



Wheat Weekly Research Report

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

As per latest update, area sown until 04th January'18 is 288.37 lakh hectares compared to 283.55 lakh hectares in the previous Rabi season. The normal area is 306.29 lakh hectares. Acreage is expected to be higher this Rabi season due to increase in MSP by Rs 105 per quintal for MY 2018-19. Acreage of wheat in Madhya Pradesh is higher as farmers have shifted from chickpea. This year, as on 04th January'18, farmers have sowed 59.00 lakh hectares of wheat in Madhya Pradesh compared to 44.53 Lakh hectares last year on same date.

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 (October-December) and fourth quarter (January-March) prices will be Rs 1925 per quintal and Rs 1950 per quintal respectively.

Supply side for FAQ is likely to be good as ample stock is available in domestic market due to good production. Government has procured intensively and surpassed its procurement target of 32 MMT. Demand from south Indian millers is good due to lean season and after application of 30% import duty. No import parity has also increased demand for domestic wheat.

India has received 14.70 mm of actual rainfall against 16.60 mm of normal rainfall during the month of December. During this time period, deficient rainfall was recorded in major wheat producing regions of Punjab, Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan. India has received 16.2 mm of rainfall during December-2017. Actual rainfall was below normal in December-18, however low temperature in Punjab, Haryana, Uttar Pradesh, Maharashtra and Madhya Pradesh will help in retaining soil moisture. Furthermore Rajasthan had one of the coldest December, which is favorable for wheat but chickpeas have been affected.

India mainly imports from Australia and Russia. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$347.00 (Rs 24000) per tonne and \$383.50 (Rs 26650) per tonne respectively, after including freight and import duty @30%. Local expenses will further add to cost. Therefore, there is no import parity as of now from black sea region and Australia.

Indian FoB quote is hovering around \$311.56 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$232.00, \$232.67, Euro 204.25, \$221.27 and \$248.49 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 0.2 million tonnes in MY 2018-19.

Previous Updates

As per Agriwatch preliminary estimate, India is likely to produce 95.89 MMT of wheat for MY 2019-2020. Production is likely to be higher by 1.39 MMT compared to MY 2018-19. Higher acreage and favorable weather is the main reason for increase in production.

Wheat WPI has increased from 151.1 in October-2018 to 152.2 in November-2018. Monthly wheat inflation has increased by 0.73 percent in November -2018 compared to previous month.

As per trade sources, after increase in import duty to 30 percent imports have decreased substantially. India has imported no wheat in the month of November-2018. Furthermore, India has exported around 2.73 thousand tonnes in the month of November compared to 5.09 thousand tonnes in October.

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.

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

Trade Call: Stakeholders should trade in January contract taking care of lower and upper price tag of Rs. 2035 & 2140 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 November-2018	1736.26	359.98
09-15 November -2018	165.27	328.12
16-23 November -2018	544.89	434.09
24-30 November -2018	290.35	480.04
Total	2736.77	

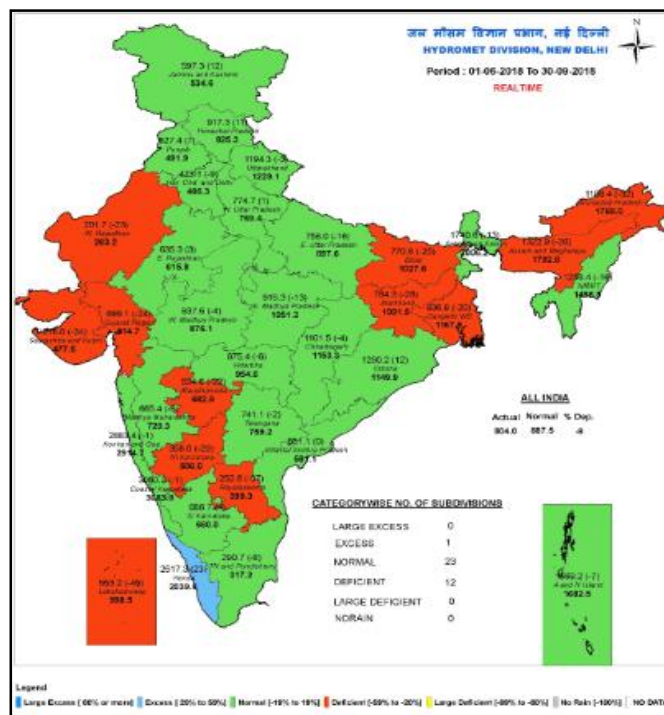
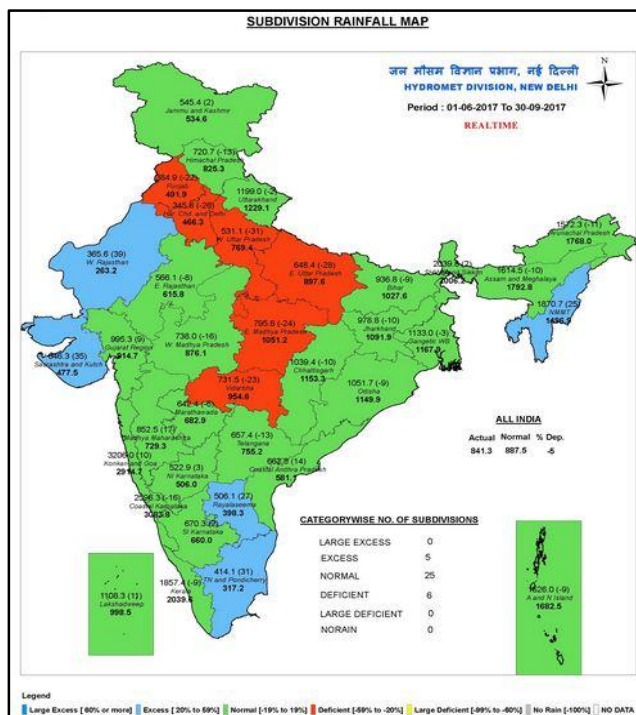
Source: Trade

Wheat Import

Date	Foreign Country	Port	Quantity in MT	Import Price Including Duty
Sept-2018	Pakistan	Tuticorin	1000	\$ 318.54 per tonne
	Total		1000	

Source: Trade

Monsoon



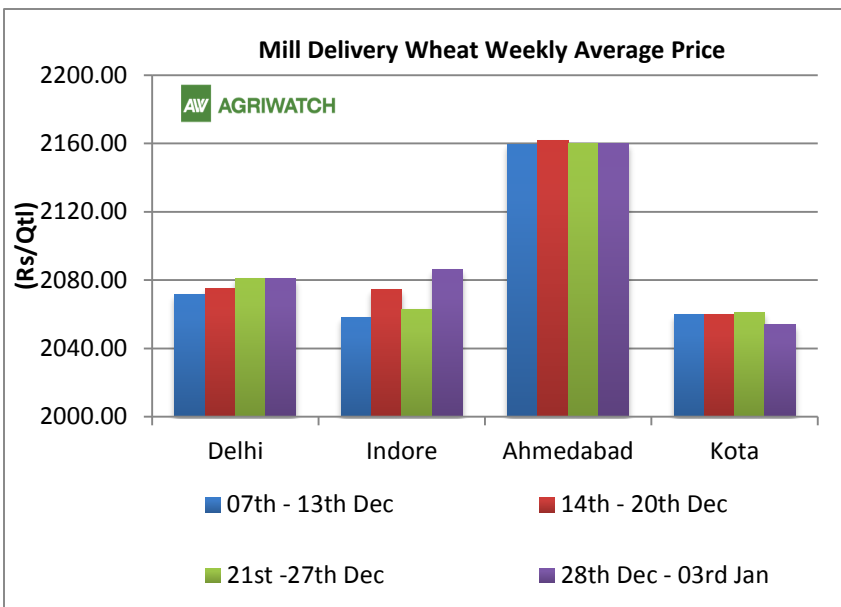
Source: IMD

Wheat Weekly Average Price Chart

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Average mill delivery prices of Wheat traded steady to firm in Delhi, Indore and Ahmedabad during 28th December'18- 03rd January'19.

Market is likely to trade steady to firm in the coming week due to good demand and low imports. Furthermore, demand is likely to be at higher side during lean season. Government's reserve price for fourth quarter is Rs 1950 per quintal. Abundant availability this year will allow government to control any unexpected price rise. Sales through OMSS are higher in MY 2018-19 compared to MY 2017-18.



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

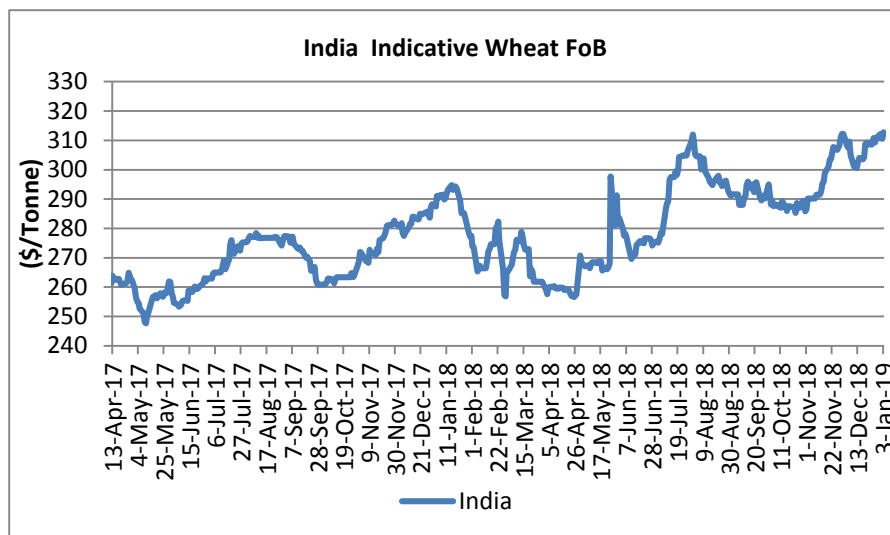
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18 (Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 \$305-320 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	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		3-Jan-19	27-Dec-18	4-Dec-18	3-Jan-18	
USA (Chicago)	2SRW	223.60	220.60	223.20	185.00	20.86
France	FCW3	NA	NA	228.53	NA	-
Australia	ASW	242.20	255.50	245.28	201.60	20.14
Russia	SRW	232.00	232.00	223.00	183.50	26.43
India	Fob	312.75	309.26	308.42	291.06	7.45

	04/01/2019	27/12/2018	20/12/2018	13/12/2018
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	238	240	241	232
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	233	234	235	225

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:04.01.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jan	-24	2101	2077	2077	2077	10	-50	350	0
19-Feb	0	2160	2160	2160	2160	10	0	60	0
19-Mar	0	2207	2207	2207	2207	0	0	0	0

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
	3-Jan-19	27-Dec-18	4-Dec-18	3-Jan-18	
Indore	2037	2043	2027	1725	18.09
Delhi	2100	2078	2060	1815	15.70
Kanpur	2060	2037	1995	1650	24.85
Rajkot	2115	2110	2107	1770	19.49
Kota	2071	2092	2079	1662	24.61

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 low imports and good domestic demand. Normal firmness can be expected in the market during lean 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
			4-Jan-19	3-Jan-19	28-Dec-18	5-Dec-18	4-Jan-18
Delhi	Lawrence Road	Mill Delivery	2095	2095	2070	2070	1820
	Narella	Mill Quality Loose	2060	2050	2000	Closed	1690
	Nazafgarh	Mill Quality Loose	2010	2005	2000	Closed	1715
Gujarat	Rajkot	Mill Delivery	2030	2010	2010	2010	1670
	Ahmedabad	Mill Delivery	2160	2160	2160	2160	1850
	Surat	Mill Delivery	2210	2200	2210	2210	1880
	Dhrol	Mill Delivery	2125	2140	2315	2215	1730
M.P.	Indore	Mill Quality Loose	2050	2050	2020	1980	1675
	Bhopal	Mill Delivery	1950	1950	1950	1925	1650
Rajasthan	Kota	Mill Quality Loose	1935	1950	1935	1950	1590
		Mill Delivery	2060	2050	2060	2060	1680
U.P.	Kanpur	Mill Delivery	1990	1990	1990	2005	1650
	Mathura	Mill Quality Loose	1950	1960	1950	NA	1640
	Kosi	Mill Quality Loose	1995	1995	1980	1920	1645
	Hathras	Mill Quality Loose	1980	1970	1950	Closed	1620
	Aligarh	Mill Quality Loose	1890	1880	1870	Closed	1590
Punjab	Khanna	Mill Quality Loose	1920	1930	1920	1920	1750
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1950	1950	1950	1870	1730
	Hodal	Mill Delivery	2050	2050	2050	NA	1795
	Bhiwani	Mill Quality Loose	2010	2000	1970	1950	1750
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1710
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	2350	2300	2365	2350	2060
	Madurai	Mill Quality	2407	2550	2465	2450	2120
	Coimbatore	Mill Quality	2407	2600	2515	2500	2170
Bihar	Khagariya	Mill Delivery	2100	2050	2100	2000	1700
	Muzaffarpur	Mill Delivery	2070	2000	2000	1970	1600

[Sowing Status:](#)

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State Wise Wheat Sowing in Lakh Hectares				
State	Normal area	2017	2018	% Change
Bihar	21.24	22.95	23.27	1.39
Chhattisgarh	1.036	1.73	1.85	6.57
Gujarat	11.56	9.96	10.76	8.03
Haryana	25.39	25.38	25.26	-0.47
Himachal Pradesh	3.5	3.59	3.6	0.28
J&K	2.955	2.31	2.93	26.84
Jharkhand	1.65	2.08	2.31	11.06
Karnataka	2.06	1.57	2.09	33.12
Madhya Pradesh	54.96	64.22	53.16	-17.22
Maharashtra	9.38	10.52	9.4	-10.65
Punjab	35.13	35	35.1	0.29
Rajasthan	30.472	30.67	30.2	-1.55
Uttar Pradesh	97.59	100.52	98.67	-1.84
Uttarakhand	3.53	3.59	3.58	-0.28
West Bengal	3.28	3.39	1.36	-59.88
Others	0.186	0.21	0.75	257.14
All-India	304.43	317.81	304.29	-4.25

Source: Ministry of Agriculture

International Market Update:

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As per Agriculture and Agri food Canada, All wheat production is likely to be around 31.76 MMT in 2018-19 compared to 29.98 MMT in 2017-18. Ending stock are likely to be 6.2 MMT compared to 5.9 MMT due to increase in production. Production has increased but Canada has some quality issues relating to the milling wheat.

Russia has imposed a ban on import of more than fifty products, including wheat, from Ukraine. This is a tit-for-tat measure by the Russian government as Ukraine has banned import of more than 30 products in December-18.

Bangladesh has witnessed a tremendous growth in imports in past five years, due to change in consumption pattern of population. Imports have increased from 1.8 MMT in FY 2012-13 to 5.4 MMT in FY 2016-17. Bangladesh is likely to import wheat from black sea region in near future.

Drought in Australia has led Agrocrops to import 33000 MT of wheat from west Australia to east Australia. West Australia wheat is generally exported to Asia and Middle-East. Therefore, west Australia wheat is being imported by east to meet the local demand.

As on December 26, Ukraine has exported more than 10 MMT of wheat and 11.7 LMT of wheat flour since July 2018. Demand for wheat from black sea region is at higher side.

Egypt's state grains buyer, GASC has purchased 120000 tonnes of wheat for shipment during 01-10 February. Of the total quantity 60000 tonnes was Romanian wheat and 60000 tonnes was Ukrainian wheat. Louis Dreyfus offered 60000 tonnes of Ukrainian wheat at FoB \$246.40 per tonne and CHS offered 60000 tonnes of Romanian wheat at FoB \$248.75 per tonne.

As per latest update, Japan's ministry of agriculture bought 106100 MT of food quality wheat from United States and Canada. Around 71040 MT has been bought from United States and 35060 MT of western red spring has been bought from Canada. Shipments from United States and Canada will be loaded between Jan 16-2019 and Feb 15-2019.

ABARES expects production of wheat to reach 16.5 MMT in MY 2018-19 down by around 20% compared to last year. Production has reduced due to drought and weather concern in eastern Australia.

Turkey's state grains board, TMO has purchased 180000 tonnes of wheat in a tender that closed on Friday. Of

As per Russia's agriculture ministry, Russia is expected to export 34-35 MMT of wheat during 2018-19 compared to its previous forecast of 33-34 MMT. Total grain exports are expected to be around 38-39 MMT. Low production in Australia is one of the main reasons for increase in exports from Russia.

Morocco will suspend import duty on wheat during from 01st November-31st December'18 and a duty of 30 percent will be applicable from 01st January'19. This step has been taken to increase supply and avoid price hikes in domestic market.

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.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2015-16	2016-17	2017-18 (Forecast)	2018-19(Projected)	
		(Estimate)		25.10.2018	22.11.2018
Production	737	753	767	729	729
Trade	166	177	176	172	171
Consumptions	718	735	739	740	739
Carryover stocks	227	244	273	262	262
Y-O-Y change	19	18	28	-	-11
Major Export	68	79	81	65	65

- IGC has projected global wheat production to be 729 MMT for 2018-19. According to forecast by IGC for 2017-18, global wheat production was around 767 MMT against 753 MMT for 2016-17. The projection for global production is lower by 38 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 171 MMT. It is 5 MMT lower compared to forecast for last year and higher by 5 MMT compared to 2015-16.
- Consumption has been decreased to 739 MMT for 2018-19. The projection is higher by 4 MMT compared to 2016-17.
- Carryout for 2018-19 is projected at 262 MMT compared to forecast of 273 MMT last year. It is higher by around 18 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
	3-Jan-19	27-Dec-18	3-Dec-18	3-Oct-18	3-Jul-18	3-Jan-18	
Mar-19	188.75	187.56	191.51	196.47	191.60	216.12	-12.66
May-19	191.05	190.22	193.80	200.60	195.46	218.79	-12.68
Jul-19	193.62	193.16	196.10	202.90	197.29	219.25	-11.69
Sep-19	197.29	196.56	199.50	207.58	200.42	220.62	-10.57
Dec-19	202.71	201.89	204.37	213.46	204.64	198.49	2.13
Mar-20	206.75	205.93	208.22	217.78	207.49	201.34	2.69

CBOT Mar-19

1st Support: 177.00
2nd Support: 175.00
1st Resistant: 198.00
2nd Resistant: 200.00
(\$ per tonne)

Wheat CBOT closed at \$5.17 per bushel down by \$ 0.06 per bushel compared to last week. USDA's weekly Export Sales Report will not come out again until the agency's funding is fully restored at the end of the government shutdown. All classes of wheat moved up as U.S. is likely to have trade talks with China and report of qualitative problem with Argentinian wheat due to heavy rains.

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 \$310.55-312.75 per tonne.

US and Russian quotes are hovering in the range of \$221.27 and \$232.00 per tonne respectively. Wheat prices in international markets remained steady to firm in last week.

Wheat is expected to trade steady to slightly firm and hover in the range of \$225 to \$265 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 136.7 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 69.50 MMT and 25.00 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 51.3 MMT compared to last year's 47.30 MMT. Australia is likely to produce 16.6 MMT in 2018-19 compared to 21.20 MMT in 2017-18. Argentina is expecting to harvest around 19.1 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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