

## Wheat

27<sup>th</sup> March-1<sup>st</sup> April, 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)

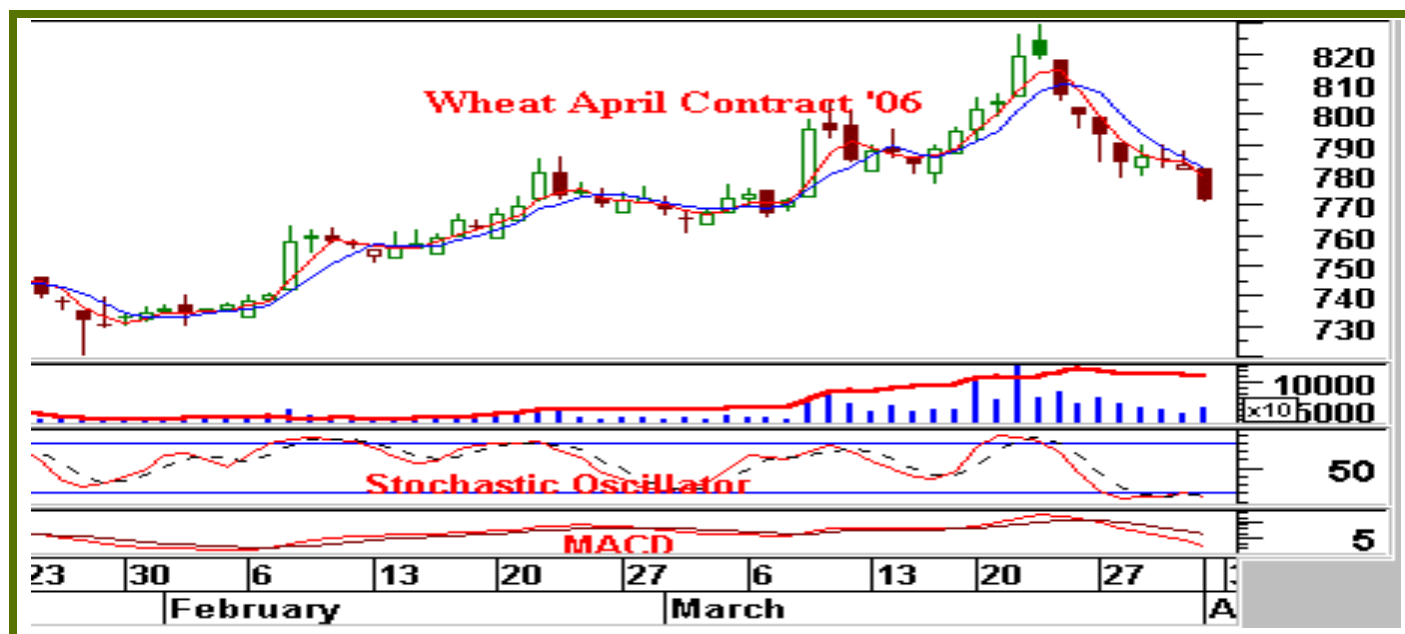
**Contract:** April (Future)

NCDEX wheat futures showed a sharp bearish undertone in this week amidst weak spot market price and strong selling pressure but recovered at Wednesday. Most active April contracts moved down from Rs.792.80 of Monday to Rs.771.40 on Saturday, decreased by Rs.21.40 in this week touched this week's low of Rs.771.00 at this weekend. The news of wheat import by India on Wednesday did not affect the futures market as much. This contract traded within the range of Rs.771.00-798.80 in this week. The most of the indicators are indicating to bearishness of wheat prices but

RSI and Stochastic has reached overbought region, hinting trend reversal near.

**Outlook:** The wheat futures are expected to remain bearish to steady in the coming two to three days where as it might be remain bearish later and will remain bearish as long term.

**Advice:** Go short at higher level for long term.



### Support and Resistance Levels:

Contract Month	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
April Futures	755.6	747.2	775.70	786.10

## DEMAND, SUPPLY AND PRICES AT IMPORTANT CENTRES

### Market Highlights

#### Delhi:

Wheat prices fell down by Rs.120-135 per quintal in this week in Delhi spot market due to fresh arrival of new wheat crop from Mathura, MP, Hodal, Palwal and Gujarat. Wheat prices declined from Rs.915-925/qrtl of previous Saturday to Rs.785-790/qrtl on Saturday and touched this week's low of Rs.770-780/qrtl on Tuesday. The daily average arrival was around 7000-8000 bags and witnessed 14000-16000 bags on Saturday. The millers are not willing to give higher price. Besides, they got wheat from FCI at lower rate of Rs. 844 per quintal on previous week. The other bearish factor was reducing offtake by roller flourmills and Chakki mills. The stockists are waiting for price decrease to Rs.745-750 per quintal and therefore they are not eager to purchase wheat at the prevailing market price, according to one trader.

#### Gujarat:

During this week, wheat prices fell down by Rs.30-35 per quintal at Ahmedabad mandis due to slight higher arrival and poor trading activity for March year ending. Rajkot mandis remained closed for this reason. Wheat prices prevailed within Rs.790-815 per quintal during the week at Ahmedabad and Rs.735-740/qrtl on Sunday in Rajkot mandis but Rajkot mandis has been remaining closed since three to four days for March year ending. The daily average arrival was witnessed within 10000-15000 bags in Ahmedabad mandis.

#### Punjab:

Wheat prices remained almost stable at most of the mandis till Friday but the fresh arrival of new wheat crop from Rajpura and Patiala pulled down the prices by Rs.15-35 per quintal on Saturday and traded bearish. The wheat was also coming from Delhi and other region. The market remained stable due to severe shortage with virtually no arrivals. According to the source, the production of forth coming crop is likely to decline. The new crop is likely to reach mid of April at most of the centre as full-fledged. The godowns stocks were sold in this market.

#### Maharashtra:

The market sentiment for wheat showed range bound with steady sentiment in this week as compared with last week. However the prices remained firm at mid of this week due to moderate arrival and buying pressure but fell down after that amidst higher arrival from M.P. and local area. The arrival is increasing day by day. At Jalgaon market, wheat prices increased to Rs.830-840 per quintal at midweek but fell down after that to Rs.800-810 per quintal with higher arrival of 10-15 lorries including 5-7 lorries from local area. The sentiment remained same in Pune and Mumbai mandis. The wheat prices were relatively stable in Mumbai and Pune market in this week and prevailed within Rs.900-920 per quintal.

#### Haryana:

Wheat prices have declined by Rs.90-100 per quintal during the week over last week at most of the mandis due to fresh arrival of new crop at Hodal, Palwal and some other pockets. The wheat has traded within the range of Rs.875-890 per quintal at Dhabwali mandis with virtually no arrival.

#### Rajasthan:

The higher arrival of new wheat crop continued to pull down the prices in Rajasthan market. Therefore the prices have decreased by Rs.75-80 per quintal at most of the mandis in this week as against of last week. The new wheat is supplying to Delhi and other region. At Khairtal and Alwar market the new wheat has traded at Rs.710-725 per quintal on stable side. The average arrival was 750-800 bags at Khairtal and 2000-2700 bags on Alwar mandis on Saturday. The demands from stockist were good.

#### Uttar Pradesh:

The sentiment remained remarkably poor in Uttar Pradesh during the week over last week. Wheat has traded on mostly bearish side due to arrival of new wheat from Mathura and other region. The new wheat has reached at Mathura, Shahjahanpur, and Koshi etc. region. The new wheat has prevailed in between Rs.720-730 per quintal with arrival of 350-450 quintal at Kasganj and Rs.725-740 per quintal at Etah mandis Saturday. Wheat has traded at Rs.840-850 per quintal at Hapur Mandi today at lower side.

#### Madhya Pradesh:

In Madhya Pradesh mandis, wheat prices remained significantly weak in this week amidst poor trading activity for March year ending, Ramnavami and moderate arrival. Therefore the prices declined by Rs.45-50 per quintal at Indore and Bhopal mandis. The new wheat has traded within the range of Rs.800-820 (Darra mill quality) at lower side in Indore market. The new wheat crop also hit the Satna market, around 500-700 bags and wheat has traded within Rs.700-730 per quintal, according to trade sources.

#### Vyasa Bazaar:

NCDEX wheat futures showed a sharp bearish undertone in this week amidst weak spot market price and strong selling pressure but recovered at Wednesday. The gap between the futures and spot market prices has been minimized. Most active April contracts moved down from Rs.792.80 of Monday to Rs.771.40 on Saturday, decreased by Rs.21.40 in this week touched this week's low of Rs.771.00 at this weekend. The news of wheat import by India on Wednesday did not affect the futures market as much. This contract traded within the range of Rs.771.00-798.80 in this week.

### CONCLUSION

Wheat domestic spot prices witnessed declined this week at most of the trading centres due to higher arrival of new wheat crop at M.P., Gujarat, some parts of Haryana, Rajasthan and Maharashtra also Mathura. The market is eyeing on the arrival pressure. The most of the market remained closed and some markets showed poor trading activity for March year ending. It is expected to have 10-15% crop losses in various parts. The

fresh arrival of new wheat crop is likely to hit mid April in Punjab, Haryana and UP as full fledged. At present wheat stocks to the FCI prevailed at 3.0 MMT. The prices are likely to weak to steady in the coming week. NCDEX wheat futures have declined in this week as against of last week amidst speculative selling and weak spot market price.

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

Wheat Products	25.03.06	1.04.06
Atta (90kg)	1009	962
Maida Grade 1(90kg)	1206	1111
Suji (50kg)	665	617
Chokar (50 kg)	315	250
Chokar (35 kg)	209	185
Chakki Atta (90kg)	935	948

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

Markets	25.03.06	1.04.06
Delhi (Lawrence Road)	915-925	785-790
Haryana (Karnal)	915-920	820-825
Punjab (Khanna)	1015-1020	1000-1005
Ahmedabad	850-860	810-815
Ludhiana	980-985	950-960
Ludhiana (Jagraon)	945-950	945-955
Rajasthan (Kota)	865-870	790-795
Amritsar	905-910	890-905
Uttar Pradesh (Kanpur)	925-930	775-780
Uttar Pradesh (Bareilly)	943-947	775-780
Uttar Pradesh (Shahjahanpur)	1035-1040	765-770
Maharashtra (Jalgaon)	800-810	800-810
Madhya Pradesh (Satna)	785-810	700-730
Madhya Pradesh (Indore)	815-855	795-820

#### INTERNATIONAL AND DOMESTIC NEWS:

##### Squall and Hailstorm Strike Wheat Crops in Punjab

High velocity winds coupled with hailstorms have damaged wheat crops at various places in Punjab and other parts of this region on Sunday. According to the farmers, the strong blowing winds have flattened the wheat crop at several places in the state. Storm followed by light to moderate rain was hit various places of this region. According to the Agriculture experts, the current bad weather was not good for wheat as this crop is going to harvest in April. The sunny and dry weather is needed at this time. The government procurement agencies will start wheat procurement operation in Punjab from April 1. The agencies have fixed a target to procure about 9 million

tonne of wheat out of the total output of 14.67 million tonne in the state.

##### Wheat Production Target at UP, Punjab and Haryana

The government estimated wheat production to 73.6 MMT despite the wheat crop had affected in some pockets due to recent rains and hailstorms. Wheat production is likely to touch 25.2 million metric tonnes (MMT) in Uttar Pradesh as compared to 25.8 MMT last year. Punjab is anticipated to produce around 15 MMT over 14.9 MMT where as Haryana expects 9.5 MMT against of 9.2 MMT of last year.

##### Govt. Likely to Provide Rs.30 Bonus on Wheat MSP

Earlier, the Agriculture ministry Sarad Pawar ruled out the procurement bonus on MSP of wheat. But the Government is now planning to provide an incentive bonus of Rs.30 per quintal on wheat to supplement the MSP of Rs.650 per quintal. This move will help maintain the economic cost of procured wheat down as the market levies and local taxes are calculated on the procurement price and not on bonus. The main objective is to create adequate wheat stock to replenish the depleted foodgrain reserves. The Union Cabinet's approval is being required for the decision. The move is expected to acquire widespread political support. The governments of the major wheat surplus states of Punjab and Haryana had demanded for a raise in the procurement prices. In 1997-98 as well, the Centre had given a similar incentive bonus of Rs.55 a quintal on wheat to supplement the MSP. The wheat surplus states, which contribute to the central pool, include Punjab, Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, Bihar and Uttaranchal.

##### Wheat: Worries of Crop Losses in Punjab, Haryana

According to the government, the area coverage under wheat for the entire country is 267.166 lakh ha which is around 101.69% of the normal area of the crop in the country. This coverage is more (about 2.093 lakh ha) than the coverage in corresponding period of the previous year. In Punjab state, the production of major Rabi wheat crop is expected to 14.5 million MT against the target of 14.63 million MT and this loss may be about 1.0%. Where as in Haryana, the yield of wheat is likely to decrease by 15 to 20% due to the crop was severely affected by high temperature and there was incidence of aphid. The increase in temperature during winter this year had affected the rabi crops in Jammu & Kashmir. In two districts of Jammu Division that is Rajouri and Poonch where 30-40% loss to standing crops has been reported. In Himachal Pradesh, the crops have been adversely affected due to sudden rise in temperature in the month of January and February 2006. In Maharashtra and Chhattisgarh, the wheat crop is in maturity stage and harvesting is proceeding and rust on wheat crop was observed on small scale in Maharashtra state.

##### Iraq Imported 5-lakh MT of Wheat from Australia

According to the Grain Board of Iraq, Iraq imported 5 lakh metric tons of wheat from Australia. Iraq purchased the wheat at \$190 per ton (Rs.841 per quintal), they noted. According to the source, the board has augmented its wheat imports from U.S. suppliers to 4.5 lakh tons in place of the 1.5 lakh tons announced previous.

##### \*\*India to Float 1.5-2 MMT of Wheat Import Tender Soon

According to the government, they would not increase the wheat intervention price and ruled out the decision to give bonus Rs.30 per quintal on wheat MSP. Indian Firm Ministry also said today that India is likely to float another tender for wheat import around 1.5-2 million metric tonnes within one to two weeks of the coming month. The buffer stocks for wheat to the government are too low therefore it is important to import wheat to replenish the stocks, according to the source.

#### **Wheat: Central Pool has Stock of 36 Lakh MT**

According to the government, the central pool has a stock of 3.6 million tonnes of wheat, which is sufficient to meet the needs for three months as the average offtake is to the tune of 1.2 million tonnes per month. According to a source, the wheat prices were increasing in 2004-05 marketing year due to the traders and multinational companies builded stockpiling wheat and created artificial scarcity. It was witnessed that wheat production in the previous year was 72 million tonnes and government agencies procured only 14.78 million tonnes and private traders and MNCs cornered the rest.

#### **Wheat Production Expected to Dip in Punjab**

It is reported that the wheat production is likely to dip by few lakh metric tones due to the foul weather over Punjab in February and early March. Whereas the Directorate of Agriculture anticipates the wheat production to hit 14.63 million metric tonnes (MMT), the early onset of summer and scant rainfall in February has upset the calculations. The wheat production in the previous year was 14.70 MMT in this state. The farmers are keeping watchful eyes on weather at that time as the crop is now going to the cutting position. So any unfavourable weather might be hampered the crop output.

#### **Concor Sending Jute Bags for Imported Wheat**

Container Corporation of India (Concor) is sending container loads of jute bags to various southern ports to make easy packaging of imported wheat. The imported wheat is likely to hit this port in the first week of April. The wheat being imported in bulk is expected to be packed in jute bags for forward movement, mostly by train. Four rakes have already been moved to the ports of Chennai, Tuticorin, Kochi and Penambur while the fifth one, again for Chennai, is currently being loaded at the local Majherhat terminal of Concor. Each rake contains on an average 3,500 bales of jute bags, each bale comprising 500 bags.

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

According to the latest export sales report of USDA, the net sales of 508,600 metric tons (MT) were 18 percent above the previous week and 62 percent over the prior 4-week average. Major increases were reported for Iraq (250,000 MT), unknown destinations (58,000 MT), South Korea (54,100 MT), Chile (33,000 MT), Mexico (31,100 MT), Israel (29,100 MT), and Italy (20,100 MT). Exports of 449,400 MT were 14 percent above the week earlier and equal to the prior 4-week average. The main destinations were Japan (98,800 MT), Egypt (57,900 MT), Mexico (56,400 MT), Iraq (49,800 MT), Thailand (49,500 MT), Taiwan (35,200 MT), and Chile (33,000 MT). (This

summary is based on reports from exporters for the period March 17-23, 2006)

#### **Govt: Weak Buffer Stocks Spurring Wheat Imports**

Various political parties and farmers' organizations have showed negative reactions for wheat import. Indian Firm Ministry said that India is likely to float another tender for wheat import around 1.5-2 million metric tonnes within one to two weeks of the coming month. According to the Members of several peasant organizations of Punjab Friday staged a protest rally in the Delhi to oppose wheat imports. According to them, the wheat-marketing season has just begun so the import decision is totally baseless at that time. According to Bhartiya Kisan Union (BKU-Ekta), the cost of imported wheat would be at around Rs.850-860 a quintal (landed cost of imported wheat), why could it not pay the same price to local growers. But according to the ministry, the actual stocks to be around 14.2 MMT on July 1, over the requirement of 17.1 MMT. By October, the stock holding will shrivel to 10 MMT, against the buffer norm of 11 MMT, and by January 2007, it will be further down to 5.8 MMT, against the need of 8.2 MMT. Therefore it is important to wheat import to stabilise the wheat prices in this marketing year.

#### **IGC: Lifted World Wheat Production for 2006/07**

Forecast world wheat production in 2006 is now 594m. tons, 6m. more than last month. Favourable spring weather is improving yield expectations in much of the EU. Winterkill damage may be less severe than previously thought in Russia while in Ukraine conditions for replanting with spring grains are good. The state of winter wheat in the US southern plains remains poor despite recent rains, but prospects are improving elsewhere, and conditions for spring wheat planting are good in both the US and Canada. Unseasonable rains in India have damaged the crop about to be harvested, but conditions in China are generally favourable, with the crop placed higher than before. Good rains are expected to boost crops in North Africa and Near East Asia, although Syria remains too dry. World wheat consumption in 2006/07 is forecast to fall by 9m. tons, to 611m. With less feed quality wheat available, improved supplies of other feedstuffs and the effects of avian influenza on poultry consumption, feed use of wheat could be sharply lower than last year in the EU, the CIS, Canada and Far East Asia. Food use, however, will continue slowly to increase in many developing countries. World wheat trade in 2006/07 is expected to rise by 2m. tons, to 111m., with both China and India likely to import more than this year. The CIS and Near East Asia may also purchase more, but imports by the EU and North Africa are forecast lower. Lower export availabilities in Russia and Ukraine will boost demand from other suppliers. While overall supplies in the major exporters should remain ample, availabilities of premium milling wheats will depend on good spring wheat harvests in North America. Global stocks at end 2006/07 are forecast to fall by 17m. tons to 119m., including 45m. (52m.) in the five major exporters.

#### **Wheat: Drastic Cut on VAT in Bihar**

The NDA government has effected a radical reduction on VAT (Value Added Tax) on more than 100 items from 12.5 per cent to 4.00 per cent while making 27 odd items free from the tax to make a consistency in VAT with neighbouring states of Jharkhand and Uttar Pradesh. Announcing this, Deputy Chief Minister Sushil Kumar Modi, who also holds the finance



portfolio, reported that the state Cabinet had given its nod to proposals to this effect. Including the essential commodities wheat bran supplements and wheat, wheat flour, atta, maida, and suj would now be taxed at the rate of one per cent, down three per cent earlier, according to Modi. Therefore the market price is likely to decline due to impact of this VAT.

### IGC: Supply & Demand Estimation on Wheat in 2005/06

Estimated 2005 world production is increased 2m. tons to 617m. with small revisions for several countries. Total consumption is also up 2m. tons at 620m., with increases in Iran, Turkey and Pakistan. Forecast world trade is 1m. tons higher at 109m. tons, reflecting continued strong purchases by Iraq and recent buying by Iran. Export shipments by Argentina, Russia and Ukraine are slowing considerably compared with the first half of the season. Turkey has recently sold large amounts of wheat flour, notably to Iraq. The forecast of global end-of-season

stocks remains at 136m. tons, including 52m. in the major exporters.

### IGC WORLD WHEAT ESTIMATES (30.03.06)

	2002 -03	2003- 04	2004- 05	(Million tons) 2005-06 (Forecast)	
				22.02	30.03
Production	566	555	623	615	617
Trade	106	103	106	108	109
Consumption	600	593	613	618	620
Stocks	165	127	138	133	136
Year-Year Change	-34	-38	+11	-3	-3
5 Major Exporters <sup>#</sup>	43	40	52	52	52

<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 11.5%		APH 13%		APH 14%	
	Mar.31	Mar.30	Mar.31	Mar.30	Mar.31	Mar.30	Mar.31	Mar.30
Mar-06	194	192	166	166	177	177	202	202
Apr-06	191	189	166	166	177	177	201	201
May-06	177	175	160	160	171	171	196	195
Jun-06	188	186	171	171	182	182	206	206
July-06	176	175	167	166	178	176	202	201
Aug-06	178	178	168	168	179	179	203	203

## PORT WATCH

Kandla Port is expecting 'Aristagoras' to load 30,000 MT of wheat to Ulsan. DBC agents will be handling the vessel.

## WEEKLY WEATHER WATCH

### Meteorological Analysis

A feeble western disturbance as an upper air system moved across western Himalayan region during 23rd and 24th. Its induced upper air cyclonic circulation extending upto 1.5 km a.s.l. was seen over central Rajasthan on 23rd and 24th. It lay over West Uttar Pradesh on 25th & 26th and subsequently moved away eastwards.

Another western disturbance as an upper air system lay over Jammu & Kashmir on 25th. It persisted on 26th & 27th and moved away eastwards on 28th.

An upper air cyclonic circulation extending upto 4.5 km a.s.l. lay over south Andaman sea and adjoining southeast Bay of Bengal on 23rd. It persisted on 24th and weakened thereafter.

Another upper air cyclonic circulation extending upto 1.5 km a.s.l. lay over Tamil Nadu & neighbourhood on many days of the week.

A wind discontinuity/trough running from Vidarbha to Tamil Nadu was seen on many days of the week.

Another wind discontinuity/trough running from Sub-Himalayan West Bengal & Sikkim to Vidarbha across Orissa was seen on 27th and from Gangetic West Bengal to Vidarbha on 28th & 29th.

An upper air cyclonic circulation extending in the lower tropospheric levels persisted over northeastern states on many days of the week.

### Rainfall

Under the influence of above systems:

Light to moderate rainfall/snowfall occurred at many places over Jammu & Kashmir and Himachal Pradesh and isolated over Uttaranchal during 25th to 28th.

Isolated rain/thundershowers also occurred over Punjab, north Rajasthan and Haryana during 1st half of the week.

Widespread rainfall with isolated heavy falls occurred over Nicobar islands during first half and isolated during the second half of the week.

Isolated light to moderate rainfall/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim, Assam,

Meghalaya and Arunachal Pradesh on some days of the week.

Isolated light rainfall also occurred over Chhattisgarh, Orissa, and Jharkhand during later half of the week.

Isolated light rainfall occurred over Kerala on one or two days of the week.

Weather was mainly dry over rest regions of the country.

#### **Outlook For The Week Ending On APRIL 5, 2006**

Under the influence of an approaching western disturbance, isolated to scattered rain/snow is likely over western Himalayan region during the middle of the week.

Scattered rainfall activity accompanied with isolated hail/squall likely over northeastern states during 2nd half of the week.

Isolated rain/thundershowers also likely over Andaman & Nicobar islands and over extreme south peninsula during first half of the week. Temperatures over western & central India are likely to increase during the week.

**Source: IMD**

#### **FOREX (As on 1<sup>st</sup> April 2006):**

Foreign Currency	Rs. per unit
1 US \$	44.59
1 Euro	54.04
100 Yen	37.86
1 British £	77.48

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