

## WHEAT

6<sup>th</sup>-11<sup>th</sup> NOVEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Rangebound with Slight Up
- Wheat Remains Up at the Spot Market
- Import Wheat Piled Up at the Western Ports

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: DECEMBER (Future)

The wheat futures at the NCDEX remained almost volatile and traded within the range though the prices was up as compared to last week. The profit booking and lack of fresh buying demand at upper level kept the market range bound. Most active December contract increased from Rs.1118 to Rs.1133 on Saturday and traded within the range of Rs.1119-1138.80 during the week. Open interest as well as volume was decreasing during the week.

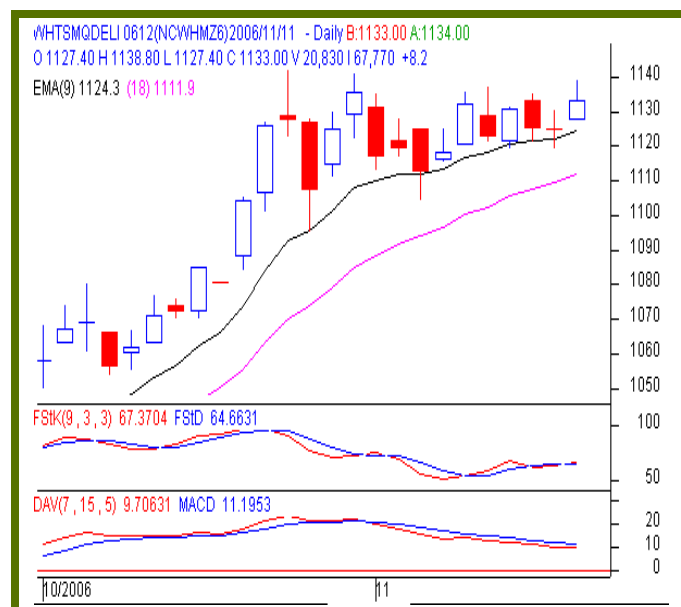
Candlesticks are indicating bullish market with strong opening for the next trading day. %K-line moving up following made a bullish cut with %D-line at neutral region, indicating upward market. Prices closed above 9-day and 18-day EMA, indicating bullish market. MACD indicates bearish market for medium term.

#### Outlook:

The wheat futures at the NCDEX are expected to trade up I the week ahead. But, some bearish market 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	1117	1110	1145	1165

### MARKET FUNDAMENTALS:

Wheat prices strengthened further during the week on increased offtake by the flourmills against weak arrival and strong futures market. The robust rake demands from Maharashtra and South India has pressurized the markets, traders said. Apart from this strong price movement at the NCDEX futures market also influenced the spot market. Stockists were releasing their stocks intermittently. But stockists are not interested to sell wheat at lower price. The strong demand for the wheat products due to upcoming winter season is also keeping pressure on wheat mill prices. Wheat dara for mills is offered up at Rs.1145-1150/mtl with average intake of 7000-9000 bags at the Lawrence road in Delhi during the end of the week. However the prices observed steady to slight down at some mandis due to less demand from the buyers at higher level. On the other hand, the country may produce a record wheat crop in 2007 as the country got heavy rainfall in the

monsoon season. The higher prices in this year have encouraged the farmers to boost plantings. The higher production might stop wheat imports by India in the next year. But at the present, owing to shortage of wheat and delayed clearance of imported wheat from the ports might be push up the prices in near future. The acreage has increased to 9.49 lakh ha as of Nov.3, a five-fold increase from a year ago. Minister also said, the duty free wheat import by the private traders won't be extended after December 31. According to the farm ministry, the government is eyeing on the higher production by planting an additional 1.4 million hectares of land to the crop, improving irrigation facilities, boosting fertilizer usage and launching new varieties of seeds. According to the government, around 26 lakh tonnes of imported wheat has already arrived in the country out of 55 lakh tones contracted. The government is expecting that the domestic supplies of wheat are adequate.

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

Wheat Products	4.11.06	11.11.06
Atta (90kg)	1077	1119
Maida Grade 1(90kg)	1218	1227
Suji (50kg)	690	690
Chokar (50 kg)	380	381
Chokar (35 kg)	256	250
Chakki Atta (90kg)	1065	1050

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

Markets	4.11.06	11.11.06
Delhi (Lawrence Road)	1110-1115	1145-1150
Haryana (Karnal)	1100-1105	1100-1105
Punjab (Khanna)	1095-1100	1100-1105
Ahmedabad	1225-1230	1210-1215
Rajasthan (Kota)	1135-1140	1125-1130
Uttar Pradesh (Kanpur)	1105-1110	1130-1135
Madhya Pradesh (Indore)	1160-1165	1170-1180
Uttar Pradesh (Bareilly)	1120-1125	1130-1135
Punjab (Sunam) Loose	1060-1070	1070-1080
Ludhiana (Jagraon)	1070-1080	1080-1090
Rajkot	1220-1225	1190-1200
Madhya Pradesh (Bhopal)	1025-1035	1050-1060

**INTERNATIONAL AND DOMESTIC NEWS:****China: Severe Drought May Cut Wheat Output**

Severe drought in eastern China has damaged wheat crops in a major grain-producing province, according to the source. Poor rainfall since early September has damaged the crop. The drought has been going on since September. The drought is likely to cause a drastic reduction in grain output and could last through the traditionally dry winter.

**Wheat Acreage Estimates to 9.49 Lakh Ha as of Nov.3**

According to the latest government data, the acreage of rabi wheat in this current season has touched to 949,000 hectares as of November 3, which is up nearly five-fold from 200,000 hectares a year earlier. Wheat is sown between October and December for harvest from February onwards.

**Punjab: Wheat Sowing Lagging Behind from Last Year**

According to the latest government data, the acreage of rabi wheat in this current season has touched to 949,000 hectares as of November 3, which is up nearly five-fold from 200,000 hectares a year earlier. Wheat is sown between October and December for harvest from February onwards. Rabi wheat sowing has started in Punjab, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat and

Karnataka. Wheat sowing has also commenced in parts of Haryana, Himachal Pradesh and Uttaranchal, but acreage statistics are still awaited, according to the report. The land preparation has initiated in Uttar Pradesh. However the wheat sowing is lagging behind in Punjab, the wheat bowl of the country. As on November 2, wheat acreage has touched only 8,000 hectares in Punjab compared with 25,000 hectares last year due to high temperature. However it is likely to gear up in near future.

**Wheat Production Likely to Decline in China**

According to the latest report, the wheat production in China is likely to decline by about 5% in the coming year of 2007/08 (July-June) from a year earlier to stand at only 98.40 million Mt (MMt) due to recent drought. On the other hand, the domestic wheat prices facing heavy downward pressure while the international wheat prices tracking continual upward movement; therefore China has speed up wheat exports recently. The report said, Chinese wheat export sales since this July have already totaled around 2.1-2.2 MMt so far, including not only feed grade wheat but also milling grade wheat.

**USDA: India Likely to Import 4 MMt Wheat Next Year**

According to the latest report of United States Department of Agriculture (USDA), India may have to become wheat importer again in the next year and the country may have to import up to 4 MMt wheat from abroad if the government procurement remains at the same level 9.2 MMt this year. The Indian government has contracted to import of 5.5 MMt of wheat this year so far. However the decision of wheat import will be depend on crop size in the ongoing Rabi season and the government procurement. Furthermore, USDA feels that the Indian government's recent decision to increase the Minimum Support Price of wheat by Rs.100 to Rs.750/qlt is likely to not translate into higher procurement. This is because private companies would pay even higher prices than the MSP. Sowing of wheat is currently improving. Early maturity of wheat varieties has already been planted last month. The harvesting will commence in March.

**Ukraine Exported 2-MMt Wheat in July-Oct**

In July-October Ukraine exported 2 million metric tonnes (MMt) of wheat, according to the report of APK Inform. Export volumes of wheat totaled 3,89,000 tonnes in October and maize 73,000 tonnes. According to the forecasts of APK-Inform in 2006/07 MY Ukraine will export about 3 MMt of wheat and 1 MMt of maize.

**Minister: Aims Record Wheat Crop; Halts Imports in 2007**

According to the Agriculture Minister Sharad Pawar, the country may produce a record wheat crop in 2007 as the country got heavy rainfall in the monsoon season, which increased the moisture content in the soil. Apart from this, higher prices have encouraged the farmers to boost plantings. He also concluded that the higher production might stop wheat imports by India in the next year. The acreage has increased to 9.49 lakh ha as of Nov.3, a five-fold increase from a year ago. Minister also said, the duty free wheat import by the private traders won't be extended after December 31. According to the farm ministry, the government is eyeing on the higher production by planting an additional 1.4 million hectares of land to the crop, improving irrigation facilities, boosting fertilizer usage and launching new varieties of seeds. The government is expending around Rs.8.41 billion to boost up the production. Wheat is planted between October and December. Harvesting starts in March and ends by mid-April.

**Around 26 lakh tonnes of Imported Wheat Arrived So Far**

According to the government, around 26 lakh tonnes of imported wheat has already arrived in the country out of 55 lakh tones contracted. The government is expecting that the

domestic supplies of wheat are adequate. Agriculture Minister Sharad Pawar said an additional 14 lakh tonnes of wheat are also on way.

#### Wheat: US Export Sales Remains Down

Net sales of 572,900 MT were 39 percent below previous week and 9 percent under the prior 4-week average. Major increases for Egypt (120,000 MT), Indonesia (80,000 MT, including 55,000 MT switched from unknown destinations), Cuba (75,000 MT), Honduras (55,500 MT, including 20,000 MT late reporting), Taiwan (50,000 MT), South Korea (42,400 MT), and Venezuela (38,800 MT, including 27,000 MT late reporting) were partially offset by decreases for unknown destinations (66,000 MT). Exports of 257,000 MT were 26 percent below the previous week and 43 percent under the prior 4-week average. The primary destinations were Japan (42,400 MT), Yemen (41,900 MT), Mexico (38,500 MT), South Korea (23,200 MT), Nigeria (20,900 MT), Panama (20,000 MT), and Algeria (19,700 MT). (This summary is based on reports from exporters for the period October 27 - November 2, 2006)

Source: USDA

#### WEATHER WATCH

The regular market arrival is not expected to get affected, as weather forecasts suggest no rainfall over the producing region. Sowing of wheat has started in some parts of Haryana, Gujarat, Karnataka, M.P., and some parts of Punjab, Uttaranchal and Maharashtra. The field preparation is going on for sowing of wheat crops in H.P., Rajasthan and U.P. Therefore scattered to light rain may increase the soil moisture and will help in sowing but heavy rainfall may hinder on the sowing process.

#### Outlook for the week ending on 15<sup>th</sup> November 2006

Under the influence of a western disturbance, scattered rainfall activity likely over western Himalayan region and adjoining plains during first half of the week and decrease thereafter.

Fall in night temperatures and occurrence of Fog likely over northwest India from middle of the week.

Under the influence of easterly wave, ongoing enhanced rainfall activity is likely to continue over south Peninsula, east coast and adjoining areas during first half of the week and decrease thereafter.

Source: IMD

#### FOREX (As on 10<sup>th</sup> November, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.45
1 Euro	57.12
100 Yen	37.82
1 British £	84.83

#### IGC WORLD WHEAT ESTIMATES (26.10.06)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				27.09	25.10
Production	556	629	618	588	585
Trade	103	110	108	112	110
Consumption	595	616	621	607	606
Stocks	125	138	135	116	114
Year-Year Change	-40	+13	-3	-19	-21
5 Major Exporters <sup>#</sup>	41	56	56	37	32

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

Source: International Grains Council

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