

# Wheat Weekly Research Report

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

All India weekly average prices increased by 15.63 percent to Rs. 2673.31 per quintal during the week ended 1<sup>st</sup> February 2020. Wheat average price were ruling at Rs 2312.03 per quintal during 24-31 January 2020. As compared to prices in the week 01-08 February 2020, the prices are higher by 26.56 percent. Prices are expected to trade steady to weak in coming days amid expected bumper crop this season. Though unseasonal rains, yellow rust and locust attacks have been reported in some areas, production is however expected to be higher this season.

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.

As per market experts bumper production seems on the card despite unseasonal rains and locusts attack in Rajasthan. This year there will be record food grain production led by wheat along with corn and jowar. Wheat production during Rabi 2019-20 is estimated at 109 MMT which is 6.27% higher than last year production of 102.1 MMT. Production of wheat is expected to increase following higher acreage amid increase in MSP. Farmers prefer wheat over other Rabi crops in irrigated areas because of assured return as FCI undertakes procurement at MSP. Secondly, prolonged cold waves and winter rainfall in certain states have contributed to increase in yield of wheat.

Yellow rust has been reported in certain areas of Punjab and Haryana. This might bring down the yield. However agriculture departments are taking all possible measures to ensure the spread of the disease does not go beyond control. Farmers have been suggested to adopt remedial measures to deal with the situation. In Punjab, yellow rust has been reported in a few villages of Ropar, Hoshiarpur and Pathankot districts. In Haryana, it has been detected in the wheat crop in a few villages of Panchkula, Yamunanagar and Ambala.

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.

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 \$401.80 (Rs 28672.45) per tonne and \$539.00 (Rs 38463.07) 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 \$317.96 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$225.00, \$224.50, Euro 189.25, \$254.21 and \$243.88 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. 1900 & 2150 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
<b>Total</b>	<b>18306.82</b>	

Source: Trade

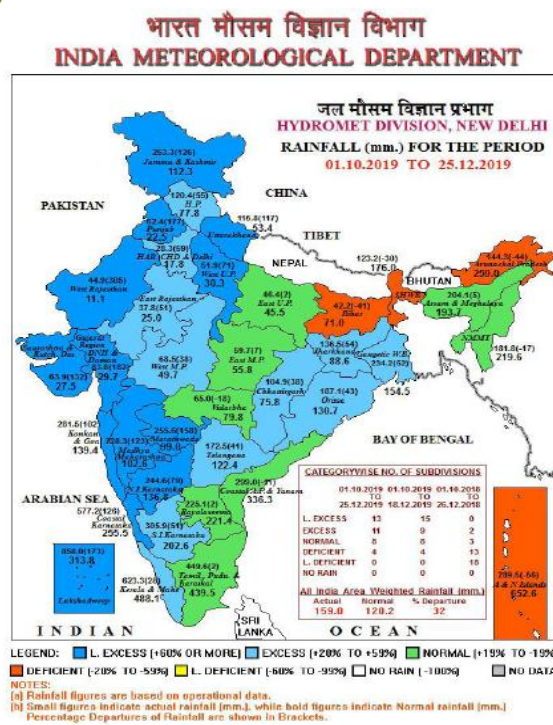
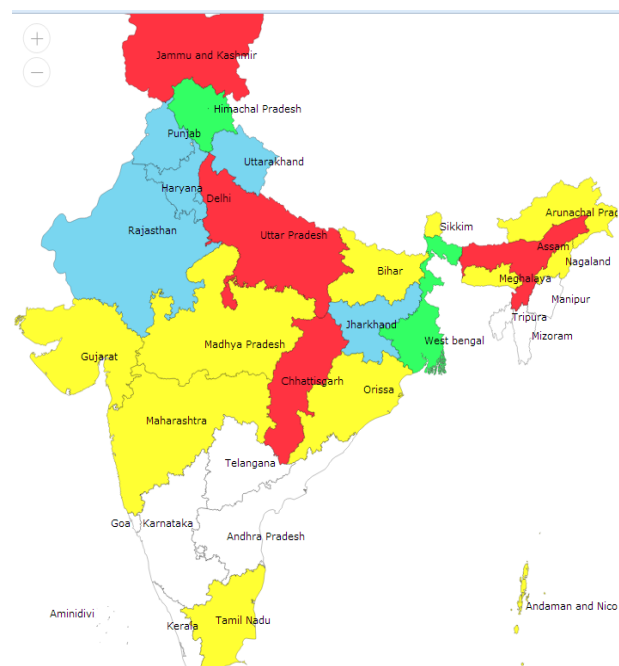
### Wheat Import

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

Source: Trade

### Monsoon

Weekly Cumulative rainfall (23-01-2020-29.01.2020)



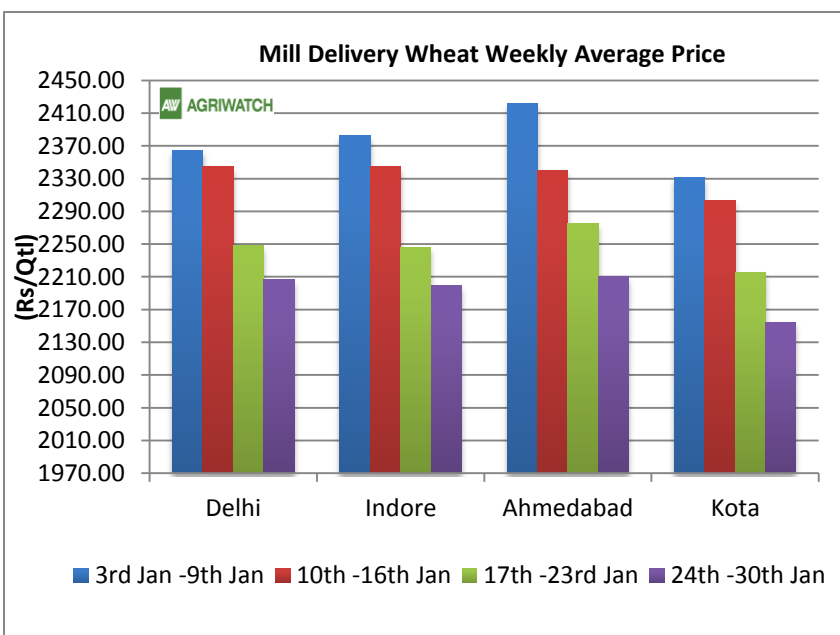
Source: IMD

Wheat Weekly Average Price Chart

Average mill delivery prices of Wheat traded weak in Ahmedabad, Kota, Indore and Delhi during 24<sup>th</sup> -30<sup>th</sup> 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.

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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 Jan	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

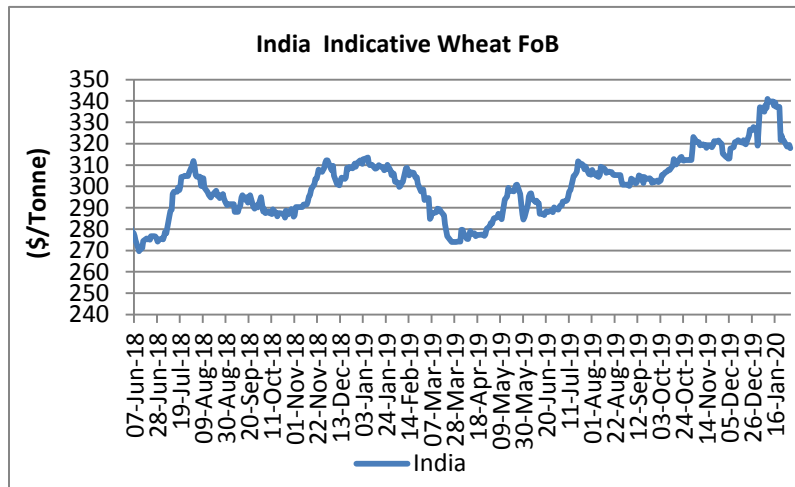
State/UTs	Procurement as on 24 <sup>th</sup> June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.4	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	1.09	35.78	36.87
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	12.06	2.01	14.07
Others	0.14	0.50	0.64
All-India	<b>40.34</b>	<b>300.81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

### FOB Quote for Wheat at Kandla

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Wheat FoB quote in India 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 \$310-320 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
		30-Jan-20	23-Jan-20	31-Dec-19	31-Jan-19	
USA (Chicago)	2srw	254.21	262.90	253.05	226.50	12.23
France	FCW3	208.42	216.70	NA	233.72	-10.82
Australia	ASW	243.88	246.56	235.17	239.40	1.87
Russia	SRW	225.00	227.50	NA	239.50	-6.05
India	Fob	317.96	321.54	319.12	305.86	3.96

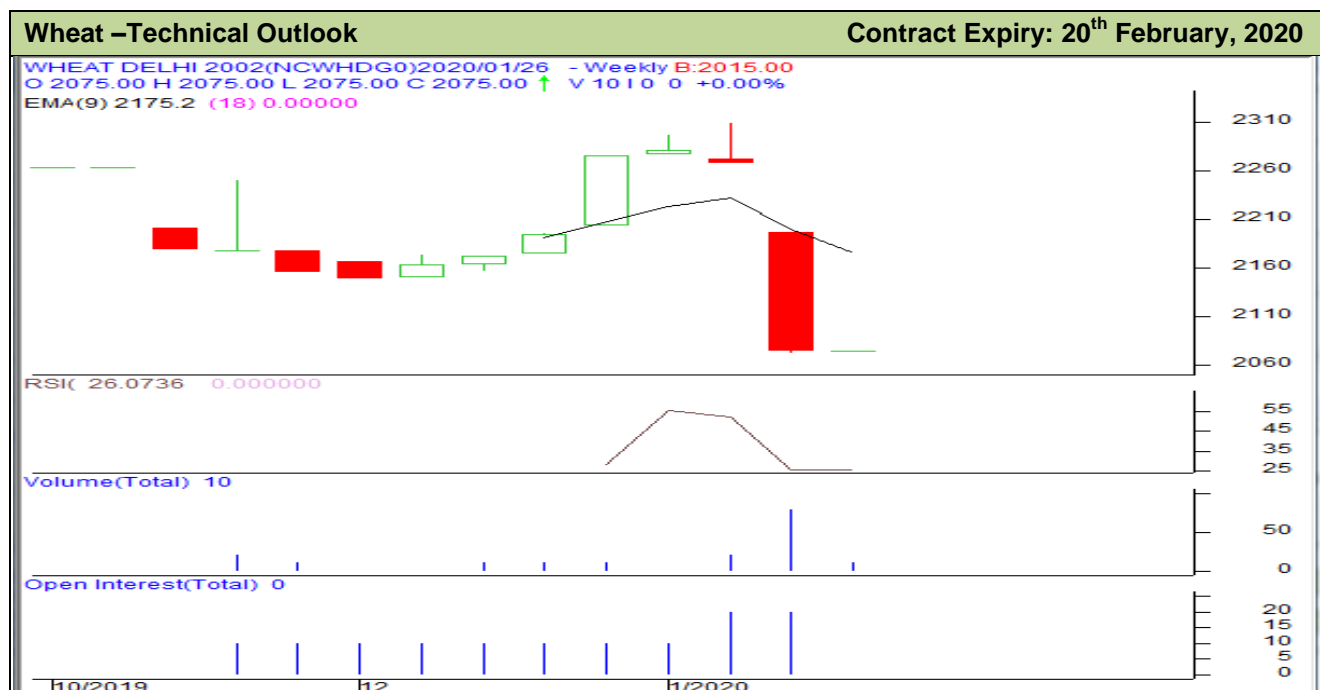
	30/01/2020	23/01/2020	16/01/2020	26/12/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	234	234	228	220
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	228	230	225	215

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 31.01.2020	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
20-Feb	0	2075	2075	2075	2075	10	10	20	0
20-Mar	0	2187	2187	2187	2187				
20-Apr	0	2198	2198	2198	2198				

### Wheat Technical Analysis:

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#### Technical Commentary:

- Steady price denotes not much movement 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	<b>Sell</b>	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
	30-Jan-20	23-Jan-20	2-Jan-20	30-Jan-19	
Indore	2158	2212	2300	2050	5.27
Delhi	2210	2200	2349	2100	5.24
Kanpur	2100	2085	2175	2075	1.20
Rajkot	2203	2230	2310	2120	3.92
Kota	2171	2181	2225	2094	3.68

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 weak tone amid expected bumper production this season. Though unseasonal rains, yellow rust and locust attacks have been reported in some areas, production is however expected to be higher this season.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			30-Jan-20	29-Jan-20	23-Jan-20	31-Dec-19	31-Jan-19
Delhi	Lawrence Road	Mill Delivery	2210	2210	2200	2330	2100
	Narella	Mill Quality Loose	2150	Closed	2150	2260	2060
	Nazafgarh	Mill Quality Loose	2155	Closed	2200	NA	2040
Gujarat	Rajkot	Mill Delivery	2210	2210	2225	2300	2110
	Ahmedabad	Mill Delivery	2240	2270	2325	2360	2175
	Surat	Mill Delivery	2300	2315	2350	2450	2225
	Dhrol	Mill Delivery	2505	2450	NR	2660	2180
M.P.	Indore	Mill Delivery	2200	2230	2215	2300	2125
	Bhopal	Mill Quality Loose	2030	2030	2100	2200	1975
Rajasthan	Kota	Mill Quality Loose	Closed	2080	2100	2130	1950
		Mill Delivery	Closed	2180	2125	2230	2050
U.P.	Kanpur	Mill Delivery	2110	2110	2100	2170	2010
	Mathura	Mill Quality Loose	2150	2150	2160	2060	1800
	Kosi	Mill Quality Loose	2100	2100	2100	2200	2050
	Hathras	Mill Quality Loose	2100	2100	2150	2210	2070
	Aligarh	Mill Quality Loose	Closed	Closed	2100	2130	1940
Punjab	Khanna	Mill Quality Loose	1970	1975	2030	2125	1950
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
Haryana	Sirsa	Mill Delivery loose	2100	2100	2100	2160	1920
	Hodal	Mill Delivery	NA	NA	NA	NA	2050
	Bhiwani	Mill Quality Loose	2100	2080	2100	2210	2030
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	NA	NA	NA





Tamil Nadu	Chennai	Mill Quality	Closed	2550	2600	2500	2400
	Madurai	Mill Quality	Closed	2700	2700	2600	2500
	Coimbatore	Mill Quality	Closed	2750	2750	2650	2550
Bihar	Khagariya	Mill Delivery	2100	2100	2000	2200	2150
	Muzaffarpur	Mill Delivery	2150	2150	2125	2000	2100

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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*According to IKAR Consultancy, Russian wheat production this year could be around 79.5 MMT. Farmers have sown a record winter wheat area this season.*

*Australia's major wheat exporting states of South Australia, Victoria and Western Australia have exported just over 3 MMT of wheat since October according to sources at S&P. This is close to the half-way mark of the country's anticipated exportable surplus of 7 -8 MMT for the current marketing year October 2019-September 2020. Philippines was the number one destination for Australian wheat exports over October-November at close to 300,000 metric tonnes followed by South Korea and Japan at 205,000 metric tonnes and 130,000 metric tonnes respectively.*

*China has bought about 1MMT of Australian, Canadian and French wheat as Beijing looks to fill import quotas set by the World Trade Organization, according to trade sources. The purchases are part of the 9.6 million-ton annual wheat quota China allocates to buyers.*

*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.*

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
	30-Jan-20	23-Jan-20	31-Dec-19	25-Oct-19	31-Jul-19	30-Jan-19	
Mar-20	203.45	213.28	205.28	192.33	185.26	205.93	-1.20
May-20	202.99	212.72	206.39	194.26	187.65	208.04	-2.43
Jul-20	202.99	212.63	207.03	195.64	188.94	206.57	-1.73
Sep-20	205.38	214.38	208.96	198.21	191.60	215.39	-4.65
Dec-20	208.68	217.13	212.27	202.35	196.01	212.36	-1.73
Mar-21	211.44	219.52	215.30	205.01	212.45	215.39	-1.83

### CBOT Dec-19

**1<sup>st</sup> Support: 174.00**  
**2<sup>nd</sup> Support: 172.00**  
**1<sup>st</sup> Resistant: 234.00**  
**2<sup>nd</sup> Resistant: 236.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.54 per bushel. U.S. wheat net export sales during the week ended 23<sup>rd</sup> January was 646,000 tonnes compared to 696000 tonnes last week. Sales were at the high end of 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 lower amid concerns of lower demand from China following corona virus.

### 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 \$317.96-321.26 per tonne.

US and Russian quotes are hovering in the range of \$254.21-258.32 and \$225.00 -227.50 per tonne respectively. Wheat prices in international markets noticed steady to weak tone in last week.

Wheat is expected to trade steady to weak and hover in the range of \$210 to \$265 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.

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