

Executive Summary:

- The Forward Market Commission (FMC) has banned the listing of futures contracts for November, December, January and February delivery because these months are the lean months for potato supply. Since the threat of delivery is low and volumes are thin, the lean season would allow speculators to cause volatility. This step will thus curb excessive volatility and speculation.
- In retail markets, potato is being sold between Rs 15 -Rs 25 per kg at various centres across the country as compared to Rs 8- Rs 10 per kg at the same time last year. The increase in prices is due to lower production in major growing areas during Rabi season. The other reason is that crop from Karnataka is already delayed by one month. So prices are likely to remain on a firm trend.
- In West Bengal, demand for potatoes is high because of their low prices compared to U.P-side potato. Though the state government has banned the movement of potatoes outside the state, traders are still covertly supplying potato to buyers outside the state as the demand is high and the profits are lucrative. This might cause prices in Bengal to rise gradually in coming weeks.
- According to trade sources in Karnataka, prices in are expected to be stable in the short term as potato from Hassan (Karnataka) origin is available in market, the. Once the potato arrivals from Hassan are over, prices are expected to see an increase.

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

Market	State	Avg. Prices 20 Aug- 25 Aug 2012	Avg. Prices 13 Aug- 18 Aug 2012	Avg. Prices 6 Aug- 11 Aug 2012	% Change over Prev. Week	% Change over Prev. to Prev. week
Delhi	Delhi	1100	1189	1220	-7.49	-9.84
Agra	UP	1265	1325	1305	-4.53	-3.07
Kanpur	UP	1187.5	1163	1160	2.11	2.37
Farrukhabad	UP	1140	1157	1242.5	-1.47	-8.25
Hathras	UP	1200	1206	1200	-0.50	0.00
Burdwan	W. Bengal	1130	1150	1135	-1.74	-0.44
Tarkeshwar	W. Bengal	1150	1150	1154	0.00	-0.35
Ludhiana	Punjab	910	900	900	1.11	1.11
Amritsar	Punjab	890	960	996	-7.29	-10.64
Indore	MP	938	1012	1000	-7.31	-6.20
Mumbai	Maharashtra	1482	1488	1600	-0.40	-7.38
Bangalore	Karnataka	1438	1662	1710	-13.48	-15.91
Ahmadabad	Gujarat	1200	1254	1243	-4.31	-3.46
Purnia	Bihar	1250	1250	1250	0.00	0.00
Bhubaneswar	Orissa	1110	1200	1210	-7.50	-8.26

(Source: AGRIWATCH)

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Prices and arrivals declined in most centers due to slow market and moderate demand. Ludhiana and Kanpur saw marginal price increases in the range of 1-2%. Prices in West Bengal remained stable due to strict government control but might gradually start rising as traders in other states are still getting some deliveries from West Bengal despite the ban on movement of potatoes outside the state. Overall, prices are expected to remain stable next week across the country.

In Ahmednagar (Maharashtra), potato is mainly coming from U.P region and especially from Agra. According to trade sources, prices are expected to remain stable in the range of Rs 1200 /quintal to Rs1350/quintal. Prices in Ahmednagar are stable because green vegetables are fairly cheap and hence demand for potato is not strong.

According to trade sources from Khandauli, average release from cold storages was approximately 70-80 trucks per day during last week. The decline in release from cold storages is due to heavy rainfall in the region.

According to trade sources from West Bengal, approximately 40% potato has been released from cold storages. Last year only 25%-30% of stored potato was released at this time. Release from cold storages is high as the government intervened firmly against the high prices. Therefore traders/farmers are releasing more potatoes since they are not sure of realizing higher prices later in the year.

According to trade sources, in Tarkeshwar (West Bengal) market, the demand is continuous and prices are high. On daily basis, average 0.75% of total stocked potato is released from the cold storages.

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



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The above chart reveals the weekly price behavior of MCX-Agra futures near month contract. 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. 1170 and prices might touch this level in the coming week. On the higher side, the immediate resistance still remains Rs 1220 but if the prices breach the resistance it may climb to Rs 1250. However, we expect prices to remain subdued this week due to strong FMC action in the futures exchanges and banning of futures contracts of potato from October contract to February contract 2013.

Potato Futures Weekly Analysis: (20th Aug- 25th Aug 2012)

Exchange	Delivery Center	Expiry	Weekly Closing	Previous Week Close	Change		Open Interest	Previous week OI	Change in OI
							(OI)		
			Rs/Qtl	Rs/Qtl	Rs/Qtl	in%	(in MT)	(in MT)	(in MT)
MCX	Agra	15-Sep	1181.4	1203.5	-22.1	-1.84	11400	11820	-420
MCX	Agra	15-Oct	1230.5	1280.9	-50.4	-3.93	7200	5280	1920
MCX	Tarkeshwar	15-Sep	973.7	999.5	-25.8	-2.58	5400	6510	-1110
MCX	Tarkeshwar	16-Oct	1043.6	1075.1	-31.5	-2.93	3030	2310	720
NCDEX	Agra	20-Sep	1124	1163	-39	-3.35	3150	2985	165

(Source: NCDEX, MCX)

On a weekly basis, open interest (OI) and prices have decreased in 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 banned the future contracts of October, November, December and January as the prices were soaring high and to control the speculation in the futures markets. In the absence of further month contracts, traders owning positions currently will not be able to roll-over their positions beyond next month. Hence they are liquidating their positions which are evident from the lower open interest levels.

Disclaimer

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