

Price Drivers

- Expectation of bumper production, huge stock and 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 indecision in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes increase in bullish momentum.
- RSI is moving down in over-brought zone, thus warranting caution to the bulls.
- MACD is steady in positive territory, thus denoting sideways in momentum for short term. Expiry of January contract is coming closer, so prices are expected to come down.
- Wheat is likely to trade range bound with week bias during the next trading session. Players should opt selling at higher level.

Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Sell	<1418	1405	1400	1422
Support & Resistance				
S2	S1	PCP	R1	R2
1391	1401	1409	1430	1452



Spot Market Analysis

Domestic (India) Market

- Prices of wheat slipped from higher level at the end of last week on better prospects of higher production, favorable weather conditions and increased area in major growing regions during the week under review. Demand from flour millers has increased and they are now active buyers. Supply is likely to increase this week through FCI stocks. Prices are likely to go down due to mounting pressure of selling from federal govt's stock, prospects of record production.
- The acreage of wheat during the current season is up by 9.31 lakh ha. at 288.43 lakh ha (28.843 mil) compared to last year as on Jan.14, which could translate into a higher production of around 2.5 to 2.8 mil tonnes compared to last year, subject to favourable weather till harvest in April 2011. While government procurement will continue to swell, problem of plenty will further aggravate storage woes.
- Weather throughout the country is favourable and plant growth in most producing states is said to be satisfactory and India is heading towards bumper production this year provided normal weather condition. Month of February and march would be very crucial for the standing crop and final production figure. As on 1st January, 11 govt. wheat holding was 21.5 MMT, much more than actual requirement.
- There is no report of major damage from enhanced phase of cold wave. Recent rains have boosted developmental phase of crop growth and India is heading towards bumper crop once again. The government of India may suspend wheat products exports as food inflation falls and vegetable prices still hikes.
- The world's farmers will produce only slightly more wheat in 2011, the Canadian Wheat Board said The world will produce 649.5 million tonnes of all types of wheat, up 0.6% from the 2010 crop, he said. Canada will harvest 23.8 million tonnes of wheat, the CWB said, up 2.9% from last year.
- However, predicting a modest increase in world production seems right, but it's too early to put much weight on forecasts. Winter wheat is still in the ground and could turn out to be a bumper or terrible crop. The International Grains Council and U.S. Department of Agriculture have not yet forecast 2011 world wheat crops.

Wheat could not sustain its uptrend on higher area coverage, favourable weather, additional allocation for PDS and govt. intention to augment supply in the physical market. Prices are likely to come down on record production prospects and hope for higher supply from govt's granary. Flour millers are actively buying wheat from all available sources including FCI and buying is likely to continue in January, February and March..

Prices at key Markets

Centre	Variety	Prices 17-01-11	Chng from Prior Day	Arrivals 17-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1375	-15	6000	2000
Delhi (Narela)	Mill Delivery Loose	1340	-20	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1330-1340	-10	300	Nil
Gujarat (Rajkot)	Mill quality	1330	+10	1200	800
Gujarat(Ahmadabad)	Mill delivery	1400	+20	1500	-300
Gujarat (Surat)	Mill delivery	1440	+20	-	-
M.P. (Bhopal)	Mill quality loose	1250-1270	+20	300	Nil
M.P. (Indore)	Mill quality	1440-1450	-30	400	-100
Rajasthan (Kota)	Mill quality loose	1325-1330	Nil	5000	Nil
U.P. (Kanpur)	Mill delivery	1285	-5	400	100
Punjab (Khanna)	Mill quality loose	1200-1210	Nil	300	Nil
Haryana (Karnal)	Mill quality (Mill delivery)	1245-1250	-5	500	-100
Haryana (Sirsa)	Mill delivery loose	1250-1260	-20	200	Nil
Haryana (Rewari)	Mill quality loose	1250-1260	-10	500	100
Haryana (Panipath)	Mill delivery	1245-1250	-5	1000	-300

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 17-01-2011	Value in Rupees 14-01-2011
USA	Dollar	45.59	45.30
European Union	Euro	60.73	60.40
United Kingdom	GBP	72.31	71.13

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