## **US Increases Spring Wheat Area by 2%**

Acreage planted to spring wheat other than durum in the United States is estimated at 14.1 million, up 2% from 2004, according to the USDA seeded area estimates for

2005. Grain area is expected to total 13.6 million acres, up 4% from last year. In Minnesota, development of the crop has been slowed due to wet conditions and cool weather. Although seeding in North Dakota began early, cool, wet weather during late-May and early-June has slowed development of the crop. Planting progress in Montana began on schedule and progressed ahead of normal, as weather conditions were mild and dry in early spring. Rainfall throughout the State during May helped get the crop off to a good start. Idaho had an unusually wet spring, which provided favorable conditions for both dryland and irrigated acreage.

## **Wheat: U.S. Net Sales Up by 15%**

According to USDA, the net sales of 587,500 metric tons (MT) wheat in U.S. were up 15 percent from the previous week. Major increases were reported for unknown destinations (116,000 MT), Nigeria (110,900 MT), Mexico (66,300 MT), Colombia (64,700 MT), the Philippines (42,800 MT), Venezuela (27,200 MT), and Costa Rica (23,900 MT). Exports of 417,000 MT were 27 percent above the week earlier, but 10 percent under the prior 4-week average. The primary destinations were Nigeria (76,400 MT), South Korea (47,800 MT), Colombia (41,000 MT), the Philippines (27,300 MT), Cuba (26,500 MT), Costa Rica (23,900 MT), and Mexico (23,200 MT).

## **Wheat Prices Maintained a Steady Trend in The World**

The global wheat market is on the take care for fresh leads for a direction to prices that have remained largely steady, in spite of speculative interventions from time to time. Price levels in India and weather conditions in Australia are being keenly watched. It is witnessed that the world wheat production and consumption are expected to be well balanced in 2005-06 with stocks worldwide, particularly with five major exporters, which helping to reduce any undue surge. According to the latest assessment of the International Grains Council, the global wheat production in 2005-06 is forecast at 604 million tonnes. However it is down from the record output of the previous year. Consumption is projected at 608 m.t., marginally higher than the production during the year. The opening stocks for the year are placed at 137 m.t., of which stocks with the five major exporters are an estimated 51 m.t. In India, it is clearly that there are attempts by certain interests to create an atmosphere that would encourage imports. Even as several corporate, including multinationals and speculators, are assumed to be holding long positions in wheat, the Indian grain market is eager with reports of forthcoming imports of at least one million tonnes. Again the flourmills in southern parts of the country have proposed to duty free wheat imports to keep their processing activity going. The Government is expecting the pressure on wheat would reduce to an extent after September because the kharif paddy crop would come to be normal.

## **Pakistan: Duty-Free Import of Wheat Permitted**

The federal government of Pakistan allowed duty and tax-free import of unlimited quantities of wheat and flour, raw and refined sugar and 250,000 tons of urea fertilizer to augment supplies. Economic Adviser Dr Ashfaq Hassan Khan told that private sector would be allowed to import wheat and flour without any duty or withholding tax. He said the decision was taken in view of the rising prices resulting from manipulations by mill-owners. He also reported that

the price of average quality flour in the country hovered around Rs12.96 per kg and of wheat around Rs11.10 per kg. The Utility Stores Corporation (USC) would sell five million flour bags of 10-kg each per month (50,000 tons) through its 400 outlets and 49 mobile units at Rs11.50 per kg. The mobile USC units would provide wheat and flour in urban areas especially Turbat and Loralai areas of Balochistan, Northern Areas, Fata and AJK where prices

were higher than in other parts of the country. About 15-20 million families would benefit from the facility.

## 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%	
	22.06.05	21.06.05	22.06.05	21.06.05	22.06.05	21.06.05	22.06.05	21.06.05
<b>Jun '05</b>	147	147	184	183	187	187	212	212
<b>Jul '05</b>	126	127	165	165	168	169	193	193
<b>Aug '05</b>	122	123	175	175	179	178	203	203
<b>Sep '05</b>	118	119	175	176	179	180	204	204
<b>Oct '05</b>	126	127	180	180	183	183	208	208
<b>Nov '05</b>	131	132	184	184	188	188	213	213

## PORT WATCH

No latest news of current vessel position.

## WEATHER WATCH

### Progress Of Southwest Monsoon

The southwest monsoon advanced further as a weak current over the remaining parts of West Bengal, some more parts of Orissa & Bihar and some parts of Jharkhand & northeast Uttar Pradesh on 23<sup>rd</sup> and further into remaining parts of Maharashtra, Karnataka, Andhra Pradesh, Orissa, Bihar and Jharkhand, entire Chhattisgarh, some more parts of East Uttar Pradesh, Saurashtra & Kutch, Gujarat Region and southern parts of Madhya Pradesh on 24<sup>th</sup>. The southwest monsoon has advanced into entire East Madhya Pradesh, East Uttar Pradesh, most parts of West Madhya Pradesh & Uttaranchal and some more parts of southeast Rajasthan, West Uttar Pradesh, Himachal Pradesh and Gujarat on 26<sup>th</sup> and further into most parts of Arabian Sea, Gujarat State, entire West Uttar Pradesh, most parts of East Rajasthan, entire West Madhya Pradesh, parts of Haryana, some more parts of Punjab & Himachal Pradesh on 27<sup>th</sup>. It advanced further into entire Arabian Sea, remaining parts of Gujarat, East

Rajasthan, Punjab, Haryana and Himachal Pradesh, entire Jammu & Kashmir & parts of West Rajasthan on 29<sup>th</sup>. Northern limit of monsoon passed through 26°N/70°E, Barmer, Jodhpur, Bikaner, Ganganagar, 31°N/73°E.

### Meteorological Analysis

Last week's off shore trough at sea level over east Arabian Sea extending from Gujarat coast to Kerala coasts persisted on most days of the week.

An upper air cyclonic circulation extending upto mid-tropospheric levels formed over north Bay of Bengal on 26<sup>th</sup>. It was seen as a low pressure area over northeast Bay of Bengal & adjoining Gangetic West Bengal & north Orissa on 27<sup>th</sup>. It became well marked low in the evening itself. It moved northwestwards and concentrated into depression and lay over Jharkhand & adjoining Gangetic West Bengal close to Jamshedpur on 28<sup>th</sup> & 29<sup>th</sup>.

Last week's depression over northeast Arabian Sea & adjoining Saurashtra & Kutch moved westwards and



weakened into well marked low pressure area over northeast & adjoining northwest Arabian Sea on 23<sup>rd</sup> and became less marked on 24<sup>th</sup>. However, an upper air cyclonic circulation extending upto mid-tropospheric levels lay over Saurashtra & Kutch & adjoining northeast Arabian Sea on 25<sup>th</sup>. It lay over north Gujarat and adjoining southwest Rajasthan extending between 1.5 & 5.8 km a.s.l. during 26<sup>th</sup> to 29<sup>th</sup>.

Last week's upper air cyclonic circulation over coastal Orissa & westcentral Bay of Bengal extending between 3.1 & 4.5 km a.s.l. persisted on 23<sup>rd</sup>. It was seen off Andhra coast on 24<sup>th</sup> and became less marked on 25<sup>th</sup>.

An upper air cyclonic circulation formed over Sub-Himalayan west Bengal & Sikkim and neighbourhood extending in lower levels on 23<sup>rd</sup> & persisted on 24<sup>th</sup>. It lay over northeastern States on 25<sup>th</sup> and became less marked on 26<sup>th</sup>.

Another fresh upper air cyclonic circulation extending in lower levels lay over central parts of Uttar Pradesh on 24<sup>th</sup> & 25<sup>th</sup> and merged with the seasonal trough on 26<sup>th</sup>. The seasonal trough at sea level got organised during 2<sup>nd</sup> half of the week and was seen extending from northwest India to north Bay of Bengal across central India.

## Rainfall

During this week southwest monsoon was **active to vigorous** over Orissa, Chhattisgarh and Gujarat State on

many days of the week; over Gangetic West Bengal, Konkan & Goa, Madhya Maharashtra and Telangana on some days of the week and over Sub-Himalayan West Bengal & Sikkim, Bihar, Uttaranchal, Himachal Pradesh, West Madhya Pradesh, Vidarbha and Coastal & North Interior Karnataka on 1-2 days of the week.

## Heavy Rainfall

**Heavy to very Heavy rainfall** occurred **at a few places** over Gujarat State, Konkan & Goa, Madhya Maharashtra and **isolated** over northeastern States, West Bengal & Sikkim, Orissa, West Madhya Pradesh, Chhattisgarh, Haryana, Chandigarh & Delhi, and Coastal Karnataka. Moderate rainfall also occurred **at a few places** over the remaining parts of the country outside Jammu & Kashmir, West Rajasthan, Rayalaseema and Tamil Nadu & Pondicherry where it was **isolated**

## Outlook for the week ending July 6

Enhanced rainfall activity is likely to continue over Gujarat State and west coast during the first half of the week and decrease thereafter.

Ongoing rainfall activity over central India may enhance and extend westwards over northwest India during the second half of the week.

Light to moderate rain/thundershowers are also likely over remaining parts of the country.

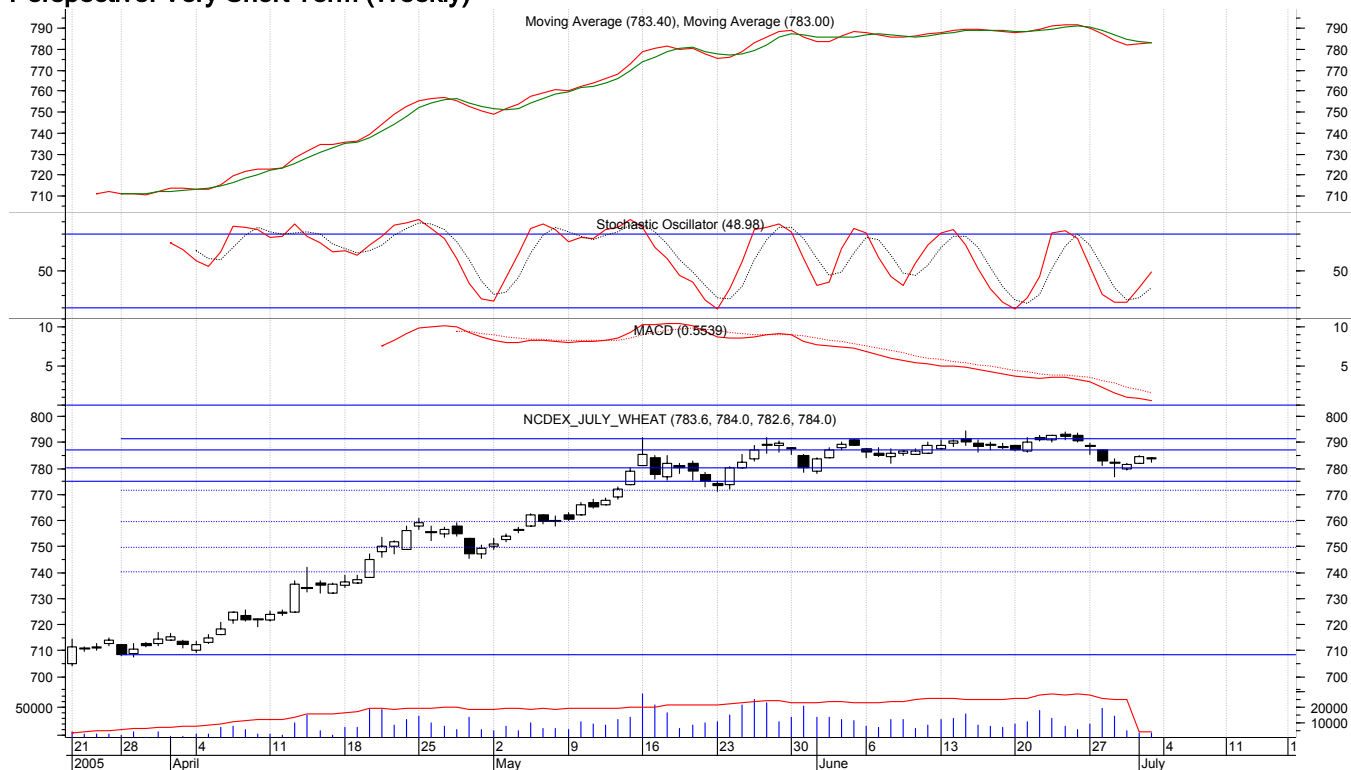
## TECHNICAL ANALYSIS

Commodity: Wheat

Contract: JULY (Future)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)



**Candlesticks:** The candlestick pattern is indicating towards a slightly upward sentiment. The opening in the next day may be on the upper side. RSI (42.93) is in neutral.

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

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

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

#### **Resistance and Support level:**

The resistance level at present is at 787.00 marks and a support level may be seen at 780.40 marks.

Almost all the indicators are pointing towards the strong ness of the prices. But the trading sentiment is expected that the price for wheat would remain slightly strong with range bound in the coming days and the prices might be come back after a few 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 43.53**

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