

# Wheat Weekly Research Report

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

All India weekly average prices decreased by 1.11 percent to Rs. 2144.46 per quintal during the week ended 23rd February 2019. Wheat average price were ruling at Rs 2168.57 per quintal during 09-15 February 2019. As compared to prices in the week 16-23 February 2018, the prices are firm by 12.89 percent. Prices are expected to remain weak in coming days due to abundant availability in domestic market.

As per trade source, India has exported around 4.51 thousand tonnes in the month of January-2019. The quantity in January-2019 was exported at an average FOB of \$ 375.89 per tonne and the major destinations were Nepal, UAE and Somalia. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

Government has fixed wheat procurement target at 35.70 MMT for 2019-20. Of the total target around 12.5 MMT will be procured from Punjab, 7.5 MMT from Madhya Pradesh, 8.5 MMT from Haryana, 5 MMT from Uttar Pradesh, 1.7 MMT from Rajasthan and 0.5 MMT from others. Last year government surpassed its procurement target of 32 MMT and procured 35.5 MMT. The procurement will start from 15th March'19 in Madhya Pradesh. Procurement in Punjab and Haryana will start from 01st April'19.

Government has offered 68385740 tonnes of wheat in OMSS since July'18 until second tender in February'19 out of which 7003350 tonnes was sold. Total numbers of rakes sold were 142. State government and bulk consumers bought 667300 tonnes and 5959750 tonnes of wheat respectively. 376300 tonnes was sold in dedicated movement. 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 and fourth quarter prices will be Rs 1925 per quintal and Rs 1950 per quintal respectively.

India mainly imports from Australia and Russia. Wheat prices have become weak in both the countries. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$348.40 (Rs 24780) per tonne and \$337.81 (Rs 24100) per tonne respectively, after including freight and import duty @30%. Local expenses will further add to cost. Whereas wheat mill quality price in Chennai and Coimbatore is ruling around Rs 23000 per tonne and Rs 23500 per tonne respectively.

Indian FoB quote is hovering around \$305.34 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$234.30, \$233.60, Euro 191.60, \$220.12 and \$229.04 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 1-5 thousand tonnes in MY 2018-19.

**Previous Updates**

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 January-19.

As per market sources, wheat stock in central pool as on 1st February'19 stood at 239.31 lakh tonnes down by 11.76% compared to last month. This quantity is higher by around 36.38% compared to last year for the same month.

Wheat WPI has increased from 152.8 in December-2018 to 154.8 in January-2019. Monthly wheat inflation has increased by 1.31 percent in January-2019 compared to previous month.

As per Agriwatch preliminary estimate, India is likely to produce 96.00 MMT of wheat for MY 2019-2020. Production is likely to be higher by 0.50 MMT compared to MY 2018-19. Favorable weather is the main reason for increase in production.

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

**Trade Call:** Stakeholders should trade in March contract taking care of lower and upper price tag of Rs. 1895 & 2005 respectively.

### Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 January-2019	824.75	334.06
09-15 January-2019	408.14	349.10
16-24 January-2019	2048.22	395.02
25-31 January-2019	1240.61	378.05
Total	4521.72	

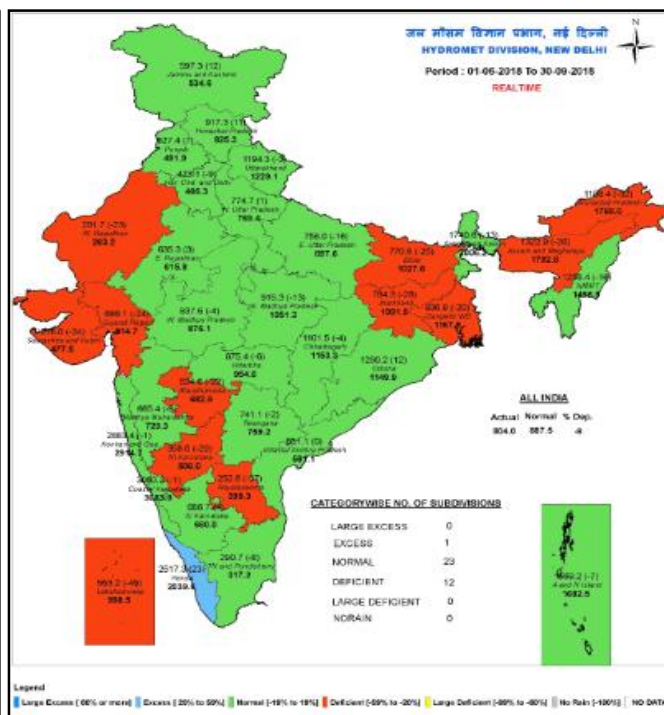
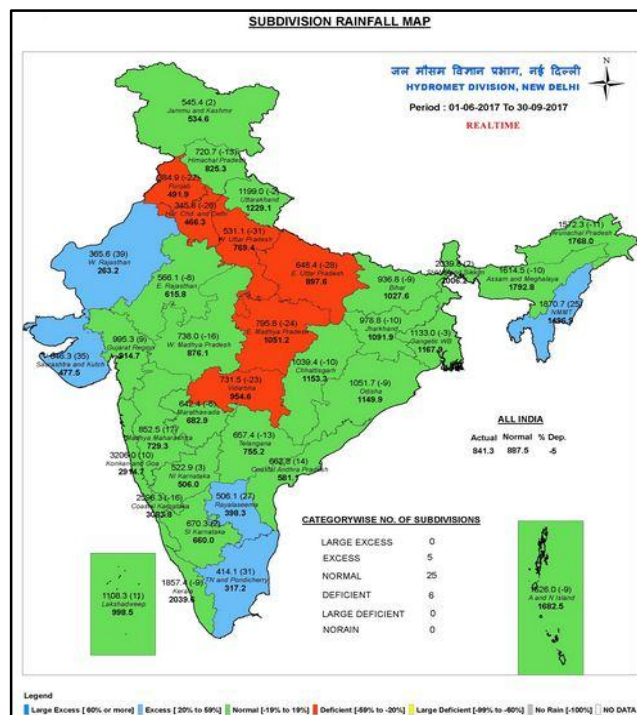
Source: Trade

### 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



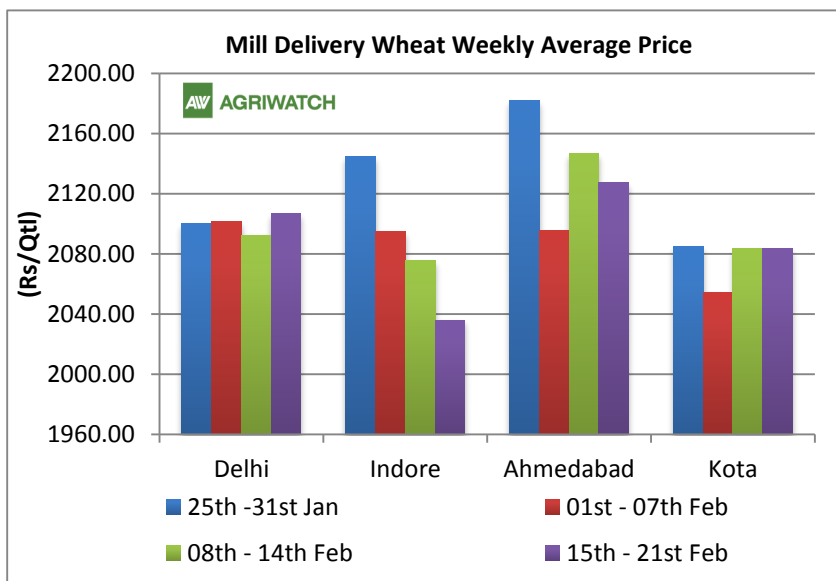
Source: IMD

## Wheat Weekly Average Price Chart

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Average mill delivery prices of Wheat traded steady to weak in Ahmedabad, Indore and Kota during 08<sup>th</sup> -14<sup>th</sup> February'19.

Market is likely to trade steady to weak in the coming week due to ample availability. Fresh arrivals have started in Madhya Pradesh and Gujarat. Conducive weather in major growing regions is putting pressure on current prices. Traders believe that another good production in MY 2019-20 may leave market with oversupply. Sales through OMSS are higher in MY 2018-19 compared to MY 2017-18.



## 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
<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

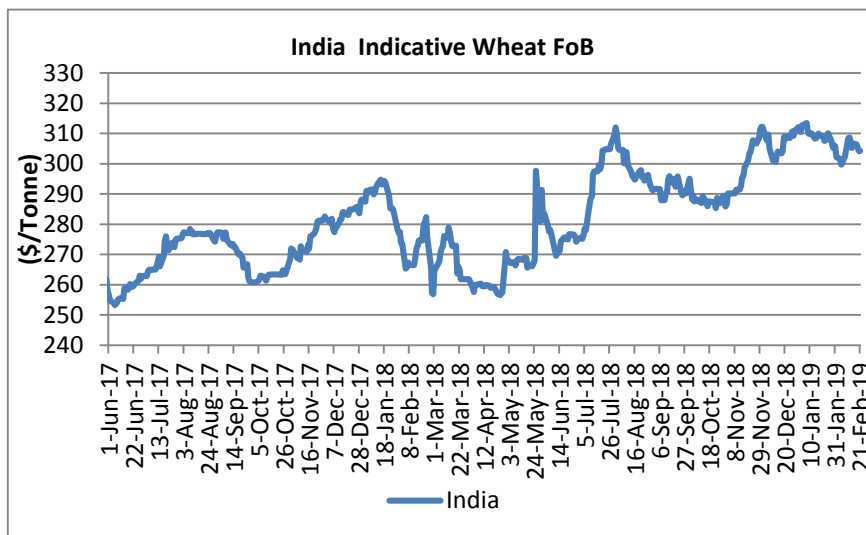
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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
<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 sentiments in 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 weak tone in the coming week and is likely to hover in the range of \$300-310 per tonne. Low production and high carryover stock 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
		21-Feb-19	14-Feb-19	22-Jan-19	21-Feb-18	
USA (Chicago)	2SRW	217.70	225.20	228.20	192.99	12.80
France	FCW3	217.83	221.02	NA	195.81	11.24
Australia	ASW	224.00	239.40	242.90	210.40	6.46
Russia	SRW	231.50	240.00	237.50	196.50	17.81
India	Fob	304.29	305.19	307.51	280.60	8.44

	21/02/2019	14/02/2019	07/02/2019	31/01/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	239	245	247	246
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	236	242	244	242

## NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date: 22.02.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Feb	+9	1946	1955	1955	1955	10	-30	90	-10
19-Mar	-26	1834	1811	1804	1808	20	+10	50	+20
19-Apr	0	1862	1862	1862	1862	0	0	0	0

## Wheat Technical Analysis:

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### Technical Commentary:

- Rise in price and fall in open interest indicates short covering.
- RSI is moving down in oversold region.
- Traders are advised to go short on wheat for this week.

### Strategy: Sell

			S1	S2	PCP	R1	R2
Wheat	NCDEX	March	1905	1895	1955	1995	2005
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	March	<b>Sell</b>	Below 1965	1940	1920	1980

## 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
	21-Feb-19	13-Feb-19	21-Jan-19	21-Feb-18	
Indore	1980	2025	2050	1807	9.57
Delhi	2097	2094	2100	1804	16.24
Kanpur	2100	2075	2085	1690	24.26
Rajkot	2057	2074	2125	1723	19.38
Kota	2094	2091	2063	1727	21.25

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 weak in coming week, due to fresh arrivals and ample availability in domestic market.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			21-Feb-19	20-Feb-19	14-Feb-19	21-Jan-19	21-Feb-18
Delhi	Lawrence Road	Mill Delivery	2105	2110	2110	2100	1800
	Narella	Mill Quality Loose	2060	Closed	2090	2070	Closed
	Nazafgarh	Mill Quality Loose	2020	Closed	2030	2030	Closed
Gujarat	Rajkot	Mill Delivery	2000	2000	2030	2040	1650
	Ahmedabad	Mill Delivery	2120	2100	2120	2190	1850
	Surat	Mill Delivery	2160	2150	2170	2260	1900
	Dhrol	Mill Delivery	2245	2260	2210	2210	NR
M.P.	Indore	Mill Quality Loose	1925	1950	1950	2150	1700
	Bhopal	Mill Delivery	1960	1970	1930	1960	1800
Rajasthan	Kota	Mill Quality Loose	1980	2000	2000	1950	1660
		Mill Delivery	2100	2100	2075	2070	1750
U.P.	Kanpur	Mill Delivery	2100	2100	2050	2000	1745
	Mathura	Mill Quality Loose	2040	2050	2075	1900	1625
	Kosi	Mill Quality Loose	2070	2020	2020	2030	1610
	Hathras	Mill Quality Loose	NA	2050	NA	2100	1630
	Aligarh	Mill Quality Loose	1970	Closed	1950	1970	Closed
Punjab	Khanna	Mill Quality Loose	1940	1950	1930	1950	1730
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1920	1920	1920	1935	1730
	Hodal	Mill Delivery	2070	2070	2080	2050	1760
	Bhiwani	Mill Quality Loose	2030	2020	2025	2070	1750
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1725
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	2300	2300	2410	2400	2125
	Madurai	Mill Quality	2357	2350	2510	2500	2225
	Coimbatore	Mill Quality	2357	2400	2560	2550	2275
Bihar	Khagariya	Mill Delivery	2150	2150	2150	2150	1700
	Muzaffarpur	Mill Delivery	2100	2100	2100	2100	1650

[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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Russian milling wheat prices became weak by \$3-6 per tonne at Novorossiysk and \$4-5 per tonne at Odessa compared to last week. Wheat prices were weak due to fall in prices of rival exporting countries. As per IGC, Russia is expected to produce 69.50 MMT in 2018 compared to 84.90 MMT in 2017. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$236.00-239.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$235.00-241.00/tonne.

IGC has forecasted global wheat production to be 735 MMT for 2018-19. According to estimate by IGC for 2017-18, global wheat production was around 764 MMT against 757 MMT for 2016-17. The forecast for global production is lower by 29 MMT compared to forecast for 2017-18. IGC has projected lower production for 2018-19 however; carryover stocks are still at higher side.

As per latest update, NOFI has bought 60000 tonnes of feed wheat. The prices are likely to be around \$253.60 per tonne (Cost and Freight). The origin is optional and the said quantity is likely to arrive by July 10. The seller was trading house Bunge.

*As per latest update, Australia has exported 4.47 MMT of wheat during July-December'18 down by around 40 percent compared to previous year during the same period. Of the total quantity, exports in bulk were around 3.90 MMT and the top buyers were Indonesia, Iraq and Korea.*

*Iran, Russia and Kazakhstan have already signed a memorandum for cooperating in wheat trading. Iran has reached self-sufficiency by increasing output and not allowing private millers to export flour using wheat produced domestically. Therefore, private millers may still import wheat from Russia to process and export it to neighboring countries.*

*Egypt has purchased 300000 tonnes of United States, Ukraine and France wheat through tender. Glencore offered 120000 tonnes of French wheat at FOB \$224.50/tonne, Cargill offered 120000 tonnes of U.S. soft red wheat at FOB \$234.47/tonne and Louis Dreyfus offered 60000 tonnes of Ukrainian wheat at FOB \$247.90/tonne.*

*As per latest update, Egypt is expected to produce around 9.50 MMT of wheat in 2019 compared to 9.00 last season. A total of 3.2 million feddans (1.3 million hectares) are expected to be sown compared to 2.9 million feddans last season. Egypt is the largest importer of wheat and procures around 3.0 MMT of wheat from local farmers as part of its subsidized wheat program.*

*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.*

*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.*

IGC Wheat Balance Sheet:
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IGC Forecast( Fig-In MMT)	2015-16	2016-17	2017-18 (Estimate)	2018-19(Forecast)	
				24.01.2019	21.02.2019
Production	740	757	764	737	735
Trade	166	177	175	170	170
Consumptions	720	735	741	745	744
Carryover stocks	227	248	271	263	262
Y-O-Y change	19	22	22	-	-8
Major Export	68	79	82	65	66

- IGC has forecasted global wheat production to be 735 MMT for 2018-19. According to estimate by IGC for 2017-18, global wheat production was around 764 MMT against 757 MMT for 2016-17. The forecast for global production is lower by 29 MMT compared to forecast for 2017-18. IGC has projected lower production for 2018-19 however; carryover stocks are still at higher side.
- Trade forecast for 2018-19 remains unchanged at 170 MMT. It is 5 MMT lower compared to estimate for last year and higher by 4 MMT compared to 2015-16.
- Consumption has been increased to 744 MMT for 2018-19. The forecast is higher by 9 MMT compared to 2016-17.
- Carryout for 2018-19 is forecasted at 262 MMT compared to forecast of 271 MMT last year. It is higher by around 14 MMT compared to 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
	21-Feb-19	14-Feb-19	21-Jan-19	21-Nov-18	21-Aug-18	21-Feb-18	
Mar-19	178.74	186.27	190.22	186.18	209.88	194.08	-7.90
May-19	180.39	187.56	192.33	188.57	213.73	195.82	-7.88
Jul-19	181.31	188.57	194.26	191.60	211.26	195.46	-7.24
Sep-19	184.99	191.78	197.20	195.55	213.73	197.75	-6.46
Dec-19	190.31	196.83	202.07	200.88	217.68	203.17	-6.33
Mar-20	194.26	200.60	205.56	205.10	219.52	206.57	-5.96

## CBOT Mar-19

**1<sup>st</sup> Support: 169.00**  
**2<sup>nd</sup> Support: 167.00**  
**1<sup>st</sup> Resistant: 198.00**  
**2<sup>nd</sup> Resistant: 200.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.86 per bushel down by \$0.18 bushel compared to last week. CBOT fell sharply due to profit booking in previous week. USDA released a combined six weeks' worth of commercial sales data accumulated between Jan. 4 and Feb. 14, 2019. The data shows a remarkable uptick in weekly average wheat exports compared to the same six weeks in 2018. Total exports since Jan. 4 totaled 3.57 MMT, a 104 percent increase over export levels during the same time last year.

## 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 \$ 304.16-306.67 per tonne.

US and Russian quotes are hovering in the range of \$220.12 and \$234.30 per tonne respectively. Wheat prices in international markets remained weak in last week.

Wheat is expected to trade steady to slightly firm and hover in the range of \$210 to \$250 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 137.7 MMT in 2018-19 compared to 151.4 MMT in 2017-18. Russia and Ukraine are likely to harvest 71.60 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 17.3 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 31.80 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

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