

Wheat Weekly Research Report

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

All India weekly average prices increased by 0.84 percent to Rs. 2034.69 per quintal during the week ended 15th October 2018. Wheat average price were ruling at Rs 2017.72 per quintal during 01-08 October 2018. As compared to prices in the week 09-15 October 2017, the prices are firm by 6.13 percent. Prices are expected to remain firm in coming days due to good domestic demand.

As per latest update, wheat stock in central pool as on 1st October'18 stood at 356.25 lakh tonnes down by 7.49% compared to last month. This quantity is higher by around 37.73% compared to last year for the same month. Government has already applied import duty on wheat to curb imports and provide support to domestic prices. The stock position as on 01st October'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.

India has received 804 mm of actual rainfall against 887.5 mm of normal rainfall during the monsoon season of 2018. Of the major wheat growing states only Gujarat and Rajasthan have received deficient rainfall. Furthermore as per CWC, water in reservoirs in Gujarat is 18% below normal and 5% above normal in Rajasthan. Lower availability of water or low soil moisture may slightly reduce wheat yields in upcoming Rabi season.

India mainly imports from Australia and Russia. Wheat prices have become firm in both the countries due to lower production. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$340 (Rs 25040) per tonne and \$367 (Rs 27000) per tonne respectively, after including freight and import duty @30%. Whereas wheat mill quality price in South India is ruling around Rs 23500-24000 per tonne.

As per trade sources imported wheat from various origins to Tuticorin port witnessed firm tone in the week. As of now Ukrainian wheat is being quoted at Rs 2195-2202 per quintal. Australian Standard Wheat (ASW) and Australian Premium Wheat (APW) are not available in domestic market. Stock of imported wheat is very low as no quantity has been imported since February 2018 from Australia or Black sea region.

Indian FoB quote is hovering around \$287.51 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$217.80, \$207.50, Euro 202.95 \$216.96 and \$252.52 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

Government has increased MSP of wheat by Rs 105 per quintal to Rs 1840 per quintal. This will motivate farmers to sow more area and thereby boost production of wheat. Furthermore, farmers will get additional income of Rs 62635 crore. Apart from wheat, MSP of Barley, Gram, Lentil, Rapeseed & Mustard and safflower has also been increased to Rs 1440 per quintal, Rs 4620 per quintal, Rs 4475 per quintal, Rs 4200 per quintal and Rs 4945 per quintal respectively.

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 Agriwatch estimate, production is likely to be around 94.5 MMT compared to 95.5 MMT last year. Production is likely to fall due to lower acreage this year. 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 October contract taking care of lower and upper price tag of Rs. 2009 & 2093 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 August-2018	313.74	377.64
09-16 August -2018	278.66	396.42
17-23 August -2018	375.97	367.82
24-31 August -2018	935.81	487.06
Total	1904.81	

Source: Trade

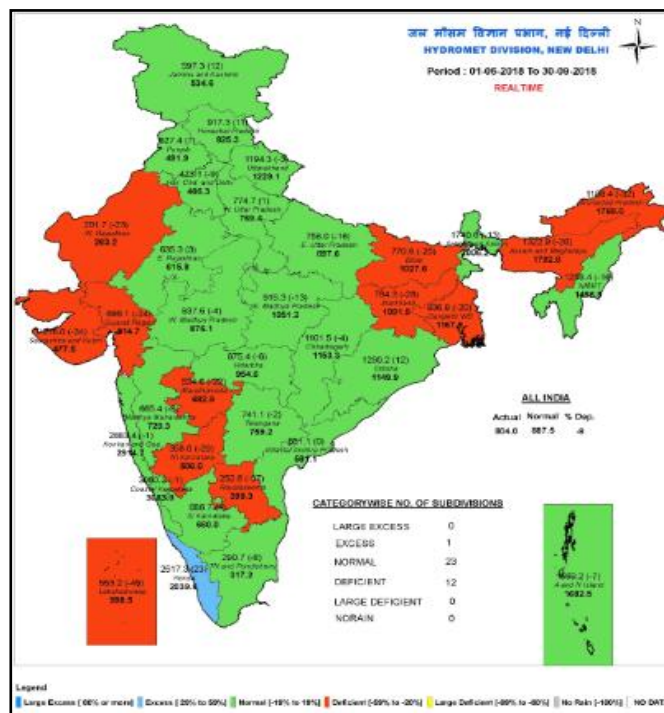
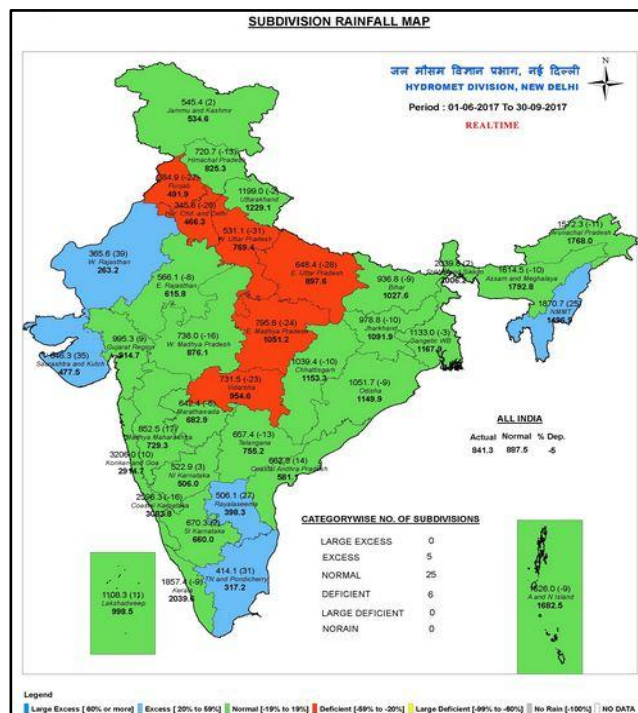
Wheat Import

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 August-2018.

Source: Trade

Monsoon

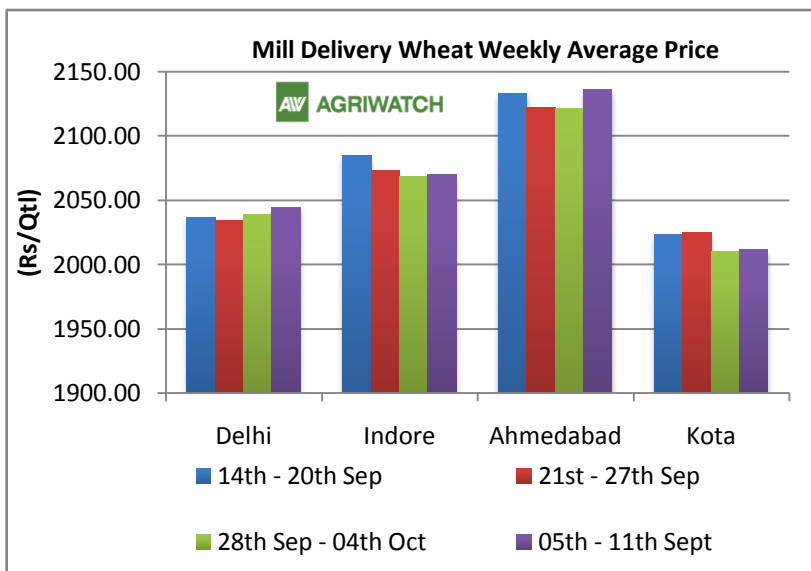


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Indore, Kota and Ahmedabad during 05th -11th September.

Market is likely to trade steady to firm in the coming week due to good demand and increase in MSP. Furthermore, demand is likely to increase during festive season. Sales through OMSS are higher in MY 2018-19 compared to MY 2017-18. Government's reserve price for third quarter is Rs 1925 per quintal. Abundant availability this year will allow government to control any unexpected price rise


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

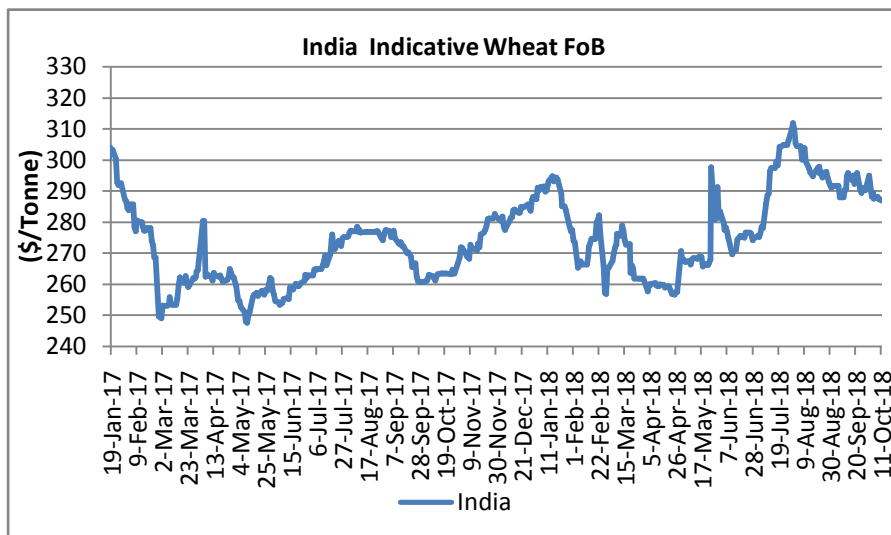
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 steady to 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 \$280-290 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
		11-Oct-18	4-Oct-18	11-Sep-18	11-Oct-17	
USA (Chicago)	2SRW	216.00	217.90	221.80	190.40	13.45
France	FCW3	233.86	232.53	234.82	186.22	25.58
Australia	ASW	250.39	NA	255.50	212.00	18.11
Russia	SRW	219.00	216.00	205.00	188.00	16.49
India	Fob	287.04	289.48	290.38	261.26	9.87

	11/10/2018	04/10/2018	27/09/2018	20/09/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	233	229	226	219
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	221	219	212	207

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 12.10.2018	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
18-Oct	+3	2025	2028	2028	2028	0	-570	10	-50
18-Nov	-2	2044	2042	2042	2042	0	0	740	+740
18-Dec	-9	2063	2054	2054	2054	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 neutral region.
- Traders are advised to go long on wheat for this week.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	November	2017	2009	2042	2085	2093
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	November	Buy	Above 2040	2060	2075	2028

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
	11-Oct-18	4-Oct-18	11-Sep-18	11-Oct-17	
Indore	2013	2006	2000	1667	20.73
Delhi	2056	2038	2050	1802	14.10
Kanpur	1975	1950	1955	1700	16.18
Rajkot	2055	2048	NA	1637	25.53
Kota	2025	2018	1997	1657	22.22

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 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
			11-Oct-18	10-Oct-18	4-Oct-18	11-Sep-18	11-Oct-17
Delhi	Lawrence Road	Mill Delivery	2050	2050	2040	2020	1790
	Narella	Mill Quality Loose	2000	Closed	1980	1870	NA
	Nazafgarh	Mill Quality Loose	1970	Closed	1955	1925	NA
Gujarat	Rajkot	Mill Delivery	1970	1970	1950	1965	1560
	Ahmedabad	Mill Delivery	2140	2130	2130	2120	1740
	Surat	Mill Delivery	2170	2160	2160	2150	1790
	Dhrol	Mill Delivery	2100	2055	2015	2045	1575
M.P.	Indore	Mill Quality Loose	2025	2025	2025	Closed	1700
	Bhopal	Mill Delivery	1925	Closed	1950	1950	1600
Rajasthan	Kota	Mill Quality Loose	1920	Closed	1900	1910	1550
		Mill Delivery	2025	Closed	2010	2020	1625
U.P.	Kanpur	Mill Delivery	1960	1960	1975	1820	1705
	Mathura	Mill Quality Loose	1840	1832	1840	1845	1610
	Kosi	Mill Quality Loose	1985	1980	1900	1825	1600
	Hathras	Mill Quality Loose	1880	1850	NR	1880	1580
	Aligarh	Mill Quality Loose	1840	Closed	1840	1840	1570
Punjab	Khanna	Mill Quality Loose	NA	NA	1850	1850	1690
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1840	1840	1830	1830	1710
	Hodal	Mill Delivery	NA	NA	2030	1940	1740
	Bhiwani	Mill Quality Loose	1970	1950	1950	1870	1700
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1715
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	2350	Closed	2350	2330	2000
	Madurai	Mill Quality	2407	Closed	2450	2430	2150
	Coimbatore	Mill Quality	2407	Closed	2500	2480	2200
Bihar	Khagariya	Mill Delivery	1800	1800	1800	1800	1600
	Muzaffarpur	Mill Delivery	1950	1950	1925	1860	1620

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 \$4 per tonne at Novorossiysk and \$2-3 per tonne at Odessa compared to last week. Wheat prices remained firm due short crop and tight checks of wheat export quality. As per USDA, Russia is expected to produce 68.50 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 \$227.00-233.00/tonne whereas milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$226.00-231.00/tonne.

As on 05th October Russia has harvested 70.2 million tonnes of wheat compared to 85.5 million tonnes a year ago for the same date. Around 24.7 million hectares of area has been harvested with an average yield of 2.84 tonnes per hectare compared to 26.2 million hectares with an average yield of 3.26 tonnes per hectare a year ago for same date. Russia has harvested record crop last year.

As per the Rosario grain exchange, Argentina is likely to harvest 19 MMT compared to 21 MMT in its previous estimate. The forecast has been revised down due to dry weather during September and first ten days of October.

As per latest update, France has exported 1.48 MMT of soft wheat in August-18. Of the total quantity, around 0.74 MMT of wheat was exported to Argentina. Total wheat exports during July-August'18 were 2.78 MMT up by around 9 percent year on year.

Egypt's state grains buyer, GASC has purchased 180000 tonnes of Russian wheat. Daewoo offered 60000 tonnes of Russian wheat at FOB \$233.95/tonne. Aston offered 60000 tonnes of Russian wheat at FOB \$235.80/tonne. Garant offered 60000 tonnes of Russian wheat at FOB \$236.90/tonne. In its previous tender on 18th September 2018, Egypt has bought 475000 tonnes of wheat from Russia.

As per latest update, IGC expects wheat production to increase by 1 MMT to 717 MMT. The forecast has increased due to an upward revision by Russia which has slightly offset the lower production in Australia.

As per latest update, Japan's ministry of agriculture bought 109150 MT of food quality wheat from United States, Canada and Australia. Around 49470 MT has been bought from United States, 32050 MT of western red spring has been bought from Canada and 27630 MT has been bought from West Australia. Shipments from Canada will be loaded between Oct 21 - Nov 20, 2018 and shipments from Australia will be loaded between Nov 01 - Nov 30, 2018.

As per ABARES, Australia is expected to produce 19.1 MMT of wheat in 2018-19 due to unfavourable weather conditions. Australia exports around two-third of its total production. Due to fall in production, Asian flour mills may seek wheat from Argentina in coming months. Argentina has quoted \$275 per tonne including cost and freight for Asia compared to \$290 per tonne from Australia.

Algeria state grains agency OAIC has bought around 630000 tonnes of milling wheat in a tender that closed on Wednesday. The prices paid were in the range of \$262.00 - \$263.00 per tonne (Cost and Freight). The quantity to be shipped is due in November. Most of the quantity is expected to be sourced from France and Algeria.

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.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19 (Projected)	
		(Estimate)		23.08.2018	27.09.2018
Production	737	752	758	716	717
Trade	166	177	176	174	173
Consumptions	718	735	735	734	734
Carryover stocks	227	244	267	248	250
Y-O-Y change	19	17	23	-	-17
Major Export	68	79	83	62	64

- IGC has projected global wheat production to be 717 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 41 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 173 MMT. It is 3 MMT lower compared to forecast for last year and higher by 7 MMT compared to 2015-16.
- Consumption has been kept steady at 734 MMT for 2018-19. The projection is lower by 1 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 250 MMT compared to forecast of 267 MMT last year. It is higher by around 6 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-Oct-18	4-Oct-18	11-Sep-18	11-Jul-18	11-Apr-18	11-Oct-17	
Dec-18	186.64	189.30	190.59	180.21	200.51	188.20	-0.83
Mar-19	194.45	196.47	197.57	187.10	207.03	192.70	0.91
May-19	198.95	200.60	202.62	191.69	210.06	194.54	2.27
Jul-19	201.34	202.90	202.99	193.90	210.06	193.34	4.13
Sep-19	205.74	207.58	206.94	197.48	212.72	195.36	5.31
Dec-19	211.71	213.46	212.72	202.80	217.59	200.97	5.35

CBOT Dec-18

1st Support: 176.00
2nd Support: 174.00
1st Resistant: 206.00
2nd Resistant: 208.00
(\$ per tonne)

Wheat CBOT closed at \$5.17 per bushel up by around 12 cents compared to last week. U.S. export sales in the week of 28th September- 04th October were 339000 compared to 435300 tonnes during 21st - 27th September. On October 9, USDA reported U.S. winter wheat planting is 57% complete, slightly behind the 5-year average of 54%. Winter wheat is 30% emerged, ahead of the 5-year average of 28%.

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 \$287.04-288.15 per tonne.

US and Russian quotes are hovering in the range of \$216.45 and \$218.00 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 \$275 in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to slightly firm due to lower production in major producing regions. EU is likely to produce around 135.9 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 68.50 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 19.10 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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