

## Wheat DAILY REPORT

WHEAT Jan.25, 2011

#### **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 bears support 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 down in neutral zone, thus indicating bearish outlook for short and medium term..
- MACD is moving down in positive territory, thus denoting weakness 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 Rs1330 to Rs1380

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

Call	Entry	T1	<i>T2</i>	SL		
Sell	<1369	1362	1360	1373.4		
Support & Resistance						
<i>S2</i>	<i>S1</i>	PCP	R1	R2		
1330	1350	1364	1380	1393		



### **Spot Market Analysis**

#### **Domestic (India) Market**

- Prices remained almost stable at higher level in cash wheat market despite hope for better crop, increased area
  and poor offtake from stockists. Prices are likely to rule at higher level on increased demand amid lower supply.
  Wheat is getting support from other commodities. Uncertain weather and lower supply through OMSS are keeping
  the prices up in local market.
- 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.
- In these times of high food inflation, the government may have already missed the opportunity to liquidate excessive stocks with the Food Corporation of India. Holding grains stocks means an additional carrying cost of Rs 200 a tonne a month. As we move towards harvest time, the cost of wheat lying with FCI from last harvest has gone up by Rs 1,600 a tonne, having been in storage for about eight months.
- 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 grannary. 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.



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### **Prices at key Markets**

Centre	Variety	Prices 24-01-11	Chng from Prior Day	Arrivals 24-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1355	15	5000	Nil
Delhi (Narela)	Mill Delivery Loose	1300	-10	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300-1305	15	400	-100
Gujarat (Rajkot)	Mill quality	1335	5	2000	1000
Gujarat(Ahmadabad)	Mill delivery	1430	Nil	1200	400
Gujarat (Surat)	Mill delivery	1455	-5	-	-
M.P. (Bhopal)	Mill quality loose	1275-1300	Nil	350	-100
M.P. (Indore)	Mill quality	1425	-25	600	-900
Rajasthan (Kota)	Mill quality loose	1300-1310	15	4000	1000
U.P. (Kanpur)	Mill delivery	1300	Nil	350	-150
Punjab (Khanna)	Mill quality loose	1220	-5	400	100
Haryana (Karnal)	Mill quality (Mill delivery)	1305-1310	10	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1240-1240	Nil	200	150
Haryana (Rewari)	Mill quality loose	1240-1245	Nil	200	-300
Haryana (Panipath)	Mill delivery	1250-1255	10	Nil	Nil

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

#### **RBI Indicative Exchange Rates**

Country/ Continent	Currency	Value in Rupees 24-01-2011	Value in Rupees 22-01-2011
USA	Dollar	45.58	45.70
European Union	Euro	62.01	61.65
United Kingdom	GBP	72.79	72.78

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