

## WHEAT

27<sup>th</sup> NOVEMBER-2<sup>nd</sup> DECEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- NCDEX Wheat Futures Remained Weak During the Week
- Wheat Tumbled Down at the Spot Market
- Wheat Acreage Reached to 15.42 Mil Ha, Up by 1.36 Mil Ha

### TECHNICAL ANALYSIS

Exchange: NCDEX

Perspective: Short Term (Weekly)

Contract: JANUARY (Future)

NCDEX wheat futures sharply fell down during the week on profit booking and lack of buying interest at higher level though some bullishness was observed on Friday on speculative buying at mostly lower level. Most active January contract traded mostly down at around Rs.1103 and traded between Rs.1080.20-1043 with good volume and steady open interest. While there was no trading activity on the MCX.

Candlesticks predict bearish market for the next trading day. %K-line going to up following made a bullish cut with %D-line at neutral region, indicating upward market. Prices closed far below 9-day and 18-day EMA, exhibiting bearish market for medium term and MACD also hints downward market for medium term.

#### Outlook:

The wheat futures at the NCDEX are expected to trade down in the week ahead. But, some bullish market is likely and the corrective dips can be used for buying.

#### Advice:

Buy at corrective dips towards support level for medium-term (5-6 days) trading.



#### 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	1085	1075	1130	1145

### MARKET FUNDAMENTALS:

Domestic wheat have been maintaining bearish undertone during the week on decreased offtake by the roller flourmills against higher arrival. No demands from South India and Maharashtra also added to the weaker tone. Apart from this, weak price movement at the futures market also influenced spot market. Stockists were releasing stocks intermittently as Delhi government is planning to expand existing stock limits on foodgrains under ECA. Demand for wheat products also witnessed poor, which discouraged flourmill's demand. Wheat data for mills quoted down at Rs.1110-1115/qrtl on Friday over Rs.1140-1145/qrtl last week with average intake of 6000-7000 bags at the Lawrence road in Delhi. Imported wheat grabbed South Indian and Maharashtra market. Therefore demand is decreasing and prices are going down in North West region. Furthermore traders said, government is likely to sell wheat at the open market in Maharashtra and South India at lower prices. It might be negatively affected to bearish sentiment. Besides, the country may produce a

record wheat crop in 2007, spurred by timely sowing and additional plantings of around a million hectares. 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. On the other hand, as on November 28, 26.24 lakh tonne (Lt) of imported wheat were discharged, of which 20.02 Lt have been moved to various FCI's depots and the balance 6.22- Lt is in the process of bagging and dispatch. Acreage of wheat has already reached to 15.42 million hectares, up by 1.36 mil ha. Acreage is gradually increasing in all producing regions and non-producing regions of wheat likely Bihar and West Bengal. FAO now forecasts world wheat output in 2006 at about 615 million tonnes, 1.5 percent down from 2005. This represents the second consecutive decline after the record crop of almost 632 million tonnes in 2004, but an output still well above the average of the past five years. But at the present, owing to shortage of wheat and winter season demand might be pushed up the prices in near future.

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

Wheat Products	25.11.06	2.12.06
Atta (90kg)	1158	1149
Maida Grade 1(90kg)	1273	1273
Suji (50kg)	703	703
Chokar (50 kg)	385	367
Chokar (35 kg)	285	244
Chakki Atta (90kg)	1075	1030

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

Markets	25.11.06	2.12.06
Delhi (Lawrence Road)	1140-1145	1120-1125
Haryana (Karnal)	1105-1110	1070-1075
Punjab (Khanna)	1120-1125	1100-1105
Ahmedabad	1190-1195	1195-1200
Rajasthan (Kota)	1130-1135	1135-1140
Uttar Pradesh (Kanpur)	1130-1135	1130-1135
Madhya Pradesh (Indore)	1195-1200	1155-1165
Uttar Pradesh (Bareilly)	1125-1130	1125-1130
Punjab (Sunam) Loose	1095-1100	1080-1090
Ludhiana (Jagraon) Loose	980-990	970-980
Rajkot	1165-1175	1155-1165
Madhya Pradesh (Bhopal)	1170-1180	1150-1160

## INTERNATIONAL AND DOMESTIC NEWS:

### Wheat Crop Benefiting from Cold Temperature

The current weather status is favourable for wheat growing. Weather experts at the Punjab Agriculture University (PAU) say that the present daytime temperature around 23 degrees Celsius and night temperature at around 10 degrees Celsius will be necessary for proper tillering and conducive growth of the sown wheat varieties at this stage. Wheat acreage increases to 113 lakh hectare till the end of November as reported 96.94 lakh hectare a year ago. Considerable higher coverage has been reported in Gujarat, Madhya Pradesh, Punjab and Rajasthan while the wheat-growing belt extended from Delhi to western Uttar Pradesh. ICAR Director General Mangala Rai welcomed the higher market price for wheat and said it had provided as a motivating factor to go in for higher acreage this season for the farmers.

### Stock Limit in Food Grains to Expand in Delhi

Delhi government is planning to expand existing stock limits on food grains under Essential Commodities Act. As mere 1400 traders applied for license for wheat and pulses, the government is considering the revision of current stock limit on food grain that traders can store, as the same is very small to cater the rising demand for goods due to rising

population. However, the government has yet to decide the new limit. Existing limit for pulses wholesaler is 200 quintal, whereas for retailers it is 50 quintals as per the Delhi, pulse (Licensing of Dealer) order 1974.

### Pakistan Likely to Export Surplus Wheat

Pakistan is expected to export wheat, as Pakistan has surplus stocks of more than half a million tonnes from last year crop. Pakistan's wheat production is up by 450,000-500,000 tonnes at around 21.5 MMt and this record production could result in exports to nearby markets. As per the report of USDA, the wheat production in Argentina was down by one million metric tonnes (MMt) to 9.5 MMt owing to decline in acreage, which would cut exportable surplus. USDA said, Ukraine was another country, which had potential to fetch good amount on wheat export during 2006-07.

### India: 3.2 MMt Imported Wheat Arrived So Far

Indian officials indicated that 3.2 MMt of wheat imports had arrived into India from a total of 5.5 MMt already contracted. They also said, about 50,000 tonnes of piled up wheat had been cleared in the past month from the two western ports of Mundra and Kandla, and around 350,000 tonnes of wheat are still piled up on the docks. The farm ministry said, five vessels with 276,644 tonnes were scheduled to arrive by the end of November.

### Govt Likely to Extend Duty-Free Wheat Imports

According to sources, the government is likely to extend time beyond Dec. 31 to the private traders to import wheat at zero duty. The sources added that this period might be extended upto March 31, 2007. However, no such decision has been taken so far.

29.11.06

### Wheat: Sowing Status in Main Producing Regions

In major wheat growing state Uttar Pradesh, where the procurement was extremely low last year, the wheat sowing is up by enormous 2.73 lakh ha. As of Nov. 23, wheat acreage in U.P. touched to 21.58-lakh hectare as compared to 18.85-lakh hectare in the year-ago period. The remarkable increase in wheat acreage is mainly due to higher market price of the wheat. The increasing trend of wheat sowing is indicating to higher level of production in the next year but it will be depend on climate and how the temperature behaves during the grain filling stage in January-February, which would be critical for the final crop size.

### ITC Expected to Procure 25,000 Mt of Wheat in Uttaranchal

According to a leading newspaper Kolkata-based ITC has received a license for procuring 25,000 metric tonnes (Mt) of wheat in Uttaranchal this year as compared to 5,000 tonnes in last year. Therefore they could procure wheat directly from farmers.

### AWB Wheat Export Monopoly Threatened

Following Iraqi kickbacks scandal, increasing criticism about Australian Wheat Board's (AWB) export monopoly is surfacing. While it is premature to say how long the AWB will maintain its monopoly status, farmers are increasingly vociferous in opposing AWB monopoly. Although Australian Prime Minister Howard has indicated about the change, there is no mention about the shape of new system, which will be brought in place. Hence we are likely to see a change in Australian wheat export system sooner than later.

### Agriculture Secretary: Wheat Output Likely to Rise 2.5 MMt

According to Agriculture Secretary Radha Singh, the wheat production in 2007 is expected to increase by at least 2.5 million metric tons (MMt) to 72-73 MMt from the previous year's production of 69.5 MMt. Timely sowing and additional plantings

of around a million hectares is the main reason behind it. Sowing of wheat is already 50% complete and it is expected to boost output, she said. The sowing progress of wheat for the current rabi season has been going well and it covered 11.3 million ha as of November 23, as compared to 9.6 million ha of last year, according to the Ministry of Agriculture. In the past few years, India lost around 2-4 MMt of wheat annually owing to shrinkage in grain size as the winter temperature rose above normal levels, coupled with early onset of summer. But in this year early sowing may help in overcoming this problem. The recent hike in the wheat MSP for marketing year 2007-08 has also encouraged farmers to sow more of the crop.

#### **USDA: US Wheat Export Sales Remain Mostly Bullish**

Net sales of 547,800 metric tons were 52 percent above the previous week, but equal to the prior 4-week average. Major increases for Japan (91,600 MT), Italy (62,500 MT), Egypt (59,000 MT), the Philippines (50,000 MT), Jamaica (41,000 MT), South Korea (40,100 MT), Costa Rica (34,700 MT), and unknown destinations (31,000 MT) were partially offset by decreases for Malaysia (18,000 MT). Exports of 409,100 MT were 30 percent above the previous week and the prior 4-week average. The primary destinations were Japan (72,400 MT), Egypt (59,000 MT), Costa Rica (40,200 MT), Mexico (35,700 MT), South Korea (24,800 MT), and Nigeria (24,400 MT). (This summary is based on reports from exporters for the period November 17-23, 2006)

Source: USDA

#### **Good Climatic Condition Favouring Wheat Crop**

Widespread showers over the past few days in the North West region of the country has provided boost to soil moisture, which have raised hopes of a good crop this year. Rains coupled with low temperatures are good for the crop and it would help in proper germination. The optimum temperature range for ideal germination of wheat seed is 20 to 25 degrees Celsius though it can germinate in the temperature range of 3.5-35 degrees Celsius, according to sources. If temperatures remaining below 15 degrees Celsius throughout December will help the development of the crop.

#### **PIB: Procurement Policy on Wheat in MY 2007-08**

As per the existing procurement policy for foodgrains, wheat of Fair Average Quality (FAQ) is procured at Minimum Support Price (MSP), plus bonus whenever applicable, by Government agencies in wheat producing States. Farmers have the option to sell their produce to Government agencies at MSP or to private traders, as is advantageous to them. Procurement of wheat in any Rabi Marketing Season (RMS) depends upon several factors such as production, market arrivals, open market price, extent of private participation etc. The lower level of procurement of wheat in Crop Year 2005-06 as compared to Crop Year 2002-03 was on account of higher open market prices, negative market sentiments due to low stocks of wheat in the central pool as on April 1, 2006, low market arrivals and more active participation by private traders in RMS 2006-07.

The Government has announced an MSP of Rs. 750 per quintal for wheat to be procured in RMS 2007-08, which is Rs. 100 per quintal more than the MSP fixed in RMS 2006-07.

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

#### **Wheat Acreage Reached to 15.42 Mil Ha, Up by 1.36 Mil Ha**

According to sources, the sowing progress of wheat is improving well. Acreage of this crop has already reached to 15.42 million hectares, up by 1.36 million hectares as compared with 14.06 million hectares last year same period. Acreage is gradually increasing in all producing regions and non-producing regions of wheat likely Bihar and West Bengal.

#### **FAO: Cereal Production to Decrease Slightly Again in 2006**

As the 2006 cereal seasons progress around the globe, latest data continue to point to a slight decrease in world cereal production to 2020 million tonnes, about 1 percent or 18 million tonnes below the latest estimate of output in the previous year. However, at this level, world cereal output would still be the third highest on record, and above the five-year average.

Source: FAO

#### **FAO: World Wheat Production Estimates to 615 MMt**

FAO now forecasts world wheat output in 2006 at about 615 million tonnes, 1.5 percent down from 2005. This represents the second consecutive decline after the record crop of almost 632 million tonnes 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 United States, 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: FAO

#### **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:**

Light to moderate snowfall occurred at a few places over Jammu & Kashmir, Himachal Pradesh and Uttaranchal on 23rd. Light rain/thundershowers also occurred over the adjoining plains of Punjab, Haryana, Delhi and West Uttar Pradesh on 23rd.

Light to moderate rain/thundershowers occurred over Konkan & Goa, Madhya Maharashtra on many days of the week and over Marathwada and southwest Madhya Pradesh on one or two days of the week.

Rain/thundershowers also occurred over many places over Tamil Nadu and Kerala on 23rd, 24th, 27th and 28th and at a few places/isolated places on remaining days of the week.

Light rain/thundershowers also occurred over Coastal Karnataka, Lakshadweep and Andaman & Nicobar islands on some days of the week.

Weather remained mainly dry over the rest of the country during the week.

#### **Outlook for the week ending on 6<sup>th</sup> December 2006**

In view of an approaching western disturbance, northwest India is likely to experience a wet spell during 3rd to 6th December. Isolated heavy snowfall is also likely over western Himalayan region during the above period. Night temperatures are likely to increase over northwest India.

Subdued rainfall activity is likely to continue over extreme south peninsula.

Isolated rain/thundershowers is also likely over Konkan & Goa, Madhya Maharashtra and Madhya Pradesh during first two days of the week.

Source: IMD

#### FOREX (As on 1<sup>st</sup> DECEMBER, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.67
1 Euro	59.26
100 Yen	38.55
1 British £	88.18

#### 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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