

Wheat Weekly Research Report

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

All India's weekly average prices decreased by 12.94 percent YoY to Rs. 1864.78 per quintal during the week ended 08th Oct 2020. Wheat average prices were ruling at Rs 2141.88 per quintal during 01st Oct-08th Oct 2019. As compared to prices in the last week, 24th-30th Sep 2020, the prices are high by 0.70 percent. The wheat market has stabilized, and prices are unlikely to rise till Dusshera & Diwali festival. But the prices of wheat seem to have hit bottom, and unlikely to drop further.

The government is allocating wheat for free to the poor in the market, which has led to a huge reduction in the consumption of flour. In the event of non-sale of flour, flour mills are reducing wheat purchases. This is why mill quality wheat prices are running below the MSP in almost all states. Despite government procurement being at a record level, farmers also had high stocks. Private traders also have stock. This is the reason that markets are moving down significantly. There is a possibility that the government may extend the time of free ration distribution even beyond November, due to which the possibility of a rise in wheat is less visible.

According to the traders, Prices of Wheat in Jaipur and Indore were flat this week due to steady demand from bulk buyers amid a largely unchanged supply of the food grain. Arrivals in Jaipur were pegged steady at 1,000 bags (1 bag = 100 kg) and in Indore supply was at 1,500 bags, steady from Wednesday.

The government has sold 111300 tonnes of wheat in OMSS through E-Auctions in the fourth week of September'20. Till now; no rakes have been sold. Sale of wheat to bulk consumer 11300 and sale of Wheat to state Govt. 100000.

Indian FoB quote is hovering around \$226.26 per tonne while Russia, Ukraine, France, the US, and Australia offer wheat at \$237.50, \$236.50, Euro 167.10, \$248.27, and \$222.59 per tonne respectively. There is little hope for recovery on the export front this year. However, India is expected to import around up to 4 thousand tonnes in MY 2019-20.

Previous Updates

As per FCI food grains stock, wheat stock in the central pool as on 1st September'20 stood at 478.32 lakh tonnes, down by 7.3% compared to last month. This quantity is higher by around 13.25% compared to the previous year for the same month.

India Government has hiked the minimum support price of wheat by Rs 50 per quintal to Rs 1,975 per quintal to encourage farmers to increase crop cultivation. The decision was taken at a meeting of the Cabinet Committee on Economic Affairs chaired by Prime Minister and Agriculture Minister announced it in Lok Sabha.

Changes in the weather system and the prices of crops directly impact the choice of crops to be sown in Rabi. Due to this, the farmers of the Rajasthan state have reduced acreages under wheat in the last five years and increased under Gram. Officials of the agriculture department are also putting up mini kits and exhibitions of Gram instead of wheat. This trend has been also led by the lack of a favourable environment at the time of sowing.

The agriculture department in Himachal Pradesh has reduced the price of wheat seed by two rupees per kg. In 2019, the seed at agricultural centers was sold at Rs 33 per kg and now Rs. 31 kg. With much of the migrant labour back home, farmers have more farm hands available and hence, agriculture department has reported high demand for seeds, up five hundred quintals since than last year. Out of the total demand of 12 thousand quintal seeds, eight thousand quintal seeds have reached the department. Sale of wheat seeds has started in agricultural centers. Now 4 thousand quintals of seeds are yet to come. Wheat sowing is to begin from October 15.

Outlook & Recommendation: Wheat cash market is expected to trade steady to firm in the coming week.

Trade Call: Stakeholders should trade in September contract taking care of lower and upper price tag of Rs. 1725 respectively.

Wheat Weekly Export

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A week on week Exports	Quantity in MT	Average FoB (\$/T)
01-07 Aug -2020	11217.15	151.86
08-14 Aug -2020	9695.06	253.03
15-21 Aug -2020	17204.48	438.94
22-31 Aug -2020	26416.11	754.22
Total	64563.03	142.56

Source: Trade
Sept data awaited.

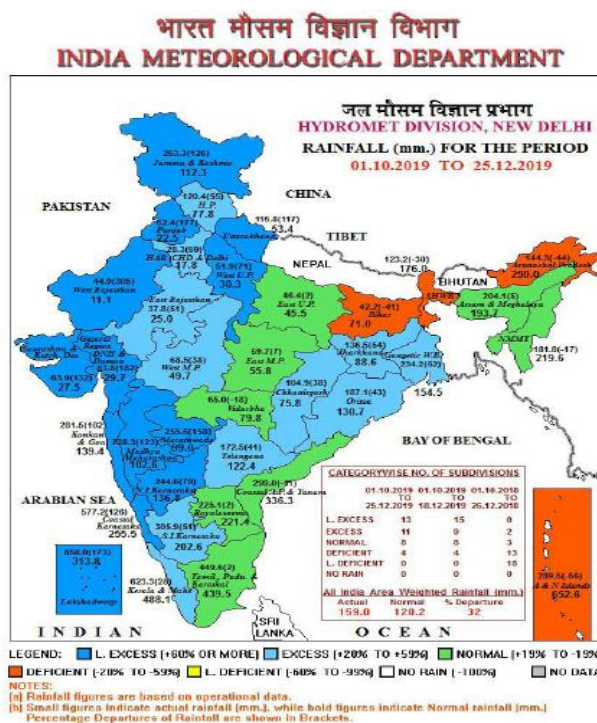
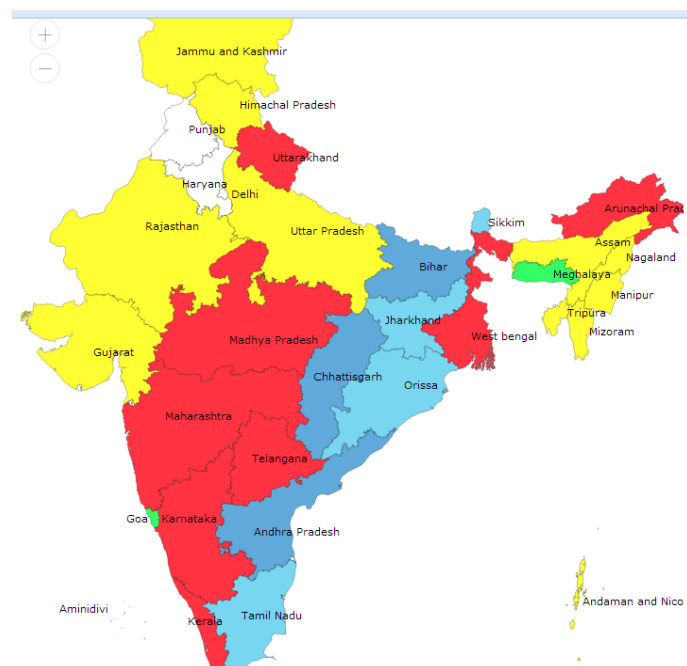
Wheat Import

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

Source: Traders

Monsoon

Weekly Cumulative rainfall:

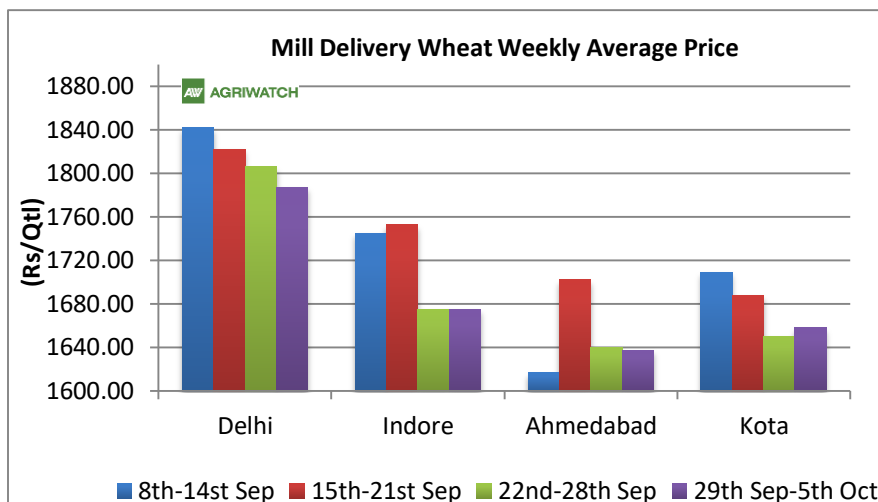


Source: IMD

Wheat Weekly Average Price Chart

Wheat's average mill delivery prices remained low, from 29th Sep– 05th Oct 2020 compared to last week. All markets had shown weak movement in prices last week and are likely to trade steady to slightly firm in upcoming weeks. Free distribution of Wheat till Nov would keep the market moving range bound. Usually, Wheat prices rise in September, but this time the situation is different. The government has procured 38.98 MMT of Wheat this season.

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Wheat and Rice Stocking Norms

Wheat Stock Norms						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
As on						
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						

Final Procurement RMS 2019-20

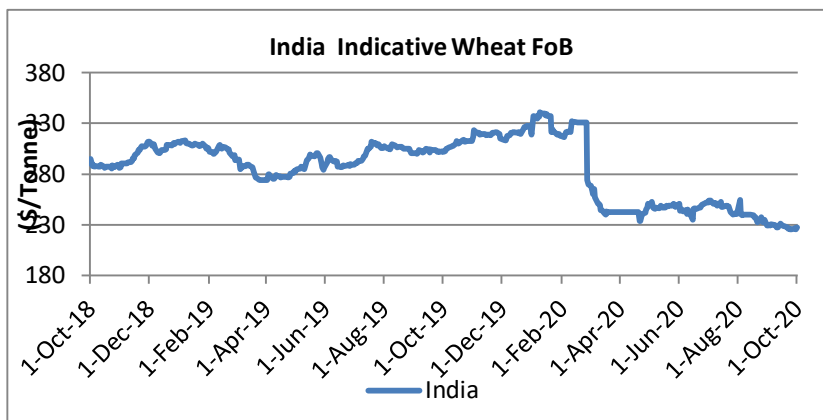
State/UTs	Procurement as of Sep-2020 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	14.19	112.93	127.12
Haryana	6.70	67.28	73.98
Uttar Pradesh	1.34	34.19	35.77
Madhya Pradesh	0.00	129.35	129.35
Bihar	0.00	0.05	0.05
Rajasthan	16.27	5.93	22.20
Others	0.15	1.15	1.29
All-India	38.66	351.15	389.81

FOB Quote for Wheat at Kandla

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

Wheat FoB quotes for Kandla are likely to witness steady to firm tone in the coming weeks and likely to hover in the range of \$200-\$250 per tonne. Furthermore, other countries such as Russia, Ukraine, and Australia offer wheat at lower prices than India, which has also reduced demand for Indian wheat in the international market.



Indicative FOB Quotes:

Wheat FOB	Variety	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		1-Oct-20	24-Sep-20	2-Sep-20	3-Oct-19	
USA (Chicago)	2srw	NA	NA	249.25	214.50	NA
France	FCW3	228.25	225.87	224.90	187.61	21.67
Australia	ASW	222.23	219.10	232.87	214.40	3.65
Russia	SRW	237.00	237.00	214.00	189.00	25.40
India	Fob	227.68	225.49	230.23	302.80	-24.81

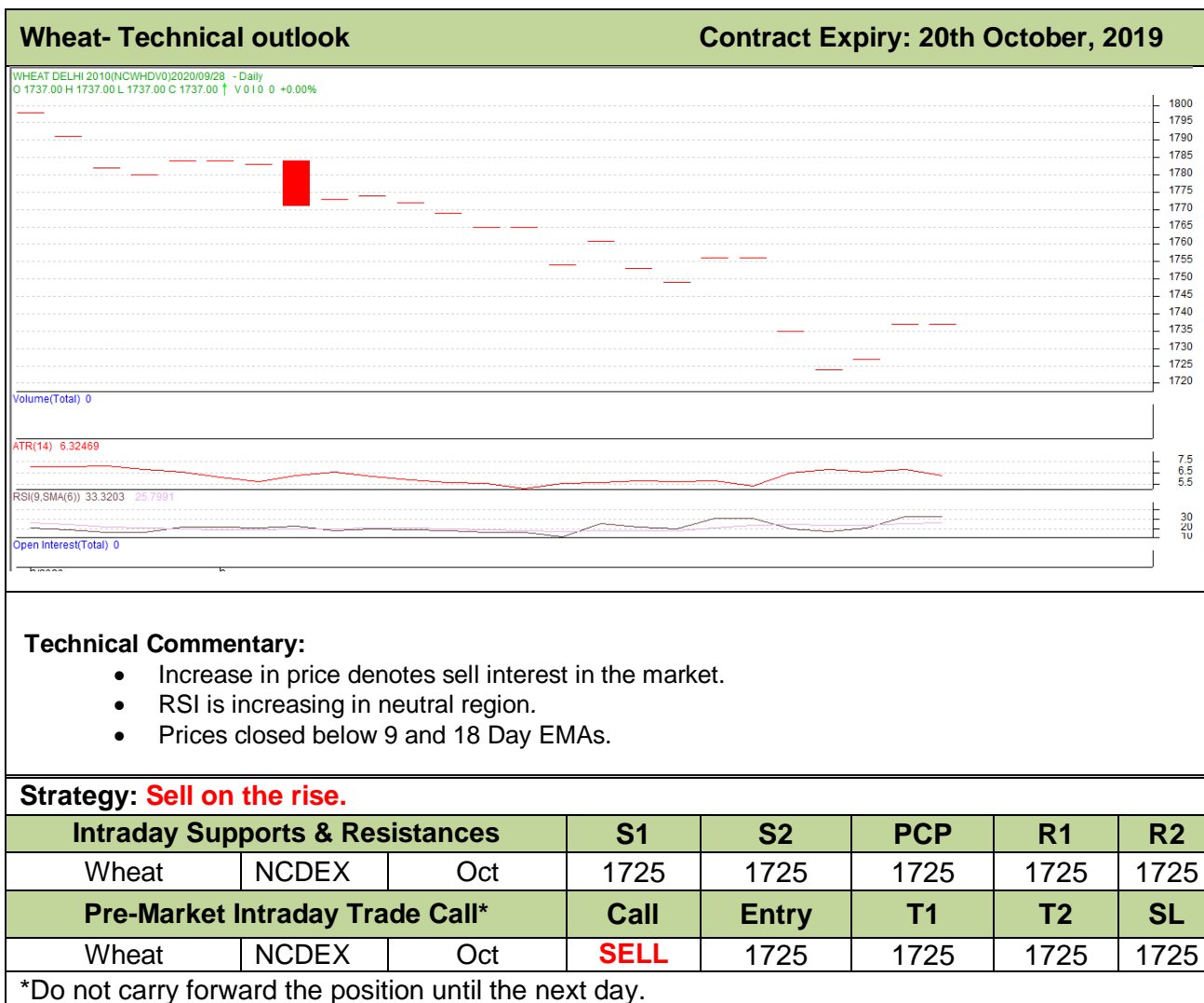
	02/10/2020	25/09/2020	18/09/2020	14/09/2020
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	235	234	233	220.50
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	235	233	232.5	220.50

NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date: 05.10.2020	
Contract Month	+/-	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
20-Oct		-	-	-	1725				
20-Nov		-	-	-	1731				
20-Dec		-	-	-	1736				

Wheat Technical Analysis:

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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
	3-Oct-20	26-Sep-20	2-Sep-20	4-Oct-19	
Indore	Closed	Closed	1742	2150	NA
Bareilly	NA	0	0	0	-
Delhi	1791	1793	1825	2200	-18.59
Khanna	NA	0	0	0	-
Kanpur	1630	1667	1670	2112	-22.82
Karnal	NA	0	0	0	-
Rajkot	1625	1620	1657	2112	-23.06
Kota	1721	1732	1777	2056	-16.29

Domestic Market Weekly Outlook:
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The wheat market is expected to show a steady-bound to firm tone as the new crop procurement is officially completed. Availability in the 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
			3-Oct-20	30-Sep-20	26-Sep-20	4-Sep-20	5-Oct-19
Delhi	Lawrence Road	Mill Delivery	1770	1800	1800	1830	2200
	Narella	Mill Quality Loose	1650	Closed	1660	1660	2080
	Nazafgarh	Mill Quality Loose	1620	Closed	1650	1660	2150
Gujarat	Rajkot	Mill Delivery	1600	1600	1600	1625	2100
	Ahmedabad	Mill Delivery	1620	1640	1640	1710	2160
	Surat	Mill Delivery	1680	1700	1700	1750	2240
	Dhrol	Mill Delivery	NA	NA	0	1535	2180
M.P.	Indore	Mill Delivery	Closed	Closed	Closed	Closed	2240
	Bhopal	Mill Quality Loose	Closed	Closed	Closed	Closed	2050
Rajasthan	Kota	Mill Quality Loose	1550	1525	1550	1575	1985
		Mill Delivery	1675	1650	1675	1700	2110
U.P.	Kanpur	Mill Delivery	1700	1680	Closed	1690	2080
	Mathura	Mill Quality Loose	1600	1610	Closed	1620	1975
	Kosi	Mill Quality Loose	1660	1700	Closed	1700	2050
	Hathras	Mill Quality Loose	1550	1550	Closed	1600	1970
	Aligarh	Mill Quality Loose	1640	Closed	Closed	1620	2000
Punjab	Khanna	Mill Quality Loose	1700	1700	1700	1720	1920
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	0	0	0
Haryana	Sirsa	Mill Delivery loose	1725	1715	1700	1730	2025
	Hodal	Mill Delivery	NA	NA	0	0	0
	Bhiwani	Mill Quality Loose	1670	1650	1670	1600	2100
	Karnal	Mill Delivery	NA	NA	0	0	0
	Panipat	Mill Quality Loose	NA	NA	0	0	0
Tamil Nadu	Chennai	Mill Quality	2000	2000	2000	2000	2425
	Madurai	Mill Quality	2057	2150	2150	2150	2550



	Coimbatore	Mill Quality	2057	2200	2200	2200	2600
Bihar	Khagariya	Mill Delivery	1875	1875	1900	1850	2050
	Muzaffarpur	Mill Delivery	1800	1800	1790	1600	2000

Final Sowing Status 2019-20:

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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:

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USDA Grain Stocks report estimated all U.S. wheat stocks, as of Sept. 1, at 58.8 million metric tons (MMT), below trade expectations. Reuters reported the average trade estimate at 61.0 MMT. USDA's Sept. 30 Small Grains Annual Summary pegged total U.S. wheat production in 2020 at 49.7 MMT, which was less than the agency's Sept. 11 estimate of 50.0 MMT.

This week's commercial sales of 506,000 metric tons (MT) for delivery in 2020/21, as of Sept. 17, were up 44% from last week's 351,000 MT and above trade expectations of 200,000 MT to 500,000 MT. Year-to-date commercial sales now total 14.0 million MMT, 8% ahead of last year's pace. USDA expects the United States will export 26.5 MMT in 2020/21, up 1% from last year, if realized.

According to USDA, U.S. farmers have now planted 35% of the total intended winter wheat area for harvest in 2021, up 15 points on the week. That is 1 point ahead of this time last year and two points ahead of the 5-year average. As of Sept. 28, 10% of the country's winter wheat is emerged led by Colorado at 19% and Washington State at 32%.

Europe Soft (non-durum) wheat exports from the European Union (EU) and the United Kingdom (UK) for marketing year 2020/21 are down 39% from last year at 4.37 MMT, according to official EU data on Sept. 27.

Ukraine Ukraine's Economy Ministry said severe drought will lead to a reduction of winter wheat planted area for harvest in 2021 to 6.10 million hectares (15.1 million acres), down 9% on the year. As of Sept. 28, farmers have planted 25% of the expected area at 1.50 million hectares (3.70 million acres).

Argentina According to the Buenos Aires Grain Exchange (BAGE), Argentina's wheat crop continues to suffer from persistent dryness. In the country's northern region, "harvest expectations are increasingly compromised with no chance of recovery due to extreme drought," said BAGE on Sept. 24.

Russia SovEcon, a Russian agriculture consultancy, said the country badly needs rain in the coming weeks as farmers continue to sow winter wheat for harvest in 2021 in dry soil. SovEcon's Sept. 28 report noted: "The topsoil is dry, and crops are running out of time needed for their development before winter. It is a bad setup for the 2021 crop, but not a disastrous one as of yet." Despite dry weather, Russian producers have already planted winter grains on 60% of the planned area, or 11 million hectares (27.2 million acres), in line with last year's pace.

France France's Farm Ministry lowered its estimates of this year's soft wheat production due to significantly lower harvested area. The country's soft wheat production is expected to fall 25% from last year to 29.5 MMT after a tough growing season marked by torrential rain at planting and severe drought during the growing season.

Australia Australia's Bureau of Meteorology declared that La Niña conditions had developed in the Pacific Ocean. La Niña weather patterns are typically associated with greater rainfall, more tropical cyclones and cooler than average temperatures in the equatorial Pacific Ocean. "Climate models suggest these patterns will continue until at least the end of the year," the bureau said in a statement. The weather event, which mainly affects Australia's north and east, could boost the country's 2020/21 wheat yields.

Egypt According to GASC, Egypt's state grain buyer bought 235,000 tonnes of wheat at its latest international purchasing tender on Wednesday. The wheat is of Polish and Russian origin.

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

.IGC Wheat Balance Sheet:

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IGC Forecast (Fig-In MMT)	2016-17	2017-18	2018-19 (Estimate)	2019-20 (Forecast)	
				27.08.2020	24.09.2020
Production	757	762	733	763	763
Trade	177	176	169	181	183
Consumptions	736	739	739	749	749
Carryover stocks	248	271	265	294	294
Y-O-Y change	21	22	-5	14	15
Major Export	79	83	70	66	65

- IGC has forecast global wheat production at 763 MMT for 2019-20, same as compared to last month's forecast. According to estimates by IGC the 2018-19 global wheat production was around 733 MMT and 762 MMT for 2017-18.
- The trade forecast for 2019-20 has increased to 183 MMT. It is 13 MMT higher compared to the estimate for last year and higher by 5 MMT compared to 2017-18.
- Consumption has been increased to 749 MMT for 2019-20. The forecast is higher by 10 MMT compared to 2018-19.
- Carryout for 2019-20 is forecast at 294 MMT compared to an estimate of 265 MMT last year. It is higher by around 29 MMT compared to 2016-17.

CBOT FUTURES CONTRACT:

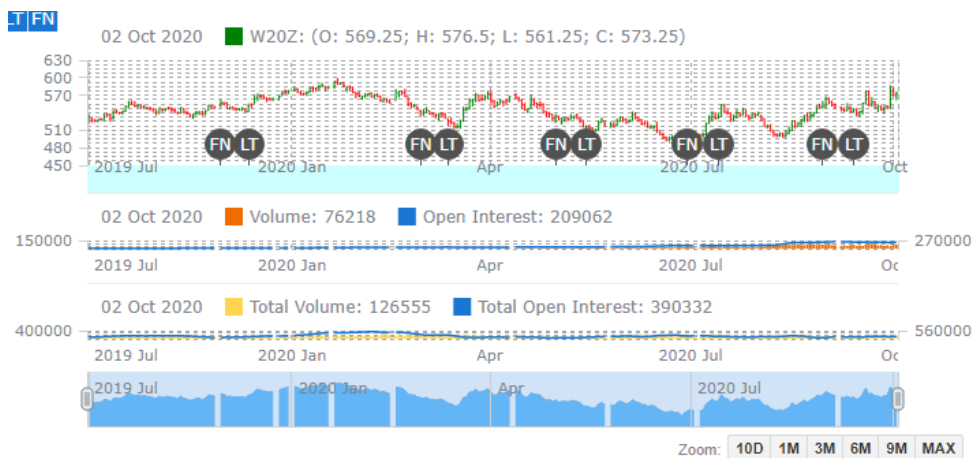
CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Change over prev. year
	1-Oct-20	24-Sep-20	1-Sep-20	25-Jun-20	1-Apr-20	1-Oct-19	
Dec-20	210.61	201.98	180.39	179.38	199.04	184.34	14.25
Mar-21	212.91	204.64	183.61	178.83	197.94	185.90	14.53
May-21	214.38	206.48	186.36	179.38	199.22	188.84	13.52
Jul-21	213.46	206.11	188.38	181.95	202.44	193.16	10.51
Sep-21	215.02	208.04	189.95	184.89	204.73	196.65	9.34
Dec-22	218.14	208.04	192.52	184.89	212.45	198.86	9.70

CBOT Oct-20

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1st Support: 537.76
2nd Support: 523.67
1st Resistance: 545.38
2nd Resistance: 551.83
(\$ per tonne)

Wheat CBOT closed at \$5.73 per bushel. This week's commercial sales of 506,000 metric tons (MT) for delivery in 2020/21, as of Sept. 17, were up 44% from last week's 351,000 MT and above trade expectations of 200,000 MT to 500,000 MT. Year-to-date commercial sales now total 14.0 million MMT, 8% ahead of last year's pace. USDA expects the United States will export 26.5 MMT in 2020/21, up 1% from last year, if realized.

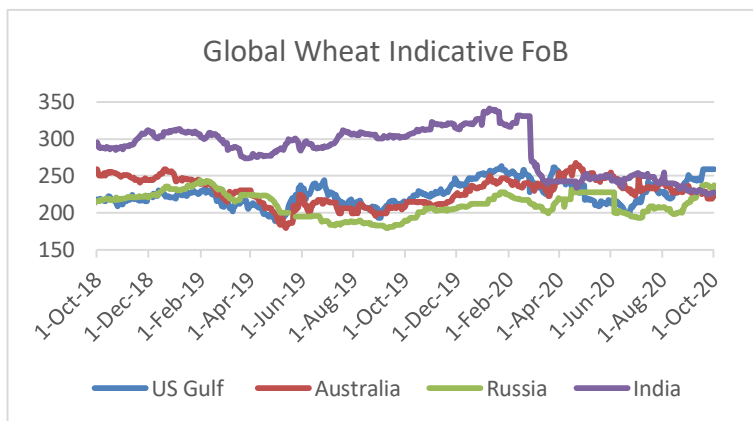


International FOB Weekly Price Movement

Indian FoB quote is based on local prices. There is no export in bulk currently.

Indian FoB quote is being quoted at \$226.61 per tonne. US and Russian quotes are hovering in the range of \$259 - \$259.86 and \$232-\$237 per tonne. Wheat prices in international markets noticed range -bound to weak tone in last week.

Wheat is expected to trade steady to firm and hover \$200 to \$250 per tonne in the 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.

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