

## Wheat

6<sup>th</sup> –11<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

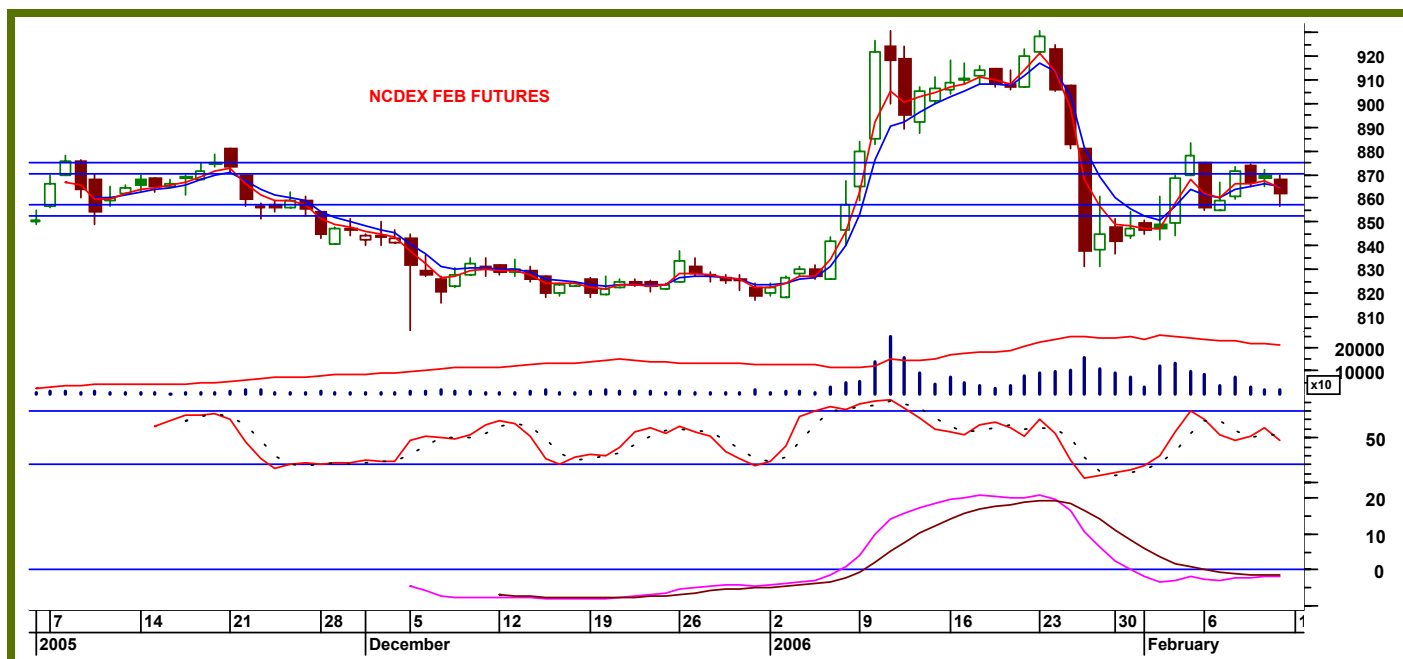
**Perspective:** Short Term (Weekly)

**Contract:** February (Future)

Wheat February contract remained slight strong as compared with previous week due to almost stable physical market price and government intervention programme. Wheat February futures closed at Rs.856.2 on last Saturday and settled at Rs.861.80 on this Saturday. Though the prices went to mostly high position of this week to Rs.875 due to strong physical market price but fell down later. The all of the indicators are hinting bearish sentiment. Open interest as well as volume is decreasing.

**Outlook:** The wheat futures are expected to remain bearish in the coming two to three days where as it might be remain stable later and will remain bearish at the closing time of this contract.

**Advice:** Go short at higher level. Make profit by selling March contract.



### Support and Resistance Levels:

The current resistance levels are at 870.5 and 880.5 marks and support levels are at 852.6 and 846.9 marks as very short term as well as medium term for the coming week.

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
February	852.6	846.9	870.5	880.5

## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

In this week the wheat prices has decreased by Rs.30-35 per quintal in Delhi market due to FCI had sold wheat to the Chakki mills. The daily average arrival has also increased from 1500-2000 bags to 4000-5000 bags in this week. The demand remained slight weak in this week. The wheat was coming from Haryana, U.P. and M.P. Wheat dara mill quality decreased from Rs.1020-1025 per quintal to Rs.990-1000 per quintal in this week at Lawrence road.

#### Ahmedabad:

The wheat prices have soared by Rs.25-30 per quintal in this week as compared with last week in Ahmedabad market due to scarcity of arrival and remarkable demand from mills. The new wheat crop has hit in Saurashtra market but very few and it is expected that the arrival would increase in the coming week. The prices are expected to remain steady to weak in the coming week, according to the traders.

#### Punjab:

Amritsar market remained strong in this week as compared to last week due to strong demand from mills and paucity of arrival. There was very less stock in this market. The wheat prices increased from Rs. 915-920 to Rs.945-955 per quintal at this weekend. 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 have increased by Rs.30-35 per quintal in this week as compared to previous week due to poor arrival and strong demand . At the Jagraon market wheat prices remained at Rs.890-900 as compared to Rs.895-900 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. The prices decreased from Rs. 895-900 per quintal to Rs.850-860/qtl. The arrival from M.P. remained weak due to higher price in M.P. but arrival of new crop and weak demand kept the prices weak in this week. The market is likely to remain steady in the coming week.

#### Haryana:

The most of the mandis showed stable undertone in this week as compared with last week. At the Karnal market wheat was quoted at Rs 950-955 per quintal as compared to Rs 945-950 at last weekend. FCI sold wheat in this week in Haryana to stabilise price.

#### Rajasthan:

The prices have decreased by Rs.30-35 per quintal in Rajasthan market. In Kota market the prices decreased from Rs.945-950 to Rs.915-920 per quintal on Saturday. At Khairtal and Alwar market it prevailed at Rs.890-910 and Rs.900-910 per quintal on steady side. The demand remained stable and arrival remained very week at this market. The arrival remained very less at Khairtal market.

#### Uttar Pradesh:

The market price for wheat remained range bound with steady sentiment in this week as compared with last week. The demand remained stable and government intervention programme has also restricted the price movement to price up. The market had very less stock. At the Kanpur, Shahjahanpur and Bareilly markets, wheat was quoted at the range of Rs.915-920, Rs.980-985 (mill quality) on lower side and Rs.935-940 per quintal on steady side at this Saturday.

#### Madhya Pradesh:

The market sentiment for wheat showed a bearish undertone in this week as compared with last week due to arrival of new crop and increase in freight charge. The stockists are also releasing their stock. The dara wheat mill quality at Indore mandis remained weak at Rs.870-875 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 down by Rs.25-50 per quintal 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. Wheat futures remained unstable in this week. Wheat February contract remained slight strong as compared with previous week due to almost stable physical market price and government intervention programme. Wheat February futures closed at Rs.856.2 on last Saturday and settled at Rs.861.80 on this Saturday. Though the prices went to mostly high position of this week to Rs.875 due to strong physical market price but fell down later. 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 slight weak sentiment in this week as compared to last week. The government intervention programme has restricted the price movement to bullish side. The stable arrival is also kept pressure on the wheat prices. The new wheat crop has hit the market in Gujarat, Maharashtra and MP. Therefore the stockists are releasing wheat. 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 steady to down in the coming week. Prices of wheat in India's open market have jumped in recent weeks on tight supplies and fears of a shortage. Wheat products prices has decreased slightly in this week as weakness in wheat prices and the millers has got the wheat from the FCI.

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

Wheat Products	4.02.06	11.02.06
Atta (90kg)	1020	1015
Maida Grade 1(90kg)	1180	1180
Suji (50kg)	651	651
Chokar (50 kg)	339	328
Chokar (35 kg)	229	213
Chakki Atta (90kg)	965	950

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

Markets	4.02.06	11.02.06
Delhi (Lawrence Road)	1020-1025	990-1000
Haryana (Karnal)	945-950	950-955
Punjab (Khanna)	935-940	947-952
Ahmedabad	920-925	945-950
Ludhiana	895-900	925-930
Ludhiana (Jagraon)	895-900	890-900
Rajasthan (Kota)	945-950	915-920
Amritsar	915-920	945-955
Uttar Pradesh (Kanpur)	915-920	915-920
Uttar Pradesh (Bareilly)	932-938	935-940
Uttar Pradesh (Shahjahanpur)	1003-1007	980-985
Maharashtra (Jalgaon)	895-900	850-860
Madhya Pradesh (Satna)	855-865	815-820
Madhya Pradesh (Indore)	915-920	870-875

## 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:

Indian Agribusiness Systems Pvt. Ltd., New Delhi

## Wheat Production Expected to Below 74 MMT

Along with the present scenario, it is anticipated that the wheat production to be well below than the expectation of 74-76 million metric tonnes (MMT). Despite the fact that the wheat acreage has been increased by 3.61 lakh hectares to 265.08 lakh hectares but limited rain in many areas will have an unfavorable impact on production. There has been a lack of vital rainfall in most of the region except in northern regions likely Punjab and Haryana, where the crop is irrigated. In Madhya Pradesh, the acreage of premium quality durum wheat has fallen drastically to 3.6 million hectares from 4.3 million hectares. The ongoing temperature has been increasing in India, which has a crucial effect on the wheat output. Any unexpected and abnormal increase in temperature early next month might be bringing down the wheat production. The Food Ministry projected India's 2006 wheat production at 75-76 MMT. Therefore the government has decided to procure about 16.2 MMT in 2006.

## Wheat Import Tender Process Likely to Begin

According to a senior official, the processing of import 500,000 metric tons of wheat is so far to start. Stating Trading Corporation (STC) will import the wheat from international country; it may be Australia, Canada, US, or EU. According to a source, STC can make a tender for imports only after a directive is issued from the Commerce Ministry. The commerce Ministry, which has administrative control over STC, should be issuing a written directive for imports on government accounts. This would imply that the government, if any, on sales of imported wheat in India at relatively lower prices compared with the import price would in the end bear losses.

## Wheat Production Remained Down in Argentina

Iraq has postponed its decision on its tender for up to 1 million tons of optional-origin wheat, with Iraqi officials now expected to announce the details of the tender on Wednesday. Argentina's 2005-06 wheat harvests totaled 12.011 million metric tons, the Buenos Aires Cereals Exchange, said Monday. According to the exchange, wheat production is down 26.4% from the 16.345 million metric tons produced last year, the exchange said.

## Wheat: Punjab Likely to Fetch Lower Output

The new wheat crop is likely to hit the market in first week of April in Punjab. According to the statistical data, the area under wheat crop is less by a few thousand hectares and sown 34.3 lakh hectares as against of 34.8 lakh hectares of last year. The state government is anticipating production of 146.25 lakh tonnes of wheat this year whereas last year the production was 146.98 lakh tonnes. The Government is expecting that Punjab would contribute the maximum to the Central pool as usual with 85 lakh tonnes followed by Haryana with 42 lakh tonnes and UP with 25 lakh tonnes. The states that also contribute to wheat procurement for the Central pool are Rajasthan, Madhya Pradesh, Bihar and Uttaranchal. The FCI and state government agencies have made necessary actions for smooth procurement operation on minimum support price of Rs.650 per quintal during the marketing season.

## IGC: World Supply Demand Estimation on Wheat

According to International Grain Council (IGC), estimated 2005 production is increased by 4m. tons to 615m. following revisions to the figures for a number of countries, with the

biggest rises in Kazakhstan, Canada and Pakistan. Harvesting is nearly complete in the southern hemisphere. Rains affected crop quality in Argentina and Brazil but boosted yields in Australia. Consumption in 2005/06 is increased by 2m. tons from the last estimate because of larger feed use in the EU and Canada. The trade forecast is 1m. tons lower at 108m. due to reduced imports by China. Smaller crops led to a pick up in purchases by the EU, North Africa and Brazil, and demand elsewhere in Latin America and also Near East Asia is relatively strong, but China's imports will be much smaller than last season. Forecast shipments by the five major exporters are unchanged at 81m. tons, but there is an increase to 20m. tons in CIS exports, with strong recent sales, in particular from Russia. End-season stocks in the five major exporters are forecast at 49m. tons, up 2m. from before because of the revised crop estimates. The forecast of world stocks is raised 2m. tons to 133m.

#### **Wheat: Present Crop Condition in U.S.**

Kansas crops declined for the month of January with 52% of the crop in good to excellent condition from 61% last month. Nebraska crop ratings fell during the month of January with 52% of the crop now in good to excellent condition as compared with 64% last month and 56% last year. Texas crops (as of early February) are now rated 1% good to excellent, 32% poor and 57% very poor. Oklahoma winter wheat conditions as of the end of February came in at just 10% good to excellent from 21% last month and poor to very poor ratings have jumped to 58% from 46% last month.

#### **UP Likely to Contribute 25 LT of Wheat to Central Pool**

Wheat procurement agencies has set up about 4,500 wheat procurement centres that include food and civil supplies department, UP Essential Commodities Corporation, Pradeshia Cooperative Federation and UP Agro etc in Uttar Pradesh. The state government procured only 5.5 lakh tonnes of wheat last year compared with the target of 25 lakh tonnes (LT). This year, State government again set a target to procure 25 lakh tonnes of wheat. The FCI is also going to procure 5 lakh tonnes of wheat. Where as the number of flourmills were on the edge of closure due to shortage of wheat. The Centre had allocated 8,000 tonnes of wheat for January and 8,000 tonnes for February 2006 for UP, where as the allocations was much higher in other states. The Roller Flour Mills Association has demanded that the Centre should increase the wheat allocations being made to the Centre.

#### **Government Failed to Restrict Wheat Prices**

The government has failed on the wheat prices front, which is ruling high at Rs 975-1000 per quintal at most of the trading center, where as the prices prevailed between Rs.800-850 per quintal same period of last year. The stockists are hoarding stocks till the prices to touch a new high level though the stocks belong to the stockists are very poor. Government should have decided to import much earlier. The imported will reach in end of March to April when the crop will hit the market. The Food Corporation of India's (FCI) offer of Rs.650 a quintal, which is far below than that of market price. The traders said, if

government do not increase the MSP of wheat then procurement is likely to go down as of previous year. FCI's existing wheat reserves are not enough to keep prices under check and meet the growing requirements of employment generation and welfare schemes. By April, FCI's wheat stocks could fall way below buffer norms to about 1.5 million tonnes, as it releases wheat in the open market to stabilise prices.

#### **UP Flour Mills Urged to Increase Wheat Availability**

Roller flourmills in Uttar Pradesh are struggling for survival, since wheat has vanished from the markets. This crisis in UP is mainly due to the deregulation of the wheat trading, since till date there were no restriction on the inter state movement of goods or any limits on storage by the traders. Government has allowed the various MNCs to procure wheat from farmers at the minimum support price fixed by the government. Therefore the UP Roller Flour Millers Association has written to the state government to release at least 50, 000 million tonnes in UP, under OMSS-D, for the months of February and March. A shortfall of 25% in wheat production, together with a low allotment of wheat for release in the open market by FCI has aggravated the situation in UP. The monthly allotment for open market in UP was far lower than many smaller states. The FCI allots only 8000 MT of wheat for UP, which is not sufficient. The FCI released 25,000 MT for West Bengal, 35,000 MT for Delhi and, Karnataka, 25,000 MT for Maharashtra and Tamilnadu and 8,000 MT for UP. The allotment situation remained the same for the current month February.

#### **Global Wheat Outlook on Thursday**

Egypt's General Authority for Supply Commodities, or GASC, purchased 240,000 tons of Australian and French wheat, bypassing U.S. wheat in favor of 180,000 metric tons of Australian wheat and 60,000 metric tons of French wheat. Although Iraq has postponed the results of its tender of up to one million tons of optional origin wheat until Sunday, the recent controversy surrounding the Australian Wheat Board in the oil-for-food program is seen as hopeful sign that the U.S. might sell wheat to the Iraqis, a local trader said.

#### **USDA Estimated Lower Wheat Output in 2005-06**

According to the latest USDA report on world agricultural supply and demand estimation (WASDE) on wheat, no changes are made to projected U.S. 2005/06 wheat imports, domestic use, exports, or ending stocks. No changes are made to projections of wheat by class. The projected 2005/06 price range is \$3.35 to \$3.45 per bushel, up 10 cents on the lower end and down 5 cents on the upper end from last month.

Global wheat production in 2005/06 is down fractionally, consumption is up slightly, imports decrease slightly, and exports increase fractionally from last month. Ending stocks decline nearly 3 million tons and are nearly 8 million tons less than the previous year. Smaller crops in Ukraine, Croatia, and Kyrgyzstan are nearly offset by larger crops in EU-25, Belarus, Serbia, and Azerbaijan. Consumption is up in India and Belarus but down in Ukraine. Relative to last month, imports are projected to decline for China, India, and Russia and increase for EU-25. Exports increase for Brazil and Serbia but decline for Kazakhstan. The largest declines in stocks occur in India, China, and Brazil with smaller declines forecast for several other countries. Stocks are up in EU-25, Kazakhstan, and Azerbaijan.

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



Net sales of 351,200 metric tons (MT) equaled the previous week, but were 1 percent below the prior 4-week average. Major increases were reported for the Philippines (69,000 MT), Japan (64,200 MT), Nigeria (42,200 MT), Mexico (34,600 MT), Venezuela (31,100 MT), and Chile (30,000 MT). Exports of 638,800 MT were 11 percent above the week earlier and 30 percent over the prior 4-week average. The main destinations were Mexico (121,800 MT), Japan (119,800 MT), Iraq (99,700 MT), Nigeria (71,200 MT), Venezuela (54,500 MT), and South Korea (48,500 MT). (This summary is based on reports from exporters for the period January 27 - February 2, 2006)

#### **Wheat Output to Decline in Uttaranchal on Less Rain**

The wheat production is likely to be down by 25% in Uttaranchal especially in hill areas due to less rainfall during winter. The State is fully depending on the rains but scarcity of rain has affected adversely on the wheat crop. According to Chandan Singh Mehra the Joint Secretary, Agriculture Department, the overall target put for wheat production this year was 8,22,000 metric ton but it may drop to 8,05,000 metric ton. The production, especially in Haridwar and Dehradun is likely to drop drastically this season. The wheat area was covered in total 499000-hectare area, whereas last year it was 394000 hectare and total production amounted to 93000 metric ton.

#### **STC Floated a Tender for Wheat Import**

India floated a global tender for the import of 500,000 tonnes of wheat on Friday to restrict a supply squeeze and increase domestic prices. The tender will close at noon on February 20, 2006 and the wheat has to be delivered to five designated south Indian ports between March and the middle of May, according to the State Trading Corporation. The wheat should be fit for human consumption and of the current 2005-06 crop of any country of origin, which is reported in this tender. The entire shipment will be received at the southern ports of Mangalore, Chennai, Tuticorin, Cochin and Vishakhapatnam.

#### **FCI Releases Additional Wheat to Stabilise Price**

To restrict the wheat prices at stable level the Government has decided to release the additional quantities of wheat at the open market in the States for the month of February 2006 over and above the allocation of 1.5 lakh tonnes each for the months of January and February 2006 and additional quantity of 73,000 MT released for January, 2006. Therefore they are likely to sell wheat very soon. The quantities (in metric tonnes) as State wise are below:

Delhi- 20000, Punjab including Chandigarh-20000, Haryana-15000, U.P.-5000, J&K-5000, Madhya Pradesh-5000, Tamil Nadu- 10000, Karnataka-10000, Kerala-5000, Bihar-5000, West Bengal-10000, Orissa-5000, Assam & Arunachal Pradesh-5000, RO Shillong & RO N&M-3000, Maharashtra-10000, Gujarat-5000, Uttaranchal-2000, Rajasthan-5000, Andhra Pradesh-5000.

#### **Iraq & S Korea Likely to Import Wheat Further**

Iraq is likely to buy at least 800,000 tons of wheat from either Australia or the U.S., with anything less viewed negatively. After being delayed several times, the results of the Iraqi wheat tender are expected to be released Sunday, sources said. News that South Korea passed on a tender to buy 25,200 tonnes of US wheat due to high prices was seen as a negative development.

#### **IGC WORLD WHEAT ESTIMATES (26.01.06)**

(Million tons)

	2002 -03	2003- 04	2004- 05	2005-06 (Forecast)	
				23.11	25.01
Production	566	555	623	611	615
Trade	106	103	106	109	108
Consumption	600	593	613	616	618
Stocks	165	127	138	131	133
Year-Year Change	-34	-38	+11	-5	-3
5 Major Exporters <sup>#</sup>	43	40	52	47	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%	
	Feb 10	Feb 9	Feb 10	Feb 9	Feb 10	Feb 9	Feb 10	Feb 9
Feb-06	198	196	168	167	176	175	201	199
Mar-06	186	184	164	164	173	173	197	197
Apr-06	187	184	168	168	176	176	200	200
May-06	186	184	186	176	188	185	213	209
Jun-06	183	184	177	177	185	185	209	209
July-06	173	175	175	175	183	183	208	208

### **PORT WATCH**

No latest vessel position is reported at this weekend.

## WEATHER WATCH (As on 11<sup>th</sup> February 2006)

An upper air cyclonic circulation extending upto 3.6 Km a.s.l. lay over northeastern states and neighbourhood on 3.<sup>rd</sup> It persisted over the same area till 5<sup>th</sup> and become less marked on 6<sup>th</sup>. A western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 6.<sup>th</sup> It lay over Jammu & Kashmir and neighbourhood on 7<sup>th</sup> and was moving away eastwards on 8<sup>th</sup>. An induced upper air cyclonic circulation extending upto 1.5 Km a.s.l. formed over central Pakistan and adjoining west Rajasthan on 6<sup>th</sup>. It lay over west Rajasthan and neighbourhood on 7<sup>th</sup> and over central parts of Rajasthan on 8<sup>th</sup> (extending up to 3.1 Km a.s.l.) Warm Conditions prevailed over northwest and central India, Gangetic Plains and northeastern states throughout the week.

### Forecast:

- Most parts of the country will continue to experience mainly dry weather conditions except the western Himalayas where scattered rain/snowfall is likely during second half of the week.
- Day temperatures are likely to remain 4-6 deg C above normal over northwest India and by 2-3 deg C above

normal over rest parts of the country outside peninsular India where they are likely to remain near normal.

- Night temperatures are likely to remain 2-4 deg C above normal over northwest India, Gangetic Plains and east & northeastern parts of the country.

### Source: IMD

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 10<sup>th</sup> February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.21
1 Euro	53.01
100 Yen	37.52
1 British £	77.24

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