

## WHEAT

20<sup>th</sup>-25<sup>th</sup> NOVEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Strong During the Week
- Wheat Strengthening at the Spot Market
- Wheat Acreage Estimated to 70.7 lakh Ha, Up by 22 lakh Ha

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures recovered from lower level from 22nd November during the week following a bearish trend. Futures market was maintaining bearish trend ahead of the week on profit booking coupled with lack of buying support but hovered up thereafter amidst strong speculative buying. Most active January contract remained up at Rs.1138.60 over Rs.1131 of last week and hovered within the range of Rs.1108-1144.80 during the week. Open interest as well as volume of trade was increasing during the week.

Candlesticks depict weak market with weak opening. %K-line moving up and prevails above %D-line at neutral region, indicating firm sentiment. Prices closed above 9-day and 18-day EMA, indicating bullish market for medium term while MACD hints slight bullish market for medium term. Open interest increased but volume of trade significantly decreased.

#### Outlook:

The wheat futures at the NCDEX are expected to trade up in 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>
January Contract	1132	1122	1146	1154

### MARKET FUNDAMENTALS:

Wheat prices traded mostly weak during the week as compared to last week in the wholesale grain market due to reduced offtake by the flourmills and bearish cues from NCDEX futures market. However weakness in arrival has kept pressure on prices. Flour millers are unable to accumulate stock in view of imposed stock limit in Delhi, traders said. Wheat data prices were quoted down at Rs.1135-1140/mtl over Rs.1150-1155/mtl last week with reduced arrival of 4000-5000 bags at Lawrence road mandis in Delhi. Other bearish factor is sluggish demand for wheat products. However the prices depicted a bullish trend on stockists buying pressure and also triggered by a bullish trend in future trading at NCDEX at the end of the week. Furthermore, imported wheat grasped South India and Maharashtra market; therefore they have been showing poor demand for North Indian wheat as the prices in this region are still high and transportation cost are much

more. Besides, traditional mustard farmers are now shifting to wheat cultivation due to speculation of better prices in the near future. Wheat acreage has been enormously increasing in mustard growing belt like U.P, Haryana, Rajasthan, and M.P. Furthermore, sowing progress of wheat for the current rabi season has been improving well and the sowing is estimated to hit 70.759 lakh hectares as of Nov. 16, up by 22 lakh hectares from a year earlier, according to the Directorate of Wheat Development. The area has increased in all the producing regions. Despite the fact that the trend would be reverse owing to weak wheat stocks to the government, piling up of imported wheat at western ports, delay in arrival of wheat import and no further private wheat import at zero duty beyond December. In the international market, IGC raised estimated world wheat production by 2 MMt to 587 MMt but remained lower by 31 MMt of last year. Better than expected yields, mainly in Russia, has increased the estimation.

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

Wheat Products	18.11.06	25.11.06
Atta (90kg)	1158	1149
Maida Grade 1(90kg)	1273	1273
Suji (50kg)	703	703
Chokar (50 kg)	385	370
Chokar (35 kg)	285	240
Chakki Atta (90kg)	1075	1060

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

Markets	18.11.06	25.11.06
Delhi (Lawrence Road)	1150-1155	1140-1145
Haryana (Karnal)	1125-1130	1105-1110
Punjab (Khanna)	1125-1130	1120-1125
Ahmedabad	1210-1215	1190-1195
Rajasthan (Kota)	1145-1150	1130-1135
Uttar Pradesh (Kanpur)	1145-1150	1130-1135
Madhya Pradesh (Indore)	1195-1200	1195-1200
Uttar Pradesh (Bareilly)	1150-1155	1125-1130
Punjab (Sunam) Loose	1110-1120	1095-1100
Ludhiana (Jagraon) Loose	980-985	980-990
Rajkot	1200-1210	1165-1175
Madhya Pradesh (Bhopal)	1065-1075	1170-1180

## INTERNATIONAL AND DOMESTIC NEWS:

### Wheat Acreage Estimated to 70.7 lakh Ha, Up by 22 lakh Ha

The sowing progress of wheat for the current rabi season has been improving well and the sowing is estimated to hit 70.759 lakh hectares as of Nov. 16, up by 22 lakh hectares from a year earlier, according to the Directorate of Wheat Development. The area has increased in all the producing regions. In Uttar Pradesh, the acreage has touched to 10.96 lakh hectares as compared to 1.77-lakh hectares year earlier period. The acreage is estimated to 16.65 lakh hectares against 13.91 lakh ha in Punjab. The sowing has touched to 15 lakh ha over 14.2 lakh ha in Haryana. In M.P., the acreage has increased from 12.62 lakh ha to 15.1 lakh ha. The volume of Indian wheat imports in the next year will be determined by the sowing progress and following production factors. Based on current sowing trends, wheat acreage is showing sharp increase, which if transformed into proportionate increase in production will result in comfortable supply situation from April 2007. While it is premature to guess wheat production estimates for 2006-07 it could certainly ease the pressure on prices in the coming wheat marketing year, if the weather is favourable and current uptrend in sowing is maintained.

### Imported Wheat Continue to Pile Up at Western Ports

Imported wheat has been piled up at the Western ports since last two months due to port congestion and it is unexpected to ease soon in spite of government's efforts for bagging and evacuation. Around 4 lakh metric tonnes of wheat continue to pile up at Kandla and Mundra port amidst ongoing arrival of shipments. The average time for a ship to get berth varies between 15-25 days in these ports.

### Unloading at Ports may Delay Wheat Import

The Governments is still expecting that most of the imported wheat would arrive by the end of February 2007 in spite of the current backlog in unloading of imported wheat. But according to trade experts, it might get delayed around three to four weeks. On an average, 2.6 MMt of imported wheat has arrived so far on the government account. Government has contracted to import of about 5.5 MMt this year to replenish buffer stocks.

### USDA's Weekly Inspections on U.S. Wheat Export

According to the U.S. Department of Agriculture (USDA), weekly inspections for wheat export in U.S. for the week ended Nov. 16 were 14.464 million bushels as compared to 12.383 million bushels of previous week. The USDA said it had inspected 387.801 million bushels of U.S. wheat for export in the current market year to date, down from 472.647 million bushels at the same point last market year.

### S. Africa Cut Wheat Output Estimates to 2.169 MMT

The government's Crop Estimates Committee in South Africa reduced its forecast of wheat production to 2.169 million tonnes (MMT) from its last estimate of 2.195 million due to less area planted in the Northern Cape. The estimate of wheat area was trimmed to 764,800 ha from 770,800 ha previously, according to the source.

### Wheat Output Likely to Depend on Temp in Dec

Wheat sowing has been increased by 45% in 2006-07 crop year. The acreage has been rising at most of the producing region in the country. According to scientists, early sowing is good, as it would allow the crops to grow for the entire duration of 135-145 days. In recent years, this has not been happening due to the early onset of summer, which has led to premature ripening of the crop and interpreting into lower yields. But this time, it may not be happening even if temperatures start going up in March, as the crop would have reached minimal maturity and will not get affected. Therefore production would be depended on the temperature levels in December. But the winter does not set properly in December; there would be poor tillering (stem formation), leading to early ear-head emergence and flowering, considered detrimental for the crops.

### Russia: Wheat Export Declined in October 2006

According to State Statistics Committee in Russia, the country exported 1.16 million metric tonnes (MMt) of grain, which is down 17.7% from September 2006 and 25% from October 2005. Total grain export from Russia for four months (July-October) 2006/07 MY was 4.7 MMt. Russian wheat export totaled 1.1 MMt in October, down by 23% from September and 22.2% from last year period. Five main importers of Russian wheat were: India (5,01,400 tonnes), Egypt (98,500 tonnes), Bangladesh (89,300 tonnes), Yemen (44,000 tonnes) and Turkey (37,100 tonnes). The average export price for wheat is \$157 USD/tonne in October. Wheat import totaled 93,000 tonnes in October. The whole volume was delivered from Kazakhstan.

### Farmers Shifting to Wheat & Chana Cultivation

According to the experts, traditional mustard farmers are now shifting to wheat and chana (grams) cultivation due to speculation of better prices in the near future. Therefore the

mustard acreage has been declining and estimated to 52.37 lakh ha, dip by 7.73% as on November 16 as compared to last year of 56.76 lakh ha. However acreage of wheat has tremendously increased by 45% to 70.759 lakh hectares as of Nov. 16, up by 22 lakh hectares from a year earlier period. Attractive prices for wheat and chana are forcing farmers to use their mustards lands to these crops. Sowing of chana has increased by around 20% to 47.25 lakh ha over 39.74 lakh ha during the review period. Wheat acreage has been enormously increasing in mustard growing belt like U.P, Haryana, Rajasthan, and M.P.

#### **Selling of Cereals by Middlemen in Open Market**

It has been revealed that a diversion of a total quantity of 44.04 lakh MT of foodgrains meant for distribution under TPDS in the states of Assam, Chhattisgarh, Gujarat, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Meghalaya, Nagaland and West Bengal has taken place during 2002-2005.

Under PDS, the responsibility for distribution of foodgrains and other goods through PDS outlets in a transparent and efficient manner, lies with the respective State Governments. The Public Distribution System (Control) Order, 2001 was issued by the Government, in order to streamline the functioning of the PDS and to make the same more effective and accountable. Any offence committed in violation of the provisions of the Order invokes criminal liability under Essential Commodities Act, 1955.

All the State Governments and UT Administrations have been requested to take necessary action on the CAG report and instructed to take immediate necessary corrective steps to ensure the smooth functioning of TPDS.

This information was given in Rajya Sabha today by the Minister of State for Consumer Affairs, Food and Public Distribution, Dr. Akhilesh Prasad Singh in a written reply.

Source: PIB

#### **Mumbai Port Discharged Record Volume of Wheat**

According to sources, Mumbai port discharged a record volume of 6,603 metric tonnes of wheat on a single day previous week. Port has adequate facilities for handling food grain and also has sufficient number of cranes for handling and storage capacity of about 45,000 tonnes.

#### **IGC: Forecast World Grain Production at 1557 MMt in 2006/07**

A second successive fall in world grain output, combined with a further rise in consumption, will considerably tighten world supplies, although trade will only rise modestly. After the large changes in last month's forecasts, those made in November are comparatively small. Forecast world grains production remains at 1,557m. tons and use is up 2m. at a record 1,623m. Trade is unchanged at 214m. tons, a small rise in maize balancing a reduction in wheat. There is a 1m. reduction in the forecast of carryover stocks to 242m. tons, of which 86m. tons (unchanged) are in the five major exporters, the smallest since 1995/96.

Source: IGC

#### **IGC Raised Global Wheat Production by 2 MMt**

Better than expected yields, mainly in Russia, increase estimated world wheat production by 2m. tons to 587m., still 31m. short of last year's total. The consumption forecast is raised by 1m. tons to 607m. Feed use in Russia is up because of increasing pig and poultry numbers, and parched pastures in Australia have forced more cattle into feed lots. Forecast world wheat trade is 1m. tons lower than last month at 109m. tons, compared with 108m. in 2005/06.

Higher prices are curtailing demand in some countries in Africa and Near East Asia, but import forecasts for Brazil and Chile have been raised further after their smaller crops. Because of increased domestic use, the projection of Australia's marketing year exports is down 0.6m. tons at 12.9m. tons, but Russia may export 8.4m. tons, 0.4m. more than previously forecast. Combined end-of-season stocks in the five major exporters are forecast unchanged at 32m. tons, 23m. tons less than a year before.

Source: IGC

#### **IGC: Wheat Sowings Increase by 4% in the World**

With good sowing conditions in most northern hemisphere producers, total areas are still forecast to increase by 4%, reversing last year's fall. In the US, where winter wheat areas could be as much as 8% up from last year, crop ratings are above average, but dry conditions in Hard Red Winter wheat areas are starting to cause concern. A large increase in sowings is expected in India following a rise in support prices.

Source: IGC

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

Net sales of 361,400 MT were 12 percent above the previous week, but 37 percent under the prior 4-week average. Major increases were reported for Japan (67,000 MT), Egypt (60,700 MT), South Korea (43,400 MT), Indonesia (39,100 MT, including 25,000 MT switched from unknown destinations), unknown destinations (32,000 MT), Mexico (27,000 MT), Cuba (24,300 MT), and the Philippines (23,300 MT). Exports of 315,500 MT were 7 percent below the previous week and 8 percent under the prior 4-week average. The primary destinations were Egypt (120,700 MT), Indonesia (59,100 MT), the Philippines (36,800 MT), Nigeria (30,600 MT), Cuba (24,300 MT), and Italy (17,400 MT). (This summary is based on reports from exporters for the period November 10-16, 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 Haryana, Gujarat, Karnataka, M.P., Punjab, Uttaranchal and Maharashtra etc. Therefore scattered to light rain may increase the soil moisture and will help in sowing but heavy rainfall may hinder on the sowing process.

##### **Rainfall:**

Scattered rain/snow occurred over Jammu & Kashmir during 16th to 19th and 21st & 22nd. Rain/snow also occurred at a few places over Himachal Pradesh during 18th & 19th. Isolated rain/thundershower occurred over Punjab during 18th & 19th.

Rainfall occurred at a few places over Sub-Himalayan West Bengal and Sikkim, Assam, Meghalaya and Arunachal Pradesh on 20th and isolated on 21st.

Rainfall occurred at many places over Tamil Nadu & Pondicherry, Lakshadweep, Kerala and south coastal Andhra Pradesh during many days of the week and at a few places over Andaman & Nicobar Islands, Rayalaseema and South Interior Karnataka. Isolated rainfall also occurred over Coastal Karnataka, Konkan & Goa, Madhya Maharashtra, north interior Karnataka and south Gujarat during last two days of the week.

Mainly dry weather prevailed over remaining parts of the country during the week.

#### **Outlook for the week ending on 29<sup>th</sup> November 2006**

Under the influence of the western disturbance, scattered rain/snow is likely over Western Himalayan Region and light rain/thundershower over plains of northwest India in the beginning of the week.

Scattered rainfall activity is likely to continue over extreme south peninsula during the week. Isolated rainfall/thundershower also likely over Konkan & Goa and south Madhya Maharashtra during first half of the week. Fall in night temperatures by 3-4 °C likely over north and adjoining central India during first half of the week. Fog/mist conditions also likely over some parts of plains of northwest India

Source: IMD

#### FOREX (As on 24<sup>th</sup> November, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.87
1 Euro	58.15
100 Yen	38.57
1 British £	85.99

#### IGC WORLD WHEAT ESTIMATES (24.11.06)

(Million tons)

	2003-04	2004-05	2005-06 Est.	2006-07 (Forecast)	
				25.10	24.11
Production	556	629	618	585	587
Trade	103	110	108	110	109
Consumption	595	616	621	606	607
Stocks	125	138	135	114	114
Year-Year Change	-40	+13	-3	-21	-21
5 Major Exporters <sup>#</sup>	41	55	55	32	32

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

Source: International Grains Council

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