Wheat Weekly Research Report

Contents

Wheat Domestic Market Fundamentals:-

All India weekly average prices decreased by 5.49 percent to Rs. 1783.96 per quintal during the week ended 23rd May 2017. Wheat average price were ruling at Rs 1887.57 per quintal during 09-15 May 2017. As compared to prices in the week 16-23 May 2016, the prices are firm by 2.97 percent. Prices are expected to remain range bound to slightly weak in coming days.

Government agencies have started procurement since 15th March'17 and as per update on 27th May'17 government has procured around 29.26 million tonnes of wheat. Government will continue its procurement in Madhya Pradesh until May 31, whereas procurement in Uttar Pradesh and Rajasthan is likely to continue until 15th June. In Rabi marketing season 2017-18 government has set procurement target of 33 MT. Government has achieved 88.66% of its procurement target. Last year government was able to procure only 22.9 million tonnes due to lower production.

Normal monsoon rains are expected now as adverse El Niño weather condition has weakened .After its likely onset on May 29-30, the southwest monsoon June may receive164 mm, july-289 mm and Aug-269 mm rains. Chhattisgarh and Vidarbha were expected to get a good amount of pre-monsoon showers during June, where the usual onset date is late June or early July.

Government is likely to sell around 40 lakh tonnes of wheat in MY 2017-18 compared to 46 lakh tonnes in MY 2016-17. Due to low production in last two years, wheat stock in central pool dwindled to five year lows. As of now government is procuring intensively to replenish its stocks. Furthermore millers and traders are also not having any trouble in procuring this year due to ample availability.

As per market sources, India's wheat imports have slowed down due to good domestic crop. Furthermore around 1.8 million tonnes of imported wheat from Australia and Black sea region is lying unsold in port silos. For marketing year 2017-18 demand for imported wheat is likely to be low and India may import around 2-3 million tonnes.

Agriwatch has given its production estimate of 93.5 MMT for 2017-18. Carryout is expected to be around 13.98 MMT. Availability would be 108.48 MMT, higher compared to last year on account of increased production. Consumption is likely to be around 94 MMT.

As per third advance estimate for 2016-17 wheat production is likely to be around 97.4 MMT which is higher compared to second advance estimate of 96.6 MMT issued in February 2017. Grain quality is better this year compared to last year and there are no issues relating to higher moisture and pest. This year overall acreage is higher by around 4.5% over normal acreage of 304.05 lakh hectares.

Latest Developments In Domestic Markets: -

Government has decided to impose no tax on food grains, oilseeds, fruits and vegetables under GST. Prior to this state government of Punjab and Haryana were levying heavy taxes on wheat which discouraged participation of private players. This step will ultimately lead to cheaper prices for the consumer and increase in demand from producer. Government is expecting a decrease of around 2% in inflation under GST.

Indian FoB quote is hovering around $257.21 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at $180, $181.5, Euro 175.12, $177.42 and $196.87 per tonne respectively. The latest consignments from Australia landed at Tuticorin (28901 T), Cochin port (1000 T) and Mangalore (4000 T) at CiF of $239.42, $243.6 and $226.02 per tonne respectively. Around 1500 tonne and 94665 tonne of wheat have been imported from France and Ukraine respectively.

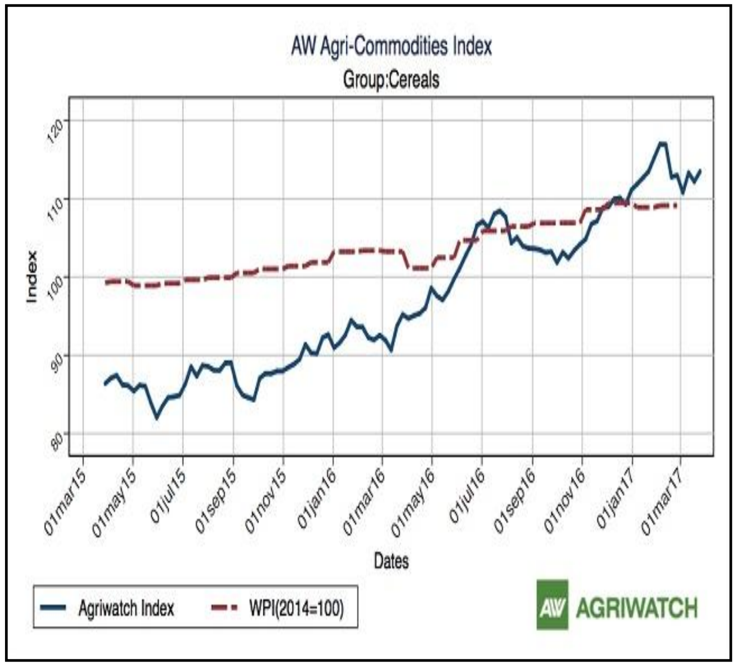
Outlook & Recommendation:-*Wheat cash market is expected to trade steady to slightly weak in the coming week.*

Trade Call: *Stakeholders should trade in June contract taking care of lower and upper price tag of Rs 1575 & 1665 respectively.*

Agriwatch Cereals Index:

The Agriwatch Agri Commodities Index rose 0.74% to 110.34 during the week ended March 25, 2017 from 109.53 during the previous week led by higher cereals and pulses. The base for the Index and all sub-Indices is 2014 (= 100).

Seven of the 9 commodity group sub-Indices and 15 of the 29 individual commodity sub-Indices that constitute the main Index gained during the week. Spices and Sweeteners were the only declining groups this week. The commodity group sub-Index values and their weekly changes are as follows: Cereals: 113.47 (+1.16%), Pulses: 137.35 (+3.20%), Vegetables: 41.18 (+0.41%), Edible Oils: 104.47 (+0.60%), Oilseeds: 90.01 (+0.80%), Spices: 97.92 (-3.29%), Sweeteners: 125.31 (-0.44%), Fibres: 115.44 (+1.72%) and Other Non-Food Articles: 95.34 (+0.08%).

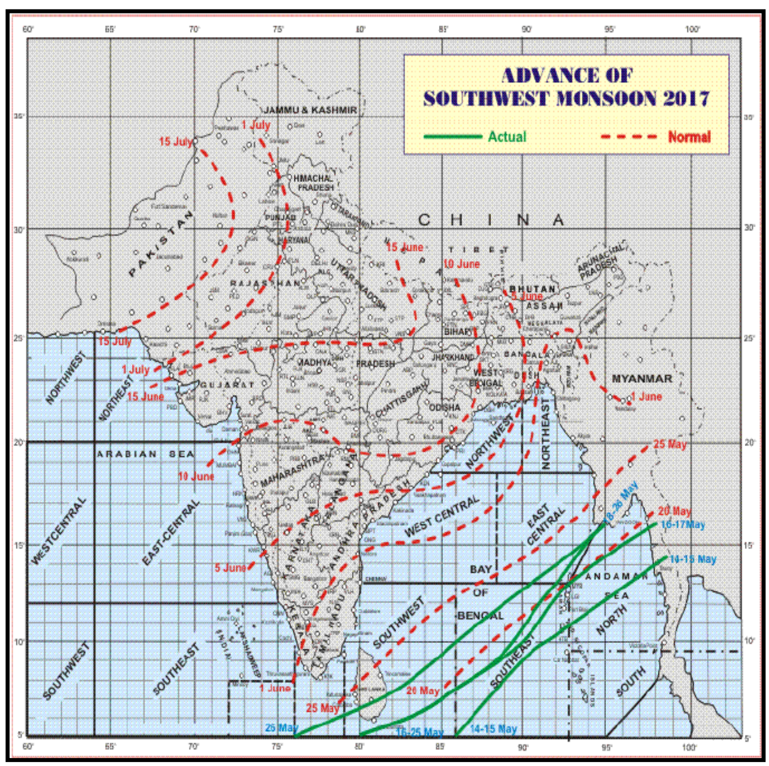


"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website www.agriwatch.com. The daily indices are available on subscription. Please contact for more details."

Weather Condition & Monsoon Progress (27/05/2017):

Under the influence of the low pressure area over southeast Bay of Bengal & adjoining central Bay of Bengal, which is likely to become marked during next 23days, conditions are becoming favorable for the further advance of southwest monsoon into some more parts of southwest & east central Bay of Bengal, remaining parts of southeast Bay of Bengal in coming 45days.

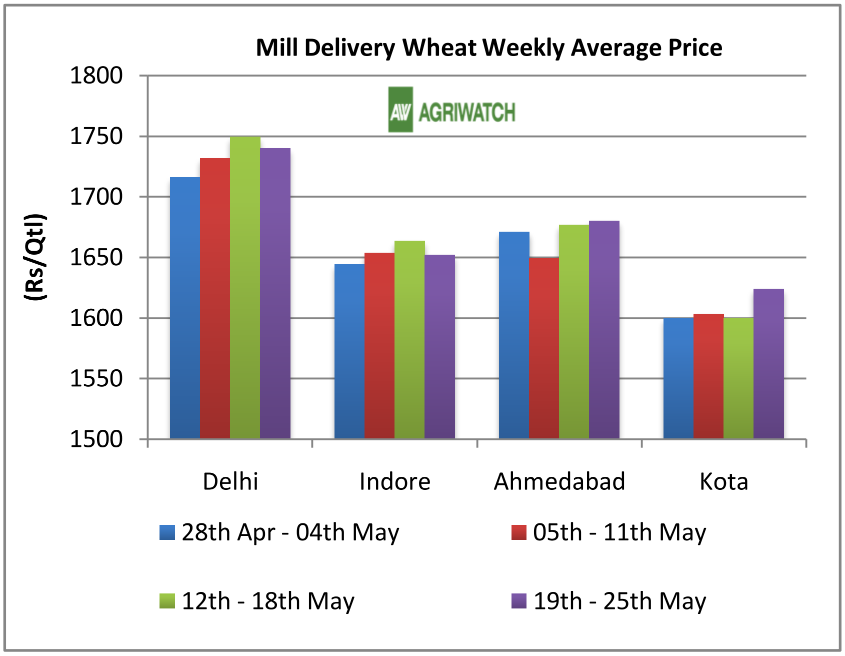
Conditions are also favorable for the advance of southwest monsoon into northeast segment of India covering Nagaland, Manipur, Mizoram & Tripura during 3031May 2017. With the strengthening of westerlies and northward shift of shear zone, conditions are also becoming favorable for the advance of southwest monsoon into some parts of south Arabian sea, entire Maldives-Comorin area and south Kerala during 3031May 2017.



Wheat Weekly Average Price Chart:

Wheat average mill delivery prices traded weak in Indore, Delhi and firm in Ahmedabad and weak in Kota during 19th–25th May. Prices are expected to remain steady to slightly weak.

Procurement has crossed the mark of 29 MMT and government is likely to procure between 30-31 MMT. Arrivals as well as progressive procurement are higher compared to last year during the same period. Furthermore in Uttar Pradesh government has announced a bonus of Rs 10/Qtl. above MSP and additional procurement centers will also be established in U.P.



Wheat Stock Norms						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
As on	Rice	Wheat	Total	Rice	Wheat	G Total
1st April	115.8	44.6	160.4	20	30	210.4
1st July	115.4	245.8	361.2	20	30	411.2
1st Oct.	82.5	175.2	257.7	30	20	307.7
1st Jan	56.1	108	164.1	30	20	214.1
Buffer Norms w.e.f. 27.12.2016						

Procurement As on 12th May-2017:

State	Total Procurement In Marketing Season 2016-17(April To March)	Progressive Procurement As on 12.05.2017(Fig In Lakh Tonne)		
		In Marketing Season 2017-18	In Marketing Season 2016-17	% Ch Over Previous Year
Haryana	67.52	73.46	67.03	+9.59
Madhya Pradesh	39.92	59.28	38.88	+52.47
Punjab	106.49	115.2	104.92	+9.80
Rajasthan	7.62	9.25	6.67	+38.68
Uttar Pradesh	7.97	15.92	6.54	+143.43
All-India	**229.62**	**273.24**	**224.14**	**+21.91**

Total wheat procurement was registered at 229.44 lakh tonnes till 28th June -2016.Against set target of 33 MMT Government has procured 273.24 lakh tonnes until 12th May-17.

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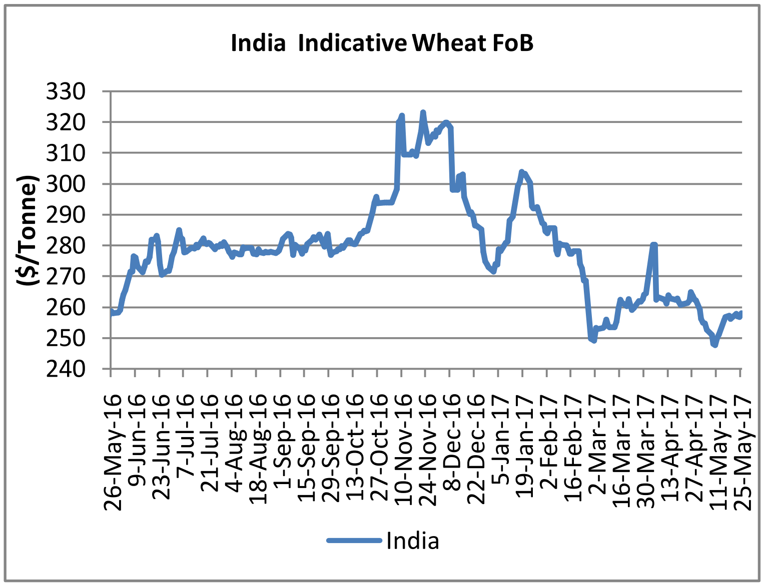
FOB Quote For Wheat At Kandla:

Wheat FoB quote in India witnessed to steady to slightly weak tone. The demand for Indian wheat in the international market is very low. Export window remains restricted due to huge disparity. There are no takers at higher level.

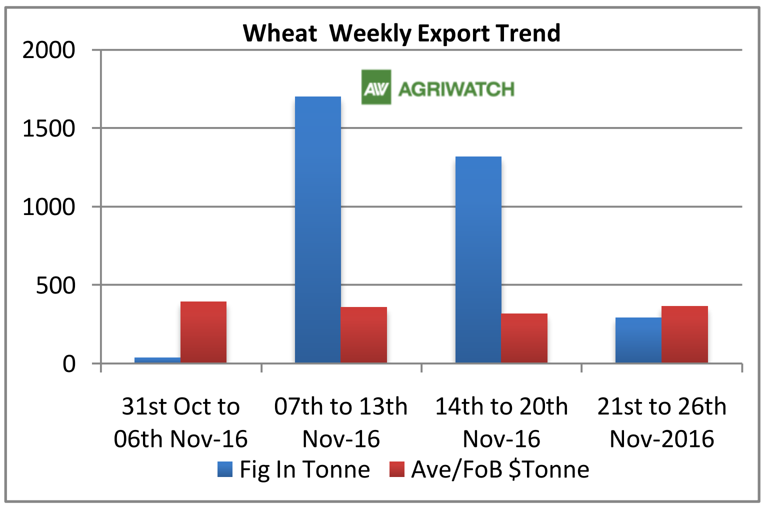
Abundant availability of wheat in international market at lower prices compared to export prices of India has also reduced demand of Indian wheat in international market. Prices of wheat may stay steady to slightly weak at current level because south Indian millers are still importing wheat even after duty has been imposed. Furthermore government has no intention to increase import duty to cease imports and arrival pressure has been increasing from central and north India.



Wheat Export:

Wheat export volume has been negligible during last few weeks and there is no hope for any major recovery in coming weeks as disparity continues to discourage exporters.

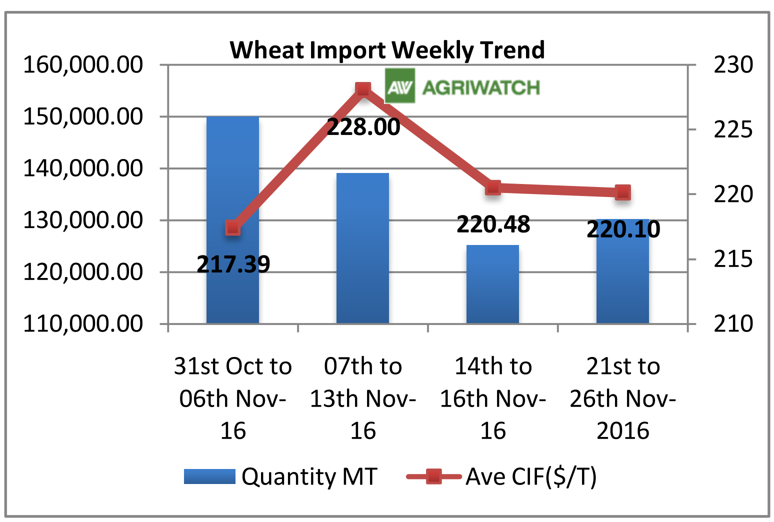
India exported 294.62 tonnes of wheat during week ended 26th Nov-2016, down compared to exports in the previous week. Average FoB quote realized last week was $366.49 per tonne. As prices are ruling lower in global market export opportunity for Indian wheat exporters seems bleak. Major buyers were Sri Lanka, UAE, Somalia and USA.



Wheat Import:

According to latest update, a total quantity of around 130066 tonnes of wheat has been imported from Australia, Ukraine and France after revision of import duty from 25% to 10%. Of the total quantity imported 94665 tonnes have been imported from Ukraine and rest is from Australia and France.

As import duty, has been slashed, import volume may be around 3MMT in current MY. It would impact demand of south Indian millers from central and north India. Off-take from central pool may decrease.



Indicative FOB Quotes:						
Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		24-May-17	17-May-17	24-Apr-17	24-May-16	
USA (Chicago)	2srw	177.99	175.24	173.59	195.54	-8.98
France	FCW3	173.77	175.04	175.03	164.31	5.76
Australia	ASW	197.27	197.74	187.73	216.00	-8.67
Russia	SRW	180.00	180.00	183.50	186.00	-3.23
India	Fob	256.75	256.95	261.33	256.52	0.09

		25/05/2017	18/05/2017	11/05/2017	04/05/2017
July/Aug	Black Sea Mill Wheat 12.5% FOB Pmax.	174	172	172	174
August	Black Sea Mill Wheat 11.5% FOB Pmax.	166	165	166	165

Wheat Futures Contact: NCDEX Price									Date:26.05.2017
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
17-June	+9	1601	1614	1597	1610	1570	+570	19340	-80
17-July	+7	1621	1633	1620	1631	1660	+1,170	9440	+620
17-Aug	+5	1647	1647	1647	1652	-	-	-	-

Wheat Weekly Price Table:

Spot prices of wheat at NCDEX Delivery centers					
NCDEX SPOT	Today	Week Ago	Month Ago	Year Ago	% Change over prev. Year
	25-May-17	18-May-17	25-Apr-17	25-May-16	
Indore	NA	1615	1605	1696	-
Bareilly	NA	NA	NA	NA	-
Delhi	1739	1750	1728	1705	1.99
Khanna	NA	NA	NA	NA	-
Kanpur	1588	1597	1561	1605	-1.06
Karnal	NA	NA	NA	NA	-
Rajkot	1593	1583	1619	1623	-1.85
Kota	1613	1622	1615	1694	-4.78
Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.					

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Wheat Technical Analysis:

Wheat –Technical Outlook	Contract Expiry: 20th June, 2017

Technical Commentary:

- Fall in price and open interest indicates long liquidation.
- RSI is moving in neutral region.
- Traders are advised to go long on wheat for this week.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	June	1585	1575	1610	1655	1665
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Wheat	NCDEX	June	**Buy Above**	1608	1625	1640	1598

Domestic Market Weekly Outlook:

Wheat cash market is likely to stay steady to slightly weak in the coming week because of low demand as traders have adequate stocks which were build through imports and any additional demand cane be met by good domestic crop . Furthermore, wheat stocks lying unsold at Indian port silos are likely to keep prices from moving up. Gujarat bought good quantity of mill quality from M.P. during last season for selling it to south Indian millers and traders after sorting and cleaning but this year due to weak demand from south India as well as lower prices of mill quality in Gujarat, buying activities have been sluggish. At prevailing duty of 10%, South Indian flour millers are still importing wheat.

Spot Market Price:

Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			25-May-17	24-May-17	18-May-17	25-Apr-17	25-May-16
Delhi	Lawrence Road	Mill Delivery	1740	1740	1750	1730	1700
	Narella	Mill Quality Loose	1670	Closed	1670	1640	NA
	Nazafgarh	Mill Quality Loose	1640	Closed	1650	1615	NA
Gujarat	Rajkot	Mill Delivery	NR	NR	1490	1530	1575
	Ahmedabad	Mill Delivery	NR	NR	1680	1670	1735
	Surat	Mill Quality Loose	NR	NR	1710	1710	1760
	Dhrol	Mill Delivery	1735	1605	1855	1900	1970
M.P.	Indore	Mill Quality Loose	Closed	1600	1625	1600	1600
	Bhopal	Mill Delivery	Closed	1600	1650	1625	1625
Rajasthan	Kota	Mill Quality Loose	Closed	1515	1500	1520	1590
		Mill Delivery	Closed	1640	1600	1625	1650
U.P.	Kanpur	Mill Delivery	1740	1740	1725	1740	1615
	Mathura	Mill Quality Loose	1570	1555	1575	1540	1610
	Kosi	Mill Quality Loose	1570	1572	1570	1530	1565
	Hathras	Mill Quality Loose	1580	1580	1560	1660	NA
	Aligarh	Mill Quality Loose	1550	1560	1645	1625	1565
Punjab	Khanna	Mill Quality Loose	1600	1600	1620	1630	1525
	Ludhiana (Jagraon)	Mill Delivery	1750	1750	1750	1725	1620
Haryana	Sirsa	Mill Delivery loose	1615	1615	1625	1625	1560
	Hodal	Mill Delivery	1680	1680	1690	1680	1680

	Bhiwani	Mill Quality Loose	1625	1625	1670	1625	1625
	Karnal	Mill Quality Loose	1650	1650	1640	1700	NA
	Panipat	Mill Quality Loose	1625	1625	NR	1625	NA
Tamil Nadu	Chennai	Mill Quality	Closed	1980	2000	2000	1900
	Madurai	Mill Quality	Closed	2037	2057	2057	1957
	Coimbatore	Mill Quality	Closed	2037	2057	2057	1957
Bihar	Khagariya	Mill Delivery	1600	1600	1650	1625	1600
	Muzaffarpur	Mill Delivery	1570	1550	1550	1600	1640

Progressive Sowing Status till 03rd Feb-2017:

State Wise Progressive Wheat Sowing Till 03.02.2017

State	Normal area	This Year	Last Year	% Change
Assam	0.34	0.12	0.00	**0.00**
Bihar	21.34	22.95	22.73	**+0.97**
Chhattisgarh	1.04	1.736	1.58	**+9.87**
Gujarat	11.56	9.96	9.01	**+10.54**
Haryana	25.39	25.38	25.11	**+1.08**
H.P.	3.51	3.59	3.60	**-0.28**
J&K(J)	3.04	2.31	2.45	**-5.71**
Manipur	0.00	0.00	0.00	**0.00**
Meghalaya	0.00	0.00	0.00	**0.00**
Jharkhand	1.66	2.08	1.60	**+30.00**
Karnataka	2.06	1.57	1.74	**-9.77**
M.P.	54.96	64.22	56.34	**+13.99**
Maharashtra	8.82	10.52	6.29	**+67.25**
Punjab	35.11	35	34.97	**+0.09**
Tamil Nadu	0.00	0.00	0.00	**0.00**
Telengana	0.00	0.00	0.00	**0.00**
Tripura	0.00	0.00	0.00	**0.00**
Rajasthan	30.47	30.677	29.66	**+3.43**
Uttar Pradesh	97.59	100.52	94.99	**+5.82**
Uttarakhand	3.53	3.59	3.58	**+0.28**
West Bengal	3.29	3.39	3.45	**-1.74**
Others	0.35	0.21	0.16	**+31.25**
All India	304.05	317.81	297.25	**+6.92**

Source: Ministry of Agriculture

Wheat Import at Various Ports:

21st to 26th Nov-2016			
Source	Port	Quantity/T	Ave CiF/$T
Australia	Tuticorin	28901	239.42
	Mangalore	4000	226.02
	Cochin	1000	243.6
France	Tuticorin	1500	219.33
Ukraine	Tuticorin	76965	199.93
	Chennai	17700	195.23
Total		130066	

During the week 21st to 26th November FOB Kandla for wheat Sourced from Rajkot region (Gujarat) was in the range of $313.32-323.08 per tonne.

14th to 20th Nov-2016			
Source	Port	Quantity/T	Ave CiF/$T
Australia	Tuticorin	18870	243.8
	Chennai	2500	260.21
	Mangalore	7438	228.92
	Cochin	1500	247.93
France	Tuticorin	2000	223.22
Ukraine	Tuticorin	57716	199.73
	Chennai	35031	197.93
Total		125055	

07th to 13th Nov-2016			
Source	Port	Quantity/T	Ave CiF/$T
Australia	Tuticorin	22580	244.96
	Chennai	21000	260.21
	Mangalore	2500	227.81
	Cochin	1768	249.7
France	Tuticorin	1000	223.22
Ukraine	Kolkata	16096	188.61
	Chennai	74000	196.18
Total		138944	

International Market Update:

As per latest update, Japan's ministry of agriculture bought 117800 MMT of food quality wheat from United States and Australia. Around 79930 MMT has been bought from United States to be loaded between June 21-July 20 and 37870 MMT of standard white has been bought from west Australia to be loaded between July 1-July 31.

Wheat yield in Ukraine is likely to fall to 3.72 tonnes per hectare from record level of 4.21 tonnes per hectare last year. If weather gets favorable in the upcoming days it can push yield up to last year's level however unfavorable weather conditions can reduce it to 3.4 tonnes per hectare. The ministry of Ukraine is likely to harvest around 6 million hectares. In 2016 Ukraine produced 26 million tonnes of wheat.

As per latest update, Egypt has procured around 2.33 million tonnes of from wheat since the beginning of its harvesting season from mid-April. Egypt's supply minister expects to procure around 3.8 million tonnes from local farmers until July. The ministry has decided to provide a premium of 15 Egyptian pounds per tonne for wheat stored and transported in jute bags and 10 Egyptian pounds per tonne for wheat stored in silos located far from production areas with over 50 percent empty storage capacity.

Russian export prices moved up on purchase by Egypt and expectation that rouble will rise against dollar. Russian wheat with 12.5 percent protein was quoted at FoB $185.5 per tonne, up by around $1 per tonne compared to last week. Russia exported 24.9 million tonnes of wheat between July 1 and May 17 higher by 1.2 percent compared to last year.

European Union has reduced its yield forecast for 2017 due to dry weather conditions in Spain and France. Furthermore cold weather in countries such as Germany and Poland is also posing threat to wheat crop. The yield for soft wheat has been revised down to 5.91 tonnes per hectare compared to 6.05 tonnes per hectare a month ago. However the current yield forecast is still higher by around 6.2 percent compared to last year and by 1.2 percent compared to mean yield of past five years.

As per latest update around 52% of winter wheat is in good or excellent condition compared to 62% last year for the same period. Around 90% spring wheat has been planted as on 21st May'17 compared to 94% last year for the same period. Of the total spring wheat planted around 62% has emerged.

GASC has purchased 295000 tonnes of wheat through tender after abolishing its zero-tolerance policy towards ergot. Of the total quantity 60000 tonnes is of Russian origin, 60000 tonnes is of Ukrainian origin, 60000 tonnes is of Romanian origin and 115000 tonnes is of US origin. Cerealcom bought Romanian wheat at FoB $197.49 per tonne, Midgulf bought Russian wheat at FoB $198.00 per tonne, Louis Dreyfus bought US wheat at FoB $185.40 per tonne, Ameropa bought US wheat at $186.75 per tonne and Louis Dreyfus bought Ukrainian wheat at FoB $197.05 per tonne.

As per latest update, Japan's ministry of agriculture bought 115491 MMT of food quality wheat from United States and Canada. Around 79572 MMT has been bought from United States to be loaded between June 21-July 20 and 35919 MMT of western red spring wheat has been bought from Canada with minimum protein content of 13.5 percent to be loaded between July 21- Aug 20.

Algeria state grains agency OAIC has bought around 470000 tonnes of milling wheat in a tender that closed on Wednesday. The prices paid were in the range of $197.75 to $199 per tonne (Cost and Freight). The quantity to be shipped is due in first and second half of July. The origin of wheat that is to be supplied is at seller's option

IGC Wheat Balance Sheet:

IGC Forecast(Fig-In MMT)	2014-15	2015/16 Estimated	2016/2017 (Forecast)	2017-18 (Proj)	
				27.04.2017	25.05.2017
Production	730	738	754	736	736
Trade	153	166	173	166	169
Consumptions	715	719	738	738	738
Carryover stocks	206	225	241	239	239
Y-O-Y change	15	19	16	-	-2
Major Export	66	68	79	73	68

- *IGC has kept its projection for wheat unchanged at 736 MMT as on 25th May-2017 for 2017-18. According to forecast by IGC for 2016-17 global wheat production was around 754 MMT against 738 MMT for 2015-16. The difference is around 16 MMT from previous estimate. Higher projection for wheat may pressurize global wheat market at current level and any major recovery from current level is unlikely.*
- *Trade projection has been increased to 169 MMT. It is 4 MMT lower compared to forecast for last year and higher by 3 MMT compared to 2015-16.*
- *Consumption has been kept unchanged at 738 MMT for 2017-18. The projection is higher by 19MMT compared to 2015-16.*
- *Carryout has been kept unchanged at 239 MMT for 2017-18. It is lower by around 2 MMT compared to 2016-17.*

CBOT FUTURES CONTRACT:

CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Change over prev. year
	24-May-17	17-May-17	24-Apr-17	24-Feb-17	24-Nov-16	24-May-16	
Jul-17	158.90	156.88	154.03	169.74	166.25	192.52	-17.46
Sep-17	163.86	161.75	159.54	175.25	171.67	195.00	-15.97
Dec-17	171.85	169.65	168.27	182.05	178.01	198.86	-13.58
Mar-18	178.56	176.17	175.16	186.73	182.14	202.71	-11.92
May-18	183.15	180.21	179.11	189.12	184.80	203.63	-10.06
Jul-18	186.64	183.24	180.85	189.49	187.19	197.57	-5.53

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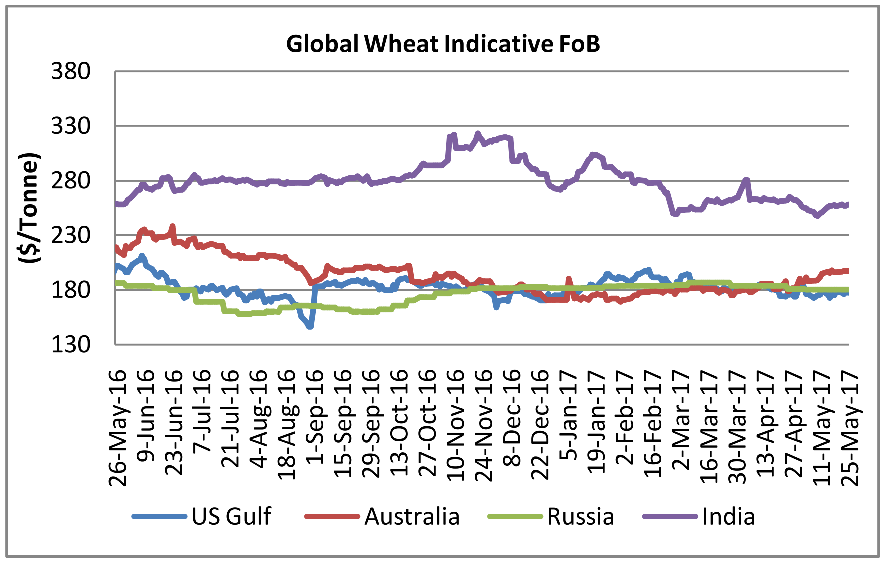
CBOT-July-17

1st Support; 152.00
2nd Support: 150.00
1st Resistant: 172.00
2nd Resistant: 174.00
($ per tonne)

Market is likely to move from range bound to slightly firm. Favorable weather improved winter wheat condition in major growing regions which led to recent downtrend witnessed in CBOT.

International FOB Weekly Price Movement (USD/T)



Indian FoB quote is based on local price. There is no export in bulk volume currently. Indian FoB quote is hovering between $256.19-258.14 per tonne.

US and Russian quotes are hovering in the range of $177.42 and $180 per tonne respectively. Wheat prices in international markets witnessed steady to slightly weak tone in the last week

Wheat quotes are expected to trade steady to slightly weak and hover in the range of $170 to $200 in coming weeks.

International Weekly Outlook:

Global wheat market is expected to trade from steady to slightly weak as ample supplies are available in the market. Russia is likely to harvest 63 MMT of wheat in 2017 compared to 73.3 MMT in 2016. Dryness in Spain and France, and late frost in Germany and Poland has led EU to revise its production forecast by 1.1 MMT to 142.7 MMT. Ukraine has sown around 95% (1.68 lakh hectares) of their target area for spring wheat. Australia is likely to produce 24 MMT in 2017 compared to 35 MMT in 2016. The fall in production is mainly due to lower are compared to last year. US crop plantings are likely to fall in 2017 to 18.7 million hectares lowest since 1919. Overall crop condition is good as rainfall was witnessed in South Great Plains. Argentina is expecting to harvest around 17.5 MMT in 2017-18 compared to 16.3 MMT in 2016-17.. Furthermore, Canada harvested around 31.7 MMT as higher yields compensated for a 7% drop in harvested area. Therefore, Steady to slightly weak market is expected in short to medium term.