

Wheat Weekly Research Report

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

All India weekly average prices increased by 3.08 percent to Rs. 2191.38 per quintal during the week ended 30th September 2019. Wheat average price were ruling at Rs 2125.93 per quintal during 16-23 September 2019. As compared to prices in the week 24-30 September 2018, the prices are firm by 9.68 percent. Prices are expected to remain steady to firm in coming days due to no import parity and likely increase in demand in domestic market.

Government has sold 513100 tonnes of wheat in OMSS until third tender in September'19. No rakes were sold. State government and bulk consumers bought 201550 tonnes and 311550 tonnes of wheat respectively. In the month of September'19 government has sold 176400 tonnes in three tenders against offered quantity of 5798523 tonnes. For second, third and fourth quarter reserve price will be Rs 2135 per quintal, Rs 2190 per quintal and Rs 2245 per quintal respectively. Stock with millers/traders has diminished and sales through OMSS is likely to witness an increasing trend in upcoming weeks.

Wheat future October contract closed at Rs 2081.00 per quintal during last week after touching a high of Rs 2090.00 per quintal. Government will increase reserve price from October to Rs 2190 per quintal. Prices are expected to increase due to festive demand and no imports.

As per latest update, Madhya Pradesh is focusing on Malwa-nimar region to make up for losses suffered in kharif season by increasing rabi acreage. Wheat acreage in 2019 was 60 lakh hectares and it is likely to cross 63 lakh hectares in 2020. Given good soil moisture and abundant availability of water in reservoir a bumper crop can be expected under normal conditions.

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 \$341.60 (Rs 24099.88) per tonne and \$468.50 (Rs 33052.39) 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 23750-24350 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$302.98 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$183.90, \$185.50, Euro 182.66, \$211.79.47 and \$208.37 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

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 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. 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 abundant supplies this year to tackle any unexpected rise in wheat prices

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.

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. 2025 & 2155 respectively.



Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 July -2019	6312.15	329.31
09-16 July -2019	1986.84	330.22
17-24 July -2019	3891.29	305.94
25-31 July -2019	4833.25	293.52
Total	17023.53	

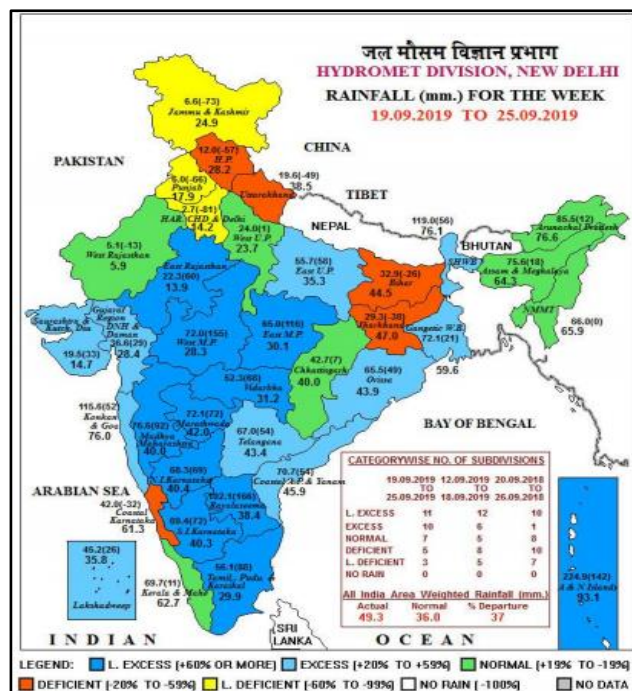
Source: Trade

Wheat Import

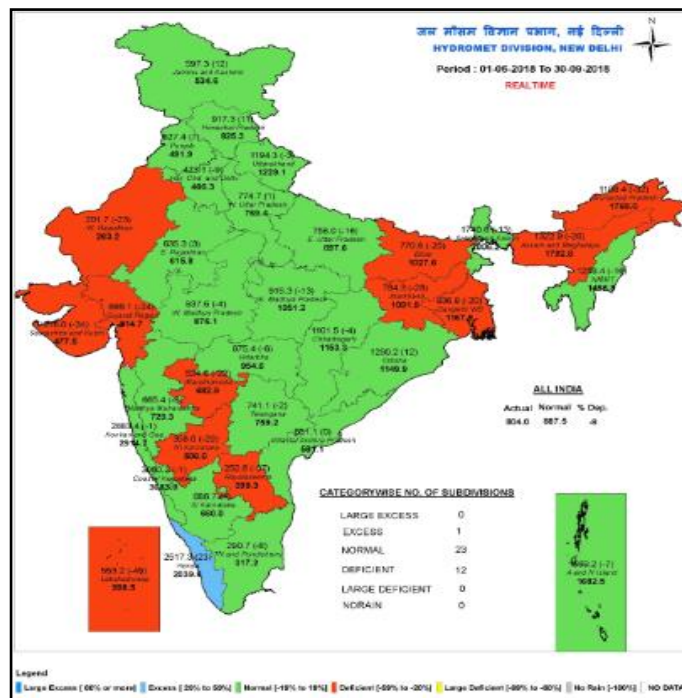
Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

Monsoon



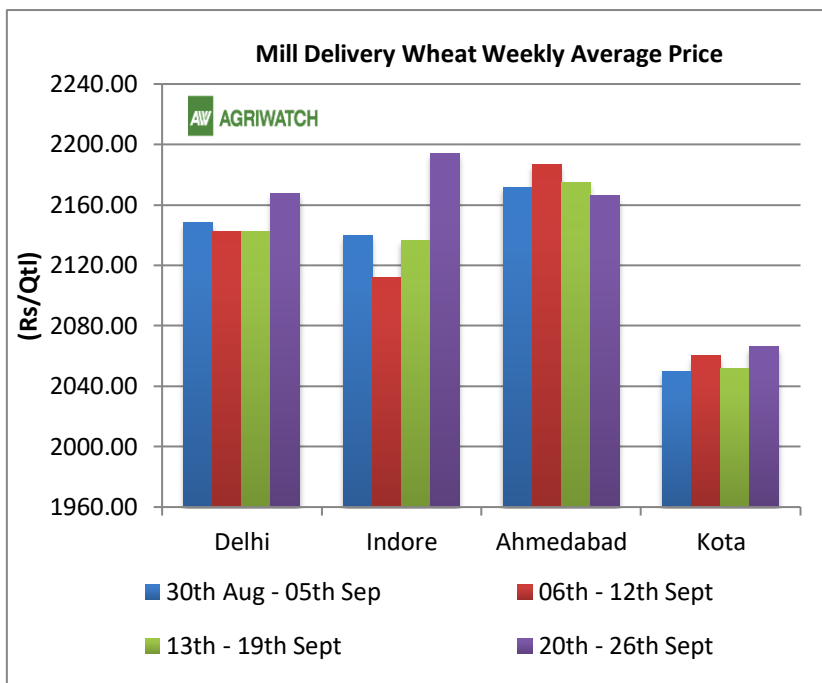
Source: IMD



Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Kota and Indore during 20th-26th September 2019. Prices were weak in Ahmedabad.

Prices witnessed firm sentiments in past week. Market is likely to trade steady to firm in upcoming weeks as domestic demand is good. 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 J26-an	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

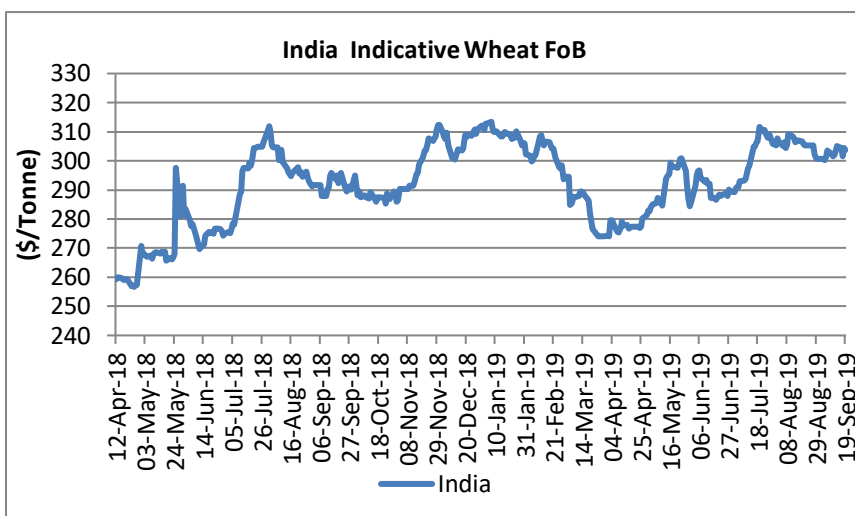
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

FOB Quote for Wheat at Kandla

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Wheat FoB quote in India witnessed steady 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 \$300-308 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
		26-Sep-19	19-Sep-19	26-Aug-19	26-Sep-18	
USA (Chicago)	2SRW	212.49	215.69	207.17	215.80	-1.53
France	FCW3	184.10	183.51	185.61	237.86	-22.60
Australia	ASW	209.04	207.70	197.65	261.34	-20.01
Russia	SRW	184.50	184.00	183.50	209.50	-11.93
India	Fob	302.58	303.86	Closed	290.88	4.02

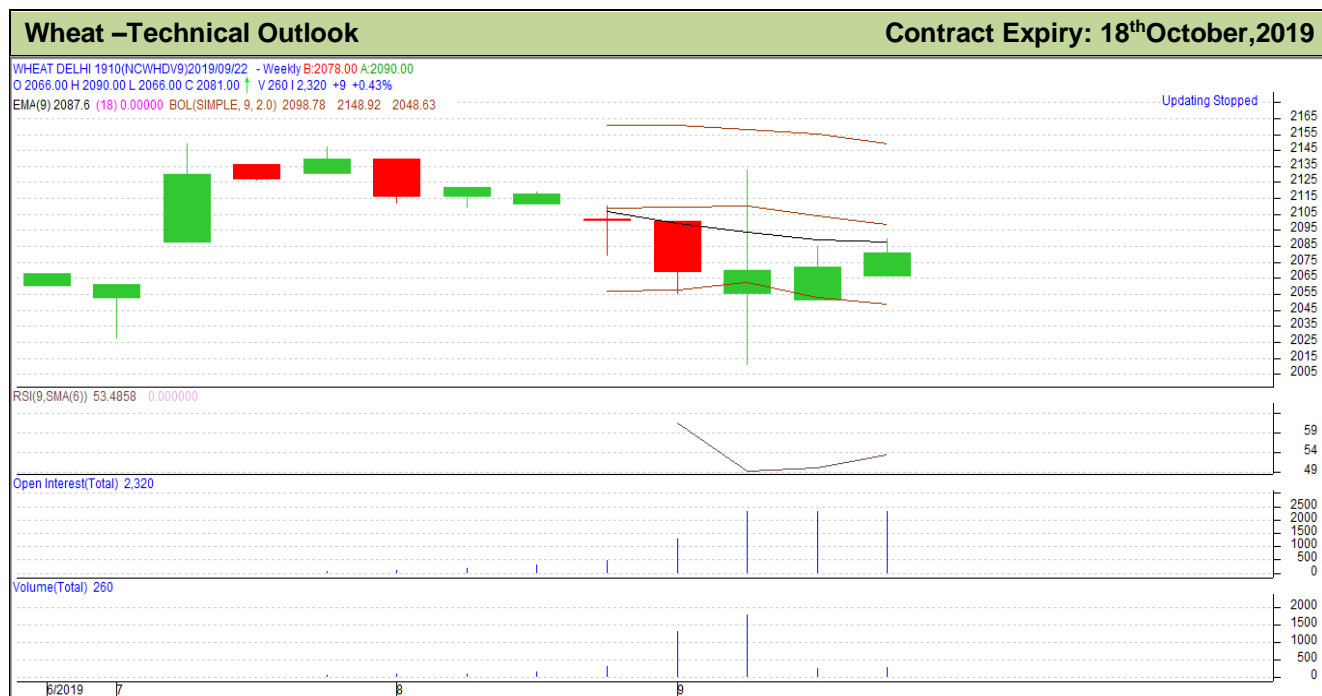
	26/09/2019	19/09/2019	12/09/2019	05/09/2019
Black Sea Mill Wheat 12.5% FOB Pmax.(\$/T)	189	187	185	187
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	186	186	182	185

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 27.09.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	+1	2080	2090	2075	2081	160	+130	2320	+10
19-Oct	+10	2100	2110	2110	2110	10	0	80	+10
19-Nov	+19	2120	2139	2139	2139	0	0	0	0

Wheat Technical Analysis:

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Technical Commentary:

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

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	October	2040	2025	2081	2135	2155
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	October	Buy	Above 2077	2100	2118	2064

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
	26-Sep-19	18-Sep-19	26-Aug-19	26-Sep-18	
Indore	2097	2100	2113	2013	4.17
Delhi	2183	2146	2143	2028	7.64
Kanpur	2070	2035	2060	1980	4.55
Rajkot	2100	2103	NA	2056	2.14
Kota	2041	2038	2043	2022	0.94

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
			26-Sep-19	25-Sep-19	19-Sep-19	26-Aug-19	26-Sep-18
Delhi	Lawrence Road	Mill Delivery	2185	2185	2145	2140	2040
	Narella	Mill Quality Loose	2060	Closed	2020	2040	Closed
	Nazafgarh	Mill Quality Loose	2050	Closed	2025	2020	Closed
Gujarat	Rajkot	Mill Delivery	2080	2080	2100	Closed	2050
	Ahmedabad	Mill Delivery	2165	2165	2170	Closed	2125
	Surat	Mill Delivery	2240	2240	2240	Closed	2160
	Dhrol	Mill Delivery	2175	2100	2085	2080	NR
M.P.	Indore	Mill Delivery	2210	2200	2160	2160	2070
	Bhopal	Mill Quality Loose	2000	2020	2050	2000	1925
Rajasthan	Kota	Mill Quality Loose	1940	1935	1950	1970	1915
		Mill Delivery	2050	2100	2060	2100	2020
U.P.	Kanpur	Mill Delivery	2020	2020	2050	2050	1950
	Mathura	Mill Quality Loose	1950	1950	1895	1920	1860
	Kosi	Mill Quality Loose	1980	1975	1960	1970	1865
	Hathras	Mill Quality Loose	1900	1900	1890	1920	NR
	Aligarh	Mill Quality Loose	1960	Closed	1920	1955	Closed
Punjab	Khanna	Mill Quality Loose	1950	1950	1930	1950	1860
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2010	2010	2000	2025	1840
	Hodal	Mill Delivery	NA	NA	NA	NA	2030
	Bhiwani	Mill Quality Loose	2030	2030	2030	2010	1925
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2375	2400	2400	2450	2350



	Madurai	Mill Quality	2432	2500	2550	2550	2450
	Coimbatore	Mill Quality	2432	2550	2600	2600	2500
Bihar	Khagariya	Mill Delivery	2100	2100	2100	2050	1800
	Muzaffarpur	Mill Delivery	2000	2000	2000	2030	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:**([Back to Table of Contents](#))**

As per latest update, Japan's ministry of agriculture bought 122346 MT of food quality wheat from United States and Canada. Around 56111 MT has been bought from United States and 66235 tonnes from Canada. Japan is the world's sixth largest importer in the world. The quantity is expected to be loaded between 21st October-20th November.

GASC (General Authority for Supply Commodities) has purchased 300000 tonnes of Russian and French wheat through tender. Of the total quantity 240000 tonnes was of Russian origin and 60000 tonnes is of French origin. Agro AST offered 60000 tonnes of Russian wheat at FoB \$196.45 per tonne, Grain Export offered 60000 tonnes of Russian wheat at FoB \$197.75 per tonne, Posco International offered 120000 tonnes of Russian wheat at FoB \$197.50 per tonne and Glencore offered 60000 tonnes of French wheat at FoB \$193.75 per tonne. Egypt is the largest importer of wheat and imports around 12 MMT of wheat every year.

Black sea milling wheat prices became firm by \$1-2 per tonne at Novorossiysk and \$3 per tonne at Odessa port compared to last week. Strong currency and increase in foreign demand supported the prices. As of now Russian milling wheat with 12.5% protein content at Novorossiysk and Odessa port are being quoted at FoB \$185-189/tonne and FoB \$184-188/tonne

European union wheat prices have reached a six week high due to weakness in euro and continuous import tenders. December milling wheat on the Paris-based Euronext exchange was up 2.25 euros, or 1.3%, at 173.00 euros (\$189.16) a tonne.

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.

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.

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.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				29.08.2019	26.09.2019
Production	757	762	733	764	764
Trade	177	176	169	172	172
Consumptions	736	739	739	758	757
Carryover stocks	248	271	265	271	272
Y-O-Y change	21	22	-5	-	6
Major Export	79	83	70	68	69

- 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
	26-Sep-19	19-Sep-19	26-Aug-19	26-Jun-19	26-Mar-19	26-Sep-18	
Dec-19	177.91	179.29	174.61	204.37	182.60	210.70	-15.56
Mar-20	180.12	181.59	176.90	207.67	187.37	214.56	-16.05
May-20	181.59	183.24	178.19	208.22	189.39	216.86	-16.26
Jul-20	183.15	184.53	179.47	206.20	189.85	215.20	-14.90
Sep-20	186.09	187.28	182.23	208.32	192.24	217.78	-14.55
Dec-20	190.77	191.78	186.55	212.27	196.38	221.73	-13.96

CBOT Dec-19

1st Support: 160.00
2nd Support: 158.00
1st Resistant: 199.00
2nd Resistant: 201.00
(\$ per tonne)

Wheat CBOT closed at \$4.87 per bushel. U.S. wheat export sales during the week ended 12th September was 283000 tonnes compared to 287000 tonnes last week. Sales were below the trade expectation of 200000-500000 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 87% complete compared to 99% last year. Planting of U.S. winter wheat is at 22%. CBOT wheat prices closed higher due to rainfall in northern plains. Crop quality concern is another main reason for increase in wheat prices.

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 \$301.77–303.86 per tonne.

US and Russian quotes are hovering in the range of \$212.44 and \$183.9200 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 \$225 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 19.7MMT 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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