

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals**[\(Back to Table of Contents\)](#)**

All India weekly average prices increased by 7.64 percent to Rs. 1979.30 per quintal during the week ended 15th June 2018. Wheat average price were ruling at Rs 1838.83 per quintal during 01-08 June 2018. As compared to prices in the week 09-15 June 2017, the prices are weak by 2.70 percent. Prices are expected to remain firm in coming days due to decrease in arrivals and increase in import duty.

US submitted a counter notification last month stating that India's MSP for wheat and rice exceeded allowable levels of trade as per WTO agreement on agricultural methodology. India has denied allegations of underreporting MSP on wheat and rice and restated that its methodology is consistent with WTO regulations. US got support from Australia, Canada, Ukraine, New Zealand, Paraguay and EU. Australia has asked India to resubmit its MSP calculations for all products, not just wheat and rice, based on value of production. Furthermore it has also asked India to provide information regarding bonuses and incentives provided by the state.

Wheat WPI has increased slightly from 140.9 in April-2018 to 141.7 in May-2018. Monthly wheat inflation has increased by 0.57 percent in May -2018 compared to previous month. As compared to May-2017 wheat WPI has increased by around 3.05 percent. Wheat WPI is expected to stay steady to slightly firm in coming months.

Government agencies have started procurement since 15th March'18. Until 15th June'18 government has procured around 354.93 lakh tonnes of wheat. Of the total quantity procured, around 126.91 lakh tonnes have been procured from Punjab, 87.39 lakh tonnes from Haryana, 50.87 lakh tonnes from Uttar Pradesh, 72.87 lakh tonnes have been procured from Madhya Pradesh, 15.27 in Rajasthan, 1.05 lakh tonnes from Uttarakhand, 0.14 lakh tonnes from Chandigarh, 0.37 lakh tonnes from Gujarat and 0.06 lakh tonnes from Bihar. In Rabi marketing season 2018-19 government has set procurement target of 32 MMT. Government has abundant supplies this year, which will allow it to control any unexpected price rise.

As per trade sources, import quotes for wheat from various origins to Tuticorin port, witnessed slightly weak tone in the week. Traders are not quoting prices for APW due to lower availability. As of now Tuticorin port price ASW at Rs 2090-2100 per quintal and Ukrainian wheat at Rs 1880-1890 per quintal. Wheat supplies are likely to tighten this year.

On the export front, India has exported a total of 2.11 lakh tonnes of wheat in 2017-18 compared to 2.65 lakh tonnes in 2016-17. Export window for Indian wheat has remained restricted due to higher domestic prices. Furthermore, other countries are able to provide wheat at lower prices. On the import front India has imported around 1.6 MMT of wheat in 2017-18. With increase in import duty to 30 percent the volume of imported wheat is likely to fall considerably.

Indian FoB quote is hovering around \$271.33 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$196.40, \$197.90, Euro 173.00, \$223.14 and \$225.00 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import 1.0-1.5 million tonnes in MY 2018-19.

Previous Updates

As per Agriwatch estimate, production is likely to be around 93.5 MMT compared to 95.0 MMT last year. Total availability is likely to be around 109.97 MMT, lower compared to last year because of lower acreage. Carry out is expected to be around 14.67 MMT for 2018-19 compared to 14.97 MMT for 2017-18.

As per third advance estimate, India is likely to produce 98.61 MMT of wheat compared to 97.11 MMT in second estimate. The total food grain production is expected at record 279.51 MMT, up by around 0.72% compared to second estimate.

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

Trade Call: Stakeholders should trade in July contract taking care of lower and upper price tag of Rs. 1776 & 1823 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 April-2018	1870.24	340.89
09-15 April -2018	808.61	349.59
16-23 April -2018	550.56	393.64
24-30 April -2018	1005.13	334.45
Total	4234.54	

Source: Trade

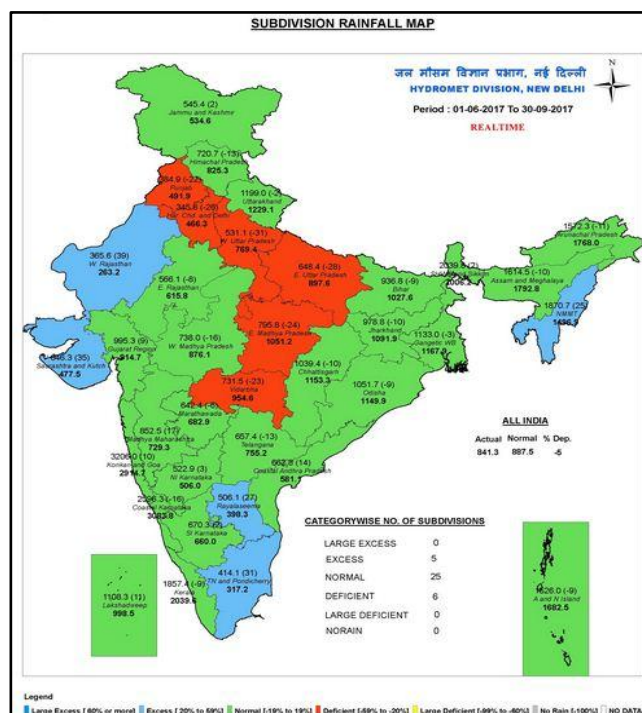
Wheat Import

Date	Source	Port	Quantity in MT	Ave CiF (\$/T)
27 th Feb-2018	Australia	Tuticorin	30780.34	256.5
	Total		30780.34	

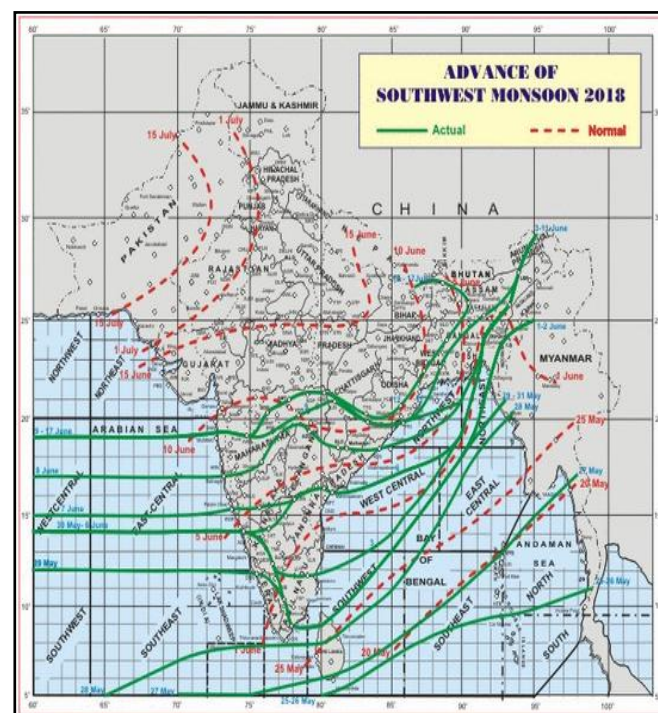
As per trade sources no quantity has been imported in the month of April-2018.

Source: Trade

Monsoon & Weather Condition



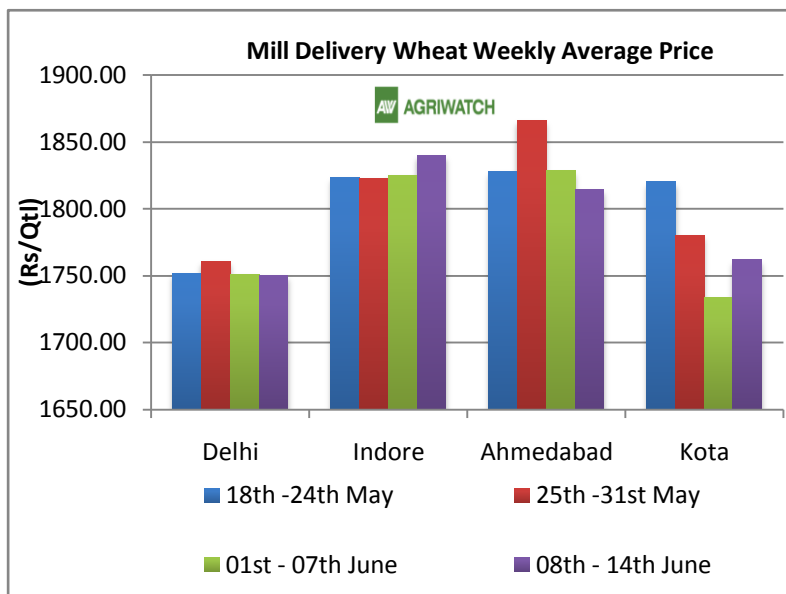
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Indore and Kota during 08th -14th June. Prices are expected to remain steady to firm in the week.

Mixed sentiments were witnessed last week in various states. Ample stock is available in the market due to good production and imports. Government has procured intensively and has already surpassed its procurement target. Demand from south Indian millers is likely to pick up during lean season after application of 30% import duty. Abundant supplies this year will allow government to control any unexpected price rise.


Wheat and Rice Stocking Norms

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						

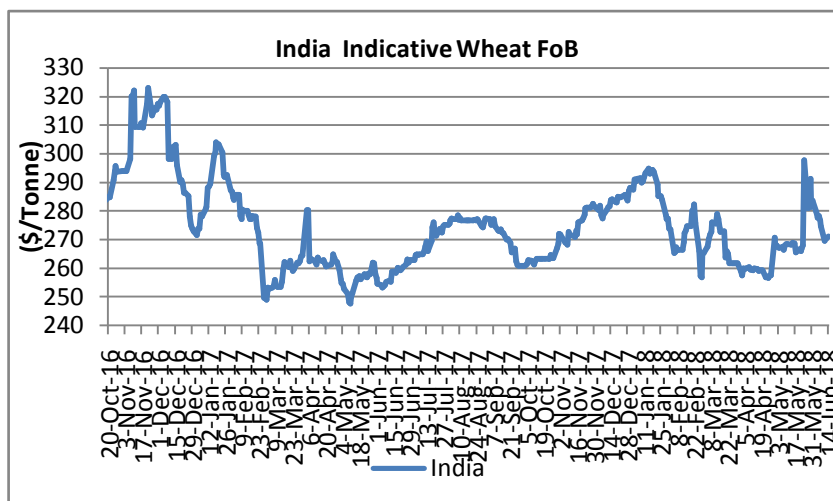
Procurement As on 08th June-2018

State	Target for Procurement In Marketing Season 2018-19(April To March)	Progressive Procurement As on 08.06.2018 (Fig In Lakh Tonne)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Gujarat	0.50	0.37	0.07	428.57
Haryana	74.00	87.39	74.32	17.59
Madhya Pradesh	67.00	72.87	67.24	8.37
Punjab	119.00	126.91	117.05	8.42
Rajasthan	16.00	15.07	11.86	27.07
Uttar Pradesh	40.00	47.59	31.72	50.03
Uttrakhand	1.00	1.02	0.02	5000.00
All-India	320.00	351.40	302.36	16.22

FOB Quote for Wheat at Kandla
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Wheat FoB quote in India witnessed steady to slightly weak tone last week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.

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 \$265-280 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
		13-Jun-18	6-Jun-18	11-May-18	13-Jun-17	
USA (Chicago)	2srw	222.80	224.00	220.00	181.90	22.48
France	FCW3	203.70	203.04	192.40	171.28	18.93
Australia	ASW	228.75	224.25	228.00	197.43	15.86
Russia	SRW	196.50	196.00	205.00	178.00	10.39
India	Fob	270.63	278.23	268.52	255.28	6.01

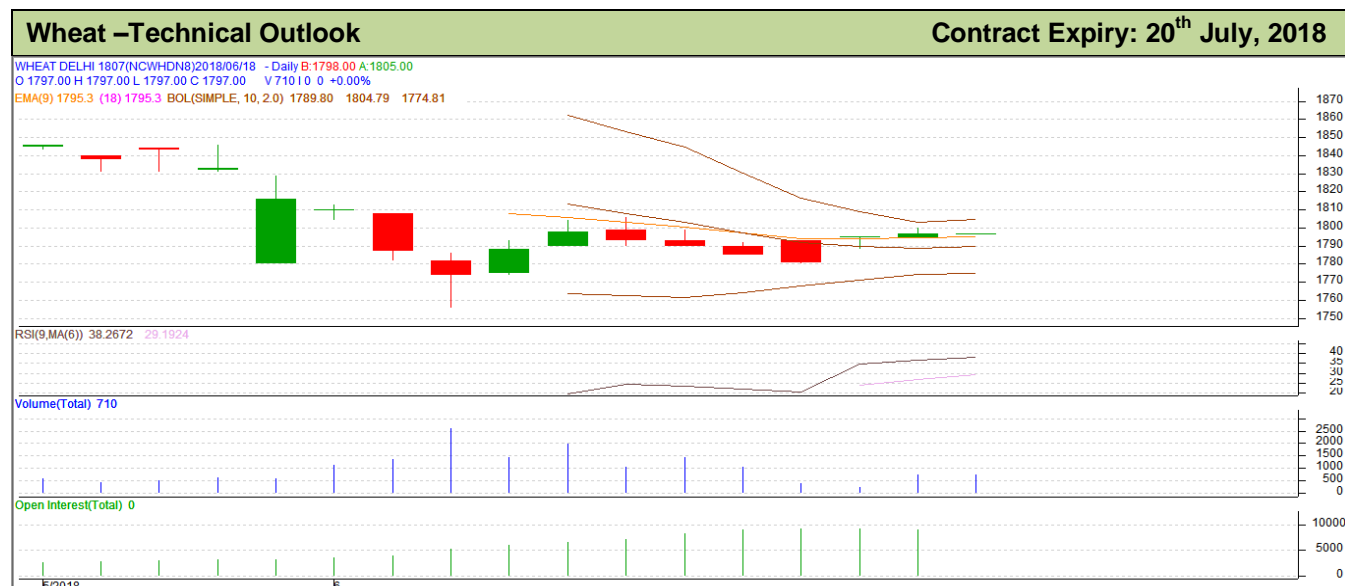
	14/06/2018	07/06/2018	31/05/2018	24/05/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	207	206	211	213
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	198	197	202	204

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 15.06.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Jun	0	1800	1800	1800	1800	0	-1,600	1600	0
18-Jul	+2	1794	1800	1794	1797	710	+330	9010	-290
18-Aug	+3	1814	1821	1814	1817	420	+390	670	+460

Wheat Technical Analysis:

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Technical Commentary:

- Rise in price and fall in open interest indicates short covering.
- 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	July	1780	1776	1797	1819	1823
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	July	Buy	Above 1793	1805	1813	1786

Spot Price at NCDEX Delivery Centers:

Spot prices of wheat at NCDEX Delivery centers					
NCDEX SPOT	Today	Week Ago	Month Ago	Year Ago	% Change over prev. Year
	14-Jun-18	7-Jun-18	14-May-18	14-Jun-17	
Indore	1802	1829	1772	1595	12.98
Delhi	1764	1765	1773	1750	0.80
Kanpur	1650	1650	1650	1579	4.50
Rajkot	1770	1790	1680	1585	11.67
Kota	1780	1771	1755	1618	10.01

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

Domestic Market Weekly Outlook:
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Wheat cash market is likely to trade steady to firm in coming week, as prices are likely to get support from increase in import duty to 30 percent. 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
			14-Jun-18	13-Jun-18	7-Jun-18	14-May-18	14-Jun-17
Delhi	Lawrence Road	Mill Delivery	1745	1745	1750	1765	1745
	Narella	Mill Quality Loose	1700	Closed	1715	1735	1680
	Nazafgarh	Mill Quality Loose	1700	Closed	1700	1700	1645
Gujarat	Rajkot	Mill Delivery	1700	1690	1700	1635	1500
	Ahmedabad	Mill Delivery	1820	1815	1830	1770	1680
	Surat	Mill Quality Loose	1850	1850	1880	1820	1710
	Dhrol	Mill Delivery	1835	1730	1755	1645	NA
M.P.	Indore	Mill Quality Loose	1750	Closed	1725	1675	NA
	Bhopal	Mill Delivery	2000	Closed	1900	1775	NA
Rajasthan	Kota	Mill Quality Loose	1700	1690	1700	1650	1500
		Mill Delivery	1760	1760	1770	1750	1600
U.P.	Kanpur	Mill Delivery	1725	1725	1725	1715	1735
	Mathura	Mill Quality Loose	1625	1625	1610	1570	1585
	Kosi	Mill Quality Loose	1560	1560	1570	1625	1588
	Hathras	Mill Quality Loose	1635	1635	1745	1610	1570
	Aligarh	Mill Quality Loose	1600	Closed	1620	1610	1600
Punjab	Khanna	Mill Quality Loose	1710	1705	1735	1735	1600
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	1760	NA
Haryana	Sirsa	Mill Delivery loose	1715	1725	1750	1735	1630
	Hodal	Mill Delivery	1705	1705	1705	1750	1700
	Bhiwani	Mill Quality Loose	1700	1740	1725	1710	1640
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1630
	Panipat	Mill Quality Loose	NA	NA	NA	1735	1625



Tamil Nadu	Chennai	Mill Quality	2130	2140	2150	2100	2000
	Madurai	Mill Quality	2187	2220	2250	2250	2150
	Coimbatore	Mill Quality	2187	2270	2300	2300	2200
Bihar	Khagariya	Mill Delivery	1500	1500	1550	1550	1600
	Muzaffarpur	Mill Delivery	1465	1465	1475	1500	1550

Progressive Sowing Status till 09th Feb-2018:

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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	1.036	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	3.5	3.6	3.59	0.28
J&K	2.955	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	9.4	10.57	-11.07
Punjab	35.13	35.1	35	0.29
Rajasthan	30.472	30.2	30.67	-1.55
Uttar Pradesh	97.59	98.67	100.52	-1.84
Uttarakhand	3.53	3.58	3.594	-0.39
West Bengal	3.28	1.36	3.39	-59.91
Others	0.186	0.75	0.26	185.17
All-India	304.43	304.29	317.88	-4.27

Source: Ministry of Agriculture

International Market Update:**[\(Back to Table of Contents\)](#)**

Russian milling wheat prices became firm by \$0-1 per tonne at Novorossiysk and \$1-2 per tonne at Odessa compared to last week. As smaller wheat crop is expected in the new season exporters are not willing to sell at current prices. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$204.00-207.00/tonne whereas milling wheat with 11.5% protein content at Odessa is being quoted at FoB \$194.00-197.00/tonne.

As per Russian Grain Union, Russia is likely to produce 68-69 MMT of wheat. Low rains during May and June is likely to cut yields by around 30 percent. Farmers have not bought fertilizers and crop-protection chemicals due to lower profit margins; this implies that the crop is more susceptible to weather aberrations this year. Wheat CBOT has increased by around 22 percent this year and is likely to stay bullish in near future.

GASC has purchased 420000 tonnes of wheat from Russia and Romania. Of the total quantity 300000 tonnes has been purchased from Russia and 120000 tonnes from Romania. The said quantity is likely to be shipped between 15 and 25 July. Egypt is the largest importer of wheat and accounts for around one-third of Russian wheat exports.

ABARES has cut wheat output in Australia to 21.9 MMT from 23.7 MMT in its previous forecast. As of now Australia is in need of rains for crop development. Western region has been supported by rains in past days whereas eastern region is still waiting for rains. Last year also Australia produced 21.2 MMT in 2017-18.

Japan has banned Canadian wheat after it found some genetically modified grain. This move by Japan is likely to hurt Canadian farmers as Japan alone buys around CAD 500 million worth wheat from Alberta province. GMO wheat has been banned in most countries due to consumer concerns.

Australia is expecting to produce 24 MMT in 2018-19 under normal conditions. Australia has been facing dry condition this year, which is weighing on its production. Recent rainfall in western region has provided some relief. In 2017-18, Australia was able to produce 21.2 MMT due to low yield and acreage compared to 34.4 MMT in 2016-17. Black sea region has been capitalizing on lower production in Australia by capturing Australia's market share in Indonesia.

Russia was able to export around 1.14 MMT of wheat to Australia during July'17-March-18. Black sea region was able to capture market share in Indonesia due to its competitive pricing and lower freight rates. Russian wheat is also being used in various flour blends in Indonesia.

As per latest update, Japan's ministry of agriculture bought 144522 MT of food quality wheat from United States, Australia and Canada. Around 90590 MT has been bought from United States, 28712 MT with minimum 13.5 percent protein content has been bought from Canada and 25220 MT of standard white wheat has been bought from Australia. Shipments from United States, Australia and Canada will be loaded between Aug 01 and Aug 31, 2018.

Wheat prices are gaining around the globe in major producing countries due to unfavourable weather conditions. Extreme heat in US HRW (Hard Red Winter) areas, Dry weather in Australia, enhancement in dry conditions in Southern Russia and Canadian prairies is threatening yields. Russia has already reduced its total grain crop by 5 MMT. Therefore new crop prices are likely to remain firm given; no improvement in current condition is seen.

As per latest update, Egypt's top administrative court has decided to freeze the order of lower court for banning ergot completely. Furthermore it has also allowed import of wheat with marginal levels. Egypt is the largest importer of wheat and receives almost 33 percent of Russian Wheat.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19(Projected)	
		(Estimate)		26.04.2018	24.05.2018
Production	737	754	758	739	742
Trade	166	177	176	179	177
Consumptions	719	737	740	745	746
Carryover stocks	226	244	262	257	258
Y-O-Y change	18	18	18	-	-3
Major Export	67	80	83	72	75

- IGC has projected global wheat production to be 742 MMT for 2018-19. According to forecast by IGC for 2017-18, global wheat production was around 758 MMT against 754 MMT for 2016-17. The projection for global production is lower by 16 MMT compared to forecast for 2017-18. IGC has projected lower production for 2018-19 however; carryover stocks are still at higher side.
- Trade projection for 2018-19 has been increased to 177 MMT. It is 1 MMT higher compared to forecast for last year and higher by 11 MMT compared to 2015-16.
- Consumption has been increased by 1 MMT to 746 MMT for 2018-19. The projection is higher by 9 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 258 MMT compared to forecast of 262 MMT last year. 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
	13-Jun-18	6-Jun-18	13-May-18	13-Mar-18	13-Dec-17	13-Jun-17	
Jul-18	189.76	190.96	190.31	185.35	162.57	191.14	-0.72
Sep-18	195.73	197.48	197.11	191.42	167.44	195.27	0.24
Dec-18	204.27	205.10	206.48	198.76	173.96	200.42	1.92
Mar-19	211.26	211.99	213.00	204.18	179.02	203.36	3.88
May-19	215.39	216.12	216.58	206.85	181.86	204.18	5.49
Jul-19	216.77	217.32	218.51	208.50	184.43	204.00	6.26

CBOT July-18

1st Support: 169.00
2nd Support: 167.00
1st Resistant: 205 .00
2nd Resistant: 207.00
(\$ per tonne)

Wheat CBOT closed at \$4.99 per bushel. U.S. export sales in the week of June (01st-07th) were 302300 tonnes. The sales were within the trade expectation. On June 11, USDA reported winter wheat harvest was 14% complete, ahead of the 5-year average of 10%. USDA rated the winter wheat crop 38% good to excellent, up from 37% a week ago and 35% of the winter wheat is in poor or very poor condition.

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 \$269.57-274.73 per tonne.

US and Russian quotes are hovering in the range of \$223.14 and \$196.40 per tonne respectively. Wheat prices in international markets remained steady to slightly firm in last week.

Wheat is expected to trade steady to slightly firm and hover in the range of \$190 to \$240 in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to slightly firm due to unfavorable weather conditions in major producing regions. EU is likely to produce around 148.5 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 74.50 MMT and 26.7 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 47.50 MMT compared to last year's 47.40 MMT. Australia is likely to produce 24.30 MMT in 2018-19 compared to 21.20 MMT in 2017-18 as acreage is likely to return to normal level. Argentina is expecting to harvest around 17.1 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 29.9 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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