

## Wheat

17<sup>th</sup> -22<sup>nd</sup> JULY, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Rangebound with Slight Weak
- Wheat Prices Slightly Increased at the Spot Market
- MMTC Wheat Tender: All Four Bids Technically Qualified

### Technical Analysis

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: August (Future)

NCDEX wheat futures traded range bound till Thursday but fell down on Saturday amidst profit booking from lower level. The trading activity remained poor amidst almost stable spot market situation ahead of the week. The open interest was decreasing while volume was increasing. Most active August contract remained down from Rs.857.80 of previous week to Rs.850.40 in this week and traded within the range of Rs.845.60-868.40 in this week.

Candlestick is showing bearish market. The %K line is going to down following made a bearish crossover with its %D line from up at neutral region, indicating bearish while MACD is still going to up at the negative territory, indicating to medium term firmness. Prices closed below the 9-days and 18-days EMA, which is indicating to weak market.

#### Outlook:

The wheat futures at the NCDEX are expected to remain range bound with slight weak 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.

### MARKET FUNDAMENTALS:

Wheat prices got up during this week as compared to last week amidst scanty arrival as monsoon rains affected the arrival and regular demand from the South India and Maharashtra for rake. Wheat data prices quoted up at Rs.880-885/mtl at the Lawrence road with totalled arrival of 15000-20000 bags in Delhi. The bad monsoon hindered on the arrival at most the trading centre at end of this week. Traders said, rake is being loaded for South India from Delhi, Punjab and other region due to good demand. On the other hand, the strong demands for wheat products are encouraging the flourmillers to create stock ahead of the festival seasons. The prices also firmed in Bangalore and quoted at Rs.1055-1060/mtl. Private wheat imports have started slightly into India following a cut in import duty and it is expected that it would pick up in October or November when domestic supplies dry up, according to the experts. According to the traders, the move had not assisted the immediate supply situation, as the landed cost at 5% duty would be slightly higher than the local prices. They included that the imports will pick up when the spot prices will increase Rs.50-60/mtl at most the trading centre in the



#### 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>
August Contract	842.50	837.50	860.80	865.70

coming months. According to the agriculture ministry Sharad Pawar, the import duty for wheat has already been cut to 5% from 50% to enable the private flour mills and biscuit manufacturers to import their requirements and this cut should be sufficient. However the traders are speculating that the government may trim the 5% duty in near future, as the imported cost is higher than the present market prices. Pawar said that the wheat prices are stable and under control.

#### PRICES OF WHEAT PRODUCTS IN DELHI (IN RS.)

Wheat Products	15.07.06	22.07.06
Atta (90kg)	901	928
Maida Grade 1(90kg)	1073	1100
Suji (50kg)	592	607
Chokar (50 kg)	251	265
Chokar (35 kg)	163	171
Chakki Atta (90kg)	822	843

**SPOT MARKET PRICE FOR WHEAT (IN RS./QUINTAL)**

Markets	15.07.06	22.07.06
Delhi (Lawrence Road)	866-867	880-882
Haryana (Karnal)	835-837	847-852
Punjab (Khanna)	805-810	820-825
Ahmedabad	950-955	967-972
Rajasthan (Kota)	970-975	965-970
Uttar Pradesh (Kanpur)	885-890	900-905
Madhya Pradesh (Indore)	960-962	985-990
Uttar Pradesh (Bareilly)	860-862	875-877
Punjab (Sunam)	710-715	715-720
Ludhiana (Jagraon)	735-737	745-750
Rajkot	875-880	890-900
Madhya Pradesh (Bhopal)	875-885	900-905

**INTERNATIONAL AND DOMESTIC NEWS:****Minister: Enough Stocks of Wheat to the Government**

According to the agriculture minister Sharad Pawar, India did not have any immediate requirement for wheat imports to augment buffer stocks. He concluded that India have enough wheat to meet domestic requirements. In case there is any shortfall then the government will see what to do, Pawar said. The government has already contracted for imports of 3.5 million tonnes of wheat to replenish government stocks.

**Centre Once More Scales Down Wheat Production to 69.48 Mt**

The government has, yet again, lowering the wheat production estimate for the current year 2005-06 to 69.48 million tonne (Mt) from earlier projection of 71.54 Mt and as compared to 68.64 million tons of actual output in the 2004-05 crop year. The estimates have been lowered based on inputs received from states and actual market arrivals. Therefore the Farmers' organisations have alleged that the manipulation by government statisticians to justify imports of wheat. They maintain that the wheat production is over 73 million tonne, which is sufficient meet the consumption demand that stands at around 60 million tonne.

**RBI Likely to Enquire about Misused to Procure Wheat**

According to a source, Reserve Bank of India (RBI) is likely to enquire about the misuse of bank credit by large companies in wheat procurement. The government told that the four to six companies have procured around 24-26 lakh tonnes of wheat this year from the farmers. This is the way to release wheat stock held by private operators at the market yards, added sources.

**Minister: Wheat Prices Declining Due to Import**

Spot prices of wheat declined by 6.3 per cent from Rs. 922 per quintal to Rs. 864 per quintal as on July 13, 2006 compared to that prevailed on February 1, 06, following the decision of the Government to import five lakh tonnes of wheat on February 2, this year. Retail prices declined by nine per cent at Delhi from Rs.11 per kg. to Rs. 10 per kg. Retail prices of wheat remained steady during the last 10 days with a decline at Lucknow (2.11 per cent). During the last one-month wheat prices declined at Bangalore (3.33 per cent) and Lucknow (2.11 per cent) but increased at Bhopal (11.11 per cent), Mumbai (3.7 per cent) and

Bhubaneswar (4.35 per cent). The spot prices of wheat are likely to soften further on physical arrival of the imported wheat while the futures prices will depend on the quality and prices of wheat being contracted for import by private trade at 5 per cent import duty.

**Indian Private Wheat Imports: Current Outlook**

According to a source, two private Indian trading houses have placed orders to import of around 30,000 tonnes of wheat each from Ukraine and Russia at 5% duty. Earlier, a Kolkata-based company has contracted to import of 30,000 tonnes of wheat from Ukraine at about U.S. \$188 a tonne, cost and freight. Another company is importing the same quantity from Russia at \$175 a tonne on cost and freight basis. The Ukrainian wheat has already set sail and is scheduled to reach Tuticorin by July-end. The shipment from Russia is scheduled to set sail in a week and will reach India by the first week of August. The wheat being imported has 10.5% protein content and 14% moisture content. On the other hand, a Chennai-based trading house has also placed orders to import 1,000 tonnes of wheat in containers from Ukraine at \$188 a tonne for four roller flour mills in Tamil Nadu following the government move to allow private players to import wheat at 5% duty. The private importers are preferring Black sea origin wheat, as it is cheaper. But one drawbacks of this wheat is higher moisture content and lower protein content. It is also soft which cannot be processed into high-end products such as refined flour and semolina. However, it is probably the only option left for private importers. Importing better quality, higher priced wheat from Australia or Europe is not economically viable as the difference between local and imported Black Sea wheat prices is already very low," an official with another trading house said.

**Wheat Import: MMTTC Receives Four Bids from World**

State-owned MMTTC Ltd. had also floated a tender to import 25,000-50,000 tonnes wheat. It has received four technical bids from Adani Global, Hungary-based WJ Grain, Singapore-based MTPL and Agrico Trade and Finance, which are being evaluated. WJ Grain has offered to supply 25,000 tonnes of grain while the rest have offered to supply 50,000 tonnes each.

**Import of Wheat to Drive Prices Lower than Rs.864/qrtl**

It is revealed that the retail prices of wheat have not shown significant change, the Centre on Tuesday alleged that spot prices of wheat had tumbled down by 6.3 per cent from Rs. 922 a quintal in February to Rs. 864 a quintal (on July 13). The Government's decision of importing five lakh tonnes of wheat on February 2, this year pushed the prices down. They also pointed out that during the last one-month retail price of wheat had increased at Bhopal (11.11 per cent), Mumbai (3.7 per cent) and Bhubaneswar (4.35 per cent) but showed declining trend at Bangalore (3.33 per cent) and Lucknow (2.11 per cent). The retail price of wheat declined by Re. 1 a kg in Delhi from Rs.11 a kg to Rs. 10 a kg between February and July, an official release said. The government has also claimed that the spot prices of wheat are expected to soften further on physical arrival of imported wheat while the prices in the futures market would depend on the quality and the price of imported wheat being contracted by private trade at five per cent duty.

**Govt Won't Reduce Subsidies on Local Wheat Sales**

According to the Agriculture Minister, the Union Government doesn't intend to cut supplies on subsidized food grains to households under its Public Distribution System. He also concluded that there were no plans to increase the prices at which wheat and rice are sold under the program. The government is importing wheat to run its subsidised sales programme. Exporters have to complete their deliveries by

January 2007. Any further imports of wheat by the government will depend on the volumes sold under these subsidized programs, including the PDS. Pawar also told that the government has adequate stocks for wheat for local sales and imports have been ordered, to raise the buffer stock.

#### **India: Cabinet Committee to Review Commodities Prices**

The meeting of Cabinet Committee in India will be held today to review price situation of essential commodities such as wheat, sugar and pulses. According to the Government, the prices of these essential commodities have tumbled down recently but the inflation is still higher in this week. Inflation for week ended 1st July was 4.96% as compared to 4.84% previous week. According to the source, the proposals are under consideration include whether ban on sugar exports should be relaxed. They also told that the cabinet may also deliberate whether cut in import duty on wheat from current 5% and more direct imports by government are needed.

#### **Delay of Wheat Shipment Due to Contractual Requirements**

According to the source, the delays in shipping wheat to India, with grain from Western Australia under intense scrutiny to ensure it meets tough contractual requirements. Quarantine concerns have held up two previous shipments to India this year. The latest consignment is being loaded onto a ship at Esperance on Thursday, which has been waiting in the bay for more than two weeks. According to the AWB's Western Australian manager, Paul Ryan, a combination of factors caused the delay.

#### **FAO: Global Wheat Production Likely to Tighten in 2006-07**

World cereal stocks are expected to decline sharply in 2006, due to a slight decrease in global cereal output and significant growth in utilization, according to the latest forecast of the U.N. Food and Agriculture Organization. International prices of most cereals remained firm or rose further in recent months, supported by strong demand and tighter supply prospects, FAO said in its latest Crop Prospects and Food Situation report. While down about 1 percent from 2005 levels, world cereal output for 2006, forecast at 2,020 million tonnes, about 1% or 18 million tonne below the latest estimate of output in the previous year. Many countries are experiencing severe food difficulties and require external assistance, however, despite what the report called a "generally satisfactory global food outlook." FAO now forecasts world wheat output in 2006 at about 615 million tonne, 1.5% down from 2005. This represents the second consecutive decline after the record crop of almost 632 million tonne in 2004, but an output still well above the average of the past five years. The bulk of the reduction this year is expected in the US, the Russian Federation and Ukraine. These decreases, along with several smaller reductions expected in such other important wheat producers as Canada, India, Pakistan and Romania, would more than offset the increases that are expected this year. The main producers where larger crops are expected in 2006, include Argentina, China, the EU and North Africa, mostly due to more favourable climatic conditions than for the previous season.

Source: Food and Agriculture Organization

#### **Private Wheat Import Likely to Pick Up in Coming Months**

Private wheat imports have started slightly into India following a cut in import duty and it is expected that it would pick up in October or November when domestic supplies

dry up, according to the experts. They said the small quantities being purchased was in expectation of a price go up early in winter. Some private traders have struck one or two deals. The quantity will not be more than 100,000-150,000 tonnes. According to the traders, the move had not assisted the immediate supply situation, as the landed cost at 5% duty would be slightly higher than the local prices. They included that the imports will pick up when the spot prices will increase Rs.50-60/qlt at most the trading centre in the coming months. The traders are speculating that the government is likely to trim the 5% duty on wheat imports by private trade, but a senior government official ruled out the possibility.

#### **Agriculture Minister: Ruled Out to Cut Wheat Import Duty**

According to the agriculture ministry Sharad Pawar, the import duty for wheat has already been cut to 5% from 50% to enable the private flour mills and biscuit manufacturers to import their requirements and this cut should be sufficient. However the traders are speculating that the government may trim the 5% duty in near future, as the imported cost is higher than the present market prices. Pawar said that the wheat prices are stable and under control.

#### **USDA: US Weekly Wheat Export Sales Remains Strong**

According to the latest weekly export sales highlights on wheat by USDA, the net sales of 329,200 MT were 64 percent above the previous week, but 3 percent under the prior 4-week average. Major increases reported for the Philippines (80,000 MT), Nigeria (71,200 MT), Japan (62,200 MT), unknown destinations (34,200 MT), Mexico (26,300 MT), and Panama (20,300 MT) were partially offset by decreases for Guatemala (7,500 MT). Exports of 460,400 MT--the highest since the marketing year began June 1--were 56 percent above the previous week and 24 percent over the prior 4-week average. The primary destinations were Nigeria (93,800 MT), Indonesia (56,000 MT), Mexico (52,700 MT), Japan (50,900 MT), the Philippines (45,500 MT), Jordan (42,000 MT), and Colombia (29,900 MT). (This summary is based on reports from exporters for the period July 7-13, 2006)

Source: FAS, USDA

#### **MMTC Wheat Tender: All Four Bids Technically Qualified**

According to the source, the government run trading house MMTC Ltd. had received four bids for their wheat import tender of 25000-50000 tonnes in the previous week and the all four bids have technically qualified now. The prices bid would be evaluated. The four companies are Hungary-based WJ Grain, Switzerland's Agrico Trade and Finance, India's Adani Global and MMTC's wholly owned Singapore-based subsidiary, MTPL, bid for the tender. WJ Grain has offered to supply 25,000 tons; the other three companies have each bid to supply 50,000 tons. Only Adani Global has offered to supply of Canadian origin wheat where as the other three companies are thought to have offered wheat of European or Black Sea origin. MMTC is seeking prompt shipments of wheat under the tender. If the bids qualified the predetermined norms then MMTC plans to make supply offers next week. The shipments will be delivered at the three ports of Chennai, Vishakhapatnam and Tuticorin as per the tender. MMTC reserves the right to import wheat on both a free-on-board and cost and freight basis. The wheat is being imported at a concessional duty of 5% as fixed by the government on June 28 for imports until December this year.

#### **Govt Yet to Issue Permits of Private Wheat Import**

The union government of India have not issued any permits as no application has been received so far by the PPQ (Plant Protection and Quarantine) authority, according to the senior official. He told that the permission from the Directorate of Plant

Protection, Quarantine and Storage is necessary for wheat imports. However the traders are claimed that the private companies have contracted imports of around 1-1.5 lakh metric tons of wheat following the government reduced the import duty to 5% from 50% on June 28. Therefore the government official said that traders may have agreed the deals but no wheat shipment can set sail from the country of origin to Indian ports unless the Indian PPQ directorate issues an import permit. Based on this import permit, the appropriate government authority of the exporting country will issue a plant-health certificate verifying that the shipment meets all these quality norms. Currently, the cost of imported wheat is nearly the same as locally produced wheat or even more traders estimate that imported wheat will cost nearly the same as locally produced wheat, or even more, when delivered at the flour mills in south India and this has dampened import sentiment. They say imports could be picked up if government totally lifts import duty on wheat. However, Thursday, Agriculture Minister Sharad Pawar said government has no such plans at the moment.

#### PORT WATCH:

No latest vessel report.

#### 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%	
	Jul.21	Jul.20	Jul.21	Jul.20	Jul.21	Jul.20	Jul.21	Jul.20
Jul.06	206	204	144	144	155	155	180	180
Aug.06	202	200	136	136	146	146	171	171
Sep.06	180	177	126	125	136	136	161	160
Oct.06	201	198	145	145	156	156	181	181
Nov.06	209	205	149	149	160	160	185	185
Dec.06	203	203	151	148	162	159	186	183

#### WEATHER WATCH

##### Outlook for the week ending on 26th July, 2006

- 1 The southwest monsoon is likely to further advance into remaining parts of West Rajasthan and thus cover the entire country.
2. A low pressure area is likely to form over eastern parts of the country and move in west-northwesterly direction. Under its influence, enhanced rainfall with heavy to very heavy falls is likely over east and central India on many days of the week
- 3 Scattered rains are likely over northwest India with possibility of increase.
4. Fairly widespread rains are also likely along the west coast and northeastern states.
5. Isolated to scattered rainfall activity likely over the south peninsula.

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#### IGC WORLD WHEAT ESTIMATES (25.05.06)

(Million tons)

	2003-04	2004-05	2005-06	2006-07 (Forecast)	
				24.05	28.06
Production	556	629	617	601	605
Trade	103	110	110	112	111
Consumption	596	616	624	612	613
Stocks	125	137	130	118	121
Year-Year Change	-40	+12	-7	-12	-9
5 Major Exporters <sup>#</sup>	40	55	52	44	45

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

Source: International Grains Council

#### FOREX (As on 21<sup>st</sup> JULY, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.83
1 Euro	59.17
100 Yen	40.07
1 British £	86.61