



# **Wheat Weekly Research Report**

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### Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 1.94 percent to Rs. 2045.95 per quintal during the week ended 31st April 2019. Wheat average price were ruling at Rs 2007.07 per quintal during 16-23 April 2019. As compared to prices in the week 24-31 April 2018, the prices are firm by 7.03 percent. Prices are expected to remain steady to slightly firm due to hike in import duty and likely reduction in arrival pressure in upcoming weeks.

Government agencies have started procurement. Until 03rd May'19 government has procured around 242.52 lakh tonnes of wheat. Of the total quantity procured, around 99.76 lakh tonnes have been procured from Punjab, 82.11 lakh tonnes from Haryana, 12.30 lakh tonnes from Uttar Pradesh, 42.05 lakh tonnes from Madhya Pradesh, 5.93 lakh tonnes from Rajasthan, 0.22 lakh tonnes from Uttarakhand, 0.11 lakh tonnes from Chandigarh and 0.04 lakh tonnes from Gujarat. In Rabi marketing season 2019-20 government has set procurement target of 35.70 MMT.

FCI will sell wheat in the open market at a reserve price of Rs 2080 per quintal during the procurement period April-June and this price will be increased by Rs 55 per quintal in subsequent quarters. This reserve price is valid for Punjab, Haryana and Madhya Pradesh. For other states, railway freight (Ex-Ludhiana) and road transport cost will be added to the reserve price of the nearest depot. Reserve price for MY 2019-20 is higher by Rs 240 per quintal compared to MSP. Therefore private millers/traders may try to buy as much quantity as possible during procurement season to avoid paying a higher price.

India has seen three consecutive years of good wheat production. Wheat prices are likely to stay steady to slightly firm as arrival pressure is likely to ease in domestic market. Import duty of 40% on wheat will ensure there are no imports from Australia and Russia/Ukraine. Import restriction due to duty has provided favorable prices for wheat in domestic market. However, domestic prices are not able to get support from exports as other major producing country are able provide wheat at lower prices.

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 \$337.40 (Rs 23405.44) per tonne and \$311.22 (Rs 21589.33) per tonne respectively, after including freight and import duty @40%. 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 \$282.16 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$213.75, \$208.50, Euro 180.31, \$192.29 and \$197.95 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. Wheat WPI is expected to stay steady to weak in coming month.

As per trade sources, after increase in import duty to 40 percent imports have decreased substantially. India has imported no wheat in the month of March-19. Imports

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. 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 slightly firm in the coming week.

**Trade Call:** Stakeholders should trade in May contract taking care of lower and upper price tag of Rs. 1845 & 1980 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	

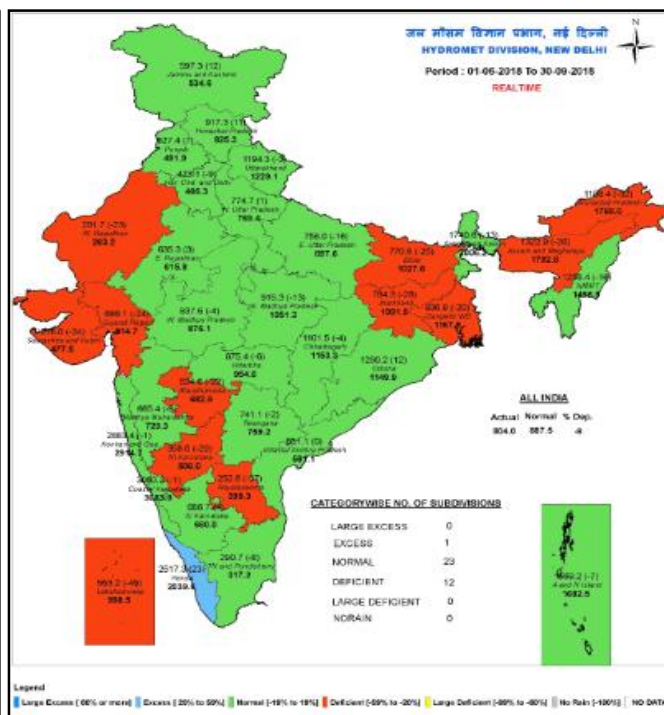
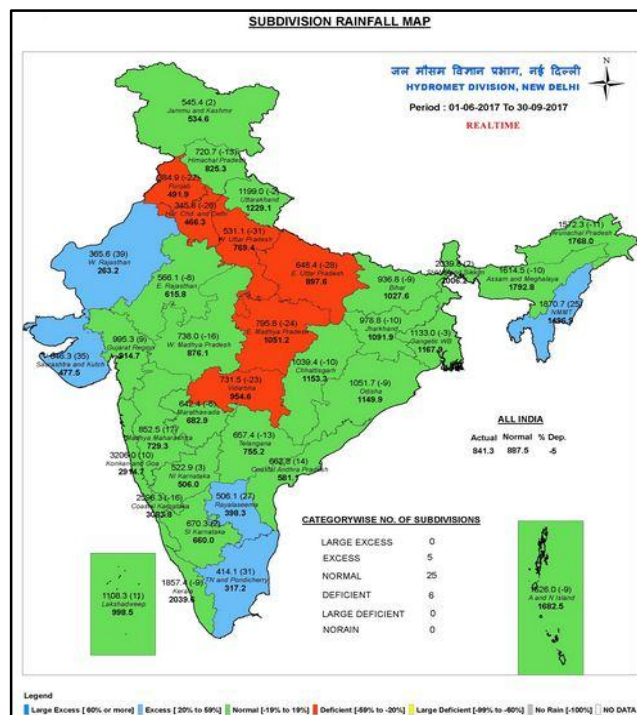
Source: Trade

### 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

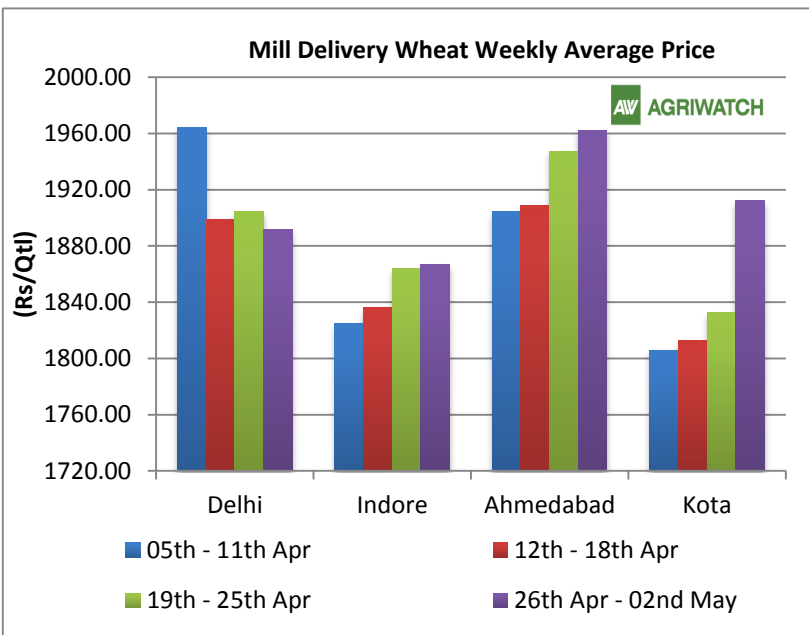


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Ahmedabad, Indore, and Kota during 26<sup>th</sup> April- 02<sup>nd</sup> May 2019.

Market is likely to trade steady to slightly firm in the coming week due to hike in import duty and likely reduction in arrival pressure in upcoming weeks. Government has increased import duty on wheat from 30 percent to 40 percent to put a complete halt on wheat imports. Domestic stock position is good leaving no room for unexpected increase in prices. Sales through OMSS in MY 2018-19 was around 7 MMT against target of 10 MMT. Sales target through OMSS in MY 2019-20 has been kept same at 10 MMT.


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
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

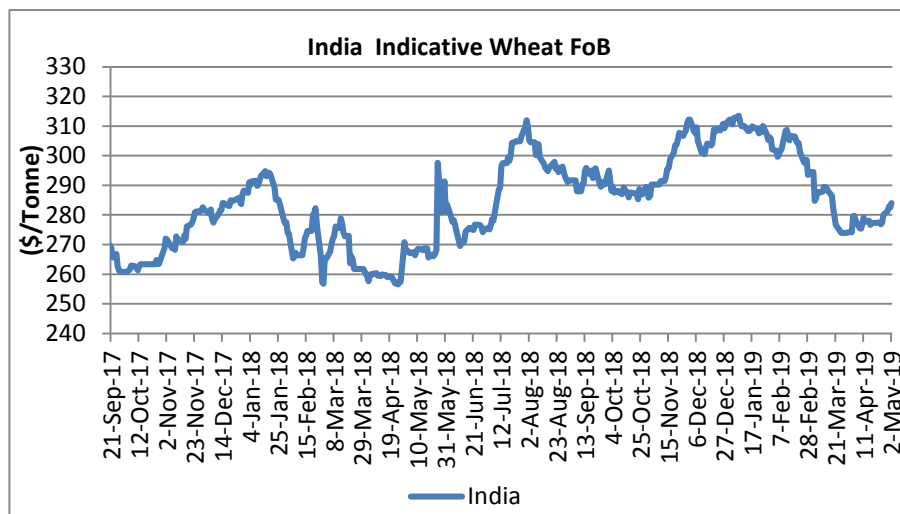
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 firm 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 \$280-290 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
		2-May-19	25-Apr-19	2-Apr-19	2-May-18	
USA (Chicago)	2SRW	194.10	195.81	210.90	229.90	-15.57
France	FCW3	202.71	199.48	208.13	198.92	1.91
Australia	ASW	190.99	NA	223.65	228.00	-16.23
Russia	SRW	209.50	219.00	224.00	206.50	1.45
India	Fob	284.01	277.38	274.16	268.02	5.97

	02/05/2019	25/04/2019	18/04/2019	11/04/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	211	223	226	227
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	209	222	226	225

### NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price							Date:03.05.2019		
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-May	1	1892	1907	1892	1901	3490	-2,140	10900	1,900
19-Jun	5	1926	1930	1920	1931	0	-180	580	0
19-Jul	5	1926	1926	1926	1931	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 in oversold region.
- Traders are advised to go long on wheat for this week.

#### Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	May	1860	1845	1901	1970	1980
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	May	Buy	Above 1900	1935	1955	1879

### 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
	2-May-19	24-Apr-19	2-Apr-19	2-May-18	
Indore	1838	1839	1850	1743	5.45
Delhi	1910	1902	2036	1731	10.34
Kanpur	1790	1790	1840	1660	7.83
Rajkot	1900	1879	1850	1661	14.39
Kota	1916	1895	1874	1711	11.98

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 market is expected to trade steady to slightly firm due to increase in import duty and likely reduction in arrival pressure in upcoming weeks. Availability in domestic market is sufficient to meet domestic demand.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterd ay	Week Ago	Month Ago	Year Ago
			2-May- 19	1-May- 19	25-Apr- 19	2-Apr-19	2-May- 18
<b>Delhi</b>	Lawrence Road	Mill Delivery	1905	1895	1900	2060	1720
	Narella	Mill Quality Loose	1840	Closed	1825	1950	Closed
	Nazafgarh	Mill Quality Loose	1760	Closed	1750	NA	Closed
<b>Gujarat</b>	Rajkot	Mill Delivery	1910	1900	1875	1850	1720
	Ahmedabad	Mill Delivery	1960	1960	1960	1910	1720
	Surat	Mill Delivery	2020	2020	2000	1950	1780
	Dhrol	Mill Delivery	2130	2130	2110	2505	1600
<b>M.P.</b>	Indore	Mill Quality Loose	1850	1850	1860	1900	1780
	Bhopal	Mill Delivery	1750	1750	1750	1850	1650
<b>Rajasthan</b>	Kota	Mill Quality Loose	1770	1770	1770	1715	1630
		Mill Delivery	1900	1900	1900	1825	1750
<b>U.P.</b>	Kanpur	Mill Delivery	1790	1795	1785	2150	1720
	Mathura	Mill Quality Loose	1705	1705	1690	1850	1565
	Kosi	Mill Quality Loose	1770	1770	1875	1800	1572
	Hathras	Mill Quality Loose	1730	1860	1740	1925	1680
	Aligarh	Mill Quality Loose	1725	Closed	1715	1825	Closed
<b>Punjab</b>	Khanna	Mill Quality Loose	1840	1840	1840	1860	1735
	Ludhiana (Jagraon)	Mill Delivery	1865	1870	1875	NA	1760
<b>Haryana</b>	Sirsa	Mill Delivery loose	1840	1840	1840	1865	1735
	Hodal	Mill Delivery	NA	NA	NA	2000	1750
	Bhiwani	Mill Quality Loose	1840	1840	1850	1930	1725
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	1840	1840	1840	NA	1735



Tamil Nadu	Chennai	Mill Quality	2200	2200	2150	2250	2050
	Madurai	Mill Quality	2257	2300	2275	2350	2200
	Coimbatore	Mill Quality	2257	2350	2325	2400	2250
Bihar	Khagariya	Mill Delivery	1700	1700	1700	1800	1550
	Muzaffarpur	Mill Delivery	1700	1700	1680	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](#))**

*Australia has started sowing wheat in dry soil conditions for the third consecutive year. If the current weather condition persists, wheat production will be around 18.00 MMT. However wheat prices will not spike due to ample availability in global market. Traditional buyer of Australian wheat, such as Indonesia, have turned to Russia and Ukraine to secure supplies.*

*Favorable weather during spring season in black sea region has increased the probability of bumper grain harvest. The level of soil moisture is good in major grain producing regions. As per IGC, Russia and Ukraine are expected to produce 79.50 MMT and 27.50 MMT of wheat in 2019-20. Black sea is likely to dominate global exports in 2019-20.*

*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.*

*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:

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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
	2-May-19	25-Apr-19	2-Apr-19	1-Feb-19	2-Nov-18	2-May-18	
May-19	159.18	159.73	170.47	194.08	196.83	215.30	-26.07
Jul-19	163.13	162.21	172.13	195.46	199.41	216.40	-24.62
Sep-19	165.97	165.05	174.88	198.21	203.54	218.51	-24.04
Dec-19	171.85	171.21	179.93	202.80	209.14	223.56	-23.13
Mar-20	177.64	177.09	184.89	206.20	213.37	225.31	-21.16
May-20	180.85	180.67	187.47	207.67	215.66	226.41	-20.12

### CBOT May-19

**1<sup>st</sup> Support: 145.00**  
**2<sup>nd</sup> Support: 143.00**  
**1<sup>st</sup> Resistant: 182.00**  
**2<sup>nd</sup> Resistant: 184.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.28 per bushel. U.S. wheat sales until April 25<sup>th</sup> were 1.22 LMT compared to last week's 4.25 LMT. As on 29<sup>th</sup> April, around 64% of the U.S. winter wheat was in good or excellent condition compared to 62% in last week. U.S. spring wheat planting is 13% complete, which is well below 5-year average of 33%. Late planting in the high planes supported the prices of hard red spring futures. 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 \$ 280.15-284.10 per tonne.

US and Russian quotes are hovering in the range of \$192.29 and \$213.75 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 \$180 to \$230 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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