

## Wheat

17<sup>th</sup> –22<sup>nd</sup> APRIL, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Rallied to Fresh Contract Highs
- Wheat Prices Higher on Week Amidst Increased Demand
- Govt Announced Rs.50/- Incentive Bonus on Wheat Procurement

### Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: May (Future)

NCDEX wheat futures witnessed a highly bullish sentiment in this week ending 22<sup>nd</sup> April 2006. The wheat futures tested lowest level of this week on Monday at 821.00 and continuously tested fresh contract month highs thereafter. The near-month may contract tested fresh contract month highs at 902.00 on Saturday. With a buoyant physical market, the rally continues in the futures market as well. The volume of trade as well as open interest remained at the higher side during this week as compared to previous week.

The technical indicators are showing continuation of the present Uptrend. However, the stochastic are in overbought

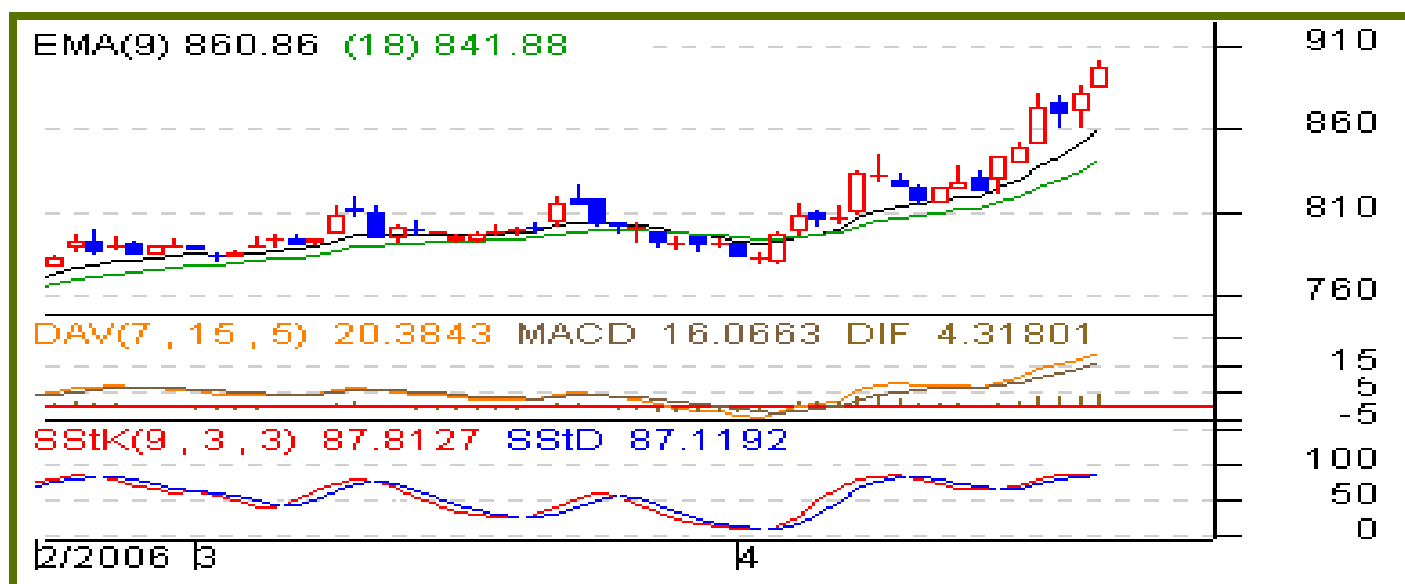
region, hinting possible downward technical correction early in the next week.

#### Outlook:

The wheat futures at the NCDEX are expected to witness a downward technical correction early in the next week. However, range bound trade is likely during the later half of the coming week.

#### Advice:

Sell at higher level for short-term (2-3 days) trading.



### 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>
NCDEX-MAY Contract	853.00	835.00	900.00	910.00

## MARKET FUNDAMENTALS:

At the spot markets wheat was traded with a firm sentiment during the week ending 22<sup>nd</sup> April. 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. The Government is also likely to ease the stringent phytosanitary measures for importing wheat in order to ensure higher participation of international suppliers as well as quick delivery of the same. The import would be done through the State Trading Corporation (STC). Wheat dara mill quality has quoted at a higher price of Rs 835-840/qrtl, up Rs 65 per quintal over last week, with average arrival of 12000-13000 bags at the Lawrence road market in Delhi.

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

Wheat Products	15.04.06	22.04.06
Atta (90kg)	863	884
Maida Grade 1(90kg)	1028	1048
Suji (50kg)	571	575
Chokar (50 kg)	289	293
Chokar (35 kg)	183	182
Chakki Atta (90kg)	760	810

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

Markets	15.04.06	22.04.06
Delhi (Lawrence Road)	770-775	835-840
Haryana (Karnal)	765-770	815-820
Punjab (Khanna)	740-745	810-815
Ahmedabad	855-865	915-920
Ludhiana	685-690	715-720
Ludhiana (Jagraon)	660-665	715-720
Rajasthan (Kota)	870-875	920-925
Amritsar	770-775	700-705
Uttar Pradesh (Kanpur)	840-845	890-895
Uttar Pradesh (Bareilly)	780-785	870-875
Uttar Pradesh (Shahjahanpur)	825-830	895-900
Maharashtra (Jalgaon)	880-890	980-985

## INTERNATIONAL AND DOMESTIC NEWS:

### Bright Production of Wheat Crop Forecasted for Punjab

Allaying fears of a poor yield this Rabi season, Punjab is expected to fetch better harvest of wheat crop. Punjab provides about 20 per cent of the country's wheat production. According to an official of Punjab Agricultural University (PAU), the acreage of wheat crop was same as of last year and the proper use of agricultural inputs, the production would be reaching an optimum level, only the weather could affect crop yields. This year, the expected output of wheat is 14.695 million metric tonnes. According to another official of PAU, the mercury suddenly shot up in February, raising fears that it might adversely affect the wheat produce but the mercury soon came down and the produce turned out to be good and healthy. The weather in the last few weeks has been very hot and dry which is helping in improving the quality of the grains, he included. Six agencies including the Food Corporation of India, Punsup, Markfed, Food and Supplies Department, Punjab Warehousing Corporation and Punjab Agro are all geared up for wheat procurement.

### Haryana Expecting Better Wheat Production

Haryana is also likely to reap a fair harvest as of Punjab. In Haryana, the area under wheat in 2005-06 is 23,80,000 hectares, as against of 23,22,000 hectares in the last year. It is expecting an average yield of 39 quintals a hectare. This is slightly lower as compared to 42 quintals a hectare in Punjab. According to the state's agriculture director, Rajesh Khullar, the lower productivity in Haryana was the result of relatively less availability of irrigation. Harvesting of wheat crops is in full swing and would be completed by April-end. The FCI and Hafed are the major procurement agencies in Haryana. The state government has now amended the Contract Farming Act, which has been sent for the president's approval. This would enable farmers to sell their produce directly to the wheat-based industry.

### Wheat: APMC Decided to Stage Strike from April 19

The wholesalers at Agriculture Produce Market Committee (APMC) of Maharashtra have determined to stage a strike against Value Added Tax (VAT) from April 19. On an around 288 merchants of the state are taking part in this strike. The APMC merchants are apprehending a price hike in wheat and other crops if the much-dreaded VAT is imposed. According to the merchants if VAT were imposed the prices would raise by Rs.10 to Rs.18 per kg and on high quality wheat the price would increase by Rs.16 to Rs.20. The merchants association at APMC decided to close their shop on April 11. The leader of the association, Mohan Gunani pronounced on Thursday, April 13 that all the shop owners would sell off their old stocks till April 19. Until then no new stocks would be bought. The state government had imposed VAT on all essential food items from April 1.

### India Likely to Import Additional Wheat as Prices Soaring

The country will need to import more wheat to replenish a shortfall in production, made worse by increasing prices that have directed farmers to hold back from selling their new crop to government procurement agencies, according to sources. The first shipment of imported wheat will arrive at the end of this month but the supplies have not helped to cool prices. The country has imported 5-lakh tonne wheat from Australia. Wheat

prices are soaring by Rs.50-75/qlt at most of the mandis despite the arrivals are increasing, traders said. According to DP Singh, president of the All India Grain Exporters Association, the government is likely to import 15-20 lakh tonnes more wheat to stabilise the prices. The government has around 10 lakh tonnes stocks at now. It is one of the lowest ever. The government agencies have been trying to procure wheat for replenishing their stocks since the first week of April in the northern India's states, but farmers have been sitting on their produce. The farmers are speculating that the wheat prices will increase further. The prevailing wheat prices are over than that of MSP of wheat Rs.650/qlt. Big trading houses are purchasing wheat as bulk amount, which have also contributed to the price rise. Therefore the government would have no choice, but to import more under the circumstances.

#### **Haryana Contributed 84% Wheat to the Central Pool**

According to the source, the government procuring agencies have up to now procure around 84% of wheat i.e. 16-17 lakh metric tonnes (LMT) of wheat out of 19-19.5 LMT, which arrived in Haryana markets till Monday. According to the source, out of these Hafed had bought 6.18 LMT, after that Food and Supplies Department by 3.72 LMT, Haryana Agro Industries Corporation 1.83 LMT, CONFED 1.26 LMT, Haryana Warehousing Corporation 1.49 LMT and Food Corporation of India 2.21 LMT. The total arrival was 3.80 LMT in Kaithal district leading the state followed by Karnal with 3.65 LMT, Kurukshetra 2.65 LMT, Fatehabad 2.26 LMT, Jind 2.25 LMT and Sirsa 1.45 LMT. The spokesperson said Rs 1.837 crore had been arranged for making payment to the farmers within 72 hours of the purchase of their produce. Around 352 markets had been established for the smooth procurement of wheat in the state.

#### **Boycott of Wheat Mandis Affecting Govt.'s Procurement**

The government's procurement of wheat from the grain markets has been disturbing due to the ongoing strike in Punjab therefore the farmers did not bring their crops to mandis. The farmers' unions like Bhartiya Kisan Union (Lakhawal), Bhartiya Kisan Union (Rajewal), and Bhartiya Kisan Union (Ekta) has call strike for increasing of wheat MSP. This is in protest against the central government not announcing superior minimum support prices and its decision to import wheat. There was no procurement activity, except for small purchases by commission agents in the Jalandhar food grain market. The boycott was successful and peaceful and the farmers, who were unaware of the boycott call and came to mandis, returned to support the demand of BKUs.

#### **Wheat Arrival Decreasing in Punjab**

Due to the ongoing strike in Punjab the arrival of wheat in most of the grain markets are decreasing sharply. The several farmers unions boycotted the markets protesting import of wheat and lower minimum support price for the foodgrain. In Khanna that is the Asia's largest grain market, the daily average arrival was 15000-17000 quintal where as the arrival should be 60000-65000 quintal per day as the peak season is going on.

#### **Farmers Anticipating Higher Wheat Prices**

The Indian wheat farmers are slowly learning to obtain good prices for their produce. Earlier, the wheat farmers sold their produce as they harvested their crop but the scenario has reversed in this year and they are holding their wheat stocks, expecting prices to increase further. The demand from the private buyers are also supporting their view and the farmers are aware that even if the government doesn't procure their wheat later, private players will be pick up the wheat at higher prices than the MSP prices.

#### **Harvesting Scenario of Wheat in India**

The current harvesting position of wheat crop by government as of April 13<sup>th</sup>, 2006:

**Punjab:** Harvesting of Rabi oilseeds and wheat is continuing.

**Maharashtra:** Almost rabi crops are either at harvest stage or at threshing stage.

**Gujarat and M.P.:** About 100% area under wheat crop has been harvested in the states.

**Rajasthan:** 50-60% area under wheat crop has been harvested in the state.

**U.P.:** 25-40% area under wheat crop has been harvested in the state.

**Haryana:** 25-45% area under wheat crop has been harvested in the state.

**Uttaranchal:** 15% area under wheat crop has been harvested in the state.

**Assam, West Bengal, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura:** Harvesting of rabi crops have been started .

#### **Pakistan to Accept Barter Wheat for Sugar with India Soon**

The government of Pakistan is allowing for bartering wheat to India for sugar as the country has a excess stock of wheat this year, according to a source. Earlier the Indian authorities given this proposal to Pakistan and it is likely to accept soon, said sources. The government is working on the proposal but the final decision will be taken after the new wheat crop is procured. The government is likely to restrict the import of wheat soon, they added. Pakistan has a surplus wheat stock of 2,149,805 tons. The government has pegged the target of procurement by 21.5 million tons but the country is likely to produce 20.5 million tons. The situation has put decision makers in midpoint over whether to accept the Indian offer or not. The country is expected to restrict the wheat import by the private sector.

#### **Govt.'s Wheat Procurement Down by 2.0 MMT Over Last Year**

According to the source, the government procurement remained down by 2.0 million metric tonnes (MMT) to 6.2 MMT as of April 1-19 compared with 8.2 MMT of last year same period. The lower procurement is due to the lower arrival and hoarding stocks by the farmers. The average arrival is estimated at 7.5-8.0 MMT, which is down from 8.5-9.0 MMT of last year. The MSP of wheat is lower than that of prevailing market price therefore the farmers are hoarding the stocks in expectation of higher price in future. The government's procurement in Punjab decreased by 1.0 MMT to 4.3 MMT as compared with 5.3 MMT of last year, according to source.

## NCDEX Imposed 3% Special Margins on Wheat Contracts

The National Commodity & Derivatives Exchange (NCDEX) imposed 3% special margins on wheat futures contracts on Thursday. On the other hand, the Multi Commodity Exchange (MCX) did not impose special margins on wheat. The special margin was imposed on all long positions of wheat contracts like April, May, June, September, October, November and December as futures prices of all the contracts were increased by about 2% over the previous day. According to the contracts, the exchange can impose special margin if prices increases over 2% as compared with previous close.

## Wheat: US Export Sales Remained Weak

According to the latest USDA export sales highlights of wheat; the net sales of 210,800 metric tons (MT) were 18 percent below the previous week and 43 percent under the prior 4-week average. The main buyers were Japan (60,900 MT), Taiwan (41,900 MT), Venezuela (34,700 MT), Mexico (31,900 MT), Colombia (13,000 MT, including 10,000 MT switched from unknown destinations), and Nigeria (10,800 MT). Sales of 181,200 MT for delivery in 2006/07 were primarily for Mexico (98,700 MT) and the Philippines (60,500 MT). Exports of 219,300 MT were 37 percent below the week earlier and 42 percent under the prior 4-week average. The main destinations were Iraq (53,200 MT), Japan (46,700 MT), Taiwan (41,200 MT), Mexico (29,500 MT), and Venezuela (25,700 MT). (This summary is based on reports from exporters for the period April 7-13, 2006)

## 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.

## 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.

## IGC WORLD WHEAT ESTIMATES (30.03.06)

(Million tons)

	2002-03	2003-04	2004-05	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%	
	Apr.20	Apr.19	Apr.20	Apr.19	Apr.20	Apr.19	Apr.20	Apr.19
Apr-06	206	211	158	158	168	168	193	193
May-06	193	198	153	152	164	162	189	187
Jun-06	195	204	155	156	166	166	191	191
July-06	191	200	158	161	169	172	194	196
Aug-06	200	206	169	169	180	180	205	205
Sept-06	190	195	167	168	178	179	202	204

## WEATHER WATCH

Day temperatures are above 40°C and also above normal by 1-2 °C over Rajasthan, west Madhya Pradesh Vidarbha and parts of Madhya Maharashtra. These warmer temperature regions are likely to extend and prevail over northwest & central India during 3-4 days.

Most parts of the country are likely to continue experiencing mainly dry weather conditions except south peninsula, northeastern states where isolated to scattered rain/ thundershowers may continue to occur during next 3-4 days. Rain/thundershowers with isolated squall are likely at a few places over Punjab and Himachal Pradesh and isolated over Jammu & Kashmir and Uttaranchal during next 48 hrs. The prediction continues to suggest for formation of a low-pressure area in the southeast Bay of Bengal in next 48 Hrs.

### **NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**

Isolated rainfall/thundershower is expected over Jammu & Kashmir, Himachal Pradesh, Punjab and Uttaranchal during next 48 Hrs.

### **FOREX (As on 22<sup>nd</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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### **EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**

Isolated to scattered rains are expected over Assam and Sub-Himalayan West Bengal. Isolated rain/thundershowers are likely over rest areas of the region except East UP, Bihar and Jharkhand where mainly dry weather may prevail. Slight increase in rainfall activity is likely over NE States during next 3 days.

### **CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]**

Mainly dry weather is likely over the region.

### **SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]**

The region is likely to experience isolated rainfall activity during next 4-5 days.

### **WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]**

Mainly dry weather conditions are likely to prevail.

Source: IMD