

Price Drivers

- Expectation of record crop, huge stock to be offloaded, Decision on export likely soon. Arrival started in Gujarat.
- Recent rains beneficial to the wheat crop. Ban on wheat export continues despite surplus stock., ,
- Govt. intention to augment supply., Procurement target increased to 26MM
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- 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 shows buyers support in the future market with firm bias likely to continue for next 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 1220-1230.
- Even9 day and 18day SMA hints weakness in the market
- Indicators remain bearish .even fundamental is unsupportive.
- Wheat is likely to trade range bound with buying expected at lower levels.



Trade Recommendation: Wheat NCDEX (April)

Call	Entry	T1	T2	SL
Buy	>1203	1210	1215	1198
Support & Resistance				
S2	S1	PCP	R1	R2
1185	1200	1206	1220	1230

Spot Market Fundamentals

- Arrivals from new crop started in Gujarat and it is likely to pick up in the first week of March. Prices of wheat have come down by Rs 50 to Rs 75 per qtl. In last one week on back of bumper production prospects. Early sowing has prompted early arrival in Gujarat. Moisture level in new crop is said to be 10 percent. Prices are likely to go down below MSP in Gujarat, traders fear.
- India may allow wheat export on bumper crop prospects and huge stock stored out from last year crop. Prices are likely to be under pressure in weeks ahead. India's Feb. 1 wheat stocks were at 19.4 million tons, substantially higher than a target of 8.2 million ton.
- 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.
- 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.
- The present boom in wheat prices is likely to last till July when Northern Hemisphere new crop is harvested and new crop finds its way in the global markets. Plantings in several countries will be boosted by higher prices and global wheat acreage may rise 3.1% to around 224 million hectares in 2011, the London-based International Grains Council said in a report. Global wheat production may rise by 4% to 672 million tons .As for India timing is most crucial given the high price of domestic wheat. While parity at the current levels is achievable, margins will evaporate as the global wheat prices decline and the window of opportunity will vanish.

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 25-02-11	Chng from Prior Day	Arrivals 25-02-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1325-1330	-5	4000	1000
Delhi (Narela)	Mill Delivery Loose	1300-1000	10	1000	700
Delhi (Nazafgarh)	Mill Delivery Loose	1275-1280	-5	1000	700
Gujarat (Rajkot)	Mill quality	1200-1220	-10	900	300
Gujarat(Ahmadabad)	Mill delivery	1300	-10	700	200
Gujarat (Surat)	Mill delivery	1305	-15	200	-100
M.P. (Bhopal)	Mill quality loose	1150-1175	-25	200	-200
M.P. (Indore)	Mill quality	1325	Nil	1000	-200
Rajasthan (Kota)	Mill quality loose	1220-1225	-10	2500	-500
U.P. (Kanpur)	Mill delivery	1305	5	600	200
Punjab (Khanna)	Mill quality loose	1215	Nil	400	200
Haryana (Karnal)	Mill quality (Mill delivery)	1265	-5	Nil	Nil
Haryana (Sirsa)	Mill delivery loose	1220	Nil	100	30
Haryana (Rewari)	Mill quality loose	1250-1260	5	50	Nil
Haryana (Panipath)	Mill quality loose	1260	10	NR	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 24-02-2011	Value in Rupees 25-02-2011
USA	Dollar	45.20	45.37
European Union	Euro	61.41	62.68
United Kingdom	GBP	73.07	73.24

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