

# Wheat Weekly Research Report

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### Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 2.53 percent to Rs. 2016.74 per quintal during the week ended 23rd March 2019. Wheat average price were ruling at Rs 2069.03 per quintal during 09-15 March 2019. As compared to prices in the week 16-23 March 2018, the prices are firm by 13.82 percent. Prices are expected to remain weak in coming days due to abundant availability in domestic market.

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 February-19. Imports are expected to be low this year due to good domestic availability and increase in import duty. India has imported around 1000 tonnes in the month of September-2018.

As per trade source, India has exported around 6.35 thousand tonnes in the month of February-2019. The quantity in February-2019 was exported at an average FOB of \$ 403.91 per tonne and the major destinations were Nepal, UAE and Kuwait. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

As per latest update, Procurement in Punjab, Haryana, Uttar Pradesh and Rajasthan (Except Kota) will start from 01<sup>st</sup> April'19. Whereas procurement in Madhya Pradesh will start from 15<sup>th</sup> March. Government has set a target of 35.7 MMT for MY 2019-20. Around 12175 procurement centers have been set up in entire country for procuring wheat. Of the total wheat procurement centers around 11313 have been set up by state agencies and remaining by FCI.

Government has offered 11092250 tonnes of wheat in OMSS since July'18 until second tender in March'19 out of which 8042000 tonnes was sold. Total numbers of rakes sold were 195. State government and bulk consumers bought 748050 tonnes and 6777200 tonnes of wheat respectively. 516750 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 recovered slightly in past week. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$338.00 (Rs 23345.66) per tonne and \$337.84 (Rs 22335.89) 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 22000 per tonne and Rs 22500 per tonne respectively.

Indian FoB quote is hovering around \$283.37 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$218.75, \$218.25, Euro 187.50, \$213.28 and \$229.51 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 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.

Wheat WPI has increased from 154.8 in January-2019 to 157.2 in February-2019.

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.

**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. 1815 & 1915 respectively.

### Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-07 February-2019	2305.35	312.32
08-14 February-2019	1420.66	422.71
15-21 February-2019	826.33	414.79
22-28 February-2019	1799.76	412.82
Total	6352.10	

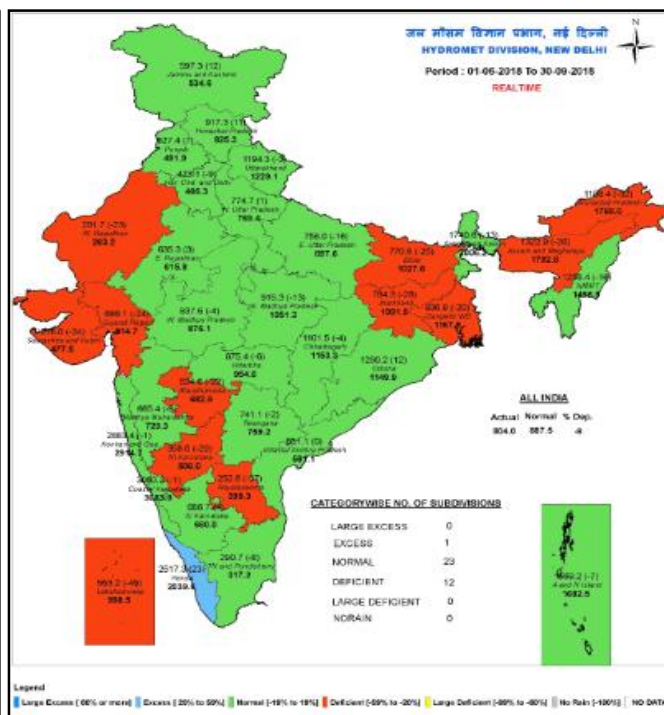
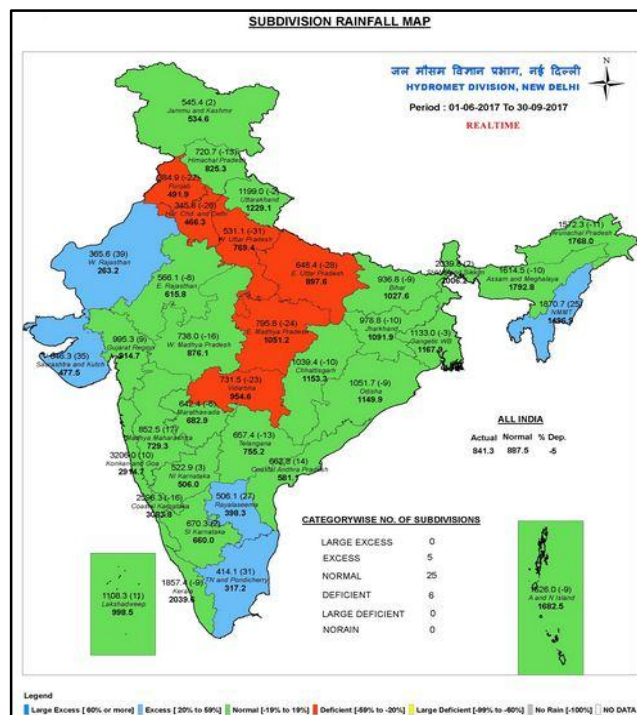
Source: Trade

### 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

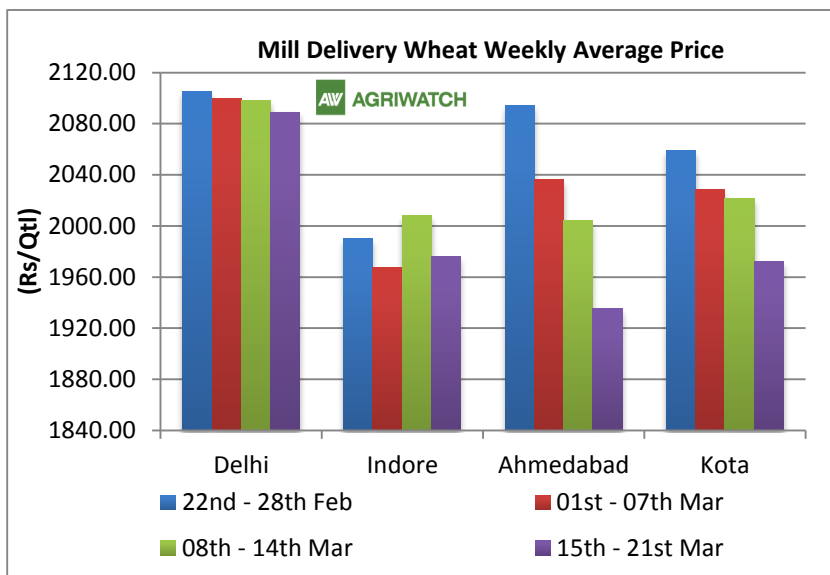


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Delhi, Indore, Ahmedabad, and Kota during 15<sup>th</sup> - 21<sup>st</sup> March'19.

Market is likely to trade steady to weak in the coming week due to ample availability. 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

<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

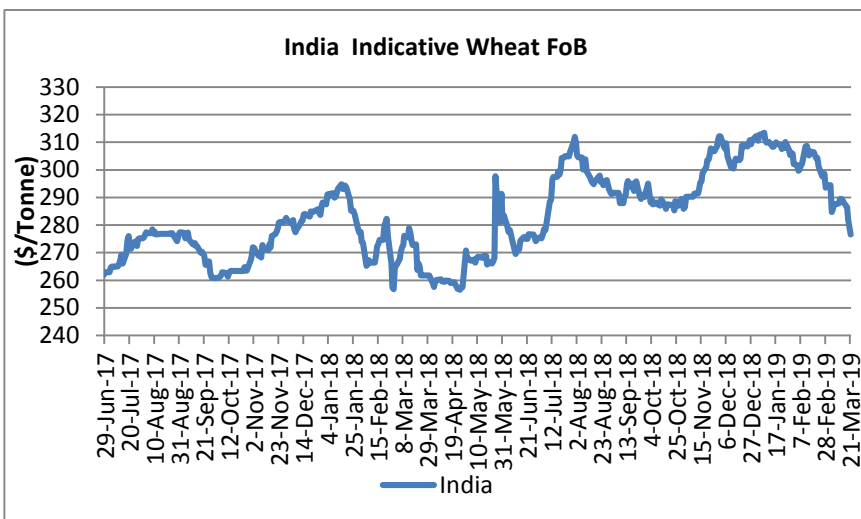
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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
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 remained weak in previous week due to arrival pressure. 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 \$270-290 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
		22-Mar-19	15-Mar-19	22-Feb-19	23-Mar-18	
USA (Chicago)	2srw	215.30	213.90	219.20	205.90	4.57
France	FCW3	214.23	211.93	216.86	196.11	9.24
Australia	ASW	230.75	228.62	225.40	216.80	6.43
Russia	SRW	224.00	216.50	233.00	202.50	10.62
India	Fob	276.00	288.25	301.18	261.78	5.43

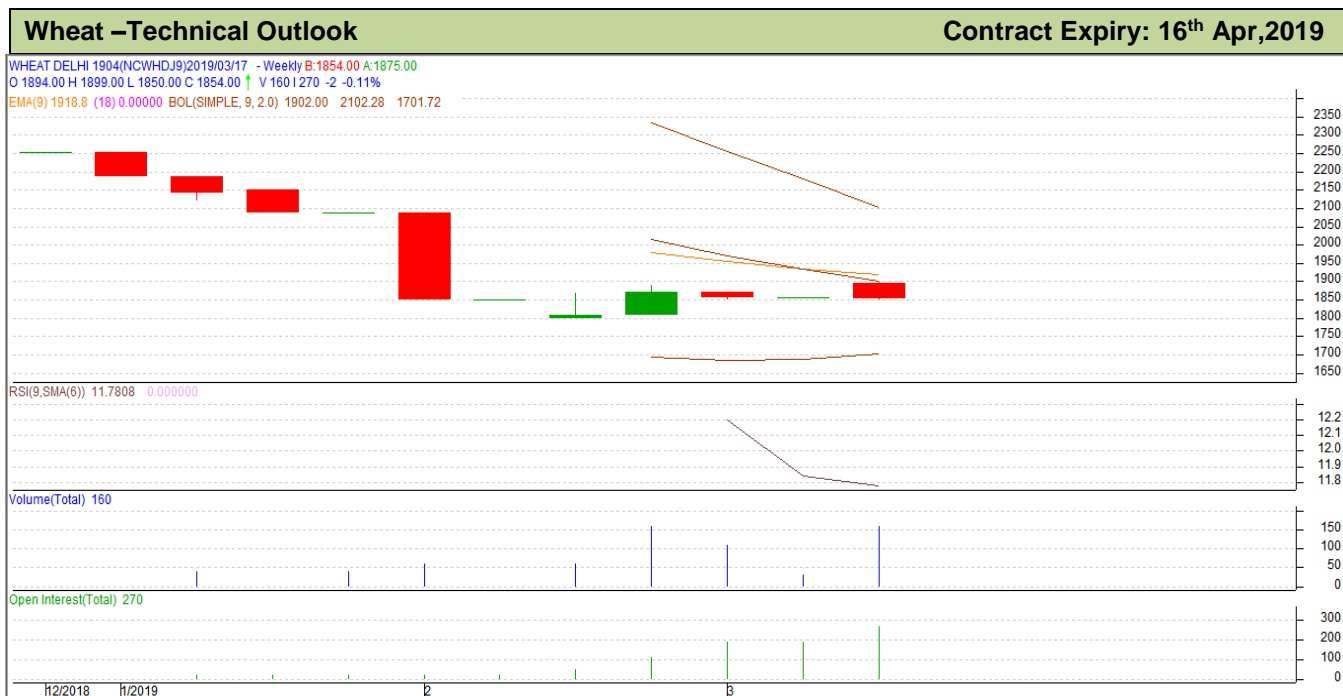
	21/03/2019	14/03/2019	07/03/2019	28/02/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	230	225	228	236
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	222	217	225	233

## NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date: 22.03.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Apr	0	1854	1885	1850	1854	10	-100	270	0
19-May	0	1862	1862	1862	1862	0	0	0	0
19-Jun	0	1919	1919	1919	1919	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 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	1825	1815	1854	1905	1915
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	April	<b>Sell</b>	Below 1875	1855	1840	1887

## 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
	22-Mar-19	14-Mar-19	19-Feb-19	22-Mar-18	
Indore	1875	1950	1965	1700	10.29
Delhi	2081	2083	2097	1768	17.70
Kanpur	NA	2090	2080	1670	-
Rajkot	1865	1975	2080	1626	14.70
Kota	1992	2040	2082	1713	16.29

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
			22-Mar-19	20-Mar-19	15-Mar-19	22-Feb-19	22-Mar-18
Delhi	Lawrence Road	Mill Delivery	2090	2090	2095	2100	1765
	Narella	Mill Quality Loose	2000	Closed	2020	2060	1690
	Nazafgarh	Mill Quality Loose	1990	Closed	2000	2000	1700
Gujarat	Rajkot	Mill Delivery	1725	1750	1840	1990	1560
	Ahmedabad	Mill Delivery	1890	1900	2025	2125	1740
	Surat	Mill Delivery	1930	1950	2075	2160	1775
	Dhrol	Mill Delivery	2150	NR	2050	2145	Closed
M.P.	Indore	Mill Quality Loose	1830	Closed	1890	1940	1675
	Bhopal	Mill Delivery	Closed	Closed	1950	1960	1650
Rajasthan	Kota	Mill Quality Loose	1830	1850	1900	1980	1580
		Mill Delivery	1930	1950	2000	2100	1710
U.P.	Kanpur	Mill Delivery	Closed	Closed	2100	2100	1740
	Mathura	Mill Quality Loose	Closed	Closed	1970	2040	NR
	Kosi	Mill Quality Loose	Closed	Closed	2010	2030	1605
	Hathras	Mill Quality Loose	Closed	Closed	NA	NA	1645
	Aligarh	Mill Quality Loose	Closed	Closed	1970	1950	1600
Punjab	Khanna	Mill Quality Loose	1860	1875	1860	1950	1725
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1900	1900	1900	1970	1715
	Hodal	Mill Delivery	2040	2040	2070	2070	1750
	Bhiwani	Mill Quality Loose	2000	Closed	2000	2015	1670
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1700
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1625



Tamil Nadu	Chennai	Mill Quality	2200	2200	2250	2300	2100
	Madurai	Mill Quality	2257	2300	2350	2350	2250
	Coimbatore	Mill Quality	2257	2350	2400	2400	2300
Bihar	Khagariya	Mill Delivery	2100	2100	2100	2150	1700
	Muzaffarpur	Mill Delivery	2100	2150	2100	2100	1625

[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](#))**

Taiwan flour mills association has bought 110000 tonnes of milling wheat from united states. Of the total quantity, 27910 tonnes of U.S. dark northern spring wheat of 14.5 percent protein content bought at FOB \$254.13 per tonne, 19665 tonnes of hard red winter wheat of 12.5 percent protein content was bought at FoB \$244.88 per tonne and 7425 tonnes of soft white wheat with 9 percent protein was bought at FoB \$222.30 per tonne. The seller was trading house Cargill.

Russian milling wheat prices became firm by \$5 per tonne at Novorossiysk and \$5-6 per tonne at Odessa compared to last week. High domestic prices and strong ruble supported Russian wheat prices. 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 \$225.00-230.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$223.00-228.00/tonne.

Major feed mill group of South Korea has purchased around 65000 tonnes of feed wheat at \$212.99/tonne cost and freight. Around \$1.25 per tonne will be charged for port unloading. Feed wheat can be sourced from any optional worldwide origins. The seller is believed to be trading house Olam.

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.

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
	22- Mar-19	15-Mar- 19	22-Feb-19	22-Dec-18	22-Sep-18	22- Mar-18	
Mar-19	171.21	164.69	180.67	191.51	203.17	195.92	-12.61
May-19	172.95	166.34	181.86	194.26	204.18	197.75	-12.54
Jul-19	176.17	168.91	185.35	197.39	207.76	200.69	-12.22
Sep-19	181.59	172.13	190.31	202.53	213.28	207.31	-12.41
Dec-19	186.64	177.45	194.17	206.39	217.04	210.70	-11.42
Mar-20	188.94	182.05	195.73	208.59	219.25	210.15	-10.10

### CBOT May-19

**1<sup>st</sup> Support: 149.00**  
**2<sup>nd</sup> Support: 147.00**  
**1<sup>st</sup> Resistant: 188.00**  
**2<sup>nd</sup> Resistant: 190.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.66 per bushel up by \$0.04 bushel compared to last week. This week, net sales of 299,000 metric tons (MT) were reported for delivery in 2018/19, up 14 percent from last week's 263,000 MT, but down 48 percent from the estimated previous 4-week average of 502,000 MT. Technical buying, short covering, strengthening of corn futures supportive to wheat market and increased risk of delayed spring wheat sowing contributed to recovery of wheat CBOT.

### 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 \$ 276.65-288.25 per tonne.

US and Russian quotes are hovering in the range of \$213.28 and \$218.75 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 \$200 to \$255 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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