

## Wheat

26<sup>th</sup> September- 1<sup>st</sup> October, 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Demand, Supply and Prices at Important Centres
- International and Domestic News
- International Wheat Prices

### Technical Analysis

Commodity: Wheat

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Contract: October (Future)

**Candlesticks:** The candlestick pattern is indicating strong bullish sentiments for prices at the end of this week. The prices opened above the last day's closing price remained high throughout the session period.

**MACD:** The MACD (7-day) is going upwards and remained above the EMA but it is lying in negative territory. Indicating strong sentiment as long-term basis.

**Stochastic:** The %K-line is going to upward after cutting the %D-line from down, prevailed in the neutral region. Indicating strong sentiment.

**Relative Strength Index (RSI):** The RSI (7-day) (80.64) is in the oversold condition. Indicating trend reversal.

**Moving Averages (MA):** The 3-day MA is going to upward after cutting the 5-day MA from down. Indicating bullish sentiment.

The open interest as well as the volume of trade remained strong throughout the week.

The first resistance is seen at 792.6 marks and the second at 795.4 marks. The first support is seen at 785.0 marks and the second at 780.1 marks.



**Outlook:** All of the indicators are indicating bullish sentiments towards in wheat futures market except RSI, which indicating trend reversal. The wheat futures are expected to remain bullish for very short-term period. However, the wheat futures are likely to remain strong may in long term. Opening of the prices may be on upper side in the coming week.

### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
October	785.0	780.1	792.6	795.4

## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

Continued increased demand from rolling flourmills and restricted arrival pushed up the wheat prices on the wholesale grains market on Saturday. Traders said that increased demand from rolling flourmills and restricted arrival mainly attributed to rise in wheat prices. Wheat dara (for mills) quoted higher at Rs 774-775 a quintal at this weekend. The advent of festival season kept pressure on the wheat prices at most of the centre. The wheat prices remained strong throughout this week. It is expected that the prices would continue follow this uptrend in the coming week.

#### Ahmedabad:

Ahmedabad markets for wheat also increased by Rs.8-10 to Rs.800-805 per quintal at this weekend as compared to last week. This was mainly due to strong support from flourmills and good local demand. The market is expecting the price would be increase further in the coming weak.

#### Amritsar:

At the Amritsar market, the wheat prices remained slight higher in this week as against of last week. The governing factor was slight upward demand, however there was no arrival. The godown stocks were sold in the market. Wheat was offered at Rs 710-715 per quintal at this weekend. Wheat prices are likely to remain stable in the coming week.

#### Ludhiana:

Ludhiana market also followed the increasing trend in this week over last week amidst good demand from flourmills and surrounding areas. The market price for wheat was quoted at the range of Rs.750-755 per quintal at this weekend. The price recovered mainly at this weekend. At the Jagraon market it remained strong at Rs.735-740 per quintal at this weekend.

#### Maharashtra:

Maharashtra market for wheat also showed an upward direction at this weekend over last week due to strong support from flourmills and roller mills around the country and well demand for wheat products. The wheat was traded at the range of Rs.830-840 per quintal at this weekend, which was higher from Rs. 815 per quintal of previous week.

#### Haryana:

Haryana mandis for wheat was traded on higher side in this week as compared to last week amidst strong demand from flourmills and less arrival and advent of navaratri. At the Karnal, Hodal and Palwal market wheat was quoted at Rs 742-745, Rs 690-700 and Rs 710-740 per quintal, respectively. However, at the Hisar market wheat was offered at a stable range of Rs 720-725 per quintal at this weekend. Wheat was traded at Sirsa mandis at Rs.680-685 per quintal.

#### Rajasthan:

The wheat prices at the Rajasthan markets witnessed range bound with stable sentiment in this weekend at most of the trading places. At the Khairtal and Alwar market wheat was quoted stable range at Rs 705-710 and Rs 705-710 per quintal, respectively at this weekend due to stable demand and less stock. The arrival remained poor. The

average arrival in this market was on an around 50-80 gunny bags, according to the traders. At the Kota market wheat was available at a higher price of Rs 776-778 per quintal at this weekend.

#### Uttar Pradesh:

Strong demand from flourmills and surrounding areas kept pressure on prices at the UP mandis in this week. In Hapur, the prices showed an upward trend where as other market prevailed on range bound with stable position. At the Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.750-755, Rs.770-772 (mill quality), Rs.775-780 and Rs.749-751 per quintal at this weekend.

#### Vyada Bazaar:

At the futures market, the wheat futures maintained its uptrend throughout this week. The prices hovered drastically at this weekend (Saturday) as compared to last week. The wheat futures at the NCDEX are expected to trade range bound with strong in very sort-term period. However, slight uptrend is likely in the long term. The wheat futures were governed by the factors like government procurement, supply scenario, hoarding of stock and weather concern.

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

Markets	1.10.05	24.09.05
Delhi (Lawrence Road)	774-775	770-772
Haryana (Dhabwali)	685-690	675-680
Ahmedabad	800-805	795-797
Ludhiana	750-755	740-745
Ludhiana (Jagraon)	735-740	720-725
Rajasthan (Kota)	776-778	779-780
Amritsar	710-715	705-710
Madhya Pradesh (Indore)	793-795	793-795
Uttar Pradesh (Bareilly)	749-751	749-751
Uttar Pradesh (Shahjahanpur)	785-788	778-780
Maharashtra	830-840	815

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

Wheat Products	1.10.05	24.09.05
Atta (90kg)	798	795
Maida Grade 1(90kg)	920	920
Suji (50kg)	539	534
Chokar (50 kg)	280	281
Chokar (35 kg)	184	180
Chakki Atta (90kg)	745	745

## CONCLUSION

In this week, the wheat market showed an upward trend at most of the mandis. The market enforcing factor was strong demand from flourmills due to good demand of wheat products as navaratri is coming. The other main relating factor is MSP for coming rabi wheat have been increased by the government. At

the futures market also the wheat was maintained its uptrend sentiment. It is expected that the wheat prices would strong in spot as well as futures market as long-term basis likely in this month due to festival season.

## **INTERNATIONAL AND DOMESTIC NEWS:**

### **US Winter Wheat Crop Planting Progressing**

The U.S. Department of Agriculture's National Agricultural Statistics Service says that as of September 25, 39% of the U.S. winter wheat crop has been planted, up 14% from the previous week but 1% behind last year's pace; the five-year planting average was reported at 36%. 12% of the crop has emerged, compared to 15% a year ago and 14% on average.

### **Around 76% of US Corn Arrived at Maturity Stage**

According to USDA, 76% of corn has reached maturity, 20% faster than last year and 5% ahead of the five-year average. The crop is 18% harvested, compared to 11% a week ago, 15% a year ago and 18% on average. Corn is rated 52% good to excellent, unchanged from last week.

### **Domestic Wheat Prices Dwindling**

Partying will bring extra joy this festival season because of food prices break away from tradition and hit new lows. For the first time in several years, all essential groceries like atta, rice, cooking oil, sugar etc. are going through an exceptionally slow summer that has refused to perk up despite the crowd of pujas marching in. Wheat and atta prices are low, despite a smaller harvest, because farmers have been periodically selling off their marketing surplus. Last month, farmers sold 7 million tonnes from high open market prices. That brought wheat prices rolling, with traders scrambling to recover carrying costs.

### **Taiwan Likely to Buy 106,720 MT of US Wheat**

U.S. wheat export news was quiet on Tuesday, while Taiwan said it would tender Thursday for 106,720 metric tons of U.S. wheat, including dark northern spring, hard red winter and western white, traders said. In global wheat news, Russia's federal food market regulation agency purchased 49,950 tons of domestic third-grade, soft milling wheat at the intervention trading session held Tuesday. And dry weather in Australia's Queensland state on Tuesday forced a downwardly revised production estimate, a manager for logistics concern GrainCorp Ltd. said. Grain production in southern Queensland was expected to fall to about 1.35 million tons, most of which will be wheat, from GrainCorp's earlier forecast of around 1.75 million tons. GrainCorp is scheduled to issue an updated forecast later this week.

### **New Wheat Crop Output Likely to be 21 MMT in Australia**

It is estimated that the production of new wheat crop likely to be nearer 21 million metric tons than the 23 million tons estimate from Australia, according to National Australia Bank Ltd. They also reported that a 23-million-ton estimate was at the very upper limit and likely won't be achieved. While the crop in Western Australia has looked consistently good since planting, crops in parts of eastern Australia have been stressed. Late plantings in eastern Australia after late opening rains in mid June, and late rains in the growing season won't help the total production volume, NAB said. If NAB's forecast is achieved, new crop production will rise a little from output of 20.4 million tons last crop year ended March 31, 2005. Harvest of winter crops usually gets underway in earnest in northern growing

areas, including Queensland, late October and ends near the south coast early January. The domestic demand of about 5.5 million tons a year is met, the remainder of the wheat crop is available for export, making Australia a major global supplier.

### **Wheat: India Eyeing Bumper Production**

Bumper wheat production is expecting in the new crop year in India due to the late kharif rains this month. The good soil moisture would enhance the crop production. States like UP, MP, Chhattisgarh, West Bengal and Assam are advised to sow wheat before November 25 to avoid the impact of heat wave in the middle of the year. According to the Director of the Indian Institute of Agricultural Research S. Nagarajan, an eminent wheat expert, the country could save crores of rupees if states like Assam can take wheat cultivation in a big way. He said after its rice harvest in the coming weeks, Assam should immediately undertake wheat sowing. It is advised to sow the wheat crop from 15 October.

### **Government Raised MSP of 2006-07 Rabi Crops**

It has been reported that the prices of other oilseeds belonging to the rapeseed/mustard group be fixed on the basis of their normal market price differentials with rapeseed/mustard. NAFED would continue to be the nodal agency for procurement of oilseeds and pulses and losses, if any, would be fully reimbursed by the Government of India. The Minimum Support Prices for the above mentioned crops have been recommended by the Commission for Agricultural Costs and prices (CACP).

### **IGC Pulled Down the World Wheat Estimate**

According to the International Grain Council (IGC), the wheat harvesting was mostly completed in most northern hemisphere countries; world production in 2005 is estimated at 609 MMT (Million Metric Tonnes), which are less 14 million than the 2004 record. Since last month the forecast is down 1 MMT with reductions in the EU, the US and Argentina more than outweighing increases in the CIS and Canada. Wet harvesting conditions lowered grain quality in Europe and Canada and will result in large supplies of feed wheat. Australia's crop will benefit from timely rains but a marked reduction in area in Argentina threatens a substantial cut in output. Consumption in 2005/06 is forecast at 615 MMT, 2 million more than last month and 2 million up from last year. Food use in India will be substantially higher than in 2004/05, while a recovery in US flour milling is predicted. Competitively priced supplies of lower-quality wheat will boost feed use in the EU. World wheat trade in 2005/06 is forecast at 109 MMT, similar to last year and 1 million up from last month. Import estimates for Iraq, Nigeria and the US are increased. US exports are still forecast at 26.5 MMT, with some switch in demand from spring wheat to Hard Red Winters because of quality concerns. Forecast Argentine exports are lower but good harvests will boost sales from the Black Sea region. Forecast stocks in the five major exporting countries at end-2005/06 are reduced by 1 MMT from last month to 51 MMT, 2 million down from the previous year. Planting of 2006 crops is under way in the northern hemisphere. Dry weather may affect the outlook for winter wheat in US and parts of the CIS, but wet conditions in central and eastern Europe delayed sowings.

### **Export Demand Hovered for US HRW Wheat**

In view of generally favourable northern hemisphere harvests, export prices for most feed grains were either unchanged to slightly lower over the month. The situation for milling wheat was rather different, mainly because of concerns about spring wheat harvests in North America. Wet conditions earlier this summer in the US and more recently in Canada affected supplies of higher specification milling wheat, lifting quality premiums and contributing to increased export demand for US

Hard Red Winter wheat. However, ample supplies of medium- and lower-grade wheats, including large Black Sea availabilities, resulted in continued strong competition in most markets.

### Wheat: U.S. Exports Remained Down

According to the latest data for wheat of USDA, the net sales of 591,100 metric tons (MT) were 26 percent below the previous week and 10 percent under the prior 4-week average. Major increases were reported for Iraq (255,900 MT), Japan (89,700 MT), Spain (37,700 MT), Nigeria (31,000 MT), Panama (25,500 MT), South Korea (24,500 MT), Mexico (24,400 MT), and unknown destinations (22,500 MT). Exports of 606,600 MT were 25 percent below the week earlier, but 11 percent above the prior 4-week average. The main destinations were Iraq (105,900 MT), Nigeria (79,800 MT), Spain (75,700 MT), the Philippines (73,000 MT), Mexico (70,300 MT), Colombia (41,000 MT), Venezuela (25,900 MT), and Italy (24,300 MT). (This summary is based on reports from exporters for the period September 16-22, 2005).

### Farm Sector Growth Witnessed 2% against 3.8%

The farm sector witnessed a 2 per cent growth during April-June 2005-06 against 3.8 per cent during the year ago period, according to figures released by the Central Statistical Organisation on Friday. According to the Department of Agriculture and Cooperation, among the key crops, rice production raised by 37.2%, while wheat declined by 0.2% during the rabi season of 2004-05 (which end in June) compared to the previous corresponding

period. Coarse cereals production rose by 25.3 per cent, while pulses fell by 4 per cent during the period, according to the information furnished by the Department of Agriculture and Cooperation, which has been used in compiling the estimate of GDP from agriculture in Q1 of 2005-06. Among the commercial crops, the production of oilseeds increased by 31.1% during the rabi season of 2004-05, while the production of cotton recorded growth rates of 22.6% and sugarcane declined by 2.1% during the agriculture year, 2004-05.

### IGC WORLD WHEAT ESTIMATES (28.09.05)

(Million tons)

	2002-03	2003-04	2004-05	2005-06 (Forecast)	
				24.08	28.09
Production	566	555	623	610	609
Trade	106	103	106	108	109
Consumption	600	593	613	613	615
Stocks	165	127	138	134	132
Year-Year Change	-34	-38	+11	-3	-5
5 Major Exporters <sup>#</sup>	43	40	52	51	49

<sup>#</sup> Argentina, Australia, Canada, EC, United States

Source: International Grains Council

## INTERNATIONAL WHEAT PRICES

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

(US dollar / MT)

Contract	ASW 10%		AH 13%		APH 13%		APH 14%	
	15-Sep	14-Sep	15-Sep	14-Sep	15-Sep	14-Sep	15-Sep	14-Sep
5-Sep	192	187	215	208	219	212	243	236
5-Oct	192	186	209	202	213	206	237	230
5-Nov	192	187	212	205	216	209	240	233
5-Dec	177	175	214	207	218	211	242	235
6-Jan	177	173	213	208	217	212	242	237
6-Feb	177	173	213	208	217	212	242	237

## PORT WATCH

No latest vessel position is reported at this weekend.

## WEATHER WATCH (As on 28<sup>th</sup> September, 2005)

### Withdrawal of southwest monsoon

Southwest monsoon has withdrawn from entire West Rajasthan, parts of Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana, East Rajasthan, Gujarat Region and Saurashtra & Kutch on 28<sup>th</sup>. The withdrawal line passed through Srinagar, Dharamshala, Patiala, Jaipur, Udaipur, Ahmedabad and Dwarka.

### Meteorological Analysis

Last week's depression close to Chandrapur in Vidarbha, has moved west-northwestwards and weakened into a well-marked low pressure area over north Madhya Maharashtra and neighbourhood on 22<sup>nd</sup>. The associated upper air cyclonic circulation extended upto mid-troposphere levels.

It then moved north-northeastwards and further weakened into a low pressure area over southwest Madhya Pradesh and adjoining Gujarat Region on 23<sup>rd</sup>, over northeast Rajasthan and adjoining northwest Madhya Pradesh on 24<sup>th</sup> and over west Uttar Pradesh and Uttaranchal on 25<sup>th</sup>. The system became less marked on 26<sup>th</sup>.

A western disturbance as an upper air cyclonic circulation extending in the lower tropospheric levels moved across western Himalayan Region during 22<sup>nd</sup> to 25<sup>th</sup>. A westerly trough in the mid-tropospheric levels lay along long. 72.0°E and north of lat. 20.0° N on 24<sup>th</sup> and 25<sup>th</sup>.

An upper air cyclonic circulation extending in the lower tropospheric levels formed over north Bay of Bengal on 26<sup>th</sup>. It persisted on 27<sup>th</sup> and 28<sup>th</sup>.



A fresh upper air cyclonic circulation extending between 2.1 & 3.1 km a.s.l. lay over Saurashtra & Kutch and neighbourhood on 27<sup>th</sup> and 28<sup>th</sup>.

#### Rainfall

Under the influence of the above systems rain/thundershowers occurred at many places with heavy to very heavy falls over Coastal Andhra Pradesh, Telangana, Maharashtra & Goa, Coastal Karnataka, Gujarat, West Madhya Pradesh, East Rajasthan, Haryana, Delhi, Himachal Pradesh, Uttaranchal and West Uttar Pradesh during 1<sup>st</sup> half of the week. Fairly widespread rains with isolated heavy falls occurred over northeastern states and Sub-Himalayan West Bengal & Sikkim. Isolated to scattered rainfall also occurred over the remaining parts of the country on some days of the week. However, rainfall activity remained subdued over West Rajasthan and Jammu & Kashmir.

#### Rainfall During The Week (Week ending on 28<sup>th</sup> September, 2005)

Rainfall was excess/normal in 16 and deficient/scanty in 20 out of 36 meteorological sub-divisions (Actual: 35.7 mm, Normal: 35.9 mm and Departure: -1%).

#### Cumulative Seasonal Rainfall (1<sup>st</sup> June to 28<sup>th</sup> September, 2005)

Rainfall was excess/normal in 32 and deficient/scanty in 4 out of 36 meteorological sub-divisions. (Actual: 872.8 mm, Normal: 884.4 mm and Departure: -1%).

#### Outlook For The Week Ending On October 5<sup>th</sup>, 2005

The southwest monsoon is likely to withdraw from remaining parts of the northwest India and some parts of central India.

Scattered to fairly widespread rainfall likely over northeastern States, south peninsula, Konkan & Goa, Madhya Maharashtra and along the east coast of India.

Mainly dry weather is likely to prevail over northwest and westcentral India.

#### FOREX (As on 1<sup>st</sup> October, 2005):

Foreign Currency	Rs. per unit
1 US \$	43.99
1 Euro	53.09
1 British £	77.78
100 Yen	38.95

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