

## WHEAT

24<sup>th</sup> April, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Govt Announced Rs.50/- Incentive Bonus on Wheat Procurement
- India to Import 30 Lakh tons Wheat in 2006 to Maintain Buffer Stock

### TECHNICAL ANALYSIS

**Exchange:** NCDEX

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

**Contract:** May (Future)

At the futures market the wheat futures witnessed a bullish sentiment following a firm opening. The near-month may contract crossed Rs 900 level for the first time to test fresh contract month highs. The May contract hovered in the range of Rs 884.20-902.00, while the June contract traded in a higher range of Rs 920.40-941.60 during Saturday's trade.

**Price Change:** May Contract

Contracts	Closing	Previous	Change
May	896.80	882.80	+14.00

**Indicators:** The technical indicators are hinting for continuation of the current rally further. However, stochastic are indicating possibility of a downward technical correction in near future.

**Outlook:** The wheat futures are likely to trade upwards following a firm opening with possibility of late downward movement.

**Advice:** Buy near 895.0, Target towards 905.0 and Stop Loss at 890.0.

### Support and Resistance Levels:

Contracts	Support Levels		Resistance Levels	
	S1	S2	R1	R2
May	881.00	866.90	910.00	920.00



### DOMESTIC MARKET:

#### MARKET FUNDAMENTALS

At the spot markets wheat was traded with a firm sentiment at the weekend. The price of wheat was quoted higher throughout this week with restricted supplies amidst higher demand from stockists as well as private companies. The market remained underpinned by poor performance of Government procurement programme, lower by 2 million tonnes so far over the same period last year. Higher prices offered by the private companies as well as stockists have diverted most of the arrivals from Government procurement agencies. Moreover, farmers are also hoarding their stock in anticipation of even further higher prices in the coming months. Of late and with a meagre buffer stock, Government has announced Rs 50 per quintal as incentive bonus over the minimum support price of Rs 650 per quintal. Farmers of the northern regions were demanding for higher support prices in the recent past. In another significant move, Government has also decided to import 30 lakh tonnes wheat immediately to ensure adequacy in the central buffer stock. The said quantity is in excess of recent purchase of 5 lakh tonnes by the Government. Wheat dara mill quality has quoted at a higher price of Rs 835-840/qlt with average arrival of 12000-13000 bags at the Lawrence road market in Delhi.

### SPOT MARKET PRICE FOR WHEAT

(In Rs./Quintal)

Markets	21.04.06	22.04.06
Delhi (Lawrence Road)	815-820	835-840
Haryana (Karnal)	803-807	815-820
Punjab (Khanna)	775-780	810-815
Ahmedabad	900-920	915-920
Ludhiana	685-690	715-720
Ludhiana (Jagraon)	685-690	715-720
Rajasthan (Kota)	925-930	920-925
Amritsar	690-700	700-705
Uttar Pradesh (Kanpur)	860-865	890-895
Uttar Pradesh (Bareilly)	855-860	870-875
Uttar Pradesh (Shahjahanpur)	875-880	895-900
Maharashtra (Jalgaon)	975-980	980-985

## PRICES OF WHEAT PRODUCTS IN DELHI

(in Rs.)

Wheat Products	21.04.06	22.04.06
Atta (90kg)	875	884
Maida Grade 1 (90kg)	1041	1048
Suji (50kg)	573	575
Chokar (50 kg)	292	293
Chokar (35 kg)	182	182
Chakki Atta (90kg)	775	810

## INTERNATIONAL MARKET:

### CBOT Wheat Down on Speculative Selling on Friday

The Chicago Board of Trade (CBOT) wheat settled lower on Friday as speculators sold amidst forecasts for rains in next week. Rains are forecasted in major United States hard red winter (HRW) wheat states Kansas and Nebraska. The CBOT July wheat finished down 1 cent at \$3.65 1/4 per bushel, while the May contract settled 1/4 cent lower at \$3.52 3/4 per bushel on Friday. The market opened weak and traded at the lower side despite the news that India is going to import around 3 million tons of wheat in 2006. Meanwhile, Canada would release its planting intentions report on early next week with traders anticipating increase in acreage under wheat. The wheat plantings in Ukraine are reported to be slower. It is reported that just over 3.6 million acres are planted as of 19th April as against around 4.9 million acres during the corresponding period of last year.

## NEWS ANALYSIS:

### Govt Announced Rs.50/- Incentive Bonus on Wheat Procurement

With a view to ensuring adequate stocks of wheat in the Central Pool as well as giving the right signal to farmers and curbing any speculative trading, it has been decided by the Government that for the entire Rabi Marketing Season 2006-07, which has commenced on 20th March, 2006, there would be an incentive bonus of Rs.50 per quintal on wheat over the Minimum Support Price (MSP) of Rs.650 per quintal. According to the Union Minister for Agriculture, Consumer Affairs, Food & Public Distribution, in addition to the above, to ensure that there are adequate buffer stocks in the Central Pool, the Government would import 30 lakh tonnes of wheat immediately. This would be in addition to the 5 lakh tonnes of wheat imports, which has

already been contracted. The Agricultural Minister has assessed the wheat procurement situation with the Chief Ministers of Haryana and Punjab as well as the Chief Minister of Uttar Pradesh. The assessment after this review showed that the pace of wheat procurement in the country has been slow and some private traders have been purchasing wheat at rates above the MSP. The entire matter was reviewed on Friday by the Prime Minister with Agricultural Minister. It is anticipated that payment of Rs. 50/- per quintal bonus announced on Friday would cause an additional financial burden of Rs.731 crore on the Union exchequer. This entire benefit would go to the farmers.

Source: PIB.

### India to Import 30 Lakh tons Wheat in 2006

The Government has decided to import 30 lakh tonnes of wheat during 2006 to ensure that there are adequate buffer stocks in the Central Pool. This would be in addition to the 5 lakh tonnes of wheat imports, which has already been contracted. The import would be through Government agencies including the State Trading Corporation (STC). The decision to import the huge quantity of wheat has been announced well before the peak procurement season. Earlier, it was estimated that India would import around 15 lakh tonnes of wheat during 2006. The Government procurement so far this year remained poor with tight arrivals and higher prices prevailing in local markets. The April 1 buffer norm for wheat is set at 40 lakh tonnes but the Food Corporation of India (FCI) had only 20 lakh tonnes.

## WEATHER OUTLOOK:

Mainly Dry weather prevailed over the country except scattered rain/thundershowers over the Bay islands. This scenario is likely to continue for next 2-3 days except scattered rain/thundershowers activity over Bay islands and slight increase in rainfall activity over northeastern states from 24th.

The weather is suitable for harvesting at North Indian states. The harvesting is going ahead at most of the centre.

### FOREX (As on 24<sup>th</sup> April, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.07
1 Euro	55.61
100 Yen	38.65
1 British £	80.33

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