

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 buyers support in the market.
- Closing of prices above 9 and 18 day SMA's, denotes increase in bullish momentum.
- MACD is steady in positive territory, thus denoting side way movement in the market.
- RSI is moving up in neutral zone, thus indicating increase in bullish momentum in short term.
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should opt buying at lower level.



Trade Recommendation: Wheat NCDEX (Feb.)

Call	Entry	T1	T2	SL
Buy	>1356	1362	1365	1352.60
Support & Resistance				
S2	S1	PCP	R1	R2
1335	1352	1359.6	1365	1375

Spot Market Analysis

Domestic (India) Market

- Prices of wheat remained almost stable to weak in key wheat market on improved supplies, better crop prospects and favourable weather. Wheat is likely to be under pressure in weeks ahead on expectation of higher supply from federal govt.'s stock. Higher temperature may affect crop in some regions like previous year. But availability of irrigational water and good moisture level in the field will contain expected yield loss, if temperature goes high in next four week.
- Crop is in good condition and there is no report of any pest attack from any growing regions. Temperature at night is lower and crop growth is said to be satisfactory so far.
- 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. 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.
- Global International Grains Council has increased its estimate for global wheat production by 23 million tons next season. In its latest report, the influential intergovernmental group mainly attributed better Russian weather for the newly projected target of 670 million tones. The figure represents an improvement of 3.6% year on year, although leaves production short of the record 683m tonnes set three years ago, and reflected a rise in area greater than the 2% forecast last month, with farmers expected to stretch even further to exploit soaring grain markets.

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 03-02-11	Chng from Prior Day	Arrivals 02-02-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1335-1338	Nil	6000	1500
Delhi (Narela)	Mill Delivery Loose	1320	closed	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1305-1310	closed	300	100
Gujarat (Rajkot)	Mill quality	1300	-10	1700	900
Gujarat(Ahmadabad)	Mill delivery	1380	5	1400	400
Gujarat (Surat)	Mill delivery	1420	-5	-	-
M.P. (Bhopal)	Mill quality loose	1250	Nil	300	100
M.P. (Indore)	Mill quality	1380-1400	closed	1000	-
Rajasthan (Kota)	Mill quality loose	1280	-20	2500	-500
U.P. (Kanpur)	Mill delivery	1305-1310	Nil	300	Nil
Punjab (Khanna)	Mill quality loose	1220	Nil	500	100
Haryana (Karnal)	Mill quality (Mill delivery)	1290-1295	Nil	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1224-1225	Nil	200	100
Haryana (Rewari)	Mill quality loose	1245-1250	5	100	-50
Haryana (Panipath)	Mill quality loose	1240-1245	-5	Nil	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 03-02-2011	Value in Rupees 02-02-2011
USA	Dollar	45.63	45.63
European Union	Euro	62.96	62.77
United Kingdom	GBP	73.89	72.76

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