

## Price Drivers

- Production is likely to cross govt.'s estimate, huge stock to be offloaded . Procurement target increased to 26MMT.
- Ban on wheat export continues despite surplus stock., Decision on export unlikely, Recent rains beneficial to the wheat crop.
- Govt. intention to augment supply. Lower demand higher supply
- Pressure to offload wheat on FCI, Minor damage report from Punjab and Rajasthan.
- 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 in medium term

## Analysis: Technical

- Candlestick formation shows inside day trading pattern indicating sideways trading with weak bias likely to continue for coming couple of trading session.
- Prices continue to test towards its resistance with dwindling volume indicating lack of adequate buying strength to breach its crucial resistance region of INR 1235-1240.
- Even 9 day and 18day SMA hints weakness in the market
- Indicators remain flat with virtual absence of any clear diversion indicating sideways movement is likely to continue for short term.
- Wheat is likely to trade range bound with selling expected at higher levels.

## Trade Recommendation: Wheat NCDEX (April)

Call	Entry	T1	T2	SL
<b>Sell</b>	<1231	1223	1220	1233.8
Support & Resistance				
S2	S1	PCP	R1	R2
1218	1225	1225.8	1235	1254



## Spot Market Fundamentals

- Wheat future and cash markets are likely to remain under pressure in weeks ahead due to various factors like favourable weather, increased area and higher production estimate. Cash market remained steady to weak today amid dull trading activities.
- Rainfall activity in some parts of northern India such as Uttar Pradesh, Haryana and Punjab resulted to strong boost to wheat crop as crop is currently reported in grain formation stage. Therefore anticipation of strong supplies in the near term might add some selling pressure.
- Some damage reports from Rajasthan and Punjab are circulating in the market. However, it is not going to impact overall production estimate because of limited area impact. higher area coverage and yield will nullify the feared impact.
- India's wheat planting until Feb. 4 rose 3% from a year earlier to a record, brightening prospects of a bumper crop. The wheat sowing area increased to 29.18 million hectares from 28.32 million hectares, the government data showed. India, the world's second-largest wheat grower, aims to produce 82 million tons of wheat in 2010-11, up 1.6% from the previous year.
- However, next three -four weeks are very crucial for wheat crop in terms of estimating final production figure. If day temperature continues to rise, arrival for growing regions may start early. We need to keep close eye on weather development.
- Standing crop in Punjab, Haryana, U.P., Rajasthan, M.P. and Bihar is in excellent condition and lower temperature at night is considered to be favourable for better crop growth. However, concern over rising day temperature is still intact and it may have direct impact on final yield. India's wheat production is estimated to touch an all-time high of 81.47 million tons in 2010-11 crop year. If temperature goes up in day, market may see early arrival in major growing area.
- Punjab has storing capacity of 137.68 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.
- 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. Australia's grain agency slashed down its wheat production estimate to 26.3 MMT, almost 0.5MMT lower than previous estimate.

Prices are likely to trade in the range of Rs 1200 to Rs1300 in most of the cash markets depending on quality as well as regions specific conditions with steady to weak bias in near term. Gains are likely to be restricted in medium term due to price curbing policy and govt.'s intention to curb inflation and augment regular supply through open market and PDS Channels. Increased area has heightened the hope for bumper crop production once.

**Prices at key Market**

Centre	Variety	Prices 18-02-11	Chng from Prior Day	Arrivals 18-02-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1325-1330	-5	800	-2200
Delhi (Narela)	Mill Delivery Loose	1300	Nil	500	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1280-1290	5	200	-100
Gujarat (Rajkot)	Mill quality	N.A	-	-	-
Gujarat(Ahmadabad)	Mill delivery	N.A	-	-	-
Gujarat (Surat)	Mill delivery	1375	-5	-	-
M.P. (Bhopal)	Mill quality loose	closed	-	-	-
M.P. (Indore)	Mill quality	1300-1350	10	500	200
Rajasthan (Kota)	Mill quality loose	1250-1260	-20	3000	Nil
U.P. (Kanpur)	Mill delivery	1305	5	600	200
Punjab (Khanna)	Mill quality loose	1215	Nil	200	-400
Haryana (Karnal)	Mill quality (Mill delivery)	1250-1260	-20	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1225	-3	100	Nil
Haryana (Rewari)	Mill quality loose	1245-1250	-5	50	-50
Haryana (Panipath)	Mill quality loose	1250	-5	NR	Nil

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

**RBI Indicative Exchange Rates**

Country/ Continent	Currency	Value in Rupees 17-02-2011	Value in Rupees 18-02-2011
USA	Dollar	45.38	45.18
European Union	Euro	61.60	61.43
United Kingdom	GBP	73.08	73.04

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