



Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 1.53 percent to Rs. 2175.77 per quintal during the week ended 23rd August 2019. Wheat average price were ruling at Rs 2143.07 per quintal during 09-15 August 2019. As compared to prices in the week 16-23 August 2018, the prices are firm by 7.16 percent. Prices are expected to remain steady to firm in coming days due to hike in import duty and good demand in domestic market.

As per market sources, Madhya Pradesh government is likely to reduce mandi tax by 0.5 percent to 1 percent. Generally mandi tax is paid by traders to APMC. The state government believes that traders will pass on this benefit to farmers thereby increasing their income. Madhya Pradesh is one the leading grower of wheat in the country.

As per trade source, India has exported around 23.57 thousand tonnes in the month of July-2019. The quantity in July-2019 was exported at an average FOB of \$ 363.97 per tonne and the major destinations were Nepal, UAE, Sri Lanka and Bahrain. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

As per fourth advance estimate, India is likely to produce 102.19 MMT of wheat compared to 99.70 MMT in previous year. The total food grain production is expected at record 284.95 MMT compared to 285.01 MMT last year. Wheat prices are expected to remain steady to firm due to good demand in domestic market and no imports. Furthermore government has ample stock available to control any unexpected price surge.

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 \$343.00 (Rs 24764.60) per tonne and \$445.34 (Rs 32153.55) 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 24000 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$306.15 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$185.6, \$185.30, Euro 165.55, \$204.90 and \$205.73 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.

Previous Updates

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 July-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.

Wheat WPI has increased from 150.8 in June-2019 to 153.4 in July-2019. Monthly wheat inflation has increased by 1.72 percent in July-2019 compared to previous month.

Government has sold 241550 tonnes of wheat in OMSS until first tender in August'19. No rakes were sold. State government and bulk consumers bought 228050 tonnes and 13500 tonnes of wheat respectively.

As per market sources, wheat stock in central pool as on 1st August'19 stood at 435.88 lakh tonnes down by 4.89% compared to last month.

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

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

Trade Call: Stakeholders should trade in September contract taking care of lower and upper price tag of Rs. 2022 & 2157 respectively.

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-07 June-2019	2415.78	386.81
08-15 June -2019	1028.15	311.33
16-23 June -2019	1018.74	336.26
24-30 June -2019	1673.40	309.82
Total	6136.07	

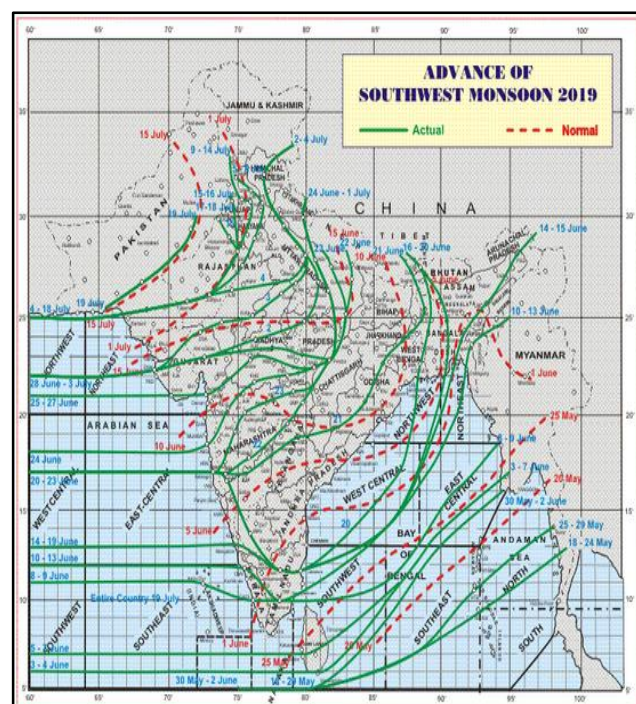
Source: Trade

Wheat Import

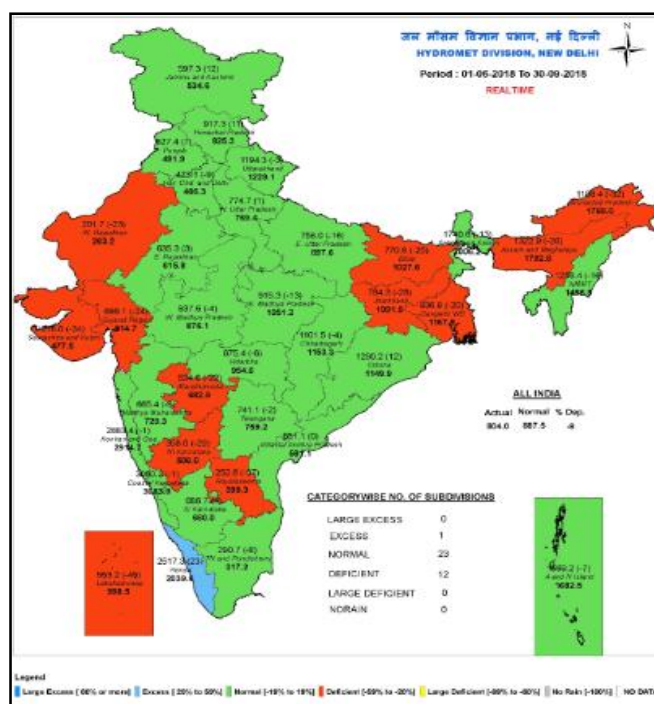
Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

Monsoon



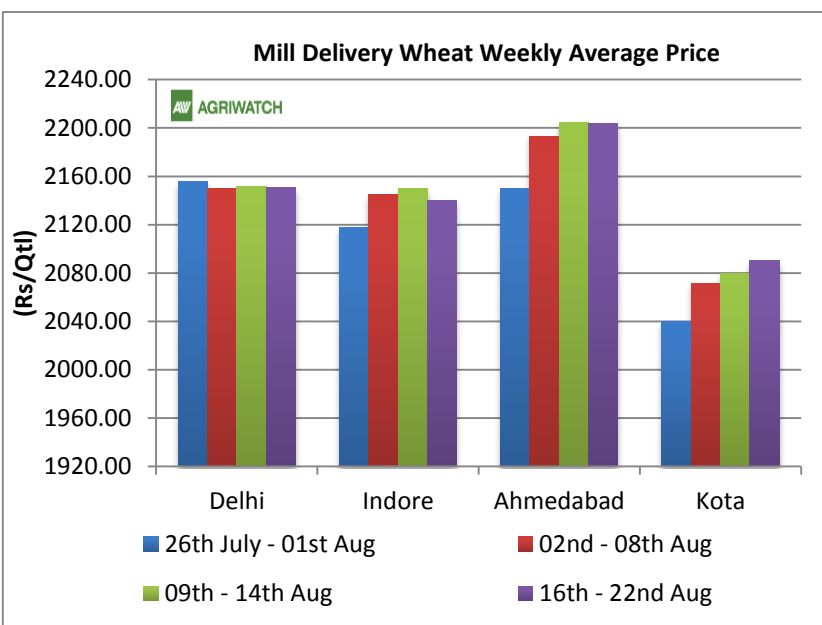
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Indore, Delhi and Ahmadabad except Ahmedabad during 16th -22nd August 2019.

Prices witnessed mixed sentiments in past week. Import duty of 40 percent will ensure that there are no cheap imports from Black sea region or Australia. Market is likely to trade steady to firm in upcoming weeks due to good demand in domestic market. 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

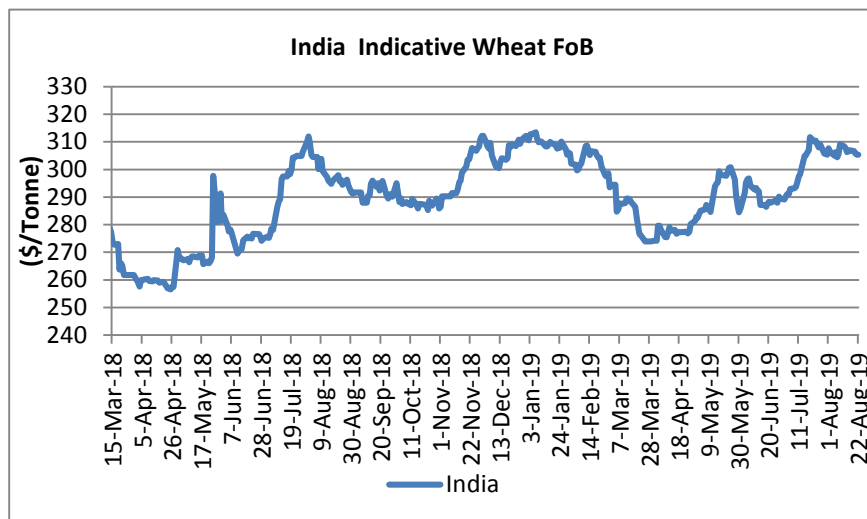
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steady to slightly weak 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 \$300-310 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
		22-Aug-19	14-Aug-19	23-Jul-19	22-Aug-18	
USA (Chicago)	2srw	204.87	207.20	208.41	217.14	-5.65
France	FCW3	183.36	185.40	191.80	241.05	-23.93
Australia	ASW	202.64	207.20	206.50	252.58	-19.77
Russia	SRW	184.00	186.00	187.00	213.50	-13.82
India	Fob	Closed	306.29	310.46	295.59	-

	22/08/2019	15/08/2019	08/08/2019	01/08/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)		193	195.00	194.00
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)		188	191.00	189.00

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date:23.08.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	-19	2095	2082	2075	2076	240	230	10060	-100
19-Oct	0	2118	2118	2118	2118	100	100	290	100
19-Nov	0	2151	2151	2151	2151	0	0	0	0

Wheat Technical Analysis:

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Wheat –Technical Outlook Contract Expiry: 20th September, 2019



Technical Commentary:

- Fall in price and open interest indicates long liquidation.
- RSI is moving in neutral region.
- Traders are advised to go long on wheat for this week.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	September	2037	2022	2076	2142	2157
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	September	Buy	Above 2075	2102	2122	2059

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
	22-Aug-19	14-Aug-19	23-Jul-19	21-Aug-18	
Indore	2107	2102	2075	1967	7.12
Delhi	2150	2157	2113	1980	8.59
Kanpur	2065	2065	2005	1850	11.62
Rajkot	NA	2110	2075	2000	-
Kota	2050	2047	2018	1969	4.11

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 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
			22-Aug-19	21-Aug-19	14-Aug-19	22-Jul-19	22-Aug-18
Delhi	Lawrence Road	Mill Delivery	2145	2150	2155	2115	1975
	Narella	Mill Quality Loose	2060	Closed	Closed	2030	Closed
	Nazafgarh	Mill Quality Loose	2015	Closed	Closed	2000	Closed
Gujarat	Rajkot	Mill Delivery	Closed	2120	2110	2075	2000
	Ahmedabad	Mill Delivery	Closed	2210	2190	2130	2065
	Surat	Mill Delivery	Closed	2260	2240	2170	2100
	Dhrol	Mill Delivery	NR	NR	NR	2160	2015
M.P.	Indore	Mill Delivery	2160	2125	2160	2100	2015
	Bhopal	Mill Quality Loose	1975	2100	2100	1950	Closed
Rajasthan	Kota	Mill Quality Loose	1970	1970	1970	1930	1850
		Mill Delivery	2100	2070	2080	2030	1950
U.P.	Kanpur	Mill Delivery	2030	2030	2015	2040	Closed
	Mathura	Mill Quality Loose	1930	1930	Closed	1950	1770
	Kosi	Mill Quality Loose	1980	1980	1960	1950	1785
	Hathras	Mill Quality Loose	1935	1930	1835	1915	Closed
	Aligarh	Mill Quality Loose	1950	Closed	Closed	1950	Closed
Punjab	Khanna	Mill Quality Loose	1960	1960	1975	1960	1850
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2025	2030	2025	2020	1830
	Hodal	Mill Delivery	NA	NA	NA	NA	1940
	Bhiwani	Mill Quality Loose	2040	2030	2020	2040	Closed
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2400	2400	2400	2350	2300



	Madurai	Mill Quality	2457	2550	2550	2450	2350
	Coimbatore	Mill Quality	2457	2600	2600	2500	2400
Bihar	Khagariya	Mill Delivery	2050	2050	2150	2100	1750
	Muzaffarpur	Mill Delivery	2040	2040	2025	1915	1850

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](#))**

As on 23rd August Russia has harvested 57.00 million tonnes of wheat compared to 55.00 million tonnes a year ago for the same date. Around 16.60 million hectares of area has been harvested with an average yield of 3.44 tonnes per hectare compared to 16.40 million hectares with an average yield of 3.36 tonnes per hectare a year ago for same date. Russian wheat with 11.5% protein content is being quoted at FoB \$ 188.00 per tonne.

As per latest update, SAGO has decided to buy 10 percent of its annual wheat requirement from Saudi-controlled companies based abroad. Such companies should produce 5000 tonnes of wheat and Saudi investors must own 51 percent stake. Furthermore, these companies must be registered at the kingdom's ministry of environment, water and agriculture

As per latest update, South Korean flour mill has bought 30000 tonnes of wheat of U.S. origin. The said quantity is expected to arrive in South Korea between 20th Nov- 20th Dec. The millers paid FoB \$212.96 per tonne for soft wheat with 10.5 percent protein content, FoB \$201.56 per tonne for hard wheat with 11.5 percent protein content and FoB \$217.93 per tonne for spring wheat with 14 percent protein content.

Russia may be able to enter yet another market as Saudi Arabia's grain agency will give some relaxation for bug damage in wheat imports. This process is likely to start from next wheat tender. However, this may hurt European Union as it is a major supplier of wheat for Saudi Arabia.

As per latest update, Russia has exported around 2.9 MMT in July-19 lower by 24% compared to July-2018. The destination included Turkey, Egypt, Vietnam and Sudan.

Farm ministry has increased soft wheat production in France to 38.2 MMT up by 12 percent compared to last year. Forecast has been increased as analysts believe that heat wave in June and July had little impact on yields.

Russia is expected to dominate the world wheat export market this year. Although SovEcon has reduced production forecast however it is still higher compared to last year. Indonesia is one of the largest importer of wheat and a top buyer of Australian wheat. Due to third consecutive dry season availability of wheat for export in Australia has been impacted. Argentina has captured some demand but major share will be captured by Black Sea wheat. On an average, the spread between Australia standard wheat (ASW) and black sea wheat has increased from \$12 per tonne in 2017 to \$24 per tonne in 2019.

Bangladesh will buy 100000 MT of wheat from Russia. Bangladesh will pay around \$267.30 per tonne including cost, insurance, freight and port related expenses. Prodintorg, a Russian state firm, will supply around 52000 MT of wheat in first batch of shipment which is likely to arrive during first week of August. The strong demand for wheat is due to a shift in consumer preferences towards bread. Furthermore, increased use of wheat as a substitute for more expensive rice by Bangladesh's growing population has also intensified demand.

China has approved wheat imports from kurgan region of Russia. This will bring Russia a step closer in remaining the leader in wheat exports. Russia is aiming to increase its export of wheat to 55.9 MMT by 2035. Russia is planning to export a total of 41.9 MMT of wheat in 2019-20.

As per SovEcon, Russia is expected to produce 73.7 MMT of wheat compared to their previous forecast of 76.6 MMT. Forecast has been reduced due to unimpressive harvest yields. Until 15th July Russia has harvested 28.8 million tonnes of wheat compared to 24.6 million tonnes a year ago for the same date. As of now, Russian wheat with 12.5 Percent protein content and 11.5 Percent protein content are being offered at \$195 per tonne and \$189 per tonne respectively.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				27.06.2019	25.07.2019
Production	757	762	733	769	763
Trade	177	176	170	174	173
Consumptions	736	739	741	756	755
Carryover stocks	248	270	262	275	270
Y-O-Y change	21	22	-8	-	9
Major Export	78	82	67	70	67

- IGC has forecasted global wheat production to be 763 MMT for 2019-20. According to estimate by IGC for 2018-19, global wheat production was around 733 MMT against 762 MMT for 2017-18. The forecast for global production is higher by 30 MMT compared to estimate for 2018-19. IGC has projected higher production for 2019-20.
- Trade forecast for 2019-20 has been increased to 173 MMT. It is 3 MMT higher compared to estimate for last year and lower by 3 MMT compared to 2017-18.
- Consumption has been increased to 755 MMT for 2019-20. The forecast is higher by 14 MMT compared to 2018-19.
- Carryout for 2019-20 is forecast at 270 MMT compared to estimate of 262 MMT last year. It is higher by around 22 MMT compared to 2016-17.

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
	22- Aug-19	14-Aug- 19	22-Jul-19	22-May-19	22-Feb-19	22- Aug-18	
Sep-19	171.67	172.31	179.02	176.63	185.35	213.18	-19.47
Dec-19	173.32	174.33	183.33	181.59	190.31	217.13	-20.18
Mar-20	175.53	176.72	187.93	186.27	194.17	219.06	-19.87
May-20	176.99	178.83	190.31	188.20	195.73	219.61	-19.41
Jul-20	178.46	180.39	191.23	187.28	195.27	217.04	-17.77
Sep-20	181.40	183.42	193.99	189.76	197.39	218.60	-17.02

CBOT Sep-19

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1st Support: 160.00
2nd Support: 158.00
1st Resistant: 200.00
2nd Resistant: 202.00
(\$ per tonne)

Wheat CBOT closed at \$4.75 per bushel. U.S. wheat export sales during the week ended 15th August was 595000 tonnes compared to 462000 tonnes last week. Sales were within the trade expectation of 300000-500000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 15th August, around 93% of the U.S. winter wheat has been harvested. U.S. spring wheat harvest is 16% complete compared to 56% last year and 70% of it is in good or excellent condition. CBOT wheat prices are likely to stay steady to weak in upcoming weeks due to harvest progress.

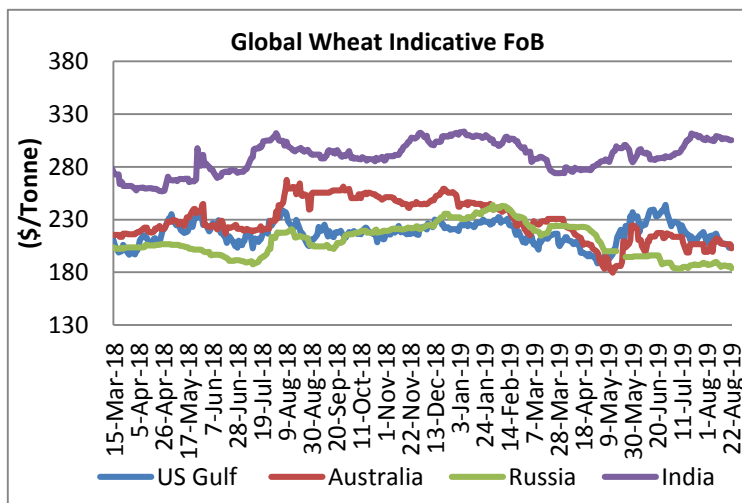


International FOB Weekly Price Movement

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is hovering between \$305.34-306.97 per tonne.

US and Russian quotes are hovering in the range of \$204.90 and \$185.60 per tonne respectively. Wheat prices in international markets remained firm in last week.

Wheat is expected to trade steady to weak and hover in the range of \$175 to \$220 per tonne in coming week.



International Weekly Outlook:

Global wheat market is expected to trade steady to weak due to ample availability in global market. EU is likely to produce around 151.2 MMT in 2019-20 compared to 137.8 MMT in 2018-19. Russia and Ukraine are likely to harvest 79.50 MMT and 28.00 MMT of wheat in 2019-20 respectively. Production in US is likely to be around 50.30 MMT compared to last year's 51.30 MMT. Australia is likely to produce 21.20 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 19.70 MMT in 2019-20 compared to 19.5 MMT in 2018-19. Furthermore, Canada is likely to harvest around 33.60 MMT in 2019-20 compared to 31.80 MMT in 2018-19.

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