

## Wheat

7<sup>th</sup> -12<sup>th</sup> November, 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: December (Future)

NCDEX December contract traded on slight higher side today, as the contract opened far above the previous closing price but settled on slightly lower side although the prices remained higher than that of last closing price.

The most of the indicators are indicating steady ness of prices except Price ROC.

The open interest as well as the volume of trade is increasing.

**Outlook:** The wheat futures are likely to remain slight bullish as short term. However, the wheat futures are likely to remain strong in medium term.

**Advice:** Remain long.



### Support and Resistance Levels:

The first resistance is seen at 870.00 marks and the second at 873.00 marks. The first support is seen at 861.00 marks and the second at 857.00 marks as short term.

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
December	861	857	870	873



## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

The wheat prices hold its hot sentiment at the domestic spot as well as futures market from several days. The scenario is not different in this week also. The wheat prices increased manifolds at the Lawrence road in Delhi due to less arrival and less stock at the market yards although the market has been reached at overbought condition. The dara wheat mill quality increased further and traded on Rs.853-855 per quintal at the Lawrence road in Delhi at this weekend. The average arrival was at 7000-8000 gunny bags. The arrival from U.P. remained very weak due to more demand for wheat in U.P. The demand for wheat products also pronounced and therefore Atta, Maida, Chakki Atta increased.

#### Ahmedabad:

After the closing of the market from several days for holiday, the wheat prices come back from its old path. The wheat was traded in the Ahmedabad markets on mostly upper side due to less arrival and less stock at the market yards. The total average arrival remained 10,000 gunny bags in Gujarat at this weekend. The dara mill quality wheat was quoted at the range of Rs.880-885 per quintal at this weekend.

#### Amritsar:

Strong demand and less stock as well as less arrival soared the wheat prices in the Amritsar market. The Rabi wheat sowing is going on in this State. The current weather is also underpinned the sowing progress. According to the traders, the wheat was traded at the range of Rs.800-815 per quintal at this weekend.

#### Ludhiana:

Ludhiana market showed an upward trend for prices throughout this week. The less stock and less arrival were also a positive factor for price hike up. The godown stocks were sold in this market. The wheat was traded at the range of Rs.830-835 per quintal at this weekend. The average stock is witnessed at 50,000-60,000 MT. The crop sowing is going on. At the Jagraon market it remained strong at Rs.820-825 per quintal at this weekend.

#### Maharashtra:

The dara wheat variety maintained its strong sentiment in the Maharashtra market throughout this week. The wheat was traded in Maharashtra on higher side at Rs.880-885 per quintal. The arrival remained poor from M.P. The bullish factor were reasonable arrival, upward market demand, import rumour, government intervention programme etc.

#### Haryana:

The wheat prices remained strong in the Haryana market. The less stock was also a bullish factor for prices. At the Karnal, Hodal and Palwal market wheat was quoted at Rs 900-905, Rs 760-770 and Rs 750-770 per quintal, respectively. At the Hisar market, wheat was offered at a higher range of Rs 830-835 per quintal at this weekend.

#### Rajasthan:

The strong demand from Gujarat and strong spot market demand kept wheat prices strong in the Rajasthan market. At the Khairtal and Alwar market wheat was quoted at

higher side Rs. 760-765 and Rs.760-765 per quintal, respectively at this weekend. On an average 50-100 bags arrival was noticed. At the Kota market wheat was available at a higher price of Rs 828-833 per quintal at this weekend. The sowing progress is going well.

#### Uttar Pradesh:

U.P mandis remained strong due to strong market demand as less stock and high demand from Delhi. In most of the market the prices remained on higher side. At the Hapur, Kanpur, Baranasi, and Bareilly markets, wheat was traded at the range of Rs.825-835, Rs.850-855 (mill quality), Rs828-832 and Rs.845-850 per quintal at this weekend.

#### Vyada Bazaar:

At the futures market, the wheat was traded on mostly higher side. The prices had reached at its lifetime high points. November contract traded on lower side, as contract will be closed on 20<sup>th</sup> November. At this weekend, the November and December contract opened far above the previous closing price but November contract settled on mostly lower side where as December contract finished at stable range. The November and December contract traded at the range of Rs.841-850 and Rs.865.20-870.00 today. The prices are likely to slight bullish in the coming week likely Monday. Although the prices might be remain bullish as 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	12.11.05	5.11.05
Delhi (Lawrence Road)	853-855	825-827
Haryana (Karnal)	900-905	875-880
Ahmedabad	880-885	Closed
Ludhiana	830-835	810-815
Ludhiana (Jagraon)	820-825	810-815
Rajasthan (Kota)	828-833	810-815
Amritsar	800-815	Closed
Uttar Pradesh (Kanpur)	850-855	812-817
Uttar Pradesh (Bareilly)	845-850	800-805
Uttar Pradesh (Shahjahanpur)	855-860	Closed
Maharashtra	880-885	870-875

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

Wheat Products	12.11.05	5.11.05
Atta (90kg)	845	833
Maida Grade 1(90kg)	982	980
Suji (50kg)	551	551
Chokar (50 kg)	325	301
Chokar (35 kg)	225	201
Chakki Atta (90kg)	825	790

## CONCLUSION



The most of the mandis witnessed strong prices for wheat. The positive factor was less arrival and less stock at the market yards. The import rumour kept prices checked for few days, but after that the prices went up at most of the mandis. At the futures market also the wheat was strong. 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 less stock in the country.

## **INTERNATIONAL AND DOMESTIC NEWS:**

### **Ambani Likely to Establish Wheat Processing Units in Punjab**

According to the market sources, Mr Mukesh Ambani of Reliance Industries is likely to establish 5-6 units each worth Rs 250 crore in Punjab to process and market durum wheat and vegetables for export. The proposed date is expected to around 28-30 December. He had recently informed the Punjab Government that he would invest Rs 5,000 crore in the state in the agricultural sector, is keen on exporting food items made from durum wheat from Punjab. Basically the Durum wheat is cultivated in Russia, Africa and certain parts of Central America. But in India, its cultivation is confined in some parts of the country and its production is very less. In Punjab it is grown in the Samrala belt, but not on an extensive area. But there is a possibility to grow this wheat in vast areas. According to sources, Mr Ambani did not wish for any support from the state government except helping him identify suitable places for setting up his units. He required buying the land directly from farmers. The state government wants that Mr Ambani should set up his units in Jalandhar, Ludhiana, Ferozepore, Bathinda and Amritsar. Therefore it is expected that the durum wheat cultivation would popularize in our country in the coming years.

### **Australia AWB Revised Benchmark on Wheat**

According to a sources, it was reported that Australia's monopoly wheat exporter AWB Ltd. (AWB.AU) Monday raised by a little its estimate of returns from sales of its benchmark wheat type grown this crop year ending March 31, 2006. As a result, AWB estimates its benchmark new crop Australian Premium White type wheat of 10% protein now will return a gross A\$193 a metric ton, free on board, exclusive of a 10% goods and services tax, up A\$2/ton from the previous review two weeks ago. Estimates for other grades were also increased, mostly by the same amount. (1 A\$ = 33.53 INR)

### **Australia's Wheat Crop Under Threat amid Rain**

Australia's bumper wheat crop, harvest of which is gathering momentum, might be under threat due to too much rain. According to the analyst, if a significant part of the new crop is damaged by rain, which would put added pressure on global wheat price. The Reserve Bank of Australia acknowledged the beneficial impact of recent rains and reported that output from the wheat crop will be a little above average, due to a generally brighter outlook for the farm sector. Meanwhile, the central bank approved the positive impact of recent rains and eminent recent forecasts that the wheat crop will be a little above a five year annual average of 21.5 million tons. The annual domestic demand for wheat of about 5.5 million tons is met, and the remainder of output is utilized for export, making Australia a major global supplier.

### **Wheat: Outlook for U.S. Export Situation on Tuesday**

In Tuesday, the overnight U.S. wheat export sales were calm, while Japan said it would tender Thursday for

142,000 MT of wheat, including 86,000 MT of U.S. wheat. It is witnessed that global wheat export competition remained still stiff. Russia's wheat exports to Egypt in the 2005-2006 marketing season are expected to increase to 3 MMT from 2 MMT in 2004-2005, according to market analyst APK-Inform. Egypt is a major importer of U.S. wheat. Syria also said Tuesday that it was tendering to sell 50,000 metric tons of wheat for Nov. 15 to Dec. 30 delivery. U.S. wheat traders kept an eye on lingering rains in key exporter Australia's southern two-thirds of New South Wales state.

### **First Time CWB Offering GDC for Feed Wheat**

For the first time, Canadian Wheat Board (CWB) offering a Guaranteed Delivery Contract (GDC) for feed wheat. The contracts guarantee producers delivery by a specific date and allow the CWB to more effectively market feed wheat by ensuring supply to customers, according to the CWB.

### **India Unlikely to Import Wheat Shortly**

According to a top official, India is not to import wheat in the coming weeks because the country has sufficient stock at that time. But according to the traders, the stock is limited. The world market is keeping watchful eyes on the India's policy. According to DP Singh, chairman of the All India Grain Exporters' Association of India, the government is not anticipated to take a decision before December. He also included that the situation is not alarming on the stocks front. The government has so far maintained that wheat and rice stocks are comfortable and discarded predictions that the country could turn to imports for the first time since 1999. It is unviable for private traders to import wheat due to India's levies of 60% customs duty on wheat and the industry has been speculating the government might ease the tariffs.

### **Wheat: Price Maintained Its Last Year Level**

In the physical market in Delhi, wheat was traded at Lawrence road around Rs.840 to 850 per quintal, which is nearly the same level as last year. According to D.P. Singh, chairman of the All India Grain Exporters' Association of India, wheat prices were not high enough for the government to rush into imports. Where as the futures market could be speculative sometimes, he included. The government has been trying to manage its stocks and distribution system by replacing wheat with rice for southern and eastern states where people consume more rice. The Food Ministry reported on Sept 1 that the government had successfully managed the situation and delayed the decision to import wheat by substituting rice with wheat. India had 11.3 MMT of wheat and 7.07 MMT of rice. Indians be likely to consume about 1.5 MMT of wheat a month but consumption increases in the north in the winter months, beginning November. Singh said the country might still need around 1 MMT of wheat from January, as the new crop will come in the market only by April.

### **Wheat Futures Reversed Back on Technicals & Import**

Indian wheat futures slides on Wednesday due to technical correction and market gossip that the government is expected to permit grain imports, according to the brokers. November wheat at the National Commodities and Derivatives Exchange (NCDEX) fell 4.80 rupees to 844.60 rupees per quintal. December wheat fell 5.40 rupees to 861.80 rupees at 5:15 PM. There is a strong controversy that the government might be going to import wheat in December or January. But at the spot market there was no effect of this gossip. The wheat dara mill quality spot prices in Delhi remained strong today and traded at the range of Rs.840-845 per quintal at Lawrence road. The arrival remained weak around 6000-7000 gunny bags. Ahmedabad, Kanpur, Amritsar, Bareilly and Shahjahanpur spot



market all were bullish today. It is expected that the wheat prices likely to improve.

### Global Wheat Outlook on Wednesday

On Wednesday, the U.S. export sales were calm. Only light positioning was seen before Thursday's scheduled U.S. Department of Agriculture crop supply/demand report. It is forecasted by the analysts that the government would report Thursday 2005-06 U.S. wheat ending stocks at 533 million bushels, which is up slightly from last month's 530 million bushels. In global news, Canadian feed wheat prices have found modest support ahead of an expected decision in December on whether tariffs could be placed on U.S. corn due to "discarding" charges. The 2005 wheat harvest is now virtually finished across western Canada. In other global news, the U.K. said this year's wheat quality was better than last year's while France's state grains board cut its forecast for French soft wheat exports within the E.U. in the 2005-06 marketing year to 8.65 million metric tons from last month's 8.75 million. Traders continued to keep an eye on harvest and weather reports from key exporters Argentina and Australia. Lingering dry weather was of concern in the former, while scaled-back forecasts for rain in eastern Australia for the next two weeks augured well for harvest there.

### Australia Likely to Harvest Record Amount of Wheat

Australia is expecting that current wheat harvest would touch near record levels with a 24 to 25 million tonne. Widespread spring rain and warm conditions have given crops in South Australia, Victoria and New South Wales boost. There is no doubt that in isolated spots there will be some localized damage, perhaps in north-west New South Wales and the Darling Downs in Queensland. Perhaps the harvest is to go up.

### FCI: No Reason to Get Worry about Wheat Stock

According to the Food Corporation of India (FCI), the foodgrain stock both rice and wheat are healthy enough to meet foodgrain demand arising from the government's commitment on social and welfare schemes. According to FCI Chairman and Managing Director V.K. Malhotra, the government has enough foodgrain stock including that of wheat to meet demand for social and welfare schemes. He also included that wheat stock stood at 87 lakh tonnes as on November 9, while rice stock stood at 113 lakh tonnes, adding that these stocks are well above the buffer norms. They also concluded that the present wheat stocks are comfortable to meet demand till March when new wheat crop would be harvested. It was estimated that total wheat demand during next 5 months would be 65-75 lakh tonnes, which is far below the present stocks. Therefore there is no reason to get worried about the foodgrain stock situation.

### USDA: Latest Report on Wheat Ending Stocks

According to the USDA report on forecast of 2005-06 U.S. wheat-ending stocks, pegged at 530 million bushels, which was just below analysts' average estimate of 533 million bushels. The government increased its 2005 U.S. SRW wheat carryout estimate by 5 million bushels to 90 million, soared its U.S. 2005 durum ending stocks estimate by 5 million bushels to 58 million, and cut its 2005 U.S. HRW wheat ending stocks estimate by 10 million to 175 million bushels. They also reported that world wheat ending stocks for 2005-06 were seen at 139.5 million metric tons (MMT), which was above the October estimate of 137.4 million but below last year's estimated 149.18 million tons.

### Wheat Sowing Situation in Karnataka

According to the latest report of the government, the area covered under wheat sown was 0.35 lakh ha as on 26th October 2005 in Karnataka State. It was nearly 94.6 % area coverage compared to corresponding period of previous year (0.37 lakh ha.) reported by the State Govt.

### Wheat: USDA Latest Weekly Export Sales Report

According to the latest weekly export sales data of USDA, the net sales of 1,397,300 metric tons (MT) of U.S. wheat in this marketing year remained 3.25 times higher from the previous week and 3.6 times from the prior 4-week average. An increase is witnessed for Iraq (800,000 MT), Japan (107,800 MT), Taiwan (94,300 MT), Cuba (75,000 MT), Egypt (60,000 MT), Yemen (55,000 MT), Spain (54,000 MT, including 24,000 MT switched from unknown destinations), Venezuela (47,600 MT), Italy (43,300 MT), and Mexico (37,300 MT) were partially make up for decreases for unknown destinations (47,600 MT). Sales of 25,000 MT for 2006/07 deliveries were reported for Cuba. Where as exports of 447,300 MT were 18 percent below the week earlier and 28 percent under the prior 4-week average. The main destinations were Japan (66,800 MT), Taiwan (60,100 MT), Spain (51,000 MT), the Philippines (47,400 MT), Nigeria (45,500 MT), Mexico (34,900 MT), and Venezuela (22,800 MT). (This summary is based on reports from exporters for the period October 28 - November 3, 2005.)

### Iraq: Second Largest U.S. Wheat Importer Announced by USDA

Iraq is the second largest wheat importer after Nigeria, which is recently announced by USDA. Iraq imported 800,000 metric tons of hard red winter wheat; therefore it is putting them at 1.87 million tons of U.S. wheat sales in 2005/06. That is Iraq's highest level of U.S. wheat imports, ever, since at least 1963. The major portion of wheat imported from U.S. within one marketing year was 1.17 MMT in 1983/84. The U.S. acquired up to a half of the Iraq market share in the 1970s and 80s, but Australia claimed that they were main exporter of Iraqi wheat business when the U.S. was absent from the market in the 1990s and particularly during the last years of the UN Oil for Food program. The latest USDA export sales report, as of November 3, showed Nigeria as the top U.S. wheat customer, at 2.2 MMT, up 76 percent from the same time last year. Japan is third, behind Iraq, at 1.83 MMT, about the same as last year. Mexico is fourth at 1.5 MMT, which is 8 percent behind this point in 2004.

### IGC WORLD WHEAT ESTIMATES (27.10.05)

(Million tons)

	2002-03	2003-04	2004-05	2005-06 (Forecast)	
				28.09	26.10
Production	566	555	623	609	09
Trade	106	103	106	109	109
Consumption	600	593	613	615	616
Stocks	165	127	138	132	130
Year-Year Change	-34	-38	+11	-5	-7
5 Major Exporters <sup>#</sup>	43	40	52	49	46

<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%	
	10-Nov	9-Nov	10-Nov	9-Nov	10-Nov	9-Nov	10-Nov	9-Nov
Nov-05	203	201	193	195	197	199	221	223
Dec-05	186	184	189	189	193	192	217	217
Jan-05	186	187	189	189	193	193	218	217
Feb-05	186	187	189	189	193	193	218	217
Mar-05	178	178	195	194	199	198	224	222
Apr-05	179	179	195	195	199	199	223	223

## PORT WATCH

No latest vessel position is reported at this weekend.

## WEATHER WATCH (As on 11<sup>th</sup> November, 2005)

### ALL INDIA WEATHER FORECAST BULLETIN VALID FOR NEXT 5-DAYS

#### Weather Outlook

- Yesterday's upper air cyclonic circulation over southwest Bay of Bengal off south Tamil Nadu-Sri Lanka has become less marked and is now seen as a northeast-southwest shear zone over central Bay of Bengal. The other cyclonic circulation over southeast Arabian Sea also persists and extends upto 2.1 km a.s.l..

- Model predictions continue to indicate weakening of NE monsoon circulation pattern.

Under this scenario, only scattered light to moderate rainfall is likely over Tamil Nadu,

- The western disturbance as an upper air system over north Pakistan and neighbourhood persists. Under its influence, light to moderate rainfall /snowfall is likely at many places in Jammu & Kashmir and Himachal Pradesh. The system is likely to move away by 13th.

- Another Western disturbance is expected to approach NW India by 16<sup>th</sup> November, 2005 and cause isolated to scattered rains/snow in J&K beginning from 16th.

#### Zone-wise weather forecast for next 5-Days

#### NORTH & NORTH NORTH-WEST INDIA [ J&K, HP, UTTRANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

- Isolated to scattered snow/rains are expected over J & K and Himachal Pradesh during next 24 hours. Mainly dry weather may prevail over plains of NW India.

#### EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

- Mainly dry weather may prevail over the region.

#### CENTRA CENTRAL INDIA L [ MP, CHATTISGARH, VIDARBHA]

- Mainly dry weather is likely to prevail over the region during next 5 days.

#### SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Scattered rains are likely over Tamil Nadu & Pondicherry, South Coastal Andhra Pradesh, Kerala, Andaman & Nicobar Islands and Lakshadeep for next 2-3 days. The overall rainfall activity is expected to decrease further.

#### WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

- Mainly dry weather is likely to prevail over the region.

Source: NCMRWF

#### FOREX (As on 12<sup>th</sup> November, 2005):

Foreign Currency	Rs. per unit
1 US \$	45.77
1 Euro	53.51
100 Yen	38.90
1 British £	79.74

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