

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 1.39 percent to Rs. 2064.84 per quintal during the week ended 15th May 2019. Wheat average price were ruling at Rs 2036.52 per quintal during 01-08 May 2019. As compared to prices in the week 09-15 May 2018, the prices are firm by 11.84 percent. Prices are expected to remain steady to firm in coming days due to hike in import duty and decrease in arrival pressure.

Wheat WPI has decreased from 155.5 in March-2019 to 151.5 in April-2019. Monthly wheat inflation has decreased by 2.57 percent in April-2019 compared to previous month. As compared to April-2018 wheat WPI has increased by around 7.52 percent. Wheat WPI is expected to stay steady to firm in coming month.

Government agencies have started procurement. Until 17th May'19 government has procured around 319.05 lakh tonnes of wheat. Of the total quantity procured, around 126.40 lakh tonnes have been procured from Punjab, 93.08 lakh tonnes from Haryana, 25.30 lakh tonnes from Uttar Pradesh, 63.12 lakh tonnes from Madhya Pradesh, 10.58 lakh tonnes from Rajasthan, 0.39 lakh tonnes from Uttarakhand, 0.12 lakh tonnes from Chandigarh, 0.05 lakh tonnes from Gujarat and 0.01 lakh tonnes from Himachal Pradesh. In Rabi marketing season 2019-20 government has set procurement target of 35.70 MMT.

As per trade source, India has exported around 5.57 thousand tonnes in the month of April-2019. The quantity in April-2019 was exported at an average FOB of \$ 388.15 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 trade sources, after increase in import duty to 40 percent imports have decreased substantially. India has imported 498.77 MT of Australia prime hard wheat at Tuticorin port in the month of April-19. Imports are expected to be low this year due to good domestic availability and increase in import duty. Prior to this, India has imported around 1000 tonnes in the month of September-2018.

Indian FoB quote is hovering around \$293.57 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$200.00, \$199.00, Euro 178.00, \$200.30 and \$183.46 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 latest update, under the OMSS scheme of 2019-20, FCI has sold 400 MT of wheat at Rs 2452 per quintal. This was the first auction of OMSS 2019-20. The said quantity was purchased by Naga Limited from Dindigul depot. In 2018-19, FCI has sold over 74000 MT of wheat in its first auction. The quantity sold in first auction of 2019-20 was low as fresh crop is available at lower price. Therefore, buyers are unlikely to increase their purchases from FCI unless fresh arrivals decrease. The government has sold 8.2 MMT of wheat under OMSS in 2018-19 and it targets to sell 10 MMT of wheat in 2019-20.

As per latest update exports of Potato, Onion, Rice, Wheat Flour, Sugar, Dal and Eggs have been exempted from any domestic restriction or prohibitions with effect from April'19 under bilateral trade agreement between India and Maldives. The export quantity for Rice and Wheat flour for 2019-20 is 89.45 thousand tonnes and 78.61 thousand tonnes respectively. The quantity for Rice and Wheat flour is higher by 88.51% and 78.28% respectively compared to 2018-19. India is pushing its exports through via G2G trade. In case of wheat, such agreements will help in easing domestic stockpiles.

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

Trade Call: Stakeholders should trade in June contract taking care of lower and upper price tag of Rs. 1925 & 2085 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-07 April-2019	1300.91	475.69
08-16 April -2019	1480.03	397.94
17-23 April -2019	970.94	334.09
24-30 April -2019	1820.09	317.24
Total	5571.97	

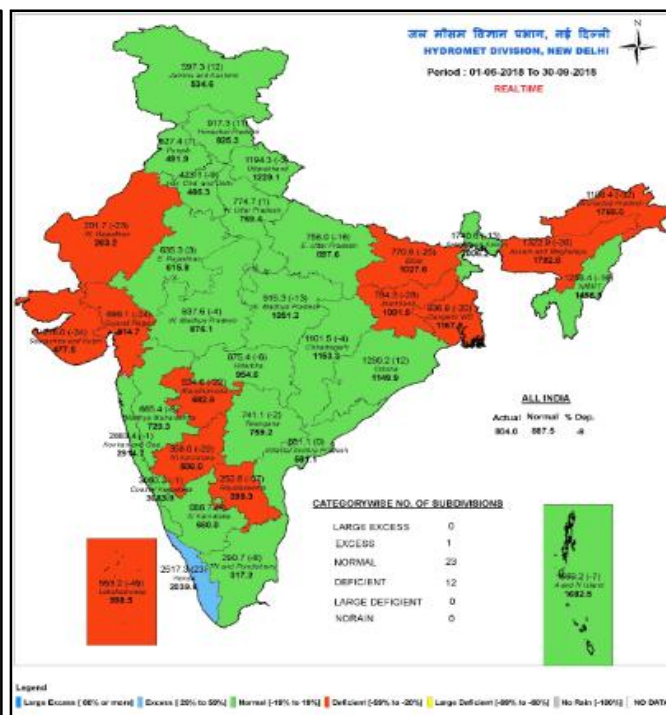
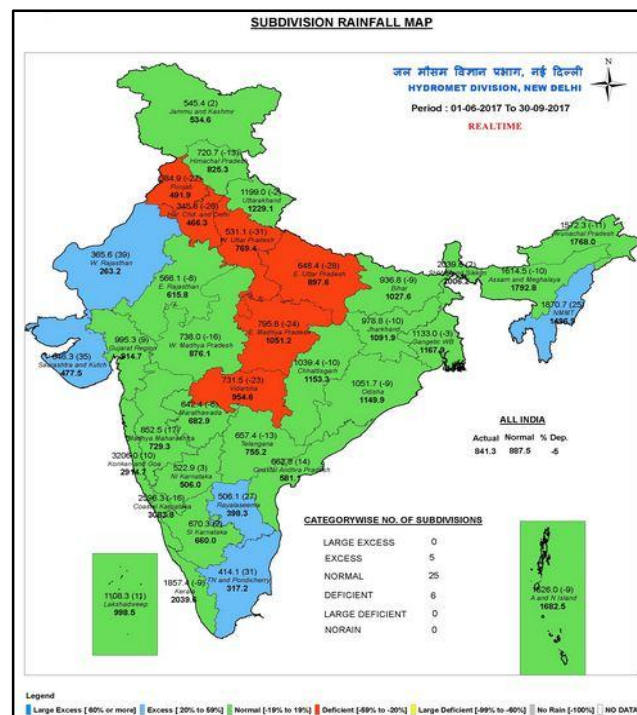
Source: Trade

Wheat Import

Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

Monsoon

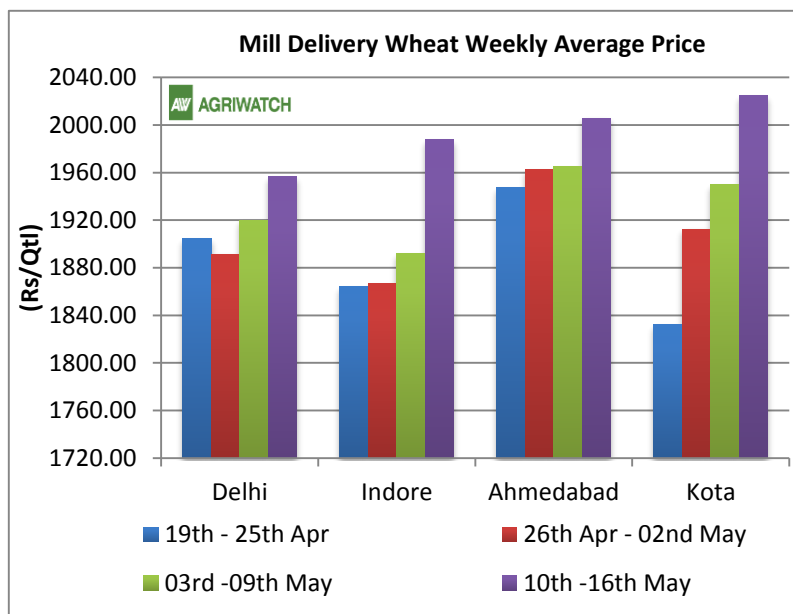


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Ahmedabad, Indore, and Kota during 10th -16th 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 reduce wheat imports. Domestic stock position is good leaving no room for unexpected increase in prices. Sales through OMSS in MY 2018-19 was around 8.2 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

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

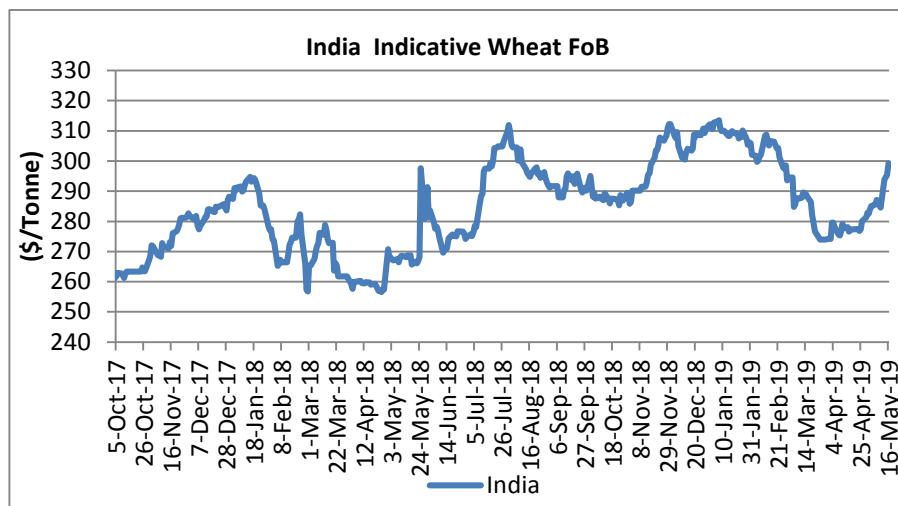
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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 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 \$295-310 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
		16-May-19	9-May-19	16-Apr-19	17-May-18	
USA (Chicago)	2SRW	208.30	194.50	198.40	219.50	-5.10
France	FCW3	200.76	199.35	208.84	191.14	5.03
Australia	ASW	186.02	192.41	212.65	232.00	-19.82
Russia	SRW	200.00	NA	223.00	203.50	-1.72
India	Fob	299.36	285.53	276.66	268.79	11.37

	16/05/2019	09/05/2019	02/05/2019	25/04/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	201	205	211	223
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	196	199.5	209	222

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price							Date: 17.05.2019		
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jun	-15	2003	2005	1985	1989	1130	-1,010	5750	+390
19-Jul	-17	2039	2036	2001	2022	750	-110	2450	+370
19-Aug	0	2091	2091	2091	2091	0	0	20	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
	16-May-19	8-May-19	16-Apr-19	16-May-18	
Indore	1912	1850	1827	1771	7.96
Delhi	1977	1923	1900	1752	12.84
Kanpur	1875	1820	1780	1650	13.64
Rajkot	2005	1942	1868	1700	17.94
Kota	1992	1934	1864	1763	12.99

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
			16-May- 19	15-May- 19	9-May- 19	16-Apr- 19	16-May- 18
Delhi	Lawrence Road	Mill Delivery	1980	1965	1925	1905	1750
	Narella	Mill Quality Loose	1900	Closed	1850	1825	Closed
	Nazafgarh	Mill Quality Loose	1900	Closed	1800	1770	Closed
Gujarat	Rajkot	Mill Delivery	2035	2010	1930	1860	1755
	Ahmedabad	Mill Delivery	2030	2080	1970	1910	1800
	Surat	Mill Delivery	2100	2100	2020	1960	1850
	Dhrol	Mill Delivery	2100	2175	2405	2325	1810
M.P.	Indore	Mill Quality Loose	1990	2020	1910	1825	1800
	Bhopal	Mill Delivery	1975	2000	1800	1800	1750
Rajasthan	Kota	Mill Quality Loose	1875	1950	1820	1680	1700
		Mill Delivery	2025	2125	1950	1800	1790
U.P.	Kanpur	Mill Delivery	1880	1885	1800	1800	1725
	Mathura	Mill Quality Loose	1790	1780	1750	Closed	1605
	Kosi	Mill Quality Loose	1815	1860	1800	1750	1615
	Hathras	Mill Quality Loose	1860	1860	1780	1760	1620
	Aligarh	Mill Quality Loose	1800	Closed	1760	1715	Closed
Punjab	Khanna	Mill Quality Loose	1850	1850	1840	1840	1735
	Ludhiana (Jagraon)	Mill Delivery	2000	2000	1870	NA	1760
Haryana	Sirsa	Mill Delivery loose	1870	1865	1840	1840	1735
	Hodal	Mill Delivery	NA	NA	NA	NA	1760
	Bhiwani	Mill Quality Loose	1925	1900	1870	1850	1735
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	1840	1840	1840	NA	1735



Tamil Nadu	Chennai	Mill Quality	2300	2300	2250	2150	2100
	Madurai	Mill Quality	2357	2400	2300	2300	2225
	Coimbatore	Mill Quality	2357	2450	2350	2350	2275
Bihar	Khagariya	Mill Delivery	1750	1700	1700	1800	1550
	Muzaffarpur	Mill Delivery	1700	1700	1700	1700	1500

[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:

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Iraq has harvested about 5 LMT of wheat between since 15th April'19 until 09th May'19. The trade ministry has paid around \$122 million. Iraq is expecting to harvest 5 MMT of wheat during the season. In case, the expectation is achieved Iraq is to import fewer wheat.

Egypt, the largest importer of wheat in the world has procured 1.62 MMT of wheat from local farmers. The procurement season has started since 15th April'19. Egypt is expecting to procure 3.6 MMT of wheat from local farmers during the season. Global prices are likely to remain under pressure due to ample availability, which will allow Egypt to import wheat at competitive prices.

As per latest update Germany is likely to produce 24.28 MMT of wheat in 2019 higher by around 20 percent compared to 2018. Last year wheat crop in Germany and west of Europe suffered damage due to drought and heat wave.

As per latest update, Tunisia has bought around 75000 tonnes of soft milling wheat. The quantity was bought at \$195.02 per tonnes C&F. The origin for sourcing wheat is optional.

As per the United Nations Food and Agriculture Organization (FAO), world wheat production in 2019 is expected to be at 767.00 MMT in 2019, up by 5percent compared to 2018. Russia is expected to produce 82 MMT of wheat. World wheat prices will remain under pressure due to abundant availability.

Major feed mill group of South Korea has purchased around 65000 tonnes of feed wheat at \$204.75/tonne cost and freight, including a surcharge for additional port unloading. Feed wheat can be sourced from any optional worldwide origins. The seller is believed to be trading house Cofco.

Jordan has bought 60000 tonnes of hard milling wheat at \$213.00 per tonne cost and freight for delivery in second half of September. The tender closed on Tuesday and wheat can be sourced from optional origin. The seller was trading house Ameropa. One other company, Nibulon offered wheat at \$219.00 per tonne per tonne.

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 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.

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.

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
	16- May-19	9-May- 19	16-Apr-19	15-Feb-19	16-Nov-18	16- May-18	
May-19	171.58	157.80	164.78	187.10	195.00	206.85	-17.05
Jul-19	173.96	161.10	167.72	190.50	198.86	208.68	-16.64
Sep-19	178.65	166.34	174.24	195.64	204.18	212.08	-15.76
Dec-19	183.24	171.76	180.58	199.59	208.50	214.38	-14.52
Mar-20	185.81	175.34	184.34	201.70	211.16	214.29	-13.29
May-20	185.90	176.44	185.63	200.88	210.06	211.62	-12.15

CBOT Jul-19

1st Support: 156.00
2nd Support: 153.00
1st Resistant: 183.00
2nd Resistant: 186.00
(\$ per tonne)

Wheat CBOT closed at \$4.65 per bushel. U.S. wheat sales until May 09th were 1.14 LMT compared to last week's 0.90 LMT. As on 13th May, around 64% of the U.S. winter wheat was in good or excellent condition compared to 70% in last week. U.S. spring wheat planting is 45% complete, which is well below 5-year average of 67%. CBOT wheat prices increased in previous week due to technical buying and worries of heavy rain impacting SRW and HRW wheat. Abundant supplies and expectation of good global production will keep prices 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 \$ 284.61-299.36 per tonne.

US and Russian quotes are hovering in the range of \$200.30 and \$200.00 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 \$170 to \$225 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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