

# Wheat Weekly Research Report

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### Wheat Domestic Market Fundamentals:-

All India weekly average prices decreased by 2.44 percent to Rs. 1874.9 per quintal during the week ended 08th October 2017. Wheat average price were ruling at Rs 1921.87 per quintal during 24-30 September 2017. As compared to prices in the week 01-08 October 2016, the prices are firm by 4.30 percent. Prices are expected to remain steady to firm in coming days.

As per trade sources, government may increase MSP of wheat for the upcoming market season. MSP can be increased up to Rs 100 per quintal from current Rs 1625 per quintal. An increase in MSP will motivate farmers either to sow more area or keep it unchanged.

India received an actual rainfall of 152.1 mm in the month of September'17 compared to 168 mm last year for the same month against normal rainfall of 173.4 mm. In the first week of October'17, India has received an actual rainfall of 27.9 mm against normal rainfall of 31.3 mm. Uttar Pradesh, a major wheat grower has received deficient rainfall in monsoon however any post monsoon rains can easily provide the requisite soil moisture.

Government is likely to increase import duty on wheat by 10-15% from current level of 10% in order to provide support to domestic prices and reduce imports. Furthermore sowing of wheat is likely to start after Diwali and if farmers do not see any firmness in prices, acreage might fall in the upcoming season.

FCI has offered a total of 15177552 tonnes of wheat through E-Auction since June until third tender in September. Sales through E-Auction of wheat are at lower side this year due to high domestic production and imports. In the month of June 115000 tonnes was sold against offered quantity of 1104050 tonnes, 34400 tonnes was sold in July against offered quantity of 4934602 tonnes, 43550 tonnes was sold in August against offered quantity of 5770100 tonnes and 16350 tonnes has been sold in three tenders of September against offered quantity of 3368800.

As per fourth advance estimate for 2016-17 wheat production is likely to be around 98.8 MMT which is higher compared to third advance estimate of 97.4 MMT. The total food grain production has been pegged at 275.68 MMT compared to 251.57 MMT in final estimate of 2015-16.

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.

### Latest Developments In Domestic Markets:

Import quotes for wheat from different origins to Tuticorin port witnessed firm tone in the last week. As of now Tuticorin port price for APW is Rs 1940-50 per quintal, ASW is Rs 1840-50 per quintal and Ukrainian wheat at Rs 1740-50 per quintal. India is likely to import 3-4 million tonnes of wheat in 2017-18. Government may increase import duty from 10% in order to curb imports and provide support to domestic prices.

Indian FoB quote is hovering around \$261.13 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$185.13, \$186.25, Euro 161.63, \$194.28 and \$216.52 per tonne respectively. There is little hope for recovery at export front this year however India is expected to import 3 to 4 million tonnes in MY 2017-18.

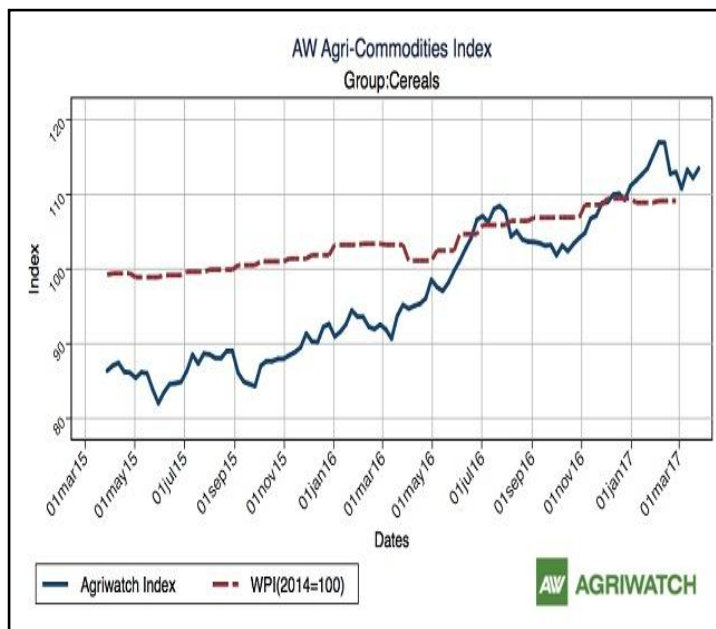
Outlook & Recommendation:-Wheat cash market is expected to trade steady to firm in the coming week.

Trade Call: Stakeholders should trade in November contract taking care of lower and upper price tag of Rs 1625 & 1732 respectively.

### Agriwatch Cereals Index:

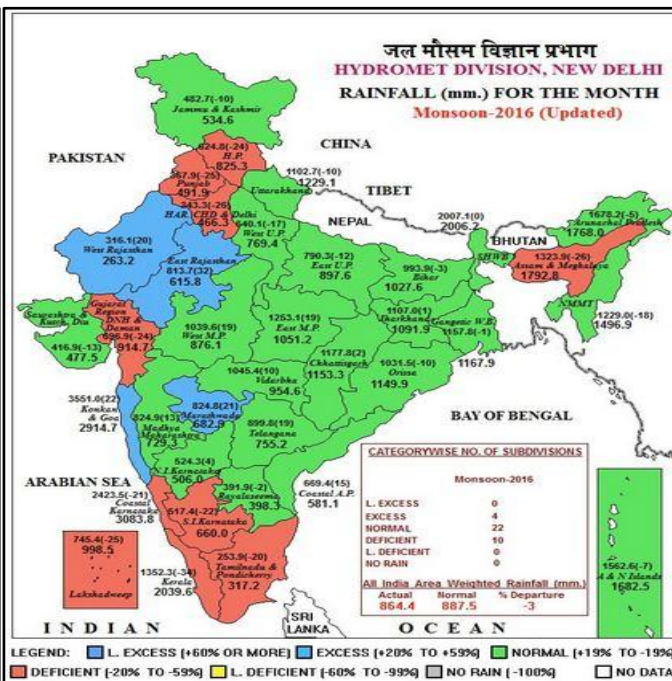
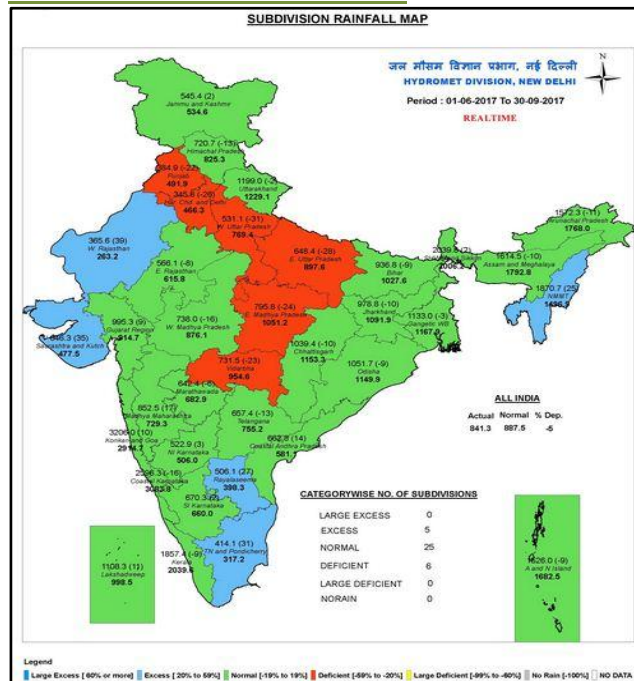
The Agriwatch Agri Commodities Index rose 0.74% to 110.34 during the week ended March 25, 2017 from 109.53 during the previous week led by higher cereals and pulses. The base for the Index and all sub-Indices is 2014 (=100).

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](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

### Weather Condition & Monsoon:



Source: IMD

**Wheat Weekly Average Price Chart:**

Wheat average mill delivery prices traded weak in Delhi, Ahmedabad and Indore during 29<sup>th</sup> September-05<sup>th</sup> October. Prices are expected to remain steady to firm.

Prices are expected to increase as government may increase MSP or increase import duty both of which are likely to support domestic prices. Furthermore government has ample stocks to tackle any unexpected surge in prices. Imported wheat in south India is still cheaper compared to transporting it from north and central states. Government has applied 5% GST on wheat that has been packed and branded.

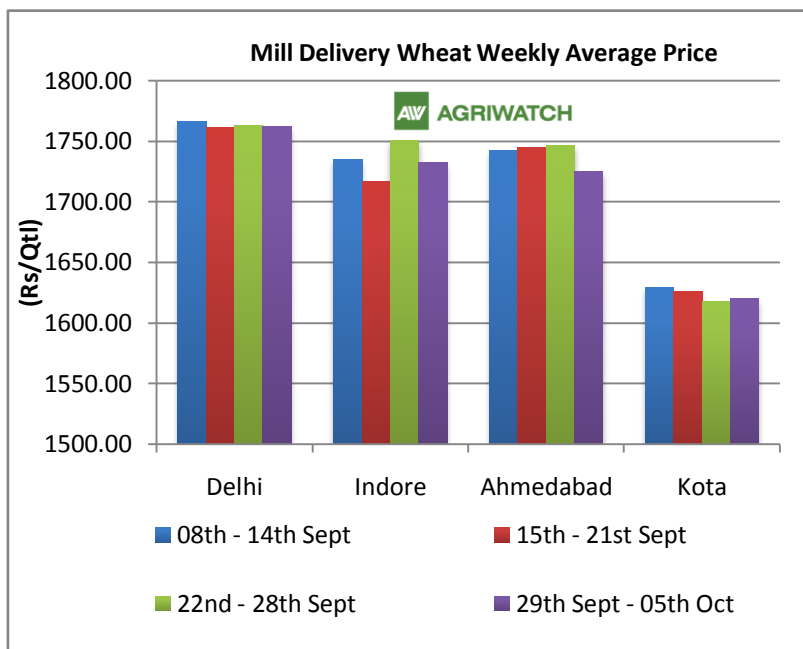

**Wheat Stock Norms**

Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
As on						
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	20	30	307.7
1st Jan	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

**Procurement As on 21<sup>st</sup> July-2017:**

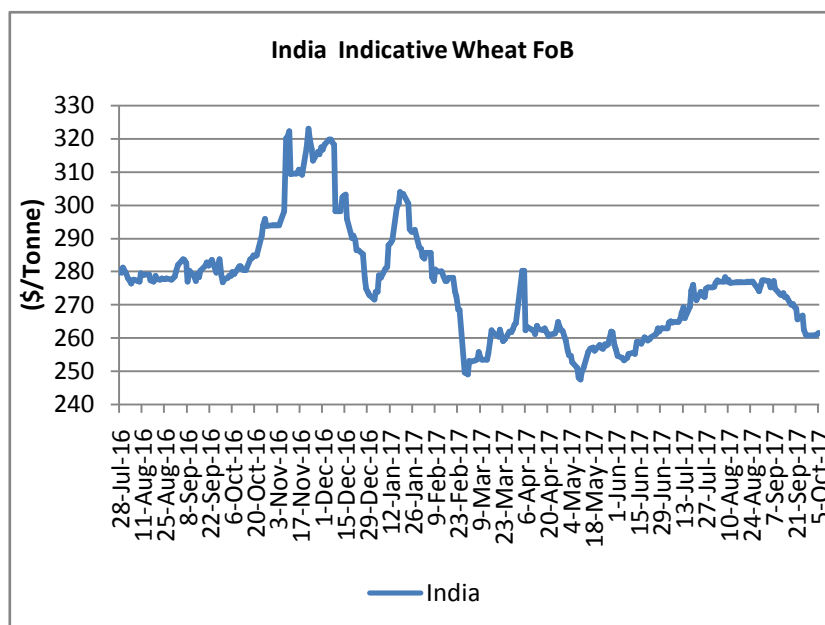
State	Target for Procurement In Marketing Season 2017-18(April To March)	Progressive Procurement As on 21.07.2017(Fig In Lakh Tonne)		
		In Marketing Season 2017-18	In Marketing Season 2016-17	% Ch Over Previous Year
Haryana	75.00	74.11	67.52	9.76%
Madhya Pradesh	85.00	67.24	39.92	68.44%
Punjab	115.00	117.05	106.49	9.92%
Rajasthan	17.50	12.45	7.62	63.12%
Uttar Pradesh	30.00	36.99	7.97	364.12%
<b>All-India</b>	<b>330.00</b>	<b>308.01</b>	<b>229.62</b>	<b>34.13%</b>

Total wheat procurement was registered at 229.62 lakh tonnes till 28<sup>th</sup> June -2016. Against set target of 33 MMT Government has procured 308.01 lakh tonnes until 21<sup>st</sup> July-17.

**FOB Quote For Wheat At Kandla:**

Wheat FoB quote in India witnessed steady to weak sentiments last week. The demand for Indian wheat in the international market is 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. Black sea region is expected to harvest good crop this year which will further reduce the regions export quotes and increase price gap between India and black sea region. Prices of wheat may stay steady to weak at current level due to ample availability in the domestic as well as international markets.


**Indicative FOB Quotes:**

Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		4-Oct-17	27-Sep-17	5-Sep-17	5-Oct-16	
USA (Chicago)	2srw	193.60	197.16	183.00	183.70	<b>5.39</b>
France	FCW3	190.34	191.07	187.72	183.37	<b>3.80</b>
Australia	ASW	217.60	214.88	201.12	200.00	<b>8.80</b>
Russia	SRW	185.50	182.50	170.00	162.00	<b>14.51</b>
India	Fob	261.18	261.07	275.17	278.70	<b>-6.28</b>

	05/10/2017	28/09/2017	21/09/2017	14/09/2017
Black Sea Mill Wheat 12.5% FOB Pmax.	193	191	187	185
Black Sea Mill Wheat 11.5% FOB Pmax.	183	180	176	174

Wheat Futures Contact: NCDEX Price								Date: 06.10.2017	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
<b>17-Oct</b>	<b>+1</b>	1639	1645	1636	1642	1050	<b>-120</b>	6270	<b>-410</b>
<b>17-Nov</b>	<b>+3</b>	1672	1675	1659	1669	1830	<b>-100</b>	7850	<b>+310</b>
<b>17-Dec</b>	0	1685	1685	1684	1685	60	-	60	-



**Wheat Technical Analysis:**

**Technical Commentary:**

- Rise in price and open interest indicates long buildup.
- 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	Nov	1635	1625	1667	1722	1732
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	Nov	Buy Above	1665	1688	1710	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
	5-Oct-17	28-Sep-17	5-Sep-17	5-Oct-16	
Indore	1655	1661	1696	1787	-7.39
Delhi	1764	1765	1766	1825	-3.34
Kanpur	1656	1658	1650	1710	-3.16
Rajkot	1633	1630	1690	1795	-9.03
Kota	1650	1652	1672	1731	-4.68

Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.

**Domestic Market Weekly Outlook:**

Wheat cash market is likely to trade steady to firm in the coming week as prices may get support from an expected increase in MSP or import duty. Millers in south India are still importing wheat as it is cheaper compared to buying it from North India. Import duty is 10% and government may increase import duty to curb imports.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			5-Oct-17	4-Oct-17	28-Sep-17	5-Sep-17	5-Oct-16
Delhi	Lawrence Road	Mill Delivery	1765	1760	1765	1760	1820
	Narella	Mill Quality Loose	1675	Closed	1670	1665	NA
	Nazafgarh	Mill Quality Loose	1665	Closed	1665	1665	NA
Gujarat	Rajkot	Mill Delivery	1560	1555	1565	1600	1700
	Ahmedabad	Mill Delivery	1750	1720	1735	1740	1860
	Surat	Mill Quality Loose	1780	1760	1780	1780	1880
	Dhrol	Mill Delivery	1665	1665	1605	1735	1800
M.P.	Indore	Mill Quality Loose	1650	1650	1650	1650	1700
	Bhopal	Mill Delivery	1625	1625	Closed	1650	1650
Rajasthan	Kota	Mill Quality Loose	1530	Closed	1530	Closed	1615
		Mill Delivery	1620	Closed	1620	Closed	1710
U.P.	Kanpur	Mill Delivery	1700	1705	1700	1715	1705
	Mathura	Mill Quality Loose	1580	1585	1585	1575	1610
	Kosi	Mill Quality Loose	1590	1600	1565	1570	1665
	Hathras	Mill Quality Loose	1580	1640	1600	1630	1700
	Aligarh	Mill Quality Loose	1590	Closed	1580	1600	1630
Punjab	Khanna	Mill Quality Loose	1680	1660	1690	1675	1630
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1695	1695	1700	1700	1650
	Hodal	Mill Delivery	1740	1740	1750	1740	NA
	Bhiwani	Mill Quality Loose	1680	1690	1680	1670	1715
	Karnal	Mill Quality Loose	1670	1670	1675	1665	1660



	Panipat	Mill Quality Loose	1625	1625	1625	1625	NA
Tamil Nadu	Chennai	Mill Quality	1950	Closed	1950	Closed	2050
	Madurai	Mill Quality	2007	Closed	2007	Closed	2107
	Coimbatore	Mill Quality	2007	Closed	2007	Closed	2107
Bihar	Khagariya	Mill Delivery	1600	1600	1600	1650	1800
	Muzaffarpur	Mill Delivery	1600	1600	1615	1615	1800

### Progressive Sowing Status till 03<sup>rd</sup> 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



**International Market Update:**

As per latest update, Japan's ministry of agriculture bought 109906 MMT of food quality wheat from United States and Canada. Around 56245 MMT with minimum protein content of 14 percent has been bought from United States to be loaded between November 21 and December 20 and 78941 MMT with minimum protein content of 13.5 percent has been bought from Canada to be loaded between November 21 and December 20.

As on 05th October Russia has harvested 85.4 million tonnes of wheat compared to 75.2 million tonnes a year ago for the same date. Around 26.2 million hectares of area has been harvested with an average yield of 3.27 tonnes per hectare compared to 26.9 million hectares with an average yield of 2.79 tonnes per hectare a year ago for same date. Russia has harvested record crop this year.

Russian milling wheat prices with 12.5% protein content increased by around \$3-4 per tonne compared to last week. Prices have strengthened compared to last week due to strong export demand. As per traders prices have already touched their lowest level. Russia has harvested 85.4 MMT of wheat this year compared to 72 MMT last year. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$192-195/tonne whereas milling wheat with 11.5% protein content is being quoted at FoB \$184-187/tonne.

GASC has purchased 180000 tonnes of Russian wheat through tender. Grant Logistics offered 60000 tonnes of Russian wheat at FoB \$197.95 per tonnes; Friends offered 60000 tonnes and 60000 tonnes of Russian wheat at FoB \$199.00 per tonne and FoB \$200.00 per tonne respectively.

The European commission has increased its production of soft wheat by 1 MMT to 140.4 MMT compared to 133.7 MMT last year. The exports for 2017-18 have also been increased by 1 MMT to 27 MMT compared to 25.1 MMT last year.

China has imported a total of 277000 tonnes of wheat in the month of August. Of the total quantity imported in the month of August 109270 tonnes has been imported from USA, 97286 tonnes has been imported from Australia, 62318 tonnes has been imported from Canada and 8126 tonnes has been imported from Kazakhstan.

As per U.S. department of Agriculture, on 02nd October around 36% of winter wheat has been planted compared to 41% a year ago. Production for 2017-18 is expected to be 47.33 MMT compared to 62.85 MMT last year.

Algeria state grains agency OAIC has bought around 480000 tonnes of milling wheat in a tender that closed on Thursday. The prices paid were in the range of \$211.00 - \$212.00 per tonne (Cost and Freight). The quantity to be shipped is due in December. Major part of the quantity is likely to be sourced from France.

Australia is expected to harvest the lowest crop in last eight years at 21.6 MMT compared to 35.1 MMT last year. Farmers are holding onto their stocks in expectation of higher prices. All this has led to Australian wheat offer prices for Asia surpassing offer prices of U.S. The new crop of Australian soft white wheat has been offered at C&F \$245 per tonne for Southeast Asia compared to C&F \$235 per tonne for similar variety of U.S.

As per estimate by Rosario grains exchange, Argentina has planted around 5.4 million hectares of wheat in 2017-18 which is slightly lower than the previous estimate of 5.45 million hectares. wheat harvest for 2017-18 is expected to be 17 million tonnes.

**IGC Wheat Balance Sheet:**

IGC Forecast( Fig-In MMT)	2014-15	2015/16	2016/2017	2017-18 (Forecast)	
			(Estimate)	24.08.2017	28.09.2017
Production	730	736	754	742	748
Trade	153	166	176	172	174
Consumptions	715	718	736	738	742
Carryover stocks	206	224	242	248	248
Y-O-Y change	15	17	18	-	6
Major Export	66	66	76	69	69

- IGC has increased its forecast for wheat by 6 MMT to 748 MMT as on 28<sup>th</sup> September-2017 for 2017-18. According to estimate by IGC for 2016-17 global wheat production was around 754 MMT against 736 MMT for 2015-16. The difference is around 18 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 forecast has been increased to 174 MMT. It is 2 MMT lower compared to estimate for last year and higher by 8 MMT compared to 2015-16.
- Consumption has been increased to 742 MMT for 2017-18. The forecast is higher by 24 MMT compared to 2015-16.
- Carryout has been increased to 248 MMT for 2017-18. It is higher by around 6 MMT compared to estimate of 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
	4-Oct-17	27-Sep-17	3-Sep-17	4-Jul-17	4-Apr-17	4-Oct-16	
Dec-17	162.39	169.56	161.20	210.89	174.52	175.07	-7.24
Mar-18	169.19	176.63	169.00	215.85	180.39	180.85	-6.45
May-18	174.24	181.31	173.78	218.42	184.25	183.42	-5.01
Jul-18	178.65	185.35	178.46	218.97	186.73	183.33	-2.56
Sep-18	184.25	190.59	183.98	220.72	190.59	186.73	-1.33
Dec-18	191.32	197.11	190.31	225.12	195.27	190.96	+0.19

### CBOT-Dec-17

**1<sup>st</sup> Support: 154.00**  
**2<sup>nd</sup> Support: 152.00**  
**1<sup>st</sup> Resistant: 184.00**  
**2<sup>nd</sup> Resistant: 186.00**  
**(\$ per tonne)**

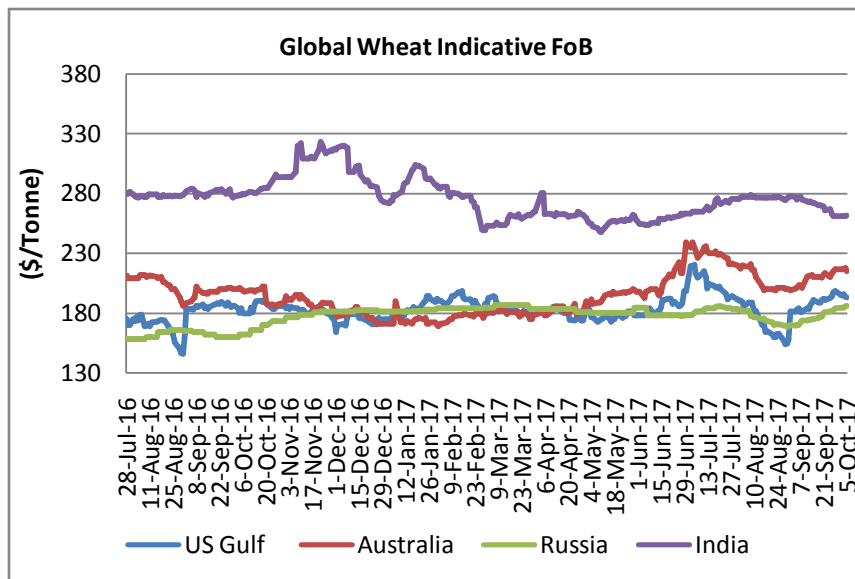
CBOT wheat is under pressure due to higher than expected wheat production. Furthermore ample supplies are available in the market that is keeping the international market under pressure. In the latest report released by IGC, it has also revised global production up by 6 MMT compared to its previous forecast for 2017-18.

### 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 \$260.80-261.62 per tonne.

US and Russian quotes are hovering in the range of \$194.28 and \$185.13 per tonne respectively. Wheat prices in international markets witnessed steady to firm tone in the last week

Wheat quotes are expected to trade steady to firm and hover in the range of \$180 to \$225 in coming weeks.



### International Weekly Outlook:

Global wheat market is expected to trade from steady to weak due to higher carryover stocks and good production. EU is likely to produce around 141.2 MMT in 2017. Russia and Ukraine are likely to harvest 85-86 MMT and 26 MMT of wheat in 2017-18 respectively. Production in US is likely to be around 47.3 MMT compared to last year's 62.8 MMT due to fall in area sowed. Australia is likely to produce 21.5 MMT in 2017 compared to 35 MMT in 2016 due to lower acreage and unfavorable weather conditions. Argentina is expecting to harvest around 16.5 MMT in 2017-18 compared to 17.6 MMT in 2016-17. Furthermore, Canada is likely to harvest around 27 MMT in 2017-18 due to lower acreage compared to 31.7 MMT in 2016-17.

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