

### Price Drivers

- Progressive sown area comparatively increased, better crop prospects, favorable weather.
- Ban on wheat export continues despite surplus stock.
- Govt. intention to augment supply, 5 MMT foodgrains allocated to poor.
- Poor offtake from FCI godowns.
- Global wheat supply is projected lower and overseas trade is raised by 0.5 MMT
- Unfavorable weather condition in major growing regions. Short supply expected in the international market next year.

### Analysis: Technical

- Candlestick formation shows sellers active participation in the futures market.
- Wheat prices closed near 9 and 18 day EMA's, thus denoting decrease in bullish momentum.
- RSI is moving down in positive territory, denotes weakness in the market.
- MACD is moving down in positive territory, thus denoting decrease in bullish momentum for short and medium term.
- Wheat is likely to trade range bound with weak bias during the next trading session. Players should opt selling at higher level.

### Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
<b>Sell</b>	>1340	1333	1330	1343.60
Support & Resistance				
S2	S1	PCP	R1	R2
1310	1330	1336	1345	1368



### Domestic (India) Market

- Steady to weak sentiment featured in mostly cash wheat markets on back of higher allocation of wheat and rice through PDS, higher area coverage, favorable weather and huge stock stored out from last year crop. Besides, govt.'s intention to augment supply in the market, normal demand and hope for higher production once again are impacting the market sentiments.
- As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 275 lakh hectare (till 31.12.2010), which is 10.04 lakh hectare more than last year on this date. Area coverage may exceed in Gujarat, Rajasthan, Haryana and slightly in U.P. Wheat acreage in UP, the biggest producer state which was lower by 4% a fortnight ago, has gone up by 6 lakh ha to 94.31 lakh ha compared to this period last year.
- The government has allocated five million tonne of additional wheat and rice to states for sale to the poor at subsidised rates amid signs of food prices hardening again. It was decided to give additional 25 lakh tonne of wheat and rice quota at the BPL (below poverty line) rate to the states. Wheat and rice are priced at Rs 4.15 and Rs 5.65 per kg, respectively for below poverty line families. The above poverty line families, or the APL ones, have also been allocated 25 lakh tonne of additional wheat and rice. These categories get rice at Rs 11.85 a kilo and wheat at 8.45 a kilo. State governments can lift the grain immediately, which will also free up storage space for the winter crop.
- The total area under wheat in the country was 28.62 million hectare in 2009-10. This is likely to increase, as the states like Madhya Pradesh, Bihar and Gujarat are upcoming states in wheat cultivation. The Directorate of Economics and Statistics Government of India would compile the information on total area under wheat by February. Against the buffer norm of 20 mt of rice and wheat, the government's holding on December 1 was 48.44 mt. The wheat stockpile was 23.9 mt, as against the buffer norm of 8.2 mt.
- World wheat production stands at 648 million tonnes, which is 29 million tonnes less than that predicted in June. The bulk of this downward revision reflects a sharp fall in production in the Russian Federation, which more than offset a better-than-expected crop in the US and improved prospects in Argentina and Australia, according to FAO. World wheat closing inventories are forecast to fall to 181 million tonnes, 10 per cent below the 2010 level.
- Global wheat production will trail demand by 20 million tonnes, taking inventories at the end of this season to the lowest level since the 2008-2009 year. Production in the current season is forecast to lag behind demand for the first time since 2007-2008 after harvests were hurt by the worst drought in at least half a century in Russia, dry weather in other parts of eastern Europe, excessive rains in Canada and flooding in Pakistan.

We feel that prices of wheat may trade steady to weak in near term on back of higher area coverage, favorable weather and govt.'s intention to augment supply in the open market. Huge stock with federal govt. will keep the market under pressure. Export is unlikely amid open import option. However import is not possible due to higher prices in the international market. If prices go up, offtake from FCI go-downs is likely to go up.

**Prices at key Markets**

Centre	Variety	Prices 03-01-11	Chng from Prior Day	Arrivals 03-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1315-1320	8	2000	-3000
Delhi (Narela)	Mill Delivery Loose	1290	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1275-1285	15	400	300
Gujarat (Rajkot)	Mill quality	1280	-20	1200	-400
Gujarat(Ahmadabad)	Mill delivery	1345	-10	NR	-
M.P. (Bhopal)	Mill quality loose	1175-1200	Nil	400	-400
M.P. (Indore)	Mill quality	1350-1360	Nil	3000	2000
Rajasthan (Kota)	Mill quality loose	1220-1240	15	3000	Nil
U.P. (Kanpur)	Mill delivery	1280	Nil	300	Nil
Punjab (Khanna)	Mill quality loose	1190	5	400	200
Haryana (Karnal)	Mill quality (Mill delivery)	1220-1230	-35	700	100
Haryana (Sirsa)	Mill delivery loose	1215-1220	Nil	150	-50
Haryana (Rewari)	Mill quality loose	1225-1235	-5	100	-
Haryana (Panipath)	Mill delivery	1220-1230	-	700	200

\*Prices in Rs/ Qtl & Arrivals in bags (1 bag = 1 Qtl)

**RBI Indicative Exchange Rates**

Country/ Continent	Currency	Value in Rupees 03-01-2011	Value in Rupees 31-12-2010
USA	Dollar	44.67	44.81
European Union	Euro	59.37	59.81
United Kingdom	GBP	69.44	69.28

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