

## Wheat

8<sup>th</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 (Daily)

**Contract:** February (Future)

NCDEX wheat futures traded on marginally higher side today due to stable physical market price in Delhi. The FCI sold 10000 tonnes of wheat to Chakki mills in Delhi yesterday. The prices opened mostly down but early buying pressure triggered the prices high but did not sustained and settled on marginally higher side today. The February contract opened mostly down at Rs. 855.20 and settled up Rs.4.20 at Rs.860.60 today. February contract traded at the range of Rs.855.20-867.00 today.

**Price Change:** February Contract

Contracts	Closing	Previous	Change
February	860.60	856.20	+4.20

**Indicators:** The most of the indicators are indicating slightly bullish sentiment where as MA and Stochastic is indicating bearish sentiment. Open interest as well as volume is decreasing.

**Outlook:** The wheat futures are likely to trade steady to firm in the coming days but take position cautiously.

**Advice:** Go for long position near 860.5, target near 867.0 then 870.5 and put stop loss near 856.0.

### Support and Resistance Levels:

The current resistance levels are at 869.9 and 875.1 marks and support levels are at 855.2 and 850.7 marks as very short term.

Contract	Support Levels		Resistance Levels	
	S1	S2	R1	R2
February	855.2	850.7	869.9	875.1



### DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

#### DOMESTIC MARKET COMMENTARY

Wheat spot prices showed a steady to slight bearish sentiment today as compared to yesterday amidst slight lower arrival and stable demand in **Delhi**. FCI has already sold 10000 tonnes of wheat to the Chakki mills yesterday therefore the demand from Chakki mills remained slight weak, according to trade sources. Wheat dara mill quality opened at Rs.975-977 per quintal and traded within the range of Rs.972-977 per quintal at Lawrence road with arrival of 3000-4000 bags from M.P. and U.P. Where as wheat prices decreased at Narella and Najafgarh mandis. Wheat has traded at Rs.950-955 per quintal at Narella and Rs.965-970 per quintal at Najafgarh mandis today.

Wheat prices witnessed slight bearish trend in **Uttar Pradesh** market amidst slight higher arrival despite the demand from flourmills remained pronounced. Wheat dara mill quality has decreased by Rs.5-10 per quintal at most of the market. The stockists are releasing their stocks at the market. Besides this government intervention programme also restricted the prices movement on upper side. Wheat prices traded on stable in Kasgang and quoted at Rs.875-880 per quintal with average arrival of 500-600 quintal and wheat dara mill quality quoted at RS.875-880 per quintal at Etha mandis with arrival of 450-500 quintal. The wheat has traded at the range of Rs.980-1000 per quintal at Hapur mandis today.

In **Punjab** market, the wheat prices showed a mixed sentiment today. The prices have increased in Ludhiana market by Rs.30-35 per quintal due to shortage of arrival where the prices remained mostly stable in Amritsar and Khanna market. The wheat dara mill quality has traded at the range of Rs.950-960 per quintal at Jalandhar mandis and Rs.940-945 per quintal at Chandigarh mandis on mostly higher side due to paucity of arrival and government intervention programme.

In **Rajasthan** market, wheat prices continued to fall and traded on slight lower side. The wheat has traded at Rs.960-965 per quintal in Jodhpur mandis. At Khairtal and Alwar market it traded at Rs.885-895 per quintal with very few arrival.

In **Gujarat** market, the wheat prices jumped by Rs.10-20 per quintal due to restricted arrival despite the demand remained weak. 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.890-900 per quintal with arrival of 1500-2000 bags today and at Rajkot it traded at Rs.890-900 per quintal with arrival of 300-400 bags today. The arrival of new wheat crop is starting.

The wheat prices remained range bound with slight weak undertone today in **Maharashtra** market due to slight weak demand. The wheat arrival remained within 2-3 lorries at Jalgaon market. Wheat Lok-1 variety has traded at the range of Rs.985-990 per quintal in Pune and Rs.895-900 per quintal in Mumbai.

In **Madhya Pradesh** mandis, less arrival kept the prices almost stable in Indore market today. The arrival remained restricted at 5-7 trucks in Indore market. The new crop is likely to hit the market within 15-20 days. The demand from South India remained weak. At Satna mandis, wheat prices prevailed at Rs.815-820 per quintal as loose basis with 100-200 quintal of arrival.

However the bullish trend of **Wheat Products** like Atta, Maida Suji, and Chakki prices has restricted and traded on steady side today due to the strong demand of wheat products but stable wheat prices in Delhi market. The new wheat crop is likely to hit the market in March to April.

Most of the mandis showed a steady undertone for wheat prices today amidst government intervention programme. Where as wheat prices are soaring in South Indian market due to scarcity of wheat and less arrival.

The wheat prices are likely to trade steady to low on coming **Wednesday** in the domestic spot market.

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

Wheat Products	6.02.06	7.02.06
Atta (90kg)	1029	1029
Maida Grade 1(90kg)	1189	1189
Suji (50kg)	656	656
Chokar (50 kg)	342	342
Chokar (35 kg)	232	228
Chakki Atta (90kg)	940	940

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

Markets	6.02.06	7.02.06
Delhi (Lawrence Road)	975-980	972-977
Haryana (Karnal)	950-955	940-945
Punjab (Khanna)	950-955	950-955
Ahmedabad	920-925	930-935
Ludhiana	900-905	930-935
Ludhiana (Jagraon)	900-905	930-935
Rajasthan (Kota)	938-943	930-933
Amritsar	915-920	910-920
Uttar Pradesh (Kanpur)	915-920	907-912
Uttar Pradesh (Bareilly)	950-955	948-953
Uttar Pradesh (Shahjahanpur)	990-995	980-985
Maharashtra (Jalgaon)	855-860	850-855
Madhya Pradesh (Satna)	850-855	850-855
Madhya Pradesh (Indore)	910-915	910-915

#### INTERNATIONAL MARKET:

##### CBOT Wheat Remains Bearish; KCBT Achieves New High

Chicago Board of Trade (CBOT) wheat futures has started from downward position and therefore it settled lower on Monday, in spite of a rally in Kansas City Board of Trade March to a new life-of-contract high. Kansas City wheat futures remained high due to light fund buying and continued dryness in the southern Plains. The failure to find more buying interest after the firm opening helped bolster the sell-off to lower on the day into the mid-session. The Iraq tender scheduled for the weekend was shifted to Wednesday and other export news was quiet except for news that Jordan is tendering for 100,000 tonnes of optional origin wheat. With GSM credits, traders are hopeful that the US will get some of this business. CBOT March wheat finished 1.5 cents lower at \$3.55, KCBT March increased 6 cents to \$4.175, and MGE March wheat fell 0.5 cent to \$4.04. March wheat support comes in at \$3.548 and \$3.50 with resistance at \$3.585 and \$3.615. For Thursday's USDA Supply/demand update,

#### NEWS ANALYSIS:

##### 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 unfavourable 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: 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.

### WEATHER OUTLOOK:

Mainly dry weather conditions are prevailing over the country. This scenario is likely to continue for next 2-3 days except isolated light rain/snow over higher reaches of Jammu & Kashmir and Himachal Pradesh during next 24 hours. Isolated light rainfall is also likely over Sub-Himalayan West Bengal & Sikkim and Northeastern states

during 9<sup>th</sup> to 11<sup>th</sup> February. Day temperatures continue to be above normal by 4-6 deg C over northwest India and 2-4 deg C over central and eastern parts of the country. Night temperatures are also above normal by 2-4 deg C over northwest India and Gangetic plains. These warm conditions over northwest and central India are likely to continue for next 2-3 days. However, a fall of 1-2 deg C in minimum temperature is likely on 9<sup>th</sup> and 10<sup>th</sup>.

### Forecast:

**NORTH-WEST INDIA:** Isolated rain/snow likely over higher reaches of Jammu & Kashmir and Himachal Pradesh. Weather will be mainly dry over the rest region.

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

**NORTHEAST INDIA:** Weather will be mainly dry over the region.

**SOUTH INDIA:** Weather will be mainly dry over the region.

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

**CENTRAL INDIA:** 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 7<sup>th</sup> February, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.27
1 Euro	53.01
100 Yen	37.23
1 British £	77.43

### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.