



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 increased by 3.08 percent to Rs. 2065.56 per quintal during the week ended 23rd June 2019. Wheat average price were ruling at Rs 2003.76 per quintal during 09-15 June 2019. As compared to prices in the week 16-23 June 2018, the prices are firm by 3.21 percent. Prices are expected to remain steady to slightly in coming days due to hike in import duty and good demand in domestic market.

Wheat prices are likely to remain steady to slightly firm in coming weeks due to low demand in domestic market. Due to higher reserve price of Rs 2080 per quintal, millers/traders have bought as much as wheat they could during arrival season. Stock with traders/millers is the main reason for lower off take through open market sales scheme in domestic market. Prices are likely to move up as soon as the stock with traders/millers diminishes.

Government has offered 10238931 tonnes of wheat in OMSS until second tender in June'19 out of which 85100 tonnes was sold. No rakes were sold. State government and bulk consumers bought 84600 tonnes and 500 tonnes of wheat respectively. In the month of May'19, government has sold 55100 tonnes of wheat against offered quantity of 5303081 tonnes. 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. Millers/traders have bought as much quantity as they could during arrival season due to higher reserve price.

Government agencies have started procurement. Until 19th June'19 government has procured around 340.62 lakh tonnes of wheat. Of the total quantity procured, around 129.12 lakh tonnes have been procured from Punjab, 93.20 lakh tonnes from Haryana, 36.39 lakh tonnes from Uttar Pradesh, 67.25 lakh tonnes from Madhya Pradesh, 0.03 lakh tonnes from Bihar, 14.02 lakh tonnes from Rajasthan, 0.42 lakh tonnes from Uttarakhand, 0.13 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. Government has procured 35.79 MMT of wheat during RMS 2018-19.

Indian FoB quote is hovering around \$287.40 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$187.33, \$185.67, Euro 178.55, \$236.30 and \$215.00 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 are likely to limit increase of prices beyond a certain level.

Previous Updates

As per latest update, government has extended procurement deadline for wheat procurement in Rajasthan from 16th June to 30th June. This step was taken as wheat harvest as well as arrivals was slowed down due to unseasonal rainfall, hails and dust storm.

As per market sources, wheat stock in central pool as on 1st June'19 stood at 465.60 lakh tonnes up by 40.41% compared to last month.

Wheat WPI has decreased from 151.5 in April-2019 to 150.7 in May-2019. Monthly wheat inflation has decreased by 0.53 percent in May-2019 compared to previous month.

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.

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

Trade Call: Stakeholders should trade in July contract taking care of lower and upper price tag of Rs. 1900 & 2030 respectively.

Wheat Weekly Export

(Back to Table of Contents)

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	

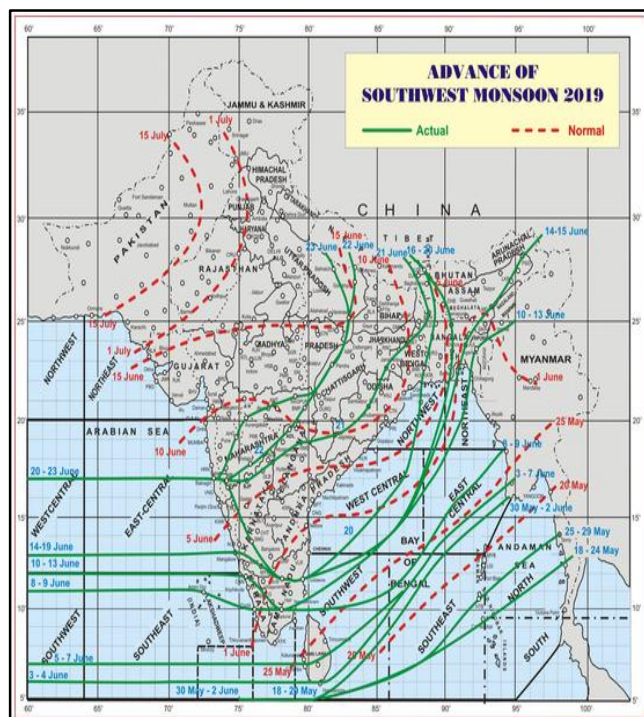
Source: Trade

Wheat Import

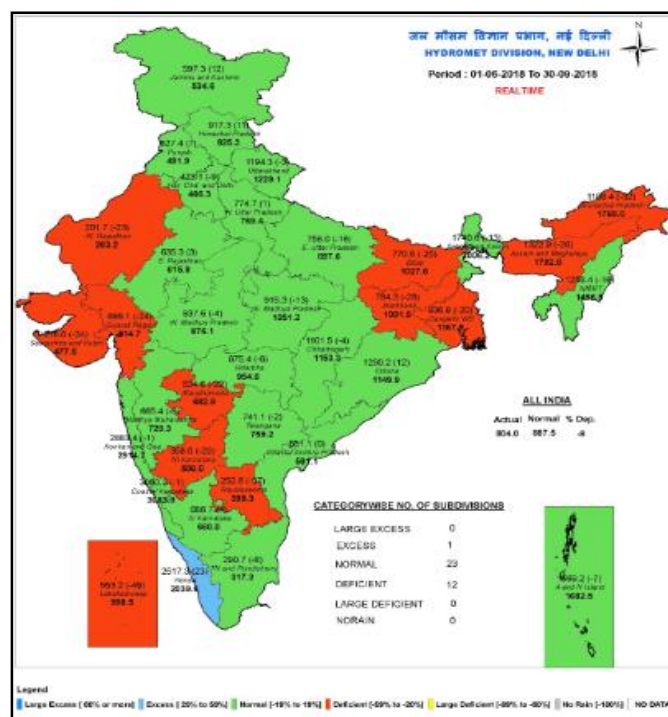
Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

Monsoon



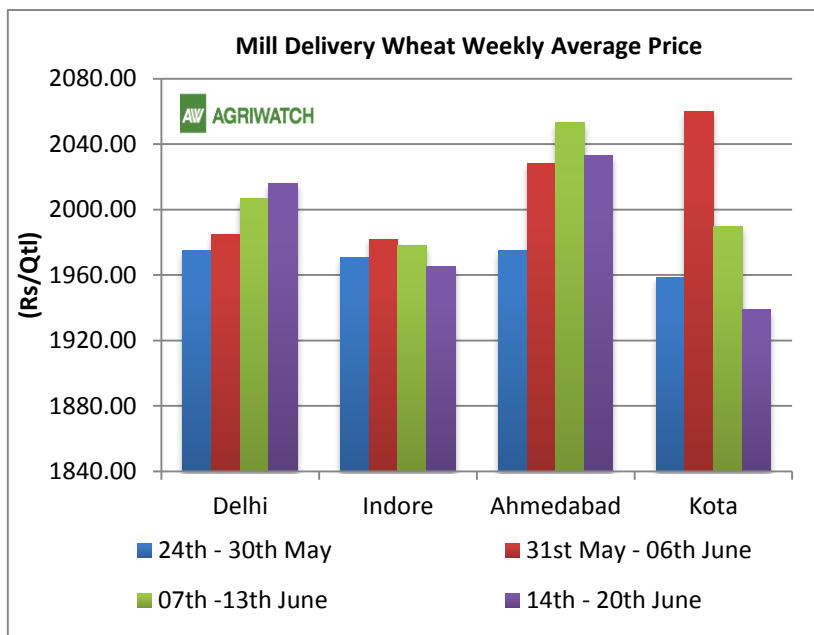
Source: IMD



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

Average mill delivery prices of Wheat traded weak in Indore, Ahmedabad and Kota except Delhi during 14th -20th June 2019.

Market has witnessed mixed sentiments in previous week. Market is likely to trade steady to firm in upcoming weeks as domestic demand will pick up. Government has also 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. 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 2019-20

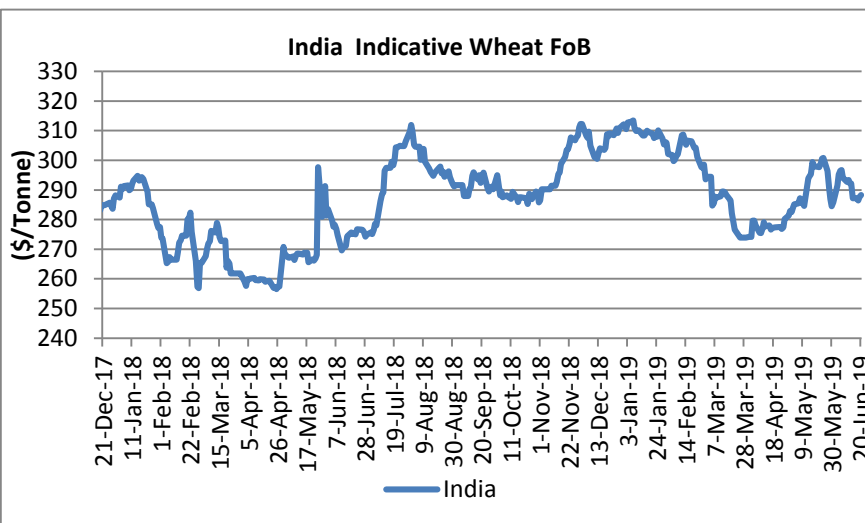
State/UTs	Procurement as on 19 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.2
Uttar Pradesh	1.08	35.31	36.39
Madhya Pradesh	0	67.25	67.25
Rajasthan	12.01	2.01	14.02
Others	0.14	0.5	0.64
All-India	40.28	300.34	340.62

FOB Quote for Wheat at Kandla

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

Wheat FoB quote in India witnessed steady tone 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 \$285-305 per tonne. Furthermore other countries such as Russia, Ukraine and Australia are offering wheat at lower prices compared to export prices of India has also reduced demand for Indian wheat in international market.



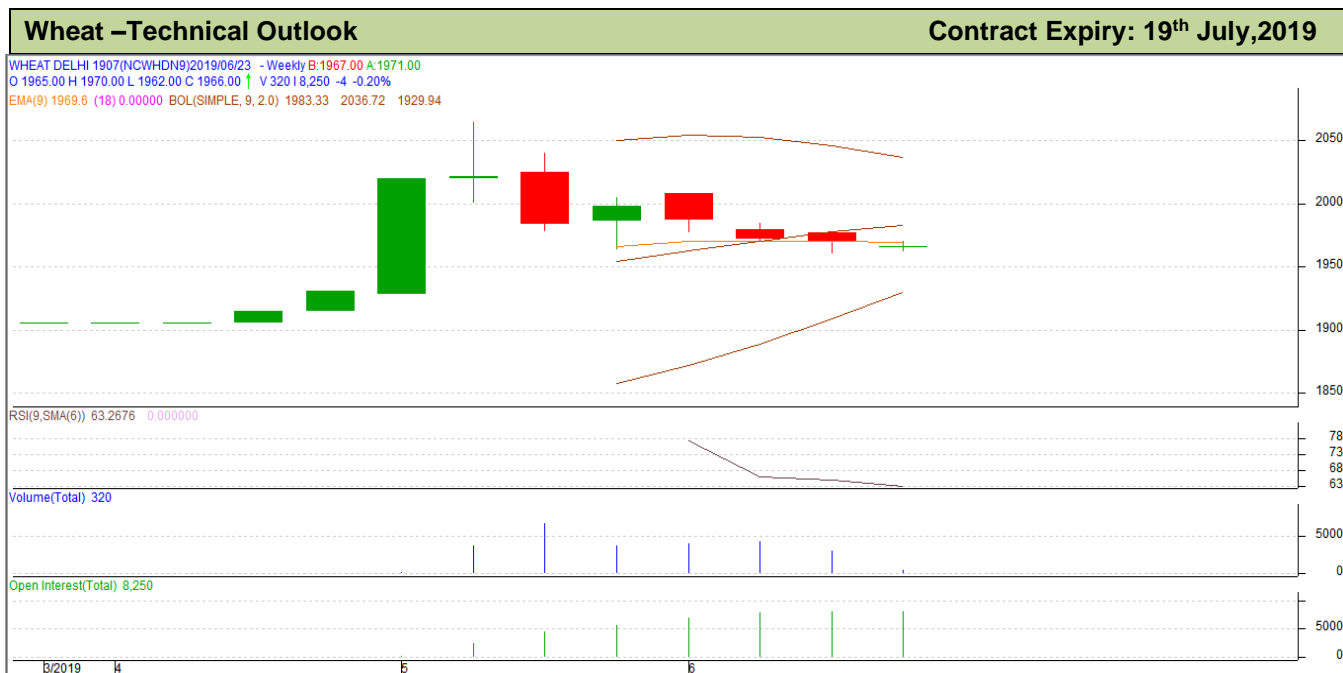
Indicative FOB Quotes:

Wheat FOB	Variety	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		20-Jun-19	13-Jun-19	22-May-19	20-Jun-18	
USA (Chicago)	2SRW	234.06	235.84	212.27	211.70	10.56
France	FCW3	200.53	199.12	197.96	193.92	3.41
Australia	ASW	217.35	209.07	200.60	222.75	-2.42
Russia	SRW	187.00	195.00	196.00	192.50	-2.86
India	Fob	288.32	NA	299.01	275.41	4.69

	20/06/2019	13/06/2019	06/06/2019	30/05/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	189	194.5	193.5	NA
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	188	196	195	195

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:21.06.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jul	+5	1965	1974	1965	1970	340	+200	8190	+30
19-Aug	+3	1997	2000	1998	2000	40	+10	160	+40
19-Sep	0	2029	2029	2029	2029	0	0	30	0

Wheat Technical Analysis:
[\(Back to Table of Contents\)](#)

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 long on wheat for this week.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	July	1920	1900	1970	2020	2030
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	July	Buy	Above 1962	1990	2005	1946

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
	20-Jun-19	12-Jun-19	20-May-19	20-Jun-18	
Indore	NA	1900	2000	1769	-
Delhi	2018	2019	1995	1753	15.12
Kanpur	1912	1930	1910	1660	15.18
Rajkot	1965	1987	2014	1810	8.56
Kota	1960	1950	2000	1783	9.93

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 market is expected to trade steady to slightly firm due to hike in import duty and good demand in domestic market. 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
			20-Jun- 19	19-Jun- 19	13-Jun- 19	20-May- 19	20-Jun- 18
Delhi	Lawrence Road	Mill Delivery	2015	2020	2015	1985	1750
	Narella	Mill Quality Loose	1940	Closed	1940	1880	Closed
	Nazafgarh	Mill Quality Loose	1925	Closed	1900	1900	Closed
Gujarat	Rajkot	Mill Delivery	1940	1940	Closed	2010	1810
	Ahmedabad	Mill Delivery	2040	2030	Closed	1960	1825
	Surat	Mill Delivery	2080	2080	Closed	2010	1860
	Dhrol	Mill Delivery	2100	2000	NR	2320	1855
M.P.	Indore	Mill Quality Loose	Closed	1965	1965	2000	1900
	Bhopal	Mill Delivery	1800	1800	1800	1950	2100
Rajasthan	Kota	Mill Quality Loose	1800	1830	1840	1900	1720
		Mill Delivery	1950	1920	1950	2050	1770
U.P.	Kanpur	Mill Delivery	1925	1925	1900	1875	1735
	Mathura	Mill Quality Loose	1830	1865	1810	1815	1640
	Kosi	Mill Quality Loose	1940	1950	1900	1850	1575
	Hathras	Mill Quality Loose	1875	1880	1870	Closed	1635
	Aligarh	Mill Quality Loose	1860	Closed	1840	Closed	Closed
Punjab	Khanna	Mill Quality Loose	1900	1885	1880	1870	1710
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	2000	NA
Haryana	Sirsa	Mill Delivery loose	1900	1900	1875	1875	1725
	Hodal	Mill Delivery	Closed	NA	NA	NA	1705
	Bhiwani	Mill Quality Loose	1900	1900	1880	1890	1700
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	1840	NA



Tamil Nadu	Chennai	Mill Quality	2350	2350	2300	2300	2150
	Madurai	Mill Quality	2407	2400	2450	2350	2270
	Coimbatore	Mill Quality	2407	2450	2500	2400	2320
Bihar	Khagariya	Mill Delivery	1850	1850	1800	1800	1550
	Muzaffarpur	Mill Delivery	1825	1825	1830	1750	1475

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:

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

Taiwan flour mills association has bought 83200 tonnes of milling wheat from united states. Of the total qunatity, 20700 tonnes of U.S. dark northern spring wheat of 14.5 percent protein content was bought at FOB \$234.13 per tonne from CHS, 12850 tonnes of hard red winter wheat of 12.5 percent protein content was bought at FoB \$236.31 per tonne from United grain corp and 5875 tonnes of soft white wheat with 9 percent protein was bought at FoB \$225.19 per tonne from CHS.

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 has purchased 3.2 MMT of wheat in this harvesting season, which started on 15th April. Iraq is expected to import lower wheat during the season.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has lowered its wheat export volume by 18% to 117 lakh MT due to prevailing drought like condition in the new year starting from July-2019. Previously export estimate in March was 142 lakh MT. The major exporter of wheat is importing wheat first time to meet the needs of end users. Import may continue in new MY. Production is expected to be around 210 lakh MT against 10 years average of 244 lakh MT.

As per latest update, ABARES has reduced wheat production forecast for Australia by 11% to 21.2 MMT from its previous forecast of 23.9 MMT. The forecast if lower by 14% compared to 10-year average of 24.7 MMT. Australia has already agreed to import 50000-60000 MT of wheat from Canada in upcoming weeks. In case of third consecutive lower production, Australia may be seen importing more wheat.

GASC has purchased 120000 tonnes of Russian and Romanian wheat through tender. Of the total quantity 60000 tonnes has been sourced from Russia and 60000 tonnes has been sourced from Romania. Cofco offered 60000 tonnes of Romanian wheat at FoB \$197.49 per tonne and Aston offered 60000 tonnes of Russian wheat at FoB \$196.90 per tonne.

SovEcon has cut Russia's wheat production forecast for 2019 to 82.2 MMT compared to previous forecast of 82.6 MMT. Production forecast has been reduced due to low soil moisture in several regions in Russia.

As per latest update, hot and dry weather is likely to continue at Australia's east coast and there is only 30 percent chance of rainfall between June 01 and August 30. Furthermore, there is 70 percent probability that entire Australia will experience warmer than average temperatures. Private analyst are expecting wheat production to be around 18 MMT in 2019-20. Australia has already agreed to import 50000-60000 MT of wheat from Canada in upcoming weeks. In case of third consecutive lower production, Australia may be seen importing more wheat.

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.

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.

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.)	
				25.04.2019	30.05.2019
Production	757	762	733	762	766
Trade	177	176	171	174	174
Consumptions	736	739	741	752	753
Carryover stocks	248	270	263	274	276
Y-O-Y change	21	762	733	-	13
Major Export	78	176	171	72	72

- IGC has forecasted global wheat production to be 766 MMT for 2019-20. According to forecast by IGC for 2018-19, global wheat production was around 733 MMT against 762 MMT for 2017-18. The projection for global production is higher by 33 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 2 MMT compared to 2017-18.
- Consumption has been increased to 753 MMT for 2019-20. The projection is higher by 12 MMT compared to 2018-19.
- Carryout for 2019-20 is projected at 276 MMT compared to forecast of 263 MMT last year. It is higher by around 6 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
	20-Jun-19	13-Jun-19	20-May-19	20-Mar-19	20-Dec-18	20-Jun-18	
Jul-19	193.44	196.74	175.71	172.68	197.75	202.16	-4.32
Sep-19	195.36	198.03	178.28	175.71	200.60	205.28	-4.83
Dec-19	198.95	201.98	182.87	181.22	205.56	210.34	-5.41
Mar-20	202.90	205.65	187.47	186.18	209.33	213.55	-4.99
May-20	204.00	206.94	189.76	188.57	211.44	215.30	-5.25
Jul-20	202.80	206.75	189.21	189.12	209.88	214.10	-5.28

CBOT Jul-19

1st Support: 168.00
2nd Support: 166.00
1st Resistant: 216.00
2nd Resistant: 218.00
(\$ per tonne)

Wheat CBOT closed at \$5.26 per bushel. U.S. wheat commercial sales until June 13th were 1.88 LMT compared to last week's 3.25 LMT. As on 17th June, around 65% of the U.S. winter wheat was in good or excellent condition. Winter wheat harvest is only 8% complete. U.S. spring wheat planting is complete and around 95% of the spring wheat has emerged and 77% of it is in good or excellent condition. CBOT wheat prices decreased in previous week on expectation of dryer and warmer weather in Midwest. 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 \$ 286.49-288.32 per tonne.

US and Russian quotes are hovering in the range of \$236.30 and \$187.33 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 \$200 to \$240 per tonne in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady to firm as major wheat producing countries are experiencing unfavorable weather conditions. 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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[\(Back to Table of Contents\)](#)

