

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 indecision 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 Rs1330 to Rs1375. Fundamental is unsupportive.

Trade Recommendation: Wheat NCDEX (Feb.)

Call	Entry	T1	T2	SL
Sell	<1360	1353	1350	1363.60
Support & Resistance				
S2	S1	PCP	R1	R2
1335	1342	1355	1362.2	1375



Spot Market Analysis

Domestic (India) Market

- Cash wheat market remained under pressure on back of higher area coverage, increased offtake from federal govt. stock and expectation of early arrival from producing centers due to rising temperature in absence of winter rain. FCI has to release maximum stock before April so that space for new crop could be managed.
- Wheat crop throughout the country is in excellent state and its developmental phase is said to be satisfactory. Availability of fertilizers, its timely application and use of hybrid seed amid good moisture level in the field have increased the hope for higher production once again.
- 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 27-01-11	Chng from Prior Day	Arrivals 27-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1340	5	4000	2000
Delhi (Narela)	Mill Delivery Loose	1320	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300	-5	100	-200
Gujarat (Rajkot)	Mill quality	1340	-20	2100	600
Gujarat(Ahmadabad)	Mill delivery	1430	Nil	1000	-200
Gujarat (Surat)	Mill delivery	1460	NI	-	-
M.P. (Bhopal)	Mill quality loose	1250-1300	Nil	300	-50
M.P. (Indore)	Mill quality	1425	-25	600	-900
Rajasthan (Kota)	Mill quality loose	1250-1300	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)	1305-1320	Nil	nil	Nil
Haryana (Sirsa)	Mill delivery loose	1220-1230	Nil	200	150
Haryana (Rewari)	Mill quality loose	1240-1245	Nil	200	-300
Haryana (Panipath)	Mill delivery	1245-1250	10	Nil	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 27-01-2011	Value in Rupees 25-01-2011
USA	Dollar	45.57	45.53
European Union	Euro	67.46	62.14
United Kingdom	GBP	72.50	72.77

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