

## Wheat

29<sup>th</sup> MAY-3<sup>rd</sup> JUNE, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Recovered at the End Of This Week
- Wheat Prices Remained Down at the Spot Market
- Govt. Wheat Procurement Down to 9.21 MMT

### Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures continued to show bearish trend till Thursday but recovered afterwards this week amidst speculative selling and weak spot market price. The market went to oversold position and technical buying pushed up the wheat prices at the end of this weekend. Therefore most active July contracts declined from Rs.916 to Rs.913 and made Rs.894.8, which was lowest this week and traded in between Rs.894.80-915.6. Volume as well as open interest is decreasing.

All of the indicators like Candlesticks, MA, RSI, and Stochastic are hinting to steady to bullish sentiment of wheat prices.

#### Outlook:

The wheat futures at the NCDEX are expected to remain bullish early in the next week. However, slight bearish undertone might be possible during the later half of the coming week.

#### Advice:

Buy at lower level for medium-term (3-4 days) trading.

### MARKET FUNDAMENTALS:

Wheat spot prices tumbled down slightly during this week over last week at most of the mandis like Delhi, MP, Gujarat, Haryana, and UP etc. amidst releasing stocks by the marginal stockists due to rain and weak buying activity by the MNCs coupled with quality deterioration at some pockets. At the Lawrence road in Delhi, wheat dara mill quality has quoted down at Rs.854-856/qlt as compared to Rs.863-865/qlt with an inflow of 7000-9000 bags daily. The rake loading from Delhi for South India, Assam, Maharashtra is still continuing. The demand from the flourmills is witnessed almost steady. The weakness in buying activity by the MNCs triggered the prices to down. The sentiment remained steady at other markets on equalized demand supply scenario. According to the traders, the slump in the futures market also supported the spot to down at the end of this weekend. The government approved to import of 8 lakh Mt from abroad and likely to float another tender for remaining portion, which had little impact on prices. According to the traders, these news might be increase the global wheat prices as well as



#### Support and Resistance Levels:

Contract	Support Level		Resistance Level	
	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
July Contract	913.5	905.6	930.3	938.1

domestic spot prices as the cost of imported wheat will be much more than that of prevailing market price. According to the traders and industry officials, the domestic wheat prices are expected to firming up further due to delay in wheat import by the government and delay in proposal to liberalize private wheat import. The prices are likely to trade steady to bullish in the coming week also.

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

Wheat Products	27.05.06	3.06.06
Atta (90kg)	873	873
Maida Grade 1(90kg)	1034	1034
Suji (50kg)	570	570
Chokar (50 kg)	299	276
Chokar (35 kg)	169	162
Chakki Atta (90kg)	815	815

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

Markets	27.05.06	3.06.06
Delhi (Lawrence Road)	863-865	854-856
Haryana (Karnal)	857-862	850-852
Punjab (Khanna)	835-840	830-835
Ahmedabad	940-945	945-950
Rajasthan (Kota)	970-975	980-985
Uttar Pradesh (Kanpur)	895-900	905-910
Madhya Pradesh (Indore)	960-965	945-950
Uttar Pradesh (Bareilly)	833-837	843-847
Punjab (Sunam)	720-725	720-725
Ludhiana (Jagraon)	735-740	735-740
Rajkot	875-880	875-880
Madhya Pradesh (Bhopal)	870-875	865-870

**INTERNATIONAL AND DOMESTIC NEWS:****Govt Expected to Procure Nearly 10 MMT Wheat**

Punjab is expected to contribute just 70 lakh metric tonne (LMt) to the central pool, almost 25% less than last year. According to the Punjab's food and supplies minister Avtar Henry, the lower procurement is mainly due to the weak arrivals at the mandis. Government agencies operating in the state, including Markfed, Punsup, FCI, food and supplies department and Agro Industries Corporation, could procure only 69 LMt this year. In Haryana, which may procure about 50% less wheat than last year. Mr Henry told, Punjab is expected to contribute 70 LMt, Haryana 20 LMt, and the rest would come from other producing states like UP. It is also expecting that the total procurement would be hit to nearly 100 LMt against the target of 160 LMt.

**Wheat Prices Going Up Due to South's Demand**

Wheat prices in Asia's biggest market, Khanna in Punjab, increase more than the minimum support price (MSP) due to lower arrival and good buying activity by the MNCs. Sohan Singh Rosha, president of the Arthiya Association, Khanna, told the price of wheat had gone up, as there were no stocks of wheat with the small farmers, while some big farmers had stocked wheat and were selling it to flour mill owners at a higher price. He also concluded that the sentiment would be hot further as there were no more stocks with the FCI, which had cleared its stocks last year. Mr Rosha pointed out that imports would only bolster the spot prices to up, as the import price was Rs 9,978 per tonne, which would work out to Rs 11,500 for FCI with costs like labour, transport, storage and taxes. Buyers from the South and Assam reportedly booked wheat at Rs 1,000 a quintal for delivery in July. Farmers now understand the way markets operate. No bonus would help if the ruling market price were higher than the MSP plus bonus. However, wheat prices have firmed up mainly because of higher demand from the south.

**STC Likely to Extend Validity Period of Offers for Wheat**

According to a senior government official, the State Trading Corporation might extend the validity period on their offers by one or two days. Minister of State Akhilesh Prasad Singh told that the bids of AWB for supply of 1.2 million tonnes and Agrico Trade and Finance for 500,000 tonnes were found to be technically qualified. The bids were opened last week and are valid until Tuesday. The official did not give details. But according to the traders, STC wanted to explore the possibility of buying bigger quantities from the two firms and also negotiate the prices. AWB has offered to supply 60,000 tonnes of wheat at Mundra port, which can take large Pan Am vessels, at \$187 a tonne including cost and freight. The remaining will be supplied at other Indian ports between \$208 to \$210 per tonne cost and freight. Agrico has offered wheat of Russian origin at around \$198 a tonne cost and freight.

**STC Likely to Fetch 8-LMt Wheat from Tender of 30-LMT**

It was witnessing that the Australia's AWB Ltd. had offered to export around 1.2 MMT in the latest tender of 30 lakh metric tonnes (LMt) and agreed to meet all the tender conditions in the last week. AWB and STC have been in a dispute recently against the quality of the Australian company's wheat. But now the situation has changed when the STC official said all the specifications stated in the tender, AWB may not supply the whole quantity of 12 LMt of wheat it originally offered in its bid. According to them, the total quantity from the two bidders in comparison with the tender specifications might be even decrease to around 8 LMt. In a tender that closed May 18, STC received eight offers for a total of around 26 LMt. Indian government has accepted only two bids for total 17 LMt of wheat including Australia's AWB. Ltd and Agrico Company in the last week. In terms of volume, Australia's AWB. Ltd was one of the largest single tenders ever floated by any country to import wheat.

**Brazil Likely to Suspend the 10% CET on Wheat**

Tight supplies, rising prices, and action to limit wheat exports by the Argentine government have Brazilian millers concerned about supplies before harvest this November. Consequently the Brazilian Wheat Millers' Association is pressing the government to suspend the 10 percent Common External Tariff (CET) on wheat. If this action is taken and prices continue to climb in the Brazilian market, imports of U.S. and Canadian wheat are likely.

**Govt Near to Settling the Wheat Import Deal**

India is close to finalizing 15 lakh million tonnes of wheat imports from the bids received for its 30 lakh million tonnes wheat import tender, according to a government minister. According to junior food minister Akhilesh Prasad Singh, this would be determined within a couple of days. He also concluded that they were also considering a new wheat import tender for the remaining 15 lakh tonnes.

**Govt Wheat Procurement Slips 34% at 9.21 MMT**

The wheat procurement by the government tumbled down to 9.21 million tonne, which is down 37.4% year-on-year (Y-o-Y). This year, the procurement has been hit due to hoarding by farmers in anticipation of rising prices in near future. Government procured only 6,183 tonne of the grain in the week ended May 29 as against of 6,221 tonne in the previous week and 60,428 tonne in the corresponding week last year, government data showed on Tuesday. The total shortfall was nearly 5.5 million tonne from last year. Despite the fact that

arrivals stand at 13.5 million tonne and are higher by 50,119 tonne week-on-week, procurement continues to lag. Farmers are willing to sell wheat to private players like MNCs, as the market price of more than Rs 850/qlt is higher than government's procurement price of Rs 700/qlt including bonus. Wheat procurement had started on March 20 in Madhya Pradesh and Rajasthan, and on April 1 in Uttar Pradesh, Punjab and Haryana.

#### **Govt Approved to Import of 8 lakh tonnes of Wheat**

According to a source, the government has agreed to import 3-lakh tonnes of wheat from Agrico Trade and 5-lakh tonnes of wheat from Australia's AWB. Ltd. Therefore the government will import total 8-lakh tonnes of wheat instead of 30 lakh tonnes. AWB has offered to supply 60,000 tonnes of wheat at Mundra port, which can take large Pan Am vessels, at \$187 a tonne including cost and freight. The remaining will be supplied at other Indian ports between \$208 to \$210 per tonne cost and freight. Agrico has offered wheat of Russian origin at around \$198 a tonne cost and freight.

#### **USDA: Wheat Australia Exports 350,000 MT to Iraq**

In an historic sale, Wheat Australia has reached agreement to sell 350,000 tons of wheat worth AUS\$90 million to Iraq. Wheat Australia is a consortium formed by the eastern grains group Grain Corp Ltd, South Australian barley exporter ABB Grain Ltd and West Australian grains group Cooperative Bulk Handling. The cooperative was created to compete for sales to Iraq following the February 2006 Iraqi Grains Board (IGB) announcement that it would not conduct business with the Australian Wheat Board (AWB) pending the conclusion of the Cole inquiry into AWB's conduct in the United Nations Oil-for-Food program. Australia has been a major supplier of wheat to the Iraqi market for over 50 years. The first shipment of wheat under the new contract is scheduled for June 2006 subject to Wheat Australia securing appropriate letters of credit from the Iraqi Grains Board. Via a statement Wheat Australia has said that a critical part of the negotiation process involved discussions to secure wheat at an acceptable commercial value from the national pool, something that it insisted upon to ensure that national pool participants were not disadvantaged by factors outside of their control.

Source: FAS, USDA

#### **India's Wheat Import Inducing Global Prices to Firm**

The government was able to acquire only up to 800,000 metric tons of wheat from a tender to import 30 lakh tonnes. Therefore the shortfall is around 22 lakh tonnes and India is expected to float another tender of remaining portion, which might be keep international prices strong, according to sources. The government is also relaxing the import duty on wheat for the private buyers to nil or 10-15%. It is witnessing that International prices have gone up around \$19-21/ton since India entered the market. Cash prices of Australian Standard White wheat of up to 10% protein are currently offered at \$225-227/ton, free-on-board, increase from \$205-206/ton on May 5, shortly before India issued its tender. India's plan to purchase

large volumes through a single tender and its failure to make quick purchases are definitely among them.

#### **Govt Cuts Wheat Quota in Kerala**

Central Government has cut in the Kerala state's wheat quota for June, from 46,190 tonnes to a meager 19,113 tonnes due to the poor stocks to the government. The decision will affect both Above Poverty Line (APL) and Below Poverty Line (BPL) cardholders and has been taken without consulting the State Government. The State had received 37,325 tonnes of wheat in May meant for distribution to APL cardholders and 8,865 tonnes for distribution among BPL cardholders. At 11,777 tonnes, the quota for APL cardholders for June is only roughly one-third of the quota for May. In the case of BPL cardholders, the reduction is by 1,529 tonnes from May to 7,336 tonnes. Going by the Civil Supplies Director's proceedings for June, Thiruvananthapuram would get only 1,200 tonnes of wheat in June against 4,050 tonnes in May and Ernakulam only 1,300 tonnes against 4,400 tonnes. Kozhikode would get only 1,000 tonnes in June against 3,630 tonnes in May.

#### **Ministry: India Expected to Import More Wheat**

According to the Agriculture minister Sharad Pawar, the government had finalized to buy 12 lakh tonne wheat through two tenders floated by the State Trading Corporation in this current year. The government will float fresh tenders to import additional 23 lakh tonnes of wheat, he concluded. He also informed that the current wheat prices at the spot market and futures market are showing decline trend for this import news. The country expected to allow private players to import wheat at concessional duties once the government imports are over.

#### **USDA: US Wheat Export Sales Witnesses Weak**

According to the latest weekly export sales report of USDA on wheat, the net sales reductions of 60,100 metric tons (MT) resulted as major increases for Indonesia (58,000 MT) and Mexico (10,100 MT) were more than offset by decreases for unknown destinations (73,000 MT), Japan (41,200 MT), and Nigeria (23,100 MT). Sales of 412,400 MT for delivery in 2006/07 (which began June 1) were primarily for Japan (138,000 MT), Taiwan (45,500 MT), South Korea (43,900 MT), unknown destinations (42,500 MT), Mexico (33,400 MT), and the Philippines (30,000 MT). Exports of 419,700 MT were 8 percent below the previous week and 6 percent under the prior 4-week average. The main destinations were Iraq (52,500 MT), the Philippines (47,200 MT), Nigeria (46,600 MT), Taiwan (42,000 MT), Mexico (35,900 MT), and Venezuela (31,600 MT). (This summary is based on reports from exporters for the period May 19-25, 2006)

Source: FAS, USDA

#### **Cost of Imported Wheat Finalized at \$187-\$199**

According to a source, Agrico Trade and Finance will deliver Russian origin wheat on India's east coast at three lots of 100,000 tons each at \$198.2/ton, \$198.7/ton and \$199.2/ton correspondingly in three months to September. The rate of AWB is comparatively cheaper at \$187 per tons because it will deliver at Mundra in large panamax vessels of up to 70,000 tons in four months to October. The discharge rate, or rate of unloading cargoes at Mundra port will be 10,000 tons a day.

**Progressive procurement of Wheat as on  
29.05.2006 (lakh tonnes)**

State	Total procurement 2005-06 (Oct. – Sept.)	Progressive Procurement (as of 29.05.06)	
		2006-2007	2005-2006
<b>Haryana</b>	<b>45.29</b>	<b>22.29</b>	<b>45.23</b>
<b>M.P</b>	<b>4.84</b>	<b>-</b>	<b>4.79</b>
<b>Punjab</b>	<b>90.10</b>	<b>69.45</b>	<b>90.05</b>
<b>U.P</b>	<b>5.60</b>	<b>0.43</b>	<b>5.00</b>
<b>All-India</b>	<b>147.87</b>	<b>92.19</b>	<b>147.07</b>

Source: Department of Food & Public Distribution

**PORT WATCH:**

There was no latest vessel report during this week.

**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%	
	May.29	May.26	May.29	May.26	May.29	May.26	May.29	May.26
May.06	209	208	167	167	178	178	203	203
Jun.06	209	208	167	167	178	178	203	203
Jul.06	189	188	149	149	159	160	184	185
Aug.06	197	195	154	154	165	165	190	190
Sep.06	190	187	157	155	167	166	192	191
Oct.06	193	191	160	160	171	171	195	196

**WEATHER WATCH**

1. With the likely northward movement of the low pressure area along the west coast and persistent off shore trough, southwest monsoon is likely to advance further upto southern parts of Gujarat during first half of the week.
2. Model predictions indicate chances for formation of low pressure area over north Bay of Bengal during second half of the week which may increase the rainfall activity over some parts of East India and consequent advance of monsoon.
3. Gradual decrease of rainfall activity along the west coast during 2nd half of the week.
4. Enhanced rainfall activity is likely to decrease during the 2nd half of the week

5. Rainfall activity over northwest and adjoining parts of central India may increase during the 1st half of the week, due to the interaction of the deep westerly trough and the southwesterly winds from the Arabian Sea.

**FOREX (As on 3<sup>rd</sup> JUNE, 2006):**

Foreign Currency	Rs. per unit
1 US \$	46.17
1 Euro	59.14
100 Yen	40.95
1 British £	86.06

**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.agribusiness.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.

**IGC WORLD WHEAT ESTIMATES (25.05.06)**

(Million tons)

	2002-	2003-	2004-	2006-07 (Forecast)	
				26.04	24.05
Production	566	555	623	598	601
Trade	106	103	106	112	112
Consumption	600	593	613	614	612
Stocks	165	127	138	119	118
Year-Year Change	-34	-38	+11		-12
5 Major Exporters <sup>#</sup>	43	40	52	45	44

<sup>#</sup> Argentina, Australia, Canada, EC, United States

Source: International Grains Council