

## Wheat

26<sup>th</sup> JUNE-3<sup>rd</sup> JULY, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Strong This Week
- Wheat Prices Get Strong at the Some Spot Market
- Govt Allows Private Traders to Import Wheat at 5% Duty

### Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: July (Future)

NCDEX wheat futures traded strong during this week due to strong spot prices at the Delhi market and speculative buying from lower level as the futures markets are trading at mostly lower side. Open interest and volume increased at the weekend. Most active July contract traded strong at Rs.839.80 from Rs.825.20, up by Rs.14.60 in this week and traded within the range of Rs.818.00-849.60 during the week.

Candlestick showing indecision in the market sentiments. However, the stochastic and MACD are calling for some improvement in the price. Prices closed below the 18-days and touching 9-days EMA, which is slightly bearish. The prices are likely to witness volatile movements after steady to firm opening.

#### Outlook:

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

#### Advice:

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



#### 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	831.90	826.10	846.70	854.10

### MARKET FUNDAMENTALS:

The market remains sideways for the wheat at the end of this weekend following steady market from several days at most of the market. The prices remained mixed in this weekend. The prices quoted firm in Delhi, M.P., and Kanpur etc mandis where as some mandis showed weak prices movement due to weak response from the flourmills and stockists. Wheat data prices quoted up to Rs.860-862/qlt at the Lawrence road in Delhi. According to the traders, the arrival is increased at this mandis however the total inflow is remained weak in Delhi while total arrival witnessed at 20000-22000 bags in Delhi and according to the traders at Delhi, two rakes have been loaded for south India on Thursday. The continuous rake loading from Delhi kept the prices on steady at higher side during the week. The demand from the flourmills and chakki mills witnessed restrained around the country. The government announced wheat imports by the private sector under duty free, to arrest spiralling prices and also cuts import duty to 5 % on wheat to control inflation. Therefore the prices slightly fell down at some pockets at the weekend. Traders are expecting that the prices will be tumble down at the spot as the stockists and farmers might be release their stocks. The

stockists are eyeing on the monsoon as the monsoon get strong they might be release their huge stocks at the spot market. India has finalized deals with five international bidders to import 2.2 million tonnes of wheat, which is also keeping pressure on prices. The prices are expected to remain steady to firm at the spot market till the monsoon get strong. The stockists in India might be release their excess stocks if monsoon get strong in the coming days.

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

Wheat Products	24.06.06	3.07.06
Atta (90kg)	883	883
Maida Grade 1(90kg)	1051	1055
Suji (50kg)	580	582
Chokar (50 kg)	253	241
Chokar (35 kg)	165	163
Chakki Atta (90kg)	817	810

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

Markets	24.06.06	3.07.06
Delhi (Lawrence Road)	840-845	860-862
Haryana (Karnal)	835-837	835-840
Punjab (Khanna)	810-815	804-809
Ahmedabad	920-925	940-945
Rajasthan (Kota)	965-970	958-963
Uttar Pradesh (Kanpur)	890-895	870-873
Madhya Pradesh (Indore)	900-920	905-925
Uttar Pradesh (Bareilly)	840-845	850-855
Punjab (Sunam)	700-705	710-715
Ludhiana (Jagraon)	730-735	735-740
Rajkot	Closed	870-875
Madhya Pradesh (Bhopal)	840-850	850-860

**INTERNATIONAL AND DOMESTIC NEWS:****Duty Free Wheat Import Unlikely to Reduce Prices for Long**

The government's decision to allow duty-free import of wheat for the private buyers are unexpected to dampen the prices for medium term as well as long term. The government on Thursday allowed import of wheat at zero per cent duty to curb soaring prices of this essential commodity. The downward trend of wheat prices is likely to last for one week. Prices will consolidate after a week, according to the experts. According to the owner of the flourmills in Karnataka, the decision to import duty-free wheat will only limit further increase in prices in the long run. The main reasons for the price rise were hoarding. By relaxing imports, the government will at least curb speculative hoarding, as there will be no incentive to hold stocks now.

**Wheat Quota Slashed in Goa Without Any Explanation**

The wheat quota in Goa has been drastically declined from 3000 tonne to 201 tonne in the last one and a half-year without any valid reason despite the requirement for wheat comes is about 2300 tonne per month, said Shripad Naik, North Goa MP, and the Chairman of Vigilance committee for FCI and Ministry of Agriculture. He also said that the quota has been cut without any explanation. Hence, committee has passed a resolution demanding that Goa's quota for wheat is increased immediately. Resolution will be forwarded to the Ministry of Agriculture, informed Naik.

**Wheat: Chhattisgarh Govt. Crackdown on Hoarders**

According to the source, Chhattisgarh government announced Friday a crackdown on hoarders of essential commodities, mainly of wheat and sugar, to arrest spiralling prices of food items in the retail market. According to the senior government official, the government has asked all the 16 district collectors to take rigid action against hoarders and those involved in black marketing of essential foodstuff mainly of sugar, pulses, wheat and other items including vegetables. Finance Minister P. Chidambaram had advised state governments Thursday to restrict black marketing and hoarding by traders and help the Central government to stem prices of essential commodities in the domestic market that has registered a steep hike during recent weeks. In Chhattisgarh, prices of wheat observed mostly strong during the past one-month.

**Govt Set To Alter Wheat Procurement Policy**

The government is all set to change its wheat procurement policy. It has already moved a proposal to cut wheat sold to above poverty line (APL) beneficiaries in the public distribution system (PDS). In case of procurement shortfall, even domestic private players will now be allowed in bidding for wheat tenders. A proposal to slash the amount of wheat provided to the APL category and increase its price has now been sent back to the cabinet. The UPA allies had shot down this very proposal early this year. Now, the government finds itself forced to look for options to keep its key programmes like the PDS going. "We are looking at a change in procurement policy. This could happen in the next few months. We may go in for permanent purchase from the open market," said Sharad Pawar, Union Agriculture Minister. The public distribution system, which needs 135 lakh tonnes of wheat each year is being modified. And a meeting with state government officials will look at substituting wheat with coarse grain. The government may allow domestic private players to bid for wheat contracts to save transport costs. This will discourage foreign cartels from buying wheat at monopolistic rates. The government has more or less firmed up its mind on changing the PP in view of falling government procurement, but with grain trade thrown open to global fluctuations, maintaining the PDS and other big ticket programmes would be the major challenge for the government.

**Wheat Import: Dispute Resolved; Shipping to Start**

According to the AWB spokesman Peter McBride, the dispute over a quality issue between Australia's AWB and India's State Trading Corporation (STC) have resolved now and the shipping programme involving almost 1 million metric tons of wheat is carrying on. Current wheat prices suggest the wheat is valued at around Australian \$250 million. He reported that the AWB would begin to finalize a shipping programme for more than 400,000 tons, awarded in March. Only 92,000 tonnes of wheat unloaded so far and rest of the wheat have been delayed for about two months. The dispute evolved on a zero-tolerance clause for ergot fungi. This condition was relaxed in a May tender, which allowed up to 0.01% of grain with ergot.

**Wheat Import: Centre Rules Out about Tender Violation**

According to the Agriculture minister Sharad Pawar, there is no contravention of Codex norms in the proposed wheat import. He also said the government has ruled out on the plans to ban futures trading in agricultural commodities in the country. International food standard accepted by 146 countries is Codex, but is not legally binding. The concept of futures trading has been accepted globally and therefore the government have no plans to stop it but they are considering formulating a policy to check misuse of futures trading facility, according to Pawar.

**H.P. Proposes to Import of 38000 Mt of Wheat**

The Himachal Pradesh government proposes to import nearly 38,000 metric tonnes (Mt) of wheat for the state. The government has also approached the Centre asking for the release of 1,125 Mt of wheat out of its quota for the Above Poverty Line (APL) families, which has not been released till now. The scarcity of wheat in HP is mainly due to the drought in last Rabi season therefore the wheat flour prices have been soaring. Later, the Centre had also suspended the release of the state's quota of wheat except for the BPL and Antodaya families. To make the gap up, the government proposes to float tenders for importing wheat. The state's quota of wheat and rice is 16,191 Mt and 21,588 Mt respectively. The government has also planned to take penal action against those indulging in hoarding and profiteering. The order covers all essential items including food grains, pulses, edible oils, tea, sugar, wheat, barley and rice. The order is required to approval from the Centre.

### **India to import 1 million tonne wheat from Canada**

In its biggest purchase from Canada in the last 10 years, India will buy more than one million tonne wheat from the country between September this year and January next. Canada got the contract through global tender issued by the India's State Trading Corporation. The commodity is expected to arrive in India between September this year and January next year. India will import 7.2 lakh tonnes of hard prairie wheat from the Canadian Wheat Board while the Ontario Wheat Producers' Marketing Board will sell three lakh tonnes of soft Ontario wheat. Confirming the deal, CWB spokesperson Maureen Fitzhenry told that the board had sold 7.2 lakh tonnes of milling wheat to India. The price of the deal was not disclosed, but top grades of western wheat were selling for about USD 235 a tonne Thursday. Lower grades were fetching about USD 100 a tonne. Hard prairie wheat is typically used to bake Canadian-style white bread while soft Ontario wheat is used for many Asian-style breads. The Indian government earlier decided to import wheat to curb spiraling wheat prices and the move invited widespread criticism from various quarters.

### **Duty Cut To Make Wheat Imports Cheaper**

The government's move to allow private wheat imports at a concessional rate of 5% will make imports cheaper for millers. Cheaper imports would also have a bearish impact on the grain's domestic prices in the medium to long term. "Imports would definitely be cheaper at 5% duty," said Unupom Kausik, a research analyst. Currently, international wheat is quoted at about \$200 per tonne on cost and freight basis. At 5% duty, the landed cost of wheat in India would be about \$210 per tonne or Rs 9,660 a tonne, Kausik said. Wheat from Russia and Black Sea region would be cheaper at \$179-184 per tonne, he said. Millers in southern India are currently getting wheat at their mill gate for about Rs 12,000-15,000 per tonne. The government on Wednesday allowed wheat imports at a concessional rate of 5%, against the 50% scheduled rate. These imports will be allowed under open general licence and the quality standards will be the same as notified for public sector imports. The concessional rate is valid till December 31. Feasibility of cheaper imports would also have a bearish impact on the prices. "Private imports have not been contracted. However, since it is viable from now till December 31, it will have an impact (downward) on the prices. Agriculture minister Sharad Pawar had on Tuesday said that with private players being allowed to import wheat, the government would not go for further imports. State Trading Corp on Wednesday awarded 2.2 million tonne wheat import contracts to five international firms--Glencore, Concordia, ADM, Cargill and Toepfer. India will import a total of 3.5 million tonne of wheat this year. The government had managed to buy only 9.21 million tonne this year compared with more than 14 million tonne last year.

### **Govt Has No Plans For More Wheat Tenders**

Agriculture Minister Sharad Pawar said on Tuesday that the government has no plans for more tenders to import wheat. He said, "If we are going to allow bulk users, biscuit and bread makers to import wheat, then there should not be any need." Last week, the government allowed private firms to import wheat with the aim of reining in prices. But details of the policy change -- including the duty level at which imports will be allowed -- are yet to be announced. "We have not yet decided on the duty for imports by the private trade. We will finalise the duty in a week's time," Pawar said. The government has floated three wheat import

tenders this year to overcome a supply squeeze and rein in prices. Pawar said wheat prices had stabilised after the government eased import conditions last week.

### **Australia To Ship 500,000 Tonne Wheat To India**

Australia has decided to move ahead with a 500,000 tonne wheat shipment, which had been held up over quarantine concerns, after it resolved a long-running dispute with India over the USD 90 million-grain deal. About 100,000 tonnes of the contract has already been delivered to the southern Indian ports of Tuticorin and Chennai. But several other shipments had been held up because of quarantine concerns. The company, however, described the problem largely as a technical issue. Apart from filling the 500,000 tonne contract, AWB has also won a second similar deal that is likely to be filled over the next four months, he said. The one million tonne will come out of the national wheat pool. The two contracts are some of the first major sales since trade with Iraq was suspended over claims AWB paid USD 300 million in kickbacks to the former regime of Saddam Hussein.

### **FCI Asks For Probe Into Wheat Quota Shortfall In Goa**

The Goa vigilance committee of the Food Corporation of India (FCI) has recommended to the state government to conduct a probe into the shortfall in wheat quota sanctioned by the Central government and identifies those responsible for the incident. The committee, at its first meeting, discovered that Goa has lost around 2,800 tonne of its share of wheat from the Centre during the past year. Shripad Naik, MP from north Goa, who is also the chairman of the FCI's state vigilance committee, said the FCI had sanctioned an annual quota of 3,000 tonne of wheat for Goa, of which only 201 tonne of wheat was received by the state. "The FCI has no detailed information of this shortfall. The state should immediately ensure that the original quota is restored," he said. Naik said the inability of the state to receive its quota of wheat has in turn forced consumers, especially commercial establishments such as bakeries, to get it from Pune and other places at higher prices. He said the civil supplies department must immediately forward a proposal to the Union food ministry pertaining to restoration of 3,000 tonne of wheat supply to the state. Replying to a question as regards the total wheat requirement of the state, Naik said the civil supplies department pegs it at around 2,300 tonne a year.

### **India Should Replicate Green Revolution Success: Pawar**

The country should replicate the success of Green Revolution that ensured higher production of rice and wheat in cash crops like oilseeds and pulses in sync with the endeavour to promote diversification of farm sector, Union Minister of Agriculture and Food Sharad Pawar has said. "The country has to achieve in oilseeds and pulses as to what was achieved in wheat and rice four decades ago," Pawar said addressing a meeting of consultative committee attached to his ministry in New Delhi on Tuesday. While the country's oilseeds production has increased from 10.83 million tonne in 1985-86 to a record production of 27.26 million tonne in 2005-06, the production of pulses has remained stagnant at around 14 million tonne during the same period, an official release said. The success of oilseeds could be replicated in the case of pulses too by broadening the genetic base of improved varieties, Pawar said. The strategies of improving production of oilseeds and pulses include the successive development of high yielding varieties in these crops, Pawar said. He stressed on development of appropriate plant types, exploitation of heterosis in selected crops for development of commercial hybrids and application of biotechnological tools for gene transfer and transgenic development in achieving globally competitive yields.

**Progressive procurement of Wheat as on 09.06.2006 (lakh tonnes)**

State	Total procurement 2005-06 (Oct. - Sept.)	Progressive Procurement (as of 09.06.06)	
		2006-2007	2005-2006
Haryana	45.29	22.29	45.29
M.P	4.84	-	4.81
Punjab	90.10	69.46	90.10
U.P	5.60	0.46	5.49
All-India	147.87	92.22	147.70

Source: Department of Food & Public Distribution

**INTERNATIONAL WHEAT PRICES**

Latest Australian wheat board exports cash prices indicative basis quotes over US futures

Contract	ASW 10%		AH 11.5%		APH 13%		APH 14%	
	Jul.03	Jun.30	Jul.03	Jun.30	Jul.03	Jun.30	Jul.03	Jun.30
Jul.06	229	229	158	154	169	165	194	189
Aug.06	223	224	148	144	159	155	184	179
Sep.06	207	206	142	144	153	154	177	179
Oct.06	226	223	159	159	170	170	194	194
Nov.06	234	231	163	163	174	174	199	199
Dec.06	222	n/a	169	n/a	180	n/a	204	n/a

**WEATHER WATCH**

**Outlook for the week ending on 5th July, 2006.**

1. The monsoon flow over Arabian sea and Bay of Bengal is likely to remain strong during the week leading to its further advance into north Gujarat, south Rajasthan, most parts of central India, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Jammu & Kashmir and adjoining parts of Punjab & Haryana during first 2-3 days of the week. Monsoon may cover most parts of the country including Delhi during the later half of the week.
2. The upper air cyclonic circulation which has formed over west-central Bay of Bengal is likely to descend to lower levels and result in the formation of a low pressure area over northwest and adjoining west-central Bay of Bengal during next 2 days. Subsequently the system may concentrate into a depression. Under its influence, fairly widespread rains with isolated heavy to very heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand

and north Coastal Andhra Pradesh during 1st half of the week. As the system is likely to move west-northwestwards across central India during rest of the week, the rainfall activity over central India, Maharashtra and Telangana is likely to be fairly widespread with isolated heavy to very heavy falls.

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

Foreign Currency	Rs. per unit
1 US \$	45.98
1 Euro	58.76
100 Yen	40.16
1 British £	84.95

**PORT WATCH:**

Loading of 19,000 MT of wheat is continuing at Kandla Port on the vessel 'Beirut' to Sharja. JM Baxi agents is handling the vessel.

**IGC WORLD WHEAT ESTIMATES (25.05.06)**

	2002-03	2003-04	2004-05	(Million tons)	
				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#	43	40	52	45	44

# Argentina, Australia, Canada, EC, United States

Source: International Grains Council

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