

Wheat Weekly Research Report

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

All India average monthly prices for wheat decreased by 0.58 percent from Rs 1905.68 (in June -2018) to Rs 1894.67 per qtl in July-2018. Average price (July) is higher by 0.90 percent compared to price (Rs 1877.86 per qtl.) registered in July -2017. Prices are expected to remain firm in coming days due to increase in import duty and good domestic demand.

Government has offered 3735950 tonnes of wheat in OMSS during the month of July-2018 out of which only 177400 tonnes was sold. Total numbers of rakes sold were 2. State government bought 85450 tonnes of wheat. 5300 tonnes was sold in dedicated movement. Government will sell wheat in open market at a reserve price of Rs 1900 per quintal in the second quarter i.e. July-September. For third and fourth quarter prices will be Rs 1925 per quintal and Rs 1950 per quintal respectively.

As per market sources, India may reduce import duty due to uneven monsoon rains. A private weather forecaster has said that India is likely to receive below normal monsoon rains in 2018. Wheat prices are getting close to Rs 2000 per quintal against MSP of Rs 1735 per quintal. Therefore, in an attempt to control inflation government may decrease import duty. As of now, Demand for domestic wheat is good as with import duty at 30 percent there is no import parity. Therefore, demand for wheat will be, to a large extent, dependent on domestically available wheat.

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 ASW is Rs 2285-2295 per quintal and Ukrainian wheat is Rs 2075-2095 per quintal. Wheat supplies are likely to tighten this year. Stock of imported wheat has declined in past months as no quantity has been imported since February 2018 from Australia or Black sea region. As of now ASW is being quoted at AUD 322 per tonne at Kwinana port.

As per trade source, India has exported around 2.17 thousand tonnes in the month of June compared to 2.31 thousand tonnes in May. The quantity in June was exported at an average FOB of \$ 432.95 per tonne and the major destinations were Nepal, UAE, Malaysia, Kuwait and Singapore. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices. Furthermore, after increase in import duty to 30 percent imports have decreased substantially. India has imported no wheat in the month of June-2018. Imports are expected to be low this year due to good domestic availability and increase in import duty. India has imported around 31000 tonnes in the month of February-2018.

Indian FoB quote is hovering around \$308.64 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$215.20, \$205.20, Euro 211.40 \$231.42 and \$234.00 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 0.5 million tonnes in MY 2018-19.

Previous Updates

As per Agriwatch estimate, production is likely to be around 94.0 MMT compared to 95.5 MMT last year. Total availability is likely to be around 109.62 MMT, lower compared to last year because of lower production. Carry out is expected to be around 14.32 MMT for 2018-19 compared to 15.12 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. 1923 & 2030 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 June-2018	425.91	452.45
09-16 June -2018	534.16	524.43
17-23 June -2018	698.07	349.44
24-30 June -2018	521.08	386.45
Total	2179.22	

Source: Trade

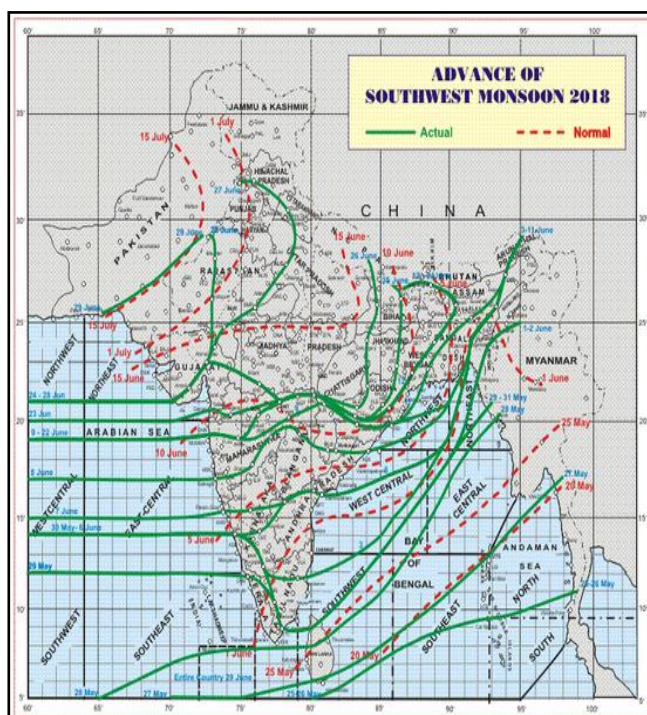
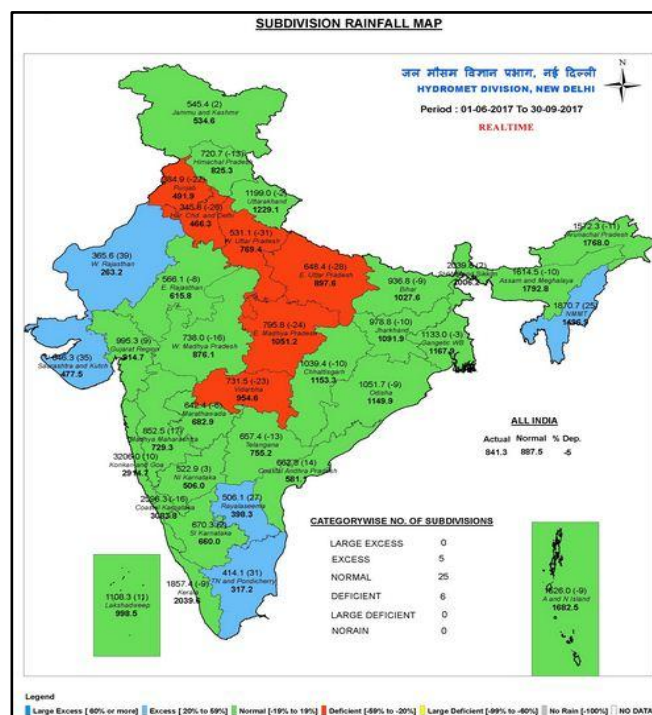
Wheat Import

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 June-2018.

Source: Trade

Monsoon & Weather Condition

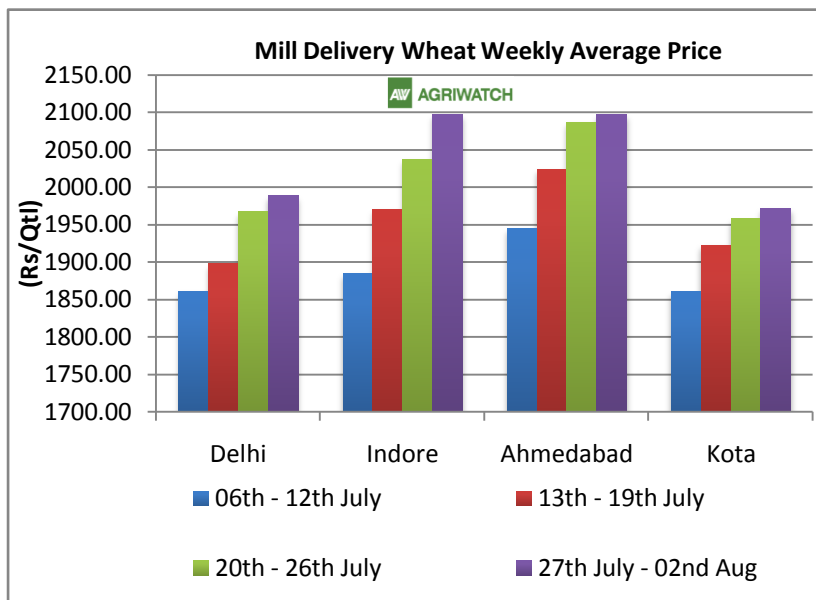


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Indore, Ahmedabad and Kota during 27th July to 02nd August.

Major spot markets witnessed firm sentiments in previous week and market is likely to stay steady to firm in coming week. Abundant availability this year will allow government to control any unexpected price rise. Sales through OMSS are higher in July-18 compared to July-17. Demand from south Indian millers is likely to pick up with lean season as there is no import parity after taking into account 30% import duty and local expenses.


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						

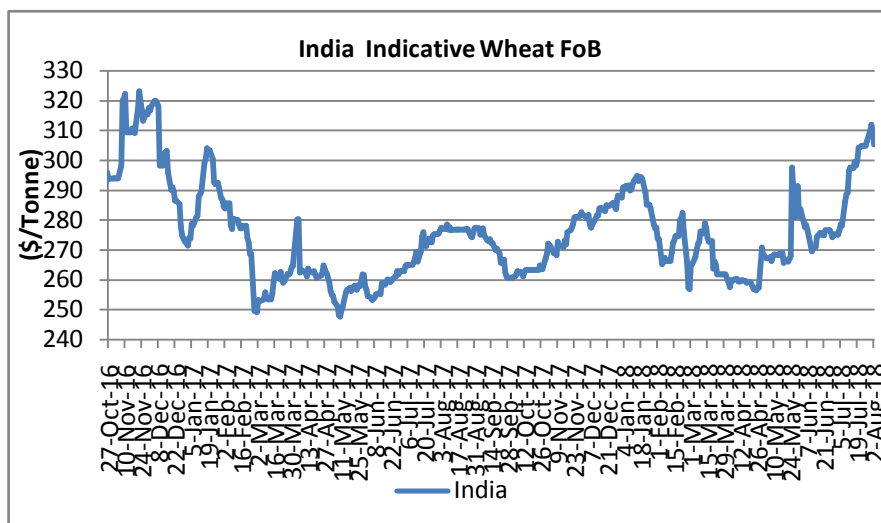
Procurement RMS 2018-2019

State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	11.90	12.69	11.70	8.46
Rajasthan	1.60	1.53	1.25	22.40
Uttar Pradesh	4.00	5.09	3.70	37.57
Others	0.10	0.19	0.02	850.00
All-India	32.00	35.53	30.83	15.24

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 \$300-320 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.

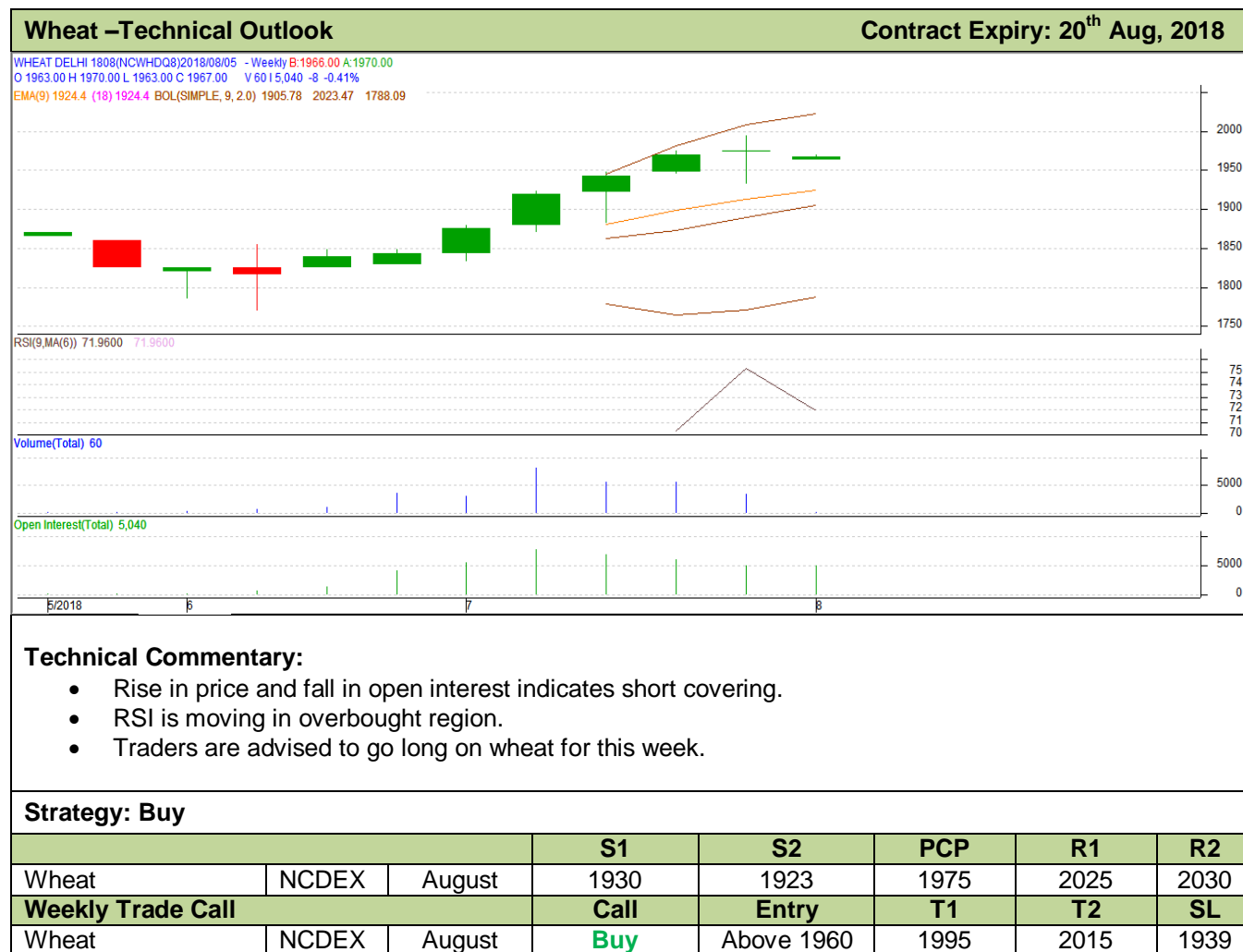


Indicative FOB Quotes:						
Wheat FOB	Variety	Yesterday	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		1-Aug-18	25-Jul-18	2-Jul-18	1-Aug-17	
USA (Chicago)	2SRW	234.50	228.80	205.80	190.40	23.16
France	FCW3	249.61	239.98	210.89	195.08	27.95
Australia	ASW	231.00	221.25	221.25	218.99	5.48
Russia	SRW	218.00	202.50	190.50	182.50	19.45
India	Fob	309.77	304.85	275.63	275.52	12.43

	02/08/2018	26/07/2018	19/07/2018	12/07/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	224	212	205	201
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	215	201	196	194

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date:03.08.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Aug	-5	1975	1992	1970	1975	980	+220	5020	-470
18-Sep	-4	2001	2004	1985	1994	1650	+250	3010	+350
18-Oct	-6	2020	2020	2010	2010	240	+30	420	+420

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
	2-Aug-18	26-Jul-18	3-Jul-18	2-Aug-17	
Indore	2052	2000	1813	1700	20.71
Delhi	1990	1970	1783	1770	12.43
Kanpur	2050	1970	1685	1690	21.30
Rajkot	2040	2033	1810	1672	22.01
Kota	1948	1946	1801	1684	15.68

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

Domestic Market Weekly Outlook:
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Wheat cash market is likely to trade steady to firm in coming week, as prices are getting support from no imports and increase in reserve price. Normal firmness can be expected in the market during 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
			2-Aug-18	1-Aug-18	26-Jul-18	2-Jul-18	2-Aug-17
Delhi	Lawrence Road	Mill Delivery	1990	1990	1965	1765	1770
	Narella	Mill Quality Loose	1900	Closed	NA	1715	1670
	Nazafgarh	Mill Quality Loose	1915	Closed	NA	1725	1670
Gujarat	Rajkot	Mill Delivery	1950	1970	Closed	1730	1600
	Ahmedabad	Mill Delivery	2060	2100	2100	1865	1755
	Surat	Mill Quality Loose	2100	2140	2125	1920	1790
	Dhrol	Mill Delivery	2015	2000	2035	1925	1620
M.P.	Indore	Mill Quality Loose	2050	2050	Closed	1775	1650
	Bhopal	Mill Delivery	2000	2000	1900	1970	1650
Rajasthan	Kota	Mill Quality Loose	1865	1860	1850	1725	1570
		Mill Delivery	1950	1960	1960	1825	1650
U.P.	Kanpur	Mill Delivery	1815	1820	1815	1740	1735
	Mathura	Mill Quality Loose	1805	1815	Closed	1610	NA
	Kosi	Mill Quality Loose	1820	1825	Closed	1570	1585
	Hathras	Mill Quality Loose	1800	1800	1800	1620	1560
	Aligarh	Mill Quality Loose	1810	Closed	NA	1600	1600
Punjab	Khanna	Mill Quality Loose	1800	1800	1810	1690	Closed
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1835	1835	1840	1745	1690
	Hodal	Mill Delivery	1920	1920	1920	1745	1740
	Bhiwani	Mill Quality Loose	1890	1880	1860	1690	1650
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1655
	Panipat	Mill Quality	NA	NA	NA	NA	1625



		Loose					
Tamil Nadu	Chennai	Mill Quality	2300	2325	2270	2100	1950
	Madurai	Mill Quality	2357	2450	2370	2300	2150
	Coimbatore	Mill Quality	2357	2500	2420	2350	2200
Bihar	Khagariya	Mill Delivery	1500	1500	1550	1550	1650
	Muzaffarpur	Mill Delivery	1850	1850	1850	1525	1600

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 \$14-15 per tonne at Novorossiysk and \$13-14 per tonne at Odessa compared to last week. Good demand and lower crop size in major producing countries compared to last year is providing support to prices. As per USDA, Russia is expected to produce 67.00 MMT in 2018 compared to 84.99 MMT in 2017. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$224.00-230.00/tonne whereas milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$222.00-228.00/tonne.

As per latest update, Japan's ministry of agriculture bought 107843 MT of food quality wheat from United States and Canada. Around 47178 MT has been bought from United States and 60665 MT of standard western red spring has been bought from west Canada. Shipments from United States will be loaded between Oct 01 and Oct 31, 2018 whereas shipments from Canada will be loaded between Sept 01 and Sept 30, 2018.

GASC has purchased 240000 tonnes of Russian and Romanian wheat through tender. Of the total quantity 180000 tonnes has been sourced from Russia and 60000 tonnes has been sourced from Romania. Aston offered 60000 tonnes of Russian wheat at FoB \$235.50 per tonne, Ameropa offered 60000 tonnes of Romanian wheat at FoB \$238.22 per tonne, GTCS offered 60000 tonnes of Russian wheat at FoB \$238.00 per tonne and Posco offered 60000 tonnes of Russian wheat at FoB \$238.25 per tonne.

Algeria state grains agency OAIC has bought around 360000 tonnes of milling wheat in a tender that closed on Wednesday. The prices paid were in the range of \$269.00 - \$272.00 per tonne (Cost and Freight). The quantity to be shipped is due in October.

Wheat Quality Australia (WQA) has downgraded some of its varieties to feed quality. Varieties such as meering, camm, mitre, annuello, mackellar, and H46 will only be received as feed. Furthermore, Australia is likely to produce 22 MMT of wheat in 2018-19 due to dry and hot weather and lower rainfall in east Australia. Australia's exports for 2018-19 are expected to be around 16 MMT. Furthermore, Australia is expected to face strong competition from Black sea region for market share.

As per latest update, France is likely to harvest 35.00 MMT of wheat compared to 36.6 MMT last year. Overall crop in EU is expected to be below 130 MMT due to hot and dry weather in northern/central parts of Europe.

As per latest update, Strategie Grains has reduced its estimate for 2018 European soft wheat crop, according to new estimate wheat crop is expected to be lower than 130 MMT. Increasing concerns about production in major exporting countries such as Russia, Australia and EU have supported global wheat prices.

As on 13th July Russia has harvested 24.6 million tonnes of wheat compared to 9.0 million tonnes a year ago for the same date. Around 6.3 million hectares of area has been harvested with an average yield of 3.88 tonnes per hectare compared to 1.9 million hectares with an average yield of 4.69 tonnes per hectare a year ago for same date. Russia is expected to harvest 68-69 million tonnes of wheat in 2018.

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.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19(Projected)	
		(Estimate)		02.07.2018	26.07.2018
Production	737	752	758	737	721
Trade	166	177	177	177	176
Consumptions	718	736	736	743	739
Carryover stocks	227	243	265	256	247
Y-O-Y change	19	16	22	-	-18
Major Export	63	79	82	70	63

- IGC has projected global wheat production to be 721 MMT for 2018-19. According to forecast by IGC for 2017-18, global wheat production was around 758 MMT against 752 MMT for 2016-17. The projection for global production is lower by 37 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 decreased to 176 MMT. It is 1 MMT lower compared to forecast for last year and higher by 10 MMT compared to 2015-16.
- Consumption has been increased by 3 MMT to 739 MMT for 2018-19. The projection is higher by 3 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 247 MMT compared to forecast of 265 MMT last year. It is higher by around 4 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
	1-Aug-18	25-Jul-18	2-Jul-18	2-May-18	1-Feb-18	1-Aug-17	
Sep-18	200.78	188.75	184.16	193.34	182.51	202.99	-1.09
Dec-18	208.13	195.55	189.85	201.06	189.49	208.50	-0.18
Mar-19	213.73	201.89	195.55	206.94	195.18	211.71	0.95
May-19	215.85	204.92	199.77	209.42	197.11	211.35	2.13
Jul-19	215.85	206.20	201.52	210.15	197.11	206.55	4.50
Sep-19	218.14	209.33	204.46	212.45	200.23	206.66	5.56

CBOT Sept-18

1st Support: 190.00
2nd Support: 188.00
1st Resistant: 219.00
2nd Resistant: 221.00
(\$ per tonne)

Wheat CBOT closed at \$5.56 per bushel. U.S. export sales in the week of 20th -26th July were 382500 tonnes. On July 30, USDA reported winter wheat harvest was 85% complete, slightly behind of the 5-year average of 86%. USDA reported U.S. spring wheat harvest is 4% complete, in line with the 5-year average. USDA rated 78% of spring in good to excellent condition down from 79% 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 \$305.28-311.95 per tonne.

US and Russian quotes are hovering in the range of \$231.42 and \$215.20 per tonne respectively. Wheat prices in international markets remained steady to firm in last week.

Wheat is expected to trade steady to firm and hover in the range of \$205 to \$255 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 139.9 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 66.00 MMT and 25.5 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 51.1 MMT compared to last year's 47.40 MMT. Australia is likely to produce 22.50 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 31.80 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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