

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, Decision on export soon.
- 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 | <1359 | 1352 | 1350 | 1362.6 |
| Support & Resistance | | | | |
| S2 | S1 | PCP | R1 | R2 |
| 1340 | 1345 | 1357 | 1365 | 1371 |



Spot Market Analysis

Domestic (India) Market

- Wheat market remained under pressure on expectation of bumper crop, higher area coverage and increased offtake from federal govt. stock. Prices are likely to stay at current level for one week. 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.
- In a latest development, Govt. is going to consider of reopening of export next month. India exports basmati rice and now ban on non-basmati rice and wheat may be removed on expectation of bumper crop prospects, surplus stock and for vacating storage space for new crop, specially wheat. The govt is planning to enhance procurement quantity this year so that requirement under food security bill could be met.
- The acreage of wheat during the current season is up by 8.95 lakh ha. at 291.36 lakh ha (29.13 mil) compared to last year as on Jan.28, 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. The main challenge before procuring agency is storage space. Some efforts have been made to build up space but it is not considered to be sufficient given the latest development.
- 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.

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 29-01-11 | Chng from Prior Day | Arrivals 29-01-11 | Chng from Prior Day |
|-----------------------|-------------------------------|--------------------|------------------------|----------------------|------------------------|
| Delhi (Lawrence Road) | Mill Quality (Ready Delivery) | 1335-1340 | Nil | 6000 | 3500 |
| Delhi (Narela) | Mill Delivery Loose | 1320 | Nil | 1000 | Nil |
| Delhi (Nazafgarh) | Mill Delivery Loose | 1300 | Nil | 200 | -100 |
| Gujarat (Rajkot) | Mill quality | 1330 | -10 | 1400 | -700 |
| Gujarat(Ahmadabad) | Mill delivery | 1430 | Nil | 1400 | 400 |
| Gujarat (Surat) | Mill delivery | 1450 | -10 | - | - |
| 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 | 1250-1275 | Nil | 4000 | -1000 |
| U.P. (Kanpur) | Mill delivery | 1290-1300 | Nil | 300 | -50 |
| 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 29-01-2011 | Value in Rupees 28-01-2011 |
|--------------------|----------|-------------------------------|-------------------------------|
| USA | Dollar | 45.74 | 45.57 |
| European Union | Euro | 62.73 | 62.73 |
| United Kingdom | GBP | 72.73 | 72.50 |

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