

Executive Summary:

- The pace of increase in potato prices has decreased and in some cities prices have decreased in absolute terms.
- As per trade sources, 8-9% of potato from West Bengal, 12-15% from UP and 5% from Gujarat cold stores have been released in the market so far.
- In Delhi market, cold storage potato is coming from Uttar Pradesh whereas fresh potatoes are coming from Punjab and Una (Himachal Pradesh).
- As per cold store owners, farmers in UP and West Bengal are comfortable in releasing their stored potato in the range of Rs 1050-1200/Qtl. The pace of release will increase if prices approach Rs 1200/qtl.
- In Bihar, potato has gone into strong hands of traders & cold store owners and they expect a price target of Rs. 1200.
- Potato supply from UP region is likely to increase to Bangalore as the spread between Agra and Bangalore price is increasing. Earlier spread was Rs. 300 and now the difference has increased to around Rs. 400/qtl.

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

Market	State	Avg. Prices 21-26 May 2012	Avg. Prices 14-19 May 2012	Avg. Prices 07-12May 2012	% Change over prev. Week	% Change over prev. to prev. Week
Delhi	Delhi	1140	1075	1047	6.05	8.88
Agra	UP	1015	1036	1045	-2.03	-2.87
Kanpur	UP	1037	1045	946	-0.77	9.62
Farrukhabad	UP	950	990	977	-4.04	-2.76
Hathras	UP	1045	1029	1062	1.55	-1.60
Burdwan	W. Bengal	1012	991	1023	2.12	-1.08
Tarkeshwar	W. Bengal	1039	1013	1034	2.57	0.48
Ludhiana	Punjab	854	845	850	1.07	0.47
Amritsar	Punjab	1033	980	893	5.41	15.68
Indore	MP	800	750	734	6.67	8.99
Mumbai	Maharashtra	1260	1287	1250	-2.10	0.80
Bangalore	Karnataka	1387	1287	1213	7.77	14.34
Ahemdabad	Gujarat	940	948	950	-0.84	-1.05
Purnea	Bihar	988	1067	1103	-7.40	-10.43
Bhubaneswar	Orissa	1081	1063	1069	1.69	1.12

(Source: Agriwatch)

As seen from the table, potato prices in Purnea, Farrukhabad and Agra have decreased due to regular supply from cold stores in the region. Farmers in UP are regularly releasing their potatoes kept in the cold stores. Prices in Bangalore have increased in back-to back weeks due to lower supply from Agra region. Now prices in Bangalore have reached nearly Rs 1400/qtl and hence it is likely that supply from UP to Bangalore might increase due to the price differential of almost Rs 400/qtl.



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



(Source: Agriwatch Research)

(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 the 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 5 weeks, prices have failed to close above Rs 1100. At this price level, farmers are increasing their sales from cold stores which does not allow price to rise further. This resistance level of Rs 1100 is likely to hold firm for at least the next 2-3 weeks.

However, despite the lower prices this week, potato prices still closed above the 4-week exponential moving average (rising blue curve). This suggests that the uptrend is still intact and may resume the rise after a period of consolidation. 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 in this marketing year. Farmers who do not want to hold for long time are advised to release their potatoes in regular intervals 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 26th May)

Exchange	Delivery Center	Expiry	Weekly Closing	Prev Week Close	Change		Open Interest (OI)	Prev week OI	Change in OI
			Rs/Qtl	Rs/Qtl	Rs/Qtl	in %	(in MT)	(in MT)	(in MT)
MCX	Agra	15-Jun	1084	1094.4	-10.4	-0.95	14880	16710	-1830
MCX	Agra	14-Jul	1134.7	1160.3	-25.6	-2.21	12360	11520	840
MCX	Tarkeshwar	15-Jun	928.6	945.1	-16.5	-1.75	7500	9720	-2220
MCX	Tarkeshwar	14-Jul	971.9	994	-22.1	-2.22	5010	4380	630
NCDEX	Agra	20-Jun	1013	1019	-6	-0.59	4500	4425	75
NCDEX	Agra	20-Jul	1078.6	1079	-0.4	-0.04	2655	1635	1020
NCDEX	Agra	20-Aug	1115.9	1110	5.9	0.53	2445	2175	270
NCDEX	Agra	20-Sep	1174	1185.6	-11.6	-0.98	2745	3210	-465

(Source: NCDEX, MCX)

As visible in the table above, prices have fallen across all expiry months on a week-on-week basis except the NCDEX-Aug contract. Fall in price along with fall in open interest was seen in MCX- June contracts of both Agra and Tarkeshwar delivery. This suggests traders/speculators are exiting by squaring off their buy positions created earlier. In other future contracts, prices have fallen but open interest has increased which indicates “short selling” by market participants. It seems they feel that prices are too high and are betting that price will decline in near future.

For the last two weeks, either long liquidation or short selling is seen in the futures market. There is no sign of long build-up yet which means that traders are either not confident of price increase in the near future or they might be waiting for prices to come down more before they start creating buy positions in futures contracts. Thus futures markets are likely to trade with a weak bias during the upcoming week.

Disclaimer

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