

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 2.94 percent to Rs. 2127.05 per quintal during the week ended 07th October 2019. Wheat average price were ruling at Rs 2191.38 per quintal during 24-30 September 2019. As compared to prices in the week 01-07 October 2018, the prices are firm by 4.54 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.

Monsoon rainfall in India was above average by 10% in 2019. India has received 259.30 mm of actual rainfall against 170.20 mm of normal rainfall during 01st to 30th September-2019. India's cumulative rainfall during 01st June- 25th September was 910.20 mm, which is above 6% of the LPA. Furthermore, extra rains in June-September will also help in providing adequate soil moisture for winter crops, thereby boosting yields. Under normal conditions another good harvest of wheat may be on the cards in upcoming Rabi season.

Wheat future October contract closed at Rs 2086 per quintal after touching a low of Rs 2020 per quintal. Demand for wheat is good in domestic market and government has ample stocks to meet emerging demand. However, wheat prices in domestic market are not able to get much support from exports as other countries such as Russia, Ukraine and Australia are able to provide wheat at lower prices. Traders are advised to buy on dip.

The agriculture ministry has proposed to increase Minimum support price (MSP) of wheat from current Rs 1840 per quintal to Rs 1925 per quintal. The proposal is still under consideration. The increase in MSP is likely to boost sowing of wheat.

Supply side for FAQ is likely to be good as ample stock is available in domestic market due to three consecutive good production years. Government has procured 34.1 MMT in MY 2019-20 lower by 1.6 MMT compared to MY 2018-19. Demand from south Indian millers is good after application of 40% import duty. No import parity has also increased demand for domestic wheat.

Indian FoB quote is hovering around \$302.39 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$188.00, \$189.38, Euro 169.81, \$214.46 and \$208.54 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

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. Stock with millers/traders has diminished and sales through OMSS is likely to witness an increasing trend in upcoming weeks.

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 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 November contract taking care of lower and upper price tag of Rs. 2080 & 2230 respectively.

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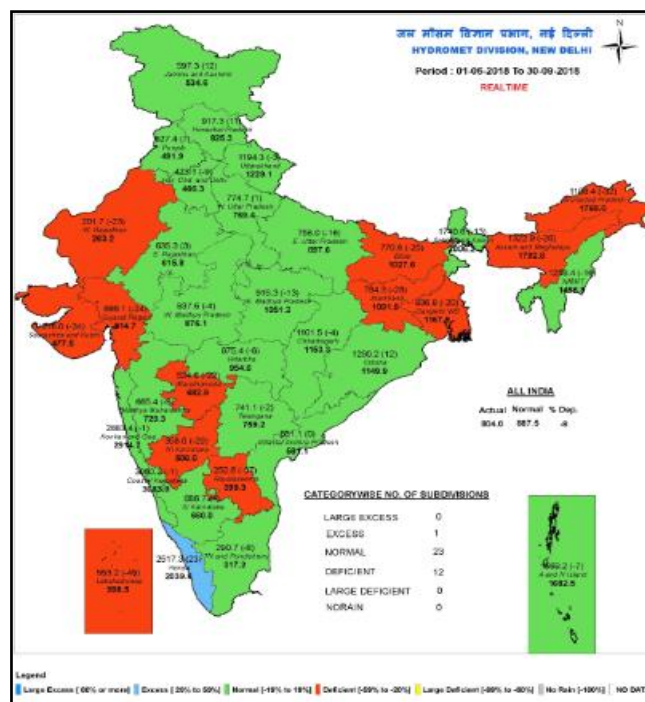
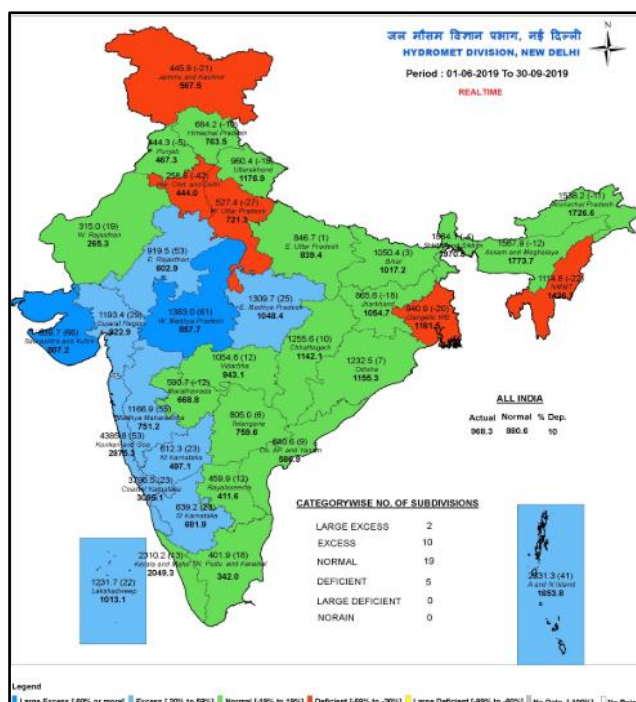
Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 August -2019	6312.15	329.31
09-16 August -2019	1986.84	330.22
17-24 August -2019	3891.29	305.94
25-31 August -2019	4833.25	293.52
Total	17023.53	

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, Ahmedabad and Indore during 27th September- 03rd October 2019.

Prices witnessed firm sentiments in past week. Market is likely to trade steady to firm in upcoming weeks due to festive demand and lean season. Government has also proposed increase in MSP to Rs 1940 per quintal for upcoming Rabi season. Furthermore, as of now there is no import parity due to import duty of 40 percent. Domestic stock position is good leaving no room for unexpected increase in prices. Sales through OMSS have also improved in past weeks due to diminishing stock with traders and millers.

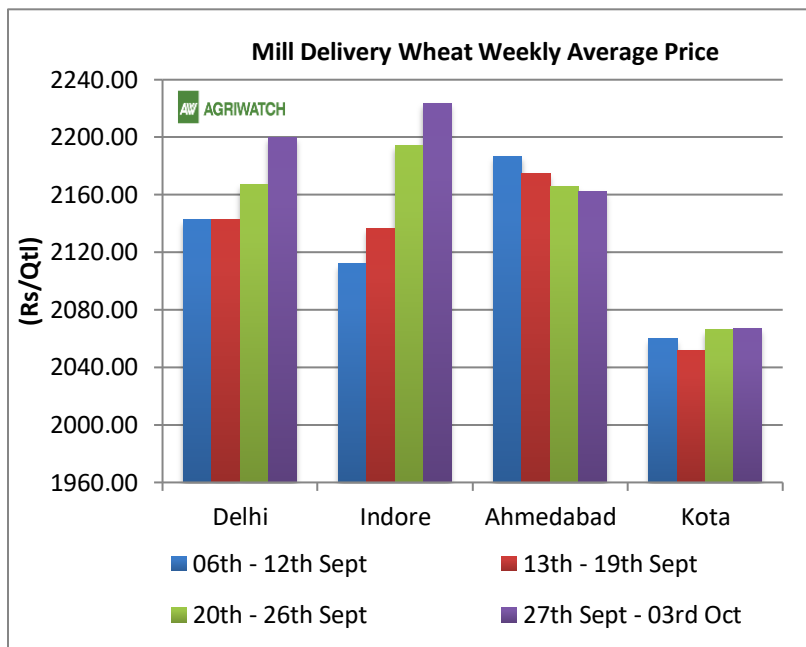

Wheat and Rice Stocking Norms
Wheat Stock Norms

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

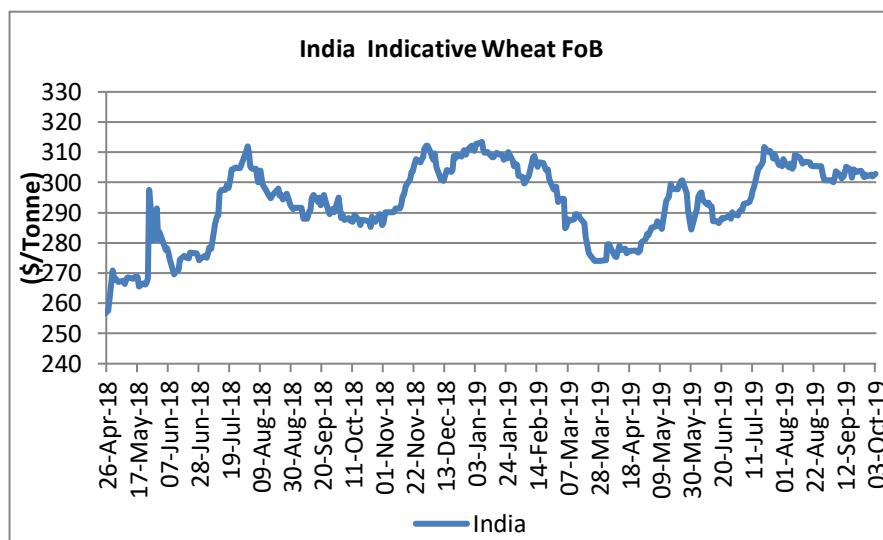
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

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 \$300-307 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
		3-Oct-19	26-Sep-19	3-Sep-19	3-Oct-18	
USA (Chicago)	2SRW	214.50	212.49	197.40	216.80	-1.06
France	FCW3	187.61	184.10	179.78	230.63	-18.65
Australia	ASW	214.40	209.04	198.99	250.39	-14.37
Russia	SRW	189.00	184.50	182.50	216.00	-12.50
India	Fob	302.80	302.58	Closed	288.14	5.09

	03/10/2019	26/09/2019	19/09/2019	12/09/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	196	189	187	185
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	192	186	186	182

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price							Date: 04.10.2019		
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	-2	2088	2090	2080	2086	240	160	1950	-150
19-Oct	15	2135	2150	2150	2150	200	190	330	150
19-Nov	0	2129	2129	2129	2129	0	0	0	0

Wheat Technical Analysis:
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Wheat –Technical Outlook **Contract Expiry: 20th November,2019**

Technical Commentary:

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

Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	November	2100	2080	2150	2215	2230
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	November	Buy	Above 2145	2175	2195	2127

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
	3-Oct-19	25-Sep-19	3-Sep-19	3-Oct-18	
Indore	2130	2095	NA	2012	5.89
Delhi	2201	2181	2150	2032	8.33
Kanpur	2087	2050	2050	1928	8.27
Rajkot	2100	2100	NA	NA	-
Kota	2051	2033	NA	2018	1.63

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
			03-Oct-19	01-Oct-19	26-Sep-19	03-Sep-19	03-Oct-18
Delhi	Lawrence Road	Mill Delivery	2205	2210	2185	2150	2040
	Narella	Mill Quality Loose	2100	2090	2060	2040	Closed
	Nazafgarh	Mill Quality Loose	2150	2125	2050	2025	Closed
Gujarat	Rajkot	Mill Delivery	2090	2075	2080	Closed	2060
	Ahmedabad	Mill Delivery	2165	2160	2165	Closed	2130
	Surat	Mill Delivery	2240	2240	2240	Closed	2150
	Dhrol	Mill Delivery	2175	2275	2175	NR	NA
M.P.	Indore	Mill Delivery	2235	2220	2210	2150	2070
	Bhopal	Mill Quality Loose	2025	2040	2000	2050	1900
Rajasthan	Kota	Mill Quality Loose	1930	1915	1940	Closed	1895
		Mill Delivery	2075	2060	2050	Closed	2000
U.P.	Kanpur	Mill Delivery	2070	2030	2020	Closed	1975
	Mathura	Mill Quality Loose	2000	1980	1950	1920	1825
	Kosi	Mill Quality Loose	2000	2000	1980	1960	NR
	Hathras	Mill Quality Loose	1960	1980	1900	1930	1860
	Aligarh	Mill Quality Loose	Closed	1990	1960	1940	Closed
Punjab	Khanna	Mill Quality Loose	1950	1950	1950	1970	1850
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2020	2020	2010	2020	1850
	Hodal	Mill Delivery	NA	NA	NA	NA	2030
	Bhiwani	Mill Quality Loose	2100	2100	2030	2010	1940
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2400	2400	2375	Closed	2350



	Madurai	Mill Quality	2457	2550	2475	Closed	2450
	Coimbatore	Mill Quality	2457	2600	2525	Closed	2500
Bihar	Khagariya	Mill Delivery	2050	2050	2100	2050	1800
	Muzaffarpur	Mill Delivery	2015	2000	2000	2000	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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Black sea milling wheat prices became firm by \$6-7 per tonne at Novorossiysk and \$6 per tonne at Odessa port compared to last week. Increase in global demand and farmers policy to hold on to grains supported the prices. As of now Russian milling wheat with 12.5% protein content at Novorossiysk and Odessa port are being quoted at FoB \$191-196/tonne and FoB \$190-194/tonne.

South Korea's largest animal feed maker has bought, NOFI, has bought around 60000 tonnes of feed wheat at \$225.87 C&F. The quantity is expected to arrive around 20th Jan-2020. The seller is expected to be trading house glencore.

GASC (General Authority for Supply Commodities) has purchased 60000 tonnes of French wheat through tender. Glencore offered 60000 tonnes at FoB \$199.10 per tonne. The shipment is to be done between 05-15 November. Egypt is the largest importer of wheat and imports around 12 MMT of wheat every year.

Russia's Deloports, which owns 75% of KSK grain terminal in Novorossiysk, has started talks with potential buyers after COFCO withdrew from talks. KSK moves around 4.5 MMT of grain annually. More investment will help KSK in expanding and reaching its goal of boosting its grain export to 6 MMT by 2021.

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.

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.

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
	03-Oct-19	26-Sep-19	03-Sep-19	03-Jul-19	03-Apr-19	04-Oct-18	
Dec-19	179.57	177.91	166.62	192.98	181.95	213.46	-15.88
Mar-20	182.32	180.12	168.91	197.39	186.82	217.78	-16.28
May-20	184.43	181.59	170.84	199.41	189.39	220.16	-16.23
Jul-20	186.00	183.15	172.49	199.87	190.04	220.07	-15.48
Sep-20	188.84	186.09	175.71	202.44	192.33	222.74	-15.22
Dec-20	193.53	190.77	180.67	206.20	196.56	226.50	-14.56

CBOT Dec-19

1st Support: 161.00
2nd Support: 159.00
1st Resistant: 199.00
2nd Resistant: 201.00
(\$ per tonne)

Wheat CBOT closed at \$4.90 per bushel. U.S. wheat export sales during the week ended 26th September was 328000 tonnes compared to 283000 tonnes last week. Sales were below the trade expectation of 200000-600000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 30th September, U.S. spring wheat harvest is 90% complete compared to 100% last year. Planting of U.S. winter wheat is at 39%. CBOT wheat prices are expected to trade steady to firm due to crop quality concerns. Furthermore, minimal selling by farmers is likely to support 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 \$302.00-302.80 per tonne.

US and Russian quotes are hovering in the range of \$214.46 and \$188.00 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 \$175 to \$250 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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