

Price Drivers

- Wheat production likely to cross 85 MMT, Higher arrivals, procurement touched 199 lakh tons
- Export deferred now. Export parity from Gujarat and Bihar only
- Pressure from new crop increased.
- Procurement target increased to 26.3MMT.
- 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 chart formation shows sellers support in the future market with weak bias likely to continue.
- RSI is moving down in positive zone indicating weakness in the market amid caution to the bulls
- Decreased volume is unsupportive for uptrend for short term.
- Wheat may trade in the price band of Rs 1170 to Rs1220 in short and medium term.
- Market is likely to get support at 1190.
- Market participants are advised to sell at higher level.



Trade Recommendation: Wheat NCDEX (May)

Call	Entry	T1	T2	SL
Sell	<1202	1195	1192	1205
Support & Resistance				
S2	S1	PCP	R1	R2
1181	1190	1200	1206	1215

Spot Market Fundamentals

- Wheat cash and future market remained under pressure on higher arrivals, thin private trade activities and dashed hopes for export for the time being. Govt. seems to be more concerned on food security and is not in a hurry to export despite higher production and stock. Downward pressure on wheat market may continue in weeks ahead and trade in the range of Rs 1100 to Rs 1200 per qtl. Arrival pressure is expected to cool down in the third week of May.
- Meanwhile, an Indian ministerial panel deferred a decision on lifting a ban on wheat and rice exports as it wanted to first take stock of requirement under a proposed food security law to increase subsidized grain sales
- The total wheat procurement in the country has crossed the 200 lakh tonnes mark as on May 4th, 2011. This year procurement may cross 25 MMT based on arrival pressure in all major markets.
- On April 1, at the start of the new harvesting season, India's public wheat stocks, at 15.36 million tonnes, were more than twice the required minimum buffer and strategic reserve of seven million tonnes. As on May, 2011, procurement registered at 194.3 lakh tons amid cumulative arrivals of 207 lakh tons.
- 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.
- 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 will remain under pressure on rising supply from major producing states and private companies buying interest in states like U.P., Rajasthan and Bihar where there are fewer nos. of procurement centers and comparatively lower prices. Meanwhile export decision deferred right now and govt may reconsider it in June. Possibility of export may keep private buyers active and if allowed may support prices..

Prices at key Market

Centre	Variety	Prices 04.05-11	Chng from Prior Day	Arrivals 04-05-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1180	Unch	12000	4000
Delhi (Narela)	Mill Delivery Loose	closed	-	-	-
Delhi (Nazafgarh)	Mill Delivery Loose	closed	-	-	-
Gujarat (Rajkot)	Mill delivery	1170	Unch	11000	-1000
Gujarat (Ahmadabad)	Mill delivery	1190	Unch	1500	Unch
Gujarat (Surat)	Mill delivery	1220	5	1800	Unch
M.P. (Bhopal)	Mill quality loose (Lokwan)	1180-1190	-10	5000	1000
M.P. (Indore)	Mill quality	1210	-5	9000	1000
Rajasthan (Kota)	Mill quality	1200-1220	20	30000	-10000
U.P. (Kanpur)	Mill delivery	1140-1145	5	800	200
Punjab (Khanna)	Mill quality loose	1170	Unch	70000	10000
Haryana (Karnal)	Mill quality (Mill delivery)	1170	Unch	20000	5000
Haryana (Sirsa)	Mill delivery loose	1170	Unch	25000	5000
Haryana (Rewari)	Mill quality loose	1160	-10	7500	4000
Haryana (Panipath)	Mill quality loose	1170	Unch	10000	4500

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 04-05-2011	Value in Rupees 02-05-2011
USA	Dollar	44.38	44.30
European Union	Euro	65.73	65.57
United Kingdom	GBP	73.66	73.89

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