

Price Drivers

- Expectation of bumper production, huge stock and favorable weather so far. 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. Concern over rising temperature increased.
- 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 market.
- Closing of prices below 9 and 18 day EMA's, denotes weakness in prices.
- MACD is moving down in positive territory, thus denoting decrease in firm momentum in the market.
- RSI is rising in neutral zone, thus indicating firmness in short term.
- Wheat is likely to trade range bound during the next trading session. Players should opt **selling** at higher level.

Trade Recommendation: Wheat NCDEX (Feb.)

Call	Entry	T1	T2	SL
Sell	<1357	1352	1350	1360
Support & Resistance				
S2	S1	PCP	R1	R2
1340	1345	1358	1365	1371



Spot Market Analysis

Domestic (India) Market

- Steady to weak sentiment continued to rule the cash wheat market 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. Rising temperature may harm standing crop and if it continues for next 20 days, size of grain is likely to be affected. However, even light rains in the producing state may boost production prospects.
- 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.
- 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 so far 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
- 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 28-01-11	Chng from Prior Day	Arrivals 28-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1340	Nil	2500	-1500
Delhi (Narela)	Mill Delivery Loose	1320	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300	Nil	300	200
Gujarat (Rajkot)	Mill quality	1330	-10	1400	-700
Gujarat(Ahmadabad)	Mill delivery	1435	-5	1000	Nil
Gujarat (Surat)	Mill delivery	1460	NI	-	-
M.P. (Bhopal)	Mill quality loose	1250	Nil	300	-50
M.P. (Indore)	Mill quality	1370-1375	-20	800	200
Rajasthan (Kota)	Mill quality loose	1275	-15	5000	1500
U.P. (Kanpur)	Mill delivery	1300	Nil	350	-150
Punjab (Khanna)	Mill quality loose	1220	Nil	300	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1245-1250	-10	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1224-1225	Nil	100	Nil
Haryana (Rewari)	Mill quality loose	1240-1245	5	150	-50
Haryana (Panipath)	Mill delivery	1245-1250	-5	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 28-01-2011
USA	Dollar	45.57	45.57
European Union	Euro	67.46	62.73
United Kingdom	GBP	72.50	72.50

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