



# **Wheat Weekly Research Report**

## **Table of Contents**

- ❖ **Review and Outlook**
- ❖ **Export/Import**
- ❖ **Weather**
- ❖ **Weekly Price Change**
- ❖ **Stocking Norms**
- ❖ **FOB Quotes**
- ❖ **NCDEX Wheat Contracts**
- ❖ **Wheat Technical Analysis**
- ❖ **Spot Price at NCDEX Delivery Centers**
- ❖ **Domestic Outlook and Spot Prices**
- ❖ **Progressive Sowing**
- ❖ **International Wheat Market**
- ❖ **IGC**
- ❖ **CBOT Future Contract**
- ❖ **CBOT Trend**
- ❖ **International FOB Trend**
- ❖ **International Weekly Outlook**



### Wheat Domestic Market Fundamentals

[\(Back to Table of Contents\)](#)

All India weekly average prices increased by 1.60 percent to Rs. 1994.88 per quintal during the week ended 08th September 2018. Wheat average price were ruling at Rs 1963.48 per quintal during 24-31 August 2018. As compared to prices in the week 01-08 September 2017, the prices are firm by 0.72 percent. Prices are expected to remain firm in coming days due to good domestic demand.

Wheat September future contract touched a high of Rs 2047 per quintal before closing at Rs 2030 per quintal during the week due to good domestic demand and no imports since March-18 until July-18. Furthermore, lean season is likely to provide support to domestic prices. In near future wheat prices are likely to touch Rs 2100 per quintal. Government has ample stocks to control any unexpected surge in prices by selling more quantity in open market.

As per trade sources imported wheat from various origins to Tuticorin port witnessed firm tone in the week. As of now Ukrainian wheat is Rs 2150-2160 per quintal. Australian Standard Wheat (ASW) and 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.

Government has offered 16254710 tonnes of wheat through OMSS since 19<sup>th</sup> July-18 until 06<sup>th</sup> Sep-18. Of the total quantity offered, government was able to sell around 4.0 percent. Quantity sold by government is likely to be on higher side this year compared to last year due to good demand in domestic market and no imports from Black Sea region and Australia.

Wheat prices in Black sea region eased in past week after government made it clear that it doesn't have any intentions of imposing export restriction of any kind as of now. Russian wheat with 11.5 percent and 12.5 percent protein content are being quoted at \$301.5 per tonne and \$321 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.

Indian FoB quote is hovering around \$291.40 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$204.80, \$213.90, Euro 203.00 \$217.57 and \$255.50 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 fourth advance estimate, wheat production has been pegged at 99.70 MMT compared to 98.61 MMT in its third advance estimate issued in the month of May-2018. The fourth advance estimate for 2017-18 is higher by 4.39 percent and 8.03 percent compared to final estimate of 2016-17 and 2015-16 respectively. Total food grain output is expected to be around 284.43 MMT compared to 279.51 MMT in earlier estimate.

As per trade source, India has exported around 0.72 thousand tonnes in the month of July compared to 2.17 thousand tonnes in June. The quantity in July was exported at an average FOB of \$ 565.92 per tonne. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices. No quantity of wheat was imported during the month of July-18.

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.

**Outlook & Recommendation:** Wheat cash market is expected to trade steady to firm in the coming week.

**Trade Call:** Stakeholders should trade in September contract taking care of lower and upper price tag of Rs. 1982 & 2090 respectively.

### Wheat Weekly Export

(Back to Table of Contents)

Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 July-2018	266.08	388.21
09-16 July -2018	255.45	569.26
17-23 July -2018	117.6	541.29
24-31 July -2018	86.44	504.86
Total	725.57	

Source: Trade

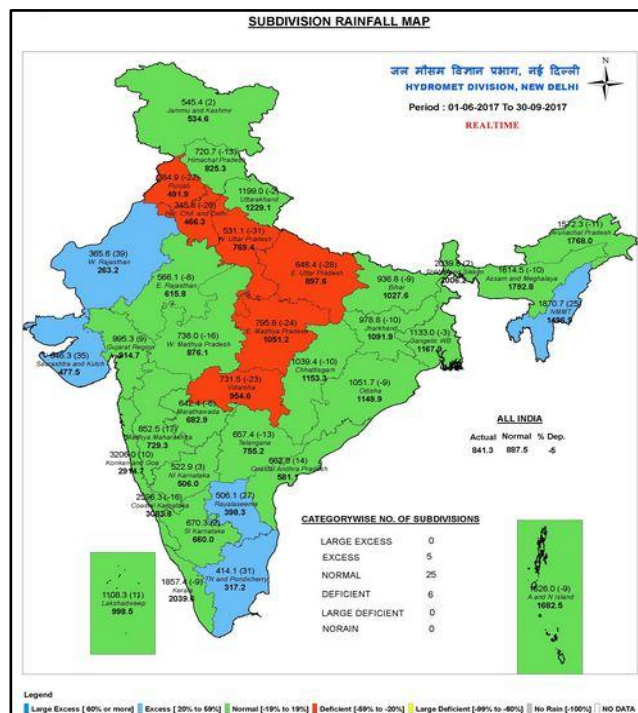
### Wheat Import

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

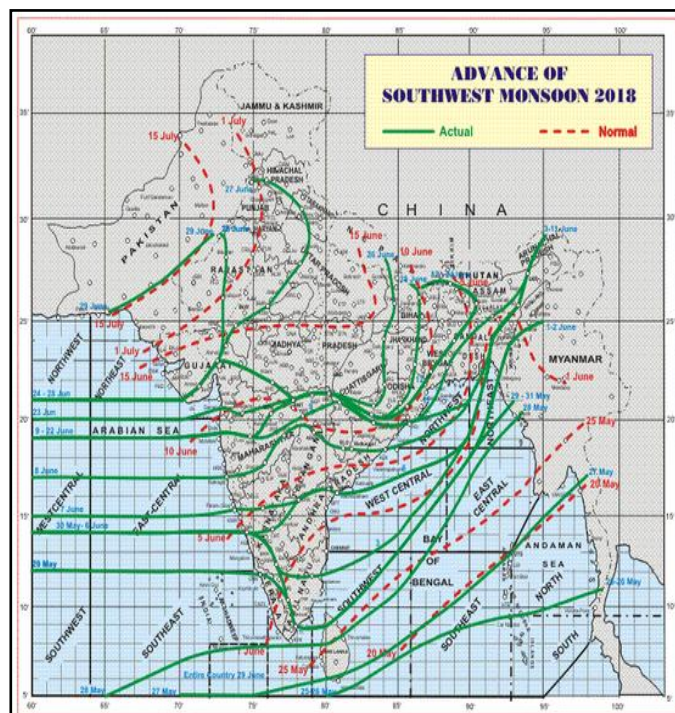
As per trade sources no quantity has been imported in the month of July-2018.

Source: Trade

### Monsoon & Weather Condition



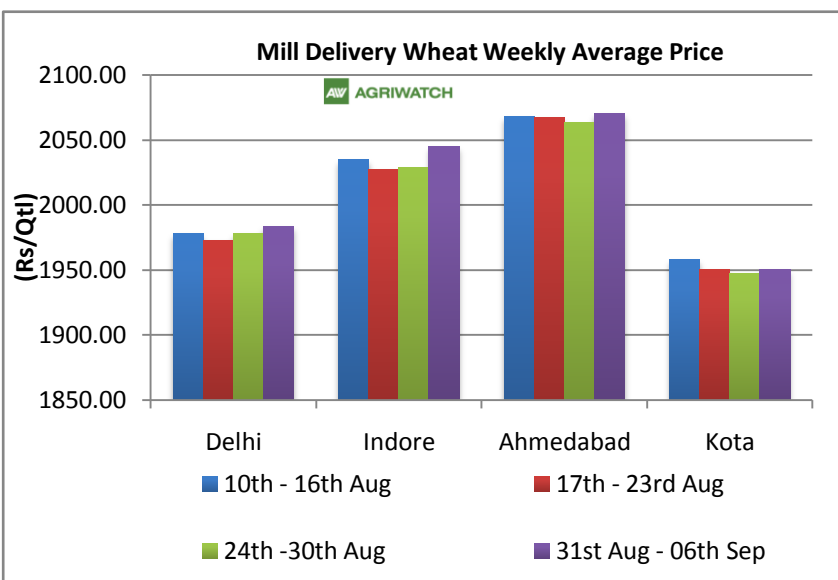
Source: IMD



Wheat Weekly Average Price Chart
[\(Back to Table of Contents\)](#)

Average mill delivery prices of Wheat traded firm in Delhi, Indore, Kota and Ahmedabad during 31<sup>st</sup> August-06<sup>th</sup> September.

Major spot markets witnessed firm sentiments in the week. No import since March-2018 until July-2018 and good domestic demand is likely to support prices. Furthermore, demand is likely to increase with lean season. Sales through OMSS are likely to be higher in MY 2018-19 compared to MY 2017-18. Prices are likely to stay firm in the upcoming week as well.


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

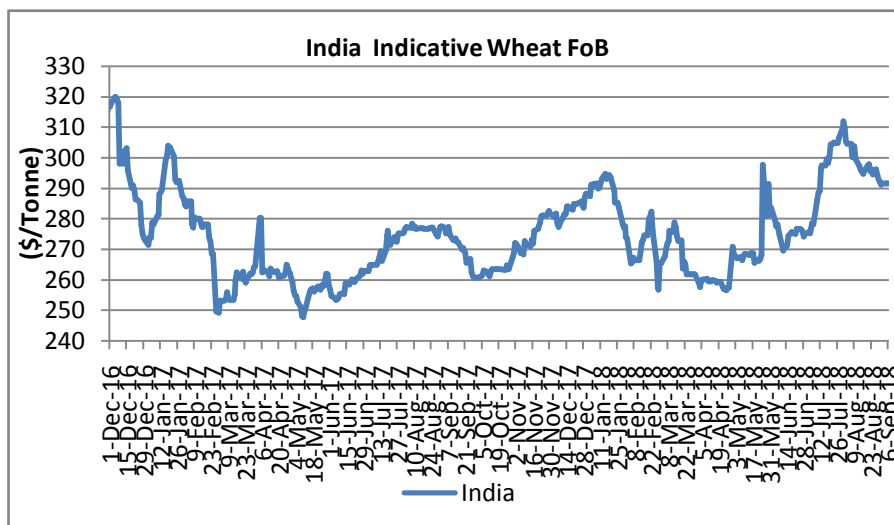
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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

[\(Back to Table of Contents\)](#)

Wheat FoB quote in India witnessed steady 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 \$285-300 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	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		6-Sep-18	30-Aug-18	6-Aug-18	6-Sep-17	
USA (Chicago)	2SRW	220.00	207.60	238.60	184.00	19.57
France	FCW3	232.19	238.85	254.85	187.45	23.87
Australia	ASW	255.50	254.07	246.00	202.97	25.88
Russia	SRW	204.50	206.00	217.50	170.00	20.29
India	Fob	NA	291.96	304.55	276.44	-

	06/09/2018	30/08/2018	23/08/2018	16/08/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	221	226	230	232
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	206	207	215	222

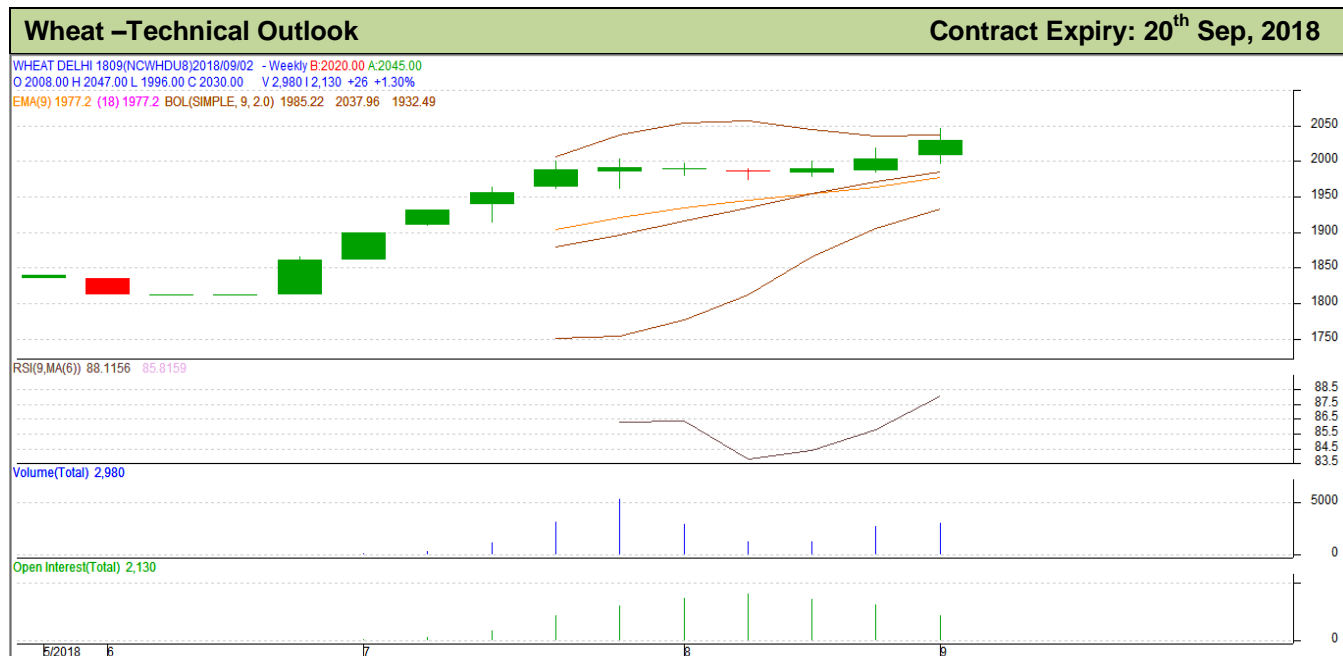
### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date:07.09.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Sep	+1	2047	2047	2020	2030	710	+50	2130	-540
18-Oct	+6	2012	2027	2012	2025	670	+190	1740	+510
18-Nov	+10	2003	2003	2003	2013	0	0	0	0



### Wheat Technical Analysis:

(Back to Table of Contents)



#### Technical Commentary:

- Rise in price and fall in open interest indicates short covering.
- 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	1990	1982	2030	2085	2090
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	September	Buy	Above 2020	2050	2075	2002

### 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
	6-Sep-18	30-Aug-18	6-Aug-18	6-Sep-17	
Indore	NA	1981	2029	1700	-
Delhi	1988	1980	1980	1764	12.70
Kanpur	1925	1879	2000	1645	17.02
Rajkot	NA	2000	2020	1680	-
Kota	NA	1967	1962	1672	-

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

### Domestic Market Weekly Outlook:

[\(Back to Table of Contents\)](#)

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 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
			6-Sep-18	5-Sep-18	30-Aug-18	6-Aug-18	6-Sep-17
Delhi	Lawrence Road	Mill Delivery	1990	1985	1980	1975	1765
	Narella	Mill Quality Loose	1850	Closed	1870	1870	NA
	Nazafgarh	Mill Quality Loose	1900	Closed	1890	1900	NA
Gujarat	Rajkot	Mill Delivery	Closed	Closed	1900	1950	1610
	Ahmedabad	Mill Delivery	Closed	Closed	2060	2080	1740
	Surat	Mill Delivery	Closed	Closed	2100	2120	1780
	Dhrol	Mill Delivery	Closed	Closed	1850	2045	1655
M.P.	Indore	Mill Quality Loose	Closed	Closed	1975	2020	Closed
	Bhopal	Mill Delivery	Closed	1975	1950	2000	1650
Rajasthan	Kota	Mill Quality Loose	Closed	Closed	1850	1860	1540
		Mill Delivery	Closed	Closed	1950	1950	1640
U.P.	Kanpur	Mill Delivery	1820	1815	1815	1800	1715
	Mathura	Mill Quality Loose	1810	1815	1780	1805	1575
	Kosi	Mill Quality Loose	NA	1900	1780	1830	1560
	Hathras	Mill Quality Loose	Closed	1820	1790	1780	1595
	Aligarh	Mill Quality Loose	Closed	Closed	1790	1780	1600
Punjab	Khanna	Mill Quality Loose	1820	1840	1840	1820	1640
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1825	1825	1825	1830	1700
	Hodal	Mill Delivery	1940	1940	1940	1920	1740
	Bhiwani	Mill Quality Loose	1850	NR	1855	1900	1670
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1670
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	Closed	Closed	2330	2350	1950
	Madurai	Mill Quality	Closed	Closed	2430	2450	2150
	Coimbatore	Mill Quality	Closed	Closed	2480	2500	2200
Bihar	Khagariya	Mill Delivery	1800	1800	1700	1850	1650
	Muzaffarpur	Mill Delivery	1820	1820	1825	1850	1615

Progressive Sowing Status till 09<sup>th</sup> Feb-2018:

[\(Back to Table of Contents\)](#)

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 weak by \$5 per tonne at Novorossiysk and \$4-5 per tonne at Odessa compared to last week. Russia doesn't have any plan to curb export of grains as of now. Furthermore, importers are expecting prices to ease down a little more. 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 \$215.00-221.00/tonne whereas milling wheat whereas wheat with 12.5% protein content at Odessa is being quoted at FoB \$216.00-221.00/tonne.

As per latest update, Japan's ministry of agriculture bought 107965 MT of food quality wheat from United States and Canada. Around 54412 MT has been bought from United States and 53553 MT of western red spring has been bought from Canada. Shipments from United States and Canada will be loaded between Oct 21 and Nov 20, 2018.

Jordan has bought 60000 tonnes of hard milling wheat at \$257 per tonne cost and freight for delivery in first half of November. The tender closed on Wednesday and wheat can be sourced from optional origin. The seller was trading house Ameropa. Two other companies, CHS and Agro Chirnogi offered wheat at \$265.27 per tonne and \$263 per tonne respectively.

Egypt has purchased 60000 tonnes of Russian wheat through tender. Garant offered 60000 tonnes of Russian wheat at FOB \$217.90/tonne. The said quantities are to be delivered during 21-30 October-2018. In its previous tender on 28th August 2018, Egypt has bought 350000 tonnes of wheat from Russia and Ukraine.

Indonesia on an average buys 4-5 MMT of milling wheat from Australia. Of this quantity, more than half comes from West Australia. Existing grain trade to Indonesia is exclusively for milling wheat purpose. However, Indonesia- Australia comprehensive economic partnership agreement signed on Friday (31.08.2018) will allow duty free entry for 0.5 MMT of wheat, barley and sorghum.

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.

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.

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.

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.

**IGC Wheat Balance Sheet:**
[\(Back to Table of Contents\)](#)

IGC Forecast( Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19 (Projected)	
		(Estimate)		26.07.2018	23.08.2018
Production	737	752	758	721	716
Trade	166	177	177	176	174
Consumptions	718	735	736	739	734
Carryover stocks	227	244	266	247	248
Y-O-Y change	19	17	22	-	-18
Major Export	68	79	82	63	62

- IGC has projected global wheat production to be 716 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 42 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 174 MMT. It is 3 MMT lower compared to forecast for last year and higher by 8 MMT compared to 2015-16.
- Consumption has been decreased by 2 MMT to 734 MMT for 2018-19. The projection is lower by 1 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 248 MMT compared to forecast of 266 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
	5-Sep-18	29-Aug-18	5-Aug-18	5-Jun-18	7-Mar-18	5-Sep-17	
Sep-18	181.40	189.49	211.07	193.80	194.35	184.62	-1.74
Dec-18	191.69	199.04	219.43	201.89	201.61	191.60	0.05
Mar-19	199.31	206.66	225.95	208.96	206.66	195.92	1.73
May-19	204.46	211.16	227.42	213.28	208.41	196.38	4.12
Jul-19	203.26	208.59	224.39	214.75	209.69	192.79	5.43
Sep-19	207.49	210.98	226.59	217.32	211.71	194.35	6.76

**CBOT Sept-18**

**1<sup>st</sup> Support: 169.00**  
**2<sup>nd</sup> Support: 167.00**  
**1<sup>st</sup> Resistant: 208.00**  
**2<sup>nd</sup> Resistant: 210.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.86 per bushel. U.S. export sales in the week of 24<sup>th</sup> -30<sup>th</sup> August were 379800 tonnes, which is within the trade forecast but lower compared to last week. On September 02, NASS showed 87% of the spring wheat has been harvested, which was well ahead of the 75% average pace. Weak export sales are still a concern for U.S.

**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 \$291.17-291.63 per tonne.

US and Russian quotes are hovering in the range of \$217.57 and \$204.80 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 \$200 to \$270 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 135.8 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 67.00 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 20.50 MMT in 2018-19 compared to 21.20 MMT in 2017-18. Argentina is expecting to harvest around 19.6 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 31.00 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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**(Back to Table of Contents)**

