

## Wheat

9<sup>th</sup>-14<sup>th</sup> OCTOBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Maintained Strong Rallies
- Wheat Remains Mostly Up at the Spot Market
- Govt: Not Likely to Permit Private Wheat Import after December

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX showed a strong rally during the week. The festive demand has brought about a spurt in the futures prices. The shortage of wheat in the international market has also supported the prices. Most active December contract tested high level of Rs.1068 during the weekend and surged from Rs.997 to Rs.1058 on Saturday. Open interest as well as volume was increasing during the week. However profit booking at higher level pulled back the prices from Saturday's higher level.

Candlesticks formation is hinting to indecision market. The %K-line prevailed above %D-line at the oversold region, hinting technical reversal of the market. Prices closed far above 9-day and 18-day EMA, indicating strong market. MACD moving up at positive territory.

#### Outlook:

The wheat futures at the NCDEX are expected to trade with a slight weak sentiment in the week ahead. However, some bullish trend is likely and the corrective dips can be used for buying.

#### Advice:

Buy at corrective dips for medium-term (5-6 days) trading in the week ahead.



#### 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>
December Contract	1045	1035	1070	1080

### MARKET FUNDAMENTALS:

Wheat staged a comeback to close in positive zone in the wholesale grains market following a range bound sentiment during the week due to strong buying by stockists and rolling flourmills coupled with short of supplies. Increased offtake by stockists and rolling flourmills helped wheat prices to recover. The bullish trends in future trading at NCDEX too had a positive impact. At wholesale market wheat (for mills) was up to Rs.1020-1025/mtl at the Lawrence road mandi in Delhi with average intake of 8000-9000 bags. Besides, AWB Ltd. is likely to export at least 125,000 metric tons of European-origin wheat to India under a contract with STC to supply 595,000 tons. STC has contracted in the last month to buy 595,000 metric tons of wheat from AWB at the price of \$226-\$238/ton, cost and freight. The international wheat prices have continued its

upward rally in this time due to the reports of mostly lower production in Australia and other country and unexpected wheat import by the Indian government. It is reported that around 2.5 lakh tonne of the total wheat imported by State Trading Corporation (STC) was stuck at various Indian ports due to congested ports. About 17.2 lakh tonne has arrived at various ports of the country. STC has contracted to import 55-lakh tonne wheat in this year. However, FCI has so far received only 14.75 lakh tonne of wheat. The Indian ports are clogged and it is delaying the shipments. According to the report, around 7-lakh tonne wheat distributed through PDS to Maharashtra, Madhya Pradesh, Gujarat, along with the southern states. According to the Sharad Pawar, India unlikely to import wheat next marketing year if there is a plentiful grain harvest. The recent rains are expected to be helpful for the coming Rabi wheat crop, he said.

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

Wheat Products	07.10.06	14.10.06
Atta (90kg)	1038	1038
Maida Grade 1(90kg)	1207	1207
Suji (50kg)	707	687
Chokar (50 kg)	311	330
Chokar (35 kg)	211	230
Chakki Atta (90kg)	940	960

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

Markets	07.10.06	14.10.06
Delhi (Lawrence Road)	1000-1002	1020-1025
Haryana (Karnal)	965-970	975-980
Punjab (Khanna)	995-1000	1010-1015
Ahmedabad	1090-195	1100-1105
Rajasthan (Kota)	1035-1040	1030-1035
Uttar Pradesh (Kanpur)	1040-1045	1045-1050
Madhya Pradesh (Indore)	1040-1050	1065-1075
Uttar Pradesh (Bareilly)	980-985	1000-1005
Punjab (Sunam) Loose	-	970-975
Ludhiana (Jagraon)	-	975-980
Rajkot	-	1010-1015
Madhya Pradesh (Bhopal)	-	965-975

## INTERNATIONAL AND DOMESTIC NEWS:

### Wheat Import Delayed due to Ports Congestion

The unloading of imported wheat was delaying owing to the traffic congestion following bad weather at some Indian ports, but the slowdown was not acute, according to the source. The unloading of wheat in the western port of Kandla was being delayed by around 10 days, while in adjoining Mundra the extra time was about a week. The government has contracted imports of 5.5 million tonnes since March, the first in six years. Around 1.68 million tonnes have been unloaded at various ports. Wheat shipments were arriving about every three to four days and port officials were trying to speed up processing. According to the source, a lack of railway wagons and trucks for transport from ports was also an issue. The problem had mainly affected Kandla, Mundra, Tuticorin and Chennai ports. One shipment of 50,000 tonnes Russian origin wheat had been turned back at Chennai port this month because of quality issues.

### FAO Cuts 2006 World Wheat, Cereals Production Forecast

According to the Reuters report, the United Nations Food and Agriculture Organisation (FAO) on Monday cut its

previous forecast for 2006 wheat and cereals global output due to exceptionally hot and dry weather. "Prospects for the 2006 world cereal harvest have deteriorated further since July," FAO said in a statement. The wheat crop has deteriorated in Australia, Argentina and Brazil due to exceptionally hot and dry weather, while drier-than-normal weather in parts of South Asia is also raising some concern for the second 2006 paddy crop. FAO said it has trimmed a previous world cereals forecast by almost 8 million tonnes to 2,013 million tonnes, or 1.6 percent less than in 2005. It has cut global wheat output forecast by 19 million tonnes to 596.3 million tonnes, a 4.6 percent fall compared to 2005.

### Wheat Production Estimated Up to 15.1 MMt in UK

The National Farmers Union (NFU) has released its estimate of the UK harvest and it claims that the figures are good news for the whole of Britain, not just British farmers. The union's annual harvest survey shows grain producers are among the most efficient in Europe, with output increasing on lower plantings once more. According to NFU estimates for 2006 the UK wheat yield is expected to be up by 3.8% with production at 15.1 million metric tonnes (MMt), up 1.7% on last year. This is largely due to increased yields offsetting lower plantings, with yield estimates showing an increase in all regions in England.

### Australia Likely to Get Just 10 MMt of Wheat in 2006

According to the source, the Grains Council of Australia (GCA) is expecting that the Australian wheat production may reach just 10 million metric tons (MMt) this year, less than half of normal, owing to drought and late-season freezes. GCA thinks total Australian cereals production will be not more than 13 MMt, 2.5 MMt of is barley. As per the report of GCA Chairman Murray Jones, Australia may have to import wheat this year; however the situation might be avoided if the Australian government had a better handle on the nation's domestic stocks.

### Japan Issues Tender for Import of 60,000 Mt Wheat

Japan on Tuesday issued a routine tender for 60,000 metric tons of wheat in a tender to be concluded Thursday. The tender includes 20,000 tons of hard red winter from the U.S. and 20,000 tons each from Canada and Australia.

### Govt Likely to Declare MSP for Wheat Next Week

The Agriculture Minister Mr. Sharad Pawar said that the Government would declare financial packages for wheat growers in the coming week to encourage the farmers to sow more wheat following a drop in production this year. This forced the government to import wheat for the first time in six years, Pawar said. Wheat is sown in November and December and harvested in April. The minimum support price (MSP) for wheat will also announce next week along with the financial packages. "The Cabinet will take up the issue once the prime minister returns from his foreign tour," Pawar said. The Government has contracted to import of 5.5 million tonnes of wheat through global tenders in this year. One ship carrying 50,000 tonnes of imported wheat from a Geneva-based firm has been stranded at the southern port of Chennai for more than a month over quality issues. Asked if India had rejected the shipment, Pawar said an independent agency would inspect the quality of the imported wheat and submit a report.

### Around 17.2 lakh tonnes of Wheat Arrived at Indian Ports

According to the source, a quantity of 17.2 lakh tonne has touched Indian ports as on October 10 as against tender of import of wheat for 55 lakh MT. Three vessels are currently at discharge at Kandla, Vizag and Mundra ports, having a total quantity of 1,46,971 MT of wheat, out of which 96,619 MT has been discharged by October 8, 2006. Five vessels have arrived with 2,43,603 MT of wheat at Mundra, Chennai, Kandla and Vizag ports and are under fumigation/quality-check/berthing.

Twelve vessels that have sailed to Indian ports with 5,61,711 MT of wheat, are scheduled to arrive by October 20, 2006.

#### **AWB Likely to Supply 125,000 MT European Wheat**

According to the senior government official, Australia's AWB Ltd. is likely to export at least 125,000 metric tons of European-origin wheat to India under a contract with India's State run State Trading Corporation to supply 595,000 tons. STC has contracted in the last month to buy 595,000 metric tons of wheat from AWB at the price of \$226-\$238/ton, cost and freight, as part of a total purchase of 1.67 million tons from four companies. They are unlikely to supply entire quantity of wheat from Australia; partly they could be from France. They might be supplying the wheat by a panamax vessel carrying close to 70,000 tons of French wheat.

#### **Global Wheat Prices Firming Up on Tight Supplies**

It is witnessed that the international wheat prices have continued its upward rally in this time due to the reports of mostly lower production in Australia and unexpected wheat import by the Indian government. The lower ending stocks and tight supplies continued to support the wheat market. Australia is likely to get 10-12 million metric tonne (MMt) this year, down from 25.1 MMt last year, according to a forecast by AWB Ltd., the nation's monopoly wheat exporter. The harvesting time of wheat in Australia is between November and December. Drought reduced US production 14%, the USDA has said, and led India, the second-biggest producer and consumer of the grain, to import wheat for the first time in six years, all the factors are bullish for wheat market. Indian government has contracted to import 5.5 MMt this year and purchases by private traders may reach 1 MMt. According to the Food and Agriculture Organisation, export prices resumed their upward movement following a short-lived downtrend in international wheat prices in early August due to stronger pace in export sales, tighter supplies from the Black Sea, a further reduction of the EU's estimated 2006 cereal output and unfavourable crop prospects in Australia and Argentina. As per the daily newspaper Financial Express, it is noticed that in September, the US hard wheat export prices averaged \$208 per tonne, up by about \$40, or 24%, from the same period last year. Wheat prices also benefited from spillover gains in maize and soybeans futures as well as large speculative acquisitions by hedge funds.

#### **Pakistan Seriously Considering to Export Surplus Wheat**

Pakistan government is sincerely considering a proposal to export surplus wheat and a decision in this regard will be taken in a few weeks. According to a source, around 1.5-2 million metric tonnes (MMt) of surplus wheat is anticipated to be available at the start of next procurement campaign in March. In addition, keeping in view the emerging scenario, a good wheat crop is expected in the current Rabi season. Therefore, the government is preparing a plan to export at least 0.5-1 million tonnes of wheat from current stocks. According to a study, it is hoped that 10-15 per cent increase in per acre yield of wheat is expected. The major chunk of surplus stock would be with Punjab and PASSCO. Former chairman, Pakistan Flour Mills Association, Khaleeq Arshad was of the view that surplus stock of wheat should be exported. He estimated that 1.2-15 million tonnes of wheat is expected to be available as carryover stock. According to an official, the wheat production target for 2006-07 has been set at 21.70 million tonnes.

#### **USDA: U.S. Wheat Ending Stocks Decreasing**

Projected U.S. 2006/07 ending stocks are lowered 11 million bushels from last month despite higher production

and carrying reported in the Small Grains Summary and the Grain Stocks reports released September 29, 2006. Supplies increase 14 million bushels based on an 11-million-bushel increase in 2006 production and a 3-million-bushel increase in 2005/06 ending stocks. Exports are increased 25 million bushels this month reflecting tighter world supplies. Soft red winter wheat exports are raised 20 million bushels and durum exports are raised 5 million bushels. The projected price range is raised 15 cents on both ends of the range to \$4.10 to \$4.60 per bushel, reflecting higher domestic and world prices resulting from reduced global production and supplies.

Source: USDA

#### **USDA: Global Wheat Output Estimated Down to 585.1 MMt**

Global wheat production for 2006/07 is lowered 11.0 million tons this month to 585.1 million metric tonnes (MMt). Despite reductions in consumption and trade, global ending stocks decline 7.1 million tons to 119.3 million. This is down sharply from 147.2 million tons last year and the lowest stocks in 25 years. Production in Australia is lowered to 11.0 million tons, down 8.5 million from last month. Persistent drought and September heat, similar to 2002/03 in most of the major growing regions, have sharply reduced prospects for this year's crop. At this level, Australia's production would be only 0.9 million tons higher than in 2002/03 when record drought and heat devastated that crop. Production is also lowered in China, EU-25, and Brazil. Together, these reductions far outweigh a 0.4-million-ton increase in Canada. Exports for Australia are lowered 5.0 million tons from last month. Partly offsetting this reduction in world trade are increased exports for Canada, EU-25, Kazakhstan, and the United States. With tighter supplies, consumption is lowered 2.7 million tons and world exports are reduced 1.7 million tons.

Source: USDA

#### **Wheat Import Clearing Delayed due to Congested Ports**

It is reported that around 2.5 lakh tonne of the total wheat imported by State Trading Corporation (STC) was stuck at various Indian ports due to congestion of ports. About 17.2 lakh tonne has arrived at various ports of the country. STC has contracted to import 55-lakh tonne wheat in this year. However, FCI has so far received only 14.75 lakh tonne of wheat. The Indian ports are clogged and it is delaying the shipments. FCI has already initiated disposing wheat stocks under various government-programmes like public distribution schemes (PDS). According to the report, around 7-lakh tonne wheat distributed through PDS to Maharashtra, Madhya Pradesh, Gujarat, along with the southern states.

#### **India Unlikely to Import Wheat in 2007-08**

According to the Agriculture Minister Sharad Pawar, India not likely to import wheat next marketing year if there is a plentiful grain harvest. The recent rains are expected to be helpful for the coming Rabi wheat crop, he concluded. In 2006, the government has contracted to import around 5.5 million metric tons of wheat. Still now, one-third of the deliveries have taken place, while the rest are expected to be completed by February 2007.

#### **Argentina Considering Restriction on Wheat Exports**

Concerns that Argentina will limit wheat exports due to supply concerns, as wheat production is estimated to be lower in this current year in this country. Wheat wasn't traded at Argentina's local market Friday as speculation grew that the government will limit exports, according to the source.

#### **Wheat Stockpile Observes Lowest in 25 years**

According to the US Department of Agriculture (USDA), the world's stockpiles of wheat are at their lowest level in more than a quarter of a century. USDA has also slashed its forecasts for

global wheat and corn production. The lower production forecast were mainly attributed to the severe drought in Australia, where the forecast for this year's wheat crop was cut by 8.5 million tonnes to 11 million. That is less than half of the 24 million tonnes produced last year, of which about 17 million went to exports. As a result of the low Australian crop, AWB, the country's main wheat exporter, said it would suspend exports from the country's east coast due to the poor crop and review its export requirements. To add to the global supply concerns, Ukraine has introduced licences and quotas on its wheat exports, effectively bringing shipments to a standstill. This has already halted Ukrainian wheat shipments of 50,000 tonnes to India. The USDA also lowered wheat output for China, Brazil and the European Union.

#### PORT WATCH: (As on 13<sup>th</sup> October, 2006)

'Sea Boss' has berthed at Chennai Port and continues to deliver 45,519 MT of wheat. The vessel is being handled by Seaways agents. Chennai Port is expecting 'Nawas' to deliver 49,021 MT of wheat. Imperial agents will be handling the vessel.

'Bahia Balanca' has berthed at Mundra Port and is continuing to deliver 60,001 MT of wheat. The vessel is being handled by Seaways agents. Mundra Port is expecting the delivery of 57,750 MT of wheat from the vessel 'North Friendship'. Interocean agents will be handling the vessel. 'Ruby Crest' is expected at the port to discharge 66,001 MT of wheat. Halar Shipping agents will be handling the vessel.

Delivery of 52,500 MT of wheat is continuing at Kandla Port from the vessel 'Unity T'. The cargo was loaded from Russia. The vessel is being handled by Seaways agents. 'Gang Qiang' from Romanio is expected at the port to deliver 45,572 MT of wheat. Delivery of 47,500 MT of wheat is expected at the port from the vessel 'Xiamen Sky'. The cargo was loaded from Romanio. Interocean agents will be handling these vessels.

'Heron' has berthed at Tuticorin Port and continues to deliver 36,500 MT of wheat. Interocean agents is handling the vessel. The port is receiving 39,417 MT of wheat from the vessel 'Bao Chang Men'. Vilson agents is handling the vessel.

New Mangalore Port is receiving 36,500 MT of wheat from the vessel 'Cape B'. Kinship agents is handling the vessel. Vizag Port is receiving 39,175 MT of wheat from the vessel 'Lonathi'. Seaways agents is handling the vessel. Mumbai Port is expecting 'Stove Transport' to discharge 36,750 MT of wheat. Interocean agents will be handling the vessel.

#### WEATHER WATCH

The regular market arrival is unlikely to get affected as weather forecasts suggest no rainfall over the producing region. This is off-season crop at this time so rainfall could not affect the crop but heavy rains may dampen the quality.

#### FOREX (As on 13<sup>th</sup> October, 2006):

Foreign Currency	Rs. per unit
1 US \$	45.49
1 Euro	57.15
100 Yen	38.11
1 British £	84.64

#### Updated: IGC WORLD WHEAT ESTIMATES (28.09.06)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				23.08	27.09
Production	556	629	618	593	588
Trade	103	110	108	112	112
Consumption	595	616	621	611	607
Stocks	125	138	135	117	116
Year-Year Change	-40	+13	-3	-	-19
5 Major Exporters <sup>#</sup>	41	56	56	38	37

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

Source: International Grains Council

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