

# Wheat Weekly Research Report

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**Wheat Domestic Market Fundamentals****[\(Back to Table of Contents\)](#)**

All India weekly average prices decreased by 4.38 percent to Rs. 2080.43 per quintal during the week ended 31<sup>st</sup> August 2019. Wheat average price were ruling at Rs 2175.77 per quintal during 16-23 August 2019. As compared to prices in the week 24-31 August 2018, the prices are firm by 3.94 percent. Prices are expected to remain steady to firm in coming days due to hike in import duty and likely increase in demand in domestic market.

As per latest update, wheat prices remained steady to weak due to poor demand from flour millers and stockiest. Demand was limited due to high spot prices in domestic market. Government off take is likely to increase in upcoming weeks as stock with private trade has declined. 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.

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 24490.20) per tonne and \$435.96 (Rs 31127.54) 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.

Government has sold 336700 tonnes of wheat in OMSS until fourth tender in August'19. No rakes were sold. State government and bulk consumers bought 245850 tonnes and 90580 tonnes of wheat respectively. In the month of August'19 government has sold 152000 tonnes against offered quantity of 7819470 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 was the main reason for lower sale through OMSS. Stock with millers/traders has diminished and sales through OMSS is likely to witness an increasing trend in upcoming weeks.

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

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.

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.

**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. 2002 & 2138 respectively.

### Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 July -2019	5148.49	593.47
09-16 July -2019	4185.17	299.86
17-24 July -2019	5515.62	311.09
25-31 July -2019	8726.00	289.49
Total	23575.8	

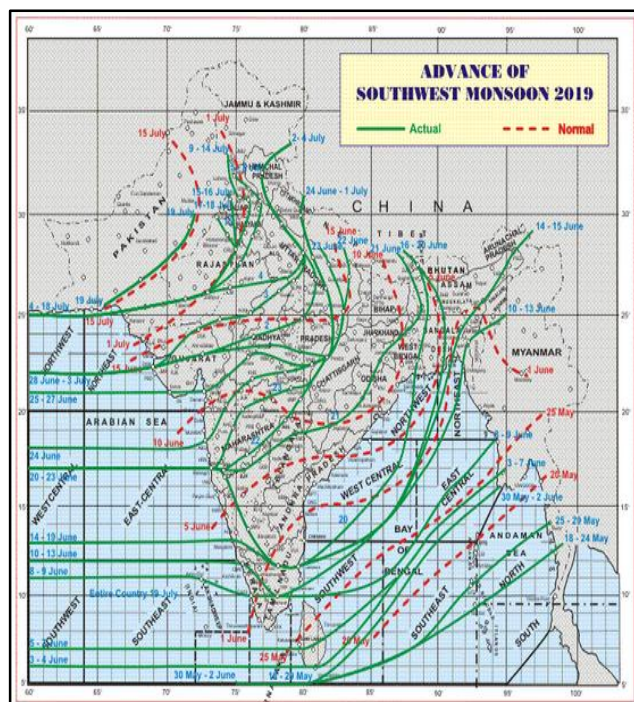
Source: Trade

### Wheat Import

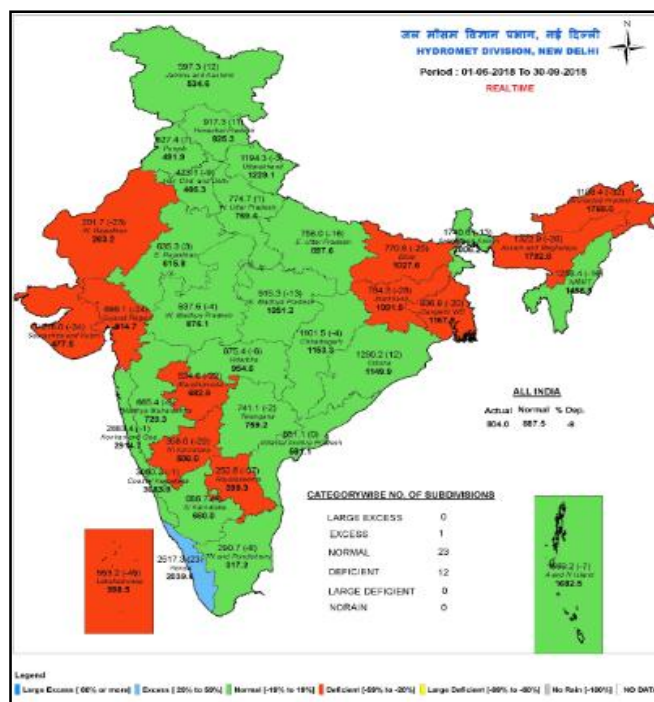
Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

### Monsoon



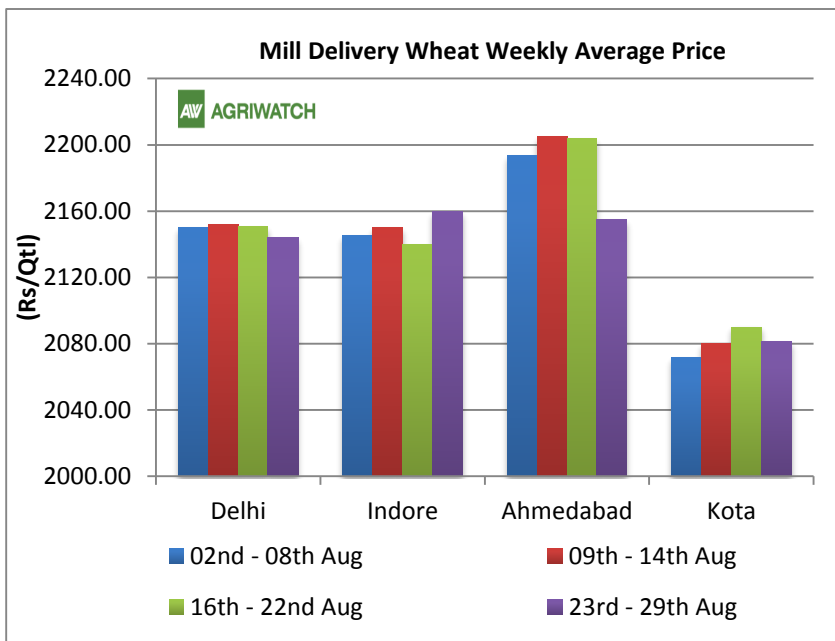
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Ahmedabad, Delhi and Kota except Indore during 23<sup>rd</sup> -29<sup>th</sup> August 2019.

Prices remained firm in past week. No imports will increase demand for wheat with South Indian. Traders are advised to buy on dip. Abundant supplies are available in the market to meet emerging demand. Sales of wheat through OMSS is low due to good availability with private traders/millers. Sales is expected to improve from next month due to fall in stock with private traders/millers and beginning of festive demand. Sales target through OMSS in MY 2019-20 has been kept same at 10 MMT.


Wheat and Rice Stocking Norms

<b>Wheat Stock Norms</b>						
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

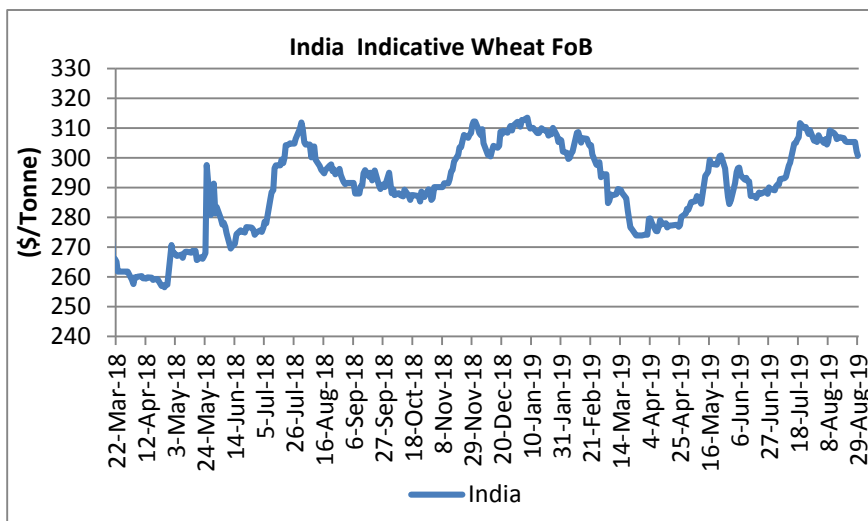
State/UTs	Procurement as on 24 <sup>th</sup> June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

### FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed 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 \$295-305 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
		29-Aug-19	22-Aug-19	29-Jul-19	29-Aug-18	
USA (Chicago)	2srw	206.36	204.87	218.04	210.85	-2.13
France	FCW3	183.70	183.36	192.35	237.28	-22.58
Australia	ASW	198.99	202.64	206.50	240.17	-17.15
Russia	SRW	182.50	184.00	189.00	205.50	-11.19
India	Fob	300.78	Closed	305.74	292.91	2.69

	29/08/2019	22/08/2019	15/08/2019	08/08/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	190	191	193	195.00
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	186	188	188	191.00

### NCDEX Wheat Contracts

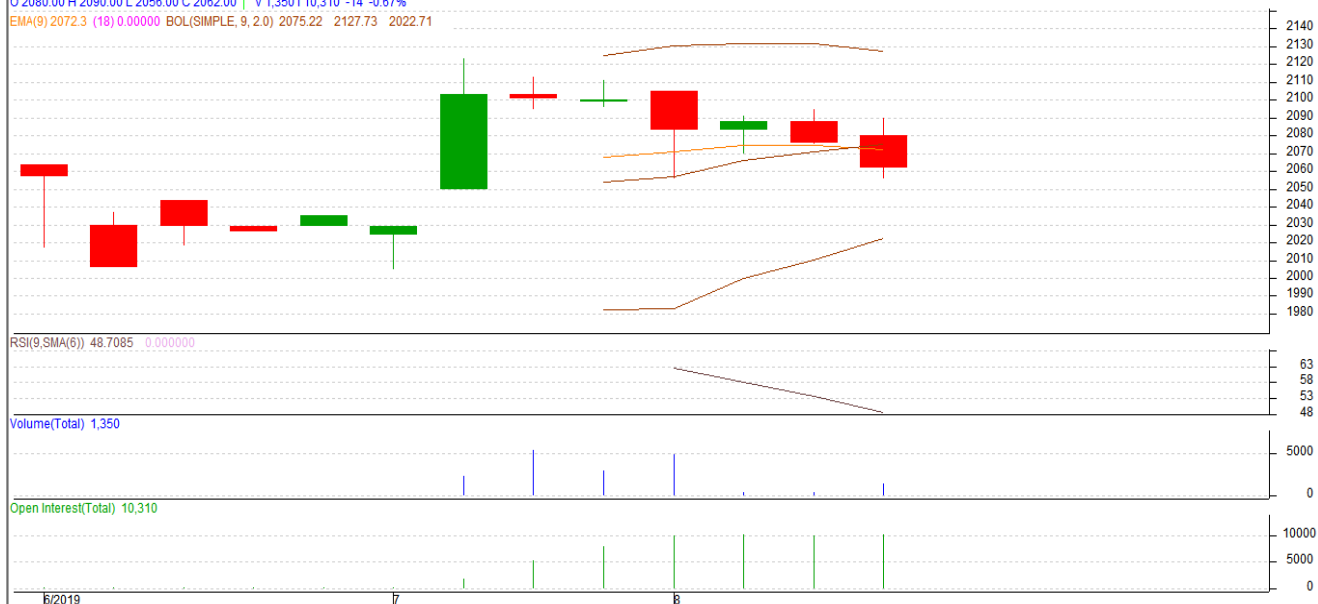
Wheat Futures Contact: NCDEX Price								Date:29.08.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	+2	2070	2070	2056	2062	370	+150	10310	+180
19-Oct	+22	2110	2110	2095	2101	60	+60	470	+10
19-Nov	+42	2098	2098	2098	2140	0	0	0	0

### Wheat Technical Analysis:

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#### Wheat –Technical Outlook Contract Expiry: 20<sup>th</sup> September, 2019

WHEAT DELHI 1909(NCWHDU9)2019/08/25 - Weekly  
 O 2080.00 H 2090.00 L 2056.00 C 2062.00 ↑ V 1,350 I 10,310 -14 -0.67%  
 EMA(9) 2072.3 (18) 0.00000 BOL(SIMPLE, 9, 2.0) 2075.22 2127.73 2022.71



#### Technical Commentary:

- Fall in price and rise in open interest indicates short buildup.
- 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	2017	2002	2062	2122	2138
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	September	Buy	Above 2055	2082	2102	2039

### 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
	29-Aug-19	21-Aug-19	30-Jul-19	28-Aug-18	
Indore	2112	2107	2068	1978	6.77
Delhi	2148	2151	2150	1979	8.54
Kanpur	2065	2065	2040	1885	9.55
Rajkot	2095	2120	NA	1996	4.96
Kota	2055	2051	2028	1964	4.63

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
			29-Aug-19	28-Aug-19	22-Aug-19	29-Jul-19	29-Aug-18
Delhi	Lawrence Road	Mill Delivery	2145	2145	2145	2160	1980
	Narella	Mill Quality Loose	2030	Closed	2060	2050	Closed
	Nazafgarh	Mill Quality Loose	2020	Closed	2015	2030	Closed
Gujarat	Rajkot	Mill Delivery	2100	2100	Closed	2040	2000
	Ahmedabad	Mill Delivery	2150	2160	Closed	2135	2070
	Surat	Mill Delivery	2240	2225	Closed	2190	2100
	Dhrol	Mill Delivery	2130	2155	NR	NR	2025
M.P.	Indore	Mill Delivery	2160	2160	2160	2120	2045
	Bhopal	Mill Quality Loose	2040	2040	1975	1980	1925
Rajasthan	Kota	Mill Quality Loose	1935	1970	1970	1970	1850
		Mill Delivery	2075	2080	2100	2030	1950
U.P.	Kanpur	Mill Delivery	2050	2050	2030	2070	1815
	Mathura	Mill Quality Loose	1930	1930	1930	1905	1775
	Kosi	Mill Quality Loose	1970	1970	1980	1960	1785
	Hathras	Mill Quality Loose	1920	1920	1935	1860	1775
	Aligarh	Mill Quality Loose	1960	Closed	1950	1950	Closed
Punjab	Khanna	Mill Quality Loose	1980	1980	1960	1975	1860
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2025	2025	2025	2035	1825
	Hodal	Mill Delivery	NA	NA	NA	NA	1940
	Bhiwani	Mill Quality Loose	2020	2020	2040	2050	1850
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2450	2450	2400	2350	2325



	Madurai	Mill Quality	2507	2550	2550	2450	2425
	Coimbatore	Mill Quality	2507	2600	2600	2500	2475
Bihar	Khagariya	Mill Delivery	2050	2050	2050	2000	1700
	Muzaffarpur	Mill Delivery	2030	2025	2040	2000	1825

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

GASC (General Authority for Supply Commodities) has purchased 350000 tonnes of Russia, Ukraine and France wheat through tender. Of the total quantity 60000 tonnes was of French origin, 60000 tonnes was of Ukrainian origin and 230000 tonnes was of Russian origin. Egypt is the largest importer of wheat and imports around 11-12 MMT of wheat every year.

Jordan has bought 60000 tonnes of hard milling wheat at \$227.75 per tonne cost and freight for delivery in first half of November. The tender closed on Tuesday and wheat can be sourced from optional origin. The seller was trading house Nibulon. Other participants in the tender with their offers were Ameropa (\$229 a tonne CnF), Cerealcom Dolj (\$230 a tonne CnF) and Glencore (\$231 a tonne CnF).

As per latest update, Ukraine wheat production is likely to increase by 13 percent in 2019 to 27.8 MMT compared to 24.6 MMT last year. Higher global production is keeping wheat prices under pressure. As of now Ukraine wheat with 11.5 percent protein content is hovering around FoB \$ 183.50 per tonne.

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.

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.

### IGC Wheat Balance Sheet:

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IGC Forecast( Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				25.07.2019	29.08.2019
Production	757	761	733	763	764
Trade	177	176	170	173	172
Consumptions	736	739	738	755	758
Carryover stocks	248	270	265	270	270
Y-O-Y change	21	22	-5	-	6
Major Export	79	82	69	67	68

- IGC has forecasted global wheat production to be 764 MMT for 2019-20. According to estimate by IGC for 2018-19, global wheat production was around 733 MMT against 761 MMT for 2017-18. The forecast for global production is higher by 31 MMT compared to estimate for 2018-19. IGC has projected higher production for 2019-20.
- Trade forecast for 2019-20 has been decreased to 172 MMT. It is 2 MMT higher compared to estimate for last year and lower by 4 MMT compared to 2017-18.
- Consumption has been increased to 758 MMT for 2019-20. The forecast is higher by 20 MMT compared to 2018-19.
- Carryout for 2019-20 is forecast at 270 MMT compared to estimate of 265 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
	29- Aug-19	22-Aug- 19	29-Jul-19	29-May-19	28-Feb-19	29- Aug-18	
Sep-19	172.59	171.67	184.99	183.24	175.16	210.98	-18.20
Dec-19	173.69	173.32	186.82	188.11	181.04	214.93	-19.19
Mar-20	175.71	175.53	190.31	192.89	185.35	217.68	-19.28
May-20	176.72	176.99	192.24	194.91	188.20	219.15	-19.36
Jul-20	177.64	178.46	192.79	194.81	187.74	218.51	-18.71
Sep-20	180.58	181.40	195.09	197.39	190.04	220.07	-17.95

### CBOT Sep-19

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**1<sup>st</sup> Support: 154.00**  
**2<sup>nd</sup> Support: 152.00**  
**1<sup>st</sup> Resistant: 196.00**  
**2<sup>nd</sup> Resistant: 198.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$4.51 per bushel. U.S. wheat export sales during the week ended 22<sup>nd</sup> August was 661000 tonnes compared to 595000 tonnes last week. Sales were within the trade expectation of 250000-700000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 26<sup>th</sup> August, around 96% of the U.S. winter wheat has been harvested. U.S. spring wheat harvest is 38% complete compared to 75% last year and 69% 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 and ample global supplies.

### 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 \$300.78-305.34 per tonne.

US and Russian quotes are hovering in the range of \$207.44 and \$183.10 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 \$210 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 148.7 MMT in 2019-20 compared to 137.8 MMT in 2018-19. Russia and Ukraine are likely to harvest 75.70 MMT and 28.00 MMT of wheat in 2019-20 respectively. Production in US is likely to be around 52.30 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 19.7 MMT in 2019-20 compared to 19.5 MMT in 2018-19. Furthermore, Canada is likely to harvest around 32.00 MMT in 2019-20 compared to 31.80 MMT in 2018-19.

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