AGRIWATCH

Wheat Weekly Research Report
27th January-2020

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices declined by 1.40 percent to Rs. 2312.03 per quintal during the week ended 25th January 2020. Wheat average price were ruling at Rs 2344.75 per quintal during 16-23 January 2020. As compared to prices in the week 24-31 January 2019, the prices are higher by 8.27 percent. Prices are expected to notice steady to weak tone in coming days amid lack of demand from the bulk consumers. Government has reduced the reserve price of wheat this quarter and bulk consumers have turned to Open Market Sales Scheme.

As per latest update, area sown until 24th January-20 is 334.35 lakh hectares compared to 299.08 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 reserve price of wheat under OMSS has been reduced to Rs 2,135/quintal for fair average quality (FAQ) and to Rs 2,080/quintal for lower quality. The benchmark price was Rs 2,245/quintal for the January-March period of 2019-20. When the OMSS scheme was announced in April last year, the government had fixed reserve price of wheat for each quarter during FY20. The objective was to liquidate more wheat with minimum losses. Reduction has been made to make space for the procurement of the new crop. According to trade sources, about 1.7 MT of wheat has been sold under OMSS, however official data showed it was less than a million tonne until November 28, 2019.

The Agriculture and Farmers' Welfare Department has issued an advisory for the wheat farmers in Jalandhar against Yellow Rust disease in the crop and also asked farmers to avoid unnecessary use of the urea. The yellow rust is a disease that causes loss in crop yield and the disease appears as yellow coloured, powdery linear stripes on the leaves.

As per trade source, India has exported around 20.22 thousand tonnes in the month of December-2019. The quantity in December-2019 was exported at an average FOB of $ 276.11 per tonne and the major destinations were Bangladesh, Nepal, Somalia, 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 $404.60 (Rs 28831.80) per tonne and $546.00 (Rs 38907.96) 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. 2000 & 2250 respectively.*

Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB ($/T)
01-08 December -2019	5789.45	286.42
09-16 December -2019	4667.09	283.07
17-24 December -2019	4698.59	286.37
25-31 December -2019	3151.69	291.59
Total	18306.82	

Source: Trade

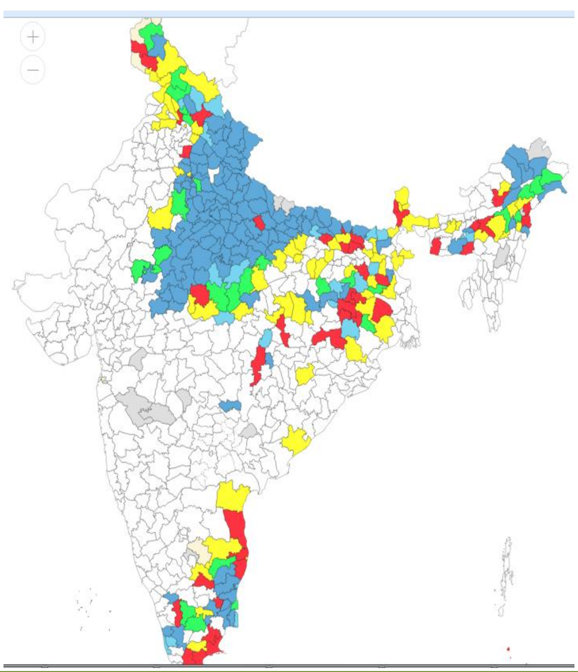
Wheat Import

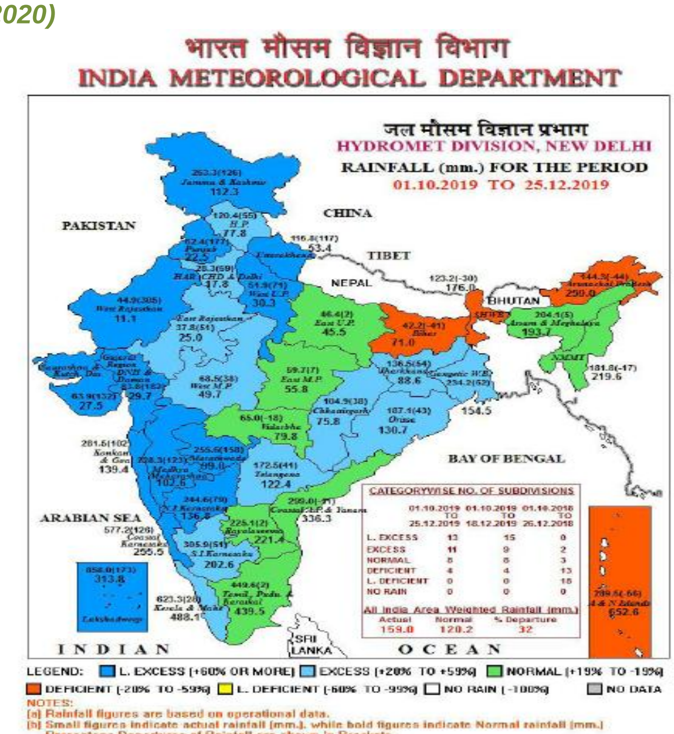
Date	Foreign Country	Port	Quantity in MT
September-2019	Australia	Tuticorin	588.41
	Total		588.41

Source: Trade

Monsoon

Weekly Cumulative rainfall (16-01-2020-22.01.2020)





Source: IMD

Wheat Weekly Average Price Chart

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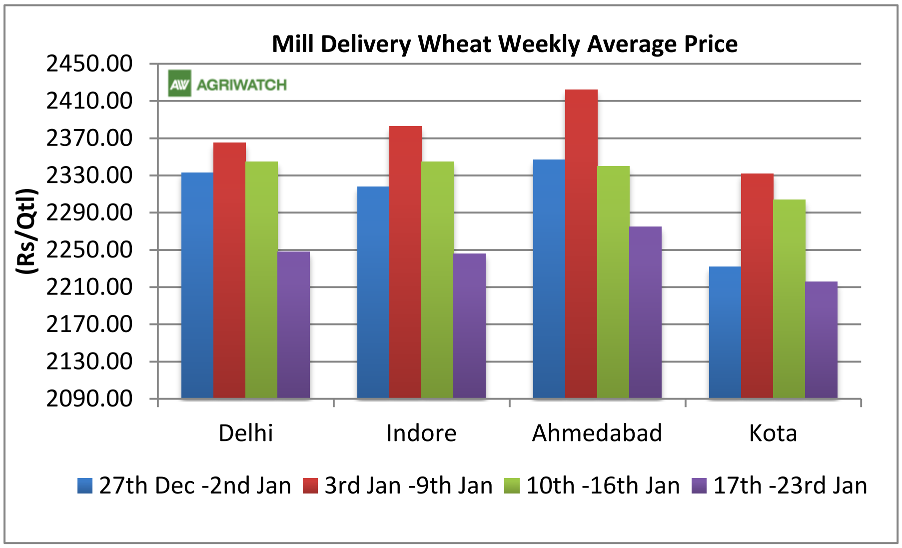

Average mill delivery prices of Wheat traded weak in Ahmedabad, Kota, Indore and Delhi during 17th -23rd January 2020.

Prices noticed weak tone in past week. Market is likely to witness steady to weak tone in upcoming week amid expectation of bumper crop this season and lack of bulk demand in the spot market. 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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FOB Quote for Wheat at Kandla

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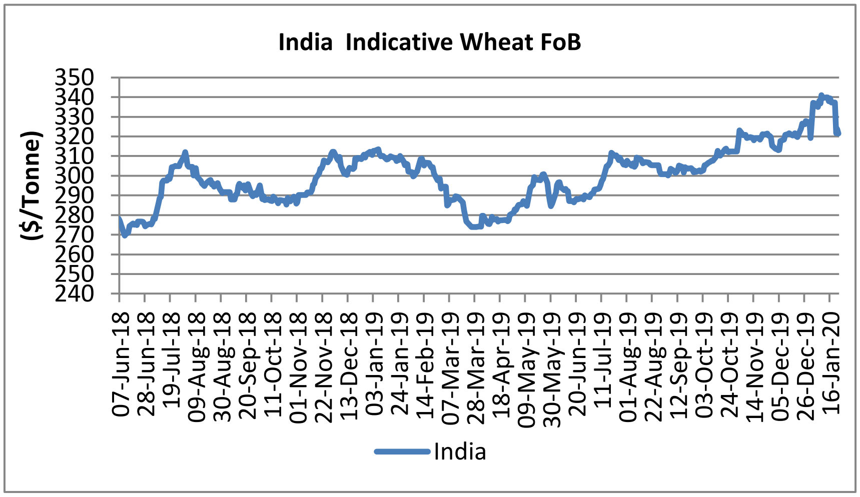
Wheat FoB quote in India continued weak tone in the past week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.

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 $315-325 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
		23-Jan-20	16-Jan-20	24-Dec-19	24-Jan-19	
USA (Chicago)	2srw	262.90	257.30	245.96	228.30	15.16
France	FCW3	216.70	215.21	NA	232.70	-6.87
Australia	ASW	246.56	243.21	233.16	242.20	1.80
Russia	SRW	227.50	223.50	212.00	238.50	-4.61
India	Fob	321.54	339.35	326.54	307.94	4.42

	23/01/2020	16/01/2020	26/12/2019	19/12/2019
Black Sea Mill Wheat 12.5% FOB Pmax.($/T)	234	228	220	218
Black Sea Mill Wheat 11.5% FOB Pmax. ($/T)	230	225	215	214

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price									Date: 24.01.2020
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
20-Feb	1	2075	2075	2075	2075	20	20	20	0
20-Mar	0	2202	2202	2202	2202				
20-Apr	0	2145	2145	2145	2145				

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Wheat Technical Analysis:

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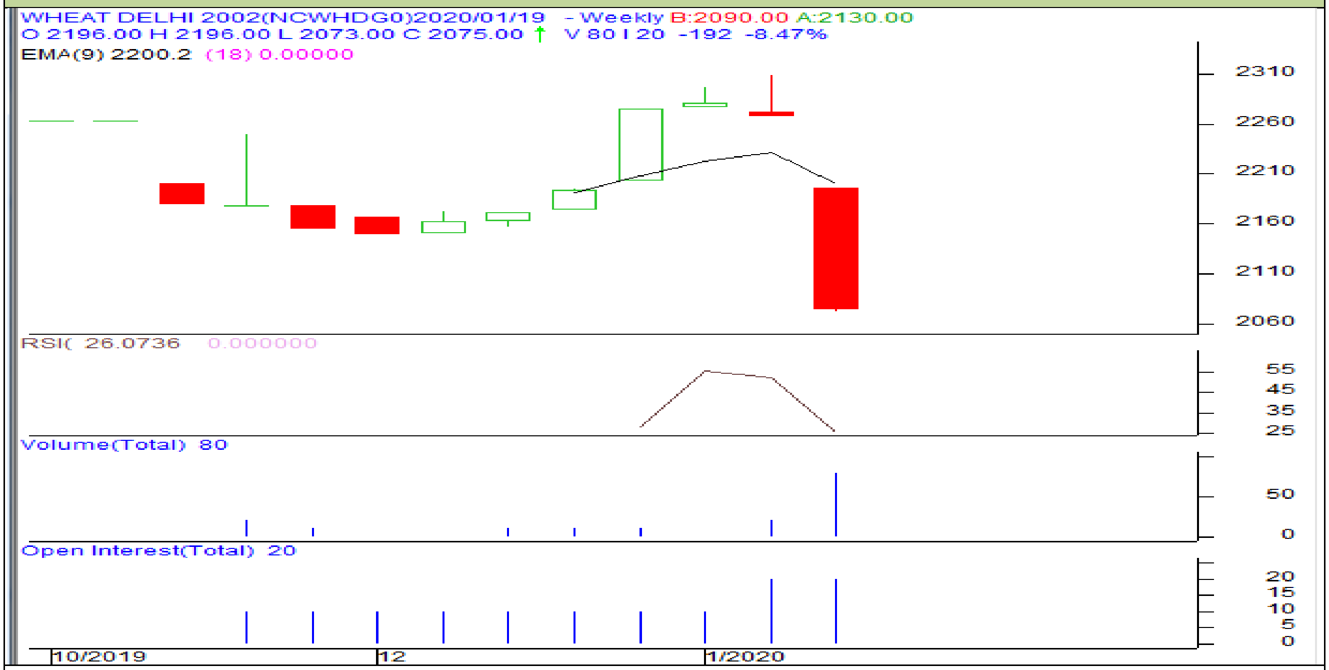
Wheat –Technical Outlook	**Contract Expiry: 20th February, 2020**



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	February	2000	1950	2075	2150	2200
Weekly Trade Call			**Call**	**Entry**	**T1**	**T2**	**SL**
Wheat	NCDEX	February	**Sell**	Below 2090	2050	2035	2120

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**
	23-Jan-20	**16-Jan-20**	**26-Dec-19**	**23-Jan-19**	
Indore	2212	2310	NA	2050	**7.90**
Delhi	2200	2350	2323	2100	**4.76**
Kanpur	2085	2155	2120	2085	**Unch**
Rajkot	2230	2345	2200	2120	**10.85**
Kota	2181	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 witness steady to weak tone amid lack of demand from the bulk consumers in the spot market. The government has reduced the reserve price for wheat this quarter and bulk consumers have turned to OMSS for their requirement.

Spot Market Price:

Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			23-Jan-20	22-Jan-20	16-Jan-20	23-Dec-19	24-Jan-19
Delhi	Lawrence Road	Mill Delivery	2200	2200	2350	2280	2100
	Narella	Mill Quality Loose	2150	Closed	2270	2225	2080
	Nazafgarh	Mill Quality Loose	2200	Closed	2225	NA	2040
Gujarat	Rajkot	Mill Delivery	2225	2240	2340	2240	2130
	Ahmedabad	Mill Delivery	2325	2300	2440	2300	2180
	Surat	Mill Delivery	2350	2340	2500	2380	2250
	Dhrol	Mill Delivery	NR	NR	2550	2505	2210
M.P.	Indore	Mill Delivery	2215	2230	2300	2260	2150
	Bhopal	Mill Quality Loose	2100	2050	2225	2150	1960
Rajasthan	Kota	Mill Quality Loose	2100	2075	2200	2040	1950
		Mill Delivery	2125	2175	2300	2140	2070
U.P.	Kanpur	Mill Delivery	2100	2080	2200	2110	2000
	Mathura	Mill Quality Loose	2160	NA	2200	2020	1840
	Kosi	Mill Quality Loose	2100	2100	2200	2100	2050
	Hathras	Mill Quality Loose	2150	2150	NR	2070	2100
	Aligarh	Mill Quality Loose	2100	Closed	NA	2050	1950
Punjab	Khanna	Mill Quality Loose	2030	2030	2160	2100	1950
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2100	2100	2200	2150	1930
	Hodal	Mill Delivery	NA	NA	NA	NA	2050
	Bhiwani	Mill Quality Loose	2100	2100	2320	2200	2025
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality	NA	NA	NA	NA	NA

		Loose					
Tamil Nadu	Chennai	Mill Quality	2600	2600	2600	2450	2400
	Madurai	Mill Quality	2657	2700	2700	2575	2500
	Coimbatore	Mill Quality	2657	2750	2750	2625	2550
Bihar	Khagariya	Mill Delivery	2000	2150	2200	2200	2150
	Muzaffarpur	Mill Delivery	2125	2150	2200	2000	2125

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)_**

Serbia will import around 30,000 tonnes of high-quality wheat by the end of April, as this year's wheat yield does not meet the high standards of domestic millers and confectioners.

Sindh has asked the federal government to stop wheat exports in view of the prevailing shortages that have led to a spike in the price of the commodity and their products. The country's wheat flour crisis has worsened in a last few weeks, affecting major cities such as Karachi, Hyderabad, and Lahore and with prices increasing up to Rs70/kilogramme in some areas.

Pakistan Government has approved the import of 300,000 tonnes of wheat to relieve a shortage of flour supplies that has created a crisis in the market. Prices of flour and bread shot up last week as the ingredient disappeared from shops and wholesale markets, while bread makers shut in protest towards selling the staple at controlled prices.

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.

IGC Wheat Balance Sheet:

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IGC Forecast(Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				21.11.2019	23.01.2020
Production	757	762	733	762	761
Trade	177	176	169	173	175
Consumptions	736	739	739	756	754
Carryover stocks	248	271	265	271	272
Y-O-Y change	21	22	-5	6	7
Major Export	79	83	70	69	66

- *IGC has forecasted global wheat production to be 761 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 175 MMT. It is 6 MMT higher compared to estimate for last year and lower by 1 MMT compared to 2017-18.*
- *Consumption has been decreased to 754 MMT for 2019-20. The forecast is higher by 15 MMT compared to 2018-19.*
- *Carryout for 2019-20 is forecast at 272 MMT compared to estimate of 265 MMT last year. It is higher by around 24 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
	23-Jan-20	16-Jan-20	23-Dec-19	18-Oct-19	23-Jul-19	23-Jan-19	
Mar-20	213.28	207.67	198.21	197.29	187.65	208.50	2.29
May-20	212.72	208.04	199.77	198.95	190.04	210.06	1.27
Jul-20	212.63	208.22	200.97	199.87	190.96	208.41	2.03
Sep-20	214.38	210.15	203.08	201.98	193.80	210.43	1.88
Dec-20	217.13	213.28	206.57	205.65	198.03	214.56	1.20
Mar-21	219.52	215.76	209.88	208.13	212.45	218.88	0.29

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CBOT Dec-19

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

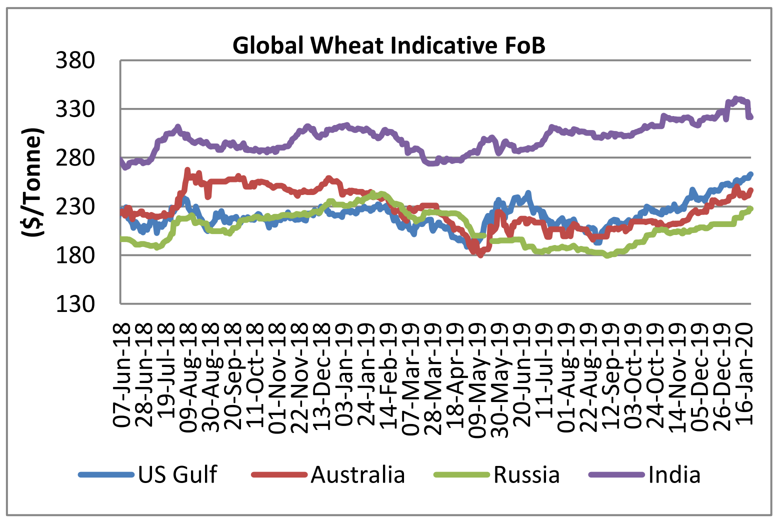
Wheat CBOT closed at $5.73 per bushel. U.S. wheat net export sales during the week ended 16th January was 696,000 tonnes compared to 651000 tonnes last week. Sales were within the trade expectation of 300000-700000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. 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 $321.54-337.23 per tonne.

US and Russian quotes are hovering in the range of $259.29-262.90 and $223.50 -227.50 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 $220 to $275 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 155.5 MMT in 2019-20 compared to 137.8 MMT in 2018-19. Russia and Ukraine are likely to harvest 73.5 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 15.90 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 32.30 MMT in 2019-20 compared to 32.20 MMT in 2018-19.