

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 1.96 percent to Rs. 2143.68 per quintal during the week ended 31st October 2019. Wheat average price were ruling at Rs 2186.54 per quintal during 16-23 October 2019. As compared to prices in the week 24-31 October 2018, the prices are firm by 4.69 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.

India has received 109.70 mm of actual rainfall against 76.00 mm of normal rainfall during 01st to 31st October-2019. Deficient rainfall has been recorded in Jammu and Kashmir, Himachal Pradesh, Haryana, Chandigarh, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh and Delhi. During the same period last in 2018, India received 35.60 mm of actual rainfall. India's cumulative rainfall during 01st -30th October was 106.50 mm, which is above 42% of the LPA. Uttar Pradesh and Haryana, two main wheat producing states witnessed low rainfall during October. However, soil moisture is still good and farmers are likely to sow more wheat this year.

Wheat stock in central pool is 393.16 lakh tonnes higher by 36.91 lakh tonnes compared to last year for the same month. Stock disposal still remains a problem as Indian wheat is not competitive in international market due to higher prices and domestic demand is limited. Furthermore, India is expected to see another good year of production due to good soil moisture and higher acreage.

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 \$372.40 (Rs 26343.58) per tonne and \$453.26 (Rs 32063.89) 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 24500-25000 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$312.37 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$205.90, \$203.90, Euro 177.20, \$222.88 and \$212.32 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, 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. 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 October'19 stood at 393.16 lakh tonnes down by 5.24% compared to last month.

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.

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 & 2215 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
Total	10640.59	

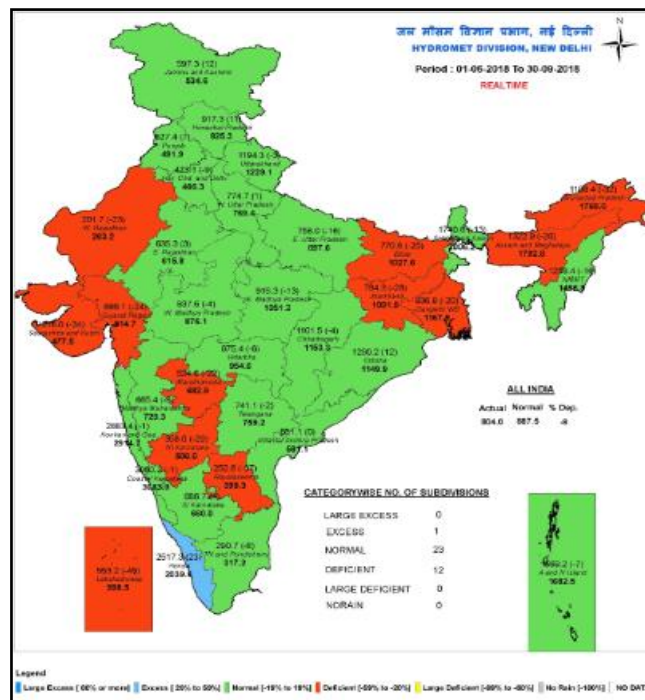
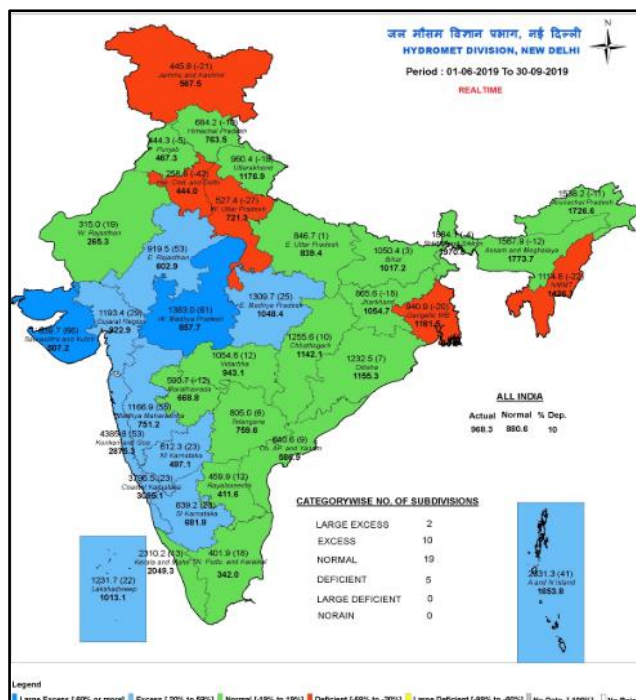
Source: Trade

Wheat Import

Date	Foreign Country	Port	Quantity in MT
September-2019	Australia	Tuticorin	588.41
	Total		588.41

Source: Trade

Monsoon

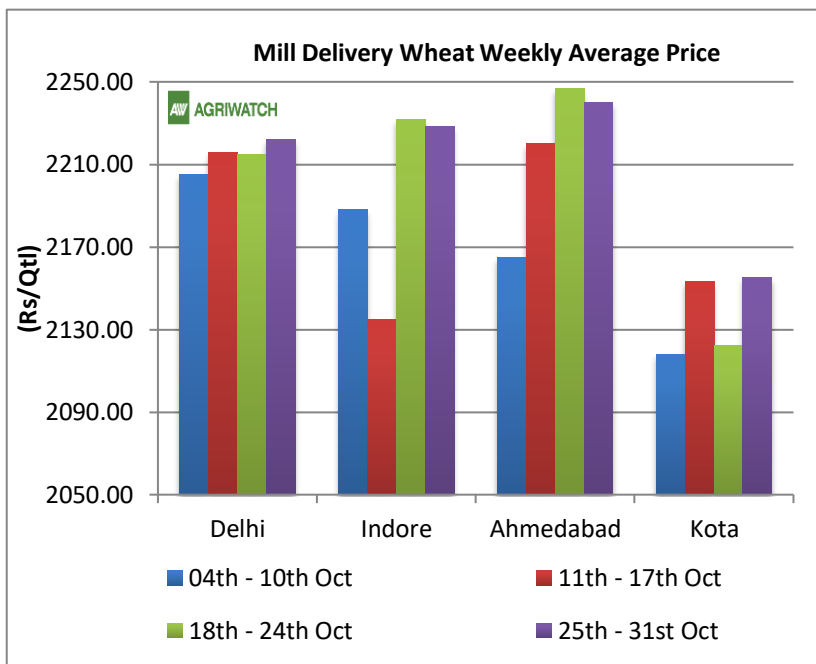


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi, Indore and Ahmedabad during 25th -31st 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. Government has increased MSP of wheat, which will motivate farmers to sow more wheat and under normal conditions another good crop can be expected. 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.


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

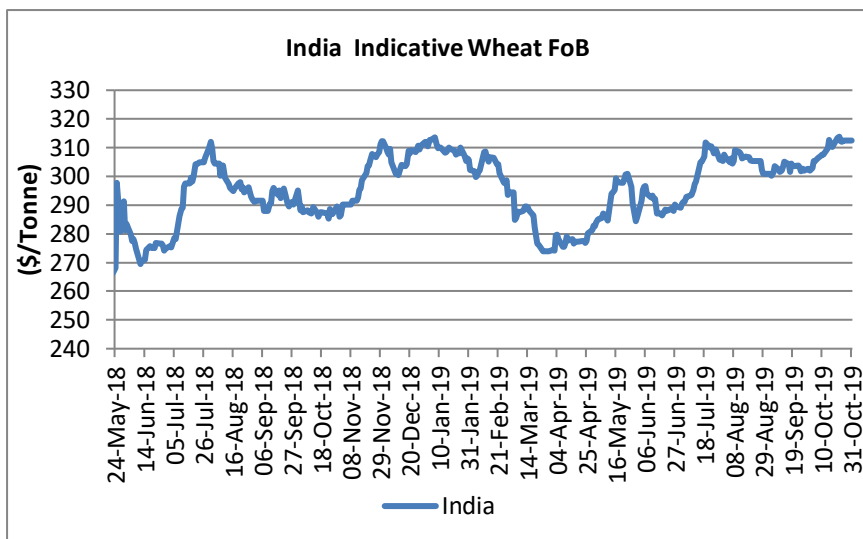
State/UTs	Procurement as on 24 th June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	40.34	300.81	341.15

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 \$310-316 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
		31-Oct-19	24-Oct-19	30-Sep-19	31-Oct-18	
USA (Chicago)	2SRW	221.76	224.41	215.98	211.36	4.92
France	FCW3	196.73	197.09	185.33	223.16	-11.84
Australia	ASW	211.72	214.40	207.70	250.39	-15.44
Russia	SRW	206.50	203.50	189.00	219.50	-5.92
India	Fob	Closed	312.02	302.73	285.85	-

	31/10/2019	24/10/2019	17/10/2019	10/10/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	211	210	205	197
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	208	204	200	196

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date: 01.11.2019	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Nov	+4	2131	2131	2131	2131	70	-60	1620	+50
19-Dec	0	2136	2136	2136	2136	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: 20th November,2019



Technical Commentary:

- Fall in price and rise in open interest indicates short 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	2131	2200	2215
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	November	Buy	Above 2130	2155	2175	2115

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
	31-Oct-19	24-Oct-19	1-Oct-19	31-Oct-18	
Indore	2200	2200	2132	2025	8.64
Delhi	2241	2200	2200	2043	9.69
Kanpur	2095	2040	2080	1985	5.54
Rajkot	2171	2150	2095	2067	5.03
Kota	2109	2090	2040	2030	3.89

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
			31-Oct-19	30-Oct-19	24-Oct-19	30-Sep-19	31-Oct-18
Delhi	Lawrence Road	Mill Delivery	2235	2225	2210	2200	2045
	Narella	Mill Quality Loose	2100	Closed	2140	2100	Closed
	Nazafgarh	Mill Quality Loose	2080	Closed	2100	2100	Closed
Gujarat	Rajkot	Mill Delivery	Closed	Closed	2150	2075	2050
	Ahmedabad	Mill Delivery	Closed	Closed	2240	2160	2130
	Surat	Mill Delivery	Closed	Closed	2310	2240	2165
	Dhrol	Mill Delivery	Closed	Closed	NR	NR	2075
M.P.	Indore	Mill Delivery	2230	2230	2225	2220	2095
	Bhopal	Mill Quality Loose	2100	2100	Closed	2010	1950
Rajasthan	Kota	Mill Quality Loose	1980	2025	2000	1925	1900
		Mill Delivery	2160	2150	2125	2075	2020
U.P.	Kanpur	Mill Delivery	2060	2060	2070	2070	1980
	Mathura	Mill Quality Loose	NA	NA	NA	1930	1760
	Kosi	Mill Quality Loose	2010	2000	2000	2000	1850
	Hathras	Mill Quality Loose	1965	1965	1960	NR	1910
	Aligarh	Mill Quality Loose	1950	Closed	NA	2000	Closed
Punjab	Khanna	Mill Quality Loose	NA	NA	NA	1960	NA
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2080	2080	2080	2010	1850
	Hodal	Mill Delivery	NA	NA	NA	NA	NA
	Bhiwani	Mill Quality Loose	2170	2170	Closed	2100	1925
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA
Tamil Nadu	Chennai	Mill Quality	2500	2500	2300	2375	2300



	Madurai	Mill Quality	2557	2600	2550	2475	2500
	Coimbatore	Mill Quality	2557	2650	2600	2525	2550
Bihar	Khagariya	Mill Delivery	2100	2100	2100	2100	1900
	Muzaffarpur	Mill Delivery	2025	2025	2025	2000	2000

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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Argentina wheat harvest for 2019-20 is expected to be 18.8 MMT compared to 19.8 MMT in previous forecast. Unfavorable weather conditions such as alternating temperatures with frequent frost has negatively impacted the crop. Argentina wheat is expected to be more competitive in global market. However, if current conditions continue the scenario may change.

Black sea milling wheat prices became firm by \$1 per tonne at Novorossiysk and \$0-1 per tonne at Odessa port compared to last week. Lower wheat production forecast from Argentina has increased demand for Black sea wheat. However black sea wheat prices are already trading at a premium. As of now Russian milling wheat with 12.5% protein content at Novorossiysk and Odessa port are being quoted at FoB \$208-211/tonne and FoB \$205-210/tonne.

As per latest update, Phillipines has bought 165000 tonnes of feed wheat through tender. The said quantity will be delivered between December'19-February'20. The price range for feed wheat was \$253-255 per tonne C&F. The seller was trading house CBH and the wheat is likely to be sourced from Australia.

Taiwan flour mill association has bought 88900 tonnes of wheat of U.S. origin in a tender. The wheat was bought in two consignments. The first consignment for shipment between Dec. 5 and Dec. 19 involved 20,700 tonnes of U.S. northern spring wheat of 14.5% protein content bought at \$274.84 a tonne FOB U.S. Pacific Northwest coast. The first consignment also included 14,200 tonnes of hard red winter wheat of 12.5% protein content bought at \$238.22 a tonne FOB and 5,100 tonnes of soft white wheat with 9% protein bought at \$239.70 a tonne FOB. The first consignment was all sold by trading house CHS. The second consignment for shipment between Dec. 21 and Jan. 4 involved 25,700 tonnes of U.S. northern spring wheat of 14.5% protein content bought at \$280.95 a tonne FOB U.S. Pacific Northwest coast from trading house ADM. The second consignment included 17,750 tonnes of hard red winter wheat of 12.5% protein content bought at \$242.58 a tonne FOB purchased from the United Grain Corporation. It also included 5,450 tonnes of soft white wheat of 9% protein purchased at \$233.81 a tonne FOB which was also sold by ADM.

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.

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.

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.

IGC Wheat Balance Sheet:
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IGC Forecast(Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				26.09.2019	24.10.2019
Production	757	762	733	764	762
Trade	177	176	169	172	173
Consumptions	736	739	739	757	756
Carryover stocks	248	271	265	272	271
Y-O-Y change	21	22	-5	-	6
Major Export	79	83	70	69	69

- IGC has forecasted global wheat production to be 762 MMT for 2019-20. According to estimate by IGC for 2018-19, global wheat production was around 733 MMT against 762 MMT for 2017-18. The forecast for global production is higher by 29 MMT compared to estimate for 2018-19. IGC has forecasted higher production for 2019-20.
- Trade forecast for 2019-20 has been increased to 173 MMT. It is 4 MMT higher compared to estimate for last year and lower by 3 MMT compared to 2017-18.
- Consumption has been decreased to 756 MMT for 2019-20. The forecast is higher by 17 MMT compared to 2018-19.
- Carryout for 2019-20 is forecast at 271 MMT compared to estimate of 265 MMT last year. It is higher by around 23 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
	01-Nov-19	25-Oct-19	01-Oct-19	01-Aug-19	01-May-19	01-Nov-18	
Dec-19	189.58	190.22	179.66	176.63	168.82	209.42	-9.47
Mar-20	191.69	192.33	182.32	180.67	174.88	213.73	-10.31
May-20	193.44	194.26	184.34	182.87	178.56	216.21	-10.54
Jul-20	195.09	195.64	185.90	184.07	179.66	214.75	-9.15
Sep-20	197.57	198.21	188.84	187.01	182.41	217.04	-8.97
Dec-20	201.52	202.35	193.53	191.87	187.47	221.36	-8.96

CBOT Dec-19

1st Support: 167.00
2nd Support: 165.00
1st Resistant: 208.00
2nd Resistant: 210.00
(\$ per tonne)

Wheat CBOT closed at \$5.16 per bushel. U.S. wheat export sales during the week ended 24th October was 494000 tonnes compared to 262000 tonnes last week. Sales were within 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 21st October, U.S. spring wheat harvest is 100% complete. Planting of U.S. winter wheat is at 85% compared to 77% last year. CBOT wheat prices closed firm due to minimal farmer and elevator selling. In latest forecast by IGC carryout is still at higher side.

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 \$312.02-312.37 per tonne.

US and Russian quotes are hovering in the range of \$222.88 and \$205.90 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 \$235 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 152.3 MMT in 2019-20 compared to 137.8 MMT in 2018-19. Russia and Ukraine are likely to harvest 73.7 MMT and 29.00 MMT of wheat in 2019-20 respectively. Production in US is likely to be around 53.90 MMT compared to last year's 51.30 MMT. Australia is likely to produce 19.10 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 20.4 MMT in 2019-20 compared to 19.5 MMT in 2018-19. Furthermore, Canada is likely to harvest around 32.60 MMT in 2019-20 compared to 32.20 MMT in 2018-19.

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