

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 buyers's active participation in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes increase in bullish momentum for short term.
- RSI is moving up in neutral zone, thus indicating bullish outlook for short and medium term..
- MACD is moving up in positive territory, thus denoting firmness in the market .
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should opt **buying** at lower level.
- Price band is Rs1345 to Rs1390

Trade Recommendation: Wheat NCDEX (Feb.)

Call	Entry	T1	T2	SL
Buy	>1368	1380	1383	1364
Support & Resistance				
S2	S1	PCP	R1	R2
1351	1368	1375	1383	1393



Spot Market Analysis

Domestic (India) Market

- Wheat crop prospects in India are satisfactory so far. At the middle of January, the area planted was an estimated 28.83 million hectares. The production target fixed by the Agriculture Ministry is 82 mt. On current reckoning and subject to normal weather over the next four weeks, 81 mt wheat harvest looks a distinct possibility. There could, of course, be many a slip between now and early April. However, increased area is positive for higher production.
- Temperature will play a crucial role. A rise in average temperature during the day can potentially hurt yields as Indian wheat is at the limit of heat tolerance. Despite all the hype unleashed by Government officials and the industry last year, the final output figure was only 80.7 mt.
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- 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 22-01-11	Chng from Prior Day	Arrivals 22-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1335-1340	-20	5000	1000
Delhi (Narela)	Mill Delivery Loose	1310	-20	1000	-500
Delhi (Nazafgarh)	Mill Delivery Loose	1280-1290	Nil	500	200
Gujarat (Rajkot)	Mill quality	1330	Nil	600	-400
Gujarat(Ahmadabad)	Mill delivery	1430	+20	800	-400
Gujarat (Surat)	Mill delivery	1450	-10	-	-
M.P. (Bhopal)	Mill quality loose	1275-1300	Nil	350	-100
M.P. (Indore)	Mill quality	1425-1450	Nil	1500	+500
Rajasthan (Kota)	Mill quality loose	1300-1310	10	3000	Nil
U.P. (Kanpur)	Mill delivery	1300	Nil	350	-150
Punjab (Khanna)	Mill quality loose	1225	-5	500	200
Haryana (Karnal)	Mill quality (Mill delivery)	1310-1315	5	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1235-1240	-5	100	-50
Haryana (Rewari)	Mill quality loose	1240-1250	Nil	200	-300
Haryana (Panipath)	Mill delivery	1250-1260	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 22-01-2011
USA	Dollar	45.70	45.70
European Union	Euro	61.65	61.65
United Kingdom	GBP	72.78	72.78

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