

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 0.48 percent to Rs. 2074.82 per quintal during the week ended 23rd May 2019. Wheat average price were ruling at Rs 2064.84 per quintal during 09-15 May 2019. As compared to prices in the week 16-23 May 2018, the prices are firm by 14.30 percent. Prices are expected to remain steady to weak in coming days due low demand in domestic market.

Government has offered 2120600 tonnes of wheat in OMSS until second tender in May'19 out of which 40500 tonnes was sold. No rakes were sold. State government and bulk consumers bought 40000 tonnes and 500 tonnes of wheat respectively. Government will sell wheat in open market at a reserve price of Rs 2080 per quintal in the first quarter i.e. April-June. For second, third and fourth quarter prices will be Rs 2135 per quintal, Rs 2190 per quintal and Rs 2245 per quintal respectively. Reserve price for April-June'19 is higher by Rs 240 per quintal compared to MSP for MY 2019-20. Therefore private millers/traders have bought as much quantity as possible during procurement season to avoid paying a higher price.

As per market sources, wheat stock in central pool as on 1st May'19 stood at 331.60 lakh tonnes up by 95.15% compared to last month. This quantity is lower by around 6.18% 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. Therefore, government has abundant supplies this year to tackle any unexpected rise in wheat prices by selling more quantity in open market.

Government agencies have started procurement. Until 20th May'19 government has procured around 323.68 lakh tonnes of wheat. Of the total quantity procured, around 127.01 lakh tonnes have been procured from Punjab, 93.20 lakh tonnes from Haryana, 26.56 lakh tonnes from Uttar Pradesh, 65.45 lakh tonnes from Madhya Pradesh, 10.89 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.

Indian FoB quote is hovering around \$298.63 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$200.00, \$199.00, Euro 177.60, \$214.24 and \$196.10 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 compared to last year are keeping global prices under pressure.

Previous Updates

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.

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.

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

Trade Call: Stakeholders should trade in June contract taking care of lower and upper price tag of Rs. 1865 & 2025 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	

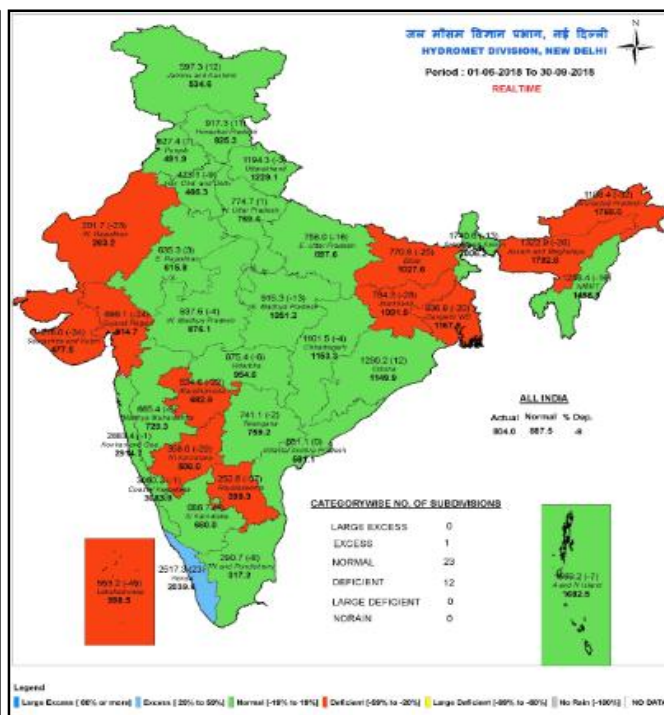
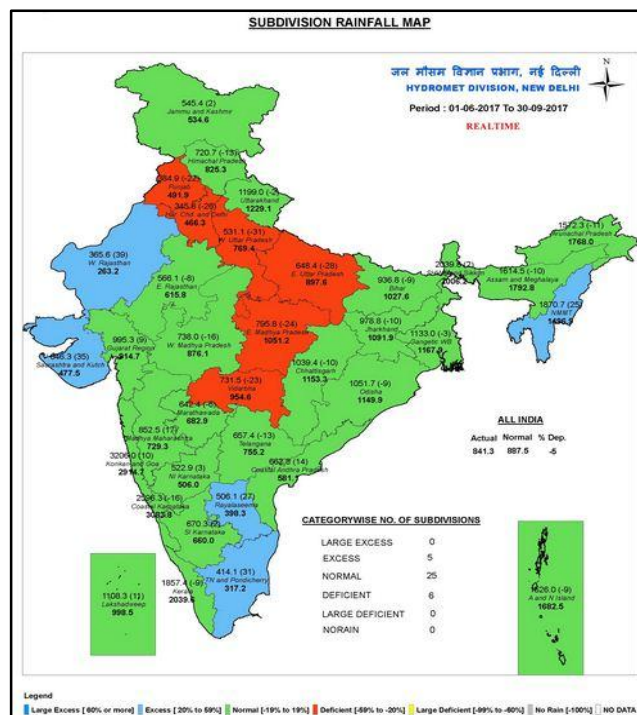
Source: Trade

Wheat Import

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

Source: Trade

Monsoon

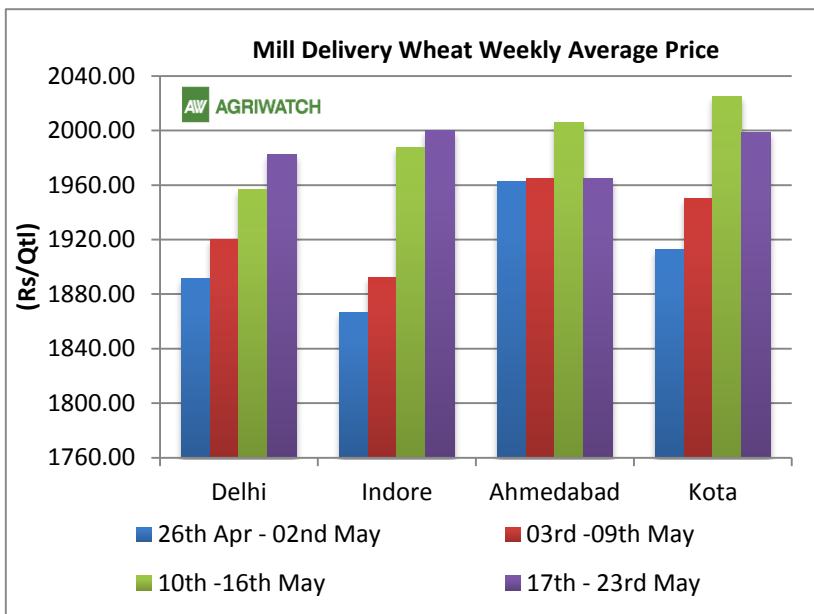


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Ahmedabad, Indore, and Kota during 17th -23rd May 2019.

Market is likely to trade steady to weak due to low demand in domestic market as private millers/traders have bought as much quantity as possible during procurement season to avoid paying a higher reserve price. 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.


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

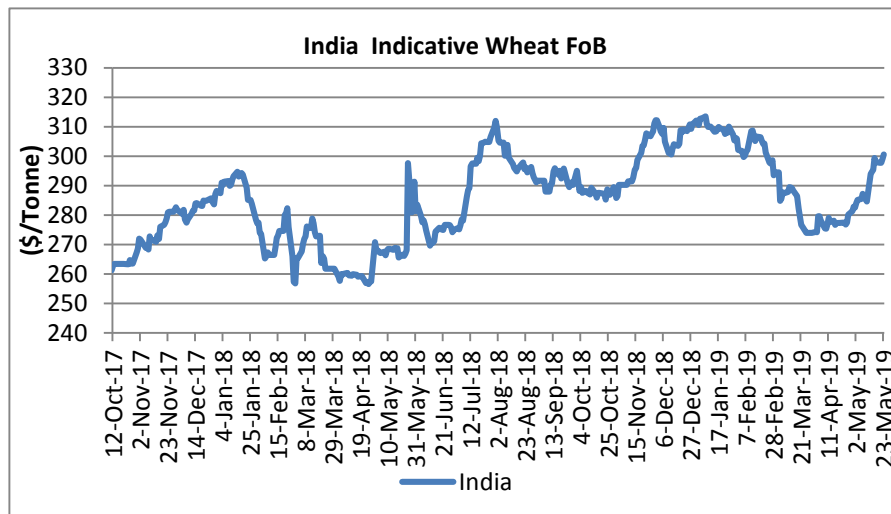
State	Target for Procurement In Marketing Season 2018-19(April To March)	Comparative Procurement RMS 2018-19 and 2017-18(Fig In Million Metric Tonnes)		
		In Marketing Season 2018-19	In Marketing Season 2017-18	% Ch Over Previous Year
Haryana	7.40	8.74	7.43	17.63
Madhya Pradesh	6.70	7.29	6.73	8.32
Punjab	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
		23-May-19	16-May-19	24-Apr-19	24-May-18	
USA (Chicago)	2SRW	211.35	208.30	195.07	231.62	-8.75
France	FCW3	197.71	200.76	200.59	197.18	0.27
Australia	ASW	209.45	186.02	205.90	236.00	-11.25
Russia	SRW	NA	NA	219.50	201.50	-
India	Fob	300.62	299.36	276.82	268.09	12.13

	23/05/2019	16/05/2019	09/05/2019	02/05/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	NA	201	205	211
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	NA	196	199.5	209

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:24.05.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jun	-16	1968	1968	1945	1950	2540	1,730	8920	720
19-Jul	-16	2000	1994	1978	1984	1960	1,730	4480	910
19-Aug	-16	2034	2018	2018	2018	10	10	20	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 neutral region.
- Traders are advised to go short on wheat for this week.

Strategy: Sell

			S1	S2	PCP	R1	R2
Wheat	NCDEX	June	1885	1865	1950	2000	2025
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	June	Sell	Below 1955	1930	1910	1970

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
	23-May-19	15-May-19	23-Apr-19	23-May-18	
Indore	1951	1946	1830	1797	8.57
Delhi	1974	1964	1912	1750	12.80
Kanpur	NA	1880	1780	1665	-
Rajkot	2014	2000	NA	1730	16.42
Kota	1960	2000	1899	1757	11.55

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 weak due to low demand in domestic market as private millers/traders have bought as much quantity as possible during procurement season to avoid paying a higher reserve price. Availability in domestic market is sufficient to meet domestic demand.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			23-May-19	22-May-19	16-May-19	23-Apr-19	23-May-18
Delhi	Lawrence Road	Mill Delivery	1970	1975	1980	1910	1750
	Narella	Mill Quality Loose	1850	Closed	1900	1820	Closed
	Nazafgarh	Mill Quality Loose	1900	Closed	1900	1760	Closed
Gujarat	Rajkot	Mill Delivery	2030	2020	2035	Closed	1750
	Ahmedabad	Mill Delivery	1970	1970	2030	Closed	1825
	Surat	Mill Delivery	2020	2030	2100	Closed	1900
	Dhrol	Mill Delivery	2020	2140	2100	Closed	1730
M.P.	Indore	Mill Quality Loose	2000	2000	1990	1860	1820
	Bhopal	Mill Delivery	Closed	1925	1975	1725	1750
Rajasthan	Kota	Mill Quality Loose	1850	1850	1875	1750	1625
		Mill Delivery	1950	1950	2025	1800	1820
U.P.	Kanpur	Mill Delivery	Closed	Closed	1880	1785	1750
	Mathura	Mill Quality Loose	Closed	Closed	1790	1675	1560
	Kosi	Mill Quality Loose	1895	1890	1815	1870	1580
	Hathras	Mill Quality Loose	1860	Closed	1860	1780	1610
	Aligarh	Mill Quality Loose	1810	Closed	1800	1725	Closed
Punjab	Khanna	Mill Quality Loose	1875	1860	1850	1840	1735
	Ludhiana (Jagraon)	Mill Delivery	2000	2000	2000	NA	1760
Haryana	Sirsa	Mill Delivery loose	1880	1880	1870	1840	1740
	Hodal	Mill Delivery	Closed	NA	NA	NA	1720
	Bhiwani	Mill Quality Loose	1900	1880	1925	1850	1740
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality	1840	1840	1840	1840	1735



		Loose					
Tamil Nadu	Chennai	Mill Quality	2300	2300	2300	2175	2100
	Madurai	Mill Quality	2357	2350	2350	2275	2225
	Coimbatore	Mill Quality	2357	2400	2400	2325	2275
Bihar	Khagariya	Mill Delivery	1800	1800	1750	1700	1500
	Muzaffarpur	Mill Delivery	1800	1800	1700	1700	1475

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](#))**

Bangladesh has bought 50000 tonnes of wheat with 12.5 percent protein content from trading house Agrocorp at \$267.98 per tonne. The wheat can be sourced from United States, Canada, Russia or Ukraine. 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, Ethiopia state purchasing agency has bought 6 LMT of wheat in a tender. Of the total quantity around 5 LMT was purchased from Gemcorp commodities and 1 LMT from Agrocorp international. The wheat can be sourced from Black sea region, Europe, North America or South America.

Australia is likely to import around 50000-60000 MT of high protein content wheat from Canada in upcoming six to eight weeks. The quantity imported will be processed at Manildra Group's Shoalhaven Starches plant in the state of New South Wales. 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.

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 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.

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.

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
	23- May-19	16-May- 19	23-Apr-19	22-Feb-19	23-Nov-18	23- May-18	
Jul-19	172.77	171.58	163.49	181.86	191.14	219.52	-21.30
Sep-19	175.71	173.96	165.97	185.35	195.09	220.99	-20.49
Dec-19	180.94	178.65	172.04	190.31	200.32	224.11	-19.26
Mar-20	185.90	183.24	178.19	194.17	204.55	226.23	-17.82
May-20	188.29	185.81	181.77	195.73	207.31	226.23	-16.77
Jul-20	187.74	185.90	183.52	195.27	206.94	223.65	-16.06

CBOT Jul-19

1st Support: 158.00
2nd Support: 155.00
1st Resistant: 189.00
2nd Resistant: 192.00
(\$ per tonne)

Wheat CBOT closed at \$4.89 per bushel. U.S. wheat sales until May 16th were 0.48 LMT compared to last week's 1.14 LMT. As on 20th May, around 66% of the U.S. winter wheat was in good or excellent condition compared to 64% in last week. U.S. spring wheat planting is 70% complete, which is well below 5-year average of 80%. CBOT wheat prices increased in previous week due to technical buying, concern over delayed spring wheat planting 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 \$ 297.70-300.62 per tonne. US and Russian quotes are hovering in the range of \$214.24 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 \$180 to \$235 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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