

## Wheat

30<sup>th</sup> January-4<sup>th</sup> February, 2006

### MAJOR ACTIVITY HIGHLIGHTS

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

### Technical Analysis

**Exchange:** NCDEX

**Perspective:** Short Term (Weekly)

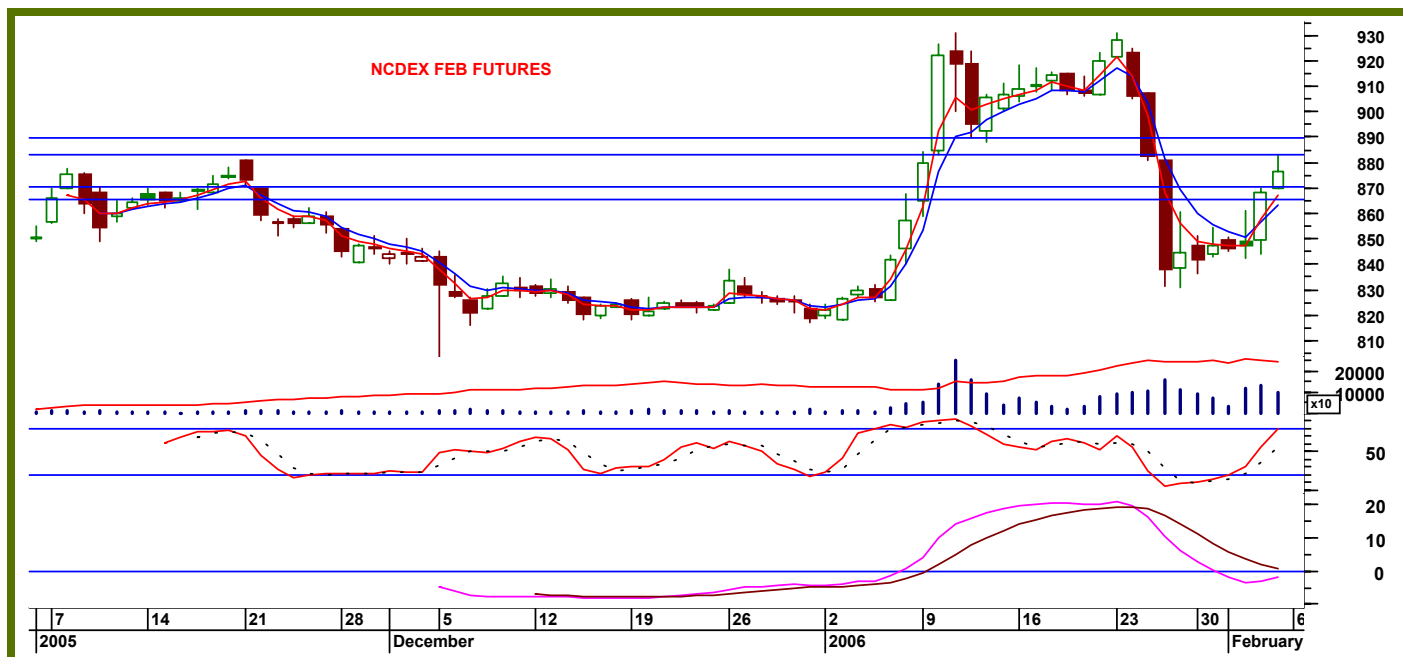
**Contract:** February (Future)

Wheat Futures at the NCDEX have showed an upward curve in this week due to strong physical market prices and government import decision. The difference between futures market and spot market is likely to continue till end of February. The February contract increased from Rs.841.80 to Rs.876.60 on Saturday therefore increased by Rs.34.80. The February contract opened mostly firm at Rs. 870.0 and settled up Rs.8.20 at Rs.876.60 Saturday. February contract traded at the range of Rs.870.00-883.20 today. The all of the

indicators are hinting strong bullish sentiment. Open interest as well as volume in increasing.

**Outlook:** The wheat futures are expected to remain bullish in the coming days where as it might be remain bearish as medium term as well as long term.

**Advice:** Go long with caution as short term. Make profit by selling April contract.



### Support and Resistance Levels:

The current resistance levels are at 883.3 and 895.06 marks and support levels are at 865.4 and 859.41 marks as very short term as well as medium term.

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
February	865.4	859.41	883.3	895.06

## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

In this week the wheat prices has increased by Rs.100-120 per quintal in Delhi market due to paucity of arrival and promising demand from Chakki mills and rolling flour mills. FCI has sold additional 32000 tonnes of wheat at the open market to the flourmills but the market did not rebound. The daily average arrival is witnessed around 1000-1500 bags, which is mostly lower as compared to previous week. The wheat is coming from Haryana, U.P. and M.P but very few. Wheat dara mill quality opened at Rs.1020-1022 per quintal Saturday and has traded within the range of Rs.1020-1025 per quintal as compared with Rs.995-1000 per quintal of previous day and Rs.905-910 per quintal of Monday at Lawrence road in Delhi. The prices are expected to remain bullish in the coming week, according to the traders.

#### Ahmedabad:

The wheat prices have soared by Rs.45-50 per quintal in this week as compared with last week in Ahmedabad market. But the prices remained steady for last three to four days in this week due to weak demand from South India, as India will import for this region. The traders in Gujarat are expecting that this would be affected the wheat market in this State as they are supplier to the South India. The prices are expected to remain steady in the coming week, according to the traders.

#### Amritsar:

Amritsar market remained weak in this week as compared to last week due to less demand from mills. There was very less stock in this market. The wheat prices decreased from Rs. 950 to Rs.915-920 per quintal at this weekend but the prices went to Rs.880-890 per quintal in this market. The new crop is likely to hit in April. The godown stocks were sold in this market. The market is expected to remain steady in the coming week. In Ludhiana, The wheat prices are witnessed very weak as compared to previous week. At the Jagraon market wheat prices remained at Rs.895-900 as compared to Rs.960-970 per quintal at last weekend.

#### Maharashtra:

The dara wheat variety remained weak in this market in this week due to weak demand and government policy. But the market reversed back from Rs.840-850 per quintal due to very less arrival from M.P. and prevailed at strong side though the prices remained weak as compared with last week. The prices decreased from Rs. 910-915 per quintal to Rs.895-900/qtl. The arrival from M.P. remained weak due to higher price in M.P. Good weather is supportive factor for superior production. The market is likely to remain steady in the coming week.

#### Haryana:

The most of the mandis showed bullish undertone in this week as compared with last week. The prices have increased by Rs.90-100 per quintal in Karnal market. At the Karnal market wheat was quoted at Rs 945-950 per quintal as compared to Rs 855-860 at last weekend.

#### Rajasthan:

The prices have increased by Rs.90-100 per quintal in Rajasthan market. In Kota market the prices increased from Rs.855-860 to Rs.945-950 per quintal on Saturday. At Khairtal and Alwar market it prevailed at Rs.890-910 and Rs.900-910 per quintal. The demand remained very strong in this state. The arrival remained very less at Khairtal market.

#### Uttar Pradesh:

The market price for wheat has increased many folds in Uttar Pradesh mandis due to strong demand and very weak arrival. The demand from Delhi and other states and also domestic demand remained strong in U.P. mandis in this week. The market had very less stock. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was quoted at the range of Rs.915-920 on mostly higher side, Rs.1003-1007 (mill quality) on upper side and Rs.932-938 per quintal on mostly upper side at this Saturday.

#### Madhya Pradesh:

The same trend was also witnessing in this market due to strong demand from other states and paucity of arrival. The dara wheat mill quality at Indore mandis remained strong at Rs.915-920 per quintal with average arrival of 5-10 trucks, said an Indore based trader. The freight charge has increased by Rs.20-25 per quintal. Therefore the transporting cost has soared. The prices are likely to go up further in the coming week. According to the traders, the stock in the Satna is likely to finish.

#### Vyada Bazaar:

The discrepancy between wheat's futures markets and spot is still remaining. Currently, the spot prices are far above the futures prices. At the futures market, the wheat prices recovered the gap but the prices are lagging behind from the spot market. The prices have showed an upward curve in this week due to strong physical market prices and government import decision. The main governing factor was government intervention programme, import decision and good spot market prices etc. The prices are expected to remain slight firm in the coming week likely Monday and expected to remain slight weak position during mid of the coming week.

## CONCLUSION

The most of the mandis showed a positive undertone in this week as compared to last week. The wheat prices has been showing an bullish trend in this week due to revival of buying by rolling flour mills against pause in selling by stockists and registered further gains. The paucity of arrival is also pushed up the prices. The new wheat crop is likely to hit the market in March to April. Therefore the stockists are not reluctant to sell wheat at lower prices and they are holding their stocks. The government has decided to import wheat about 5 lakh MT and it will be come within 60 days. But this news has no impact at the domestic market. Traders are anticipating that its impact would be feasible in the coming month. At present wheat stocks to the FCI prevailed at 4.7 MMT as of Feb 1 as compared with 73 MMT last year same period. The prices are likely to increase in the coming week for three to four days and likely to go up

further. Prices of wheat in India's open market have jumped in recent weeks on tight supplies and fears of a shortage.

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

Wheat Products	28.01.06	4.02.06
Atta (90kg)	1001	1020
Maida Grade 1(90kg)	1149	1180
Suji (50kg)	634	651
Chokar (50 kg)	340	339
Chokar (35 kg)	226	229
Chakki Atta (90kg)	905-910	965

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

Markets	28.01.06	4.02.06
Delhi (Lawrence Road)	900	1020-1025
Haryana (Karnal)	855-860	945-950
Punjab (Khanna)	965-970	935-940
Ahmedabad	885-890	920-925
Ludhiana	960-970	895-900
Ludhiana (Jagraon)	950-955	895-900
Rajasthan (Kota)	855-860	945-950
Amritsar	950	915-920
Uttar Pradesh (Kanpur)	880-885	915-920
Uttar Pradesh (Bareilly)	888-890	932-938
Uttar Pradesh (Shahjahanpur)	945-950	1003-1007
Maharashtra (Jalgaon)	910-915	895-900
Madhya Pradesh (Satna)	825	855-865
Madhya Pradesh (Indore)	870	915-920

#### RABI WHEAT CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (30.01.06)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
263	265.08	261.47	+3.61	Ass (-0.6, -52.4), Bih (+0.6, +2.6), Guj (+1.6, +21.3), MP(-6.3, -14.6), Maha (+3.0, +41.8), Pun (+0.8, +2.4), Raj(+1.3, +6.9), UP(+1.3, +1.4), Uttaran (+0.4, +12.0), WB(+1.0, +28.6)

#### Source: Department of Agriculture, Government of India

#### INTERNATIONAL AND DOMESTIC NEWS:

#### Argentina: Farmers Likely to Harvest 12 MMT of Wheat

It is expected that the Argentine farmers would harvest 12.01 million metric tons of 2005-06 wheat, the Buenos Aires Cereals Exchange forecast Monday. The forecast, which is based on higher-than-expected yields in key production areas, puts production up about 200,000 tons from the previous estimate of 11.8 million tons. In the meantime, Argentina's Agriculture Secretariat reported late Friday that Argentina's year-on-year wheat exports decreased nearly 55% during December 2005, down for a seventh consecutive month. Sales were down largely because of heavy buying early last year due to Argentina's record 2004-05 harvests. Some clients loaded up on wheat earlier and now have less need to import; moreover, Argentina has less wheat to sell. This season's crop is estimated at 12 million tons, down from about 16 million the previous season. As of Jan. 27, Argentina had sold 4.12 million metric tons of 2005-06 wheat; by this time last year Argentina had sold 5.7 million tons of 2004-05 wheat.

#### Wheat Production Expected to Down in Uttar Pradesh

The wheat production in Uttar Pradesh is likely to decline by 15% due to erratic and unfavourable weather conditions this winter, according to a source. The situation was bolstered by the lack of decent winter rainfall in UP. According to a source, wheat had been sown in about 90-lakh hectare land in UP this year, with the production target pegged at 300 metric tonnes. But the target is likely to revise due to this abnormality of weather in this year. For ideal wheat production, the day temperature should not rise beyond 16-17 degrees Celsius, however, the temperature remained above than the normal temperature several times this winter. The wheat crop in Poorvanchal and Bundelkhand regions of UP would be most affected compared to western districts. Agra, Meerut, Moradabad, Kanpur and Saharanpur divisions were most affected in this season.

#### Biscuit Industry: FCI Must Release a Quota for Wheat

Biscuit manufacturers urged that the Food Corporation of India (FCI) should release a special quota of wheat, due to a 40% climb in the wheat prices in last six months. This bolstered the industry and bakeries to the edge of shutting down. The Federations sought an immediate release of the adequate quantity of wheat through FCI under the Open General Sales Scheme and also to urgently formulate the scheme for special allocation of wheat for the manufacturers to enable them to tide over the crisis.

#### Wheat Market Depends on FCI's Policy

Wheat spot prices are likely to remain steady to low as a medium term likely for one month in the domestic spot as well as futures market, according to the traders. The market governing factor for prices down are FCI's selling at the open market, releasing stocks by the optimistic traders and arrival of new crop at the end of February from Gujarat and Madhya Pradesh. But the FCI has around 6.2 million MT of wheat, which

is low than that of buffer norms therefore they are not likely to continue selling at the open market periodically, according to a source. The market has less stock and therefore the wheat market is totally depended on Government's policy. If FCI continues its selling activity at the open market then the prices would be restricted otherwise it is not possible to hold the prices at a lower limit, reported by the traders.

### **FCI Sold 32000 Tonnes of Wheat in Delhi**

FCI has released 32,000 tonnes wheat in Delhi for February, including the additional quota of 20,000 tonnes, under the open market sale scheme (OMSS) to restrict any speculative rise in wheat prices, reported on Wednesday. The OMSS price in Delhi is Rs 844 per quintal, which is much low than that of spot prices. In Delhi, FCI has sold 11,000 tonnes wheat in December and another 15,000 tonnes in January. FCI plans to release an additional quota of 20,000 tonnes apart from the normal quota of 12,000 tonnes. FCI will release higher quantities of wheat in the country in January-February period. In February, FCI plans to release another 1.5 lakh tonnes but the exact quantity will depend on the market situation. In total, the amount of wheat sell by the FCI under OMSS will be about 3-3.5 lakh tonnes in the January-March period. In the previous year 2005, FCI had sold about 4 lakh tonnes under OMSS in the April-December period compared with 2.3 lakh tonnes last year 2004.

### **Wheat Prices Generally Slides after Mid March**

FCI had a stock of 60-lakh tonnes of wheat as on January 1 as compared with 8.9 million tons last year. FCI releases about 9 lakh tonnes for per month under the public distribution system and other government-sponsored welfare schemes. It is expected that FCI would end the financial year with about 25-30 lakh tonnes of wheat. The next wheat procurement season will also begin from April. Wheat prices usually reach its peak level in the first half of March with the new crop harvest likely to begin by last week of March or early April and slip down as new crop comes to market. The stocks belongs to traders, stockists, flour millers or even farmers will come in the market as this peak level comes before the new crop comes in.

### **India Likely to Import 5-lakh MT of Wheat**

Agriculture Minister Sharad Pawar recently reported that India is going to import wheat to raise declining stocks and to curb rising wheat prices. India will import 5 lakh metric tons of wheat. The imported wheat is likely to hit in India within 60 days. According to a source, India State Trading Corporation likely to import wheat as a duty free.

### **EU Decreased Wheat Export Subsidy**

Japan bought 60,000 tons of U.S. wheat in an overall purchase of 80,000 tons on Thursday. The European Union lowered its wheat export subsidy for their weekly tender to export licenses for 200,000 metric tons of just EUR4.92/ton as compared with 375,000 tons of wheat licenses were granted at EUR6.74/ton last week. Lower subsidies are seen as a supportive factor as this may help US wheat become a bit more competitive on the world export market. Last week, at. Russia's grain exports increased 69% to 9.3 million tons during the first seven months of the 2005-2006

marketing year (July-January), including flour in grain value.

### **India Going to Import Wheat from Southern Ports**

India has decided to import 5 lakh tonnes of wheat within sixty days in this year, which is the first import since 1999. Wheat would be imported by the State Trading Corporation (STC) only to Southern ports (Chennai, Tuticorin and Kakinada), which do not have production of wheat and where open market prices have been in the range of Rs. 1100 to Rs. 1200 per quintal. Southern Country has been buying the wheat from Madhya Pradesh. It is also reported that there will be no imports of wheat to any other port. The situation will be revised again in April-May 2006. Australia is likely to grasp India's wheat business, a sale of 500,000 tons.

### **FCI Sold 5.52 lakh MT of Wheat in Dec-Feb**

The FCI are releasing the wheat with a view to ensuring adequate availability of wheat in the open market as well as stabilizing wheat prices. It is witnessed that FCI already sold 4.02 lakh MT of wheat at the open market in December 2005 to January 2006. The FCI released 1.89 lakh tonnes of wheat in December 2005 followed by an additional 1.5-lakh tonnes of wheat in the first week of January 2006. An additional release of 63000 tonnes of wheat has been made in the second week of January 2006. In February 2006, 1.5 lakh tonnes of wheat has already been ordered for release. Therefore the prices have been showing a downward trend from January 18, 2006 due to this intervention. In Delhi and Mumbai, wholesale market prices have fallen by Rs. 100 per quintal while in Chennai they have fallen by Rs. 200 per quintal. Similar decline in wholesale wheat prices have taken place in Uttar Pradesh, Gujarat, Madhya Pradesh and other major consuming regions of the country.

### **Wheat: USDA Weekly Export Sales Highlights**

According to latest USDA export sales highlights on wheat, the net sales of 358,200 metric tons (MT) were 5 percent below the previous week, but 11 percent over the prior 4-week average. Major increases for Japan (133,700 MT), South Korea (81,500 MT), Taiwan (59,000 MT), Mexico (52,100 MT), Guatemala (34,800 MT), and Costa Rica (26,100 MT) were partially offset by decreases for the Philippines (64,800 MT). Sales of 71,000 MT for 2006/07 deliveries for the Philippines were switched from 2005/06. Exports of 582,200 MT were 19 percent above the week earlier and 36 percent over the prior 4-week average. The main destinations were the Philippines (161,700 MT), Iraq (96,200 MT), Nigeria (77,400 MT), Cuba (53,000 MT), Yemen (41,300 MT), Venezuela (35,900 MT), and Mexico (31,900 MT). (This summary is based on reports from exporters for the period January 20-26, 2006)

### **India has Enough Source to Import Wheat**

There are more sources to import wheat for India. The sources are mainly U.S., Australia, Canada, EU, Ukraine and Russia. Both the US and Australia are eager to export wheat, while Canada is waiting in the wings. STC would have to declare about the quality, price and delivery schedules available in the world market before it can bring out its purse. But India's harsh fumigation and quarantine laws may well act as a non-tariff barrier that could trip up players. The US is keenly interested in selling half a million tonnes of wheat to India. But the US cannot deliver to India before end of March because of congestion at its ports. Besides, the cost will be more if India wants the wheat to land in east coast ports like Kakinada,



Vishakhapatnam and Tuticorin. Where as Russia is offering affordable price and good quality, is over-booked for the next two months. Russia has just sold wheat to Pakistan at \$133 per ton free on board (FOB). The cheapest source may be Ukraine, but the moisture content is higher. On the basis of price European wheat appears to be the best suited. It is available for \$165 per ton, which is a very reasonable price. However, Canada and Australia have an edge with better quality, but their prices are higher. Canada can use Vancouver port for shipping high-quality white milling wheat. Australia, which has the same quality, has the advantage in terms of location. Australia can deliver wheat within 10 days at \$170 per ton.

### FCI Pulling Wheat from Punjab

The crisis of wheat and increase of wheat prices in the open market is due to the droopiness in procurement of wheat, both by the State Government as well as the FCI, in 2004-05. Now the FCI is taking wheat from Punjab to run various Central-aided schemes as no stock at the godowns. According to the FCI GM Hukam Singh, 2.75 lakh metric tonnes of wheat is sufficient for the month of March, was stocked in FCI godowns. Still, the FCI is importing another 54,000 metric tonnes of wheat from Punjab. Last year in UP, wheat was sown in over 90 lakh hectares and the production was 225 lakh metric tonnes. Around 190 lakh MT is required for various schemes. The State had surplus

of around 35 lakh metric tonnes, though the prices has been increasing with the start of the New Year in UP. Singh reported poor purchase plan triggered to price hike. The State Govt as well as the FCI had planned to procure 25 lakh MT wheat from the farmers, but could achieve 20% of the target. The hoarders and black marketers had taken the advantage and created a huge stock. Therefore to fulfil their objective both the FCI and the State Govt has decided to go for the procurement at the end of March. By June 31, procurement will be completed.

### IGC WORLD WHEAT ESTIMATES (24.11.05)

(Million tons)

	2002 -03	2003- 04	2004- 05	2005-06 (Forecast)	
				26.10	23.11
Production	566	555	623	609	611
Trade	106	103	106	109	109
Consumption	600	593	613	616	616
Stocks	165	127	138	130	131
Year-Year Change	-34	-38	+11	-7	-5
5 Major Exporters <sup>#</sup>	43	40	52	46	47

<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%	
	Feb 2	Feb 3	Feb 2	Feb 3	Feb 2	Feb 3	Feb 2	Feb 3
Jan-06	185	183	170	170	178	178	202	202
Feb-06	173	172	164	165	173	173	197	198
Mar-06	174	172	166	166	174	174	198	198
Apr-06	169	167	170	170	178	178	202	203
May-06	170	167	170	171	179	179	203	203
Jun-06	160	157	166	166	175	175	199	199

### PORT WATCH

No latest vessel position is reported at this weekend.

### WEATHER WATCH (As on 3<sup>rd</sup> February 2006)

As no significant weather system is affecting the country., largely dry weather conditions continue to prevail over most parts of the country. This scenario is likely to continue for another 2-3 days. However, due to formation of an upper air cyclonic circulation extending upto 3.6 km a.s.l over northeastern states and neighbourhood, isolated rainfall is likely over the region and Sub-Himalayan West Bengal & Sikkim. Isolated rainfall is also likely over Tamil Nadu and Kerala. Day & night temperatures are 4-5°C above normal over many parts of north and central India. However, the temperatures of northwest India are likely to fall by 2-3°C during next 2 days.

### Forecast:

**NORTH:** Weather will be mainly dry over the region.

**EAST:** Isolated rain/thundershowers likely over northeastern States and Sub- Himalayan West Bengal & Sikkim. Weather will be mainly dry over the rest region.

**SOUTH:** Isolated rain/thundershowers are likely over Tamil Nadu and Kerala. Weather will be Mainly dry in the rest region.

**WEST:** Weather will be **mainly dry** over the region.

### Source: IMD

The current weather situation is not good for Rabi wheat crop but abundant sunshine is also helpful for the crop. Favorable irrigation and soil moisture for winter wheat areas of north India at this time but showers will be needed when this crop reaches the heading stage. But the

rise in temperature might be harmful for the standing wheat crop.

**FOREX (As on 4<sup>th</sup> February, 2006):**

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.06
100 Yen	37.12
1 British £	77.81

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