

# **Wheat Weekly Research Report**

## **Contents**

- ❖ **Outlook and Review**
- ❖ **Agriwatch Cereals Index**
- ❖ **Weather**
- ❖ **Weekly Price Change**
- ❖ **Stock**
- ❖ **Future Chart**
- ❖ **International Wheat Market Summary**
- ❖ **CBOT Trend**
- ❖ **International Outlook**



### Wheat Domestic Market Fundamentals:-

All India weekly average prices increased by 11.25 percent to Rs. 1984.35 per quintal during the week ended 23rd February 2018. Wheat average price were ruling at Rs 1783.61 per quintal during 09-15 February 2018. As compared to prices in the week 16-23 February 2017, the prices are weak by 6.63 percent. Prices are expected to remain steady to firm in coming days.

As per latest update, wheat stock in central pool as on 1st February'18 stood at 175.47 lakh tonnes down by 10.31% compared to last month. This quantity is higher by around 52.25% compared to corresponding month last year. For the month of January'18 off take from central pool was around 20.15 lakh tonnes compared to 22.22 lakh tonnes for January'17 and 34.53 lakh tonnes for January'16. FCI is currently selling wheat through E-Auction at a reserve price of Rs. 1790 per quintal.

FCI has offered a total of 36598612 tonnes of wheat through E-Auction since June until second tender in February. Of the total quantity offered, only 1036150 tonnes of wheat has been sold until second tender in February. Sales through E-Auction of wheat are at lower side this year due to high domestic production and imports.

IMD has issued no weather warnings for wheat growing states in the week. Temperature is expected to remain conducive. No thunderstorm/hailstorm is expected.

The demand for Indian wheat in the international market is low. Export window remains restricted due to huge disparity. Other countries like Australia, Russia and Ukraine, are able to provide wheat at lower quotes compared to India. In the month of November, India exported 14.53 thousand tonnes of wheat compared to 36.87 in the previous month.

As per latest update, India has imported around 242.12 thousand tonnes of wheat in November'17, lower compared to October'17. India has imported a total of 1394.09 thousand tonnes of wheat since April'17 until November'17. Imports are likely to fall in upcoming months as government has increased import duty from 10 percent to 20 percent. India has imported 5957.79 thousand tonnes of wheat in 2016-17 due to two consecutive bad crops.

As per Agriwatch preliminary estimate, production is likely to be around 91.4 MMT compared to 93.5 MMT last year. Production is likely to fall due to lower acreage this year. 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.

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.

### Latest Developments in Domestic Markets:

As per trade sources, import quotes for wheat from various origins to Tuticorin port, witnessed steady tone in the week. As of now Tuticorin port price for APW is being quoted at Rs2100-2110 per quintal, ASW at Rs2010-2025 per quintal and Ukrainian wheat at Rs1835-1850 per quintal. Ample availability in the market is keeping global wheat prices under pressure.

Indian FoB quote is hovering around \$278.44 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$196.10, \$193.80, Euro 158.60, \$194.39 and \$211.12 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import 2.5 million tonnes in MY 2017-18.

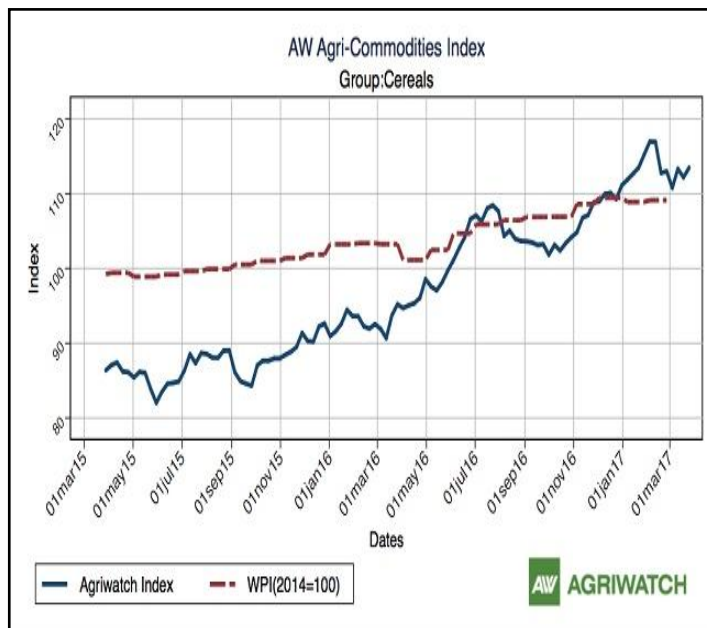
Outlook & Recommendation: Wheat cash market is expected to trade steady to firm in the coming week.

Trade Call: Stakeholders should trade in March contract taking care of lower and upper price tag of Rs 1715 & 1855 respectively.

### Agriwatch Cereals Index:

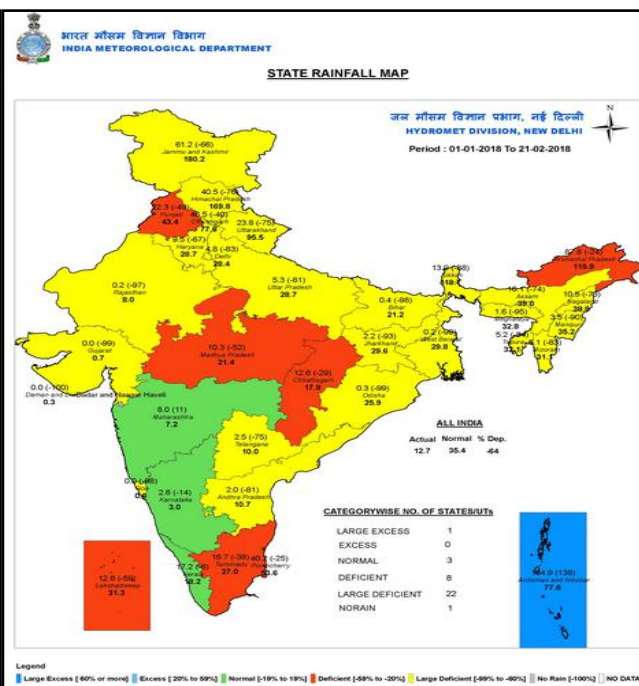
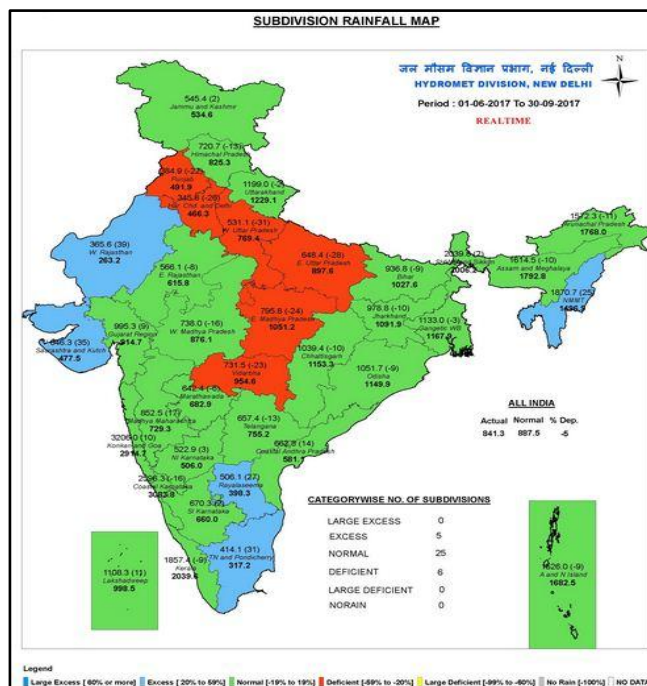
The Agriwatch Agri Commodities Index rose 0.74% to 110.34 during the week ended March 25, 2017 from 109.53 during the previous week led by higher cereals and pulses. The base for the Index and all sub-Indices is 2014 (=100).

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%), Fibers: 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:**

Average mill delivery prices of Wheat traded firm in Delhi, Indore, Kota and Ahmadabad during 16<sup>th</sup>-22<sup>nd</sup> February. Prices are expected to remain steady to firm.

Madhya Pradesh government will provide additional bonus of Rs 200 per quintal over MSP of Rs 1735 per quintal on wheat in marketing year 2018-19. Other wheat growing states such as Punjab, Haryana, Rajasthan and Uttar Pradesh might do the same. If this does happen, prices are not expected to see a sharp increase immediately due to ample stocks. Overall availability of wheat crop is expected to be lower this year due to lower acreage.

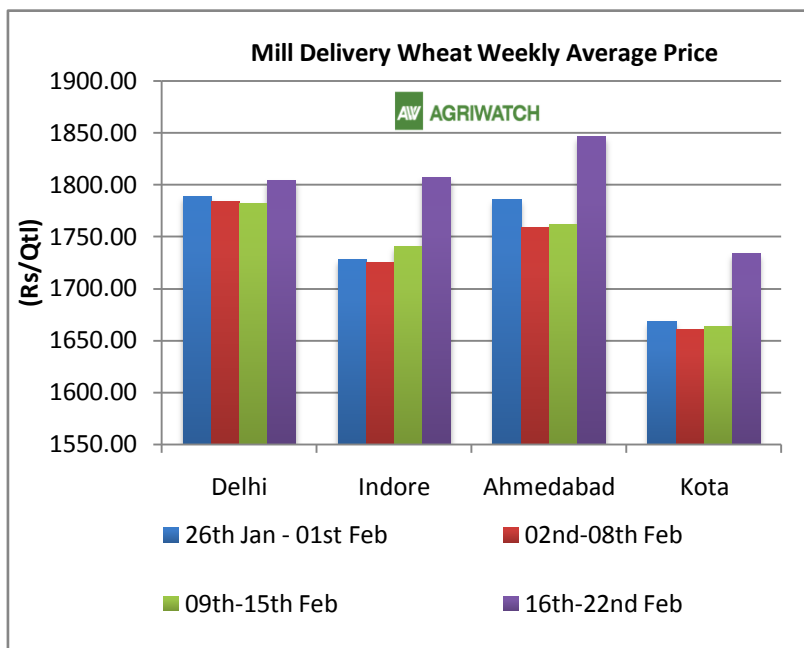

**Wheat Stock Norms**

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:**

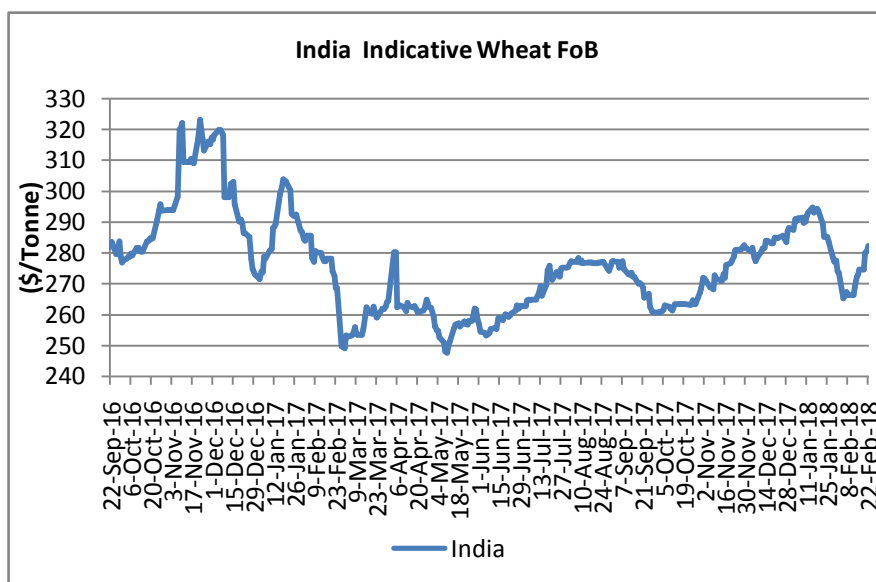
State	Target for Procurement In Marketing Season 2017-18(April To March)	Progressive Procurement As on 21.07.2017(Fig In Lakh Tonne)		
		In Marketing Season 2017-18	In Marketing Season 2016-17	% Ch Over Previous Year
Haryana	75.00	74.11	67.52	9.76%
Madhya Pradesh	85.00	67.24	39.92	68.44%
Punjab	115.00	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%
All-India	330.00	308.01	229.62	34.13%

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 slightly firm tone 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.

Wheat FoB quote for Kandla is likely to witness steady to firm tone in the coming week and is likely to hover in the range of \$280-295 per tonne. Abundant availability of wheat in international market at lower prices compared to export prices of India has also reduced demand for Indian wheat in international market.


**Indicative FOB Quotes:**

Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		21-Feb-18	14-Feb-18	19-Jan-18	21-Feb-17	
USA (Chicago)	2srw	192.99	196.10	181.00	189.96	1.60
France	FCW3	195.81	196.93	186.12	184.34	6.23
Australia	ASW	210.40	204.80	200.80	178.17	18.09
Russia	SRW	196.50	193.50	182.50	184.00	6.79
India	Fob	280.60	272.22	293.70	274.00	2.41

	22/02/2018	15/02/2018	08/02/2018	01/02/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	200	199	198	197
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	195	192	192	188

**Wheat Futures Contact: NCDEX Price**
**Date: 23.02.2018**

Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Mar	+24	1795	1800	1770	1797	2,090	+1,630	7270	+530
18-Apr	+27	1750	1770	1750	1770	250	-40	370	+40
18-May	-2	1751	1749	1749	1749	0	0	0	0

**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	March	1730	1715	1791	1845	1855
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	March	Buy Above	1775	1805	1830	1757

**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
	22-Feb-18	14-Feb-18	22-Jan-18	22-Feb-17	
Indore	1807	1713	1700	1735	4.15
Delhi	1810	1784	1807	1900	-4.74
Kanpur	1700	1680	1700	1773	-4.12
Rajkot	1770	1660	1733	1720	2.91
Kota	1731	1665	NA	1845	-6.18

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 are being supported by lower production and expectation of increase in import duty or MSP. There is no problem at supply side due to ample availability.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			22-Feb-18	21-Feb-18	15-Feb-18	22-Jan-18	22-Feb-17
Delhi	Lawrence Road	Mill Delivery	1805	1800	1795	1810	1925
	Narella	Mill Quality Loose	NA	Closed	1700	1715	1860
	Nazafgarh	Mill Quality Loose	1715	Closed	1700	1720	1840
Gujarat	Rajkot	Mill Delivery	1650	1650	1570	1700	1660
	Ahmedabad	Mill Delivery	1870	1850	1800	1850	1790
	Surat	Mill Quality Loose	1915	1900	1840	1880	1810
	Dhrol	Mill Delivery	1760	NR	1805	1815	2075
M.P.	Indore	Mill Quality Loose	1750	1700	Closed	1690	1700
	Bhopal	Mill Delivery	NR	1800	Closed	1650	1750
Rajasthan	Kota	Mill Quality Loose	1650	1660	1650	Closed	1700
		Mill Delivery	1740	1750	1660	Closed	1800
U.P.	Kanpur	Mill Delivery	1745	1745	1735	1725	1950
	Mathura	Mill Quality Loose	1670	1625	1650	1630	1800
	Kosi	Mill Quality Loose	NR	1610	1640	1610	1800
	Hathras	Mill Quality Loose	1645	1630	1650	1660	1825
	Aligarh	Mill Quality Loose	1630	Closed	NR	Closed	1750
Punjab	Khanna	Mill Quality Loose	1730	1730	1740	1735	1850
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1725	1730	1725	1730	1750
	Hodal	Mill Delivery	1760	1760	1760	NR	2000
	Bhiwani	Mill Quality Loose	1770	1750	1750	1760	1870
	Karnal	Mill Quality Loose	1725	1725	1710	1725	NA
	Panipat	Mill Quality	1625	1625	1625	1625	NA



		Loose					
Tamil Nadu	Chennai	Mill Quality	2115	2125	2000	Closed	2200
	Madurai	Mill Quality	2172	2182	2057	Closed	2257
	Coimbatore	Mill Quality	2172	2182	2057	Closed	2257
Bihar	Khagariya	Mill Delivery	1700	1700	1700	Closed	1850
	Muzaffarpur	Mill Delivery	1650	1650	1650	1700	1800

### Progressive Sowing Status till 09<sup>th</sup> Feb-2018:

State Wise Wheat Sowing Progressive in Lakh Hectares Till 09.02.2018				
State	Normal area	This Year	Last Year	% Change
Bihar	21.24	23.27	22.96	1.35
Chhattisgarh	1.03	1.85	1.76	5.11
Gujarat	11.56	10.76	9.96	8.03
Haryana	25.39	25.26	25.38	-0.47
Himachal Pradesh	3.50	3.60	3.59	0.28
J&K	2.95	2.93	2.31	26.84
Jharkhand	1.65	2.31	2.11	9.48
Karnataka	2.06	2.09	1.57	33.12
Madhya Pradesh	54.96	53.16	64.22	-17.22
Maharashtra	9.38	9.40	10.57	-11.07
Punjab	35.13	35.1	35.00	0.29
Rajasthan	30.47	30.2	30.67	-1.55
Uttar Pradesh	97.59	98.67	100.52	-1.84
Uttarakhand	3.53	3.58	3.59	-0.39
West Bengal	3.28	1.36	3.39	-59.91
Others	0.18	0.75	0.26	185.17

Source: Ministry of Agriculture



**International Market Update:**

Russian milling wheat prices have become firm by \$2 per tonne compared to last week. Volatility in ruble, higher domestic prices and strong export demand especially to Egypt has strengthened price. Russia has produced around 85-86 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 \$198-200/tonne whereas milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$196-198/tonne.

The state grains agency of Tunisia has purchased around 25000 tonnes of durum wheat in a tender which closed on Friday. The durum wheat can be sourced from optional origins and has been purchased at \$288.25 a tonne (Cost and Freight). The said quantity must be shipped between August and September.

As per latest update, Japan's ministry of agriculture bought 84683 MMT of food quality wheat from United States and Canada. Around 60463 MMT has been bought from United States and around 24220 MMT has been bought from Canada. Shipments from United States and Canada will be loaded between March 21 and April 20.

Wheat growers in black sea region have captured share of Australia in south-east Asian market. Since 2012, Australia has lost around 20 percent of its market share to black sea region. Traders in black sea region are still able to make profit despite wheat glut due to lower production cost. Furthermore, they are able to increase wheat yields per hectare at a faster rate than Australia.

As per latest update by FranceAgrimer, French soft wheat exports to Non-European countries in 2017-18 season is likely to be around 9.0 MMT compared to forecast of 9.3 MMT in the previous month. It has also lowered its outlook for soft wheat shipments within EU to 8.45 MMT from 8.60 MMT last month. This downward revision of exports has led to increase in projected stocks of EU.

GASC has purchased 360000 tonnes of Russian and Romanian wheat through tender. Of the total quantity 240000 tonnes has been sourced from Russia and remaining 120000 tonnes from Romania. AOS offered 60000 tonnes of Russian wheat at FoB \$206.60 per tonne; Daewoo offered 60000 tonnes of Russian wheat at FoB \$207.95 per tonne, GTCS offered 60000 tonnes of Russian wheat at FoB \$207.95 per tonne, CHS offered 60000 tonnes of Romanian wheat at FoB \$208.43 per tonne, Union offered 60000 tonnes of Russian wheat at FoB \$208.43 per tonne and Cerealcon offered 60000 tonnes of Romanian wheat at FoB \$208.43 per tonne. Egypt's wheat reserves stand at four months after this purchase.

Algeria state grains agency OAIC has bought around 150000 tonnes of durum wheat in a tender that closed on Thursday. The prices paid were in the range of \$292.00 - \$295.00 per tonne (Cost and Freight). The quantity to be shipped is due in April and the origin is optional but major part of the quantity is likely to be sourced from Canada.

As per latest update, flour mill in Indonesia has bought 50000 tonnes of wheat from black sea with 11.5 percent protein content at CFR \$225 per tonne for shipment in March-April. Currently black sea is an economical and good source for supply, around the globe.

As per latest update, Russia has exported around 28.8 MMT of wheat in first eleven months of 2017, compared to 22.9 MMT during the corresponding period in 2016. Of the total quantity exported in 2017, around 27.4 MMT was exported to Non-CIS countries and the rest to CIS countries.

**IGC Wheat Balance Sheet:**

IGC Forecast( Fig-In MMT)	2014-15	2015/16	2016/2017	2017-18 (Forecast)	
			(Estimate)	18.01.2018	22.02.2018
Production	730	737	754	757	757
Trade	153	166	176	174	174
Consumptions	714	720	738	744	743
Carryover stocks	207	224	240	254	254
Y-O-Y change	16	17	16	-	14
Major Export	67	66	75	76	76

- IGC has increased its forecast for wheat to 757 MMT as on 22<sup>nd</sup> February-2018 for 2017-18. According to estimate by IGC for 2016-17, global wheat production was around 754 MMT against 737 MMT for 2015-16. The difference is around 17 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 have been kept unchanged at 174 MMT. It is 2MMT lower compared to estimate for last year and higher by 8 MMT compared to 2015-16.
- Consumption has been decreased by 1 MMT to 743 MMT for 2017-18. The forecast is higher by 5 MMT compared to 2016-17.
- Carryout has been kept unchanged at 254 MMT for 2017-18. It is higher by around 14 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
	21-Feb-18	14-Feb-18	21-Jan-18	21-Nov-17	21-Aug-17	21-Feb-17	
Mar-18	164.32	167.44	156.42	162.12	169.10	187.28	-12.26
May-18	168.82	172.40	161.10	166.43	174.33	189.67	-10.99
Jul-18	174.42	177.73	166.06	171.30	179.38	189.85	-8.13
Sep-18	180.49	183.42	171.67	176.54	185.17	193.07	-6.52
Dec-18	188.29	190.96	178.83	183.15	192.06	198.03	-4.92
Mar-19	194.08	196.65	183.79	187.74	196.19	201.43	-3.65

## CBOT Mar-18

1<sup>st</sup> Support:151.00  
2<sup>nd</sup> Support: 149.00  
1<sup>st</sup> Resistant: 180.00  
2<sup>nd</sup> Resistant:182.00  
(\$ per tonne)

Wheat CBOT closed with some correction at \$4.52 per bushel. USDA has forecasted wheat production at 50 MMT up by 5% compared to last year due to increase in area. U.S. export sales during 09<sup>th</sup>-15<sup>th</sup> Feb'18 were 328900 metric tonnes which is within trade expectations of 250000-500000 metric tonnes.

## International FOB Weekly Price Movement (USD/T)

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is hovering between \$274.62-282.32 per tonne.

US and Russian quotes are hovering in the range of \$194.39 and \$196.10 per tonne respectively. Wheat prices in international markets witnessed steady to slightly firm tone last week.

Wheat quotes are expected to trade steady to weak and hover in the range of \$190 to \$225 in coming week.

## International Weekly Outlook:

Global wheat market is expected to trade steady to weak due to higher carryover stocks and good production. EU is likely to produce around 150.7 MMT in 2017-18 compared to 144.2 MMT in 2016-17. Russia and Ukraine are likely to harvest 84.9 MMT and 27.0 MMT of wheat in 2017-18 respectively. Production in US is likely to be around 47.37 MMT compared to last year's 62.8 MMT due to fall in area sowed. Australia is likely to produce 21.2 MMT in 2017 compared to 35 MMT in 2016 due to lower acreage and unfavorable weather conditions. Argentina is expecting to harvest around 17.9MMT in 2017-18 compared to 18.4 MMT in 2016-17. Furthermore, Canada is likely to harvest around 30 MMT in 2017-18 due to lower acreage compared to 31.7 MMT in 2016-17.

**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> © 2018 Indian Agribusiness Systems Pvt Ltd.

