

Wheat Weekly Research Report

Table of Contents

- ❖ **Review and Outlook**
- ❖ **Export/Import**
- ❖ **Weather**
- ❖ **Weekly Price Change**
- ❖ **Stocking Norms**
- ❖ **FOB Quotes**
- ❖ **NCDEX Wheat Contracts**
- ❖ **Wheat Technical Analysis**
- ❖ **Spot Price at NCDEX Delivery Centers**
- ❖ **Domestic Outlook and Spot Prices**
- ❖ **Progressive Sowing**
- ❖ **International Wheat Market**
- ❖ **IGC**
- ❖ **CBOT Future Contract**
- ❖ **CBOT Trend**
- ❖ **International FOB Trend**
- ❖ **International Weekly Outlook**

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

All India weekly average prices decreased by 0.65 percent to Rs. 2007.07 per quintal during the week ended 23rd April 2019. Wheat average price were ruling at Rs 2020.21 per quintal during 09-15 April 2019. As compared to prices in the week 16-23 April 2018, the prices are firm by 6.45 percent. Prices are expected to remain weak in coming days due to abundant availability and arrival pressure in domestic market.

Government has increased import duty on wheat from 30 percent to 40 percent. This is done to make sure that there is no window left for cheaper imports. Three consecutive good production years have led to ample availability in the domestic market. Furthermore, it will also provide support to government in offloading wheat stocks as without any import parity private traders/millers will buy from FCI.

Government agencies have started procurement. Until 22nd April'19 government has procured around 55.17 lakh tonnes of wheat. Of the total quantity procured, around 28.54 lakh tonnes have been procured from Haryana, 18.89 lakh tonnes from Madhya Pradesh, 1.97 lakh tonnes from Rajasthan, 2.78 lakh tonnes from Uttar Pradesh, 2.90 lakh tonnes from Punjab, 0.03 lakh tonnes from Gujarat, 0.03 lakh tonnes from Chandigarh and 0.03 lakh tonnes from Uttarakhand. In Rabi marketing season 2019-20 government has set procurement target of 35.70 MMT.

As per latest update the central government has accepted Chief Minister Captain Amarinder Singh's request to relax wheat specifications for procuring in MY 2019-20 due to luster loss in past weeks. The relaxation is applicable with immediate effect. District wise percentage relaxation has also been allowed. In Bathinda, Faridkot, Mukhtsar and Ferozepur percentage relaxation of up to 50 percentage has been provided, while Fazilka and Hoshiarpur received a relaxation of up to 75 percentage.

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 \$328.90 (Rs 23069.05) per tonne and \$309.34 (Rs 21697.67) 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.

Indian FoB quote is hovering around \$277.25 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$220.90, \$214.20, Euro 180.15, \$196.29 and \$206.37 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

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.

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.

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. 1780 & 1950 respectively.

Wheat Weekly Export

(Back to Table of Contents)

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	

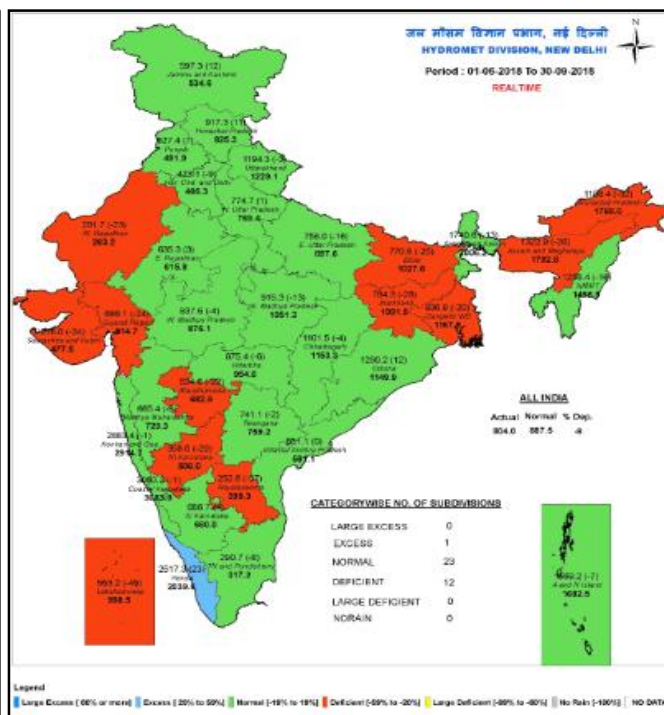
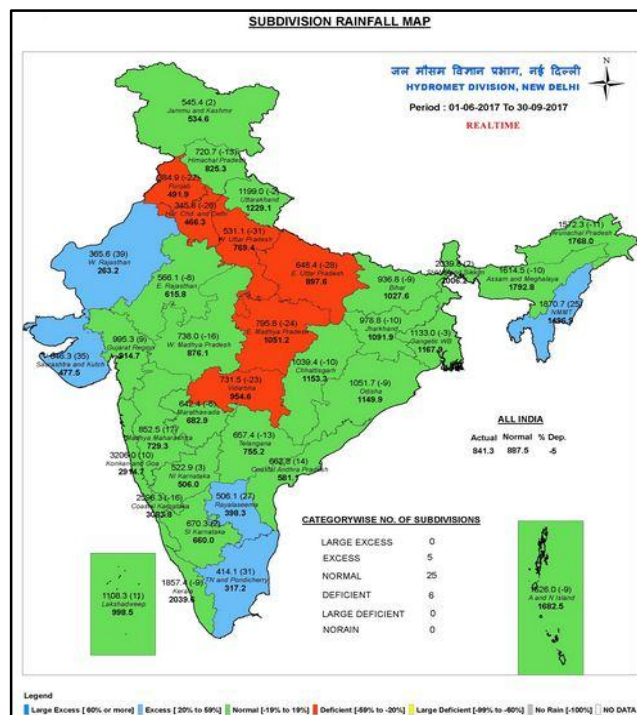
Source: Trade

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

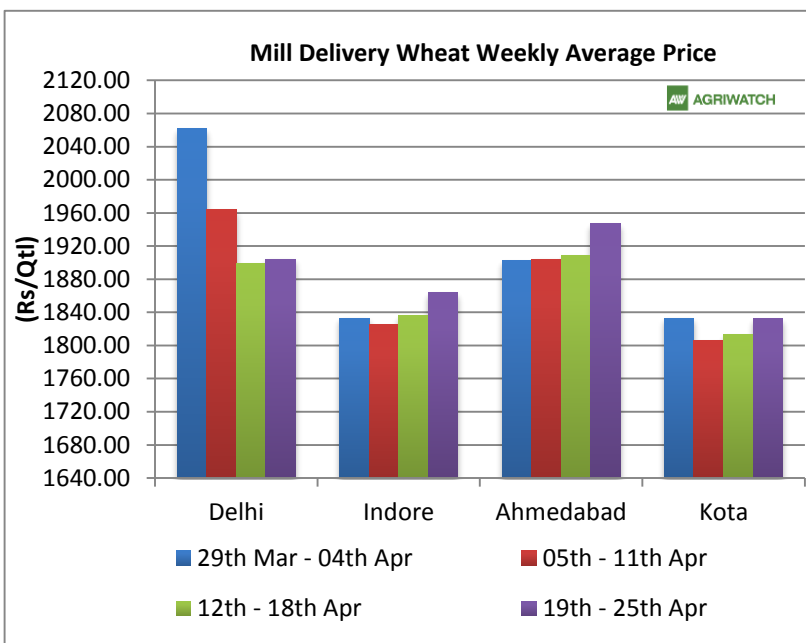


Source: IMD

Wheat Weekly Average Price Chart
[\(Back to Table of Contents\)](#)

Average mill delivery prices of Wheat traded firm in Ahmedabad, Indore, and Kota and Delhi during 19th -25th April-2019.

Market is likely to trade steady to weak in the coming week due to ample availability. Government has increased import duty on wheat from 30 percent to 40 percent to put a complete halt on wheat imports. 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. Sales through OMSS in MY 2018-19 is higher 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

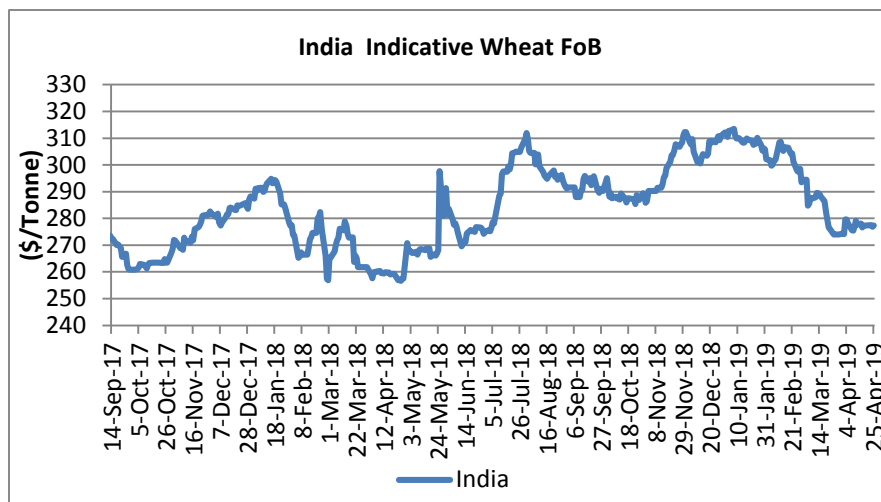
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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

[\(Back to Table of Contents\)](#)

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
		25-Apr-19	18-Apr-19	26-Mar-19	25-Apr-18	
USA (Chicago)	2SRW	195.81	198.10	216.50	218.05	-10.20
France	FCW3	199.48	205.07	210.93	195.64	1.96
Australia	ASW	205.90	205.90	230.75	220.80	-6.75
Russia	SRW	219.00	223.00	224.50	206.50	6.05
India	Fob	277.38	277.30	Closed	256.58	8.11

	25/04/2019	18/04/2019	11/04/2019	04/04/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	223	226	227	229
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	222	226	225	226

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price							Date: 26.04.2019		
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-May	-14	1898	1900	1882	1884	800	-240	5610	+570
19-Jun	+5	1923	1926	1920	1928	0	-60	410	0
19-Jul	0	1915	1915	1915	1915	0	0	0	0

Wheat Technical Analysis:

([Back to Table of Contents](#))



Technical Commentary:

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

Strategy: Sell

			S1	S2	PCP	R1	R2
Wheat	NCDEX	May	1800	1780	1884	1935	1950
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	May	Sell	Below 1890	1855	1835	1911

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
	25-Apr-19	17-Apr-19	26-Mar-19	25-Apr-18	
Indore	1831	1825	1861	1725	6.14
Delhi	1900	1902	2071	1749	8.63
Kanpur	1775	1770	NA	1660	6.93
Rajkot	1880	1868	NA	1635	14.98
Kota	1887	1860	1946	1695	11.35

Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.

Domestic Market Weekly Outlook:
[\(Back to Table of Contents\)](#)

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
			25-Apr- 19	24-Apr- 19	18-Apr- 19	25-Mar- 19	25-Apr- 18
Delhi	Lawrence Road	Mill Delivery	1900	1900	1900	2090	1750
	Narella	Mill Quality Loose	1825	Closed	1825	1980	Closed
	Nazafgarh	Mill Quality Loose	1750	Closed	1770	1950	Closed
Gujarat	Rajkot	Mill Delivery	1875	1870	1860	Closed	1650
	Ahmedabad	Mill Delivery	1960	1960	1925	Closed	1730
	Surat	Mill Delivery	2000	2000	1970	Closed	1760
	Dhrol	Mill Delivery	2110	2085	2140	Closed	1750
M.P.	Indore	Mill Quality Loose	1860	1860	1870	Closed	1780
	Bhopal	Mill Delivery	1750	1725	1750	Closed	1625
Rajasthan	Kota	Mill Quality Loose	1770	1750	1700	1800	1600
		Mill Delivery	1900	1800	1850	1900	1750
U.P.	Kanpur	Mill Delivery	1785	1790	1800	2100	1715
	Mathura	Mill Quality Loose	1690	1665	Closed	1900	1525
	Kosi	Mill Quality Loose	1875	1880	Closed	2060	1555
	Hathras	Mill Quality Loose	1740	1740	1760	NA	1635
	Aligarh	Mill Quality Loose	1715	Closed	Closed	1980	Closed
Punjab	Khanna	Mill Quality Loose	1840	1840	1840	1830	1735
	Ludhiana (Jagraon)	Mill Delivery	1875	1875	NA	NA	1760
Haryana	Sirsa	Mill Delivery loose	1840	1840	1840	1890	1735
	Hodal	Mill Delivery	NA	NA	NA	2060	1705
	Bhiwani	Mill Quality Loose	1850	1840	1850	1950	1740
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	1840	1840	NA	NA	1735



Tamil Nadu	Chennai	Mill Quality	2150	2175	2150	2200	2050
	Madurai	Mill Quality	2207	2275	2250	2300	2250
	Coimbatore	Mill Quality	2207	2325	2300	2350	2300
Bihar	Khagariya	Mill Delivery	1700	1700	1700	2100	1550
	Muzaffarpur	Mill Delivery	1680	1700	1675	2100	1600

[Sowing Status:](#)

[\(Back to Table of Contents\)](#)

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](#))**

As per latest update, Tunisia has bought around 92000 tonnes of soft milling wheat in three consignments of 25000 tonnes each and one of 17000 tonnes. The consignments were bought in the range of \$210.98-228.22 per tonnes C&F. The sellers were Cofco and Cargill. The said quantity is to be delivered between late May and early July.

Russian milling wheat prices were weak by \$3 per tonne at Novorossiysk and by \$2-3 per tonne at Odessa port. Good prospects for global wheat production and favorable weather conditions. 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 \$219.00-223.00/tonne and milling wheat with 12.5% protein content at Odessa is being quoted at FoB \$218.00-223.00/tonne.

As per SovEcon, Russia is expected to export 1.7 MMT during April'19. During March'19 Russia has exported 1.89 MMT. Russia has exported around 31.08 MMT during July'18- March'19. Russia's exports have slowed down due to low demand.

Taiwan flour mills association has bought 109175 tonnes of milling wheat from united states. Of the total quantity, 29250 tonnes of U.S. dark northern spring wheat of 14.5 percent protein content bought at FoB \$230.81 per tonne, 18400 tonnes of hard red winter wheat of 12.5 percent protein content was bought at FoB \$220.41 per tonne, 6525 tonnes of white wheat of 9 percent protein content was bought at FoB \$218.60 per tonne, 30260 tonnes of dark northern spring wheat of 14.5 percent protein content was bought at FoB \$229.65 per tonne, 17935 tonnes of hard red winter wheat of 12.5 percent protein content was bought at FoB \$216.71 per tonne, and 6805 tonnes of red winter wheat of 12.5 percent protein content was bought at FoB \$219.30 per 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.

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.

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:

[\(Back to Table of Contents\)](#)

IGC Forecast(Fig-In MMT)	2016-17	2017-18 (Estimate)	2018-19 (Forecast)	2019-20 (Proj.)	
				28.03.2019	25.04.2019
Production	757	763	735	759	762
Trade	177	176	172	174	174
Consumptions	736	740	741	752	752
Carryover stocks	248	271	264	270	274
Y-O-Y change	21	23	-6		10
Major Export	78	82	68	68	72

- IGC has forecasted global wheat production to be 762 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 27 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 2 MMT higher compared to forecast for last year and lower by 2 MMT compared to 2017-18.
- Consumption has been increased to 752 MMT for 2019-20. The projection is higher by 11 MMT compared to 2018-19.
- Carryout for 2019-20 is projected at 274 MMT compared to forecast of 264 MMT last year. It is higher by around 3 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
	25-Apr-19	18-Apr-19	25-Mar-19	25-Jan-19	25-Oct-18	25-Apr-18	
May-19	159.73	163.22	172.49	193.62	191.42	207.49	-23.02
Jul-19	162.21	164.69	174.52	195.82	194.08	208.78	-22.31
Sep-19	165.05	167.08	177.64	198.76	198.49	211.44	-21.94
Dec-19	171.21	173.05	183.15	203.45	204.37	216.67	-20.98
Mar-20	177.09	179.20	188.02	206.85	208.68	219.89	-19.47
May-20	180.67	182.78	190.41	208.50	211.07	219.80	-17.80

CBOT May-19

1st Support: 146.00
2nd Support: 144.00
1st Resistant: 188.00
2nd Resistant: 190.00
(\$ per tonne)

Wheat CBOT closed at \$4.35 per bushel. Net commercial U.S. wheat sales as of April 18 of 425,000 metric tons (MT) for delivery in 2018-19 were up 34% from last week's 318,000 MT. USDA's April 22 Crop Progress report rated 62% of U.S. winter wheat in good or excellent condition, up 2% from last week and well above last year's estimate of 31% at the same time. Short covering increased CBOT in past week. However abundant supplies and expectation of good global production is keeping price increase in check.

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 \$ 276.82-277.46 per tonne.

US and Russian quotes are hovering in the range of \$196.29 and \$220.90 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 \$240 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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[\(Back to Table of Contents\)](#)

