

Price Drivers

- Record production, higher carryout stock,
- Bonus approved, formal announcement awaited
- Export likely but decision pending so far. Ministries differ over export issue.
- Procurement target increased to 26.3MMT. Higher procurement expected this year.
- Export disparity from major growing states like Punjab and Haryana may increase with expected hike in procurement cost
- IGC revised wheat production estimates up, Bearish outlook in international wheat market for short term. Russian export uncertain.

Analysis: Technical

- Candlestick formation shows buyers support in the future market with firm bias likely to continue.
- RSI is moving up in oversold zone indicating firmness in the market and caution to the bulls
- Increased volume too is supportive for uptrend for short term.
- Wheat is likely to trade range bound with firm bias in next trading session
- Players are advised to buy at lower level.

Trade Recommendation: Wheat NCDEX (May)

| Call | Entry | T1 | T2 | SL |
|----------------------|-------|------|------|------|
| Buy | >1188 | 1205 | 1210 | 1185 |
| Support & Resistance | | | | |
| S2 | S1 | PCP | R1 | R2 |
| 1175 | 1185 | 1200 | 1210 | 1225 |



Spot Market Fundamental

- Due to recent rains affected arrivals, expected bonus and procurement drive helped wheat prices to go up in cash and future markets. Arrivals are expected to go up in Haryana, Punjab, U.P. and Rajasthan. However due to lack of adequate procurement centers in U.P., Rajasthan, Bihar, prices of wheat are ruling below MSP and farmers from Rajasthan and U.P.(across the border of Punjab)are shifting wheat to Punjab due to better price realization. Even wheat from U.P. is coming into Delhi due to higher prices. This year wheat prices are likely to remain at higher level due to uneven procurement policy despite record production.
- However, uptrend is unlikely to continue due to rising arrival pressure in Punjab, Haryana, U.P. and Bihar. Wheat is being shifted from Rajasthan and U.P. to Punjab and Gujarat where prices are comparatively higher due to adequate procurement centers.
- Punjab is projecting wheat production of 154 lakh tons as against 151.69 lakh tons last season. Haryana has revised its target to achieve wheat output of 115.09 lakh tons in current season, which will be almost 10 per cent higher than wheat production of 105 lakh tons. The wheat sowing area increased to 29.45 million hectares from 28.32 million hectares, the government data showed.
- Meanwhile, International wheat companies Cargill, Louis Dreyfus, Olam India and Glencore (Agri Core) have started procuring wheat from Gujarat and Rajasthan mandis. A bumper production and an increase in supplies have pushed prices down by 10% in the past fortnight to 1,025 a quintal in the Rajkot mandi. Across Uttar Pradesh, Madhya Pradesh, Punjab and Haryana supplies are yet to pick up pace.
- FCI expects the procurement to touch 26.2 million tonnes in 2011-12 as output is estimated to be a record 84.27 million tonnes in 2010-11 crop year (July-June).. The procurement ends in June. The government had procured 22.5 million tonnes in the entire 2010-11 marketing year (April-March). With delay in wheat harvesting in key growing states of Haryana and Punjab because of prolonged winter.
- The decision on bonus on wheat would have to be cleared by the EC as it may violate code of conduct. However, till Friday, only 2.1 million tonne of wheat has been procured for the current (2011-12) rabi marketing season against 8.5 million tonne lifted during the same period last year.
- 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. .World wheat production is set to rise by about 4 per cent to 675 million tonnes in 2011-12

Prices of wheat may rule firm on expected announcement of bonus and private companies buying interest in states like U.P., Rajasthan and Bihar where there are fewer nos. of procurement centers. Possibility of export may keep private buyer active. However, record production will weigh on market fundamental in medium and long term.

Prices at key Market

| Centre | Variety | Prices 19.04-11 | Chng from Prior Day | Arrivals 19-04-11 | Chng from Prior Day |
|-----------------------|-------------------------------|--------------------|------------------------|----------------------|------------------------|
| Delhi (Lawrence Road) | Mill Quality (Ready Delivery) | 1200 | 5 | 12000 | 2000 |
| Delhi (Narela) | Mill Delivery Loose | 1170 | 30 | 8000 | 5000 |
| Delhi (Nazafgarh) | Mill Delivery Loose | 1150-1160 | 10 | 1500 | 500 |
| Gujarat (Rajkot) | Mill delivery | 1170 | -10 | 33000 | - |
| Gujarat (Ahmadabad) | Mill delivery | 1200 | unch | 1000 | -1000 |
| Gujarat (Surat) | Mill delivery | 1225 | unch | 1500 | -200 |
| M.P. (Bhopal) | Mill quality loose (Lokwan) | 1175 | 75 | 6000 | -1000 |
| M.P. (Indore) | Mill quality | 1185-1200 | 5 | 11000 | 1000 |
| Rajasthan (Kota) | Mill quality | 1100 | -10 | 40000 | -10000 |
| U.P. (Kanpur) | Mill delivery | 1090 | -30 | 600 | 100 |
| Punjab (Khanna) | Mill quality loose | 1120 | Unch | 30000 | -20000 |
| Haryana (Karnal) | Mill quality (Mill delivery) | 1120 | Unch | 15000 | 10000 |
| Haryana (Sirsa) | Mill delivery loose | 1120 | Unch | 1100 | unch |
| Haryana (Rewari) | Mill quality loose | 1120 | Unch | 1500 | 1000 |
| Haryana (Panipath) | Mill quality loose | 1120 | 30 | 1500 | 1000 |

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

RBI Indicative Exchange Rates

| Country/ Continent | Currency | Value in Rupees 18-04-2011 | Value in Rupees 19-04-2011 |
|--------------------|----------|-------------------------------|-------------------------------|
| USA | Dollar | 44.52 | 44.68 |
| European Union | Euro | 64.41 | 63.53 |
| United Kingdom | GBP | 72.71 | 72.56 |

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