

Price Drivers

- Expectation of record crop, huge stock to be offloaded . Procurement target increased to 26MMT.
- Decision on export unlikely, Recent rains beneficial to the wheat crop. Ban on wheat export continues despite surplus stock.,
- Govt. intention to augment supply.
- Pressure to offload wheat on FCI, Minor damage report from Punjab and Rajasthan.
- Unfavorable weather condition in major growing regions. Short supply expected in the international market in medium term

Analysis: Technical

- Candlestick formation indecision in the market 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 1235-1245.
- Even 9 day and 18day SMA hints weakness in the market
- Indicators remain bearish .even fundamental is unsupportive.
- Wheat is likely to trade range bound with selling expected at higher levels.

Trade Recommendation: Wheat NCDEX (April)

| Call | Entry | T1 | T2 | SL |
|----------------------|-------|------|------|--------|
| Sell | <1223 | 1215 | 1210 | 1226.8 |
| Support & Resistance | | | | |
| S2 | S1 | PCP | R1 | R2 |
| 1195 | 1210 | 1218 | 1233 | 1245 |



Spot Market Fundamentals

- Wheat market continued to rule weak in lack of fundamental support and higher production prospects in major growing regions. Prices remained almost flat in thin trading activities. Recent rains have boosted the production prospects once again. New crop is hardly one month away and so millers are avoiding bulk buying. prices are likely to dip in weeks ahead..
- 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 29.25 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. 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
- 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 21-02-11 | Chng from Prior Day | Arrivals 21-02-11 | Chng from Prior Day |
|-----------------------|-------------------------------|--------------------|------------------------|----------------------|------------------------|
| Delhi (Lawrence Road) | Mill Quality (Ready Delivery) | 1335 | 10 | 2500 | 1500 |
| Delhi (Narela) | Mill Delivery Loose | 1300 | 10 | 500 | -500 |
| Delhi (Nazafgarh) | Mill Delivery Loose | 1275-1280 | -10 | 200 | -100 |
| Gujarat (Rajkot) | Mill quality | 1300 | -10 | 800 | - |
| Gujarat(Ahmadabad) | Mill delivery | 1325 | -10 | 500 | -200 |
| Gujarat (Surat) | Mill delivery | 1350 | -25 | - | - |
| M.P. (Bhopal) | Mill quality loose | 1200 | Nil | 400 | - |
| M.P. (Indore) | Mill quality | 1300 | -20 | 1500 | 900 |
| Rajasthan (Kota) | Mill quality loose | 1175-1225 | -20 | 3000 | Nil |
| U.P. (Kanpur) | Mill delivery | 1305-1310 | 5 | 600 | Nil |
| Punjab (Khanna) | Mill quality loose | 1215 | Nil | 200 | Nil |
| Haryana (Karnal) | Mill quality (Mill delivery) | 1250 | -10 | Nil | Nil |
| Haryana (Sirsa) | Mill delivery loose | 1224 | -1 | 50 | -50 |
| Haryana (Rewari) | Mill quality loose | 1250-1255 | 5 | 50 | Nil |
| Haryana (Panipath) | Mill quality loose | 1245 | -5 | NR | Nil |

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

RBI Indicative Exchange Rates

| Country/ Continent | Currency | Value in Rupees 19-02-2011 | Value in Rupees 21-02-2011 |
|--------------------|----------|-------------------------------|-------------------------------|
| USA | Dollar | 45.18 | 45.11 |
| European Union | Euro | 61.43 | 61.70 |
| United Kingdom | GBP | 73.04 | 73.25 |

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