AgriWatch

Wheat Daily Report

WHEAT Feb 05, 2011

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 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	>1354	1362	1365	1351
Support & Resistance				
S2	S1	PCP	R1	R2
1338	1352	1359	1365	1375

Spot Market Analysis

Domestic (India) Market

- Wheat prices continued to rule almost stable to weak on improved arrivals in various markets, better crop prospects and higher offtake from federal govt. stock. Crop conditions in Punjab, Haryana, U.P., Rajasthan, M.P., Bihar are reported excellent and low temperature at night is considered to be favourable for the standing crop growth.
- Prices are likely to remain under pressure in weeks ahead. 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..
- Punjab has storing capacity of137.68 lakh tons of foodgrains including CWC and SWC. Just the same way Haryana has collective storage capacity is 46.6 lakh tons, Rajasthan has 27.81 lakh tons and U.P. has 70.83 lakh tons. Total capacity at all India level is 603 lakh tons.
- 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 04-02-11	Chng from Prior Day	Arrivals 04-02-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1335-1338	Nil	6000	Nil
Delhi (Narela)	Mill Delivery Loose	1310	-10	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300-1310	Nil	300	Nil
Gujarat (Rajkot)	Mill quality	1300	Nil	1100	400
Gujarat(Ahmadabad)	Mill delivery	1375	-5	1200	-200
Gujarat (Surat)	Mill delivery	1420	-5	-	-
M.P. (Bhopal)	Mill quality loose	1250-1260	10	300	Nil
M.P. (Indore)	Mill quality	1370-1380	-20	800	-200
Rajasthan (Kota)	Mill quality loose	1250-1260	-20	2500	Nil
U.P. (Kanpur)	Mill delivery	1300-1305	Nil	300	Nil
Punjab (Khanna)	Mill quality loose	1225	5	400	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1290-1300	5	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1220	-4	100	-100
Haryana (Rewari)	Mill quality loose	1245-1255	5	100	-50
Haryana (Panipath)	Mill quality loose	1240-1250	5	Nil	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 03-02-2011	Value in Rupees 04-02-2011
USA	Dollar	45.63	45.64
European Union	Euro	62.96	62.24
United Kingdom	GBP	73.89	73.66