

Wheat Weekly Research Report

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

All India weekly average prices decreased by 5.99 percent to Rs. 2016.08 per quintal during the week ended 28th February 2019. Wheat average price were ruling at Rs 2144.46 per quintal during 16-23 February 2019. As compared to prices in the week 24-28 February 2018, the prices are firm by 14.07 percent. Prices are expected to remain weak in coming days due to abundant availability in domestic market.

As per second advance estimate, India is likely to produce 99.12 MMT of wheat compared to 99.70 MMT in previous year. The total food grain production is expected at record 281.37 MMT compared to 277.49 MMT last year. This year overall acreage is lower by around 0.15% compared to last years' acreage of 300.12 lakh hectares.

As per final sowing update, area sown until 22nd February-19 is 299.68 lakh hectares compared to 300.12 lakh hectares in the previous Rabi season. The normal area is 306.29 lakh hectares. Acreage of wheat in Madhya Pradesh is higher as farmers have shifted from chickpea. This year, as on 01st February-19, farmers have sowed 60.00 lakh hectares of wheat in Madhya Pradesh compared to 53.16 Lakh hectares last year on same date. Lower acreage was reported in Maharashtra and Gujarat due to low availability of water.

Western disturbance accompanied with other climate factors has led to an extended winter. More rains have been experienced in Rajasthan, Punjab, Haryana, Madhya Pradesh and Western Uttar Pradesh. Reports of flattening or damage to Rabi crops have been received but the actual impact is still being assessed. However these showers are not expected to cause any extensive damage. Weather, in general, has been favorable for wheat crop and a good harvest can be expected in MY 2019-20.

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 \$345.80 (Rs 24485) per tonne and \$333.22 (Rs 23600) 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 \$297.69 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$230.90, \$230.60, Euro 188.50, \$211.32 and \$223.86 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

Government has fixed wheat procurement target at 35.70 MMT for MY 2019-20 compared to 32 MMT in MY 2018-19. Last year government surpassed its procurement target and procured 35.53 MMT.

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.

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 April contract taking care of lower and upper price tag of Rs. 1830 & 1930 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	

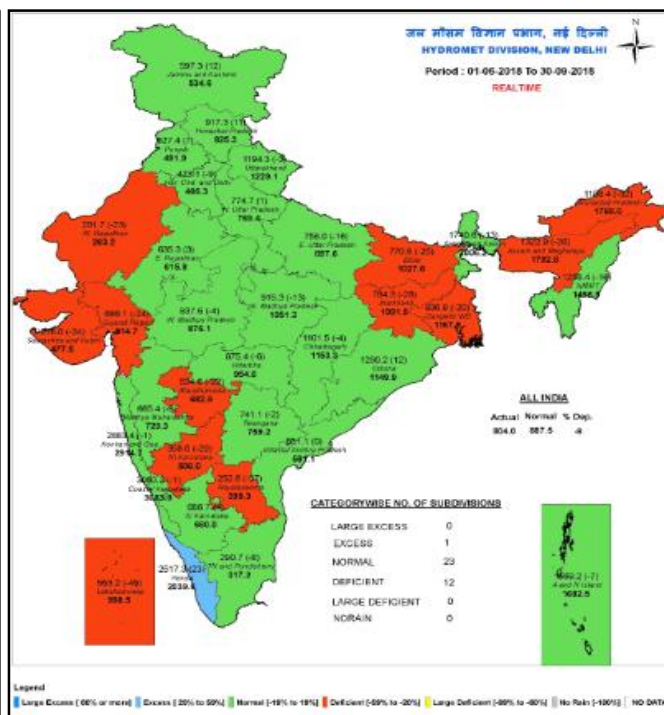
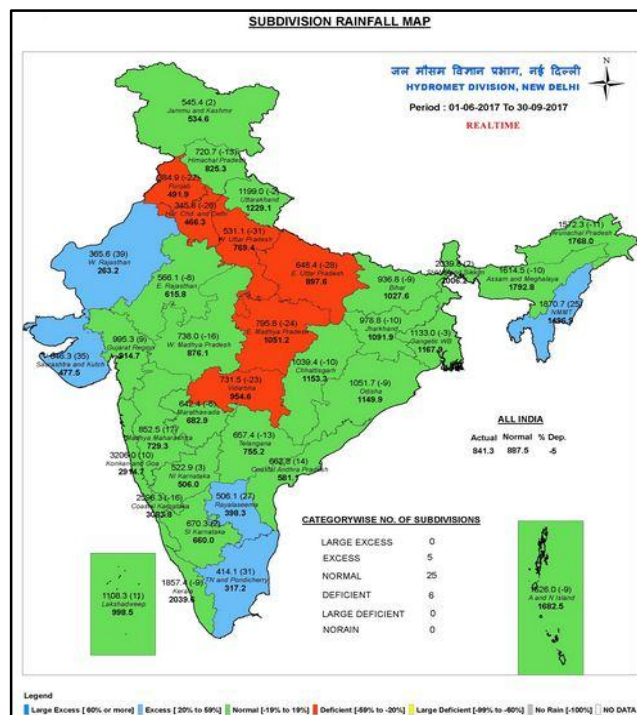
Source: Trade

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

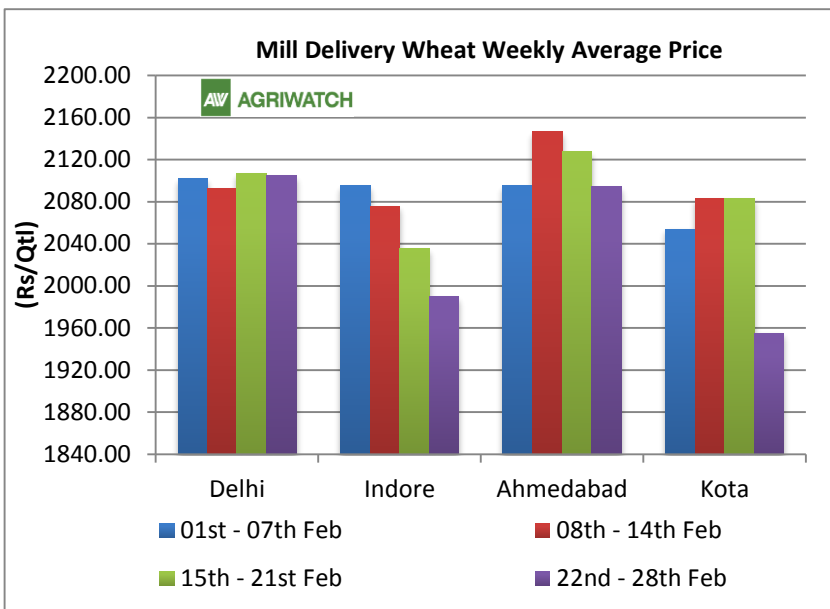


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Delhi, Ahmedabad, Indore and Kota during 22nd -28th 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, Punjab, Rajasthan, Maharashtra and Gujarat. Conducive weather in major growing regions has led to better yields. 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

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

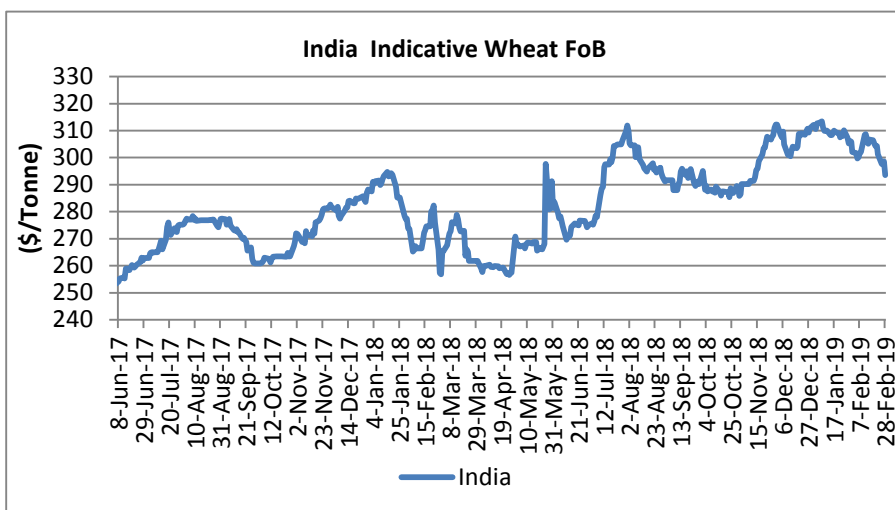
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 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 \$285-295 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
		28-Feb-19	21-Feb-19	30-Jan-19	28-Feb-18	
USA (Chicago)	2SRW	207.82	217.70	226.60	211.24	-1.62
France	FCW3	213.27	217.83	233.76	197.77	7.83
Australia	ASW	220.10	224.00	242.20	216.00	1.90
Russia	SRW	227.00	231.50	240.00	199.00	14.07
India	Fob	293.54	304.29	306.21	256.82	14.30

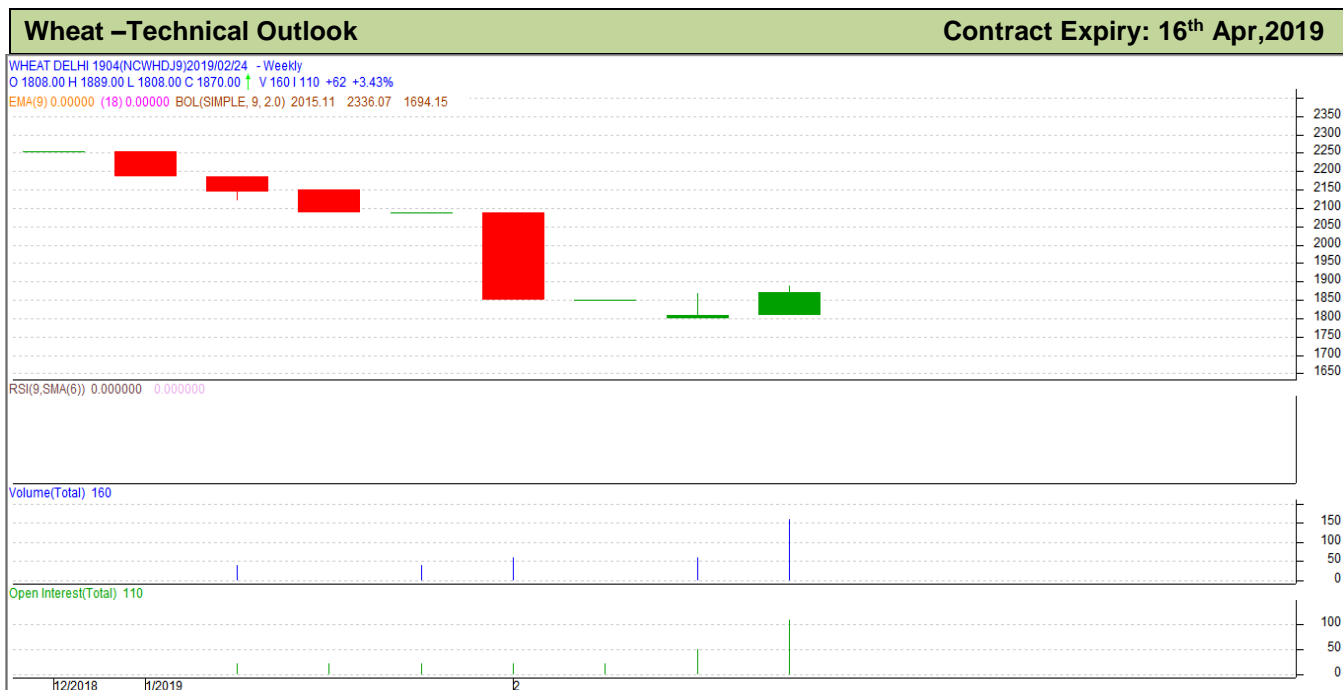
	28/02/2019	21/02/2019	14/02/2019	07/02/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	236	239	245	247
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	233	236	242	244

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:01.03.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Feb	-36	1931	1931	1895	1895	10	-10	80	0
19-Mar	+17	1853	1889	1850	1870	20	+10	110	+10
19-Apr	0	1862	1862	1862	1862	0	0	0	0

Wheat Technical Analysis:

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Technical Commentary:

- Rise in price and open interest indicates long buildup.
- 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	April	1840	1830	1870	1920	1930
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	April	Sell	Below 1890	1870	1855	1902

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
	28-Feb-19	20-Feb-19	28-Jan-19	28-Feb-18	
Indore	1925	1965	2038	1780	8.15
Delhi	2088	2093	2100	1765	18.30
Kanpur	2100	2080	2078	1690	24.26
Rajkot	2001	2080	2121	1675	19.46
Kota	2059	2096	2082	1704	20.83

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
			28-Feb-19	27-Feb-19	21-Feb-19	28-Jan-19	28-Feb-18
Delhi	Lawrence Road	Mill Delivery	2110	2100	2105	2100	1770
	Narella	Mill Quality Loose	2100	Closed	2060	2070	Closed
	Nazafgarh	Mill Quality Loose	1990	Closed	2020	2030	Closed
Gujarat	Rajkot	Mill Delivery	1925	1960	2000	2020	1550
	Ahmedabad	Mill Delivery	2070	2100	2120	2180	1780
	Surat	Mill Delivery	2110	2140	2160	2230	1830
	Dhrol	Mill Delivery	2180	2200	2245	2200	1575
M.P.	Indore	Mill Quality Loose	1950	1950	1925	2150	1750
	Bhopal	Mill Delivery	1900	1900	1960	1960	1710
Rajasthan	Kota	Mill Quality Loose	1940	1965	1980	1950	1640
		Mill Delivery	2025	2040	2100	2070	1740
U.P.	Kanpur	Mill Delivery	2050	2050	2100	2000	1735
	Mathura	Mill Quality Loose	2000	2050	2040	1850	1650
	Kosi	Mill Quality Loose	2070	2060	2070	2050	1635
	Hathras	Mill Quality Loose	NA	NA	NA	2070	1660
	Aligarh	Mill Quality Loose	1980	Closed	1970	2000	Closed
Punjab	Khanna	Mill Quality Loose	1930	1930	1940	1950	1720
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1910	1940	1920	1925	1725
	Hodal	Mill Delivery	2050	2050	2070	2050	1750
	Bhiwani	Mill Quality Loose	2000	1900	2030	2035	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	2400	2300	2400	2115
	Madurai	Mill Quality	2357	2450	2350	2500	2215
	Coimbatore	Mill Quality	2357	2500	2400	2550	2265
Bihar	Khagariya	Mill Delivery	2100	2100	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:**[\(Back to Table of Contents\)](#)**

Russian milling wheat prices became weak by \$3 per tonne at Novorossiysk and \$2-4 per tonne at Odessa compared to last week. Wheat prices were weak due to weak export demand as buyers have started buying from Argentina, USA and France. As per IGC, Russia is expected to produce 71.60 MMT in 2018-19 compared to 85.10 MMT in 2017-18. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$233.00-236.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$233.00-237.00/tonne.

Sudan is expecting to buy 9 LMT of wheat from local farmers, which will meet around 42% of country's wheat demand. The purchase price will be \$38.95 per sack. Sudan has already faced anti-government protests after increase in bread prices.

Russian Agriculture Ministry has dismissed any rumors regarding imposing restriction on grain exports. Furthermore, the Russian ministry has also kept its grain export quota unchanged at 42 MMT after taking into account the data of key exporters.

Dry spell in Australia is likely to continue in coming months. This will lead to lower yields for wheat and ultimately resulting in third consecutive year of low production. Lower production in Australia is likely to keep global prices afloat.

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.

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
	1-Mar-19	22-Feb-19	1-Feb-19	1-Dec-18	1-Sep-18	1-Mar-18	
Mar-19	166.80	178.83	192.61	188.75	207.76	206.02	-19.04
May-19	167.99	180.67	194.08	191.05	212.27	207.58	-19.07
Jul-19	170.20	181.86	195.46	193.62	209.51	207.95	-18.15
Sep-19	173.78	185.35	198.21	197.29	212.08	212.27	-18.13
Dec-19	179.38	190.31	202.80	202.71	216.31	216.58	-17.18
Mar-20	184.07	194.17	206.20	206.75	218.97	219.34	-16.08

CBOT Mar-19

1st Support: 169.00
2nd Support: 167.00
1st Resistant: 198.00
2nd Resistant: 200.00
(\$ per tonne)

Wheat CBOT closed at \$4.54 per bushel down by \$0.32 bushel compared to last week. CBOT fell sharply due to cheap global supplies and technical selling in previous week. This week's net sales of 476,400 metric tons (MT) were reported for delivery in 2018/19, down 20 percent from last week's 600,000 MT (3.57 MMT divided by 6 weeks), but up 149 percent over reported export sales for the same week in 2018. Sales were in line with trade expectations of 200,000 to 500,000 MT.

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 \$ 293.54-301.18 per tonne.

US and Russian quotes are hovering in the range of \$211.32 and \$230.90 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 \$205 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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