

### Price Drivers

- Expectation of bumper production, huge stock and favorable weather. Plan for additional procurement.
- Ban on wheat export continues despite surplus stock. OMMS prices may be slashed, under consideration
- Govt. intention to augment supply, 3.5 MMT foodgrains allocated to the poor and retailers.
- 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 bear's active participation in the futures market.
- Wheat prices closed below 9 and 18 day EMA's, denotes decrease in bullish momentum for short term.
- RSI is moving down in neutral zone, thus indicating bearish outlook for short and medium term..
- MACD is steady in positive territory, thus denoting sideways movement in the market
- Wheat is likely to trade range bound with weak bias during the next trading session. Players should opt **selling** at higher level.
- Price band is Rs1325 to Rs1375 while fundamental unsupportive.



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

Call	Entry	T1	T2	SL
<b>Sell</b>	<1357	1348	1344	1361
Support & Resistance				
S2	S1	PCP	R1	R2
1324	1337	1351	1365	1381

### Spot Market Analysis

#### Domestic (India) Market

- Wheat prices continued its southward journey on better crop prospects, good growing conditions and increased area in some major states. Standing crop of wheat is in excellent conditions so far. Prolonged cold weather in major wheat growing regions of north and central India and increase in area under cultivation is expected to push up India's wheat production this year.
- In a latest development, the govt. is seriously thinking about examining the states' request on lowering wheat prices under OMSS. The Centre has launched a scheme to provide relief to the common man from high prices and also to create space for new crop. Under the OMSS scheme, it is allocating 10 lakh tonnes of wheat to the state governments for distribution to retail consumers during the January-June period.
- The states, however, are demanding lowering of prices under the scheme. As per the scheme, the Centre is currently offloading wheat to the Delhi government at Rs 11.30/kg, Mumbai at Rs 12.70/kg, Chennai at Rs 12.60/kg and Kolkata at Rs 12.20/kg.
- 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..
- 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.

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 are likely to be under pressure.

### Prices at key Markets

Centre	Variety	Prices 21-01-11	Chng from Prior Day	Arrivals 21-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1335-1340	-20	5000	1000
Delhi (Narela)	Mill Delivery Loose	1330	5	1000	-500
Delhi (Nazafgarh)	Mill Delivery Loose	1280-1290	-35	500	200
Gujarat (Rajkot)	Mill quality	1330	-5	1000	-100
Gujarat(Ahmadabad)	Mill delivery	1430	+20	800	-400
Gujarat (Surat)	Mill delivery	1460	Nil	-	-
M.P. (Bhopal)	Mill quality loose	1300	Nil	450	+200
M.P. (Indore)	Mill quality	1425-1450	Nil	1500	+500
Rajasthan (Kota)	Mill quality loose	1280-1300	-20	3000	-1000
U.P. (Kanpur)	Mill delivery	1300	Nil	500	-100
Punjab (Khanna)	Mill quality loose	1230	-5	300	Nil
Haryana (Karnal)	Mill quality (Mill delivery)	1305-1310	10	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1240-1245	Nil	200	150
Haryana (Rewari)	Mill quality loose	1240-1250	Nil	200	-300
Haryana (Panipath)	Mill delivery	1240-1245	-10	Nil	Nil

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

### RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 21-01-2011	Value in Rupees 19-01-2011
USA	Dollar	45.70	45.38
European Union	Euro	61.65	61.15
United Kingdom	GBP	72.78	72.71

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