Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals **(Back to Table of Contents)**

All India weekly average prices declined by 1.50 percent to Rs. 2344.75 per quintal during the week ended 18th January 2020. Wheat average price were ruling at Rs 2380.46 per quintal during 09-16 January 2020. As compared to prices in the week 16-23 January 2019, the prices are higher by 11.11 percent. Prices are expected to notice steady to weak tone in coming days amid expectation of bumper crop this season.

As per market sources, wheat stock in central pool as on 1st January'20 stood at 327.96 lakh tonnes down by 6.76% compared to last month. This quantity is higher by around 20.92% 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 17th January-20 is 330.20 lakh hectares compared to 296.98 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, Gujarat, Maharashtra and Rajasthan till date.

Wheat WPI has increased from 164.4 in November -2019 to 165.7 in December -2019. Monthly wheat inflation has increased by 0.79 percent in December -2019 compared to previous month.

The Food Crop of India (FCI) has proposed reducing the offer price of wheat under the open market sale scheme to 2,145 rupees per 100 kg from 2,245 rupees to make the central pool stock more attractive for bulk users according to a senior government official. It has also suggested offering lustre-lost wheat procured last year at 2,080 rupees per 100 kg. The decision is yet to be approved by the ministry.

As per trade source, India has exported around 21.40 thousand tonnes in the month of November-2019. The quantity in November-2019 was exported at an average FOB of $ 298.15 per tonne and the major destinations were Bangladesh, Nepal, Jordan, UAE and Sri Lanka. 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 $396.00 (Rs 28138.12) per tonne and $539.00 (Rs 38279.78) 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 25500-26000 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around $339.35 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at $223.50, $223.50, Euro 193.00, $257.30 and $243.21 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, after increase in import duty to 40 percent imports have decreased substantially. India has imported no wheat in the month of November-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 February contract taking care of lower and upper price tag of Rs. 2200 & 2350 respectively.*

Wheat Weekly Export

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Week On Week Exports	***Quantity in MT***	***Average FoB ($/T)***
01-08 November -2019	*5067.35*	*285.96*
09-16 November -2019	*4573.37*	*300.25*
17-24 November -2019	*5282.06*	*297.34*
24-30 November -2019	*6476.96*	*309.00*
Total	*21399.75*	

Source: Trade

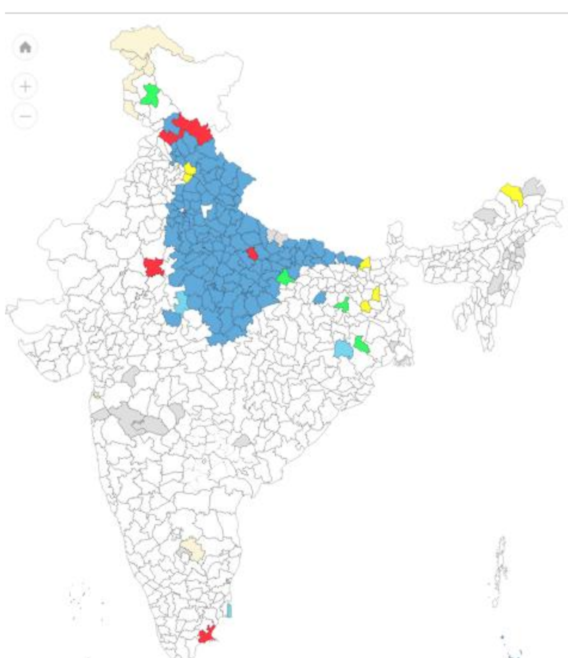
Wheat Import

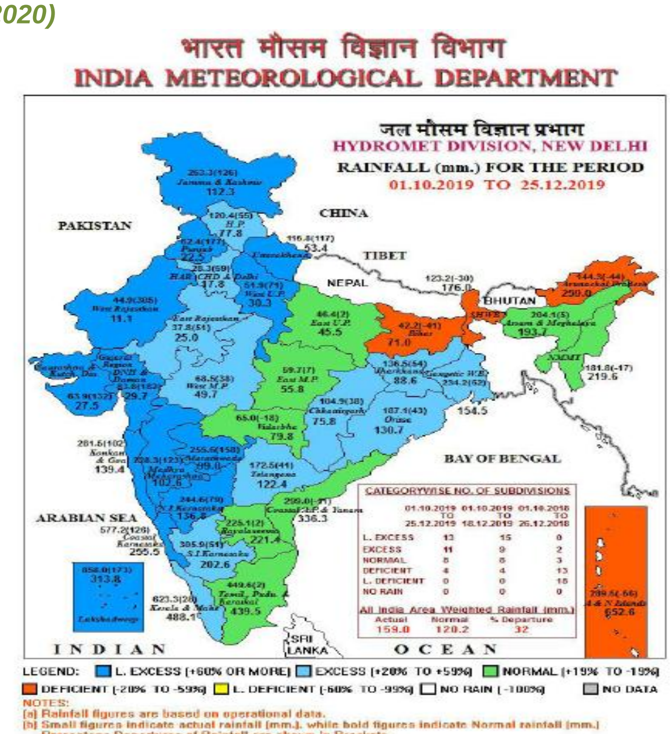
Date	***Foreign Country***	***Port***	***Quantity in MT***
September-2019	*Australia*	*Tuticorin*	*588.41*
	Total		*588.41*

Source: Trade

Monsoon

Weekly Cumulative rainfall (09-01-2020-15.01.2020)





Source: IMD

Wheat Weekly Average Price Chart

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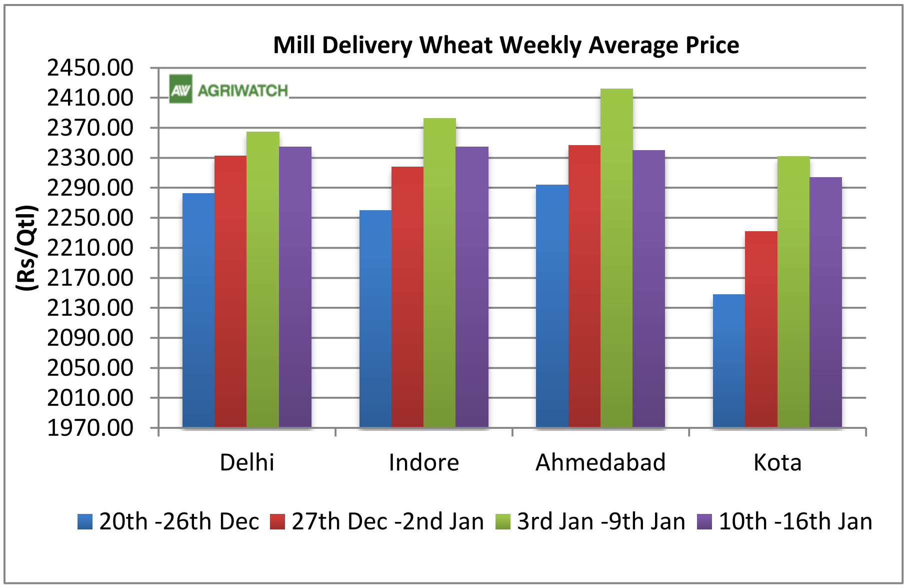
Average mill delivery prices of Wheat traded weak in Ahmedabad, Kota, Indore and Delhi during 10th - 16th January 2020.



Prices witnessed firm tone in past week. Market is likely to witness steady to weak tone in upcoming week amid expectation of bumper crop this season. Government has increased MSP of wheat, which has motivated 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**

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20th January-2020

FOB Quote for Wheat at Kandla

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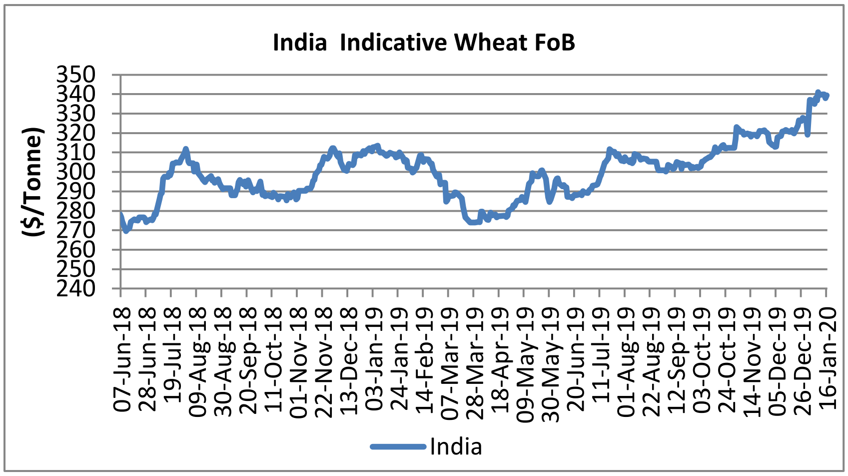
Wheat FoB quote in India witnessed easy tone in the past week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.

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 $335-345 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
		16-Jan-20	9-Jan-20	19-Dec-19	17-Jan-19	
USA (Chicago)	2srw	257.30	256.20	245.10	226.90	13.40
France	FCW3	215.21	212.64	206.42	NA	-
Australia	ASW	243.21	243.88	234.50	245.00	-0.73
Russia	SRW	223.50	218.50	212.00	237.00	-5.70
India	Fob	339.35	340.99	320.11	309.95	9.49

	16/12/2020	26/12/2019	19/12/2019	12/12/2019
Black Sea Mill Wheat 12.5% FOB Pmax.($/T)	228	220	218	215
Black Sea Mill Wheat 11.5% FOB Pmax. ($/T)	225	215	214	210

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price									Date: 17.01.2020
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Dec	0	2269	2269	2269	2269	10	10	10	0
20-Jan	0	2279	2279	2279	2279	10	10	20	0
20-Feb	0	2289	2289	2289	2289				

Wheat Technical Analysis:

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Wheat –Technical Outlook **Contract Expiry: 20^{th} February, 2020**

Technical Commentary:

- Increase in price denotes buying interest in the market.
- RSI is moving in overbought region.
- Prices closed above 9 and 18 day EMAs.

Strategy: Sell

			S1	S2	PCP	R1	R2
Wheat	NCDEX	February	2210	2195	2267	2330	2345
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Wheat	NCDEX	February	Sell	Below 2280	2250	2235	2305

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
	16-Jan-20	9-Jan-20	19-Dec-19	16-Jan-19	
Indore	2310	2345	2225	2055	12.41
Delhi	2350	2363	2270	2100	11.90
Kanpur	2155	2180	2095	2090	3.11
Rajkot	2350	2345	2200	2120	10.85
Kota	2245	2273	2150	2057	9.14
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 notice steady to weak tone amid expectation of bumper crop 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
			16-Jan-20	15-Jan-20	09-Jan-20	16-Dec-19	17-Jan-19
Delhi	Lawrence Road	Mill Delivery	2350	2350	2365	2250	2100
	Narella	Mill Quality Loose	2270	Closed	2280	2210	2075
	Nazafgarh	Mill Quality Loose	2225	Closed	NA	2160	2020
Gujarat	Rajkot	Mill Delivery	2340	2330	2370	2210	2140
	Ahmedabad	Mill Delivery	2440	2450	2440	2265	2175
	Surat	Mill Delivery	2500	2500	2490	2330	2225
	Dhrol	Mill Delivery	2550	2485	2545	2335	2290
M.P.	Indore	Mill Delivery	2300	Closed	2350	2250	2180
	Bhopal	Mill Quality Loose	2225	Closed	2225	2125	1950
Rajasthan	Kota	Mill Quality Loose	2200	Closed	2200	2000	1935
		Mill Delivery	2300	Closed	2325	2125	2025
U.P.	Kanpur	Mill Delivery	2200	Closed	2230	2090	1990
	Mathura	Mill Quality Loose	2200	2190	2155	2050	1900
	Kosi	Mill Quality Loose	2200	2200	2200	2060	2010
	Hathras	Mill Quality Loose	NR	2150	2200	2050	2080
	Aligarh	Mill Quality Loose	NA	Closed	2150	2050	1950
Punjab	Khanna	Mill Quality Loose	2160	NR	2150	2020	1930
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	0	0
Haryana	Sirsa	Mill Delivery loose	2200	2200	2200	2140	1900
	Hodal	Mill Delivery	NA	NA	NA	NA	2050
	Bhiwani	Mill Quality Loose	2320	2300	2240	2200	1970
	Karnal	Mill Delivery	NA	NA	NA	NA	0
	Panipat	Mill Quality Loose	NA	NA	NA	NA	0

Tamil Nadu	Chennai	Mill Quality	2600	Closed	2600	2450	2375
	Madurai	Mill Quality	2657	Closed	2700	2550	2475
	Coimbatore	Mill Quality	2657	Closed	2750	2600	2525
Bihar	Khagariya	Mill Delivery	2200	2200	2200	2200	2150
	Muzaffarpur	Mill Delivery	2200	2200	2200	2000	2150

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: **(*Back to Table of Contents*)**

Tunisia's state grains agency has issued an international tender to purchase around 117,000 tonnes of durum wheat and 100,000 tonnes of soft wheat according to European traders. The tender closed on Friday. The durum wheat was sought in four 25,000 tonnes consignments and one of 17,000 tonnes. The soft wheat was sought in four consignments of 25,000 tonnes. Durum shipment was sought between Feb. 15 and May 5 and Soft wheat shipment was sought between Feb. 10 and March 25 also depending on origin.

The area sown with soft wheat for this year's harvest in France is estimated to have declined by 10% compared with 2019 to a 19-year low after heavy rain disrupted field work. Acreage is estimated at 4.47 million hectares compared to 4.97 hectares previous year.

Japan's Ministry of Agriculture sought 117,831 metric tonnes of food-quality wheat from U.S., Canada and Australia. The tender will close on Thursday.

According to the latest data released by the Agriculture Ministry, land under wheat cultivation in Iran has reached 6 million hectares in the current cultivation season (started late September of 2019). This almost equals the area under cultivation last year, which means production will likely remain the same as last year.

Britain's wheat exports in November were 67,706 tonnes compared to previous month's 257,338 tonnes. Total wheat exports for 2019-20, which started July 1, were 741,546 tonnes, up from 134,209 tonnes during the same period previous year. Wheat exports are expected to increase this season, with production rising nearly 20% to a four-year high of 16.22 MMT according to trade sources. Imports in November declined to 58,242 tonnes compared to 74,989 tonnes in the previous month. Cumulative wheat imports for the season are down to 435,743 tonnes compared to 1.04 MMT in the same period a year ago.

According to the National Agricultural Statistics Service, Kansas farmers have seeded an estimated 6.9 million acres into winter wheat this season. The state's winter wheat acreage is equal to the area planted a year earlier. The agency also reported that about 394 million bushels of wheat is now stored in the state, down 13 percent from the amount in storage at this time a year ago.

Soft wheat exports from French ports reached a seven-year high in December during the on-going transportation strikes that saw loadings at several ports halted intermittently for several days. The volume of soft wheat exported by boat last month rose to 1.34 MMT, the highest for December since 2013 when the country exported 1.41 MMT. Algeria remained the top export destination for French wheat in December, importing 477,000 tonnes, down from last year's total of 563,000 tonnes.

According to Consultancy, Strategie Grains, EU exports of soft wheat, excluding durum wheat is expected to reach 30.5 MMT in the 2019/20 season to June 30, up from its previous projection of 28.7 MMT in December. The EU is benefiting from strong overseas demand at a time of reduced availability in some other export zones.

Wheat sowing in Pakistan during current Rabi season (2019-20) has witnessed about 1.014% increase as compared to the sowing season of the corresponding period of last season (2018-19). Wheat has been cultivated over 8.839 million hectares of land during current sowing season as compared to 8.079 million hectares of same period last year.

According to the latest supply and demand report released by the USDA, the outlook for 2019/20 U.S. wheat is for stable supplies, increased feed and residual use, and lower stocks. Feed and residual use is raised 10 million bushels on lower-than-expected second-quarter stocks reported in latest NASS Grain Stocks report. Ending stocks are now projected at 965 million bushels, down 9 million from the previous report.

According to the latest quarterly grains stocks report released by NASS, all wheat stored in all positions on December 1, 2019 totaled 1.83 billion bushels, down 9 percent from a year ago. On-farm stocks are estimated at

519 million bushels, up 3 percent from last December. Off-farm stocks, at 1.31 billion bushels, are down 13 percent from a year ago. The September - November 2019 indicated disappearance is 512 million bushels, 35 percent above the same period a year earlier.

IGC Wheat Balance Sheet:

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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
	16-Jan-20	09-Jan-20	19-Dec-19	11-Oct-19	18-Jul-19	17-Jan-19	
Mar-20	207.67	206.57	200.32	188.84	190.22	205.38	1.12
May-20	208.04	207.67	201.61	190.50	192.33	207.12	0.44
Jul-20	208.22	208.41	202.35	191.87	192.61	206.30	0.93
Sep-20	210.15	210.70	204.18	194.45	195.00	208.59	0.75
Dec-20	213.28	213.92	207.40	198.76	199.22	212.91	0.17
Mar-21	215.76	216.31	210.52	201.89	212.45	215.94	-0.09

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CBOT Dec-19

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1st Support: 174.00
2nd Support: 172.00
1st Resistant: 234.00
2nd Resistant: 236.00
(\$ per tonne)

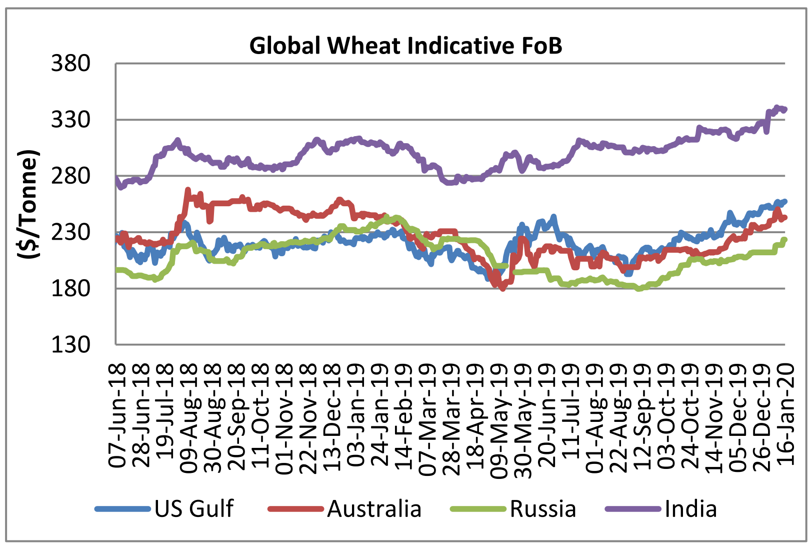
Wheat CBOT closed at \$5.70 per bushel. U.S. wheat net export sales during the week ended 9th January was 651,000 tonnes compared to 80600 tonnes last week. Sales were above the trade expectation of 200000-500000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 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 higher amid concerns of lower winter wheat acreage this season in U.S. and lower production in Australia.

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 \$337.85-339.81 per tonne.

US and Russian quotes are hovering in the range of \$254.30-257.30 and \$218.50 - 223.50 per tonne respectively. Wheat prices in international markets noticed steady to firm tone in last week.

Wheat is expected to trade steady to firm and hover in the range of \$210 to \$270 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.