

# Wheat Weekly Research Report

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

All India weekly average prices increased by 5.37 percent to Rs. 2048.77 per quintal during the week ended 08th July 2018. Wheat average price were ruling at Rs 1944.39 per quintal during 24-31 July 2018. As compared to prices in the week 01-08 August 2017, the prices are firm by 0.54 percent. Prices are expected to remain firm in coming days due to increase in import duty and good domestic demand.

Wheat prices in Australia and Black sea region have become firm in past weeks. As of now, Russian wheat with 11.5 percent protein content and Australian standard wheat (ASW) is being quoted at \$312 per tonne and \$338 per tonne respectively, after including freight and import duty @30%. Local expenses will make imported wheat more expensive. Therefore, there is no parity for imported wheat as of now. Domestic demand for wheat is good and is likely to increase as lean season progresses.

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 2290-2300 per quintal and Ukrainian wheat is Rs 2080-2100 per quintal. Australian Premium Wheat (APW) is not available in the domestic market. 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.

In last month, Wheat August future contract has increased by 6.94 percent. This increase in prices is burdening manufacturers like ITC, Parle and Britannia, who may in turn pass this burden onto consumers. Varun Berry, managing director of Britannia Industries said a 3 to 4 percent price increase across categories is on the cards.

IMD has already issued its forecast for normal monsoon during June-September'18 and rainfall is expected to be 97% of the LPA. However, IMD may downgrade its forecast for Monsoon during August and September which will eventually lead to fall in the prediction for entire season. Below normal monsoon will lead to lower soil moisture, which in turn will slightly affect yield of wheat during rabi season.

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 \$303.37 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$217.60, \$214.80, Euro 220.30 \$235.74 and \$253.65 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. 1926 & 2033 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

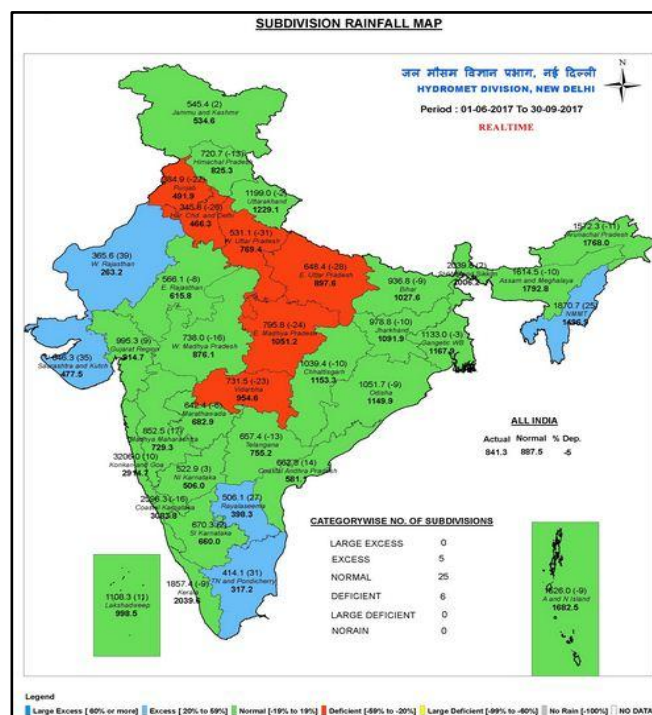
### Wheat Import

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

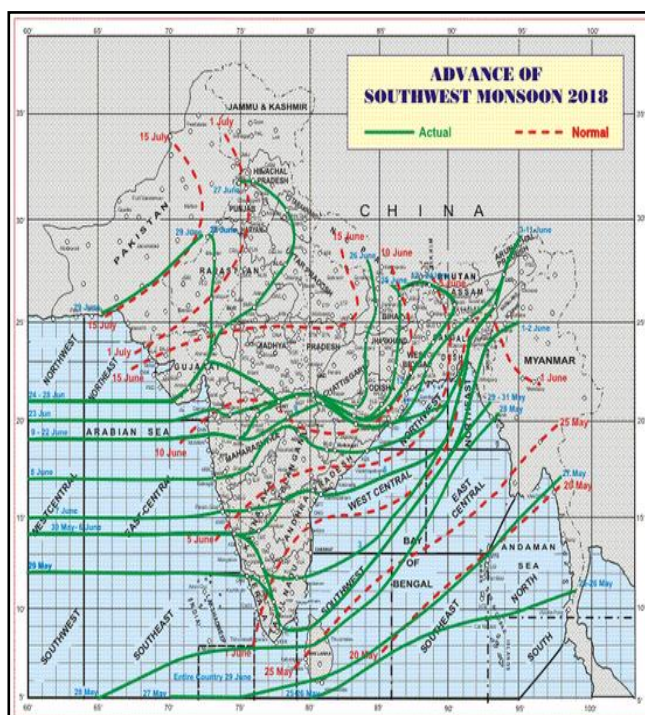
As per trade sources no quantity has been imported in the month of June-2018.

Source: Trade

### Monsoon & Weather Condition



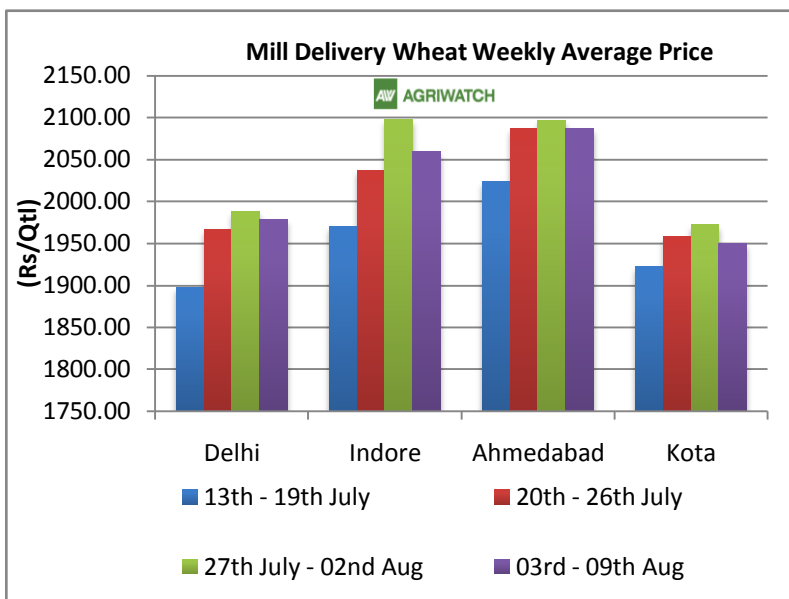
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Delhi, Indore, Ahmedabad and Kota during 03<sup>rd</sup> -09<sup>th</sup> August.

Major spot markets witnessed weak sentiments in previous week due to technical correction. Market is likely to trade steady to slightly firm in the coming week due to good demand. Furthermore, 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. 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.


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
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

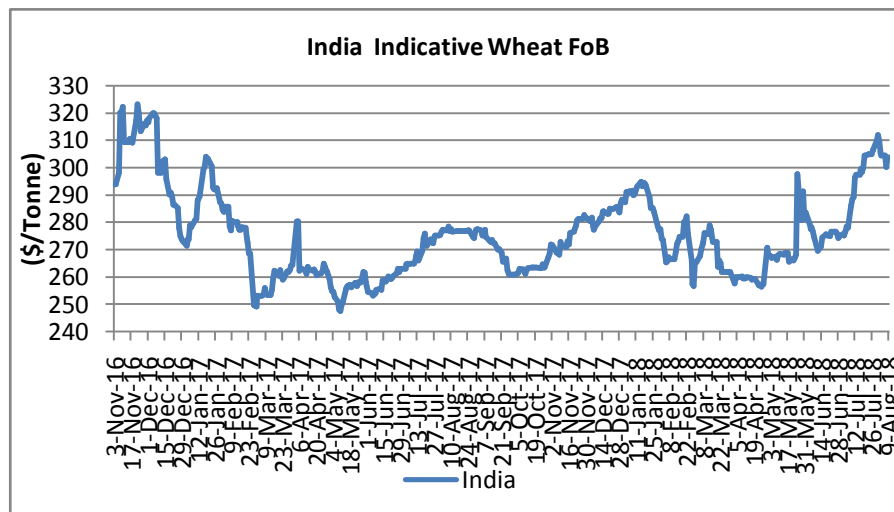
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 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 \$295-310 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
		8-Aug-18	1-Aug-18	9-Jul-18	8-Aug-17	
USA (Chicago)	2SRW	237.00	234.50	216.00	188.10	26.00
France	FCW3	257.51	249.61	220.92	191.30	34.61
Australia	ASW	259.50	231.00	219.75	221.14	17.35
Russia	SRW	217.50	218.00	190.00	177.50	22.54
India	Fob	303.78	309.77	286.23	278.43	9.10

	09/08/2018	02/08/2018	26/07/2018	19/07/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	235	224	212	205
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	220	215	201	196

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 10.08.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Aug	-2	1968	1980	1968	1978	1200	+560	2790	-620
18-Sep	0	1990	1997	1985	1990	700	+170	3700	+180
18-Oct	0	2000	2000	2000	2000	50	-430	530	+530



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
	8-Aug-18	1-Aug-18	9-Jul-18	8-Aug-17	
Indore	1991	2050	1854	1705	16.77
Delhi	1976	1990	1868	1769	11.70
Kanpur	1840	1990	1700	1690	8.88
Rajkot	2025	2050	1883	1674	20.97
Kota	1966	1943	1834	1682	16.88

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 good domestic demand. 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
			8-Aug-18	7-Aug-18	1-Aug-18	9-Jul-18	8-Aug-17
Delhi	Lawrence Road	Mill Delivery	1980	1975	1990	1880	1775
	Narella	Mill Quality Loose	Closed	1870	Closed	1760	1645
	Nazafgarh	Mill Quality Loose	Closed	1880	Closed	1800	1670
Gujarat	Rajkot	Mill Delivery	1935	1930	1970	1800	1610
	Ahmedabad	Mill Delivery	2090	2070	2100	1960	1760
	Surat	Mill Quality Loose	2130	2120	2140	1990	1790
	Dhrol	Mill Delivery	2035	2015	2000	1790	1595
M.P.	Indore	Mill Quality Loose	2000	2000	2050	1775	1650
	Bhopal	Mill Delivery	1950	2000	2000	1800	1650
Rajasthan	Kota	Mill Quality Loose	1850	1860	1860	1750	NA
		Mill Delivery	1950	1950	1960	1850	NA
U.P.	Kanpur	Mill Delivery	1810	1800	1820	1770	1735
	Mathura	Mill Quality Loose	1780	1805	1815	1725	NA
	Kosi	Mill Quality Loose	1815	1810	1825	1685	1585
	Hathras	Mill Quality Loose	1790	1800	1800	1640	1565
	Aligarh	Mill Quality Loose	Closed	1790	Closed	1680	1600
Punjab	Khanna	Mill Quality Loose	1820	1820	1800	1720	1650
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1830	1830	1835	1790	1700
	Hodal	Mill Delivery	1920	1920	1920	1780	1740
	Bhiwani	Mill Quality Loose	1880	1890	1880	1800	1660
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1665



	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625
Tamil Nadu	Chennai	Mill Quality	2300	2350	2325	2170	NA
	Madurai	Mill Quality	2357	2450	2450	2300	NA
	Coimbatore	Mill Quality	2357	2500	2500	2350	NA
Bihar	Khagariya	Mill Delivery	1500	1500	1550	1550	1650
	Muzaffarpur	Mill Delivery	1850	1850	1850	1650	1600

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 \$5-6 per tonne at Novorossiysk and \$7-8 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 \$230.00-235.00/tonne whereas milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$230.00-235.00/tonne.

As per latest update, Japan's ministry of agriculture bought 150640 MT of food quality wheat from United States, Canada and Australia. Around 49180 MT has been bought from United States, 65450 MT of western red spring has been bought from Canada and 36010 MT of standard white wheat has been bought from west Australia. Shipments from United States, Canada and Australia will be loaded between Oct 01 and Oct 31, 2018.

France's farm ministry has reduced its forecast for wheat to 35.1 MMT due to unfavourable weather conditions. In 2017, France has produced 36.6 MMT in 2017.

Russia has exported 19.3 MMT of wheat in first six months of 2018 compared to 11.38 MMT during the same period last year. India has imported no quantity of wheat from Russia since April-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, 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.

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
	8-Aug-18	1-Aug-18	8-Jul-18	8-May-18	8-Feb-18	8-Aug-17	
Sep-18	209.42	205.10	189.30	195.27	182.60	198.58	5.46
Dec-18	217.23	212.63	194.72	203.17	189.76	205.01	5.96
Mar-19	224.67	218.24	199.77	209.97	195.27	208.50	7.75
May-19	227.70	219.89	203.17	213.28	197.29	207.40	9.79
Jul-19	223.84	219.25	204.83	214.01	197.84	201.43	11.13
Sep-19	226.04	221.63	207.95	215.85	200.60	202.16	11.81

## CBOT Sept-18

**1<sup>st</sup> Support: 187.00**  
**2<sup>nd</sup> Support: 185.00**  
**1<sup>st</sup> Resistant: 220.00**  
**2<sup>nd</sup> Resistant: 222.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.46 per bushel. U.S. export sales in the week of 27<sup>th</sup> July-02nd August were 317100 tonnes. On August 6, USDA reported winter wheat harvest was 90% complete, slightly behind the 5-year average of 92%. USDA reported U.S. spring wheat harvest is 13% complete, slightly behind the 5-year average, and rated 74% of spring wheat in good to excellent condition, down from 78% 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 \$300.15-304.55 per tonne.

US and Russian quotes are hovering in the range of \$235.74 and \$217.60 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 \$210 to \$290 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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