

# Wheat Weekly Research Report

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### Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 5.11 percent to Rs. 1865.60 per quintal during the week ended 08th July 2018. Wheat average price were ruling at Rs 1965.99 per quintal during 24-30 June 2018. As compared to prices in the week 01-08 July 2017, the prices are weak by 6.05 percent. Prices are expected to remain firm in coming days due to decrease in arrivals and increase in import duty.

As per trade sources, import quotes for wheat from various origins to Tuticorin port, witnessed firm tone in the week. As of now Tuticorin port price for APW is Rs 2300-2310 per quintal, ASW is Rs 2140-2160 per quintal and Ukrainian wheat is Rs 1920-1940 per quintal. Wheat supplies are likely to tighten this year.

India's commitment to WTO allows India to subsidize not more than 10% of total value of crop production. The 13 percent hike in paddy MSP may bring back India's subsidy issue as it is breaching the permissible limit of 10 percent. U.S. has said in a statement that India is supporting its rice and wheat farmers by paying them higher amounts than it has reported to WTO as market price support (MPS).

As per trade sources, Government is likely to increase reserve price up by Rs 110 per quintal in MY 2018-19 compared to MY 2017-18. Increase in reserve price will support domestic prices further. Sales through OMSS will also be higher in MY 2018-19 as importing wheat will be difficult due to hike in import duty and weather aberration in Australia and Black sea region.

As per trade source, India has exported around 2.31 thousand tonnes in the month of May compared to 4.24 thousand tonnes in April. The quantity in March was exported at an average FOB of \$ 357.87 per tonne. India has imported no wheat in the month of May-2018. India has imported around 31000 tonnes in the month of February-2018. Imports are expected to be low this year due to good domestic availability and increase in import duty.

Government agencies have started procurement since 15th March'18. For RMS 2018-19, government has procured around 355.22 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, 50.88 lakh tonnes from Uttar Pradesh, 72.87 lakh tonnes have been procured from Madhya Pradesh, 15.31 in Rajasthan, 1.09 lakh tonnes from Uttarakhand, 0.14 lakh tonnes from Chandigarh, 0.37 lakh tonnes from Gujarat, 0.25 lakh tonnes from Bihar and 0.01 lakh tonnes from Himachal Pradesh. 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.

Indian FoB quote is hovering around \$276.15 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$190.40, \$191.90, Euro 183.65, \$210.19 and \$220.35 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 1.0 million tonnes in MY 2018-19.

### Previous Updates

As per Agriwatch estimate, production is likely to be around 94.0 MMT compared to 95.0 MMT last year. Total availability is likely to be around 109.62 MMT, lower compared to last year because of lower acreage. Carry out is expected to be around 14.32 MMT for 2018-19 compared to 14.62 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 August contract taking care of lower and upper price tag of Rs. 1825 & 1965 respectively.

### Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 May-2018	552.18	332.95
09-16 May -2018	666.47	381.66
17-24 May -2018	588.59	374.96
25-31 May -2018	497.24	348.75
Total	2304.48	

Source: Trade

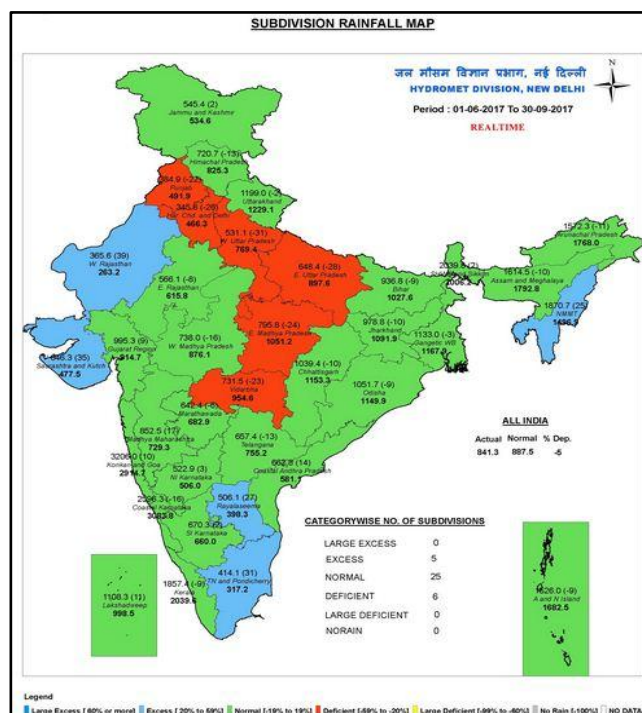
### Wheat Import

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

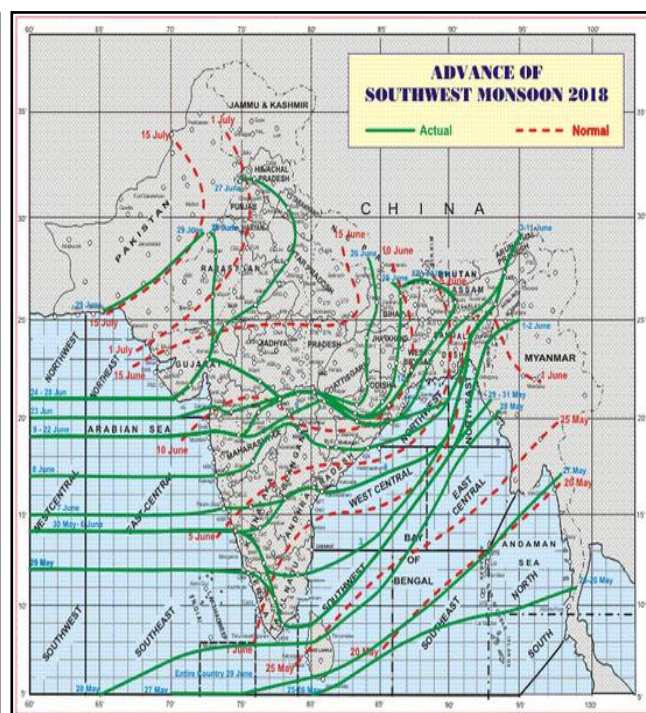
As per trade sources no quantity has been imported in the month of May-2018.

Source: Trade

### Monsoon & Weather Condition



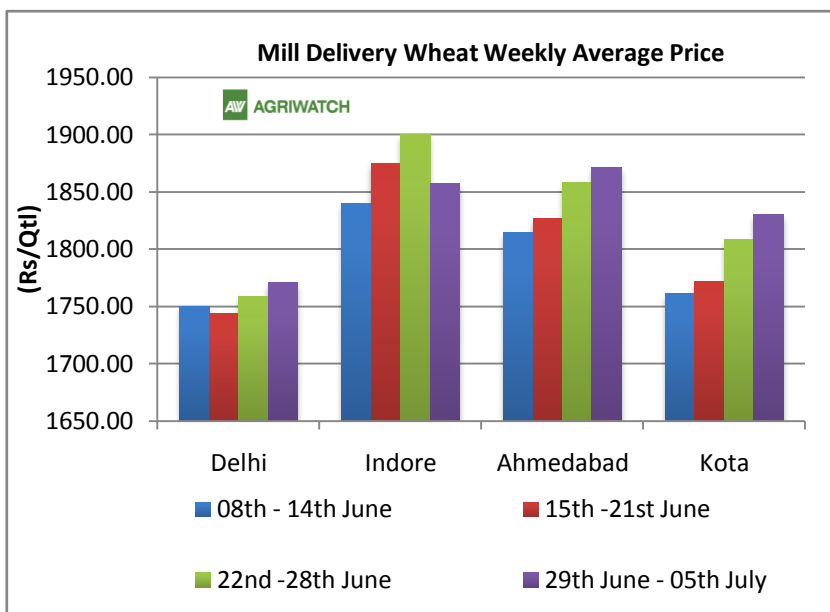
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Ahmedabad and Kota during 29<sup>th</sup> June- 05<sup>th</sup> July.

Major spot markets witnessed firm sentiments in previous week and market is likely to stay steady to firm in coming week. Demand from south Indian millers is likely to pick up during lean season after application of 30% import duty. Abundant availability this year will allow government to control any unexpected price rise. Reserve price is expected to be around Rs 1900 per quintal compared to Rs 1790 per quintal in MY 2017-18.


Wheat and Rice Stocking Norms

<b>Wheat Stock Norms</b>						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
<b>As on</b>						
<b>1st April</b>	115.8	44.6	160.4	20	30	210.4
<b>1st July</b>	115.4	245.8	361.2	20	30	411.2
<b>1st Oct.</b>	82.5	175.2	257.7	20	30	307.7
<b>1st Jan</b>	56.1	108	164.1	20	30	214.1
<b>Buffer Norms w.e.f. 01.07.2017</b>						

Procurement As on 29<sup>th</sup> June-2018

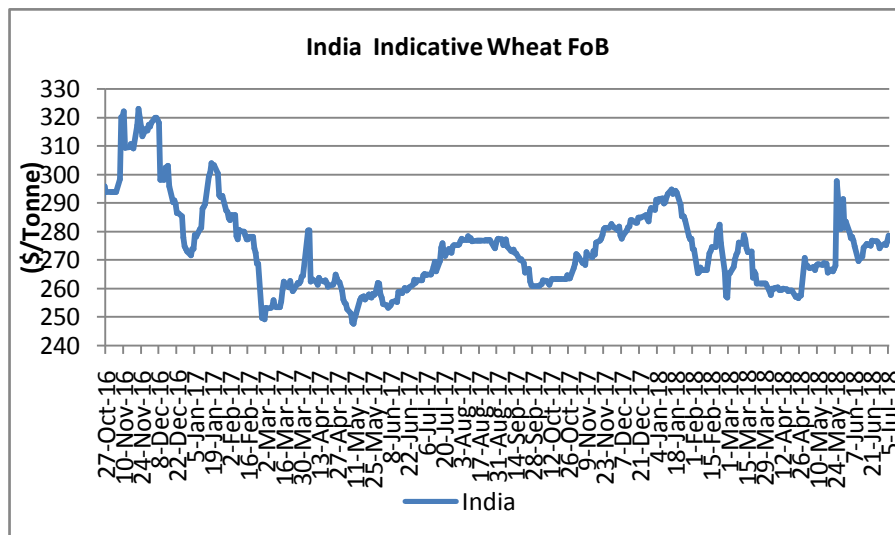
State	Target for Procurement In Marketing Season 2018-19(April To March)	Progressive Procurement As on 29.06.2018 (Fig In Lakh Tonne)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Gujarat	0.50	0.37	0.07	428.57
Haryana	74.00	87.39	74.32	17.59
Madhya Pradesh	67.00	72.87	67.24	8.37
Punjab	119.00	126.91	117.06	8.41
Rajasthan	16.00	15.31	12.27	24.78
Uttar Pradesh	40.00	50.88	35.62	42.84
Uttrakhand	1.00	1.09	0.02	5350.00
<b>All-India</b>	<b>320.00</b>	<b>355.13</b>	<b>306.69</b>	<b>15.79</b>

### FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steady to firm 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 \$275-285 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.



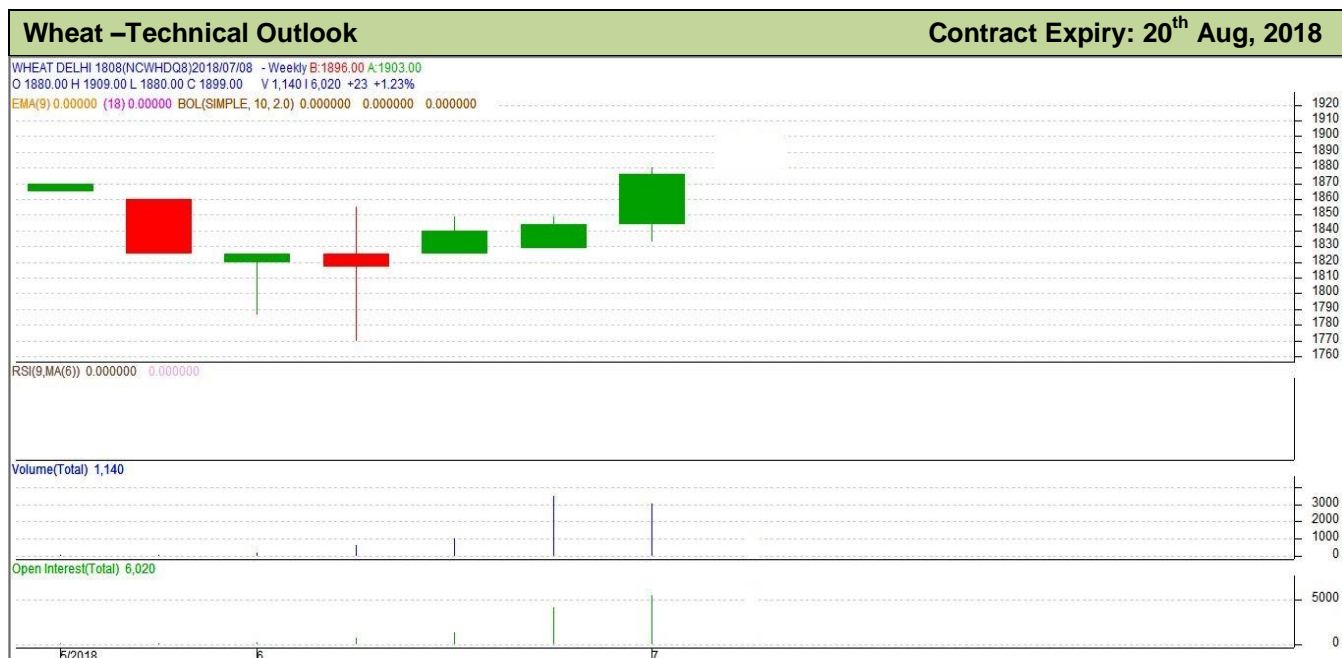
Indicative FOB Quotes:						
Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		4-Jul-18	27-Jun-18	4-Jun-18	4-Jul-17	
USA (Chicago)	2SRW	209.80	208.50	218.70	219.20	-4.29
France	FCW3	216.02	203.09	199.82	197.86	9.18
Australia	ASW	219.75	225.00	222.75	239.32	-8.18
Russia	SRW	190.00	191.50	199.50	178.50	6.44
India	Fob	276.52	275.83	279.64	264.62	4.50

	05/07/2018	28/06/2018	21/06/2018	14/06/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	200	199	202	207
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	192	193	195	198

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date:06.07.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Jul	+4	1856	1863	1856	1860	400	-680	3550	-1,070
18-Aug	+9	1873	1880	1870	1876	610	-100	5560	+440
18-Sep	+38	1900	1900	1900	1900	10	+10	10	+10



Wheat Technical Analysis:
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**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	August	1835	1825	1876	1955	1965
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	August	Buy	Above 1875	1915	1940	1851

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
	5-Jul-18	28-Jun-18	5-Jun-18	5-Jul-17	
Indore	1811	1800	1824	1614	12.21
Delhi	1786	1785	1761	1733	3.06
Kanpur	1690	1680	1655	1611	4.90
Rajkot	1826	1810	1795	NA	-
Kota	1812	1798	1779	1628	11.30

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 and an expected increase in reserve price. Normal firmness can be expected in the market in upcoming festive season. 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
			5-Jul-18	4-Jul-18	28-Jun-18	5-Jun-18	5-Jul-17
Delhi	Lawrence Road	Mill Delivery	1780	1770	1770	1745	1730
	Narella	Mill Quality Loose	1725	Closed	1710	1715	1630
	Nazafgarh	Mill Quality Loose	1700	Closed	1725	1705	1635
Gujarat	Rajkot	Mill Delivery	1770	1740	1730	1725	NA
	Ahmedabad	Mill Delivery	1900	1875	1870	1825	1690
	Surat	Mill Quality Loose	1935	1925	1925	1900	1725
	Dhrol	Mill Delivery	1875	1725	1720	1765	NA
M.P.	Indore	Mill Quality Loose	1750	1750	1800	1725	1600
	Bhopal	Mill Delivery	1875	1910	2000	1900	1560
Rajasthan	Kota	Mill Quality Loose	1735	1735	1730	1700	1515
		Mill Delivery	1840	1840	1825	1770	1615
U.P.	Kanpur	Mill Delivery	1730	1730	1745	1725	1750
	Mathura	Mill Quality Loose	1615	1615	1650	1625	NA
	Kosi	Mill Quality Loose	1585	1585	1590	1620	1535
	Hathras	Mill Quality Loose	1630	1630	1620	1590	1510
	Aligarh	Mill Quality Loose	1600	Closed	1600	1620	1540
Punjab	Khanna	Mill Quality Loose	1680	1690	1705	1710	1630
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1765	1750	1735	1740	1625
	Hodal	Mill Delivery	1745	1745	1715	1710	1685
	Bhiwani	Mill Quality Loose	1700	1700	1700	1730	1600
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1630
	Panipat	Mill Quality	NA	NA	NA	NA	NA



		Loose					
<b>Tamil Nadu</b>	Chennai	Mill Quality	2150	2100	2150	2150	1950
	Madurai	Mill Quality	2207	2300	2250	2250	2150
	Coimbatore	Mill Quality	2207	2350	2300	2300	2200
<b>Bihar</b>	Khagariya	Mill Delivery	1500	1500	1550	1550	1650
	Muzaffarpur	Mill Delivery	1600	1600	1500	1475	1550

[Progressive Sowing Status till 09<sup>th</sup> 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 \$1-2 per tonne at Novorossiysk and \$0-2 per tonne at Odessa compared to last week. Unfavorable weather conditions in southern regions have reduced the quality of wheat. Furthermore, share of wheat with 13.5% protein content in total production is likely to fall. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$197.00-200.00/tonne whereas milling wheat with 11.5% protein content at Odessa is being quoted at FoB \$188.00-191.00/tonne.

As per latest update, Russia and Ukraine are expected to produce 70.5 MMT and 25.4 MMT of wheat respectively in 2018. Production is expected to be lower in Russia compared to last year due to weather aberrations. Russia and Ukraine are expected to export 35.1 MMT and 16.4 MMT of wheat respectively in 2018-19.

Egypt has procured 3.15 MMT of local wheat in this season compared to 3.6 MMT in last season. As per traders, local wheat has been purchased by the private sector at \$222.16 per tonne while the government was buying at around \$ 203.27 per tonne. The price gap created an opportunity for private sector to pay for local wheat in Egyptian pound rather than USD. Lower wheat procurement is indicating that GASC has to import more to fill its supply gap.

China's acreage for quality wheat increased by around 2.5 percent to 30 percent. Yield for wheat was low due to rains during sowing and low temperature in April. Therefore increased acreage may offset some damage to yield caused by weather aberration. As of now agricultural production is being impacted as parts of northeast is facing drought and there are constant rains in south.

As per latest update, Japan's ministry of agriculture bought 91188 MT of food quality wheat from United States and Australia. Around 65943 MT has been bought from United States and 25245 MT of standard white wheat has been bought from west Australia. Shipments from United States and Australia will be loaded between Aug 01 and Aug 31, 2018.

South Korea has followed Japan's suit and banned Canadian wheat and flour. Canada has started working with foreign trade partners to make sure the ban is short lived and necessary clarifications as well as complete information is provided.

GASC has purchased 240000 tonnes of Romanian wheat through tender. ADM offered two cargoes of 60000 tonnes each at FoB \$203.95 per tonne, CHS offered 60000 tonnes at FoB \$20.95 per tonne and Cargill offered 60000 tonnes at FoB \$203.95 per 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.

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.

IGC Wheat Balance Sheet:
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IGC Forecast( Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19(Projected)	
		(Estimate)		24.05.2018	02.07.2018
Production	737	752	758	742	737
Trade	166	177	176	177	177
Consumptions	719	737	738	746	743
Carryover stocks	226	242	261	258	256
Y-O-Y change	18	16	20	-	-6
Major Export	67	78	81	75	70

- IGC has projected global wheat production to be 737 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 21 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 5 MMT to 743 MMT for 2018-19. The projection is higher by 6 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 256 MMT compared to forecast of 261 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
	4-Jul-18	27-Jun-18	4-Jun-18	4-Apr-18	4-Jan-18	4-Jul-17	
Jul-18	180.58	176.17	185.63	173.78	168.73	218.97	-17.53
Sep-18	180.39	179.47	192.06	180.03	173.69	220.72	-18.27
Dec-18	186.09	185.08	200.23	188.20	180.03	225.12	-17.34
Mar-19	191.60	190.77	207.12	194.35	184.34	227.33	-15.72
May-19	195.46	195.00	211.44	197.75	185.81	228.25	-14.37
Jul-19	197.29	197.02	213.09	199.13	188.38	219.34	-10.05

## CBOT July-18

**1<sup>st</sup> Support: 168.00**  
**2<sup>nd</sup> Support: 166.00**  
**1<sup>st</sup> Resistant: 200.00**  
**2<sup>nd</sup> Resistant: 202.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.13 per bushel. U.S. export sales in the week of June (22<sup>nd</sup>-28<sup>th</sup>) were 440100 tonnes. On July 2, USDA reported winter wheat harvest was 51% complete, ahead of the 5-year average of 49%. USDA rated the winter wheat crop 37% good to excellent, unchanged from a week ago and 34% 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 \$274.90-278.55 per tonne.

US and Russian quotes are hovering in the range of \$210.19 and \$190.40 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 \$180 to \$240 in coming week.

## International Weekly Outlook:

Global wheat market is expected to trade steady to slightly firm due to lower production forecast and unfavorable weather conditions in major producing regions. EU is likely to produce around 147.3 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 70.90 MMT and 26.2 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 48.20 MMT compared to last year's 47.40 MMT. Australia is likely to produce 23.50 MMT in 2018-19 compared to 21.20 MMT in 2017-18. Argentina is expecting to harvest around 19.0 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 31.20 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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