

## Wheat

31<sup>st</sup> JULY-5<sup>th</sup> AUGUST, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Volatile in the Week
- Wheat Prices Increased at the Spot Market
- STC Importing 4-lakh tonnes of Wheat

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: August (Future)

NCDEX wheat futures hovered up ahead of the week due to strong spot prices and speculative buying but got down for two to three days amidst concerns over stock limitation to the stockists, which induced profit booking at higher level and increased speculative selling but settled up at the weekend. Most active August contract remained up at Rs.859.60 from Rs.852 of previous week and got back from Rs.864.80. It traded within the range of Rs.850.00-864.80 in this week.

Candlestick is indicating bullish market. The %K line is going up but remained below over %D line at neutral region, while MACD moving up at the negative territory, indicating upward ness. Prices closed above the 9-days and 18-days EMA, which is indicating upward market. Open interest as well as volume continues to decrease.

#### Outlook:

The wheat futures at the NCDEX are likely to trade range bound with up early in the next week. But, slight bearish undertone might be possible during the later half.

#### Advice:

Sell at higher level for medium-term (3-4 days) trading.

### MARKET FUNDAMENTALS:

Wheat prices hovered up during the week amidst mostly weak arrival due to rain and robust demand from the flourmills coupled with strong demand from the South India though some bearish trend was observed at the end of the week. Wheat dara prices offered at Rs.885-887/mtl with daily average intake of 7000-8000 bags at the Lawrence road while total daily average arrival was reported to 23000-27000 bags in Delhi but the prices fell down from Rs.895-897/mtl. The rake was loaded for South India from Delhi and Punjab. The weak demands for wheat products is also supported the wheat prices to get down at the end of week. The prices observed steady at upper level at Rs.1060-1065/mtl in Bangalore. The heavy rain in Gujarat, M.P., Karnataka, Maharashtra and other parts of the country hindered the arrival therefore the prices was climb. In addition to, the festival season is coming and flourmill's demand is increasing, which is pushing up the prices to up. The government run State Trading Corporation (STC) Ltd. has received eight bids from outside and the price ranges is between \$210-\$239 a metric ton, on a cost and freight basis. Therefore the imported cost would be higher than the present spot prices and prices are likely to reach high 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	854.80	850.80	866.70	875.80

near future. An Australian shipment carrying 62,419 tonne of wheat docked at the Mundra port early Thursday, port officials said. They said the vessel MV Irene, carrying wheat, is currently anchored at the port and unloading will commence after the phytosanitary tests. According to the government official, India might be import another 1.0 million metric tons (MMt) of wheat besides the already planned 3.9 MMt by the end of the current financial year to March 2007.

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

Wheat Products	29.07.06	5.08.06
Atta (90kg)	928	937
Maida Grade 1(90kg)	1100	1109
Suji (50kg)	607	612
Chokar (50 kg)	262	258
Chokar (35 kg)	175	179
Chakki Atta (90kg)	840	855

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

Markets	29.07.06	5.08.06
Delhi (Lawrence Road)	885-887	885-887
Haryana (Karnal)	850-853	860-863
Punjab (Khanna)	845-847	865-870
Ahmedabad	980-983	980-982
Rajasthan (Kota)	975-980	980-985
Uttar Pradesh (Kanpur)	905-907	920-922
Madhya Pradesh (Indore)	975-980	975-980
Uttar Pradesh (Bareilly)	872-873	880-885
Punjab (Sunam)	730-735	740-745
Ludhiana (Jagraon)	745-750	785-790
Rajkot	905-915	910-915
Madhya Pradesh (Bhopal)	890-895	880-885

**INTERNATIONAL AND DOMESTIC NEWS:****Govt Allows Wheat for Customs Milling**

Government has allowed the conversion of a portion of TPDS wheat into atta for distribution to ration cardholders through fair price shops in the North Eastern and Hilly States and distribution of fortified atta in other States subject to certain terms and conditions. So far, permission for implementing the scheme has been given to the States of Himachal Pradesh, Tripura, Meghalaya, Assam, Mizoram, Sikkim, West Bengal (Darjeeling District) and Andhra Pradesh. A scheme for custom milling of TPDS wheat into atta by States/UTs being implemented earlier was discontinued by the Government of India w.e.f. December 11, 1997 due to difficulties in monitoring the scheme. The State Government of Kerala has recently requested for continuation of the earlier scheme. This information was given in Lok Sabha today by Dr. Akhilesh Prasad Singh, Minister of State for Consumer Affairs, Food and Public Distribution in a written reply.

Source: PIB

**India, China Likely to Import Milling Wheat**

It is expected that China would import around 1 million tonnes of high-grade milling wheat in the year ending June 2007, but will likely export 2 million tonnes of feed wheat in the same period, according to the source. According to the US wheat associates, a lot of that Chinese feed wheat would go to the Philippines. He also concluded that India is likely to import more than 4 million tonnes of milling wheat during that period.

**Japan Likely to Float Tender to Buy 148,000-MT Wheat**

According to a source, Japan's Ministry of Agriculture, Forestry and Fisheries will import 148,000 metric tons of food wheat in a buy tender to be held Thursday. As per the traders, the ministry will import 60,000 tons of U.S. wheat, 25,000 tons of Canadian wheat and 63,000 tons of Australian wheat, all for January shipment.

**Govt Expected to Import 1MMt more Wheat by Mar '07**

According to the government official, India might be import another 1.0 million metric tons (MMt) of wheat besides the

already planned 3.9 MMt by the end of the current financial year to March 2007. He concluded that the government is determined to have a stock of 4.0 MMt of wheat by end-March 2007. The government has already cut the average local monthly sales quota from 1.4 MMt to 1 MMt in the year to March 2006. At present, the wheat stocks to the government are estimated to have declined 43% on the year to 8.2 million tons as of July 1, including around 1 lakh tons of imports. Additionally, another 3.8 million tons of imported wheat is likely to be delivered by January 2007. This includes planned purchases through a tender for the import of 400,000 tons that closes Thursday.

**Prices Bids for New Wheat Import Tender seen Higher**

According to the trade sources, the price bids for India's latest wheat import tender are likely to be much higher than those for earlier offers, but the government have to require to clinch deals as poor stocks to the government. The response is expected to be good amidst eased quality specifications, terms and conditions. The Indian government has floated a fresh import tender of 4 lakh tonnes of wheat, adding to the 3.5 million tonnes already contracted, to boost run-down government stocks it uses to provide grains to the poor at discounted rates and, occasionally, stabilise prices. The bid prices are likely to be above \$200/tonne as international prices are firming up.

**India Receives 8 Bids for Fresh Wheat Import Tender**

The government run State Trading Corporation (STC) Ltd. has received eight bids from outside and the price ranges is between \$210-\$239 a metric ton, on a cost and freight basis. The STC was floated fresh wheat import tender of 4 lakh tonnes of wheat in the previous week. No company has bid for the entire quantity. Cargill has offered the largest volume around 340,000 tons, according to the government official.

**Cargill Offers to Supply of 340,000 MT Wheat**

The government run trading house State Trading Corporation (STC) has got eight bids for their fresh wheat import tender of 4 lakh tonnes. The eight bidders are Cargill, Glencore, Concordia, International AG, Agrico Trade and Finance, Agropcorp, AWB Ltd., Soufflet and Toepfer, according to the STC official. Australia's AWB has offered 220,000 tons of wheat with a plus-or-minus-5% margin of deviation. Agrico Trade has offered to supply of 200,000 MT wheat at \$210-\$212/MT, Cargill offered 340,000 MT wheat. Cargill was the top bidder among the all bidders to supply wheat.

**Australian Wheat Shipment Arrives in India**

According to the source, an Australian shipment carrying 62,419 tonne of wheat docked at the Mundra port early Thursday. They said the vessel MV Irene, carrying wheat, is currently anchored at the port and unloading will commence following the phytosanitary tests. It is the fourth Australian wheat shipment arriving to India this year and the second since last week. On July 30, MV Split with 39,339 tonne of Australian wheat reached the Tuticorin port. It is still anchored at the port. Another ship, Energy Ranger carrying 38,500 tonne of Australian wheat is scheduled to reach Visakhapatnam port on Friday.

**Wheat Imports to be Approved Even if Quality Norms Unmet**

The government will now allow wheat imports though the consignments do not meet the quality or phytosanitary norms specified in the import tenders, provided the grain is milled immediately and not stored in or transported through wheat-growing regions, according to the order issued by the agriculture ministry. But the relaxation is valid only till December 31. According to the ministry's orders issued previous month, "if the

plant quarantine officials find that the level of infestation of the import consignments of wheat warrant their milling in order to prevent the establishment of quarantine pests in the country, they would only release the consignments after directing the importers to ensure that the consignments are milled at the earliest and reports of compliance are submitted to the plant quarantine stations concerned and the Directorate of Plant Protection, Quarantine and Storage". As per the orders, importers of such wheat will not be allowed to store or transport wheat through major wheat-growing regions like Punjab, Haryana, Jammu and Kashmir, Himachal Pradesh, western Uttar Pradesh and Uttaranchal, if not it is milled. Importers will also have to submit a list of locations where the imported wheat would be stored to enable surveillance and control any possible outbreak of exotic pests and diseases.

#### SC Issues Notice to Agriculture Minister on Wheat Imports

According to the source, the Supreme Court on Friday issued notice to the Union Agriculture Minister Sharad Pawar over an appeal looking for nullifying of tenders for the import of 57 lakh tonnes of wheat alleging that those are of sub-standard quality. The environmental activist Vandana Shiva filed the petition and alleged that there was either a dilution or change in the health standards for importing the wheat. On the other hand, as per the official, the level of pesticides in the wheat to be imported is very high and there was a violation of Plant Quarantine Act 2003. A Bench comprising Justice K G Balakrishnan and Justice D K Jain sought the reply from the government within three weeks. Accepting the notice, Additional Solicitor General Gopal Subramanian said that they would examine the issue.

#### Wheat Import: No Specific Offers of U.S. Wheat

According to the source, the government run State Trading Corporation (STC) did not received any bids especially for U.S. wheat in its fresh import tender of 4 lakh tonnes of wheat. As per the STC official, nearly eight bids offering a total volume of nearly 14 lakh tonnes are in line with the norms stipulated in the tender following the technical evaluation. However only two companies Concordia and Cargill might be supply U.S. wheat but very few. Cargill has offered to supply 340,000 tons of wheat at average price over \$233/ton, cost and freight at Indian ports while Concordia has offered 43,000 tons of wheat around \$217.11/ton, C&F. However the lowest bids was Switzerland's Agrico Trade and Finance in terms of price quote and they offered 200,000 tons of wheat at \$210-\$212/ton, cost and freight. Singapore-based Agrocrop International was the second lowest price bid and offered to supply only 90,000 tons of wheat around \$213/ton. In addition to, Australia's AWB Ltd has offered 220,000 tons of wheat at \$216.10-\$230.20/ton.

#### DGFT Extended Time Period of Imported Wheat to February

According to the source, Director General of Foreign Trade (DGFT) has extended the time period of wheat import to February. They notifies extension of the time period to import 5 lakh tons of wheat at zero duty by STC to 28.02.2007 instead of 31.08.2006 (as notified earlier in Feb 2006). It will also be applicable in cases where STC transfers the title of imported wheat to FCI on high sea sale basis. The import was allowed into India only through the following ports, namely, Chennai, Tuticorin, Cochin, Vishakhapatnam, Mangalore and Kakinada.

#### Private Importer Importing 51000 Ton Ukrainian Wheat

According to the daily news paper Financial Express, R Pyarelal Import and Export Ltd, an Indian commodities trading house imported 51,000 metric tonne wheat at 5% duty from Hungary's WJ Grain Ltd to meet rising demand from domestic flour mills and biscuit manufacturers. According to the company's director, the company has paid between \$170-\$180 a tonne on a cost-and-freight basis for the Ukrainian wheat. Therefore the landed cost would be Rs.895-935/qrtl including bagging and packaging. The wheat will be shipped later this month in two cargoes to Tuticorin and Visakhapatnam ports, he added.

#### USDA: US Wheat Export Sales Remains Mostly Strong

Net sales of 583,400 MT--a marketing-year high--were 26 percent above the previous week and 80 percent over the prior 4-week average. Major increases reported for Nigeria (215,400 MT, including 32,500 MT switched from unknown destinations), Egypt (115,000 MT), Thailand (48,000 MT), South Korea (45,400 MT), Guatemala (28,600 MT), unknown destinations (27,500 MT), and Italy (26,000 MT) were partially offset by decreases for Mexico (60,400 MT). Exports of 370,700 MT were 30 percent below the previous week and 11 percent under the prior 4-week average. The primary destinations were Nigeria (104,700 MT), Mexico (73,700 MT), Taiwan (71,600 MT), Chile (37,600 MT), South Korea (25,800 MT), and Japan (21,400 MT). (This summary is based on reports from exporters for the period July 21-27, 2006)

Source: USDA

#### PORT WATCH: (As on 4th August)

'Split' has berthed at Tuticorin Port and continues to discharge 39,339 MT of wheat. St.John agents is handling the vessel. The port is expecting 'Tierelia' to discharge 25,474 MT of wheat. Vilsons agents will be handling the vessel.

Mundra Port is expecting 'Irene' to deliver 62,419 MT of wheat. The vessel will be handled by InterOcean agents. Delivery of 68,200 MT of wheat is expected at the port from the vessel 'Altair'. The vessel will be handled by InterOcean agents.

Chennai Port is expecting 'St.Anna' and 'Jin Fu' to discharge 48,203 MT and 66,550 MT of wheat respectively.

#### IGC WORLD WHEAT ESTIMATES (25.05.06)

	2003-04	2004-05	2005-06	(Million tons) 2006-07 (Forecast)	
				28.06	26.07
Production	556	629	617	605	596
Trade	103	110	110	111	112
Consumption	596	616	622	613	611
Stocks	125	137	133	121	118
Year-Year Change	-40	+12	-4	-9	-15
5 Major Exporters <sup>#</sup>	40	55	54	45	43

<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%	
	Aug.04	Aug.03	Aug.04	Aug.03	Aug.04	Aug.03	Aug.04	Aug.03
Aug.06	198	189	139	136	149	147	174	171
Sep.06	178	168	130	127	141	138	166	162
Oct.06	196	188	145	143	156	154	181	178
Nov.06	201	195	147	147	158	158	182	183
Dec.06	187	184	148	148	158	159	183	183
Jan.07	192	189	152	152	163	163	188	188

## WEATHER WATCH

### ZONE-WISE WEATHER FORECAST

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

Scattered to fairly widespread rainfall is expected over J&K, H.P., Punjab, Uttranchal, Haryana and west U.P. during next 3 days.

#### EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

Scattered rainfall is likely to continue over Gangetic West Bengal and NE States. Fairly widespread to widespread with isolated heavy to very heavy rainfall is likely over Orissa, Jharkhand during next 2-3 days. East UP and Bihar is likely to receive scattered rainfall.

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

Fairly widespread to widespread rainfall with isolated heavy rains is likely over Chhattisgarh, Vidharbha and Madhya Pradesh during next 3 days.

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

Fairly widespread to wide spread rain with isolated heavy falls is likely over Karnataka, Telangana, Coastal Andhra Pradesh and Rayalseema. Ongoing rainfall activities over

Kerala are likely to enhance. Isolated to scattered rainfall is likely over Tamilnadu during 3-4 days.

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

Fairly wide spread to widespread with isolated heavy to very heavy falls is likely over Konkan & Goa and Gujrat region. Fairly widespread rainfall with isolated heavy falls is likely over East Rajasthan during next 24 Hrs and over Madhya Maharashtra and Marathawada during next 3-4 days.

#### FOREX (As on 4<sup>th</sup> August, 2006):

Foreign Currency	Rs. per unit
1 US \$	46.54
1 Euro	59.55
100 Yen	40.43
1 British £	87.76

### 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.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.