

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, 3.5 MMT foodgrains allocated to the poor and retailers
- Poor offtake from FCI godowns. pressure to offload wheat on FCI
- 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 buyers active participation in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, thus denoting increase in bullish momentum.
- RSI is moving up in positive territory, denotes firmness in the market.
- MACD is moving up in positive territory, thus denoting increase in bullish momentum for short and medium term..
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should opt buying at lower level.

Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Buy	>1340	1346	1348	1337
Support & Resistance				
S2	S1	PCP	R1	R2
1325	1335	1343.4	1350	1365



Domestic (India) Market

- Wheat is trading with negative note in cash market on back of increased area, favorable weather and expected increase in supply from govt.'s granary in January, February and March. India has offered to sell 3.5 million metric tonnes of wheat and rice to retail and bulk consumers over the next six months, reviving a move to trim bulging federal stocks as well as to cool prices. Pressure on wheat market is likely to continue in weeks ahead.
- The government has offered to sell 1.5 million tonnes of wheat to bulk buyers, such as makers of flour and bakery products, for around INR1,200-INR1,400 per 100 kilograms. Another 1.0 million tonnes wheat has been earmarked for retail buyers for a minimum of INR1,099/100kg. Current prices in retail markets are higher than what FCI has offered.
- 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 total area under wheat in the country was 28.62 million hectare in 2009-10.
- 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.
- 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 rice 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. But offtake is not up to the mark. It is as low as 50 percent of the total allocated quantity.
- 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. It is high time to consider on exporting wheat to avail the benefit of higher overseas prices.

Prices at key Markets

Centre	Variety	Prices 04-01-11	Chng from Prior Day	Arrivals 04-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1315	-5	2500	500
Delhi (Narela)	Mill Delivery Loose	1290	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1275-1280	-5	300	-100
Gujarat (Rajkot)	Mill quality	1290	10	1000	-200
Gujarat(Ahmadabad)	Mill delivery	1345	Nil	NR	-
M.P. (Bhopal)	Mill quality loose	1150-1200	Nil	500	100
M.P. (Indore)	Mill quality	1360-1370	10	2000	-1000
Rajasthan (Kota)	Mill quality loose	Closed	-	-	-
U.P. (Kanpur)	Mill delivery	1275	-5	350	-50
Punjab (Khanna)	Mill quality loose	1190	5	400	200
Haryana (Karnal)	Mill quality (Mill delivery)	1220	-10	700	Nil
Haryana (Sirsa)	Mill delivery loose	1220	Nil	200	50
Haryana (Rewari)	Mill quality loose	1225-1230	-5	100	-
Haryana (Panipath)	Mill delivery	1220-1230	Nil	700	Nil

*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 04-01-2011
USA	Dollar	44.67	44.84
European Union	Euro	59.37	59.79
United Kingdom	GBP	69.44	69.32

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