

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 3.30 percent to Rs. 2069.03 per quintal during the week ended 15th March 2019. Wheat average price were ruling at Rs 2002.87 per quintal during 01-08 March 2019. As compared to prices in the week 09-15 March 2018, the prices are firm by 14.86 percent. Prices are expected to remain weak in coming days due to abundant availability in domestic market.

As per market sources, wheat stock in central pool as on 1st March'19 stood at 201.09 lakh tonnes down by 15.97% compared to last month. This quantity is higher by around 32.69% 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 March'19 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 is planning to boost its export of Rice and wheat through G2G trade and by participating in tenders floated by countries to procure food. Iraq has expressed interest in procuring wheat and rice from India. Iraq has an annual requirement of 4 MMT of wheat, of which around 1 MMT is imported. This will also help India in reducing overflowing stock of wheat and rice in domestic market.

A team of agricultural experts led by Chief Agriculture Officer Dr Dalbir Singh Chinna visited various villages in the district of Amritsar to inspect the wheat crop. Yellow rust was witnessed in some of the fields and farmers are being advised to keep doing a regular check for their crop as this disease spreads with low temperature and cloudy conditions. Farmers use chemical spray to protect their crop from yellow rust. However the chemical spray is only useful only after yellow rust strikes.

Wheat WPI has increased from 154.8 in January-2019 to 157.2 in February-2019. Monthly wheat inflation has increased by 1.55 percent in February-2019 compared to previous month. As compared to February-2018 wheat WPI has increased by around 12.29 percent. Wheat WPI is expected to stay steady to weak in coming months.

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 \$331.50 (Rs 22750.85) per tonne and \$337.85 (Rs 23185) 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 22500 per tonne and Rs 23000 per tonne respectively.

Indian FoB quote is hovering around \$288.69 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$217.10, \$216.60, Euro 182.85, \$207.64 and \$226.77 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 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.

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.

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.

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. 1820 & 1920 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	

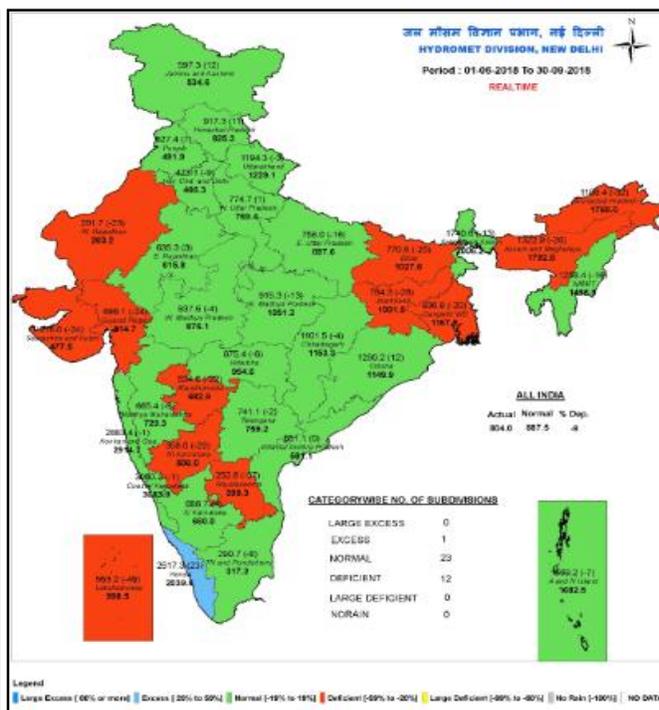
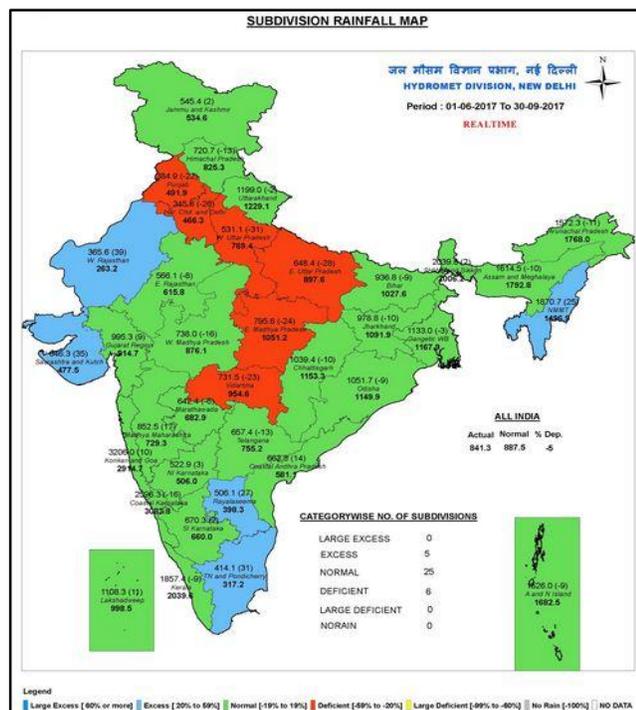
Source: Trade

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



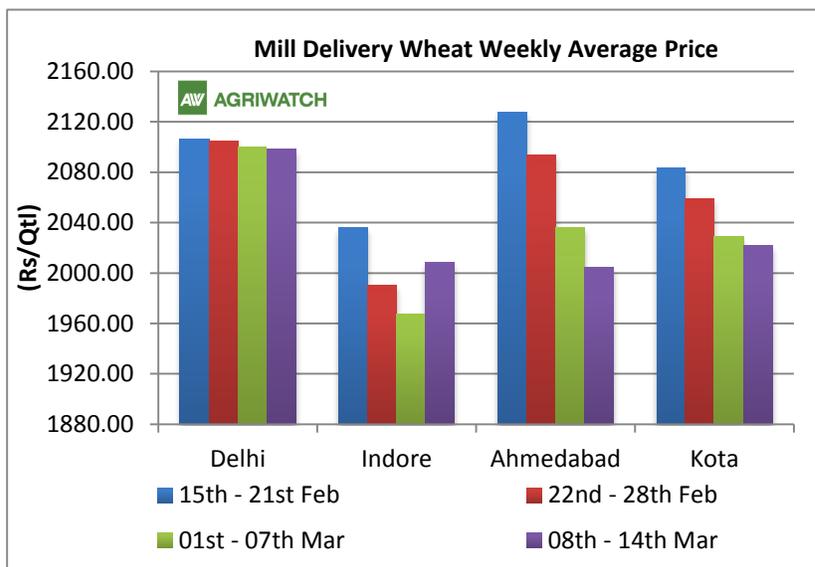
Source: IMD

Wheat Weekly Average Price Chart

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Average mill delivery prices of Wheat traded weak in Delhi, Ahmedabad, and Kota during 08th -14th March'19.

Conducive weather in major growing regions has led to better yields. However this conducive weather is also causing problem in Punjab and Haryana as it is favorable for yellow rust disease. Fresh arrivals have started in all major producing states except Uttar Pradesh. Another good production year will leave domestic 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

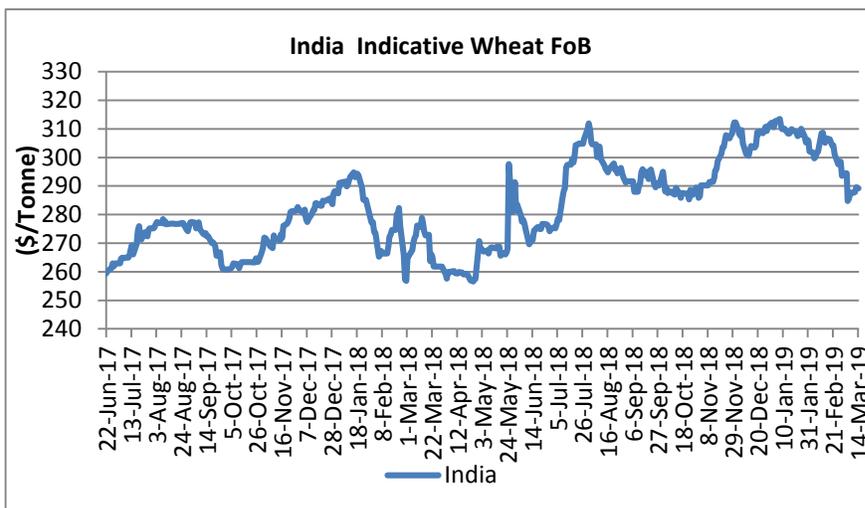
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 recovery after falling continuously for weeks. 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
		14-Mar-19	7-Mar-19	14-Feb-19	15-Mar-18	
USA (Chicago)	2srw	210.40	206.30	225.20	208.96	0.69
France	FCW3	210.50	NA	221.02	198.23	6.19
Australia	ASW	228.62	228.62	239.40	215.60	6.04
Russia	SRW	215.50	219.50	240.00	203.50	5.90
India	Fob	289.22	287.77	305.19	274.14	5.50

	14/03/2019	07/03/2019	28/02/2019	21/02/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	225	228	236	239
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	217	225	233	236

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 15.03.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Feb	0	1844	1844	1844	1844	10	0	30	0
19-Mar	0	1856	1856	1856	1856	10	0	190	0
19-Apr	0	1862	1862	1862	1862	0	0	0	0

Wheat Technical Analysis:

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Wheat –Technical Outlook	Contract Expiry: 16th Apr,2019
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Technical Commentary:

- Fall in price and rise in open interest indicates short 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	1830	1820	1856	1910	1920
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	April	Sell	Below 1880	1860	1845	1892

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
	14-Mar-19	6-Mar-19	11-Feb-19	14-Mar-18	
Indore	1950	1900	2031	1779	9.61
Delhi	2083	2080	2100	1780	17.02
Kanpur	2090	2100	2072	1675	24.78
Rajkot	1975	1951	2085	1703	15.97
Kota	2040	2043	2102	1720	18.60

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
			14-Mar-19	13-Mar-19	7-Mar-19	14-Feb-19	14-Mar-18
Delhi	Lawrence Road	Mill Delivery	2090	2100	2100	2110	1785
	Narella	Mill Quality Loose	2000	Closed	2040	2090	Closed
	Nazafgarh	Mill Quality Loose	2020	Closed	1950	2030	Closed
Gujarat	Rajkot	Mill Delivery	1850	1850	1850	2030	1600
	Ahmedabad	Mill Delivery	2050	2000	1950	2120	1820
	Surat	Mill Delivery	2100	2050	2000	2170	1850
	Dhrol	Mill Delivery	2125	2125	1975	2210	1755
M.P.	Indore	Mill Quality Loose	1890	Closed	1900	1950	1675
	Bhopal	Mill Delivery	1950	Closed	1950	1930	1775
Rajasthan	Kota	Mill Quality Loose	1900	1900	1925	2000	1625
		Mill Delivery	2000	2020	2040	2075	1750
U.P.	Kanpur	Mill Delivery	2110	2110	2100	2050	1750
	Mathura	Mill Quality Loose	1970	2000	1920	2075	1650
	Kosi	Mill Quality Loose	1990	1950	2040	2020	1590
	Hathras	Mill Quality Loose	NA	NA	NA	NA	1625
	Aligarh	Mill Quality Loose	1910	Closed	1960	1950	Closed
Punjab	Khanna	Mill Quality Loose	1860	1870	1950	1930	1730
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1900	1890	1910	1920	1715
	Hodal	Mill Delivery	2070	2070	2050	2080	1750
	Bhiwani	Mill Quality Loose	1990	2000	2000	2025	1700
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1725
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	2250	2250	2300	2410	2100
	Madurai	Mill Quality	2307	2300	2450	2510	2200
	Coimbatore	Mill Quality	2307	2350	2500	2560	2250
Bihar	Khagariya	Mill Delivery	2100	2100	2100	2150	1700
	Muzaffarpur	Mill Delivery	2100	2100	2125	2100	1640

[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 \$3-4 per tonne at Novorossiysk and \$5-6 per tonne at Odessa compared to last week. Wheat prices fell due to weak export demand. 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 \$220.00-225.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$218.00-222.00/tonne.

Algeria state grains agency OAIC has bought around 450000 tonnes of milling wheat in a tender that closed on Wednesday. The prices paid were in the range of \$231.50 - \$234.00 per tonne (Cost and Freight). Most of the quantity is expected to be sourced from France. Algeria does not disclose the results of its tenders and purchase reports are based on trade assessments. In its last tender on 14th February OAIC bought 600000 tonnes of wheat.

Egypt's central bank has exempted lentils, rice and wheat from a rule that made it mandatory to deposit the import fees upfront in cash. This exemption will last until 15th March'2020. This would allow letter of credit to be opened without depositing foreign currency. This rule was put in place by central bank of Egypt in 2015 during severe dollar shortage.

Egypt, the largest importer of wheat, has rejected Romanian wheat over "Quality Issue". Trader sources are saying the issue was regarding falling number.

Saudi Arabia's main state wheat buying agency the Saudi Grains Organization (SAGO) has purchased 625000 tonnes of hard wheat. The wheat can be sourced from European Union, North America, South America excluding Canada and Australia. The quantity will be shipped in 10 consignments to three ports. Of the total quantity 320000 tonnes will be delivered at Jeddah port, 250000 tonnes will be delivered at Dammam port and 55000 tonnes at Jazan port.

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.

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.

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
	14-Mar-19	7-Mar-19	14-Feb-19	14-Dec-18	14-Sep-18	14-Mar-18	
Mar-19	166.34	161.01	187.56	199.41	200.05	208.22	-20.11
May-19	168.91	163.49	188.57	201.98	202.16	209.42	-19.34
Jul-19	172.13	167.08	191.78	206.02	205.65	211.62	-18.66
Sep-19	177.45	172.77	196.83	208.87	211.16	216.21	-17.93
Dec-19	182.05	177.82	200.60	210.43	214.93	219.15	-16.93
Mar-20	184.43	181.31	202.44	209.42	217.32	219.06	-15.81

CBOT May-19

1st Support: 148.00
2nd Support: 146.00
1st Resistant: 191.00
2nd Resistant: 194.00
(\$ per tonne)

Wheat CBOT closed at \$4.62 per bushel up by \$0.32 bushel compared to last week. CBOT fell sharply due to cheap global supplies and technical selling in previous week. Net export sales of 263,000 metric tons (MT) were reported for delivery in 2018-19, down 58 percent from last week's 621700 MT and 55 percent from the previous four-week average of 582175. CBOT recovered after touching fourteen month low. Gains will be limited as large global supplies will prevent market from rallying upwards.

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 \$ 287.45-289.51 per tonne.

US and Russian quotes are hovering in the range of \$207.64 and \$217.10 per tonne respectively. Wheat prices in international markets remained weak in last week.

Wheat is expected to trade steady to weak and hover in the range of \$200 to \$250 in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to weak due to ample availability. 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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