

Wheat Weekly Research Report

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

Government agencies have started procurement. Until 18th April'19 government has procured around 25.33 lakh tonnes of wheat. Of the total quantity procured, around 13.68 lakh tonnes have been procured from Haryana, 8.76 lakh tonnes from Madhya Pradesh, 1.19 lakh tonnes from Rajasthan, 0.93 lakh tonnes from Uttar Pradesh, 0.75 lakh tonnes from Punjab and 0.02 lakh tonnes from Gujarat. In Rabi marketing season 2019-20 government has set procurement target of 35.70 MMT.

India mainly imports from Australia and Russia. Wheat prices remained weak in past week. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$332.80 (Rs 23096.32) per tonne and \$315.90 (Rs 21923.46) 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 21500 per tonne and Rs 22000 per tonne respectively.

As per market sources, wheat stock in central pool as on 1st April'19 stood at 169.92 lakh tonnes down by 15.50% compared to last month. This quantity is higher by around 28.43% 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 April'19 is highest in last three years. Therefore, government has abundant supplies this year to tackle any unexpected rise in wheat prices by selling more quantity in open market.

Rain and squall in states of Punjab, Haryana, Rajasthan and Madhya Pradesh has damaged ready to harvest wheat crop. The rain has not only damaged standing crop but also harvested crop lying at grain markets in open. Higher moisture content than usual is also posing a difficulty for farmers while selling their crop. Prolonged winter has delayed wheat harvest this Rabi season. Officials are assessing damage to wheat crop for arriving at actual losses. However, abundant availability in the domestic market will make sure there are no unexpected surges in the market.

Wheat WPI has decreased from 157.2 in February-2019 to 155.5 in March-2019. Monthly wheat inflation has decreased by 1.08 percent in March-2019 compared to previous month. As compared to March-2018 wheat WPI has increased by around 10.13 percent. Wheat WPI is expected to stay steady to weak in coming month.

Indian FoB quote is hovering around \$277.38 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$222.90, \$216.40, Euro 184.65, \$201.70 and \$211.23 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. Higher global production and carryover stocks in 2019-20 are keeping global prices under pressure.

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 March-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 10.69 thousand tonnes in the month of March-2019. The quantity in March-2019 was exported at an average FOB of \$ 341.00 per tonne and the major destinations were Nepal, UAE and Sri Lanka. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

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.

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

Trade Call: Stakeholders should trade in May contract taking care of lower and upper price tag of Rs. 1755 & 1920 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 March-2019	1845.56	366.26
09-16 March -2019	3005.03	330.94
17-24 March -2019	3236.21	320.31
25-31 March -2019	2607.27	353.10
Total	10694.07	

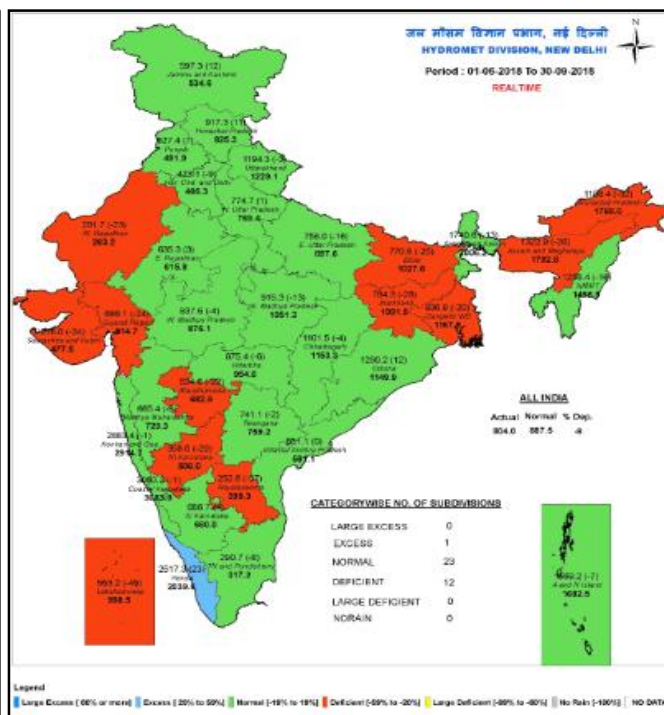
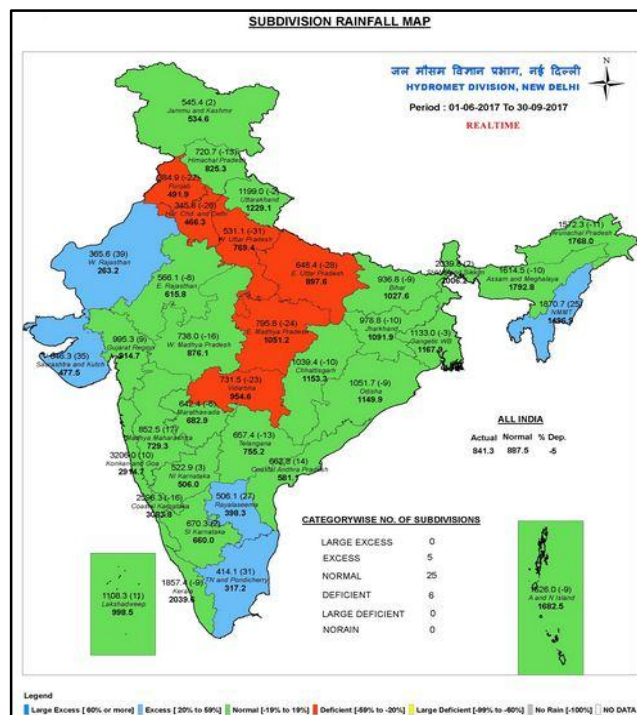
Source: Trade

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

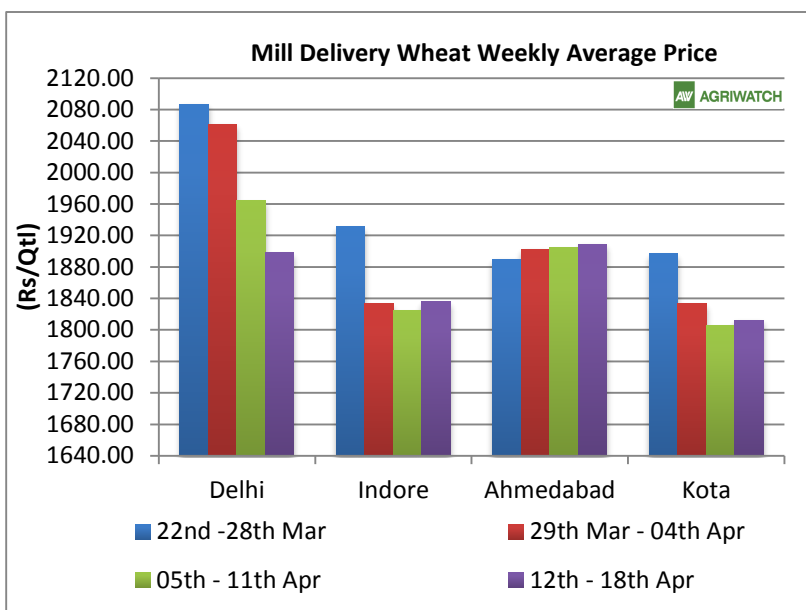


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Ahmedabad, Indore, and Kota during 12th -18th April-2019.

Weather aberrations in past weeks have caused damages to wheat crop in various states. However, domestic stock position is good leaving no room for unexpected increase in prices. Another good production year will leave domestic market with oversupply. Government is also planning to liquidate wheat stocks in open market to make way for the new crop. Market is likely to trade steady to weak in the coming week due to ample availability. 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

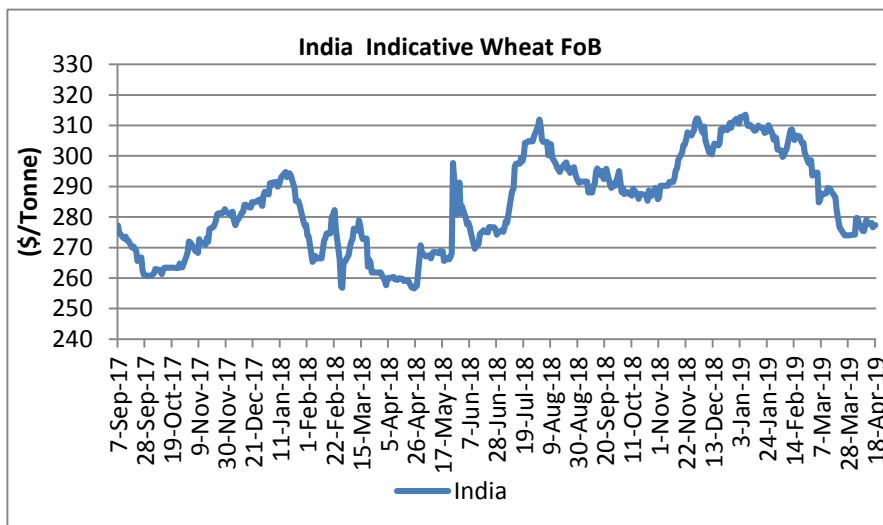
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 remained range bound in the past 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 \$270-285 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
		18-Apr-19	11-Apr-19	18-Mar-19	19-Apr-18	
USA (Chicago)	2SRW	198.10	207.80	211.90	212.32	-6.70
France	FCW3	205.07	212.32	212.59	198.56	3.28
Australia	ASW	205.90	215.84	227.91	221.60	-7.08
Russia	SRW	223.00	223.00	217.00	205.50	8.52
India	Fob	277.30	279.11	286.44	259.25	6.96

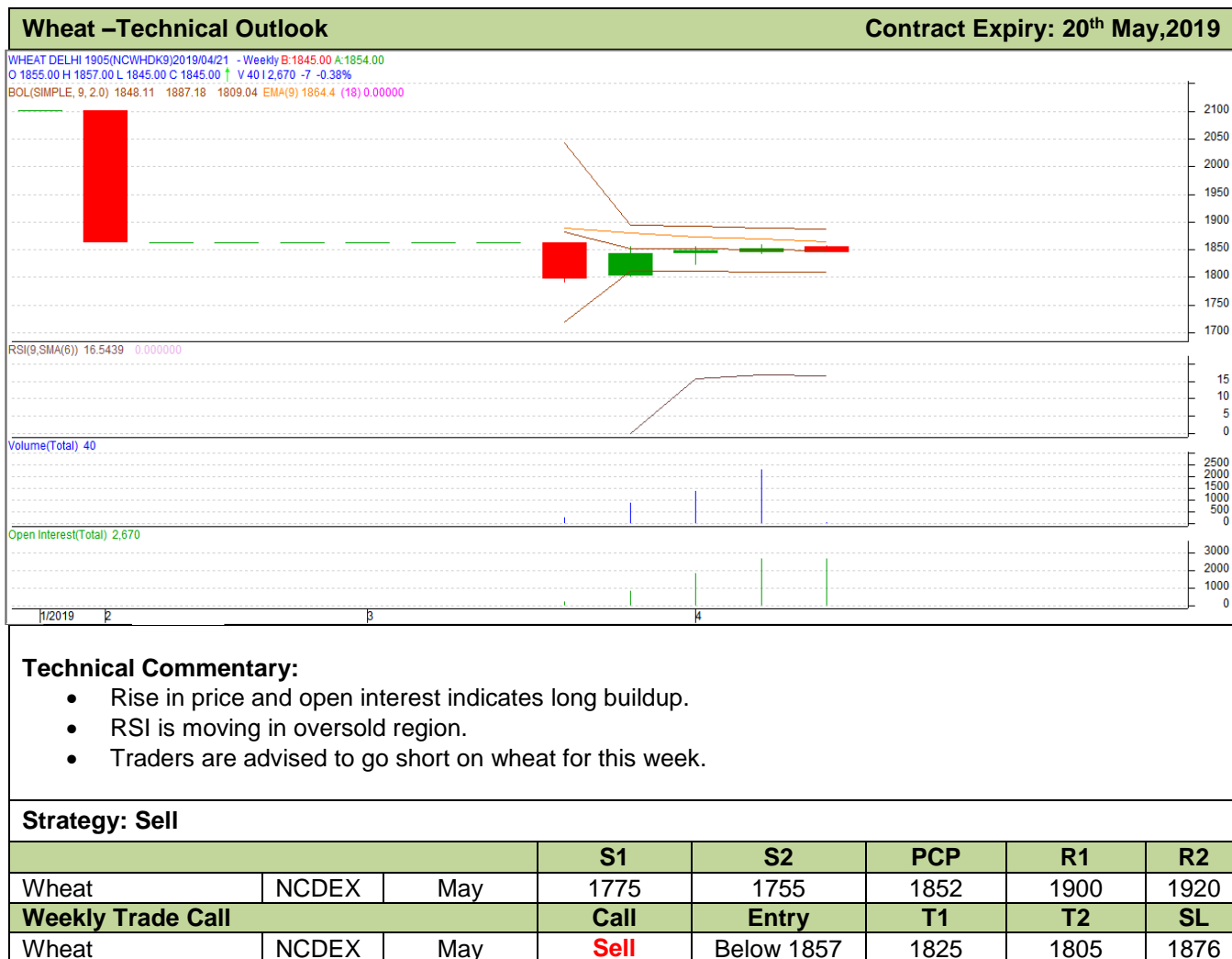
	18/04/2019	11/04/2019	04/04/2019	28/03/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	226	227	229	228
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	226	225	226	224

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price							Date:18.04.2019		
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-May	+3	1859	1859	1843	1852	310	+310	2690	+110
19-Jun	+9	1891	1891	1891	1891	0	0	0	0
19-Jul	0	1906	1906	1906	1906	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
	18-Apr-19	10-Apr-19	19-Mar-19	18-Apr-18	
Indore	1827	1825	1895	1706	7.09
Delhi	1902	1940	2081	1767	7.64
Kanpur	1765	1800	2075	1663	6.13
Rajkot	1872	1865	1892	1613	16.06
Kota	1867	1870	2015	1682	11.00

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	Yesterd ay	Week Ago	Month Ago	Year Ago
			18-Apr- 19	17-Apr- 19	11-Apr- 19	18-Mar- 19	18-Apr- 18
Delhi	Lawrence Road	Mill Delivery	1900	Closed	1930	2090	1775
	Narella	Mill Quality Loose	1825	Closed	1850	2030	Closed
	Nazafgarh	Mill Quality Loose	1770	Closed	1815	NA	Closed
Gujarat	Rajkot	Mill Delivery	1860	1860	1860	1900	1640
	Ahmedabad	Mill Delivery	1925	1920	1920	1930	1725
	Surat	Mill Delivery	1970	1970	1960	1970	1750
	Dhrol	Mill Delivery	NR	2160	2300	2185	NR
M.P.	Indore	Mill Quality Loose	1870	Closed	1825	1940	1735
	Bhopal	Mill Delivery	1750	Closed	1750	1925	Closed
Rajasthan	Kota	Mill Quality Loose	1700	Closed	1680	1850	Closed
		Mill Delivery	1850	Closed	1800	1950	Closed
U.P.	Kanpur	Mill Delivery	1800	1800	2060	2100	1710
	Mathura	Mill Quality Loose	Closed	Closed	1745	1950	1545
	Kosi	Mill Quality Loose	Closed	1800	1850	1996	1570
	Hathras	Mill Quality Loose	1760	1760	1800	NA	1625
	Aligarh	Mill Quality Loose	Closed	Closed	1750	1960	Closed
Punjab	Khanna	Mill Quality Loose	1840	1840	1850	1875	1735
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	1760
Haryana	Sirsa	Mill Delivery loose	1840	1840	1840	1890	1735
	Hodal	Mill Delivery	NA	NA	Closed	2040	1750
	Bhiwani	Mill Quality Loose	1850	Closed	1900	2000	1750
	Karnal	Mill Quality Loose	NA	NA	NA	NA	1750
	Panipat	Mill Quality Loose	NA	NA	NA	NA	1735



Tamil Nadu	Chennai	Mill Quality	2150	Closed	2150	2200	Closed
	Madurai	Mill Quality	2207	Closed	2300	2300	Closed
	Coimbatore	Mill Quality	2207	Closed	2350	2350	Closed
Bihar	Khagariya	Mill Delivery	1700	1700	1750	2100	1600
	Muzaffarpur	Mill Delivery	1675	1675	1800	2100	1550

[Sowing Status:](#)

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State Wise Wheat Sowing in Lakh Hectares					
State	Normal area (2019)	2017	2018	2019	% Change 2019 vs. 2018
Bihar	21.18	22.95	23.27	22.87	-1.72
Chhattisgarh	1.05	1.73	1.85	1.68	-9.19
Gujarat	10.85	9.96	10.76	8.07	-24.97
Haryana	25.46	25.38	25.26	25.16	-0.40
Himachal Pradesh	3.48	3.59	3.6	3.50	-2.78
J&K	2.94	2.31	2.93	2.44	-16.88
Jharkhand	1.76	2.08	2.31	1.64	-29.07
Karnataka	1.95	1.57	2.09	1.50	-28.37
Madhya Pradesh	57.24	64.22	53.16	60.00	12.87
Maharashtra	10.24	10.52	9.4	5.69	-39.44
Punjab	35.06	35	35.1	35.02	-0.23
Rajasthan	30.26	30.67	30.2	28.25	-6.46
Uttar Pradesh	97.44	100.52	98.67	99.13	0.47
Uttarakhand	3.47	3.59	3.58	3.45	-3.63
West Bengal	3.30	3.39	1.36	1.05	-22.79
Others	0.61	0.21	0.75	0.23	-69.33
All-India	306.29	317.81	304.29	299.68	-1.52

Source: Ministry of Agriculture

International Market Update:**([Back to Table of Contents](#))**

Russian milling wheat prices were weak by \$1 per tonne at Novorossiysk and by \$1-2 per tonne at Odessa port. Trading activity in Russian wheat market is low. As per IGC, Russia is expected to produce 77.10 MMT in 2019-20 compared to 71.70 MMT in 2018-19. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$222.00-226.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$221.00-225.00/tonne.

Bangladesh has bought 50000 tonnes of wheat with 12.5 percent protein content from trading house Agrocorp at \$268.92 per tonne. As per FAO Bangladesh's wheat imports for 2018-19 are expected to touch record high of 6 MMT. Demand for wheat in Bangladesh has increased as wheat is being substituted for more expensive rice.

As per latest update, Egypt has rejected French around 63000 tonnes of wheat shipment due to high ergot content. Ergot level was found at 0.1 percent whereas the acceptable limit is 0.05 percent. Earlier Egypt has rejected Romanian wheat due to a non-specified "quality issue".

As per latest update by ABARES, Australia is likely to produce 23.9 MMT of wheat in 2019-20 compared to 17.30 MMT in 2018-19. The forecast for 2019-20 is slightly lower than 10-year average of 23.9 MMT. The wheat output will rise only if rain arrives on time as farmers will be sowing in dry fields during April'19 and expecting rains in next few weeks.

Feed Leaders Committee 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. The quantity is likely to be shipped by September 30th. Feed wheat can be sourced from any origin.

Egypt has purchased 120000 tonnes of United States soft red wheat through tender. Cargill has offered two lots of 60000 tonnes each at FOB \$221.00/tonne FOB \$220.91/tonne.

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.

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.

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.

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)	2016-17	2017-18 (Estimate)	2018-19(Forecast)		2019-20(Proj.)
			21.02.2019	28.03.2019	28.03.2019
Production	757	763	735	735	759
Trade	177	175	170	171	174
Consumptions	735	741	744	742	752
Carryover stocks	248	271	262	264	270
Y-O-Y change	22	22	-	-7	6
Major Export	79	82	66	68	68

- IGC has forecasted global wheat production to be 759 MMT for 2019-20. According to forecast by IGC for 2018-19, global wheat production was around 735 MMT against 763 MMT for 2017-18. The forecast for global production is higher by 24 MMT compared to forecast for 2018-19. IGC has projected higher production for 2019-20.
- Trade forecast for 2019-20 has been increased to 174 MMT. It is 3 MMT higher compared to forecast for last year and lower by 1 MMT compared to 2017-18.
- Consumption has been increased to 752 MMT for 2019-20. The projection is higher by 10 MMT compared to 2018-19.
- Carryout for 2019-20 is projected at 270 MMT compared to forecast of 264 MMT last year. It is lower by around 1 MMT compared to 2017-18.

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
	18-Apr-19	11-Apr-19	18-Mar-19	18-Jan-19	18-Oct-18	18-Apr-18	
May-19	163.22	169.19	167.81	192.33	200.97	205.19	-20.46
Jul-19	164.69	171.02	170.29	194.26	203.08	205.74	-19.96
Sep-19	167.08	173.78	173.41	197.20	206.66	208.59	-19.90
Dec-19	173.05	179.93	178.83	202.07	211.90	214.29	-19.25
Mar-20	179.20	185.35	183.61	205.56	215.85	216.95	-17.40
May-20	182.78	188.29	186.00	207.21	218.24	216.86	-15.71

CBOT May-19

1st Support: 151.00
2nd Support: 148.00
1st Resistant: 187.00
2nd Resistant: 189.00
(\$ per tonne)

Wheat CBOT closed at \$4.44 per bushel. This week, net commercial U.S. wheat sales of 318000 MT for delivery in 2018-19 were up 16% from last week's 273000 MT but down 28% from the estimated previous 4-week average. USDA's April 15 Crop Progress report rated 60% of U.S. winter wheat in good or excellent condition, unchanged from last week but well above last year's estimate of 31%. U.S. spring wheat planting is 2% complete, below the 5-year average of 13%. High global as well as U.S. ending stock for wheat will keep CBOT under pressure.

International FOB Weekly Price Movement

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is hovering between \$ 276.66-278.06 per tonne.

US and Russian quotes are hovering in the range of \$201.70 and \$222.90 per tonne respectively. Wheat prices in international markets remained weak in last week.

Wheat is expected to trade steady to slightly weak and hover in the range of \$190 to \$250 per tonne in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to weak due to ample global supplies. EU is likely to produce around 149.00 MMT in 2019-20 compared to 137.9 MMT in 2018-19. Russia and Ukraine are likely to harvest 77.1 MMT and 27.50 MMT of wheat in 2019-20 respectively. Production in US is likely to be around 50.70 MMT compared to last year's 51.30 MMT. Australia is likely to produce 22.90 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 19.10 MMT in 2019-20 compared to 19.5 MMT in 2018-19. Furthermore, Canada is likely to harvest around 32.60 MMT in 2019-20 compared to 31.80 MMT in 2018-19.

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