

# Wheat Weekly Research Report

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### Wheat Domestic Market Fundamentals

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Wheat prices traded firm in the past week due to good demand in the domestic market. However, prices are not able to get much support from exports as other countries like Australia, Russia, Ukraine, etc are able to provide wheat at more competitive prices. Prices are expected to remain steady to firm and traders are advised to buy on dip.

As per trade sources, India has imported 588.41 tonnes of Australian wheat during the month of September'19. The wheat has been imported in two lots. The first lot is for 484.74 MT at \$507.50 per tonne and the second lot is for 103.67 MT at \$406.49 per tonne. Both the prices are inclusive of import duty @ 40%. It can be seen that there is no import parity as mill quality and lokwan wheat in south India are being offered around Rs 2400 per quintal and Rs 2600 per quintal respectively. Therefore, the imported wheat is solely for the purpose of mixing to improve the overall quality of wheat.

As per trade source, India has exported around 10.64 thousand tonnes in the month of September-2019. The quantity in September-2019 was exported at an average FOB of \$ 373.12 per tonne and the major destinations were Nepal, Jordan, UAE and Somalia. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

India will be sending 75000 tonnes of wheat to Afghanistan in November-2019 via Chabahar port of Iran as part of its humanitarian gesture. The said quantity will be supplied from Kandla port in India. This will also help in easing the huge stock position with the government. Earlier India has supplied around 1.1 MMT of wheat to Afghanistan during the period September'17-March'18.

As per market sources, wheat stock in central pool as on 1st October'19 stood at 393.16 lakh tonnes down by 5.24% compared to last month. This quantity is higher by around 10.36% 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.

Indian FoB quote is hovering around \$310.94 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$196.20, \$196.40, Euro 177.15, \$225.20 and \$214.27 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 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.

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.

**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. 2090 & 2210 respectively.

Wheat Weekly Export
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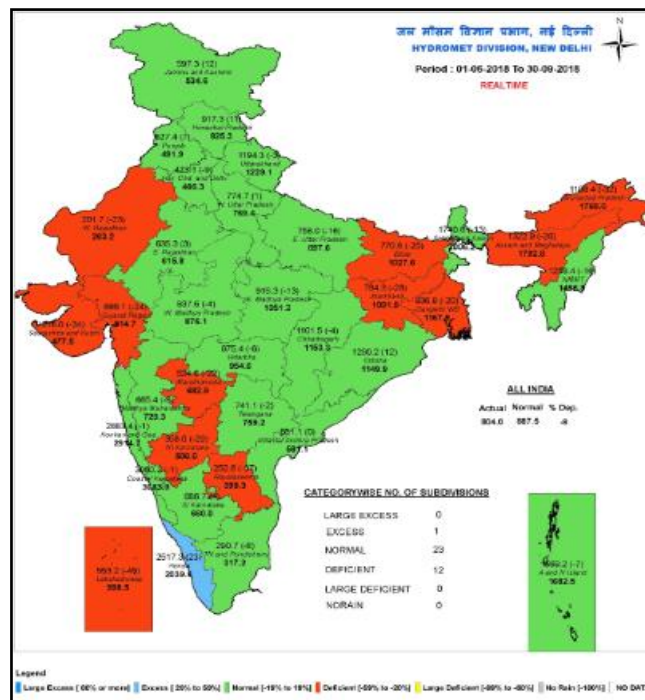
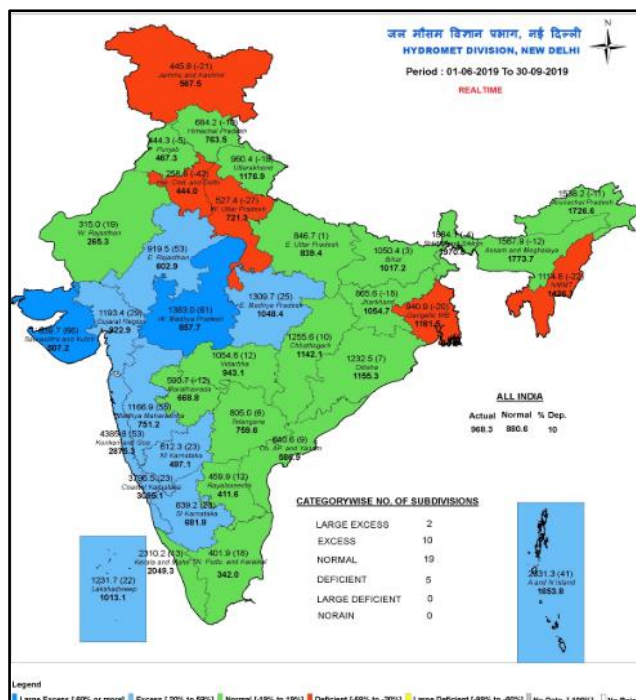
Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-08 September -2019	5200.21	371.11
09-16 September -2019	2502.67	307.78
17-23 September -2019	1681.90	378.80
24-30 September -2019	1255.81	326.99
<b>Total</b>	<b>10640.59</b>	

Source: Trade

Wheat Import

Date	Foreign Country	Port	Quantity in MT
September-2019	Australia	Tuticorin	588.41
	<b>Total</b>		<b>588.41</b>

Source: Trade

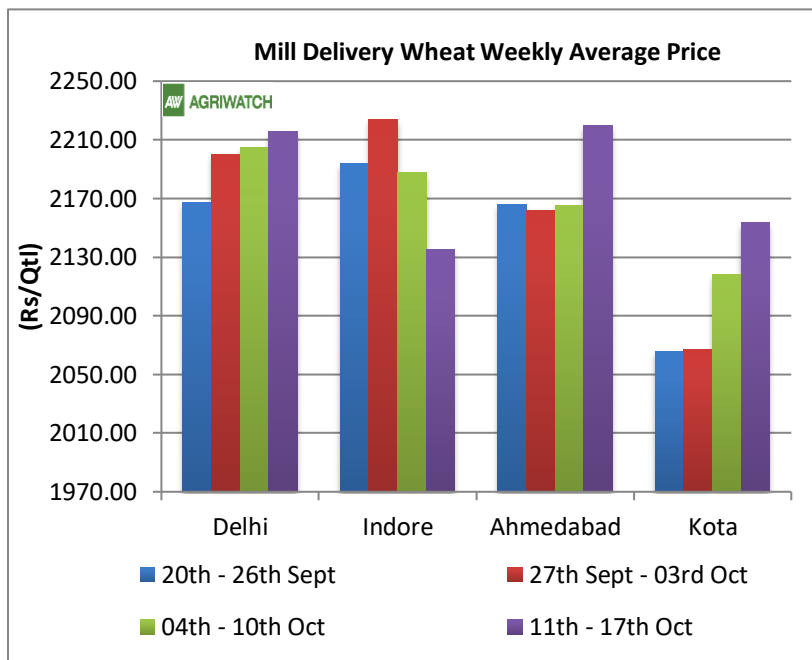
Monsoon


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 11<sup>th</sup> -17<sup>th</sup> October 2019.

Prices witnessed firm sentiments in past week. Market is likely to trade steady to firm in upcoming weeks due to good domestic demand and lean season. Sales through OMSS has also increased in past weeks. Government has targeted a sale of 10 MMT in MY 2019-20 through OMSS. Sales through OMSS in MY 2018-19 was around 8.2 MMT Furthermore, increase in MSP is likely to motivate farmers to sow more wheat in rabi season. Higher stock position of wheat with the government still remains an issue.


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

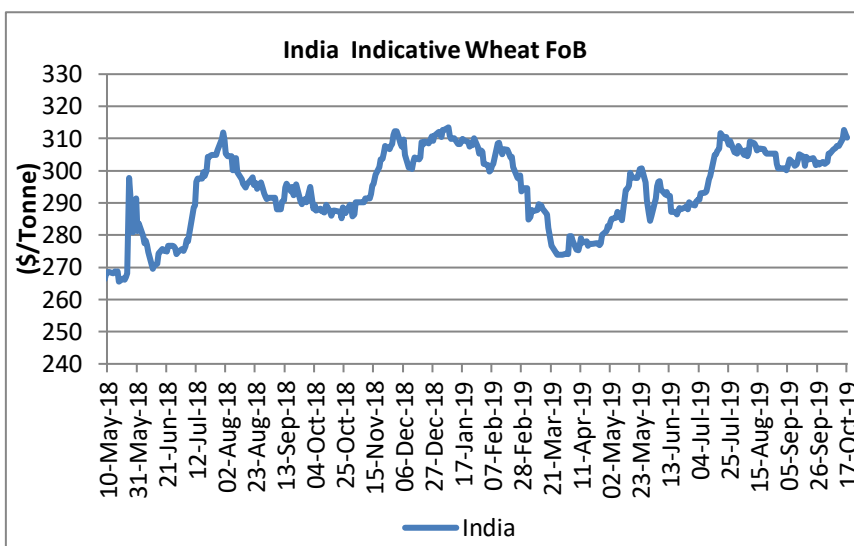
State/UTs	Procurement as on 24 <sup>th</sup> June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	<b>40.34</b>	<b>300.81</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 \$308-315 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
		17-Oct-19	10-Oct-19	17-Sep-19	17-Oct-18	
USA (Chicago)	2srw	229.80	216.00	214.60	219.50	4.69
France	FCW3	197.60	192.54	182.74	233.04	-15.21
Australia	ASW	214.40	214.40	207.70	255.50	-16.09
Russia	SRW	200.50	193.00	181.00	218.00	-8.03
India	Fob	310.22	307.62	301.53	287.52	7.90

	17/10/2019	10/10/2019	03/10/2019	26/09/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	205	197	196	189
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	200	196	192	186

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 18.10.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Nov	+25	2130	2170	2130	2170	50	-50	1360	+30
19-Dec	0	2165	2165	2165	2165	0	0	0	0
20-Jan	0	2214	2214	2214	2214	0	0	0	0

### Wheat Technical Analysis:

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#### Wheat –Technical Outlook Contract Expiry: 20<sup>th</sup> 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	2090	2141	2200	2210
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	November	Buy	Above 2135	2165	2185	2117

### 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
	17-Oct-19	10-Oct-19	17-Sep-19	17-Oct-18	
Indore	2187	2175	2100	2013	8.64
Delhi	2225	2210	2140	2045	8.80
Kanpur	2087	2097	2042	1990	4.87
Rajkot	2150	2122	2098	2050	4.88
Kota	2068	2074	2033	2034	1.67

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
			17-Oct-19	16-Oct-19	10-Oct-19	17-Sep-19	17-Oct-18
Delhi	Lawrence Road	Mill Delivery	2225	2220	2215	2140	2060
	Narella	Mill Quality Loose	2100	Closed	2130	2030	Closed
	Nazafgarh	Mill Quality Loose	2100	Closed	2125	2025	Closed
Gujarat	Rajkot	Mill Delivery	2150	2160	2120	2100	2050
	Ahmedabad	Mill Delivery	2270	2260	2170	2180	2130
	Surat	Mill Delivery	2325	2325	2250	2250	2160
	Dhrol	Mill Delivery	2220	2235	2240	NR	2075
M.P.	Indore	Mill Delivery	2160	2130	2130	2160	2075
	Bhopal	Mill Quality Loose	2100	2040	2050	2080	Closed
Rajasthan	Kota	Mill Quality Loose	2015	2010	1990	1940	1900
		Mill Delivery	2160	2160	2160	2050	2020
U.P.	Kanpur	Mill Delivery	2090	2080	2100	2015	1945
	Mathura	Mill Quality Loose	NA	NA	1980	1890	1810
	Kosi	Mill Quality Loose	2000	2000	1980	1960	1915
	Hathras	Mill Quality Loose	1960	1960	1960	1900	1890
	Aligarh	Mill Quality Loose	1970	Closed	2000	1920	1800
Punjab	Khanna	Mill Quality Loose	NA	1960	1960	1950	NA
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2070	2060	2030	2000	1845
	Hodal	Mill Delivery	NA	NA	NA	NA	NA
	Bhiwani	Mill Quality Loose	2125	2125	2120	2030	1980
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2325	2325	2325	2400	2300



	Madurai	Mill Quality	2382	2550	2550	2550	2500
	Coimbatore	Mill Quality	2382	2600	2600	2600	2550
Bihar	Khagariya	Mill Delivery	2100	2100	2050	2050	1800
	Muzaffarpur	Mill Delivery	2025	2030	2000	2000	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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The Saudi Arabia Grain Organization has purchased 605000 tonnes wheat through tender. The wheat was bought at an average price of C&F \$242.51 per tonne. The said quantity will arrive at three different ports. Around 370000 tonnes will arrive at Jeddah port, 180000 tonnes at Dammam and the remaining 55000 tonnes at Jizan port. The wheat is expected to arrive in Saudi Arabia during February-March 2020. The seller has the option of selecting origin.

Black sea milling wheat prices became firm by \$6-8 per tonne at Novorossiysk and \$6-7 per tonne at Odessa port compared to last week. Strong demand and unfavorable weather conditions in United States supported the prices. As of now Russian milling wheat with 12.5% protein content at Novorossiysk and Odessa port are being quoted at FoB \$200-205/tonne and FoB \$198-203/tonne.

As per the National Australia Bank, wheat output is likely to be around 15.5 MMT well below the market expectation of 19.0 MMT due to third consecutive year of drought. "It is mainly due to heat, dry weather and frost," said Phin Ziebell, agribusiness economist at NAB.

GASC has purchased 405000 tonnes of Ukrainian, French and Russian wheat through tender. Of the total quantity 60000 tonnes has been sourced from Ukraine, 60000 tonnes has been sourced from France and 285000 tonnes has been sourced from Russia. Cargill offered 55000 tonnes of Russian wheat at FoB \$212.50 per tonne, Hakan offered 60000 tonnes of Ukrainian wheat at FoB \$210.90 per tonne, Garant Logistics offered 60000 tonnes of Russian wheat at FoB \$214.95 per tonne, Hakan offered 55000 tonnes of Russian wheat at FoB \$213.85 per tonne, Glencore offered 60000 tonnes of French wheat at FoB \$210.61 per tonne, Grain export offered 60000 tonnes of Russian wheat at FoB \$215.42 per tonne and Posco offered 55000 tonnes of Russian wheat at FoB \$214.25 per 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.

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.

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.

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:

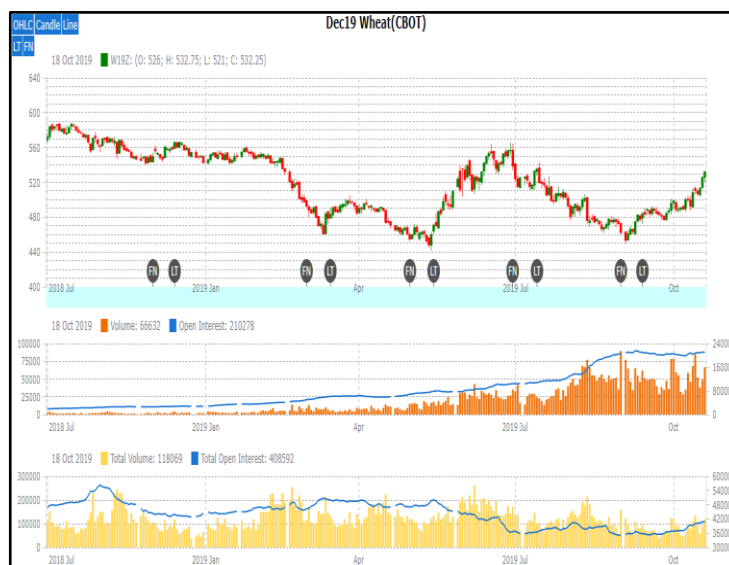
CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Change over prev. year
	17-Oct-19	10-Oct-19	17-Sep-19	17-Jul-19	17-Apr-19	17-Oct-18	
Dec-19	193.07	181.13	177.91	190.04	174.24	213.00	-9.36
Mar-20	194.81	183.61	180.30	194.63	180.58	219.06	-11.07
May-20	196.19	185.63	181.95	196.65	184.25	221.73	-11.52
Jul-20	196.93	187.37	183.24	196.65	185.63	218.51	-9.88
Sep-20	198.95	190.22	186.09	199.04	188.38	221.45	-10.16
Dec-20	202.44	194.72	190.68	203.26	193.16	225.31	-10.15

**CBOT Dec-19**

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**1<sup>st</sup> Support: 169.00**  
**2<sup>nd</sup> Support: 167.00**  
**1<sup>st</sup> Resistant: 210.00**  
**2<sup>nd</sup> Resistant: 212.00**  
**(\$ per tonne)**

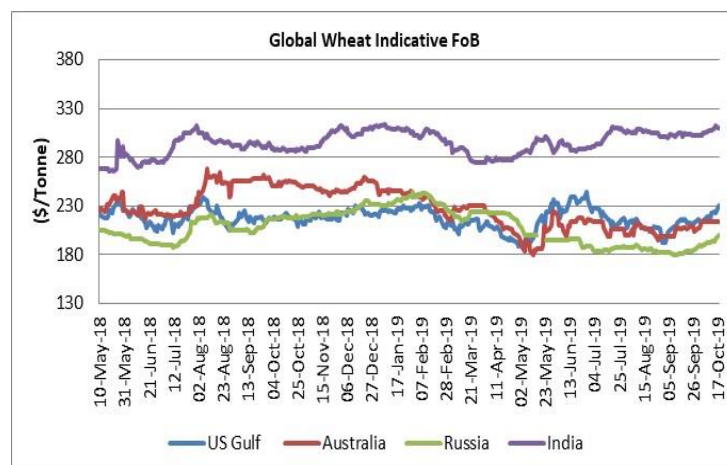
Wheat CBOT closed at \$5.32 per bushel. U.S. wheat export sales during the week ended 26<sup>th</sup> September was 395000 tonnes compared to 328000 tonnes last week. Sales were below the trade expectation of 250000-550000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 15<sup>th</sup> October, U.S. spring wheat harvest is 94% complete compared to 100% last year. Planting of U.S. winter wheat is at 65% compared to 64% last year. CBOT wheat prices traded firm due to technical buying and strong global demand.


**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 \$307.62-312.72 per tonne.

US and Russian quotes are hovering in the range of \$225.20 and \$196.20 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 \$190 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 19.7 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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