

24 September, 2012

Executive Summary:

- Potato prices have softened further on a week-on-week basis across major markets following higher release from cold stores in UP and West Bengal. Average wholesale prices are trading in the range of Rs 1000-1200/Qtl in different centers. In Mumbai, wholesale prices are trading near Rs 1400/Qtl and in Punjab region prices are in the range of Rs. 700-800/Qtl.
- As expected, average wholesale prices have decreased in UP by Rs. 150-200/Qtl due to concern among farmers that prices will not increase much from here and may decline after arrivals of Karnataka-side fresh potato. When supply from Hassan region starts, the demand for potato from UP becomes less in the southern states.
- The Forward Market Commission's (FMC) strong vigilance on potato futures contracts and postponement of November futures contracts also kept speculators and traders away from market.
- At the MCX, only October contract for Agra and Tarkeshwar delivery is available for trading. After October, only March and April 2013 contracts of Agra delivery are available for trading. The March and April contracts are trading in the range of Rs. 700-750/Qtl which is also high considering the fresh potato prices during that time.
- In Bangalore, potatoes are coming from Indore, U.P and Hassan (Karnataka) which are contributing 70%, 20% and 10% respectively to the total arrival. According to trade sources, prices are expected to increase once the potato crop arrivals from Hassan region comes to an end.

Weekly Wholesale Potato Prices Analysis for 17th Sept – 22nd Sept 2012

Market	State	Avg. Prices 10th Sep- 15th Sep 2012	Avg. Prices 3rd Sep- 8th Sep 2012	Avg. Prices 27 Aug- 2 Sep 2012	% Change over Prev. Week	% Change over Prev. to Prev. Week
Delhi	Delhi	1015	1150	1148	-11.74	-11.59
Agra	UP	1110	1175	1215	-5.53	-8.64
Kanpur	UP	1050	1067	1252	-1.59	-16.13
Farrukhabad	UP	1060	1092	1113	-2.93	-4.76
Hathras	UP	1050	1092	1206	-3.85	-12.94
Burdwan	W. Bengal	1090	1090	1094	0.00	-0.37
Tarkeshwar	W. Bengal	1105	1110	1120	-0.45	-1.34
Ludhiana	Punjab	750	842	880	-10.93	-14.77
Indore	MP	880	900	900	-2.22	-2.22
Mumbai	Maharashtra	1445	1429	1425	1.12	1.40
Bangalore	Karnataka	1260	1558	1540	-19.13	-18.18
Ahmedabad	Gujarat	1117.5	1168	1162	-4.32	-3.83
Bhubaneswar	Orissa	1115	1125	1150	-0.89	-3.04

(Source: AGRIWATCH)

The above table shows that potato prices have declined in back-to-back weeks. The reason for the decline in prices is the availability of adequate stocks in cold stores till arrival of next potato crop. The other reasons

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are the fresh arrival of potatoes from Karnataka region and cheaper green vegetables available in the market. Strong FMC action against speculation has also contributed to less stocking in hopes of future gains.

Technical Analysis – Weekly Price Chart of Agra-October Contract at MCX



The above chart shows the weekly price movement of Potato future contract of October delivery at the MCX exchange. Prices are in a downtrend for the last 7-8 weeks and trading well below its 4-week exponential moving average which suggests bearishness will continue unless prices close above this short-term moving average with good volumes and buying support. For October contract, immediate resistance is in the range of 1150-1160 which is also the level of the short term exponential moving average.

Potato Futures Weekly Analysis: (16th Sep- 22nd Sep 2012)

Symbol	Exchange	Delivery Center	Expiry Date	Today's Close Price (Rs./Qtl)	Previous Week's Close Price	Net Change	Today's Open Interest (OI) (in MT)	Previous Day Open Interest (MT)	Change
POTATO	MCX	Agra	15-Oct-12	1049.6	1112.8	-63.20	12450	12840	-390
POTATO	MCX	Agra	15-Mar-13	743.4	749.3	-5.90	8880	7590	1290
POTATO	MCX	Agra	15-Apr-13	708.6			2550		
POTATOTRWR	MCX	Tarkeshwar	16-Oct-12	975.9	948.6	27.30	8070	4860	3210
					Total				4110

(Source: NCDEX, MCX)

April 2013 contract became available for trading from last week and is trading at a discount to March contract. This is because March & April are peak arrival months for UP potato. On a week-on-week basis, net short (sell) position build-up is seen in March 2013 contract as open interest increased by 1290 MT and prices declined by Rs. 6/Qtl. The March contract is trading at a Rs 300/Qtl discount to the Oct contract. Good buying is seen in Tarkeshwar-Oct contract as it is trading below its current spot price which is ruling near Rs. 1100/qtl. Futures prices have increased by Rs. 27/qtl along with increase in open interest. Traders prefer to buy in the futures market and take delivery instead of buying in the spot market.

Disclaimer

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