

# Wheat Weekly Research Report

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**Wheat Domestic Market Fundamentals****(Back to Table of Contents)**

All India weekly average prices increased by 2.41 percent to Rs. 1910.64 per quintal during the week ended 15th July 2018. Wheat average price were ruling at Rs 1865.60 per quintal during 01-08 July 2018. As compared to prices in the week 09-15 July 2017, the prices are weak by 4.16 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 2305-2315 per quintal, ASW is Rs 2195-2205 per quintal and Ukrainian wheat is Rs 1985-1995 per quintal. Global Wheat supplies are likely to tighten this year.

There is news circulating in the market that government will sell wheat in open market at a reserve price of Rs 1900 per quintal in the first quarter i.e. July-September. For second quarter (October-December) and third quarter (January-March) the reserve price will be around Rs 1925 per quintal and Rs 1950 per quintal respectively. On this basis, firmness of Rs 100 per quintal can be expected in near future. Reserve price and MSP for MY 2017-18 was Rs 1790 per quintal and Rs 1625 per quintal respectively.

As per trade sources, after increase in import duty by 30 percent there is no parity for imported wheat. Price of imported wheat from Ukraine after duty and local expenses is coming around Rs 2400 per quintal at Bangalore. On the other hand, local wheat sourced from Uttar Pradesh for Bangalore is costing around Rs 2100 per quintal. Therefore, demand for wheat will be, to a large extent, dependent on domestically available wheat.

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.

As per latest update, wheat stock in central pool as on 1st July'18 stood at 418.01 lakh tonnes down by 4.47% compared to last month. This quantity is higher by around 29.52% compared to last year for the same month. Government has surpassed their procurement target of 32 MMT this year. Government has already applied import duty on wheat to curb imports and provide support to domestic prices. The stock position as on 01st July'18 is highest in last four years. Therefore, government has abundant supplies this year to tackle any unexpected rise in wheat prices by selling more quantity in open market.

Indian FoB quote is hovering around \$287.71 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$189.30, \$191.50, Euro 185.90, \$210.98 and \$219.75 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. 1860 & 1980 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

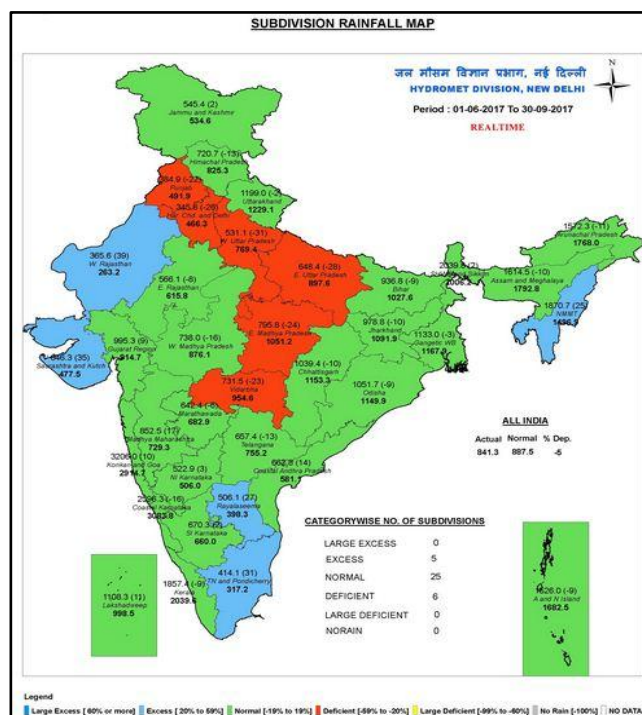
### Wheat Import

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

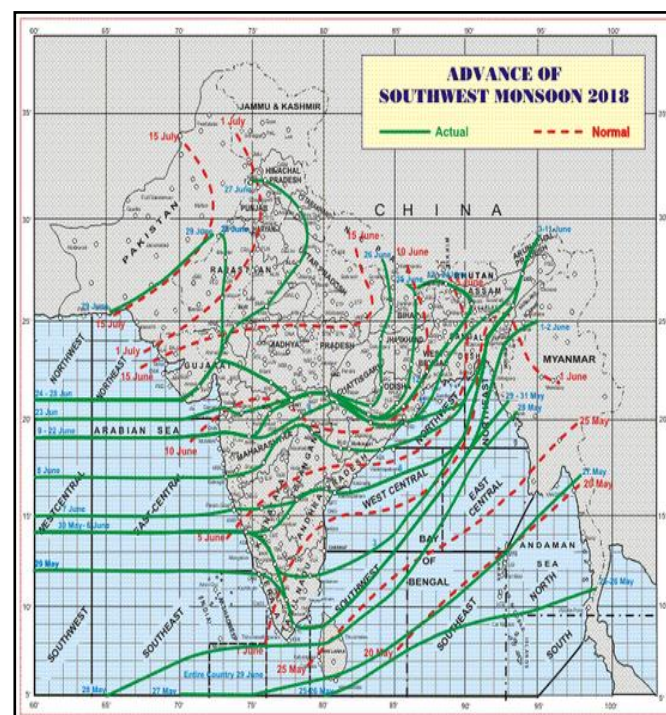
As per trade sources no quantity has been imported in the month of May-2018.

Source: Trade

### Monsoon & Weather Condition



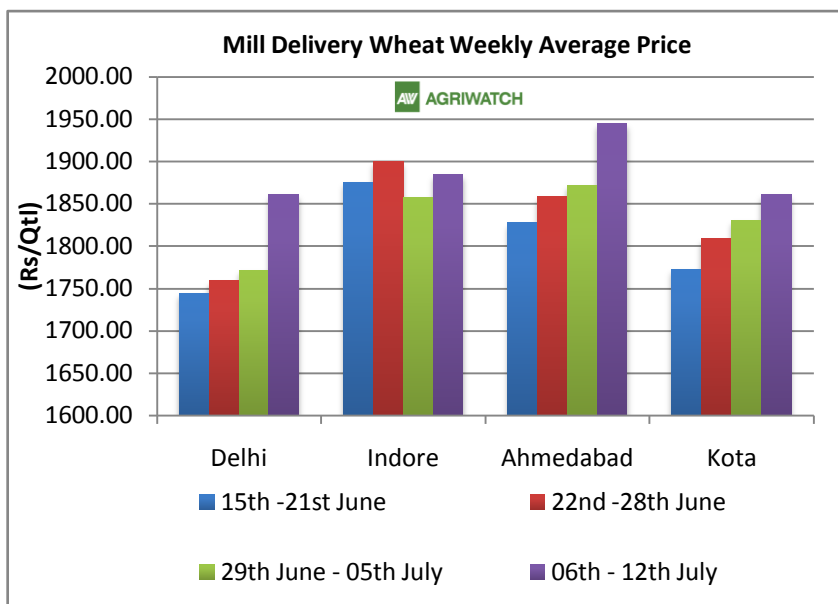
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Indore, Ahmedabad and Kota during 06<sup>th</sup> - 12<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. There is no import parity after taking into account 30% import duty and local expenses. Abundant availability this year will allow government to control any unexpected price rise. Reserve price is expected to be around Rs 1900-1950 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 06<sup>th</sup> July-2018

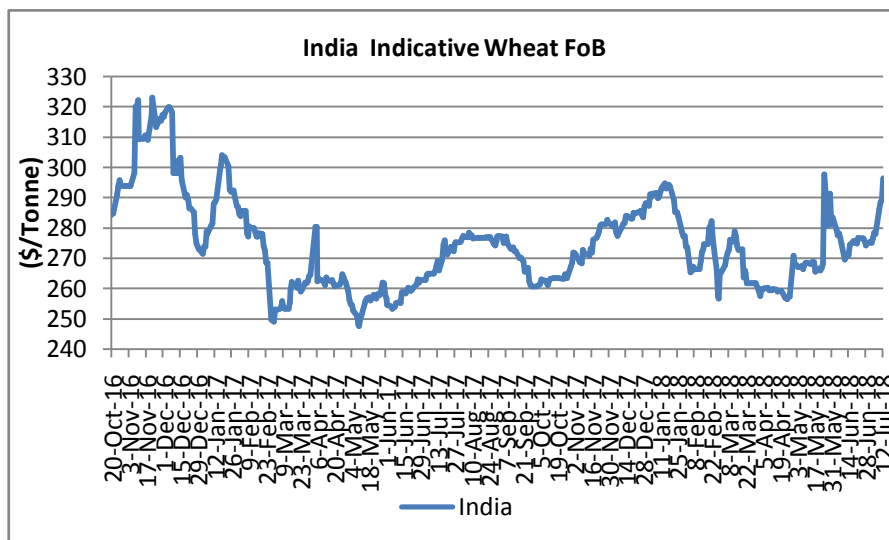
State	Target for Procurement In Marketing Season 2018-19(April To March)	Progressive Procurement As on 06.07.2018 (Fig In Lakh Tonne)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Gujarat	0.50	0.37	0.07	428.57
Haryana	74.00	87.39	74.32	17.59
Madhya Pradesh	67.00	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>355.22</b>	<b>306.65</b>	<b>15.84</b>

### FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed 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 \$290-310 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
		11-Jul-18	4-Jul-18	11-Jun-18	11-Jul-17	
USA (Chicago)	2SRW	202.70	0.00	222.10	215.10	-5.76
France	FCW3	214.54	216.02	204.91	199.23	7.68
Australia	ASW	219.75	219.75	220.50	234.69	-6.37
Russia	SRW	187.50	190.00	196.50	183.00	2.46
India	Fob	289.16	276.52	269.57	265.89	8.75

	12/07/2018	05/07/2018	28/06/2018	21/06/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	201	200	199	202
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	194	192	193	195

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 13.07.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Jul	+32	1875	1931	1901	1907	340	+340	1140	-490
18-Aug	+4	1923	1923	1912	1920	1320	+100	7870	-130
18-Sep	+7	1924	1932	1925	1931	40	-60	220	+10



Wheat Technical Analysis:
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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
	12-Jul-18	5-Jul-18	12-Jun-18	12-Jul-17	
Indore	1880	1811	1805	1635	14.98
Delhi	1888	1786	1762	1766	6.91
Kanpur	1800	1690	1650	1660	8.43
Rajkot	1955	1826	1800	NA	-
Kota	1877	1812	1777	1650	13.76

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 getting 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
			12-Jul-18	11-Jul-18	5-Jul-18	12-Jun-18	12-Jul-17
Delhi	Lawrence Road	Mill Delivery	1880	1895	1780	1750	1765
	Narella	Mill Quality Loose	1760	Closed	1725	1710	1700
	Nazafgarh	Mill Quality Loose	1820	Closed	1700	1700	1665
Gujarat	Rajkot	Mill Delivery	1875	1830	1770	1680	NA
	Ahmedabad	Mill Delivery	2000	1965	1900	1800	1700
	Surat	Mill Quality Loose	2050	2000	1935	1850	1730
	Dhrol	Mill Delivery	1870	1960	1875	1760	NR
M.P.	Indore	Mill Quality Loose	1800	1800	1750	1750	1600
	Bhopal	Mill Delivery	1825	1825	1875	1950	1600
Rajasthan	Kota	Mill Quality Loose	1800	1795	1735	1690	1550
		Mill Delivery	1875	1870	1840	1760	1640
U.P.	Kanpur	Mill Delivery	1720	1710	1740	1730	1710
	Mathura	Mill Quality Loose	1710	1700	1600	1615	1565
	Kosi	Mill Quality Loose	1730	1730	1585	1565	1580
	Hathras	Mill Quality Loose	1725	1710	1630	1745	1540
	Aligarh	Mill Quality Loose	1700	Closed	1600	1610	1575
Punjab	Khanna	Mill Quality Loose	1800	1710	1680	1730	1650
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1835	1820	1765	1730	1670
	Hodal	Mill Delivery	1850	1850	1745	1705	1760
	Bhiwani	Mill Quality Loose	1800	1785	1700	1740	1650
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1660
	Panipat	Mill Quality	NA	NA	NA	NA	NA



		Loose					
<b>Tamil Nadu</b>	Chennai	Mill Quality	2170	2170	2100	2140	1950
	Madurai	Mill Quality	2227	2350	2300	2220	2150
	Coimbatore	Mill Quality	2227	2400	2350	2270	2200
<b>Bihar</b>	Khagariya	Mill Delivery	1500	1500	1550	1550	1650
	Muzaffarpur	Mill Delivery	1650	1650	1600	1465	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:****[\(Back to Table of Contents\)](#)**

*As per USDA, Australia is likely to produce 21 MMT of wheat this year due to dry and hot weather and lower rainfall in east Australia. Australia's exports for 2018-19 are expected to be around 15 MMT. Furthermore, Australia is expected to face strong competition from Black sea region for market share.*

*Russian milling wheat prices became firm by \$1-2 per tonne at Novorossiysk and \$3-6 per tonne at Odessa compared to last week. Good demand and lower crop size compared to last year is providing support to prices. As per Agriculture ministry, Russia is expected to produce 64.4 MMT in 2018. 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 \$199.00-201.00/tonne whereas milling wheat whereas wheat with 11.5% protein content at Odessa is being quoted at FoB \$194.00-197.00/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.*

*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
	11-Jul-18	4-Jul-18	11-Jun-18	11-Apr-18	11-Jan-18	11-Jul-17	
Jul-18	172.59	180.58	189.03	185.26	168.54	222.37	<b>-22.39</b>
Sep-18	173.32	180.39	195.00	192.06	173.32	224.02	<b>-22.63</b>
Dec-18	180.21	186.09	203.36	200.51	179.84	227.42	<b>-20.76</b>
Mar-19	187.10	191.60	210.24	207.03	184.53	228.80	<b>-18.23</b>
May-19	191.69	195.46	214.19	210.06	187.01	226.41	<b>-15.33</b>
Jul-19	193.90	197.29	215.39	210.06	187.93	220.44	<b>-12.04</b>

### CBOT Sept-18

**1<sup>st</sup> Support: 164.00**  
**2<sup>nd</sup> Support: 162.00**  
**1<sup>st</sup> Resistant: 198.00**  
**2<sup>nd</sup> Resistant: 200.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.97 per bushel. U.S. export sales in the week of 29<sup>th</sup> June-05<sup>th</sup> July were 136400 tonnes. On July 9, USDA reported winter wheat harvest was 63% complete, ahead of the 5-year average of 61%. USDA reported 81% of U.S. spring wheat has headed, ahead of the 5-year average of 69%. USDA rated 80% of spring in good to excellent condition up from 77% last week.

### 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 \$278.06-296.52 per tonne.

US and Russian quotes are hovering in the range of \$210.98 and \$189.30 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 \$185 to \$245 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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