Wheat Weekly Research Report
04th Aug-2020

Wheat Weekly Research Report

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Wheat Domestic Market Fundamentals

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For the kharif season of 2019-20, FCI has reduced the reserve selling price of URS (Under relaxed specifications) wheat from 2080 to 1840.

In the domestic market, flour and refined flour have weak demand which has fallen by almost 25%. Corona virus has severely impacted the market. In the current week, the price of wheat at Delhi reduced by Rs.40 resulting in the actual price being Rs.1865/1870 per quintal though it may increase if demand picks up around Diwali. The daily arrival of 4000 to 5000 wheat sacks.

The Karnataka government has asked the Center for surplus wheat and said that because of the labour coming from different states, their stocks of wheat may not be sufficient.

FCI has procured a record 38.97 MMT of wheat so far this season and it may end up buying 40.5 to 41 MMT this year. FCI currently has 558.25 MMT wheat in central pool stock in June.

According to FCI, Tenders were invited for Sale Of FAQ Wheat Under OMSS(d) Through E Auction In Respect Of Karnataka and West Bengal State. Tenders were also invited for MTF cum financial bid notice for sale of wheat under OMSS(d) through e-auction (e-17) to empanelled bulk consumer traders of any region with FCI and to state govt. S/ uts for stocks lying at various depots of Madhya Pradesh region.

FCI aims to promote increased purchases by private buyers under OMSS, which came down to nil in June. The FCI has run out of storage facilities and needs to offload the excess stock. The wholesale market price of wheat is less than the central agency's rate. Under OMSS, the FCI currently sells 'Grade A' wheat at Rs 2,135/quintal and the 'Grade B' at Rs 2,080/quintal. However, these rates are significantly higher than the current market prices of Rs 1,850-1,920/quintal. Under the scheme can be reduced to Rs 1,640/quintal for 'Grade A'. Flour millers have advised it to lower the rate at which wheat is sold for open market operations, by Rs 500 a quintal, saying the move will help it to earn around Rs 16,000 crore in revenues.

Previous Updates

Prime Minister had announced the extension of Pradhan Mantri Garib Kalyan Ann Yojana till the end of November 2020. He said that the PMGKAY scheme is extended from July till the end of November 2020. the Department of Food and PD has worked out estimated cost under TPDS @ 5 Kg per person per month for three months i.e. April-June, 2020 would entail an estimated subsidy of Rs. 44,131 crore taking the estimated Economic Cost of Rs. 26,838.40/MT for wheat (as per BE 2020-2021).

According to the consumer affairs ministry official wheat price under the scheme can be reduced to Rs 1,640/quintal for 'Grade A'. The Delhi government decided to provide monthly free ration from July to all PDS card holders till November 2020. This particular scheme helps nearly 71,40,938 people who get subsidized food grains. These include 68,465 Antodya Anna Yojna (AAY) households with 2,78,954 beneficiaries. The price is Rs 2 per kg for, which shall not be charged from the NFS beneficiaries while obtaining the ration from July till November. Regular entitlement under AAY category is 25 kg wheat per household.

Outlook & Recommendation:

All India weekly average prices increased by 29.99 percent to Rs. 2601.03 per quintal during the week ended 08rd Auf 2020. Wheat average prices were ruling at Rs 2085.93 per quintal during 01thJune-08st Aug 2019. Prices may go down despite festive season as supply is expected to increase from the central pool at discounted prices. However, free distribution of wheat till Nov would prevent the market from rising significantly.

Wheat Weekly Export **(Back to Table of Contents)**

Week on Week Exports	*Quantity in MT*	*Average FoB ($/T)*
01-07 June -2020	12830.95	25668.60
08-14 June -2020	8053.53	10881.55
15-21 June -2020	9555.81	16815.70
21-31 June -2020	8197.01	18493.60
Total	***38637.32***	***17426.75***

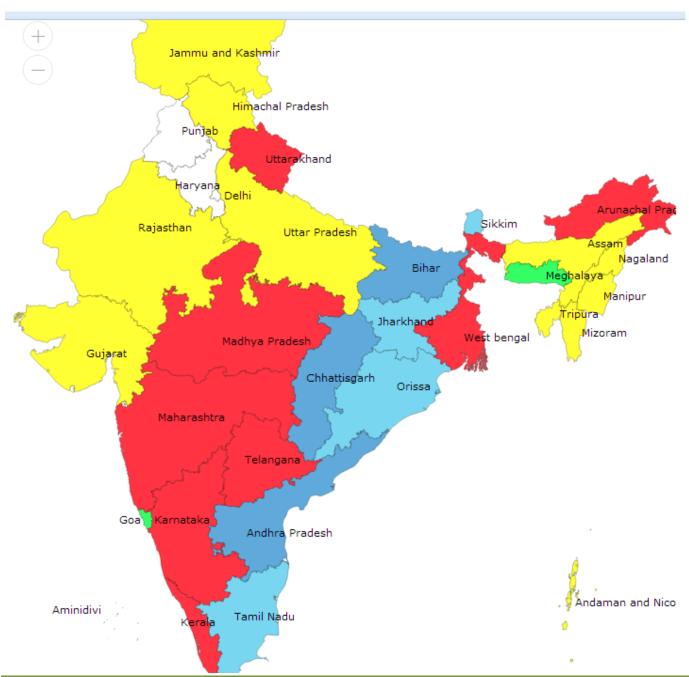
Source: Trade

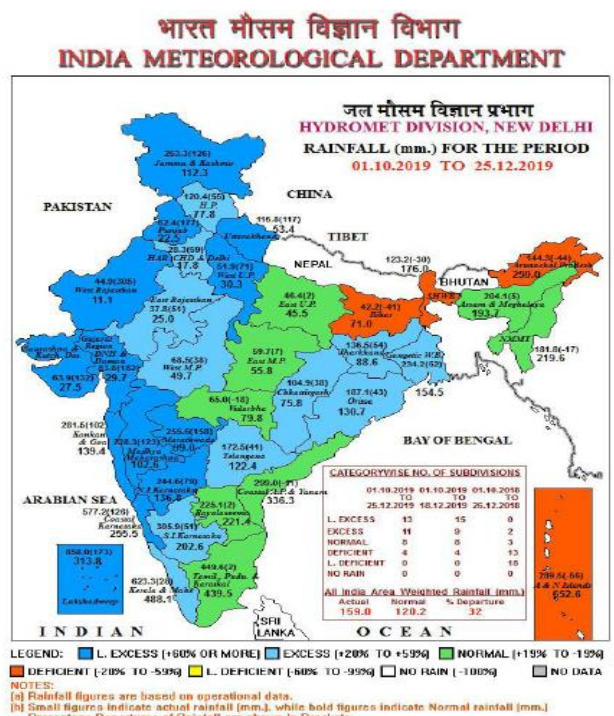
Wheat Import

Date	*Foreign Country*	*Port*	*Quantity in MT*
June-2020	Australia, UK	Tuticorin	0
	Total		0

Source: Traders

Monsoon
Weekly Cumulative rainfall





Source: IMD

Wheat Weekly Average Price Chart

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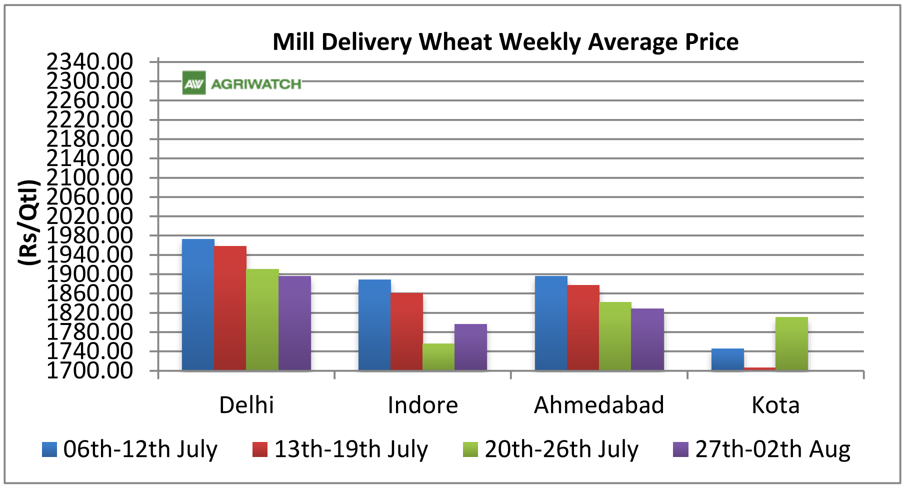
Average mill delivery prices of Wheat remained low, during 27th July - 02nd Aug 2020. As compared to last week Delhi, Ahemdabad and Kota markets show weak movement in prices and it is likely to trade steady to slightly firm in upcoming weeks. Free distribution of wheat till Nov would keep the market moving range bound. Official procurement of the wheat has already completed. The government has procured 38.97 MMT of wheat this season.



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	115.80	44.60	160.40	20.00	30.00	210.40
1st July	115.40	245.80	361.20	20.00	30.00	411.20
1st October	82.50	175.20	257.70	20.00	30.00	307.70
1st January	56.10	108.00	164.10	20.00	30.00	214.10
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

State/UTs	**Procurement as on 27th July-2020 (Figures in LMT)**		
	FCI (A)	**State Agency (B)**	**Total (A+B)**
Punjab	14.19	112.93	127.12
Haryana	6.70	67.28	73.98
Uttar Pradesh	1.34	34.19	35.77
Madhya Pradesh	0.00	129.35	129.35
Bihar	0.00	0.05	0.05
Rajasthan	16.27	5.93	22.20
Others	0.14	1.11	1.28
All-India	**38.64**	**351.11**	**389.75**

FOB Quote for Wheat at Kandla

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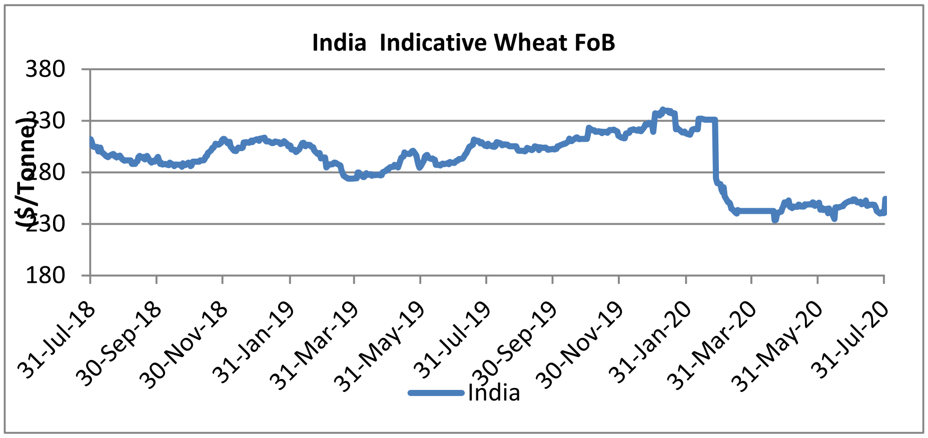
Wheat FoB quote in India noticed steady tone in the past week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.



Wheat FoB quote for Kandla is likely to witness steady to firm tone in the coming week and is likely to hover in the range of $240.32-$250 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**
		31-Jul-20	**24-Jul-20**	**3-Jul-20**	**2-Aug-19**	
USA (Chicago)	2srw	227.95	232.25	NA	213.40	**6.82**
France	FCW3	223.65	220.37	NA	189.93	**17.76**
Australia	ASW	244.80	231.70	229.08	199.50	**22.71**
Russia	SRW	207.00	206.00	193.00	187.00	**10.70**
India	Fob	240.74	242.32	253.77	306.62	**-21.49**

	03/08/2020	24/07/2020	15/07/2020	08/06/2020
Black Sea Mill Wheat 12.5% FOB Pmax. ($/T)	*207*	*205*	*209*	*201*
Black Sea Mill Wheat 11.5% FOB Pmax. ($/T)	*204.50*	*203*	*203*	*202*

NCDEX Wheat Contracts

Wheat Futures Contact: NCDEX Price									***Date: 04.08.2020***
Contract Month	***+/-***	***Open***	***High***	***Low***	***Close***	***Volume***	***Change From previous day***	***Open Interest***	***Change From previous day***
20-Aug		-	-	-	*1839*				
20-Sep		-	-	-	*1845*				
20-Oct		-	-	-	*1851*				

Wheat Technical Analysis:

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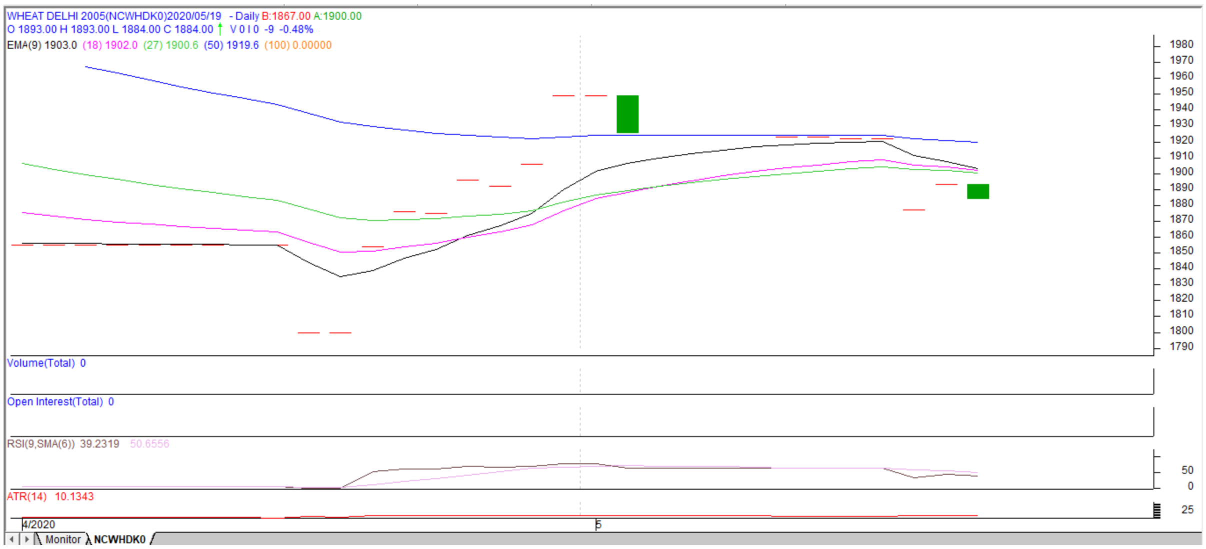
Wheat- Technical outlook



Technical Commentary:

- Increase in price denotes sell interest in the market.
- RSI is increasing in neutral region.
- Prices closed below 9 and 18 Day EMAs.

Strategy: **Buy on dips**

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Wheat	NCDEX	Sep	1868	1858	1893	1942	1952
Pre-Market Intraday Trade Call*			**Call**	**Entry**	**T1**	**T2**	**SL**
Wheat	NCDEX	Sep	**BUY**	1893	1919	1932	1878

*Do not carry forward the position until the next day.

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**
	31-Jul-20	**24-Jul-20**	**3-Jul-20**	**31-Jul-19**	
Indore	1800	1800	1831	2100	-14.29
Bareilly	NA	NA	NA	0	-
Delhi	1885	1915	1995	2145	-12.12
Khanna	NA	NA	NA	0	-
Kanpur	1780	NA	1996	2045	-12.96
Karnal	NA	NA	NA	0	-
Rajkot	1746	1790	1845	2065	-15.45
Kota	1842	1852	1895	2036	-9.53

Domestic Market Weekly Outlook:

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Wheat market is expected to notice steady –bound to firm tone as the procurement of the new crop is officially completed.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			01-Aug-20	31-Jul-20	25-Jul-20	03-Jul-20	03-Aug-19
Delhi	Lawrence Road	Mill Delivery	1870	1875	1910	1995	2150
	Narella	Mill Quality Loose	1720	1740	1780	1850	2050
	Nazafgarh	Mill Quality Loose	1710	1720	1760	1825	2010
Gujarat	Rajkot	Mill Delivery	1735	1735	1735	1835	2070
	Ahmedabad	Mill Delivery	1840	1835	1840	1890	2180
	Surat	Mill Delivery	1890	1880	1890	1935	2230
	Dhrol	Mill Delivery	NR	1655	1690	NA	1990
M.P.	Indore	Mill Delivery	Closed	1780	1780	1870	2125
	Bhopal	Mill Quality Loose	Closed	Closed	1700	1750	2000
Rajasthan	Kota	Mill Quality Loose	Closed	1725	1700	1750	1950
		Mill Delivery	Closed	1850	1830	1870	2060
U.P.	Kanpur	Mill Delivery	Closed	1790	Closed	2000	2085
	Mathura	Mill Quality Loose	Closed	1775	Closed	1820	1950
	Kosi	Mill Quality Loose	1830	1840	Closed	1800	1960
	Hathras	Mill Quality Loose	Closed	1725	Closed	1820	1910
	Aligarh	Mill Quality Loose	Closed	1700	Closed	1810	1955
Punjab	Khanna	Mill Quality Loose	NR	1750	1760	1800	1970
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	NA	NA	0
Haryana	Sirsa	Mill Delivery loose	1790	1810	1780	1870	2035
	Hodal	Mill Delivery	NA	NA	NA	NA	0
	Bhiwani	Mill Quality Loose	1700	1700	1700	1600	2050
	Karnal	Mill Delivery	NA	NA	NA	0	0
	Panipat	Mill Quality Loose	NA	NA	NA	0	0
Tamil Nadu	Chennai	Mill Quality	Closed	2050	2100	2150	2400
	Madurai	Mill Quality	Closed	2150	2200	2300	2550

	Coimbatore	Mill Quality	Closed	2200	2250	2350	2600
Bihar	Khagariya	Mill Delivery	2100	2000	2050	2000	2000
	Muzaffarpur	Mill Delivery	1775	1775	1800	1870	2000

Sowing Status:

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State Wise Wheat Sowing in Lakh Hectares

State	Normal area (2020)	2018	2019	2020	% Change 2020 vs. 2019
Bihar	20.96	23.27	22.87	22.71	**8.35**
Chhattisgarh	1.05	1.85	1.68	1.82	**73.33**
Gujarat	10.92	10.76	8.07	13.95	**27.75**
Haryana	25.35	25.26	25.16	24.90	**-1.78**
Himachal Pradesh	3.39	3.6	3.50	3.40	**NA.29**
J&K	2.96	2.93	2.44	2.21	**-25.34**
Jharkhand	1.76	2.31	1.87	2.12	**20.45**
Karnataka	1.88	2.09	1.50	1.97	**4.79**
Madhya Pradesh	57.27	53.16	60.00	79.68	**39.13**
Maharashtra	10.74	9.4	5.69	10.71	**-NA.28**
Punjab	35.06	35.1	35.02	35.08	**NA.06**
Rajasthan	29.75	30.2	28.25	33.15	**11.43**
Uttar Pradesh	97.48	98.67	99.13	99.05	**1.61**
Uttarakhand	3.42	3.58	3.45	3.48	**1.75**
West Bengal	2.89	1.36	1.05	1.76	**-39.10**
Others	NA.20	NA.75	NA.23	NA.11	**-45.00**
All-India	305.58	304.29	299.68	336.18	**10.01**

Source: Ministry of Agriculture

International Market Update: (***Back to Table of Contents***)

The Russian wheat harvest is well underway. Data from Russia's Ministry of Agriculture shows that 41.8 MMT of wheat have been harvested so far in 2020/21, slightly ahead of this time last year. So far, the average wheat yield is 53.1 bu/acre (3.57 MT/hectare), down 3% from the same period in 2019.

Between June and July, USDA reduced its Argentinian wheat production forecast by 1.0 MMT to 20.0 MMT as dry weather pressures total wheat planted area at the end of the country's planting season. According to the Buenos Aires Grain Exchange (BAGE), 26% of the Argentina's wheat is in good to excellent condition.

According to World Grain, French soft (non-durum) wheat production is expected to drop to its lowest level in 25 years at 29.2 MMT

USDA reported that the new crop U.S. HRW harvest was 74% complete, moving well ahead of last year's pace. Over the next week, weather is expected to be favorable for crop development and harvest. South Dakota reported exceptionally good yields and high protein.

According to Agritel, "Abundant autumn rainfall over a large part of the territory made sowing conditions extremely difficult or even impossible", an unusually hot, dry growing season added pressure to the crop. If realized, French soft wheat production would fall 26% from 2019.

The spring wheat crop was 90% headed as of July 20. Crop conditions held steady as farmers hope for hot dry weather over the next few weeks to aid in protein development. Harvest for early planted fields is expected to begin in the next 10 to 14 days.

The USDA cut its wheat production forecast for Kazakhstan by 700,000 MT and export estimates by 900,000 MT. Poor weather and a lack of moisture dragged down estimates. Early plantings fell by as much as 50%. Despite the reduced export estimates, Kazakhstan is expected to export 6.2 MMT, a 7% increase compared to last year.

Ukrainian wheat stocks are at a 10-year low of 1.8 MMT after the country exported a record amount in 2019/20. Ukraine exported 20.5 MMT of wheat, up 31% compared to the previous season.

The International Grains Council (IGC) cut its global grain production forecast for wheat and coarse grains in 2020/21 by 13. 0 MMT led by lower production estimates in the US, EU and Russia. IGC lowered its wheat estimates by 6.0 MMT to 762.0 MMT and carryover stocks were 288.0 MMT with the trade forecast of 180.0 MMT left unchanged.

Following a volatile week in the futures market, which included speculation that China may purchase U.S. soft red winter (SRW) followed by technical selling, all wheat futures prices ended the same or below last week's close. CBOT SRW futures remained the same at $5.35/bu. KCBT hard red winter (HRW) futures lost 3 cents to close at $4.49/bu.

IGC Wheat Balance Sheet:

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IGC Forecast (Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				25.06.2020	23.07.2020
Production	757	762	733	768	762
Trade	177	176	169	180	180
Consumptions	736	739	739	751	750
Carryover stocks	248	271	265	290	288
Y-O-Y change	21	22	-5	16	12
Major Export	79	83	70	65	62

- *IGC has forecast global wheat production to be 762 MMT for 2019-20. Which is less by 5 MMT compared to last month's forecast. According to estimate by IGC for 2018-19, global wheat production was around 733 MMT against 762 MMT for 2017-18 higher by 35 MMT.*
- *Trade forecast for 2019-20 has been increased to 180 MMT. It is 11 MMT higher compared to estimate for last year and higher by 4 MMT compared to 2017-18.*
- *Consumption has been increased to 750 MMT for 2019-20. The forecast is higher by 11 MMT compared to 2018-19.*
- *Carryout for 2019-20 is forecast at 288 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
	24-Jul-20	17-Jul-20	26-Jun-20	20-Apr-20	27-Jan-20	26-Jul-19	
Sep-20	531.25	539.50	490.00	521.00	555.50	490.75	8.25
Dec-20	538.75	545.25	492.00	524.75	553.75	491.50	9.61
Mar-21	545.75	551.00	499.75	528.00	553.50	500.50	9.04
May-21	549.75	554.00	507.50	535.75	559.50	506.00	8.65
Jul-21	549.00	550.75	512.50	542.00	568.00	510.00	7.65
Sep-21	554.00	555.25	513.75	542.50	574.75	517.25	7.10

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CBOT Sep-20

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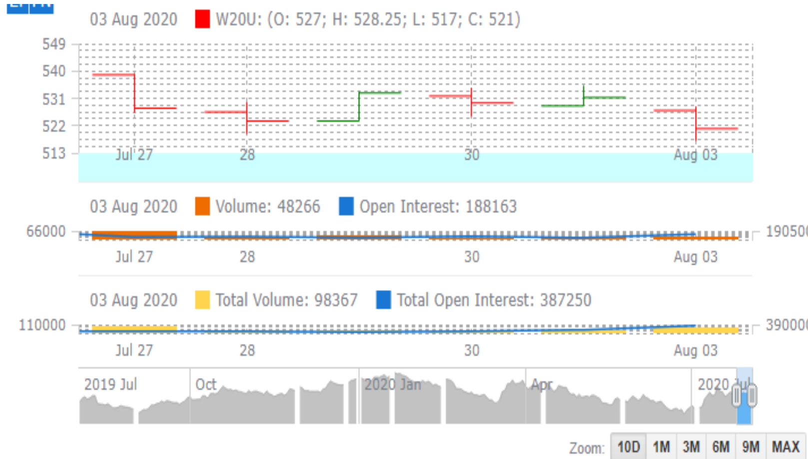
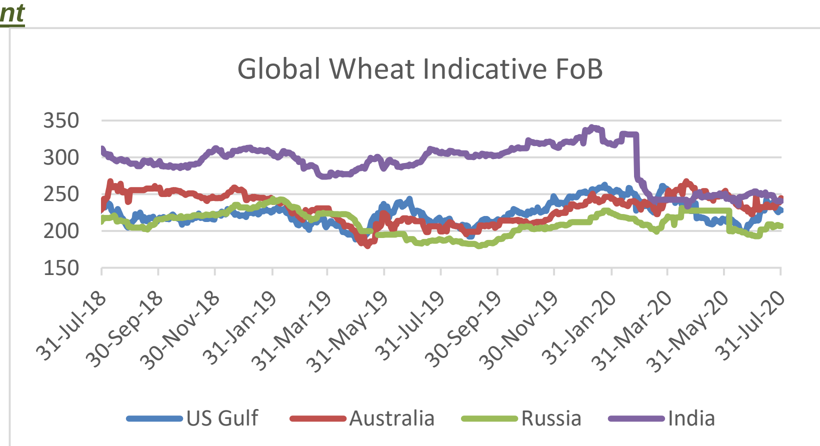
1st Support: 531.67
2nd Support: 523.83
1st Resistant: 545.67
2nd Resistant: 551.83
($ per tonne)



Wheat CBOT closed at $5.31 per bushel. U.S. wheat net export sales during the week ended 02th July was 2,10,000 tonnes were 87% higher compared to 2,70,000 tonnes last week. This week commercial sale was 6,77,000 MT were higher 10% from last week. USDA expects total exports for 2019-20 to be around 25.9 MMT, lower by 2% than 2018-19. U.S. wheat commercial sales to date are 6% ahead of previous year's USDA's final export forecast. CBOT wheat prices closed lower amid profit –booking.

International FOB Weekly Price Movement

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is being quoted at $240.68 per tonne. US and Russian quotes are hovering in the range of $225.61 - $229.86 and $238.56-$244.80 per tonne respectively. Wheat prices in international markets noticed range -bound to weak tone in last week.
Wheat is expected to trade steady to firm and hover in the range of $200 to $250 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 156.NA MMT in 2019-20 compared to 137.7 MMT in 2018-19. Russia and Ukraine are likely to harvest 73.6 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 15.20 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 19.8 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.