

# Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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All India weekly average prices increased by 10.46 percent to Rs. 2333.38 per quintal during the week ended 8<sup>th</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 0.92 percent. Prices are expected to trade steady to weak in coming days amid lack of demand in the spot market. Though unseasonal rains, yellow rust and locust attacks have been reported in some areas, bumper production is expected this season.

As per latest update, area sown until 31st January-20 is 336.18 lakh hectares compared to 299.30 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 \$534.80 (Rs 38099.15) 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 per tonne. Therefore, as of now, there is no parity for wheat imports.

Indian FoB quote is hovering around \$321.58 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$221.00, \$221.00, Euro 192.00, \$253.90 and \$237.85 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. 1950 & 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

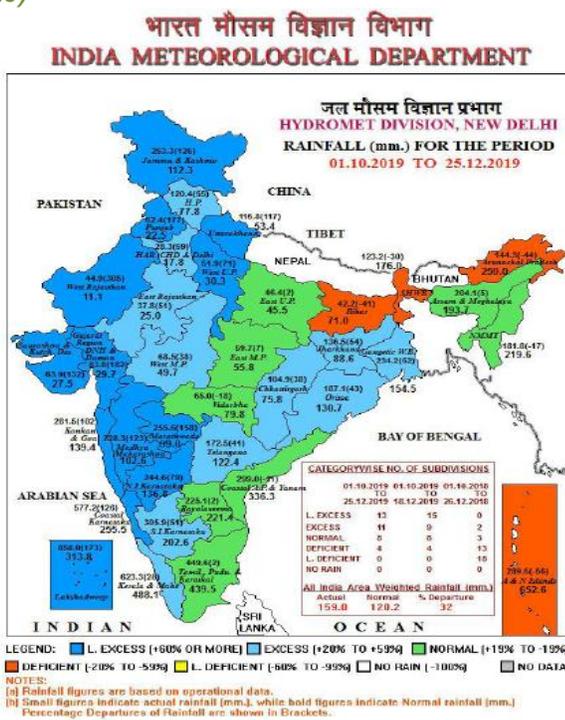
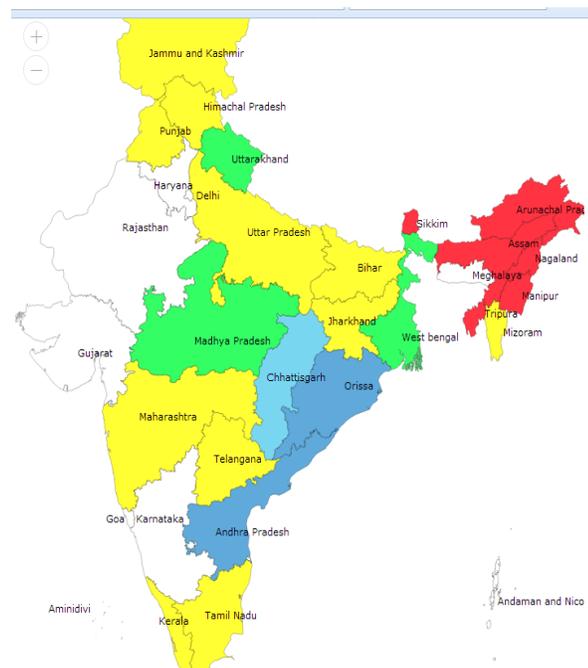
### Wheat Import

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 (30-01-2020-05.02.2020)

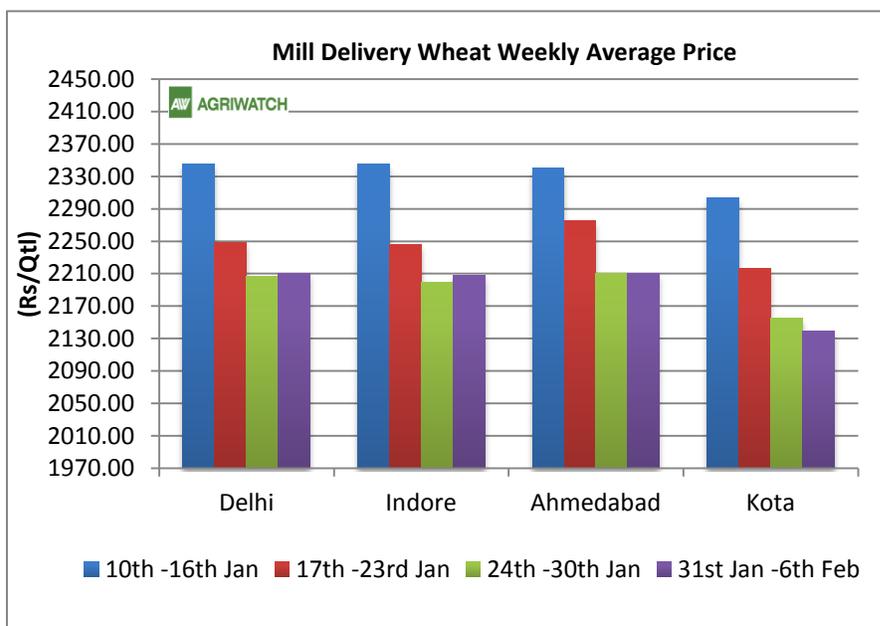


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded firm in Delhi and Indore and weak in Ahmedabad, Kota during 31<sup>st</sup> January -6<sup>th</sup> February 2020.

Prices noticed mixed 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 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. 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

<b>Wheat Stock Norms</b>						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
<b>As on</b>						
<b>1st April</b>	115.8	44.6	160.4	20	30	210.4
<b>1st July</b>	115.4	245.8	361.2	20	30	411.2
<b>1st Oct.</b>	82.5	175.2	257.7	20	30	307.7
<b>1st Jan</b>	56.1	108	164.1	20	30	214.1
<b>Buffer Norms w.e.f. 01.07.2017</b>						

Procurement RMS 2019-20

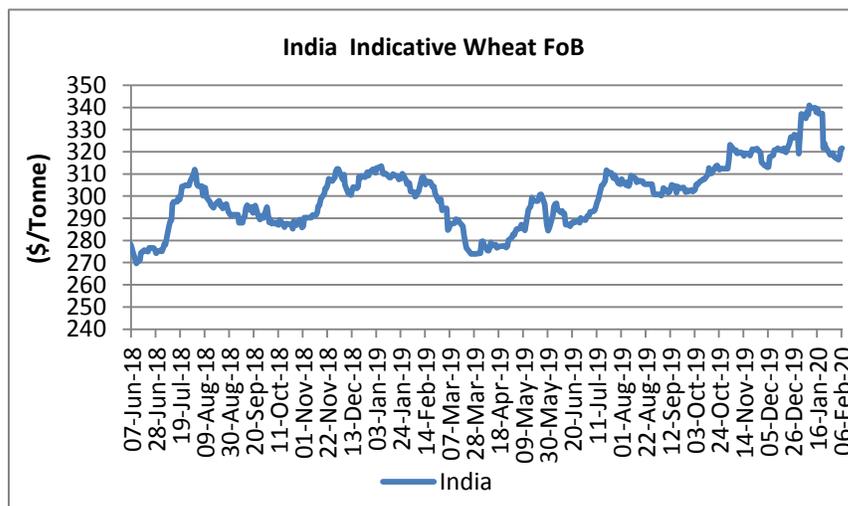
State/UTs	Procurement as on 24 <sup>th</sup> June-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
<b>Punjab</b>	15.72	113.4	129.12
<b>Haryana</b>	11.33	81.87	93.20
<b>Uttar Pradesh</b>	1.09	35.78	36.87
<b>Madhya Pradesh</b>	0.00	67.25	67.25
<b>Rajasthan</b>	12.06	2.01	14.07
<b>Others</b>	0.14	0.50	0.64
<b>All-India</b>	<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 noticed firm 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
		6-Feb-20	30-Jan-20	9-Jan-20	7-Feb-19	
USA (Chicago)	2srw	253.90	254.21	256.20	227.10	11.80
France	FCW3	211.18	208.42	212.64	227.81	-7.30
Australia	ASW	237.85	243.88	243.88	238.70	-0.36
Russia	SRW	221.00	225.00	218.50	242.50	-8.87
India	Fob	321.58	317.96	340.99	301.59	6.63

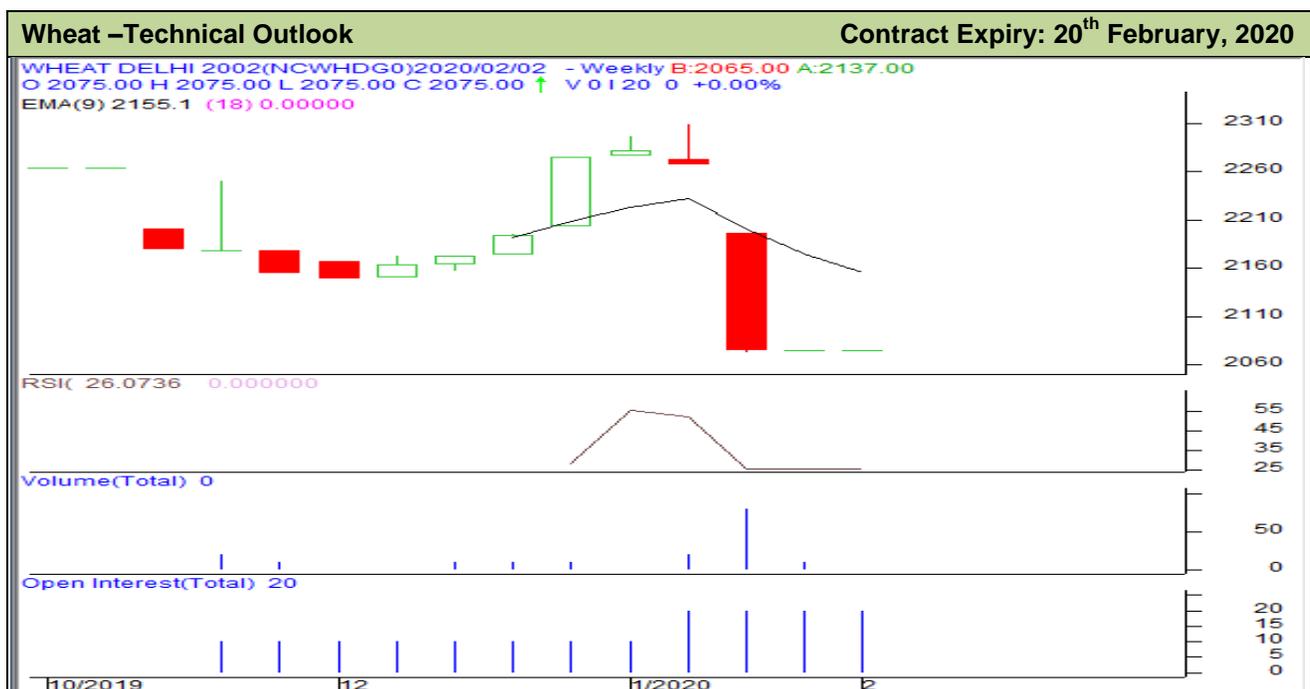
	30/01/2020	23/01/2020	16/01/2020	26/12/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	234	234	228	220
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	228	230	225	215

### NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price								Date: 07.02.2020	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
20-Feb	0	2075	2075	2075	2075			20	0
20-Mar	0	2190	2190	2190	2190				
20-Apr	0	2200	2200	2200	2200				

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	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
	6-Feb-20	30-Jan-20	9-Jan-20	6-Feb-19	
Indore	2160	2158	2345	2025	6.67
Delhi	2210	2210	2363	2095	5.49
Kanpur	2100	2100	2180	2080	0.96
Rajkot	2185	2203	2345	2080	5.05
Kota	2169	2171	2273	2098	3.38

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 bumper production expected this season and lack of demand in the spot market. Though unseasonal rains, yellow rust and locust attacks have been reported in some areas, production is however expected to be higher this season.*

<b>Spot Market Price:</b>							
<b>Centre</b>	<b>Market</b>	<b>Variety</b>	<b>Prices (Rs/Qtl)</b>				
			<b>Today</b>	<b>Yesterday</b>	<b>Week Ago</b>	<b>Month Ago</b>	<b>Year Ago</b>
			<b>06-Feb-20</b>	<b>05-Feb-20</b>	<b>30-Jan-20</b>	<b>08-Jan-20</b>	<b>07-Feb-19</b>
<b>Delhi</b>	Lawrence Road	Mill Delivery	2210	2210	2210	2370	2110
	Narella	Mill Quality Loose	2150	Closed	2150	Closed	2090
	Nazafgarh	Mill Quality Loose	2150	Closed	2155	Closed	2030
<b>Gujarat</b>	Rajkot	Mill Delivery	2225	2225	2210	2360	2085
	Ahmedabad	Mill Delivery	2265	2250	2240	2460	2175
	Surat	Mill Delivery	2325	2310	2300	2500	2220
	Dhrol	Mill Delivery	2465	2430	2505	2415	2215
<b>M.P.</b>	Indore	Mill Delivery	2215	2215	2200	2350	2070
	Bhopal	Mill Quality Loose	2030	2050	2030	2225	2000
<b>Rajasthan</b>	Kota	Mill Quality Loose	2060	2070	Closed	2200	2000
		Mill Delivery	2180	2180	Closed	2325	2050
<b>U.P.</b>	Kanpur	Mill Delivery	2115	2100	2110	2240	2010
	Mathura	Mill Quality Loose	NA	NA	2150	2160	2000
	Kosi	Mill Quality Loose	2100	2100	2100	2200	2040
	Hathras	Mill Quality Loose	2150	NR	2100	2150	2060
	Aligarh	Mill Quality Loose	2000	Closed	Closed	Closed	1950
<b>Punjab</b>	Khanna	Mill Quality Loose	1975	1975	1970	NA	1970
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	NA
<b>Haryana</b>	Sirsa	Mill Delivery loose	2070	2070	2100	2175	1920
	Hodal	Mill Delivery	NA	NA	NA	NA	NR
	Bhiwani	Mill Quality Loose	2080	2100	2100	2250	2025
	Karnal	Mill Delivery	NA	NA	NA	NA	NA
	Panipat	Mill Quality	NA	NA	NA	NA	NA



		Loose					
<b>Tamil Nadu</b>	Chennai	Mill Quality	2550	2550	Closed	2600	2410
	Madurai	Mill Quality	2607	2650	Closed	2700	2510
	Coimbatore	Mill Quality	2607	2700	Closed	2750	2560
<b>Bihar</b>	Khagariya	Mill Delivery	2100	2100	2100	2200	2150
	Muzaffarpur	Mill Delivery	2125	2125	2150	Closed	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	<b>-1.72</b>	
Chhattisgarh	1.05	1.73	1.85	1.68	<b>-9.19</b>	
Gujarat	10.85	9.96	10.76	8.07	<b>-24.97</b>	
Haryana	25.46	25.38	25.26	25.16	<b>-0.40</b>	
Himachal Pradesh	3.48	3.59	3.6	3.50	<b>-2.78</b>	
J&K	2.94	2.31	2.93	2.44	<b>-16.88</b>	
Jharkhand	1.76	2.08	2.31	1.64	<b>-29.07</b>	
Karnataka	1.95	1.57	2.09	1.50	<b>-28.37</b>	
Madhya Pradesh	57.24	64.22	53.16	60.00	<b>12.87</b>	
Maharashtra	10.24	10.52	9.4	5.69	<b>-39.44</b>	
Punjab	35.06	35	35.1	35.02	<b>-0.23</b>	
Rajasthan	30.26	30.67	30.2	28.25	<b>-6.46</b>	
Uttar Pradesh	97.44	100.52	98.67	99.13	<b>0.47</b>	
Uttarakhand	3.47	3.59	3.58	3.45	<b>-3.63</b>	
West Bengal	3.30	3.39	1.36	1.05	<b>-22.79</b>	
Others	0.61	0.21	0.75	0.23	<b>-69.33</b>	
<b>All-India</b>	<b>306.29</b>	<b>317.81</b>	<b>304.29</b>	<b>299.68</b>	<b>-1.52</b>	

Source: Ministry of Agriculture

**International Market Update:**

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*According to a report from the Foreign Agricultural Service of the USDA, Turkey's wheat imports during the first six months of marketing year 2019-20, June to November 2019, were almost double compared to previous year's imports during the same period at 5.5 MMT. The USDA anticipates the market year 2019-20 imports to increase to 8.5 MMT, on the basis that domestic consumption will continue to rise, and exports of wheat products will remain steady.*

*According to an agriculture ministry official, Egypt has planted 1.34 million hectares of wheat in the 2019-2020 season, slightly above the amount planted the previous year.*

*Japan's Ministry of Agriculture sought 120,000 metric tonnes of feed wheat to be loaded by May 31 and arrive in Japan by July 30, via a simultaneous buy and sell (SBS) auction that will be held on Feb. 12.*

*Soft wheat exports from French ports touched a six-year high in January despite intermittent docker and tug boat strikes that saw some shipments delayed. About 1.33 MMT of soft wheat was exported from France last month, the highest in January since 2014 while 1.66 MMT was exported in total in the month.*

*According to the USDA, Canada's area seeded to all wheat was reduced by 40,000 hectares, area harvested reduced by 162,000 hectares, and production revised down by 144,000 tonnes to 32.35 MMT. Poor weather conditions, rail strikes and strong global competition in the wheat market have affected Canada's 2019-20 wheat exports.*

*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.*

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
	06-Feb- 20	30-Jan- 20	09-Jan-20	01-Nov-19	09-Aug- 19	07-Feb- 19	
Mar-20	204.37	203.45	206.57	191.69	187.01	202.99	0.68
May-20	203.36	202.99	207.67	193.44	188.84	204.27	-0.45
Jul-20	203.26	202.99	208.41	195.09	190.31	201.52	0.87
Sep-20	205.19	205.38	210.70	197.57	192.79	207.86	-1.28
Dec-20	208.32	208.68	213.92	201.52	197.11	203.82	2.21
Mar-21	211.16	211.44	216.31	204.27	212.45	212.27	-0.52

### CBOT Mar-20

**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 \$5.59 per bushel. U.S. wheat net export sales during the week ended 30<sup>th</sup> January was 339,000 tonnes compared to 646000 tonnes last week. Sales were in line with trade expectation of 200000-700000 MT. USDA expects sales for 2019-20 to be around 26.50 MMT, higher by 4% than 2018-19. As on 25<sup>th</sup> 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 short-covering.

### 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 \$316.47-321.58 per tonne.

US and Russian quotes are hovering in the range of \$251.09-256.10 and \$221.00 -224.00 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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