

Executive Summary:

- Potato prices on a weekly basis have come down in most of the states except for a few states like Andhra Pradesh, Haryana and Maharashtra. This is due to increased supply from cold stores in UP and West Bengal.
- According to traders in Agra, 60% of potatoes lying in cold stores of Agra region belong to farmers. They expect farmers will increase the pace of selling during July when Monsoon arrives and prices of other green vegetables start rising.
- Potato in Indore mandi is trading between Rs 500-1000/Qtl with mixed quality. Farmers are bringing potatoes which they had kept under the shade of trees. In Indore, arrival of chips variety potato (Jyoti Laukar, Chipsona 1 & 3) is good and potato chips making companies like ITC are active buyers here.
- In Bangalore, potato arrivals have reduced due to less supply from Agra region as margins have decreased.
- In Kanpur region, farmers have kept their produce in open spaces to save on cold store rent. As per traders' information, the quality of these potatoes will start deteriorating after some time due to the summer heat, which will force them to sell in large quantity in due course. It would be advisable for these farmers to store in cold storages as the returns over the next 3-6 months will more than compensate for the cold storage rent.

State wise Weekly Wholesale Potato Price Analysis for 3rd Week of May 2012:

State	Prices 16-23 May 2012	Prices 09-15 May 2012	Prices 01-08 May 2012	Prices 16-23 May 2011	% Change (Over prev Week)	% Change (Over prev to prev Week)	% Change (Over prev Year)
Andhra Pradesh	1103.52	978.72	1058.37	738.06	12.75	4.27	49.52
Assam	1136.49	1114.38	1094.66	837.49	1.98	3.82	35.7
Gujarat	997.42	1006.05	1006.77	711.43	-0.86	-0.93	40.2
Haryana	896.38	822.09	763.94	434.22	9.04	17.34	106.43
Himachal Pradesh	1054.39	1034.96	1031.59	483.18	1.88	2.21	118.22
J & K	1132.2	1173.8	1080.04	545.6	-3.54	4.83	107.51
Jharkhand	919.4	954.12	935.08	676.11	-3.64	-1.68	35.98
Karnataka	1335.92	1342.12	1335.75	853.6	-0.46	0.01	56.5
Kerala	1713.87	1791.23	1744.49	1365.47	-4.32	-1.76	25.52
Madhya Pradesh	668.03	810.51	730.05	586.94	-17.58	-8.5	13.82
Maharashtra	1230.28	1181.84	1172.15	811.92	4.1	4.96	51.53
NCT of Delhi	1009.51	1019	1031.52	509.84	-0.93	-2.13	98.01
Orissa	1205.65	1191.94	1165.16	746.98	1.15	3.48	61.4
Punjab	731.18	778.48	787.82	474.73	-6.08	-7.19	54.02
Rajasthan	859.01	904.12	925.42	518.34	-4.99	-7.18	65.72
Tamil Nadu	2000	2000	2000	1380.07	0	0	44.92
Uttar Pradesh	982.47	971.77	920.58	452.51	1.1	6.72	117.12
West Bengal	1015.88	1022.93	979.91	625.15	-0.69	3.67	62.5

(Source: Agmarknet)

As seen from the table, potato prices in most of the states have decreased during previous week except for a few states. In fact, more states have reported a price decrease this week as compared to previous week due to increased cold store supply. With the opening of more cold stores during May-end in states like Bihar and West Bengal, supply could increase and prices are likely to be in check for some time.

Technical Analysis of Candlestick Price Chart - Potato- Agra Centre (Weekly Chart)



(Note: Each bar or “candle” in the chart shows the price movement in a particular week. The green candle signifies prices increased and red candle signifies prices decreased in that week. The length of the “candle” shows the upper and lower end of the price range for the week.)

As seen in the technical chart above, Potato prices in benchmark mandi of Agra are facing strong resistance near Rs 1100 due to higher supply from cold stores at this price level. As depicted in the chart, for 3 weeks, prices have failed to close above Rs 1100. At this price level, supplies increase heavily and prices are capped. This resistance level of Rs 1100 is likely to hold firm for at least the next few weeks.

Also, despite the lower prices this week, potato prices still closed above its 4-week exponential moving average (rising blue curve) which suggests there is still some strength in the current uptrend. But the Relative Strength Index (RSI) oscillator curve (red line in the bottom panel of the chart) has started to decline from the over-bought zone which indicates prices could remain subdued/weak in the coming week or two.

There is reasonably strong support in the range of Rs 900-950/Qtl and very strong support at Rs 850/qtl as shown in the chart. Prices are unlikely to fall below this level during this season. Farmers are advised to off-load some quantity if their produce fetches Rs 1000-1050 this week as a short-term correction (decline) in prices is expected in the coming week.

Potato Futures Weekly Analysis: (Week Closing 19th May)

Exchange	Delivery Center	Expiry	Weekly Closing	Prev. Week Close	Change		Open Interest (in MT)	Prev. week OI (in MT)	Change in OI (in MT)
			Rs/Qtl	Rs/Qtl	Rs/Qtl	in %			
MCX	Agra	15-Jun	1094.4	1108	-13.6	-1.23	16710	17280	-570
MCX	Agra	14-Jul	1160.3	1173	-12.7	-1.08	11520	10650	870
MCX	Tarkeshwar	15-Jun	945.1	957	-11.9	-1.24	9720	10500	-780
MCX	Tarkeshwar	14-Jul	994	1003.7	-9.7	-0.97	4380	4530	-150
NCDEX	Agra	20-Jun	1019	1033.5	-14.5	-1.40	4425	4590	-165
NCDEX	Agra	20-Jul	1079	1118.3	-39.3	-3.51	1635	1860	-225
NCDEX	Agra	20-Aug	1110	1199.9	-89.9	-7.49	2175	1845	330
NCDEX	Agra	20-Sep	1185.6	1293.5	-107.9	-8.34	3210	3855	-645

(Source: NCDEX, MCX)

As visible in the table above, prices have fallen across all expiry months on a weekly basis. The July MCX-Agra contract and the August NCDEX Agra contract has seen a fall in price with increase in open interest which suggest market participants are little bearish during these months and are doing some speculative short-selling. Short selling indicates that market participants are betting that prices will decline and that they consider that prices are too high at present.

Otherwise, in other contracts, fall in prices is accompanied by fall in open-interest, which indicates that “long-liquidation” is taking place. Long Liquidation implies that speculators who had bought futures in the hope of higher prices are now selling off their positions and either booking profit or exiting with some losses.

Open Interest positions of July and Aug expiry contracts need to be tracked in the coming week for further signals from the futures market.

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