

Wheat Weekly Research Report

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

All India weekly average prices decreased by 0.18 percent to Rs. 2125.93 per quintal during the week ended 23rd September 2019. Wheat average price were ruling at Rs2129.75 per quintal during 09-15 September 2019. As compared to prices in the week 16-23 September 2018, the prices are firm by 4.70 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.

Wheat WPI has increased from 153.4 in July-2019 to 156.5 in August-2019. Monthly wheat inflation has increased by 2.02 percent in August-2019 compared to previous month. As compared to August-2018 wheat WPI has increased by around 5.32 percent. Wheat WPI is expected to stay steady to firm in coming month.

Indian Agricultural Research Institute (IARI) has introduced another variety for upcoming Rabi season known as HD-3226, which is likely to have a weighted average yield of 5.75 tonnes per hectare. The variety is likely to have more protein as well as gluten content compared to HD-2967 and HD-3086. The combined acreage of HD-2967 and HD-3086 is roughly 40 percent of India's total wheat acreage.

As per trade source, India has exported around 17.02 thousand tonnes in the month of August-2019. The quantity in August-2019 was exported at an average FOB of \$ 314.51 per tonne and the major destinations were Nepal, Somalia, Sri Lanka and Reunion. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

As per market sources, wheat stock in central pool as on 1st September'19 stood at 414.90 lakh tonnes down by 4.81% compared to last month. This quantity is higher by around 7.74% 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.

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 \$336.00 (Rs 23825.76) per tonne and \$435.96 (Rs 30913.92) 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 23500-2400 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$303.84 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$182.00, \$182.40, Euro 165.95, \$215.47 and \$207.43 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 August-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.

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.

As per fourth advance estimate, India is likely to produce 102.19 MMT of wheat compared to 99.70 MMT in previous year.

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

Trade Call: Stakeholders should trade in October contract taking care of lower and upper price tag of Rs. 2000 & 2155 respectively.

Wheat Weekly Export

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

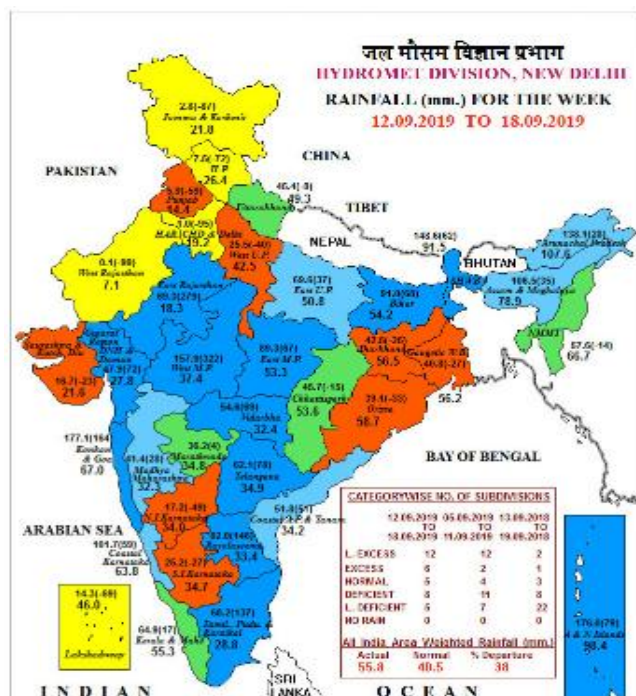
Source: Trade

Wheat Import

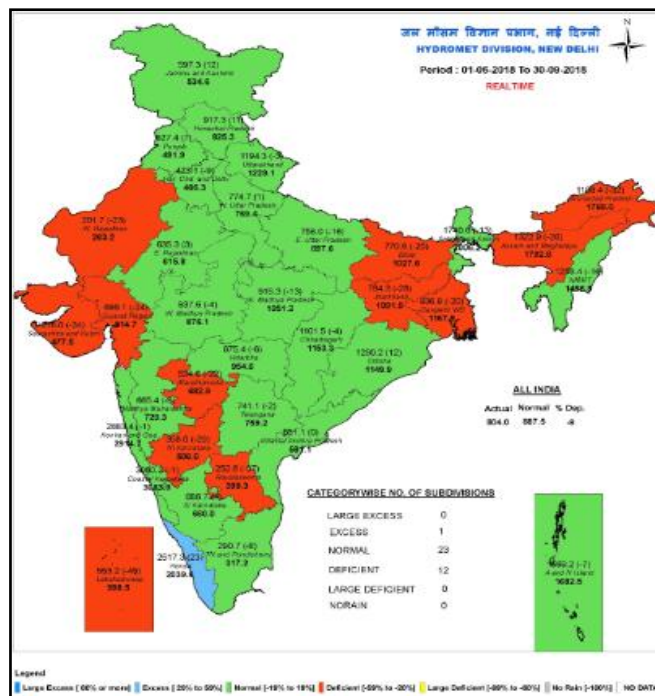
Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

Monsoon



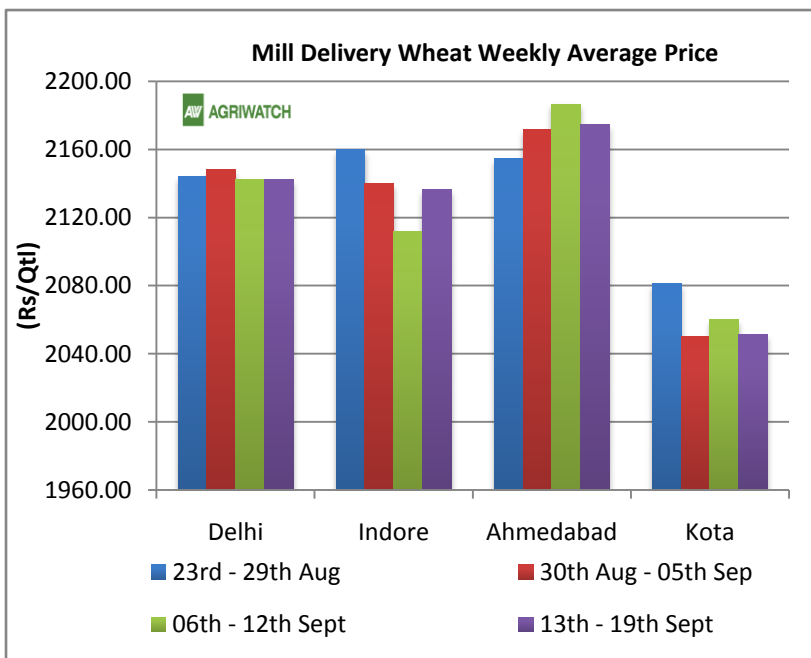
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi and Indore during 13th -19th September 2019. Prices were weak in Kota and Ahmedabad.

Prices witnessed mixed sentiments in past 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. Traders are advised to buy on dip.


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

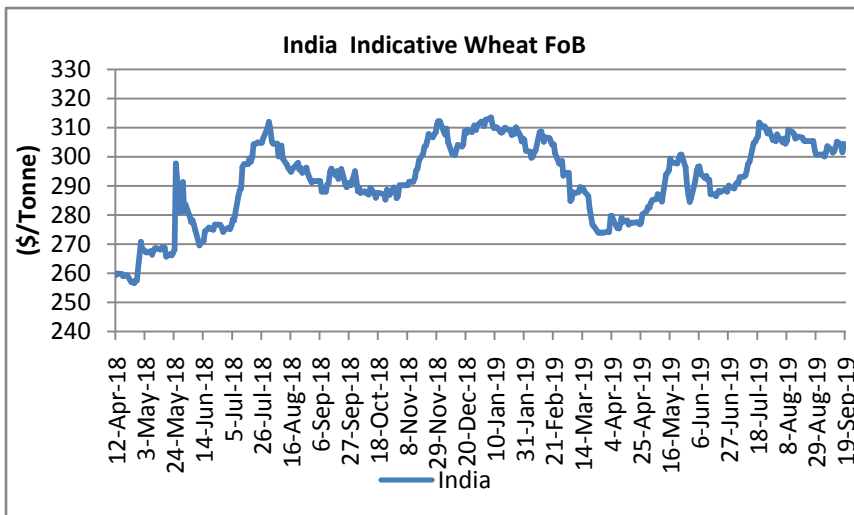
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steadytone 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 \$300-308 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
		19-Sep-19	12-Sep-19	19-Aug-19	19-Sep-18	
USA (Chicago)	2SRW	215.69	212.60	205.90	217.70	-0.92
France	FCW3	183.51	182.55	184.59	236.87	-22.53
Australia	ASW	207.70	206.36	206.50	NA	-
Russia	SRW	184.00	180.00	185.50	204.50	-10.02
India	Fob	303.86	303.26	306.64	292.42	3.91

	19/09/2019	12/09/2019	05/09/2019	29/08/2019
Black Sea Mill Wheat 12.5% FOB Pmax.(\$/T)	187	185	187	190
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	186	182	185	186

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 20.09.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	-8	2029	2029	2029	2021	0	0	0	0
19-Oct	8	2064	2072	2070	2072	30	0	2340	-20
19-Nov	2	2099	2102	2099	2101	20	-40	70	70

Wheat Technical Analysis:

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Wheat –Technical Outlook Contract Expiry: 18th October,2019



Technical Commentary:

- Rise in price and open interest indicates long buildup.
- RSI is moving in neutral region.
- Prices closed below 9 and 18 day EMAs.

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	October	2020	2000	2072	2135	2155
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	October	Buy	Above 2065	2095	2110	2047

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
	19-Sep-19	11-Sep-19	19-Aug-19	19-Sep-18	
Indore	2090	2080	2100	2026	3.18
Delhi	2145	2136	2150	2030	5.67
Kanpur	2035	2047	2075	1975	3.04
Rajkot	2099	2100	2120	2060	1.89
Kota	2019	2027	2057	2022	-0.16

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
			19-Sep-19	18-Sep-19	12-Sep-19	19-Aug-19	19-Sep-18
Delhi	Lawrence Road	Mill Delivery	2145	2145	2140	2155	2035
	Narella	Mill Quality Loose	2020	Closed	2020	2060	Closed
	Nazafgarh	Mill Quality Loose	2025	Closed	2025	2015	Closed
Gujarat	Rajkot	Mill Delivery	2100	2110	2100	2125	2060
	Ahmedabad	Mill Delivery	2170	2175	2175	2200	2140
	Surat	Mill Delivery	2240	2260	2250	2260	2180
	Dhrol	Mill Delivery	2085	2100	2195	NR	1995
M.P.	Indore	Mill Delivery	2160	2160	Closed	2150	2075
	Bhopal	Mill Quality Loose	2050	2060	NA	2100	NR
Rajasthan	Kota	Mill Quality Loose	1950	1950	Closed	1950	1920
		Mill Delivery	2060	2050	Closed	2100	2050
U.P.	Kanpur	Mill Delivery	2050	2015	2000	2070	1900
	Mathura	Mill Quality Loose	1895	1890	1910	1935	1855
	Kosi	Mill Quality Loose	1960	1960	1960	1970	1865
	Hathras	Mill Quality Loose	1890	1890	1890	1950	1890
	Aligarh	Mill Quality Loose	1920	Closed	1940	1950	Closed
Punjab	Khanna	Mill Quality Loose	1930	1950	1950	1980	1900
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2000	2000	2010	2020	1845
	Hodal	Mill Delivery	NA	NA	NA	NA	2030
	Bhiwani	Mill Quality Loose	2030	2030	2030	2020	1925
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2400	2400	Closed	2400	2350



	Madurai	Mill Quality	2457	2550	Closed	2550	2450
	Coimbatore	Mill Quality	2457	2600	Closed	2600	2500
Bihar	Khagariya	Mill Delivery	2100	2050	2100	2050	1800
	Muzaffarpur	Mill Delivery	2000	2000	2000	2025	1925

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:

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As per latest update Russia as well as Ukraine is looking for rains in upcoming weeks due to lack of moisture in Russia and dry weather in Ukraine. Russia's main wheat producing region Krasnodar, Stavropol and Rostov have low soil moisture. However if rains arrive on time, sowing conditions are expected to remain normal or satisfactory.

GASC (General Authority for Supply Commodities) has purchased 180000 tonnes of Russian wheat through tender. Solaris offered 60000 tonnes of Russian wheat at FoB \$194.13 per tonne, Grain Export offered 60000 tonnes of Russian wheat at FoB \$194.50 per tonne and Solaris offered 60000 tonnes of Russian wheat at FoB \$194.60 per tonne. Egypt is the largest importer of wheat and imports around 12 MMT of wheat every year.

Algeria state grains agency OAIC has bought around 600000 tonnes of milling wheat in a tender that closed on Wednesday. The prices paid was around \$211.00-213.00 per tonne (Cost and Freight). Most of the quantity is expected to be sourced from France and Baltic Sea Region. Algeria does not disclose the results of its tenders and purchase reports are based on trade assessments.

Indonesian flour mills have bought two varieties (White and Red winter) of United States wheat. Flour millers bought 55000 tonnes. White wheat was purchased at \$255 per tonne Cost & Freight and red winter wheat was purchased at \$245 per tonne Cost & Freight. The said quantity will be delivered in October.

Russian milling wheat prices became weak by \$2 per tonne at Novorossiysk compared to last week. Export quotes are being influenced by ample availability in global market and low demand. As of now Russian milling wheat with 12.5% protein content at Novorossiysk port is being quoted at FoB \$182-185/tonne. Furthermore increase in Russian wheat crop forecast by 0.5 MMT to 74.90 MMT has also kept prices under pressure.

As per latest update, Thailand Feed Mill Association has bought 70000 tonnes of feed wheat through tender. The wheat was bought at \$220.50 per tonne cost and freight for December delivery. Wheat can be sourced from optional origins.

As per latest update, bumper crop of wheat is expected in France. Farm ministry is estimating the crop to be near 39.45 MMT. Export are expected to reach 11.0 MMT, highest since 2015-16. Good competition can be expected from France on FoB basis. However, freight rates will continue to play a crucial role.

As per latest update, dry weather in Argentina has hit wheat crop amid expectations of bumper crop. Argentina is expecting to produce 21 MMT of wheat. If the current situation continues wheat crop production in Argentina may fall below expectations. Although ample availability in global market will ensure that there are no unexpected increase in prices.

Indonesian flour mills have bought two varieties (White and Red winter) of United States wheat. Flour millers bought 55000 tonnes. White wheat was purchased at \$255 per tonne Cost & Freight and red winter wheat was purchased at \$245 per tonne Cost & Freight. The said quantity will be delivered in October.

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), CerealcomDolj (\$230 a tonne CnF) and Glencore (\$231 a tonne CnF).

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
	19-Sep-19	12-Sep-19	19-Aug-19	19-Jun-19	19-Mar-19	19-Sep-18	
Dec-19	179.29	177.73	173.60	196.93	178.65	210.61	-14.87
Mar-20	181.59	179.75	176.17	200.78	183.42	214.93	-15.51
May-20	183.24	181.22	178.19	201.79	185.81	218.79	-16.25
Jul-20	184.53	182.32	179.93	200.69	186.46	216.86	-14.91
Sep-20	187.28	184.89	182.97	202.53	189.03	219.15	-14.54
Dec-20	191.78	189.58	187.28	206.66	193.07	223.20	-14.07

CBOT Dec-19

1st Support: 157.00
2nd Support: 155.00
1st Resistant: 197.00
2nd Resistant: 199.00
(\$ per tonne)

Wheat CBOT closed at \$4.84 per bushel. U.S. wheat export sales during the week ended 12th September was 287000 tonnes compared to 611000 tonnes last week. Sales were below the trade expectation of 300000-600000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 16th September, U.S. spring wheat harvest is 76% complete compared to 96% last year. Planting of U.S. winter wheat is at 8%. CBOT wheat prices are likely to stay steady to weak in upcoming weeks due ample global supplies. Wheat futures increased last week on technical buying and short covering.

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 \$301.53 - 305.14 per tonne. US and Russian quotes are hovering in the range of \$215.47 and \$182.00 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 \$170 to \$230 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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