

# Wheat Weekly Research Report

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### Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 0.42 percent to Rs. 2135.90 per quintal during the week ended 14th October 2019. Wheat average price were ruling at Rs 2127.05 per quintal during 01-08 October 2019. As compared to prices in the week 09-15 October 2018, the prices are firm by 5.99 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.

Wheat WPI has increased from 156.5 in August -2019 to 158.3 in September-2019. Monthly wheat inflation has increased by 1.15 percent in September-2019 compared to previous month. As compared to September -2018 wheat WPI has increased by around 5.67 percent. Wheat WPI is expected to stay steady to firm in coming month.

Wheat prices are expected to trade steady to firm in upcoming weeks due to lean season and festive demand. Overall market is expected to remain bullish. However, traders are cautious given huge stockpiles of wheat with government. Exports are also at lower side as other wheat producing countries are able to provide wheat at lower price.

Farmers in Punjab's flood affected area are likely to get free wheat seed. The state government will provide high quality wheat seeds to farmers in flood hit districts such as Moga, Jalandhar, Kapurthala, Fazilka, etc. The flood affected 30000 hectares of land therefore, around 30000 quintal of seed will be provided. Although flood adversely affected the crop, it has increased soil moisture for upcoming rabi crops.

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 \$352.80 (Rs 24713.64) per tonne and \$437.08 (Rs 30617.45) 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 23250-24000 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$306.62 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$191.60, \$192.60, Euro 173.65, \$216.72 and \$214.40 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

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.

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.

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. 2050 & 2205 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
<b>Total</b>	<b>17023.53</b>	

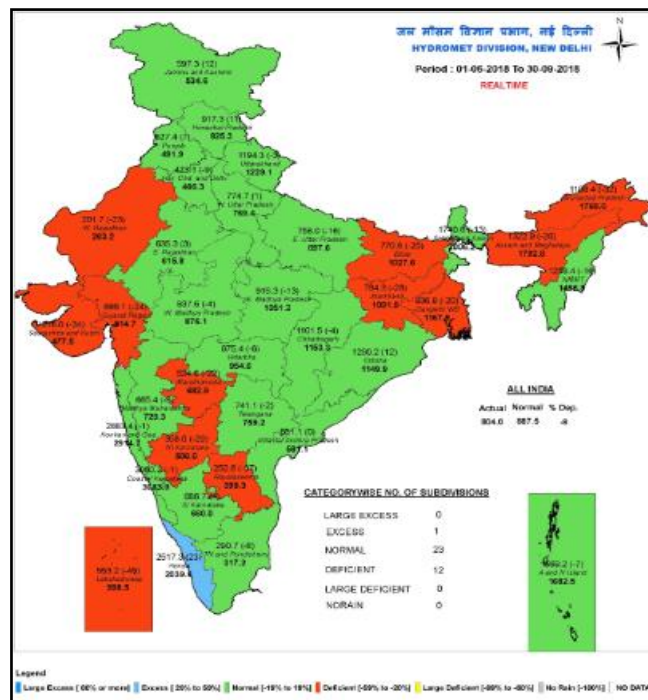
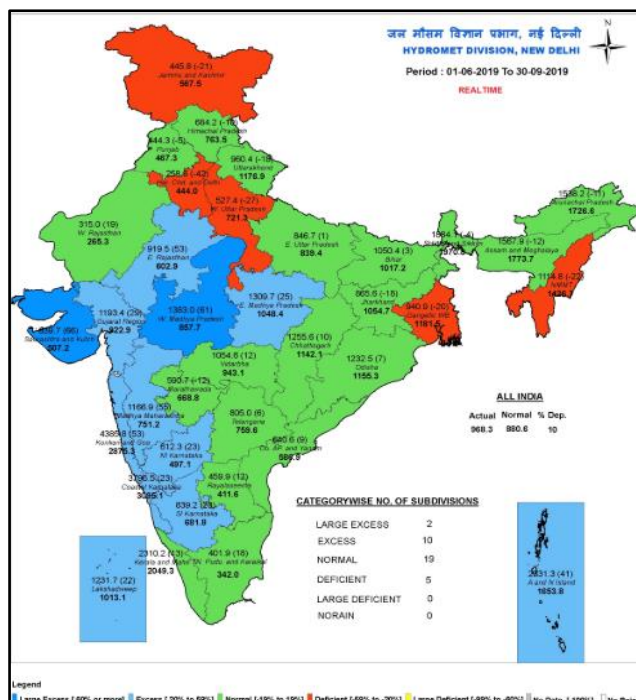
Source: Trade

### Wheat Import

Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	<b>Total</b>		

Source: Trade

### Monsoon

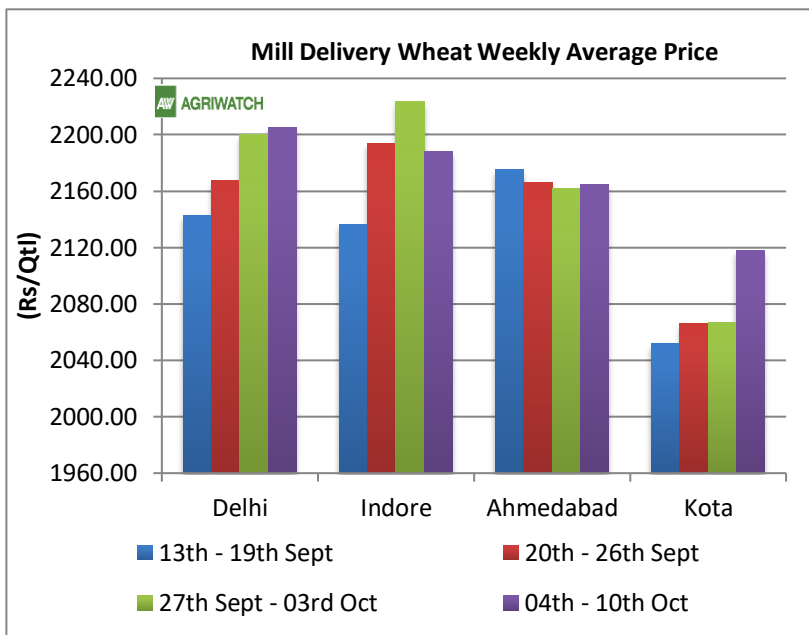


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Kota and Ahmedabad during 04<sup>th</sup> -10<sup>th</sup> October 2019.

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

<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 J26-an	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

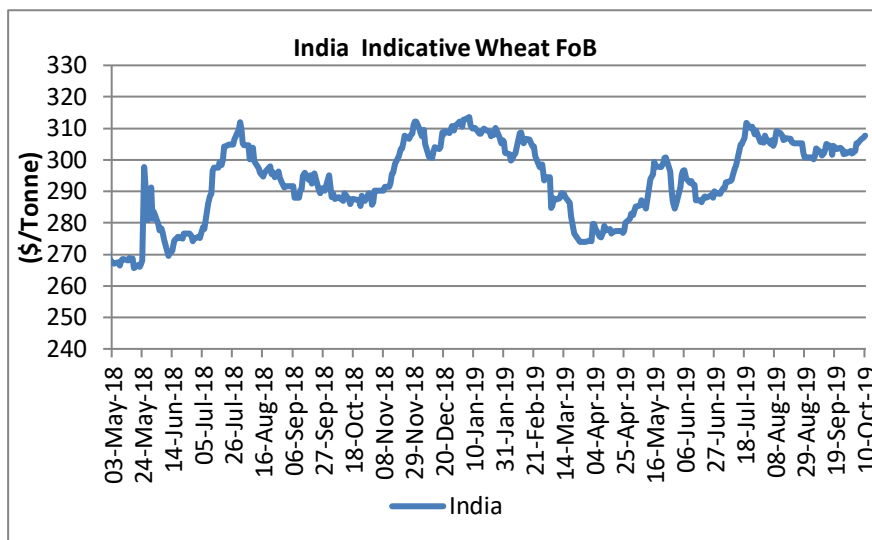
State/UTs	Procurement as on 24 <sup>th</sup> June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	<b>40.34</b>	<b>300.81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

### 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 \$305-311 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
		10-Oct-19	3-Oct-19	10-Sep-19	10-Oct-18	
USA (Chicago)	2SRW	216.00	214.50	209.20	216.60	-0.28
France	FCW3	192.54	187.61	183.05	233.19	-17.43
Australia	ASW	214.40	214.40	204.35	254.04	-15.60
Russia	SRW	193.00	189.00	179.50	218.00	-11.47
India	Fob	307.62	302.80	301.45	287.33	7.06

	10/10/2019	03/10/2019	26/09/2019	19/09/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	197	196	189	187
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	196	192	186	186

### NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date: 11.10.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Sep	+2	2091	2100	2080	2093	820	+650	910	-800
19-Oct	-4	2130	2135	2120	2126	820	+800	1280	+800
19-Nov	+10	2169	2159	2159	2159	0	0	0	0

### Wheat Technical Analysis:

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### Technical Commentary:

- Fall in price and rise in open interest indicates short buildup.
- RSI is moving in neutral region.
- Prices closed between 9 and 18 day EMAs.

### Strategy: Buy

			S1	S2	PCP	R1	R2
Wheat	NCDEX	November	2070	2050	2126	2190	2205
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	November	Buy	Above 2116	2150	2170	2096

### 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
	10-Oct-19	3-Oct-19	10-Sep-19	10-Oct-18	
Indore	2175	2130	2090	2000	8.75
Delhi	2210	2201	2128	2050	7.80
Kanpur	2097	2087	2028	1975	6.18
Rajkot	2122	2100	2106	2060	3.01
Kota	2074	2051	2027	2022	2.57

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 no import parity 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
			10-Oct-19	09-Oct-19	03-Oct-19	10-Sep-19	10-Oct-18
Delhi	Lawrence Road	Mill Delivery	2215	2210	2205	2135	2050
	Narella	Mill Quality Loose	2130	Closed	2100	2020	Closed
	Nazafgarh	Mill Quality Loose	2125	Closed	2150	2035	Closed
Gujarat	Rajkot	Mill Delivery	2120	2120	2090	2100	2065
	Ahmedabad	Mill Delivery	2170	2165	2165	2170	2130
	Surat	Mill Delivery	2250	2240	2240	2240	2160
	Dhrol	Mill Delivery	2240	2140	2175	2030	2055
M.P.	Indore	Mill Delivery	2130	2130	2235	2100	2075
	Bhopal	Mill Quality Loose	2050	2050	2025	Closed	Closed
Rajasthan	Kota	Mill Quality Loose	1990	1980	1930	1940	Closed
		Mill Delivery	2160	2120	2075	2075	Closed
U.P.	Kanpur	Mill Delivery	2100	Closed	2070	Closed	1960
	Mathura	Mill Quality Loose	1980	1985	2000	1880	1832
	Kosi	Mill Quality Loose	1980	2010	2000	1950	1980
	Hathras	Mill Quality Loose	1960	1960	1960	1900	1850
	Aligarh	Mill Quality Loose	2000	Closed	Closed	1940	Closed
Punjab	Khanna	Mill Quality Loose	1960	1960	1950	1960	NA
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2030	2040	2020	2010	1840
	Hodal	Mill Delivery	NA	NA	NA	NA	NA
	Bhiwani	Mill Quality Loose	2120	2120	2100	2030	1950
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2325	2325	2400	2300	Closed



	Madurai	Mill Quality	2382	2550	2550	2550	Closed
	Coimbatore	Mill Quality	2382	2600	2600	2600	Closed
Bihar	Khagariya	Mill Delivery	2050	2050	2050	2000	1800
	Muzaffarpur	Mill Delivery	2000	2025	2015	2025	1950

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	<b>-1.72</b>	
Chhattisgarh	1.05	1.73	1.85	1.68	<b>-9.19</b>	
Gujarat	10.85	9.96	10.76	8.07	<b>-24.97</b>	
Haryana	25.46	25.38	25.26	25.16	<b>-0.40</b>	
Himachal Pradesh	3.48	3.59	3.6	3.50	<b>-2.78</b>	
J&K	2.94	2.31	2.93	2.44	<b>-16.88</b>	
Jharkhand	1.76	2.08	2.31	1.64	<b>-29.07</b>	
Karnataka	1.95	1.57	2.09	1.50	<b>-28.37</b>	
Madhya Pradesh	57.24	64.22	53.16	60.00	<b>12.87</b>	
Maharashtra	10.24	10.52	9.4	5.69	<b>-39.44</b>	
Punjab	35.06	35	35.1	35.02	<b>-0.23</b>	
Rajasthan	30.26	30.67	30.2	28.25	<b>-6.46</b>	
Uttar Pradesh	97.44	100.52	98.67	99.13	<b>0.47</b>	
Uttarakhand	3.47	3.59	3.58	3.45	<b>-3.63</b>	
West Bengal	3.30	3.39	1.36	1.05	<b>-22.79</b>	
Others	0.61	0.21	0.75	0.23	<b>-69.33</b>	
All-India	<b>306.29</b>	<b>317.81</b>	<b>304.29</b>	<b>299.68</b>	<b>-1.52</b>	

Source: Ministry of Agriculture

### International Market Update:

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Black sea milling wheat prices became firm by \$1-3 per tonne at Novorossiysk and \$2 per tonne at Odessa port compared to last week. Decrease in arrival pressure and higher freight rates supported the prices. As of now Russian milling wheat with 12.5% protein content at Novorossiysk and Odessa port are being quoted at FoB \$194-197/tonne and FoB \$192-196/tonne.

As per latest update, Japan's ministry of agriculture bought 114012 MT of food quality wheat from United States and Canada. Around 60052 MT has been bought from United States and 53960 tonnes from Canada. Japan is the world's sixth largest importer in the world. The quantity is expected to be loaded between 21st November-20th December.

GASC has purchased 295000 tonnes of Ukrainian and Russian wheat through tender. Of the total quantity 115000 tonnes has been sourced from Ukraine and 180000 tonnes has been sourced from Russia. Grain export offered 60000 tonnes of Russian wheat at FoB \$204.72 per tonne, Grain export offered 60000 tonnes of Russian wheat at FoB \$205.15 per tonne, Hakkan offered 55000 tonnes of Ukrainian wheat at FoB \$201.60 per tonne, Posco offered 60000 tonnes of Russian wheat at FoB \$206.50 per tonne and Louis Dreyfus export offered 60000 tonnes of Ukrainian wheat at FoB \$206.67 per 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.

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.

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.

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
	10-Oct-19	03-Oct-19	10-Sep-19	10-Jul-19	10-Apr-19	10-Oct-18	
Dec-19	181.13	179.57	177.18	189.85	178.92	211.81	-14.48
Mar-20	183.61	182.32	179.11	194.54	184.16	216.31	-15.12
May-20	185.63	184.43	180.12	196.83	186.91	218.79	-15.16
Jul-20	187.37	186.00	181.04	197.20	187.74	217.59	-13.89
Sep-20	190.22	188.84	183.70	199.77	190.13	220.53	-13.74
Dec-20	194.72	193.53	188.20	203.82	194.35	224.48	-13.26

## CBOT Dec-19

**1<sup>st</sup> Support: 168.00**  
**2<sup>nd</sup> Support: 166.00**  
**1<sup>st</sup> Resistant: 206.00**  
**2<sup>nd</sup> Resistant: 208.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.08 per bushel. U.S. wheat export sales during the week ended 26<sup>th</sup> 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 30<sup>th</sup> September, U.S. spring wheat harvest is 90% complete compared to 100% last year. Planting of U.S. winter wheat is at 52%. 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 \$305.27-307.62 per tonne.

US and Russian quotes are hovering in the range of \$216.72 and \$191.60 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 \$240 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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