

Executive Summary:

- In a new regulation, the Forward Markets Commission (FMC) has directed MCX, not to launch Tarkeshwar-November Contract. This has sent a strong signal to the trading community and they fear further restrictions or suspension of potato futures trading on Commodity Exchanges. After this, traders are either exiting from their long positions on futures markets or creating fresh short positions.
- Prices have fallen 5-10% in various expiries of contracts on both NCDEX and MCX in the last one week after increasing of special margins on long positions. This indicates that market participants who were holding long positions in expectation of price rise are exiting now.
- In Agra, so far 30%-35% potatoes have been released from cold stores. As per trade sources, demand for potatoes is stable because of high green vegetables prices. Farmers and traders of U.P region are expecting prices to increase further on lower kharif crop expectation and also delay in arrivals from Karnataka.
- In Hassan (Karnataka) this year early Kharif crop was sown in 8,000 hectares which far lower than last year when potato was grown in 20,000 hectares. This decrease in area was because of deficit rainfall and delay in monsoon. As per trade sources, arrival of fresh potato in Hassan markets will start from 1st week of September.
- Retail prices of potato have gone up in recent days though wholesale prices in different producing centers remain in the range of 1100-1300/Qtl. This is because during rainy season spoilage is as high as 15-20% during transportation so traders and retailers in the consuming centers have to increase their price to cover up the loss during transit.

Weekly Wholesale Potato Prices Analysis for 2nd week of August 2012:

| Market | State | Avg. Prices 6 Aug- 11 Aug 2012 | Avg. Prices 30 July- 4 Aug 2012 | Avg. Prices 23- 28 July 2012 | % Change over Prev. Week | % Change over Prev. to Prev. week |
|--------------|-------------|--------------------------------|---------------------------------|------------------------------|--------------------------|-----------------------------------|
| Delhi | Delhi | 1220 | 1250 | 1208 | -2.40 | 0.99 |
| Agra | UP | 1305 | 1366 | 1316 | -4.47 | -0.84 |
| Kanpur | UP | 1160 | 1200 | 1250 | -3.33 | -7.20 |
| Farrukhabad | UP | 1242.5 | 1215 | 1250 | 2.26 | -0.60 |
| Hathras | UP | 1200 | 1233 | 1216 | -2.68 | -1.32 |
| Burdwan | W. Bengal | 1135 | 1140 | 1015 | -0.44 | 11.82 |
| Tarkeshwar | W. Bengal | 1154 | 1150 | 1020 | 0.35 | 13.14 |
| Ludhiana | Punjab | 900 | 900 | 910 | 0.00 | -1.10 |
| Amritsar | Punjab | 996 | 1035 | 945 | -3.77 | 5.40 |
| Indore | MP | 1000 | 980 | 916 | 2.04 | 9.17 |
| Mumbai | Maharashtra | 1600 | 1630 | 1516 | -1.84 | 5.54 |
| Bangalore | Karnataka | 1710 | 1750 | 1666 | -2.29 | 2.64 |
| Ahemdabad | Gujarat | 1243 | 1200 | 1256 | 3.58 | -1.04 |
| Purnia | Bihar | 1250 | 1250 | 1270 | 0.00 | -1.57 |
| Bhubaneshwar | Orissa | 1210 | 1170 | 1145 | 3.42 | 5.68 |



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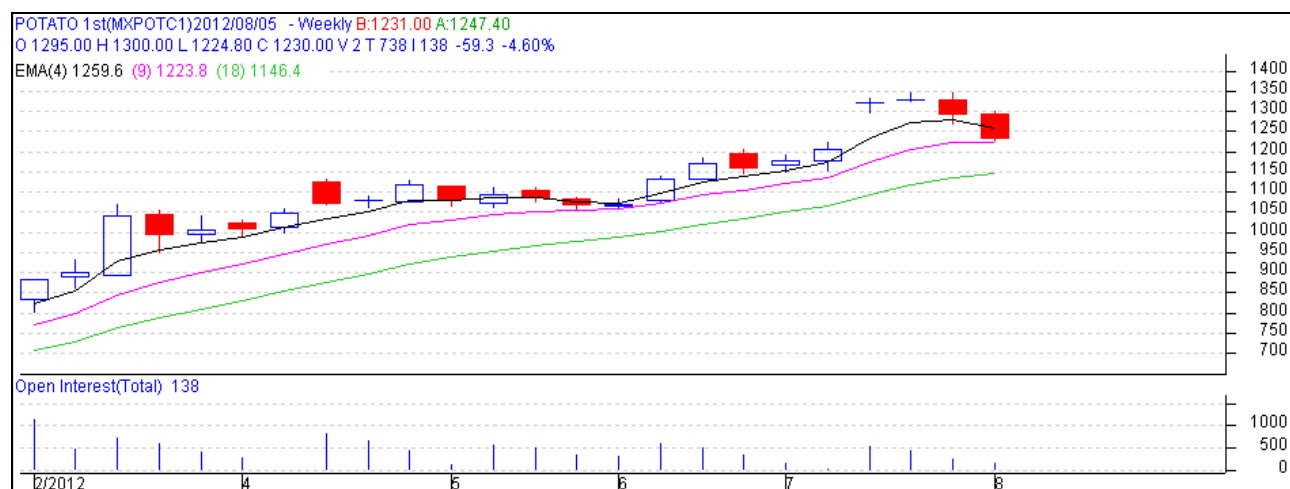
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(Source: AGRIWATCH)

Mixed price movement is seen in different centres with prices softened in most centres and rising in some. In West Bengal, the prices did not fall below 1000 even after the state government's strong stand against rising prices. Now it has started to increase again and trading near Rs. 1150/Qtl

Prices in Bhubaneswar also increased after increase in prices in West Bengal. Prices in eastern states like Orissa, Bihar, Assam are likely to increase further as West Bengal Government has asked traders not to send potatoes outside the state.

Technical Analysis – Weekly Price Continuous Chart of Agra Contract at MCX:



The above chart reveals the weekly price behavior of MCX-Agra futures near month contract. The potato futures have breached the strong support of Rs. 1260-1250 mentioned in the previous weekly report. Now prices are trading below the short term moving average which suggests further weakness could be possible in the coming week. Next support level is Rs. 1200 and prices might touch this level in the coming week. On the higher side, the immediate resistance still remains Rs 1300 but if the prices breach the resistance it may climb to Rs 1350. However, we expect prices to remain subdued this week due to strong FMC action in the futures exchanges.

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Potato Futures Weekly Analysis: (6th Aug- 11st Aug 2012)

| Exchange | Delivery Center | Expiry | Weekly Closing | Previous Week Close | Change | | Open Interest (OI) | Previous week OI | Change in OI |
|----------|-----------------|--------|----------------|---------------------|--------|--------|--------------------|------------------|--------------|
| | | | Rs/Qtl | Rs/Qtl | Rs/Qtl | in% | (in MT) | (in MT) | (in MT) |
| MCX | Agra | 14-Aug | 1224.8 | 1289.3 | -64.5 | -5.00 | 4200 | 6750 | -2550 |
| MCX | Agra | 15-Sep | 1230 | 1354.7 | -124.7 | -9.20 | 12990 | 16260 | -3270 |
| MCX | Agra | 15-Oct | 1313 | 1468.6 | -155.6 | -10.60 | 6090 | 3990 | 2100 |
| MCX | Tarkeshwar | 14-Aug | 980 | 989.7 | -9.7 | -0.98 | 480 | 3840 | -3360 |
| MCX | Tarkeshwar | 15-Sep | 1028 | 1109.5 | -81.5 | -7.35 | 7020 | 8670 | -1650 |
| NCDEX | Agra | 17-Aug | 1180 | 1205.8 | -25.8 | -2.14 | 495 | 1035 | -540 |
| NCDEX | Agra | 20-Sep | 1190 | 1322.6 | -132.6 | -10.03 | 3420 | 3975 | -555 |

(Source: NCDEX, MCX)

On a weekly basis, open interest (OI) and prices have decreased in almost all contracts on both MCX and NCDEX platform. This suggests that long liquidation is taking place in the futures platform and indicates market participants who owned long (buy) positions are exiting. This happened after FMC's strict regulation on potato futures like suspension of Tarkeshwar-Nov contract launch at MCX, increasing of special margins on potato futures and allowing no fresh positions in the near month contract which has entered into staggered delivery phase. October MCX Agra contract saw fresh short (sell) positions being built up as evidenced by lower prices amid rising open interest. This indicates that the sellers are expecting lower prices in the next week or next few weeks.

Disclaimer

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