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Wheat Weekly Research Report
9th December-2019

Wheat Weekly Research Report

Table of Contents

Wheat Domestic Market Fundamentals

(Back to Table of Contents)

All India weekly average prices declined by 0.69 percent to Rs. 2218.98 per quintal during the week ended 7th December 2019. Wheat average price were ruling at Rs 2234.40 per quintal during 23-30 November 2019. As compared to prices in the week 01-07 December 2018, the prices are firm by 6.62 percent. Prices are expected to remain steady to weak in coming days amid increase in wheat acreage till date.

As per market sources, wheat stock in central pool as on 1st November'19 stood at 373.77 lakh tonnes down by 4.93% compared to last month. This quantity is higher by around 12.80% 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.

As per latest update, area sown until 6th December-19 is 202.54 lakh hectares compared to 194.21 lakh hectare in the previous Rabi season. The normal area is 305.58 lakh hectares. Acreage under wheat has increased in the states of Madhya Pradesh and Rajasthan till date.

Acreage under wheat is expected to reach new high this season amid ample availability of water following good rains and wheat offers a stable yield. Better returns is also motivating the farmers to increase the acreage. Farmers are seen shifting from chana and mustard to the crop. Sowing is mainly higher in the states of Madhya Pradesh and Rajasthan. Weather in coming days will determine actual increase in output.

As per trade source, India has exported around 11.96 thousand tonnes in the month of October-2019. The quantity in October-2019 was exported at an average FOB of $ 304.90 per tonne. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

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 $373.80 (Rs 26850.05) per tonne and $513.80 (Rs 36906.25) 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 24000-24500 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around $313.11 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at $207.50, $208.00, Euro 182.25, $236.50 and $223.11 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 158.3 in September -2019 to 160.6 in October-2019. Monthly wheat inflation has increased by 1.45 percent in October-2019 compared to previous month.

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 October-19. Imports are expected to be low this year due to good domestic availability and high import duty. India has imported 588.41 tonnes of Australian wheat during the month of September'19.

Outlook & Recommendation: *Wheat cash market is expected to trade steady to weak in the coming week.*

Trade Call: *Stakeholders should trade in December contract taking care of lower and upper price tag of Rs. 2080 & 2200 respectively.*

Wheat Weekly Export

(Back to Table of Contents)

Week On Week Exports	***Quantity in MT***	***Average FoB ($/T)***
01-08 October -2019	*762.86*	*400.70*
09-16 October -2019	*2471.28*	*281.80*
17-24 October -2019	*6283.46*	*305.70*
24-30 October -2019	*2446.60*	*305.71*
Total	*11964.20*	

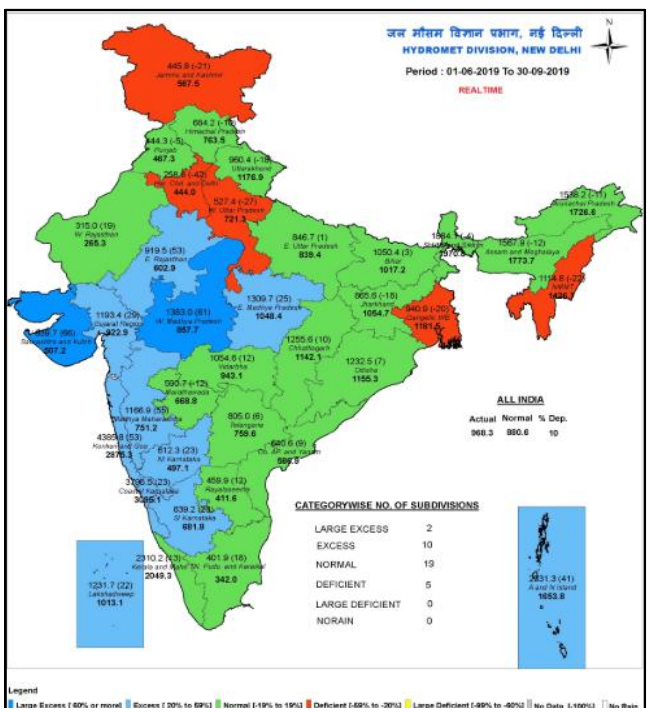
Source: Trade

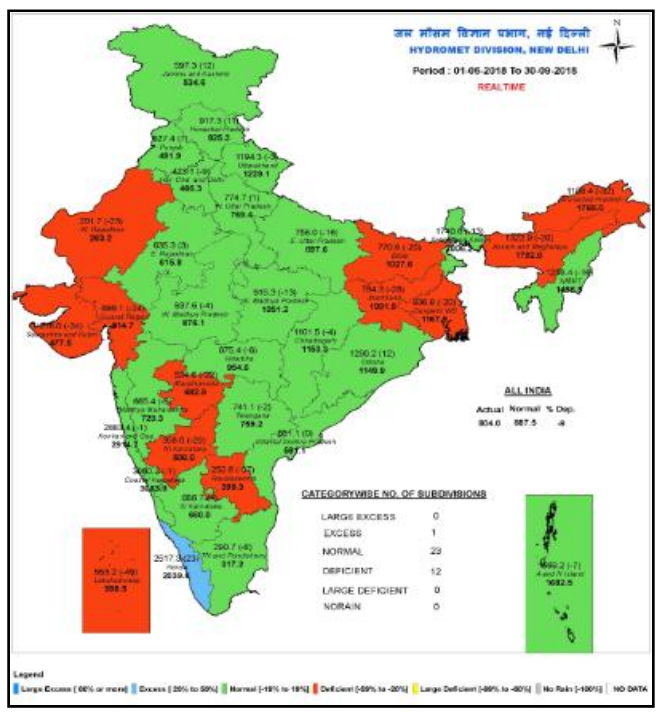
Wheat Import

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

Source: Trade

Monsoon



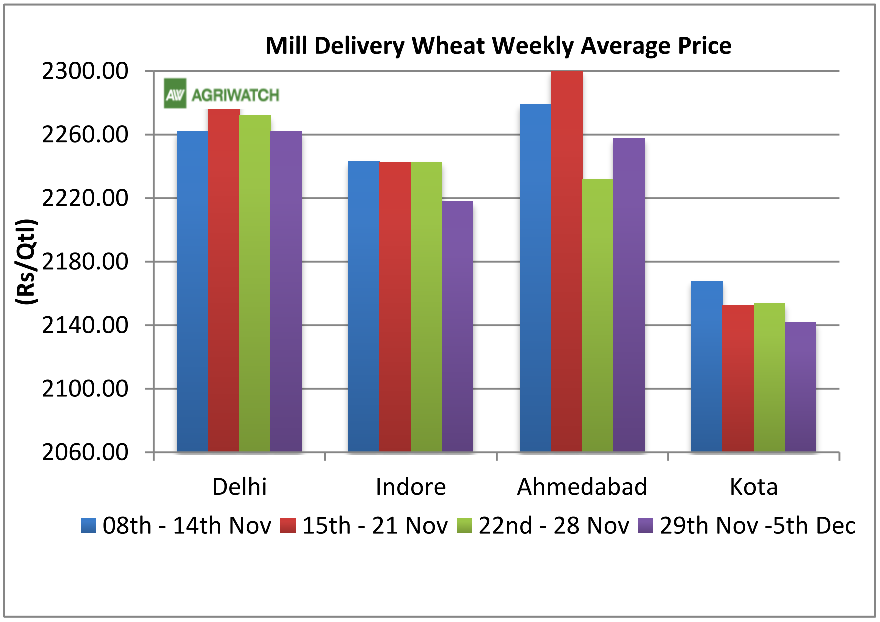


Source: IMD

Wheat Weekly Average Price Chart

(Back to Table of Contents)

Average mill delivery prices of Wheat traded weak in Delhi, Indore, Kota and firm in Ahmedabad during 29th Nov -5th December 2019.



Prices witnessed mixed tone in past week. Market is likely to witness steady to weak tone in upcoming weeks due to increase in acreage under wheat and expected increase in production this 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**		
As on	**Rice**	**Wheat**	**Total**	**Rice**	**Wheat**	**Grand Total**
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 Jan	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

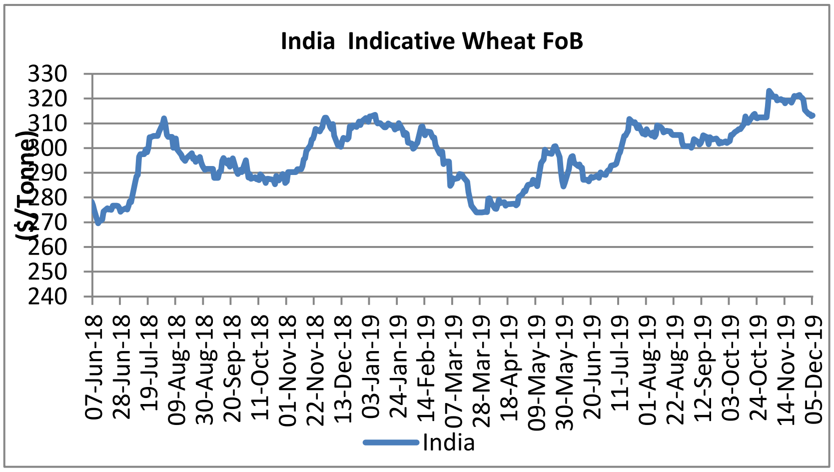
State/UTs	**Procurement as on 24th June-2019 (Figures in LMT)**		
	FCI (A)	**State Agency (B)**	**Total (A+B)**
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	**40.34**	**300.81**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

FOB Quote for Wheat at Kandla

(Back to Table of Contents)

Wheat FoB quote in India witnessed weak 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 $310-318 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
		6-Dec-19	29-Nov-19	8-Nov-19	7-Dec-18	
USA (Chicago)	2srw	238.60	247.25	225.70	226.40	5.39
France	FCW3	202.14	202.63	195.59	229.08	-11.76
Australia	ASW	224.45	223.78	211.05	245.28	-8.49
Russia	SRW	208.50	205.50	202.50	224.50	-7.13
India	Fob	317.76	315.33	319.21	304.96	4.20

	5/12/2019	28/11/2019	21/11/2019	14/11/2019
Black Sea Mill Wheat 12.5% FOB Pmax.($/T)	*212*	*212*	*208*	*206*
Black Sea Mill Wheat 11.5% FOB Pmax. ($/T)	*210*	*208*	*205*	*203*

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price									Date: 06.12.2019
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Dec	-1	2129	2129	2129	2129	0	0	0	0
20-Jan	0	2140	2140	2140	2140	30	30	40	0
20-Feb	0	2150	2150	2150	2150	0	0	10	0

AGRIWATCH

Wheat Weekly Research Report
9th December-2019

Wheat Technical Analysis:

(Back to Table of Contents)

Wheat –Technical Outlook | **Contract Expiry: 20th December,2019**

Technical Commentary:

- Decline in price denotes selling interest in the market.
- RSI is moving in neutral region.
- Prices closed below 9 and 18 day EMAs.

Strategy: Sell

			S1	S2	PCP	R1	R2
Wheat	NCDEX	December	2075	2060	2129	2205	2225
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Wheat	NCDEX	December	Sell	Below 2140	2115	2105	2155

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
	4-Dec-19	27-Nov-19	6-Nov-19	3-Dec-18	
Indore	2205	2205	2200	2031	8.57
Delhi	2254	2272	2233	2076	8.57
Kanpur	2090	2085	2090	1985	5.29
Rajkot	2191	2215	2200	2105	4.09
Kota	2131	2136	2126	2090	1.96
Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.					

Domestic Market Weekly Outlook:

(Back to Table of Contents)

Wheat market is expected to witness steady to weak tone due to increase in wheat acreage and expected bumper production this season. 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
			05-Dec-19	04-Dec-19	28-Nov-19	06-Nov-19	06-Dec-18
Delhi	Lawrence Road	Mill Delivery	2255	2255	2275	2240	2060
	Narella	Mill Quality Loose	2190	Closed	2200	Closed	2050
	Nazafgarh	Mill Quality Loose	2180	Closed	2180	Closed	2000
Gujarat	Rajkot	Mill Delivery	2175	2180	2220	2210	2120
	Ahmedabad	Mill Delivery	2240	2250	2275	2240	2170
	Surat	Mill Delivery	2320	2330	2340	2225	2210
	Dhrol	Mill Delivery	NR	2460	2330	2230	2305
M.P.	Indore	Mill Delivery	2240	2240	2175	2250	2050
	Bhopal	Mill Quality Loose	2125	2125	2125	2100	1925
Rajasthan	Kota	Mill Quality Loose	2030	2000	2030	2020	1950
		Mill Delivery	2150	2150	2150	2170	2060
U.P.	Kanpur	Mill Delivery	2080	2080	2100	2070	2015
	Mathura	Mill Quality Loose	NA	NA	NA	NA	1780
	Kosi	Mill Quality Loose	2060	2060	2050	2020	1925
	Hathras	Mill Quality Loose	2050	2025	2025	1990	Closed
	Aligarh	Mill Quality Loose	2050	Closed	2050	Closed	1840
Punjab	Khanna	Mill Quality Loose	2000	1960	NA	NA	1930
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2125	2125	2125	2100	1870
	Hodal	Mill Delivery	NA	NA	NA	NA	NA
	Bhiwani	Mill Quality Loose	2210	2200	2180	2125	1950
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA

Tamil Nadu	Chennai	Mill Quality	2450	2450	2450	2450	2350
	Madurai	Mill Quality	2507	2600	2600	2600	2450
	Coimbatore	Mill Quality	2507	2650	2650	2650	2500
Bihar	Khagariya	Mill Delivery	2100	2100	2100	2100	2000
	Muzaffarpur	Mill Delivery	2000	2000	2000	2010	2000

Sowing Status:

(Back to Table of Contents)

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)

Japan's Ministry of Agriculture has sought 160,640 tonnes of food-quality wheat from the United States and Canada in a regular tender on December 03, 2019. Japan, the world's sixth-largest wheat importer, keeps a tight grip on imports of the country's second-most important staple after rice and buys the majority of the grain for milling via tenders typically issued three times a month. The tender will close late Thursday on 05 December, 2019.

Iraq has outlined its wheat import goal for 2020. It has planned to purchase 750,000 tonnes of wheat from abroad in 2020 and nationwide protests that have extended to a key port were not disrupting shipments so far according to sources at the Iraq Grain Board. Iraq needs between 4.5 million and 5 million tonnes of wheat a year to supply its food rationing program. It mixes local wheat with grain from Australia, Canada and the United States.

Australia's agricultural department has reduced its forecast for wheat production in 2019-20 (April –March) following unfavourable weather in the growing regions. The wheat production is expected to fall 16.8% to 15.85 MMT according to the Bureau of Agricultural and Resource Economics and Sciences. The forecast is 8.4% lower from the amount of wheat produced in 2018-19. Western Australia, one of the major wheat producing regions in Australia was hit by below-average winter rainfall and above-average temperatures, leading to a decline in wheat production by 41% to around 6 MMT.

According to official sources, Egypt's state grain buyer bought 465,000 tonnes of wheat in an international purchase tender last week. The purchase comprised of 345,000 tonnes of Russian wheat and 120,000 tonnes of Ukrainian wheat.

According to government sources, Zimbabwe has removed import controls on wheat flour following a severe drought that has reduced supplies in the country. Millers will no longer be able to buy grain at subsidized prices from the state grain agency.

In U.K., area under winter wheat is forecast to decline by 10 percent compared to previous year. Continued wet weather has prolonged this autumn's drilling season and growers intend to plant 1.65 million hectares compared to 1.82 million hectares previous year.

According to the government, Algeria has decided to cap soft wheat imports at 4 million tonnes a year, down from 6.2 million tonnes. The move is designed to preserve foreign currency and reduce Algerian imports of cereals, especially soft wheat.

According to trade sources, Argentina is set to dominate Asia's grain market for a second consecutive year in 2020 as trading companies are already buying significant volumes anticipating good first-quarter demand in the region. Drought in Australia is likely to reduce exports from the country.

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IGC Wheat Balance Sheet:

(Back to Table of Contents)

IGC Forecast(Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				24.10.2019	21.11.2019
Production	757	762	733	762	762
Trade	177	176	169	173	173
Consumptions	736	739	739	756	756
Carryover stocks	248	271	265	271	271
Y-O-Y change	21	22	-5	6	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
	06-Dec-19	29-Nov-19	08-Nov-19	02-Sep-19	07-Jun-19	07-Dec-18	
Dec-19	195.64	201.15	187.47	169.92	191.87	206.02	-5.04
Mar-20	192.70	199.04	188.94	172.68	196.19	209.60	-8.06
May-20	193.90	200.14	190.96	174.52	198.67	211.81	-8.46
Jul-20	194.72	199.41	192.52	176.17	200.32	210.98	-7.71
Sep-20	197.02	201.24	195.27	179.47	202.99	213.64	-7.78
Dec-20	200.78	204.46	199.68	184.16	207.40	217.78	-7.80

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Wheat Weekly Research Report
9th December-2019

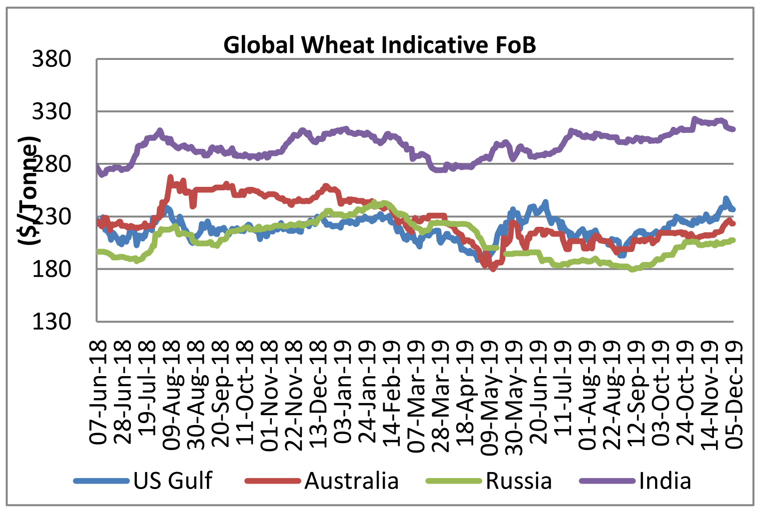
CBOT Dec-19

(Back to Table of Contents)

1st Support: 166.00
2nd Support: 164.00
1st Resistant: 230.00
2nd Resistant: 232.00
($ per tonne)

Wheat CBOT closed at $5.32 per bushel. U.S. wheat export sales during the week ended 28th November was 228000 tonnes compared to 613000 tonnes last week. Sales were below the trade expectation of 300000-700000 MT. USDA expects exports for 2019-20 to be around 29.50 MMT, higher by 1% than 2018-19. As on 25th November, U.S. spring wheat harvest is 100% complete. Planting of U.S. winter wheat is at 87% compared to 85% last year. CBOT wheat prices closed lower amid global supply pressure and weak export sales.

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 $313.11-315.33 per tonne.

US and Russian quotes are hovering in the range of $236.50-247.25 and $205.50-207.00 per tonne respectively. Wheat prices in international markets noticed mixed tone in last week.

Wheat is expected to trade steady to weak and hover in the range of $195 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 154.9 MMT in 2019-20 compared to 137.8 MMT in 2018-19. Russia and Ukraine are likely to harvest 74.5 MMT and 29.00 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 17.00 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 19.0 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.