

30 July, 2012

Executive Summary:

- The state government of West Bengal has said that potato prices are likely to remain high until December and will continue to be sold through ration shops until the prices decline. This initiative was taken as the prices of potatoes were soaring high. As per traders from West Bengal, increase in prices was because of high cold storage loading prices as well as fall in production of the tuber in south India.
- In major markets like Delhi, Khandauli (Agra), Indore, Bangalore and Mumbai, demand for 'Chipsona' variety is high as compared to other cold storage varieties. This 'Chipsona' variety is able to fetch a price of Rs 15 to Rs20 /kg depending upon the market and demand.
- In Indore, locally produced potato is in the market. Till now 42% potato has been released. This is higher as compared to last year when 35% potato was released. Average arrivals and prices during the week were Rs 925/quintal and 4500 quintal respectively.
- Potato prices have increased in major cities due to increase in demand since green vegetable prices have increased in northern states. Higher prices of green vegetables further support the potato price to increase.
- As per news reports, due to deficit monsoon, potato growers in the 'Chikmanglur' districts of Karnataka fear losing potato seeds. As per a trader, farmers have purchased seed and fertilizer at higher rates but now they are uncertain about their crop. It is expected that area under crop will be less as monsoon is already one month late.

Weekly Wholesale Potato Prices Analysis for 4th week of July 2012:

Market	State	Avg. Prices 23-28 July 2012	Avg. Prices 16-21 July 2012	Avg. Prices 09-14 July 2012	% Change over prev Week	% Change over prev month
Delhi	Delhi	1208	1275	1225	-5.25	-1.39
Agra	UP	1316	1294	1138	1.70	15.64
Kanpur	UP	1250	1158	1259	7.94	-0.71
Farrukhabad	UP	1250	1159	1150	7.85	8.70
Hathras	UP	1216	1171	1225	3.84	-0.73
Burdwan	W. Bengal	1015	1100	1147	-7.73	-11.51
Tarkeshwar	W. Bengal	1020	1116	1163	-8.60	-12.30
Ludhiana	Punjab	910	950	940	-4.21	-3.19
Amritsar	Punjab	945	985	895	-4.06	5.59
Indore	MP	916	920	925	-0.43	-0.97
Mumbai	Maharashtra	1516	1466	1396	3.41	8.60
Bangalore	Karnataka	1666	1584	1534	5.18	8.60
Ahemdabad	Gujarat	1256	1222	1167	2.78	7.63
Purnia	Bihar	1270	1241	1242	2.34	2.25
Bhubaneshwar	Orissa	1145	1149	1150	-0.35	-0.43

(Source: AGRIWATCH)

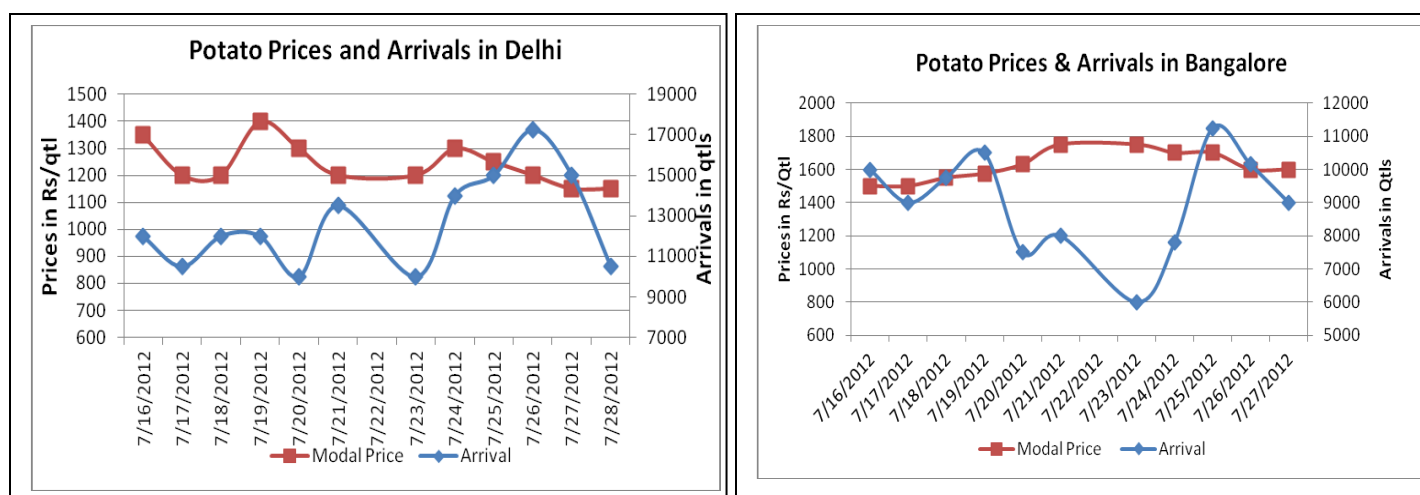
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Potato prices have increased in most of the cities over previous week, though the pace of increase is showing signs of easing. In West Bengal's Tarkeshwar and Burdwan, market prices have decreased in back-to-back weeks because of the state government's action to control the prices which were continuously increasing.

Prices in Orissa remained at similar levels as last week because of the state government which had intervened against the hoarders and against high prices. . Supply in Orissa depends upon the release of potato from West Bengal.

Amritsar, Ludhiana and Indore mostly depend on locally produced potato, so wholesale prices in these centres are below Rs. 1000. However in other cities across India, prices are above the Rs 1000 mark - even in Agra and Farukhabad which are largest producing regions of UP and have maximum number of cold stores.

Wholesale Potato Prices and Arrivals trend in Consumption Centers:

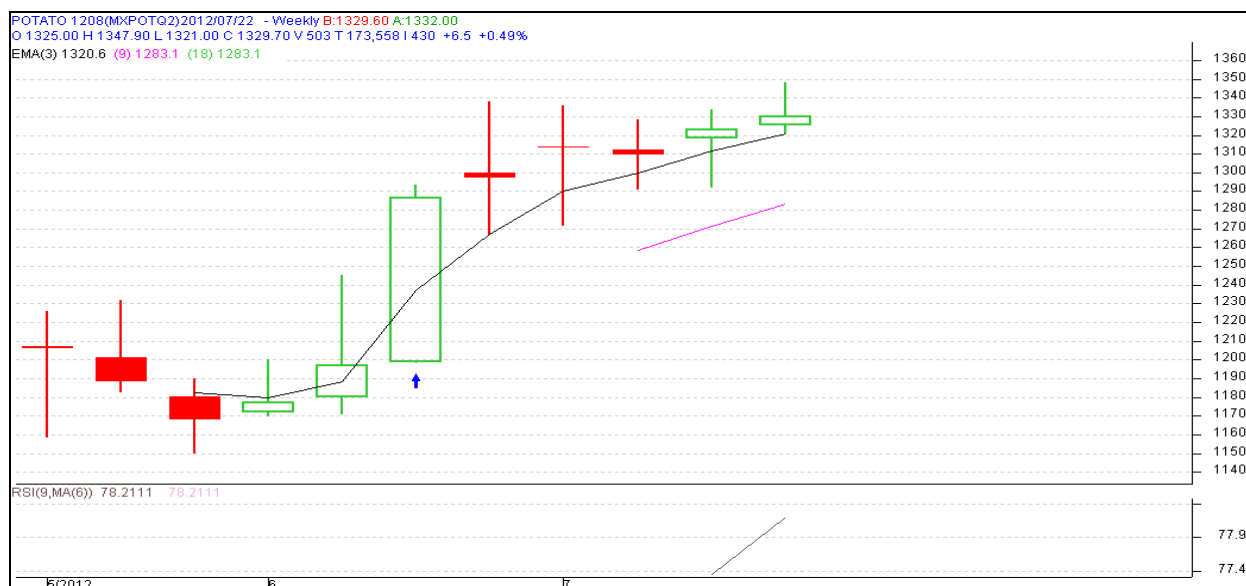


(Source: AGRIWATCH)

The above charts show the wholesale price movement along with arrivals in the last 2 weeks. In Bangalore, wholesale prices are on a slightly decreasing trend for the last one week due to increasing arrivals. It has been trading in the range of Rs. 1400-1800/Qtl for the last two weeks. Wholesale prices in Delhi are ranging between Rs. 1150-1400 depending upon the arrivals and demand in the mandi. Arrivals in Delhi are also in a downward trend which is providing support to prices.

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Technical Analysis - Potato- August Contract at MCX



The above chart reveals the weekly price behavior of MCX-Agra futures contract, August expiry. The last candlestick pattern reveals the prices have edged-up and has made a new high of Rs 1347.9, breaching previous high of Rs 1337.8 a month ago. On the higher side, the immediate resistance still remains Rs 1350 but if the prices breach the resistance it may witness Rs 1375. On the lower side the prices are expected to find support between Rs 1272-Rs 1267. If prices breach the said support levels, it may witness Rs 1245-Rs 1250 levels. Looking at the chart the price is likely to breach 1350 during the week and may move towards Rs1355 levels. Going forward, long build up is likely by the market participants during the week.

Potato Futures Weekly Analysis: (22 July- 28th July 2012)

Delivery Center	Expiry	Weekly Closing	Previous Week Close	Change		Open Interest	Previous week OI	Change in OI
		Rs/Qtl	Rs/Qtl	Rs/Qtl	in%	(in MT)	(in MT)	(in MT)
Agra	14-Aug	1329.7	1323.2	6.5	0.49	12900	15630	-2730
Agra	15-Sep	1400.2	1408.7	-8.5	-0.60	16950	17850	-900
Agra	15-Oct	1501.8	1507.1	-5.3	-0.35	5220	3840	1380
Tarkeshwar	14-Aug	1013.8	1010.8	3	0.30	6600	5730	870
Tarkeshwar	15-Sep	1130.6	1108	22.6	2.04	11340	12390	-1050
Agra	17-Aug	1268	1259.2	8.8	0.70	1680	2610	-930
Agra	20-Sep	1366	1368.3	-2.3	-0.17	4095	3960	135

(Source: NCDEX, MCX)

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On a weekly basis, open interest (OI) decreased and prices increased in Agra August-delivery contracts on both MCX and NCDEX platform. This suggests short-covering is taking place in the futures platform and indicates market participants are now further bullish on Agra-origin potato.

But at the same time, we have seen open interest and price both rising in Tarkeshwar, West Bengal contract after spot market softened in the state due to State Government intervention to check rising prices. This suggests some traders and speculators are taking long position.

Tarkeshwar contract is likely to trade with some downward bias whereas Agra contract in MCX and NCDEX will likely to strengthen further. Speculators and traders interest seems to be shifting to Agra-origin potato as West Bengal Government is taking firm steps to keep the spot market under check. Already the price difference between Tarkeshwar and Agra is around Rs 200- Rs 300 per quintal. However this difference is not likely to sustain as potato will eventually find its way to the more remunerative markets.

Disclaimer

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