

## Wheat

2<sup>nd</sup> February, 2006

### MAJOR ACTIVITY HIGHLIGHTS

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

### TECHNICAL ANALYSIS

**Exchange:** NCDEX

**Perspective:** Very Short Term (Weekly)

**Contract:** February (Future)

Wheat Futures at the NCDEX traded on bearish side at the end today. The prices opened firm and went to mostly up but selling pressure and steady physical market prices pulled down the prices after mid session. The February contract opened firm at Rs. 849.80 and went to Rs.850.80 but did not sustained and settled marginally down Rs.1.00 at Rs.846.20 today. February contract traded at the range of Rs.845.00-850.80 today. March contract traded within the range of Rs.804.60-808.40.

**Price Change: February Contract**

Contracts	Closing	Previous	Change
February	846.20	847.20	-1.00

**Indicators:** The most of the indicators are hinting slight bearish sentiment of wheat prices, except Stochastic, which is indicating bullish sentiment. Open interest as well as volume is decreasing.

**Outlook:** The wheat futures are likely to trade bearish in the coming days but the market is too risky to take position.

**Advice:** Go for short position with 847.5, target near 842.5 then 837.8 and put stop loss at 850.5.

**Support and Resistance Levels:**

The current resistance levels are at 847.0 and 854.4 marks and support levels are at 841.3 and 834.8 marks as very short term.

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
February	841.3	834.8	847.0	854.4



### DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

#### DOMESTIC MARKET COMMENTARY

Wheat spot prices remained steady in **Delhi** market amidst news of FCI's selling. According to a trader, FCI was expected to sell wheat to the millers at the price of Rs.844 per quintal. Therefore wheat dara mill quality opened at Rs.925-927 per quintal and traded at Rs.925-930 per quintal at Lawrence road with average arrival of 700-1000 bags from M.P. and Haryana. According to a trader, FCI sold one-lakh bags of wheat to the flourmills and also one lakh for Chakki mills. Therefore the demands from these mills are remaining quiet but the paucity of arrival restricted the price to down. At Najafgarh mandis wheat

has traded within the range of Rs.890-900 per quintal and in Narella, it has quoted at Rs.885-900 per quintal today. It is expected by the traders that the prices would be decreased in the coming days.

In **Uttar Pradesh** market, wheat prices remained again hot today due to the strong demand from flourmills and neighbouring states. The less stock at the market yards also triggered the market sentiment to hot. In most of the mandis the prices increased by Rs.20-30 per quintal in Bareilly and Shahjahanpur mandis.. The demand for wheat

products also showed an upward trend in this state. Wheat prices traded mostly up in Kasgang and quoted at Rs.860-865 per quintal with average arrival of 300-400 quintal and wheat dara mill quality quoted at RS.865-870 per quintal at Etha mandis with arrival of 250-300 quintal. FCI was not likely to sell wheat in this state till now, according to trade sources.

In **Punjab** market, the wheat prices again fell down slightly today due to slight poor demand from the mill industry. Government was likely to sell 1.25-lakh ton wheat in this State, according to traded sources therefore the prices has been showing a downward trend from several days. At Khanna market, wheat prices remained range bound today. Release of wheat to millers by Govt. agency leads to pull down the demand.

In **Rajasthan** market, wheat prices got back its strong position due to paucity of arrival and strong demand from mill industry. The wheat has traded on mostly upper side at Rs.970-975 per quintal in Jaipur and Jodhpur market. The demand from Chakki mills remained pronounced. The most of the bags are coming from M.P.

In **Gujarat** market, the wheat prices quoted at Rs.900-905 per quintal in Ahmedabad market today due to very less arrival. Demand from the flour and Chakki mills remained slight weak but few arrivals kept pressure on prices. At Saurashtra the wheat has traded at the rate of Rs.800-805 per quintal today.

The market sentiment improved slightly in **Maharashtra**. Wheat Lok-1 variety has traded at the range of Rs.965-970 per quintal in Pune and Mumbai due to scarcity of arrival.

In **Madhya Pradesh** mandis, wheat prices increased by Rs.5-10 per quintal today due to strong buying pressure from neighbouring states and scarcity of arrival of 2-3 trucks. According to the traders, market has less stock and new crop is likely to hit in March. There is a gap exist between current situation and fresh arrival of new crops.

The cloudy weather is prevalent in Gujarat, Punjab and U.P. market. The traders are eyeing on the rains, which would be beneficial for the crop.

However the wheat products like Atta, Maida Suji, and Chakki prices remained steady today due to the millers got wheat from the FCI at lower prices in Delhi. They were likely to get wheat from FCI today, according to trade sources.

Due to promising demand from flourmills and Chakki mills the wheat prices has been showing an upward curve from two days. The paucity of arrival is also pushed up the prices and therefore the wheat prices has been increased by Rs.20-25 per quintal at some mandis and Rs.5-10 per quintal at most of the mandis today. 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. It is witnessing that the Government is handling the market and therefore the prices had declined at most of the centres in the previous week.

The wheat prices are likely to remain steady to high on coming **Thursday** in the domestic spot market.

## PRICES OF WHEAT PRODUCTS IN DELHI (in Rs.)

Wheat Products	31.01.06	1.02.06
Atta (90kg)	977	977
Maida Grade 1(90kg)	1138	1138
Suji (50kg)	628	628
Chokar (50 kg)	325	325
Chokar (35 kg)	221	221
Chakki Atta (90kg)	895	895

## SPOT MARKET PRICE FOR WHEAT (In Rs./Quintal)

Markets	31.01.06	1.02.06
Delhi (Lawrence Road)	920-925	925-930
Haryana (Karnal)	895-900	898-903
Punjab (Khanna)	923-925	923-925
Ahmedabad	900-905	920-925
Ludhiana	880-890	880-885
Ludhiana (Jagraon)	880-890	880-885
Rajasthan (Kota)	900-903	915-920
Amritsar	915-920	900-905
Uttar Pradesh (Kanpur)	898-903	903-905
Uttar Pradesh (Bareilly)	904-907	920-925
Uttar Pradesh (Shahjahanpur)	963-965	990-995
Maharashtra (Jalgaon)	865-870	870-875
Madhya Pradesh (Satna)	850-855	855-860
Madhya Pradesh (Indore)	870-875	875-880

## INTERNATIONAL MARKET:

### CBOT Wheat Remains Weak on Fund Buying

At the Chicago Board of Trade (CBOT), soft red winter wheat futures showed a downward trend Tuesday and settled lower amidst good recent fund buying, which glinted record open interest in CBOT wheat futures before Tuesday's open. The market found support from light fund buying in Chicago but a lack of follow-through buying in Kansas City or Minneapolis kept the trade choppy for much of the day. The dryness trend in the southern plains has underpinned the wheat market and some signs of a possible shift to a wetter pattern on the extended forecast models bolstered some long liquidation selling in Kansas City. U.S. traders is anticipated an opening of bids Wednesday for an Iraqi wheat tender of 1 million tons. CBOT March wheat slipped 2 cents at \$3.433; May decreased 1.5 cents at \$3.545 per bushel. Therefore March wheat support comes in at \$3.415 and \$3.393 with resistance at \$3.49 and \$3.56. U.S. wheat export sales news was quiet, while traders are now eyeing on any news of possible sales of wheat to Iraq.

## NEWS ANALYSIS:

### 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.

## WEATHER OUTLOOK:

Cold wave conditions prevailed over interior Karnataka and adjoining Rayalaseema. Largely dry weather conditions are

prevailing over the country. This scenario will continue for another 2-3 days. The western disturbance as an upper air system over Jammu & Kashmir and neighbourhood has moved away eastwards. Minimum temperatures over northwest India are likely to fall by 2-3 °C from 3rd onwards.

### Forecast:

**NORTH:** Rain/snow is likely **at isolated places** over higher reaches of Jammu & Kashmir. Weather will be mainly dry over the rest region.

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

**SOUTH:** Weather will be **mainly dry** over the 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. But the rise in temperature might be harmful for the standing wheat crop. It is expected that the wheat output would be affected in this current year if this weather pattern continues.

### FOREX (As on 1<sup>st</sup> February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.15
1 Euro	53.68
100 Yen	37.68
1 British £	78.56

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