

Price Drivers

- Stable demand against normal supply, progressive sown area comparatively increased, better crop prospects, favorable weather. Additional 5 MMT foodgrains procurement for distribution among poor.
- 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

Analysis: Technical

- Candlestick formation shows active participation in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes increase in bullish momentum.
- RSI is moving up in over-brought zone, thus warranting caution to the bulls.
- MACD is moving up in positive territory, thus denoting increase in bullish momentum for short and medium term. Volume has increased and is supportive for uptrend.
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should buy at lower level with maintaining strict stop loss.



Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Buy	>1379	1388	1391	1376
Support & Resistance				
S2	S1	PCP	R1	R2
1348	1362	1384	1395	1406

Spot Market Analysis

Domestic (India) Market

- Steady to firm trend continued to rule the cash wheat market despite increased area, favorable weather and expected increase in supply from govt.'s granary during January, February and March. Demands from millers have increased with improvement in weather. Supply against demand is likely to improve at higher level of price. Millers have now actively started buying from federal govt. stock as stocks in private hands are receding fast.
- India's wheat stocks on January 1 were at 21.5 million tonnes against a target of 8.2 million tonne, higher than actual requirement. Grain production in 2010-11 is expected to be good on the back of normal monsoon in most parts of the country.
- In a latest development, the govt is going to buy 5 million tonnes additional foodgrains for distribution in public. Out of 5 MMT, 2.5 million tonnes would be distributed to the people below poverty line (BPL), while the rest would be meant for those above poverty line (APL). wheat would be sold at Rs 8.45 a kg, while rice would be at Rs 11.85 a for APL card holders. It will help to keep rising prices under check.
- Higher area coverage, favorable weather, additional allocation for PDS and govt. intention to augment supply in the physical market will restrict market to go up. Supply through govt.'s granary will continue to put pressure on wheat market. Flour millers, medium and small users will continue buying wheat from all available sources including FCI even in February and March. Stock in private hands is receding fast and govt.'s move regarding supply in lean season will be deciding factors in case of market direction.
- As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 281.25 lakh hectare (till 05.01.2011), which is 7.17 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 January 1 was 48.44 mt. The wheat stockpile was 23.9 mt, as against the buffer norm of 8.2 mt.
- The forecast of world wheat production is unchanged from last month, at 644m. tons, some 5% below last year's but still the third highest on record. Harvesting gathered pace in the southern hemisphere, with better production prospects reported in Brazil and Argentina; output in the latter is projected to reach 13m. tons, 5.0m. more than in 2009. Rains continued to delay cutting in eastern Australia: the crop forecast is maintained at 23.0m. tons, but there are increasing reports of yield and quality damage in some areas.

We feel that prices of wheat may trade steady to firm in near term despite higher area coverage, favorable weather and govt.'s intention to augment supply in the open market. However huge stock with federal govt. will keep the market under pressure and will restrict one way gain. Export is unlikely amid open import option. If prices stay at current level, offtake from FCI go-downs is likely to go up.

Prices at key Markets

Centre	Variety	Prices 12-01-11	Chng from Prior Day	Arrivals 12-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1355-1370	10	5000	1000
Delhi (Narela)	Mill Delivery Loose	closed	-	-	-
Delhi (Nazafgarh)	Mill Delivery Loose	closed	-	-	-
Gujarat (Rajkot)	Mill quality	1300	Nil	1100	-300
Gujarat(Ahmadabad)	Mill delivery	1370	Nil	1000	-200
Gujarat (Surat)	Mill delivery	1400-1405	-5	-	-
M.P. (Bhopal)	Mill quality loose	1200-1220	-5	500	200
M.P. (Indore)	Mill quality	1450-1500	100	1000	-500
Rajasthan (Kota)	Mill quality loose	1300	Nil	3000	2500
U.P. (Kanpur)	Mill delivery	1275-1285	5	500	200
Punjab (Khanna)	Mill quality loose	1200-1220	15	600	100
Haryana (Karnal)	Mill quality (Mill delivery)	1250-1260	10	500	-200
Haryana (Sirsa)	Mill delivery loose	1255-1260	5	300	100
Haryana (Rewari)	Mill quality loose	1265-1270	20	350	100
Haryana (Panipath)	Mill delivery	1260-1270	10	400	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees	
		12-01-2011	11-01-2011
USA	Dollar	45.08	45.32
European Union	Euro	58.63	58.70
United Kingdom	GBP	70.61	70.54

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