

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 0.76 percent to Rs. 2039.37 per quintal during the week ended 08th July 2019. Wheat average price were ruling at Rs 2055.02 per quintal during 24-30 June 2019. As compared to prices in the week 01-18 July 2018, the prices are firm by 9.78 percent. Prices are expected to remain steady to slightly in coming days due to hike in import duty and good demand in domestic market.

India mainly imports from Australia and Russia. Millers prefer Australian wheat over Russian/Ukrainian wheat due to better quality. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$333.2 (Rs 22887.51) per tonne and \$402.50 (Rs 27647.73) per tonne respectively, after including freight and import duty @40%. Local expenses will further add to cost. Whereas wheat mill quality price in Chennai is ruling around Rs 22500 per tonne. Therefore, as of now, there is no parity for wheat imports.

As per market sources, India may try to increase exports of wheat, corn and livestock at Iran's chabahar port. Last year India exported wheat via chabahar port and adequate discounts were given to shipping lines that unloaded goods at chabahar port. In a recent meeting, the ambassador of India to Tehran said that India will try to add to the variety and volume of goods traded at chabahar port. In 2017 November, the first Indian shipment of 7 LMT was sent to Afghanistan via chabahar port.

Government has offered 15252981 tonnes of wheat in OMSS until fourth tender in June'19 out of which 91000 tonnes was sold. No rakes were sold. State government and bulk consumers bought 90500 tonnes and 500 tonnes of wheat respectively. In the month of June'19, government has sold 35900 tonnes of wheat against offered quantity of 9949900 tonnes. Government sold 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. This is the main reason for lower sale through OMSS.

Indian FoB quote is hovering around \$290.04 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$186.90, \$186.40, Euro 177.06, \$228.33 and \$215.04 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

Government agencies have started procurement. Until 24th June'19 government has procured around 341.15 lakh tonnes of wheat.

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 May-19. Imports are expected to be low this year due to good domestic availability and increase in import duty. India has imported around 498.77 tonnes in the month of April-2019.

As per trade source, India has exported around 9.73 thousand tonnes in the month of May-2019. The quantity in May-2019 was exported at an average FOB of \$ 333.26 per tonne and the major destinations were Nepal, UAE and Somalia. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

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.

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

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-07 May -2019	2943.81	284.62
08-16 May -2019	2582.98	426.68
17-23 May -2019	938.35	325.86
24-31 May -2019	3266.84	308.66
Total	9731.98	

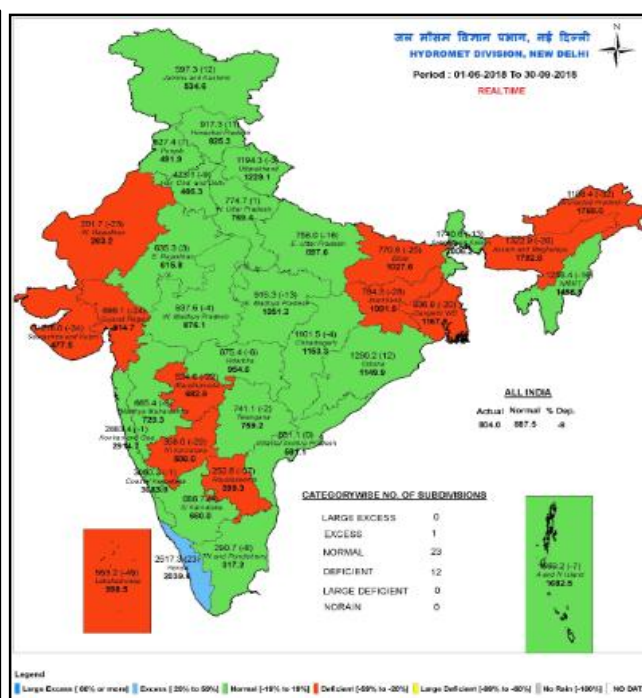
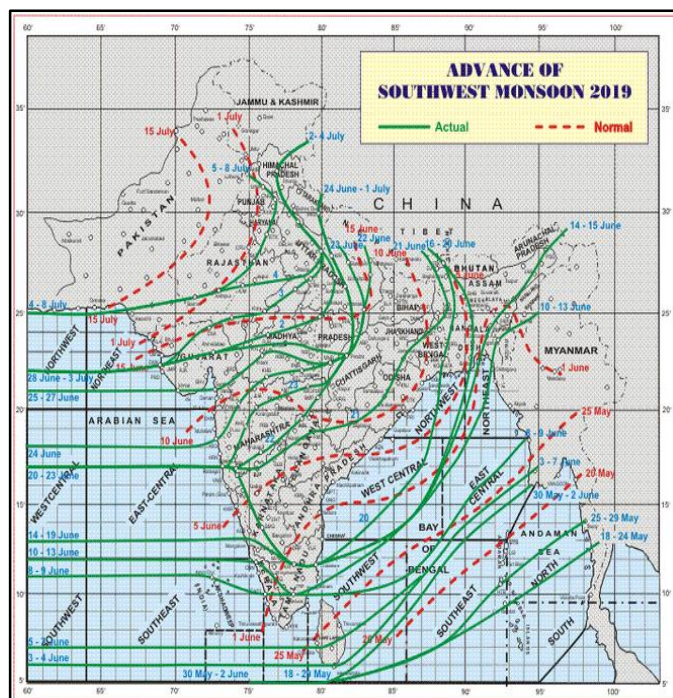
Source: Trade

Wheat Import

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

Source: Trade

Monsoon

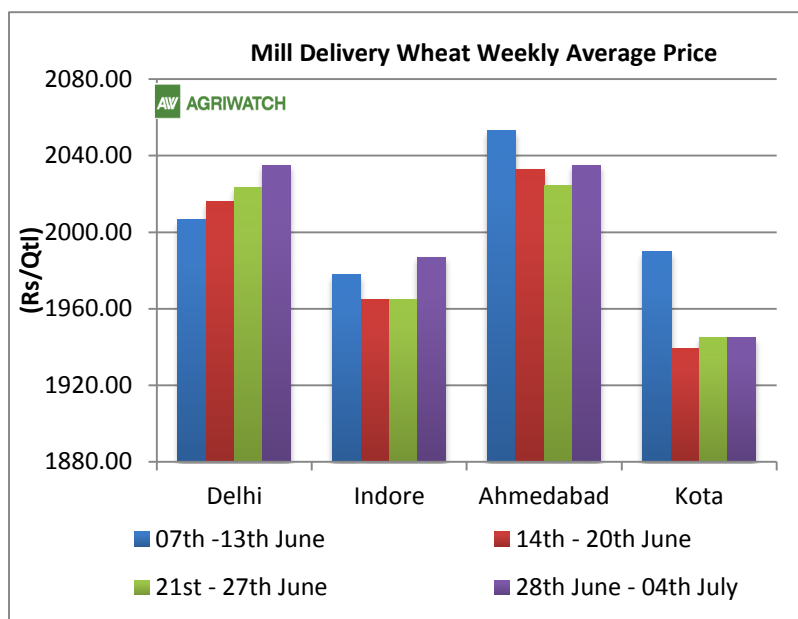


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded steady to firm in Indore, Delhi and Ahmedabad except Delhi during 28th June -04th July 2019.

Government has abundant supplies to tackle any unexpected surge in prices by selling more wheat in the open market through OMSS. Prices are steady as bulk buyers purchased intensively during arrival season to avoid paying a higher reserve price of Rs 2080 per quintal. As the stock purchased by bulk buyers decreases, the market is likely to witness good demand and prices will start moving upwards. 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

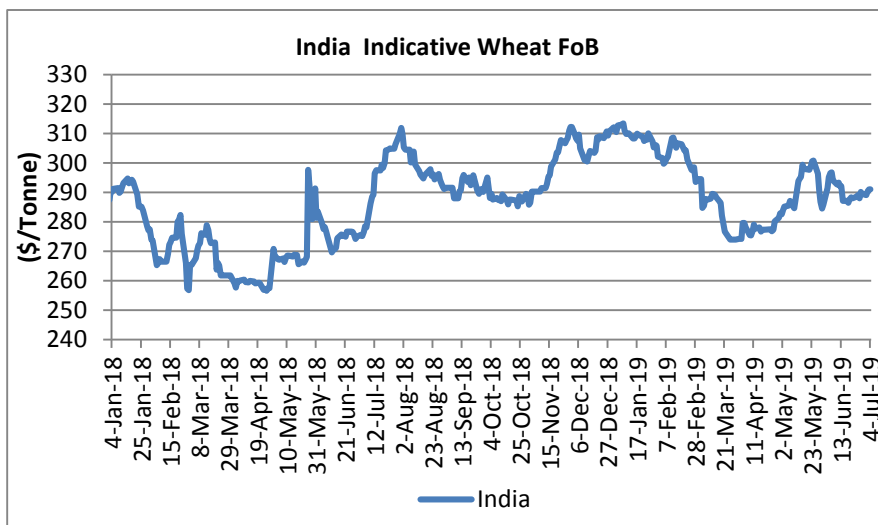
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steady to slightly firm 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 \$285-295 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
		4-Jul-19	27-Jun-19	5-Jun-19	5-Jul-18	
USA (Chicago)	2SRW	227.40	243.91	218.17	215.10	5.72
France	FCW3	200.06	207.24	200.78	221.51	-9.69
Australia	ASW	213.50	213.50	210.45	219.75	-2.84
Russia	SRW	184.00	189.00	NA	189.50	-2.90
India	Fob	291.09	290.12	296.54	278.55	4.50

	04/07/2019	27/06/2019	20/06/2019	13/06/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	195	195	189	194.5
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	187	191	188	196

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:05.07.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jul	-9	1974	1974	1962	1962	1350	+630	5170	-720
19-Aug	-5	2002	2003	1997	1997	1200	+450	3320	+540
19-Sep	0	2033	2033	2033	2033	0	0	30	+30

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
	4-Jul-19	26-Jun-19	3-Jun-19	4-Jul-18	
Indore	1927	1905	NA	1813	6.29
Delhi	2035	2030	1989	1776	14.58
Kanpur	1916	1920	1950	1690	13.37
Rajkot	NA	1968	1987	1822	-
Kota	1965	1957	NA	1806	8.80

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 hike in import duty and good demand in domestic market. Availability in domestic market is sufficient to meet emerging domestic demand.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			4-Jul-19	3-Jul-19	27-Jun-19	4-Jun-19	4-Jul-18
Delhi	Lawrence Road	Mill Delivery	2035	2035	2030	1990	1770
	Narella	Mill Quality Loose	1950	Closed	1940	1940	Closed
	Nazafgarh	Mill Quality Loose	1930	Closed	1935	1850	Closed
Gujarat	Rajkot	Mill Delivery	Closed	1940	1940	1980	1830
	Ahmedabad	Mill Delivery	Closed	2050	2025	2070	1875
	Surat	Mill Delivery	Closed	2080	2070	2110	1925
	Dhrol	Mill Delivery	Closed	2155	2050	2170	1725
M.P.	Indore	Mill Quality Loose	2010	2010	1965	1985	1840
	Bhopal	Mill Delivery	1850	1850	1830	1850	1910
Rajasthan	Kota	Mill Quality Loose	1835	1835	1815	1915	1735
		Mill Delivery	1960	1960	1975	2075	1840
U.P.	Kanpur	Mill Delivery	1930	1930	1950	1880	1735
	Mathura	Mill Quality Loose	1820	1815	1820	1800	1615
	Kosi	Mill Quality Loose	1925	1925	1950	1890	1585
	Hathras	Mill Quality Loose	1850	1830	1820	1880	1630
	Aligarh	Mill Quality Loose	1860	Closed	1860	1820	Closed
Punjab	Khanna	Mill Quality Loose	1950	1935	1910	1900	1690
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	1940	1930	1915	1870	1750
	Hodal	Mill Delivery	NA	NA	NA	NA	1745
	Bhiwani	Mill Quality Loose	1925	1920	1925	1850	1700
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA



Tamil Nadu	Chennai	Mill Quality	2300	2300	2300	2300	2100
	Madurai	Mill Quality	2357	2350	2450	2450	2300
	Coimbatore	Mill Quality	2357	2400	2500	2500	2350
Bihar	Khagariya	Mill Delivery	2000	2000	1900	1800	1550
	Muzaffarpur	Mill Delivery	1825	1825	1825	1825	1600

[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](#))**

Algeria state grains agency OAIC has bought around 360000 tonnes of milling wheat in a tender that closed on Thursday. The prices paid were in the range of \$217.00-217.50 per tonne (Cost and Freight). Most of the quantity is expected to be sourced from Canada. Algeria does not disclose the results of its tenders and purchase reports are based on trade assessments. The quantity is to be shipped between in the month of August.

As per latest update, Japan's ministry of agriculture bought 123968 MT of food quality wheat from United States, Canada and Australia. Around 66053 MT has been bought from United States, 33510 tonnes from Canada and 24405 MT of standard white wheat has been bought from west Australia. The said quantity will be loaded between 01st - 30th September.

GASC (General Authority for Supply Commodities) has purchased 60000 tonnes of Romanian wheat through tender. CHS offered 60000 tonnes of Romanian wheat at FoB \$196.96 per tonne. This tender is the first tender in Egypt's financial year which started on July 1. Egypt is the largest importer of wheat and imports around 11-12 MMT of wheat every year.

The Saudi Arabia Grain Organization has purchased 730000 tonnes wheat through tender. The said quantity will arrive at three different ports. Around 425000 tonnes will arrive at Jeddah port, 250000 tonnes at Dammam and the remaining 55000 tonnes at Jizan port. Saudi Arabia abandoned plans of self-sufficiency in 2008 as farming in desert reduced scarce water resources and became a major importer of hard and soft wheat.

Bangladesh will buy 100000 MT of wheat from Russia in G2G deal. Bangladesh will pay around \$267.30 per tonne including cost, insurance, freight and port related expenses. The first batch of wheat is expected to arrive during first week of July. Bangladesh has purchased around 1.9 MMT of wheat during July'18-May'19. Demand for wheat in Bangladesh has increased as wheat is being substituted for more expensive rice.

As per Agritel, Russia is expected to produce 81.7 MMT of wheat up by around 18 percent compared to last year. Limited impact of hot and dry weather on yields is keeping production forecast at a higher side.

Russian wheat price have eased due to harvesting pressure. However prices are being closed watched due to hot weather. Sowing is declining in some areas whereas low moisture may impact yields. Russian wheat crop with 12.5% protein content is being quoted at FoB \$194/T, down by \$1/MT compared to previous week.

Taiwan flour mills association has bought 83200 tonnes of milling wheat from United States. Of the total quantity, 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.

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 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:

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IGC Forecast(Fig-In MMT)	2016-17	2017-18 (Estimate)	2018-19 (Forecast)	2019-20 (Proj.)	
				30.05.2019	27.06.2019
Production	757	762	733	766	769
Trade	177	176	171	174	174
Consumptions	736	739	741	753	756
Carryover stocks	248	270	263	276	275
Y-O-Y change	21	22	-7	-	12
Major Export	78	82	67	72	70

- IGC has forecasted global wheat production to be 769 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 36 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 756 MMT for 2019-20. The projection is higher by 15 MMT compared to 2018-19.
- Carryout for 2019-20 is projected at 275 MMT compared to forecast of 263 MMT last year. It is higher by around 5 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
	4-Jul-19	27-Jun-19	4-Jun-19	4-Apr-19	4-Jan-19	4-Jul-18	
Jul-19	190.31	201.15	186.36	174.06	194.54	197.29	-3.54
Sep-19	188.84	200.88	189.12	176.81	197.94	200.42	-5.77
Dec-19	192.98	204.55	194.17	182.05	203.36	204.64	-5.70
Mar-20	197.39	207.86	198.95	186.91	207.40	211.16	-6.52
May-20	199.41	208.32	201.43	189.58	209.69	212.72	-6.26
Jul-20	199.87	206.02	202.80	190.31	208.41	211.99	-5.72

CBOT Jul-19

1st Support: 173.00
2nd Support: 171.00
1st Resistant: 218.00
2nd Resistant: 220.00
(\$ per tonne)

Wheat CBOT closed at \$5.19 per bushel. U.S. wheat commercial sales until June 27th were 2.76 LMT compared to last week's 6.12 LMT. As on 01st July, around 63% of the U.S. winter wheat was in good or excellent condition. Winter wheat harvest is only 15% complete. U.S. spring wheat planting is complete and around 25% of the spring wheat has headed and 75% of it is in good or excellent condition. CBOT wheat prices were weak during the past week due to beneficial weather for winter wheat harvest and spillover pressure from drop in corn futures.

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 \$ 289.13-291.09 per tonne.

US and Russian quotes are hovering in the range of \$228.33 and \$186.90 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 \$200 to \$270 per tonne in coming week.

International Weekly Outlook:

Global wheat market is expected to trade steady due to abundant availability in global market. 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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