

Wheat Domestic Fundamentals:

Higher production prospects amid continuous import flow and intension to increase supply from central pool stock would continue to push wheat price down. New crop from Gujarat and MP is expected from March. Import has affected wheat demand from central and north India. It has pressurized the cash market. If prices continue to decrease, govt may consider to impose duty once again.

To ease supply side and check price in the open market, FCI has revised its grain stocks norms for third quarter beginning in the month of October and January while rules for July and April have remained unchanged. Under the revised norms FCI needs to maintain wheat stocks of 19.5 million tonne (MT) and 13.8 MT on October 1 and January 1, respectively. Now it needs to maintain 1MMT less wheat. As on December 1, FCI had a wheat stock of 16.49 MT, against the buffer stocks norm of 13.8 MT required to be maintained on January 1. This implies that the corporation would be left with virtually no excess wheat stocks starting next year as it requires around 2.5 MT of grain monthly for Public Distribution System.

Food corporation of India has been selling wheat at Rs 1640 per qtl. In ongoing MY, FCI has sold 3.6 MT of wheat under OMSS to bulk buyers so far. In MY 16, it had sold 7.1 MT of wheat through OMSS while in the 2014-15, it had sold more than 4.2 mt of grain to bulk purchasers.

Wheat area coverage is up by 7.42 % to 278.62 lakh ha till Dec-23, 2016. It is up by 1.44 % from normal till date. Normal area under wheat is 304.05 lakh ha. Higher area coverage has been reported from the States of Madhya Pradesh (3.85 lakh ha), Maharashtra (1.89 lakh ha), Rajasthan (1.74 lakh ha), Bihar (0.44 lakh ha), Jharkhand (0.26 lakh ha), Haryana (0.14 lakh ha) and Uttarakhand (0.14 lakh ha). Less area coverage has been reported from the States of Gujarat (1.47 lakh ha), J&K (0.75 lakh ha), Himachal Pradesh (0.67 lakh ha), West Bengal (0.49 lakh ha), Karnataka (0.45 lakh ha), Punjab (0.33 lakh ha), Chhattisgarh (0.14 lakh ha), Assam (0.07 lakh ha) and Uttar Pradesh (0.02 lakh ha).

Pressure continues on expectation of higher import volume. Wheat cash market continued to trade weak after cheaper option for import. Govt.'s move to erase duty to 0 % from 15 % has impacted cash wheat market and it declined by 7 to 8 % in last two weeks. At Delhi wheat price declined from Rs 2150 to Rs 2050 per qtl. Import flow may continue as parity of Rs 1000 per T still prevails. At the time the waiver was announced, the landed cost of import worked out to be cheaper by Rs 200 a qtl. Lured by the import benefit, flour mills contracted for around 500,000 tonnes of shipment from Ukraine. As of now 2 MMT wheat has been imported and 1MMT more is expected in next 2 to 3 months. Import still remains attractive.

India has bought around 200000 tonnes of wheat from black sea region in the last week after Indian government scrapped import duty on wheat. Of the total quantity 150000 tonnes of wheat is from Ukraine and the remaining quantity is from Russia. Ukraine has already emerged as a key exporter of wheat to Indian as it has already exported around 900 thousand tonnes of wheat in the past five months.

All India weekly average prices increased by 3.01 percent to Rs. 2242.69 per quintal during the week ended 15th December 2016. Wheat average price was ruling at Rs 2177.08 per quintal during 01-08th December 2016. As compared to prices in the week 09-15th December 2015, the prices are firm by 28.71 percent. Prices are expected to remain range bound to slightly weak in coming days.

At import front situation seems to be turning in favor of south Indian millers after revision of import duty to Zero. Wheat from Ukraine is arrived at Chennai and Tuticorin port at \$195.23 per tonne and \$199.93 per tonne respectively. In October India imported 5.41 lakh tonne wheat at an average CiF of \$221.97 per tonne. Import is likely to continue as prices in domestic market rules higher. As import duty is slashed, import volume may exceed 2MMT in current MY. It would impact south Indian millers demand from central and north India. Off-take from central pool would decrease.

International Market Update:

Agriculture Ministry of Argentina expects higher than expected wheat production this year due to increased investment in pesticides and fertilizers amid new government export policies. Rules regarding export curbs and other taxes have been eased. This led to massive increase in planted area this year. Argentina is expected to harvest 157 lakh tonne wheat this year against 113 lakh tonne last year. Previous estimate for this year was 149 lakh tonne. Wheat sowing has entered in last phase now.

Importers in the Philippines purchased about 25,000 tonnes of Australian-origin feed wheat. The buyers had asked for quotations for milling wheat but bought feed wheat grades. Price was around \$196 a tonne c&f for April 2017 arrival. Besides, Egypt brought 3.6 lakh tonne milling grade wheat from Russia, Romania and Argentina for mid Jan-2017 delivery. It has been brought at the average price of USD 198/ MT C&F. The price at the previous tender equaled USD 202.5/MT C&F. Due to the cheaper FOB offers available from Argentina, Russian traders had to lower their FOB prices in average by \$2. Also there was observed \$2.5 decrease in Russian freight rates.

Russian wheat export in MY 2016-17 from 1st July to 14 Dec has increased by 1.9 percent to 143.17 lakh tonne YoY basis. However, wheat exports from this country has been lower than expected in the 2016-17 marketing year as farmers have been slow to let go of their stocks on the domestic market due to low prices. However, this year's projected exports are 3.46 million mt higher than last year's first half. Higher export is mainly attributed to higher export volume in non-traditional countries like Algeria, Tunisia and others.

Outlook: Cash market is expected to trade steady to slightly weak in the near term

Wheat Futures Contract: NCDEX Price							Date:29.12.2016		
Contract Month	Ch. from previous day	Open	High	Low	Close	Volume	Ch. From previous day	OI	Ch. From previous day
17-Jan	-5	1903	1903	1901	1901	20	-360	3430	-20
17-Feb	-3	1891	1898	1886	1890	170	70	910	200
17-Mar	-	-	-	-	-	-	-	-	-

Spread	Jan-17	Feb-17	March-17	
Spot Narela				
17-Jan	19			
17-Feb		-16		
17-Mar			-	

Stocks	Demat	In- Process	Total	FED
	29.Dec.16	29.Dec.16	29.Dec.16	26.Dec.16
Delhi	-	-	-	-
Itarsi	-	-	-	-
Kanpur	-	-	-	-
Kota	7218	20	7238	7218
Rajkot	-	-	-	-

Wheat Daily Prices and Arrivals on 28.12.2016

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			30-Dec-16	29-Dec-16	
Delhi	Lawrence Road	Mill Delivery	1955	1950	5
	Narella	Mill Quality Loose	1920	1930	-10
	Nazafgarh	Mill Quality Loose	1900	1925	-25
Gujarat	Rajkot	Mill Delivery	1730	1720	10
	Ahmedabad	Mill Delivery	1830	1860	-30
	Surat	Mill Delivery	1880	1900	-20
	Dhrol	Mill Quality Loose	1915	1990	-75
M.P.	Indore	Mill Delivery	NR	Closed	-
	Bhopal	Mill Quality Loose	1825	Closed	-
Rajasthan	Kota	Mill Quality Loose	1760	1760	Unch
		Mill Delivery	1850	1850	Unch
U.P.	Kanpur	Mill Delivery	1885	1885	Unch
	Mathura	Mill Quality Loose	1850	1860	-10
	Kosi	Mill Quality Loose	1900	1850	50
	Hathras	Mill Quality Loose	1970	1960	10
	Aligarh	Mill Quality Loose	1920	1970	-50
Punjab	Khanna	Mill Quality Loose	1750	1750	Unch

	Ludhiana (Jagraon)	Mill Delivery	NA	NA	-
Haryana	Sirsa	Mill Delivery loose	1825	1800	25
	Hodal	Mill Delivery	2050	2050	Unch
	Bhiwani	Mill Quality Loose	1900	1900	Unch
	Karnal	Mill Delivery	1850	1860	-10
	Panipat	Mill Quality Loose	NA	NA	-
Tamil Nadu	Chennai	Mill Quality	2350	2350	Unch
	Madurai	Mill Quality	2407	2407	Unch
	Coimbatore	Mill Quality	2407	2407	Unch
Bihar	Khagariya	Mill Delivery	1800	1800	Unch
	Muzaffarpur	Mill Delivery	1950	1950	Unch
FOR	Kandla (Rajasthan-Rajkot)	Mill Quality	NR	NR	-
	Gandhidham (Rajasthan-Rajkot)	Mill Quality	NR	NR	-

Centre	Market	Variety	Prices (Rs/Qtl)		Change
			30-Dec-16	29-Dec-16	
Gujarat	Rajkot	Lokwan	2000	2000	Unch
M.P.	Indore	Lokwan	NR	Closed	-
	Bhopal	Lokwan	2000	Closed	-
	Bina	Sarbati 306	2300	Closed	-
Rajasthan	Kota	Lokwan Bilty	2050	2050	Unch
	Baran	Lokwan	1850	1850	Unch

Wheat Arrivals in Key Centers:

Centre	Market	Variety	Arrivals (Bags/Qtl)		Change
			30-Dec-16	29-Dec-16	
Delhi	Lawrence Road	Mill Delivery	1000	3000	-2000
	Narella	Mill Quality Loose	300	200	100
	Nazafgarh	Mill Quality Loose	100	100	Unch
Gujarat	Rajkot	Mill Quality Loose	400	700	-300
	Dhrol	Mill Quality Loose	8	8	Unch
M.P.	Indore	Mill Quality Loose	NR	Closed	-
Rajasthan	Kota	Mill Quality	3000	3000	Unch
U.P.	Kanpur	Mill Quality Loose	NA	3000	-
	Mathura	Mill Quality Loose	90	150	-60
	Kosi	Mill Quality Loose	300	250	50
	Hathras	Mill Quality Loose	250	312	-62
	Aligarh	Mill Quality Loose	1500	1700	-200
Punjab	Khanna	Mill Quality Loose	300	300	Unch
	(Ludhiana)Jagraon	Mill Quality Loose	NA	NA	-

Haryana	Sirsa	Mill Quality Loose	100	200	-100
	Hodal	Mill Quality Loose	50	100	-50
	Bhiwani	Mill Quality Loose	250	200	50
	Karnal	Mill Delivery	NR	NR	-
	Panipat	Mill Quality Loose	NA	NA	-

Wheat Products Delhi		30-Dec-16	29-Dec-16	Change
Atta (50kg) Ordinary		1090	1090	Unch
Maida Grade 1 (50KG)		1510	1510	Unch
Suji (50kg)		1535	1535	Unch
Chokar (50 kg)		894	894	Unch
Chokar (34 kg)		600	600	Unch
Chakki Atta (50kg)		1195	1195	Unch
Chakki Atta (50kg) Special		1195	1195	Unch
Chakki Atta (90kg) Superfine		1953	1953	Unch
Chakki Atta (50kg) Superfine		1055	1055	Unch

Wheat (CBOT) Future Price: 29.12.2016					
Contract Month	Open	High	Low	Close	Change
17-Mar	402.50	406.75	402.50	404.75	3.25
17-May	415.50	419.50	415.25	417.75	3.25
17-Jul	430.00	433.25	429.50	431.75	3.25
17-Sep	444.50	447.00	444.00	445.50	2.75
17-Dec	461.25	463.75	460.75	462.00	1.50
18-Mar	474.00	474.75	474.00	474.75	1.25

Disclaimer: The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.php> © 2016 Indian Agribusiness Systems Pvt Ltd.