

# Wheat Weekly Research Report

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

All India weekly average prices decreased by 1.44 percent to Rs. 2019.19 per quintal during the week ended 15th August 2018. Wheat average price were ruling at Rs 2048.77 per quintal during 01-08 August 2018. As compared to prices in the week 09-15 August 2017, the prices are firm by 4.02 percent. Prices are expected to remain steady to firm in coming days due to good domestic demand.

As per trade sources imported wheat from various origins to Tuticorin port witnessed firm tone in the week. As of now Tuticorin port price for ASW is Rs 2305-2315 per quintal and Ukrainian wheat is Rs 2090-2110 per quintal. Australian Premium Wheat (APW) is not available in the domestic market. Stock of imported wheat has declined in past months as no quantity has been imported since February 2018 from Australia or Black sea region.

Wheat WPI has increased slightly from 143.1 in June-2018 to 144.9 in July-2018. Monthly wheat inflation has increased by 1.26 percent in July -2018 compared to previous month. As compared to July-2017 wheat WPI has increased by around 6.31 percent. Wheat WPI is expected to stay steady to slightly firm in coming months.

India's import are expected to be 0.5 MMT or lower in MY 2018-19 due to good availability in domestic market and higher prices of wheat in Australia and Black sea region. As of now quotes for imported wheat from Australia and Black sea region is coming around \$335-365 per tonnes after including freight and import duty@30%. Local expenses would add to import quotes. Therefore, there is no parity for imported wheat.

As per latest update, wheat stock in central pool as on 1st August'18 stood at 405.58 lakh tonnes down by 2.97% compared to last month. This quantity is higher by around 34.93% 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 August'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 \$296.89 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$218.13, \$219.50, Euro 213.19 \$224.44 and \$260.15 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 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. 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.

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. 1957 & 2027 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

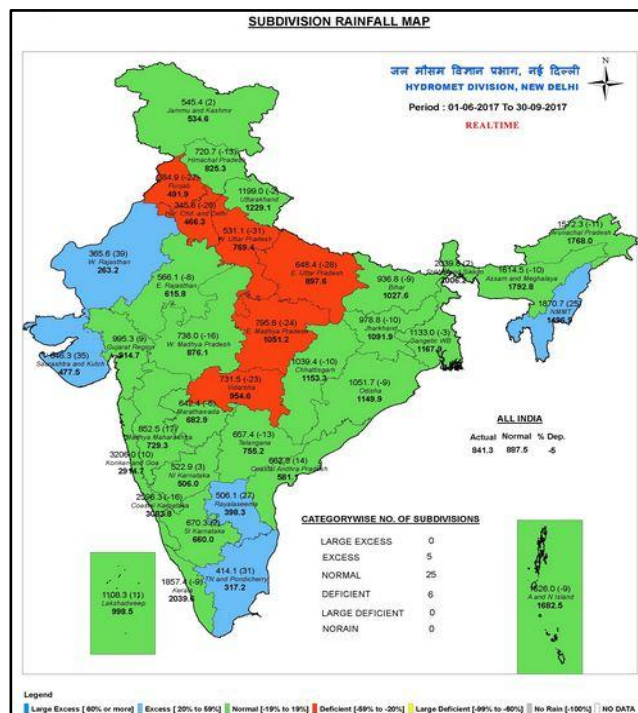
### Wheat Import

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

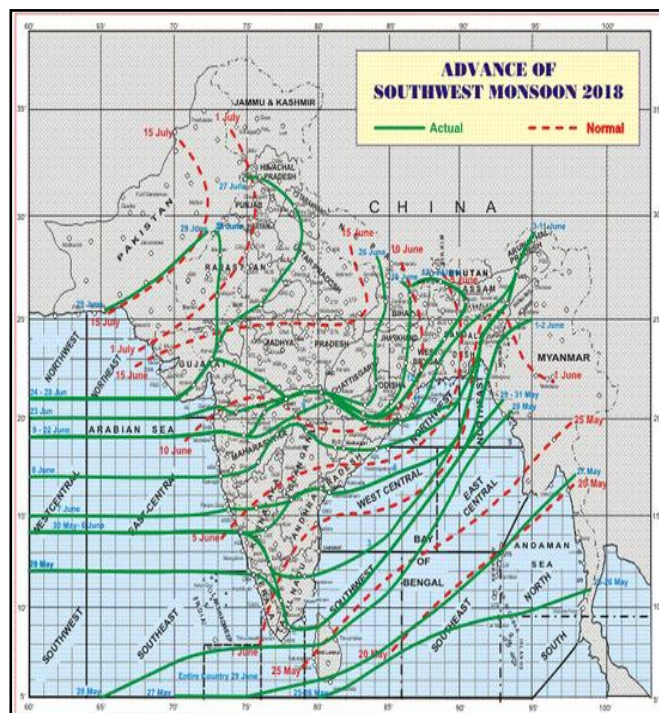
As per trade sources no quantity has been imported in the month of June-2018.

Source: Trade

### Monsoon & Weather Condition



Source: IMD

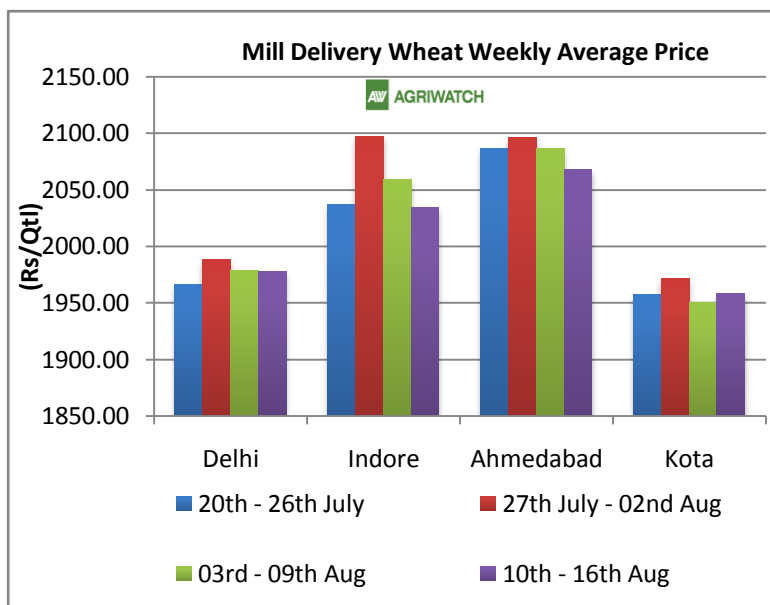


### Wheat Weekly Average Price Chart

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Average mill delivery prices of Wheat traded steady to weak in Delhi, Indore and Ahmedabad during 10<sup>th</sup> -16<sup>th</sup> August.

Major spot markets witnessed weak sentiments in previous week. 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><u>Wheat Stock Norms</u></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 RMS 2018-2019

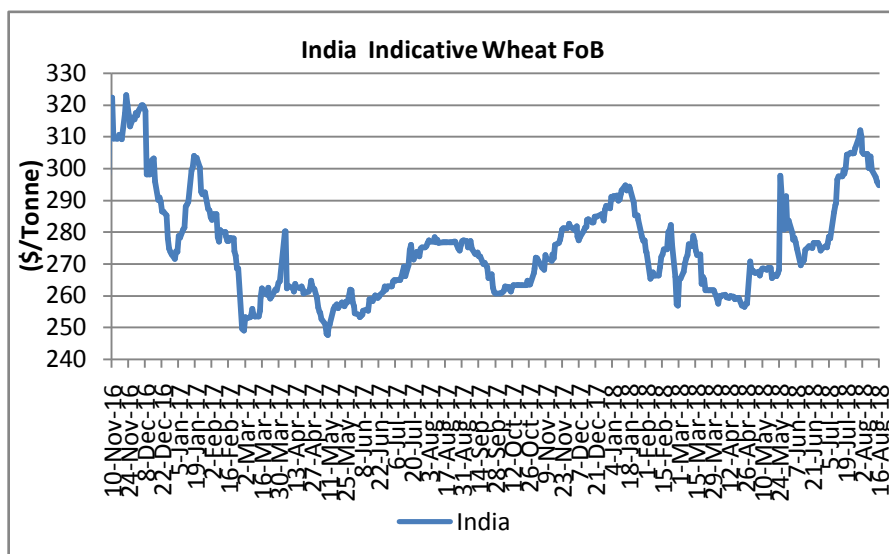
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
<b>Haryana</b>	7.40	8.74	7.43	<b>17.63</b>
<b>Madhya Pradesh</b>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

### 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 \$290-305 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
		16-Aug-18	9-Aug-18	16-Jul-18	16-Aug-17	
USA (Chicago)	2SRW	222.98	234.90	208.90	169.30	31.71
France	FCW3	241.44	253.27	219.99	188.31	28.21
Australia	ASW	260.61	267.75	220.50	198.97	30.98
Russia	SRW	213.00	218.00	190.00	175.50	21.37
India	Fob	294.79	303.85	297.46	Closed	-

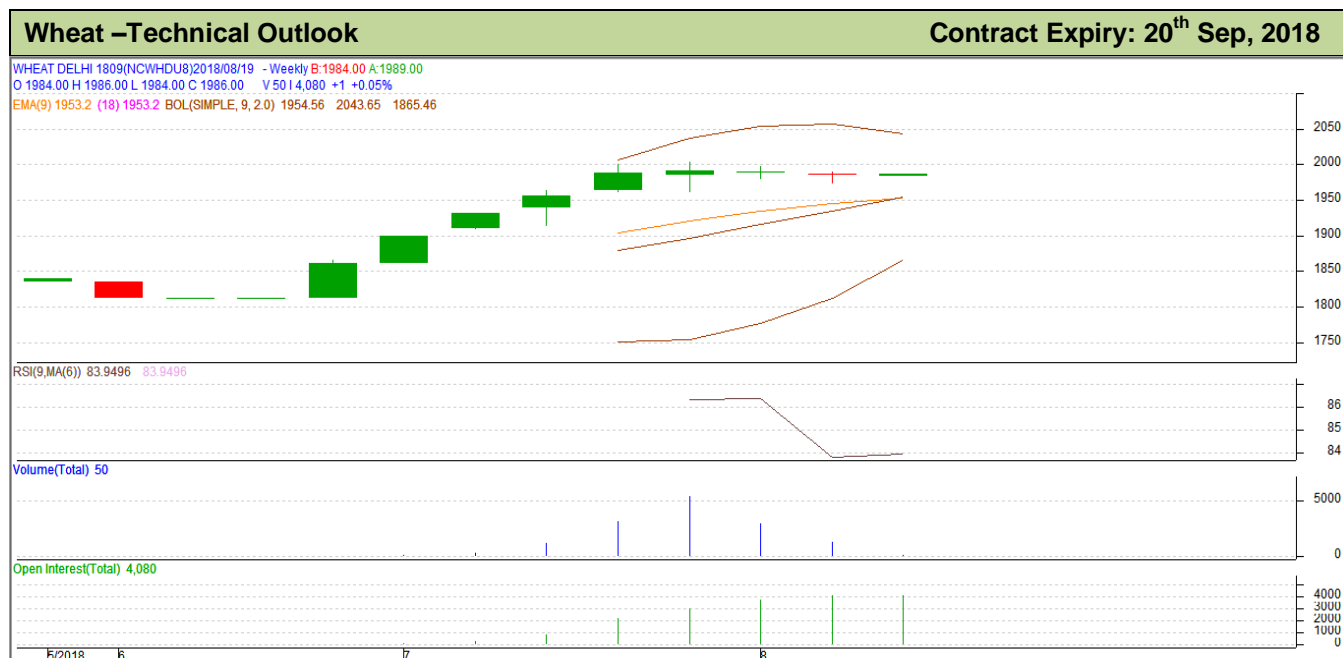
	16/08/2018	09/08/2018	02/08/2018	26/07/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	232	235	224	212
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	222	220	215	201

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 17.08.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Sep	+5	1982	1985	1981	1985	330	-160	4120	-20
18-Oct	+4	1991	1995	1995	1995	10	-20	590	-10
18-Nov	+3	2002	2002	2002	2005	0	0	0	0

### Wheat Technical Analysis:

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#### Technical Commentary:

- Fall in price and rise in open interest indicates short buildup.
- RSI is moving in overbought region.
- Traders are advised to go long on wheat for this week.

#### Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	September	1961	1957	1985	2022	2027
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	September	Buy	Above 1980	2000	2015	1968

### 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
	16-Aug-18	9-Aug-18	16-Jul-18	16-Aug-17	
Indore	1950	2006	1902	1707	14.24
Delhi	1976	1977	1902	1769	11.70
Kanpur	1870	1870	1830	1681	11.24
Rajkot	2000	2020	1968	1683	18.84
Kota	1962	1960	1890	1695	15.75

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
			16-Aug-18	14-Aug-18	9-Aug-18	16-Jul-18	16-Aug-17
Delhi	Lawrence Road	Mill Delivery	1970	1980	1980	1900	1765
	Narella	Mill Quality Loose	1890	1880	1870	1770	1670
	Nazafgarh	Mill Quality Loose	1885	1900	1885	1820	1665
Gujarat	Rajkot	Mill Delivery	1935	1930	1930	1875	NA
	Ahmedabad	Mill Delivery	2080	2030	2090	2000	NA
	Surat	Mill Quality Loose	2110	2080	2130	2050	NA
	Dhrol	Mill Delivery	2000	2030	2005	1970	NR
M.P.	Indore	Mill Quality Loose	1950	1950	2000	1800	1650
	Bhopal	Mill Delivery	1950	2000	1950	1850	1650
Rajasthan	Kota	Mill Quality Loose	1850	1850	1850	1850	NA
		Mill Delivery	1960	1960	1950	1950	NA
U.P.	Kanpur	Mill Delivery	1850	1810	1810	1770	1720
	Mathura	Mill Quality Loose	1805	1805	1795	1740	1590
	Kosi	Mill Quality Loose	1785	1775	1790	1760	1585
	Hathras	Mill Quality Loose	NR	NR	1790	1750	1620
	Aligarh	Mill Quality Loose	1785	1790	1800	1710	1600
Punjab	Khanna	Mill Quality Loose	1850	1850	1820	1800	1650
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1830	1830	1830	1820	1705
	Hodal	Mill Delivery	1940	1940	1940	1885	1780
	Bhiwani	Mill Quality Loose	1840	1870	1860	1850	1670
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1670
	Panipat	Mill Quality	NA	NA	NA	NA	1625



		Loose					
<b>Tamil Nadu</b>	Chennai	Mill Quality	2325	2325	2300	2225	NA
	Madurai	Mill Quality	2382	2450	2400	2350	NA
	Coimbatore	Mill Quality	2382	2500	2450	2400	NA
<b>Bihar</b>	Khagariya	Mill Delivery	1500	1500	1550	1550	1650
	Muzaffarpur	Mill Delivery	1850	1850	1850	1700	NA

**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:

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Wheat crops have suffered in Northern Europe, Australia, Canada and Russia due to unfavourable weather conditions. USDA expects world production is likely to be around 729.63 MMT in 2018-19 compared to 758 MMT last year. Strategie Grains have lowered forecast for soft wheat in Europe from 130 MMT to 127.7 MMT. As per USDA, Russia's wheat crop is expected to be around 68 MMT down from 85 MMT last year. USDA did not change forecast for Australia but private forecasters believe the crop to be around 20 MMT. Lower availability will support global wheat prices.

Russian milling wheat prices became weak by \$2-3 per tonne at Novorossiysk and \$2-3 per tonne at Odessa compared to last week. After surge in prices during past weeks, prices have started easing. As per USDA, Russia is expected to produce 68.00 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 \$228.00-232.00/tonne whereas milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$228.00-232.00/tonne.

Iraq has bought 300000 tonnes of wheat through tender from United States and Canada. Of the total quantity 200000 tonnes has been bought from United States and 100000 tonnes from Canada. U.S wheat is expected to be delivered in 75 days and Canadian wheat in 105 days from date of signing the contract. Trading house Cargill is believed to be the seller of U.S. wheat.

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.

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
	15-Aug-18	8-Aug-18	15-Jul-18	15-May-18	15-Feb-18	15-Aug-17	
Sep-18	195.55	209.42	185.17	187.28	185.72	189.30	3.30
Dec-18	202.71	217.23	190.68	195.27	193.25	195.64	3.62
Mar-19	210.98	224.67	194.63	201.79	198.76	199.31	5.85
May-19	214.65	227.70	196.65	205.38	200.32	198.76	7.99
Jul-19	212.63	223.84	200.05	206.66	199.87	194.35	9.40
Sep-19	215.02	226.04	205.19	208.68	202.16	195.09	10.22

### CBOT Sept-18

**1<sup>st</sup> Support: 186.00**  
**2<sup>nd</sup> Support: 184.00**  
**1<sup>st</sup> Resistant: 219.00**  
**2<sup>nd</sup> Resistant: 221.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.60 per bushel. U.S. export sales in the week of 03<sup>rd</sup> -09<sup>th</sup> August were 803000 tonnes. On August 13, USDA reported winter wheat harvest was 94% complete, slightly behind of the 5-year average of 96%. USDA reported U.S. spring wheat harvest is 35% complete, ahead of the 5-year average pace of 27%. USDA rated 75% of spring wheat in good to excellent condition down from 74% 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 \$294.79-299.49 per tonne.

US and Russian quotes are hovering in the range of \$224.44 and \$218.13 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 \$280 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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