

Executive Summary:

- In future market, consistent rise in prices were seen since April. To control this price volatility several regulators measure were taken like increasing initial margins, imposing special margins etc. However these steps have shown an effect in last 3-4 days. In a new regulation the Forward Markets Commission (FMC), the commodities derivatives market regulator, has suspended fresh positions in potato contracts during the staggered delivery period of 15 days.
- In a new revised circular of NCDEX, existing Special Margin of 15% (in cash) on the Long side shall be increased to 30%(in cash) and Special Margin of 5% (in cash) on the Short side shall be imposed on all the running contracts in Potato with effect from beginning of day Wednesday, August 01, 2012.
- In Hasan (Karnataka), this year early Kharif crop was grown in 8000 hectare which is less compared to last year where potato was grown in 20,000 hectare. This decrease in area was because of deficit rainfall and delay in monsoon. As per trade sources arrival of fresh potato in market will start from 3rd week of August.
- As per a trader from West Bengal, the State government has decided not to send potatoes outside Bengal for the time being due to fears of a further price increase. This will be a major problem for traders/farmers as Bengal is the 2nd largest producing state and supply all over India.
- As per sources, traders of major producing regions like U.P, West Bengal and Karnataka are expecting prices to increase further because early Kharif potato from Hasan will be available one month late. Usually it used to come in first week of August but due to deficit rains and late arrival of monsoon it will available in market September onward.

Weekly Wholesale Potato Prices Analysis for 1st week of August 2012:

Market	State	Avg. Prices 30 July- 4 August 2012	Avg. Prices 23- 28 July 2012	Avg. Prices 16- 21 July 2012	% Change over prev Week	% Change over prev to prev week
Delhi	Delhi	1250	1208	1275	3.48	-1.96
Agra	UP	1366	1316	1294	3.80	5.56
Kanpur	UP	1200	1250	1158	-4.00	3.63
Farrukhabad	UP	1215	1250	1159	-2.80	4.83
Hathras	UP	1233	1216	1171	1.40	5.29
Burdwan	W. Bengal	1140	1015	1100	12.32	3.64
Tarkeshwar	W. Bengal	1150	1020	1116	12.75	3.05
Ludhiana	Punjab	900	910	950	-1.10	-5.26
Amritsar	Punjab	1035	945	985	9.52	5.08
Indore	MP	980	916	920	6.99	6.52
Mumbai	Maharashtra	1630	1516	1466	7.52	11.19
Bangalore	Karnataka	1750	1666	1584	5.04	10.48
Ahemdabad	Gujarat	1200	1256	1222	-4.46	-1.80
Purnia	Bihar	1250	1270	1241	-1.57	0.73
Bhubaneshwar	Orissa	1170	1145	1149	2.18	1.83

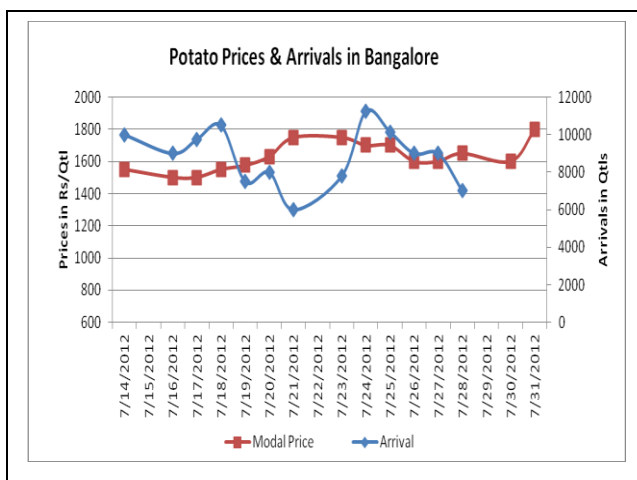
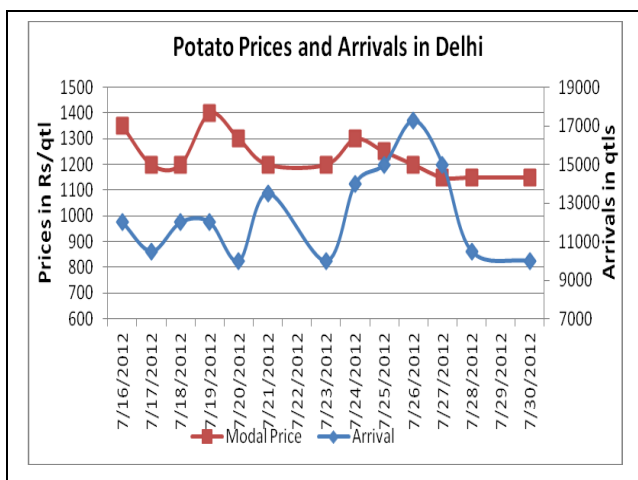
(Source: AGRIWATCH)

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 Tarekhowar and Burdwan market prices have increased though the government has intervened against the hoarders and traders but the prices were moving in the range of Rs1100- Rs1150/quintal.

Prices in Orissa remained almost like last week and have increased by 2% only. 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 centers are around 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:

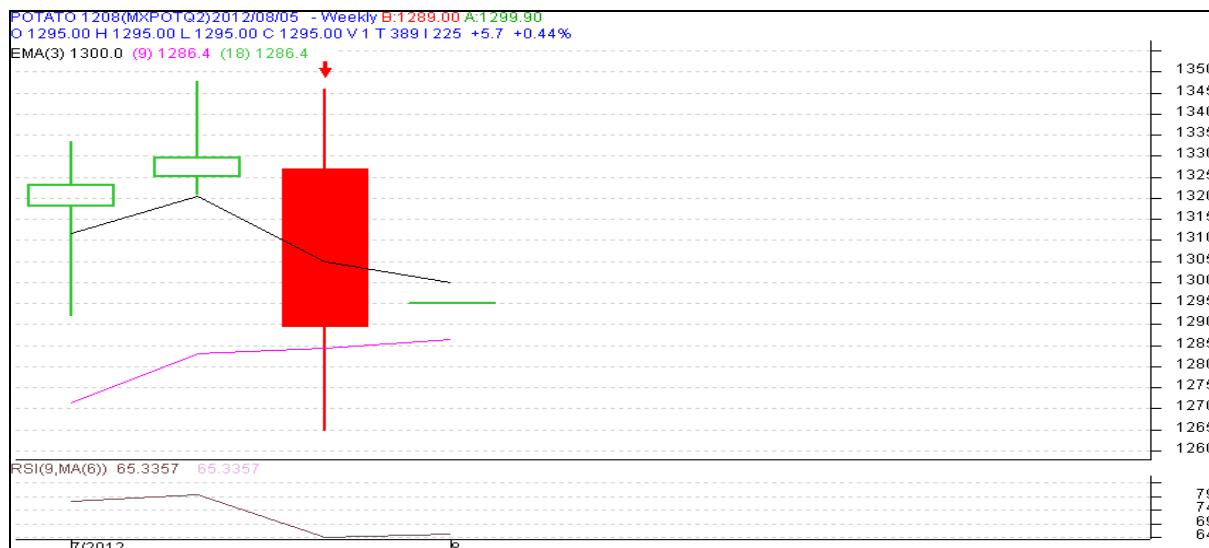


(Source: AGRWATCH)

The above charts show the wholesale price movement along with arrivals in the last 2 weeks. In Bangalore, wholesale prices are on a steady 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 declined to Rs 1280 and made a new low of Rs 1265 after a long time, breaching previous two weeks low 1295. On the higher side, the immediate resistance still remains Rs 1350 but if the prices breach the resistance it may witness Rs 1355. On the lower side the prices are expected to find support between Rs 1260-Rs 1265. If prices breach the said support levels, it may witness Rs 1245-Rs 1250 levels. Looking at the chart the price is likely to increase in next few weeks and may breach 1350 during. Going forward long build up is likely by the market participants during the week.

Potato Futures Weekly Analysis: (30July- 4th August 2012)

Exchange	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)
MCX	Agra	14-Aug	1289.3	1329.7	-40.4	-3.04	6750	12900	-6150
MCX	Agra	15-Sep	1354.7	1408.7	-54	-3.83	16260	16950	-690
MCX	Agra	15-Oct	1468.6	1507.1	-38.5	-2.55	3990	5220	-1230
MCX	Tarkeshwar	14-Aug	989.7	1010.8	-21.1	-2.09	3840	6600	-2760
MCX	Tarkeshwar	15-Sep	1109.5	1108	1.5	0.14	8670	11340	-2670
NCDEX	Agra	17-Aug	1205.8	1259.2	-53.4	-4.24	1035	1680	-645
NCDEX	Agra	20-Sep	1322.6	1368.3	-45.7	-3.34	3975	4095	-2772.4

(Source: NCDEX, MCX)

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On a weekly basis, open interest (OI) and prices decreased in Agra August-delivery contracts on both MCX and NCDEX platform. This suggests that long liquidation taking place in the futures platform and indicates market participants are now further bearish 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 250 per quintal.

Disclaimer

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