Wheat Weekly Research Report
24th Jan-2022

Wheat Weekly Research Report

Table of Contents

Wheat Domestic Market Fundamentals

(Back to Table of Contents)

During the week of January 16 to 23, 2021, the weekly average price in India was down by 1.49 percent at Rs. 2150.55 per quintal against Rs. 2183.12 per quintal the previous week while the wheat average prices had increased by 8.16 percent from Rs. 1988.27 per quintal same time last year. On the 19th January the price of wheat in Kanpur market for mill delivery was Rs. 2030 per quintal which is 0.50% higher than Rs. 2020 per quintal the previous month. The demand still remains low domestically due to supply of wheat through free ration scheme. Exports are also halted due to high freight charge and lack of containers. The lack of rakes and higher truck charges are likely to support the market. The combined effect of all these factors makes the market steady currently.

As on 21st January 2022, area sown to wheat was down 1.25 percent at 340.83 lakh hectare so far in the current rabi season from 345.14 lakh hectare the previous year during the corresponding period. The acreage was down mainly due to acreage shift from wheat to mustard in the states of Rajasthan, Punjab, Uttar Pradesh. The crop condition is good in most parts of the country. Though the acreage is a little down, we can expect good yields from the area sown as of now.

As per trade sources, India has exported around 8.58 lakh tonnes of wheat during the month of December 2021 at an average FOB of $314.95 per tonne. Bangladesh remains the largest importer of Indian wheat with 2.90 lakh tonnes followed by Sri Lanka with 1.15 lakh tonnes of imports. Yemen has also imported a significant amount at 1.06 lakh tonnes of wheat from India during December. The exports are 0.38 lakh tonnes lower than the November month when around 8.96 lakh tonnes were exported. The fall is mainly due to lower imports from Bangladesh and Philippines. Due to shortage of trucks and covid restrictions, the exports were lower to Bangladesh while Philippines imported from Australia owing to better margins.

Due to extension of the free ration scheme till March 2022, the demand has fallen as a result the OMSS sales of FCI have been lower. During the week ending 21st January, approximately 0.33 LMT of wheat was sold by FCI against tender offers of 0.35 LMT quantity, down against 0.93 Lakh MT last week. This week maximum tender was made in Haryana with around 0.12 LMT of wheat followed by Tamil Nadu with 0.08 LMT of wheat against offer of 0.10 LMT.

Outlook & Recommendation: Container shortage is expected to persist till early February which could halt the export demand from the Indian subcontinent for wheat. As of now most of the rakes have been diverted to energy fuels, which is expected to continue for a while and could interrupt domestic transportation of wheat within various markets of the states. The truck charges remain high and considering all factors including the free ration which is extended till end of March, we can expect the market to remain steady in coming week as well. The scenario may continue till early February after which we should see the market trade slightly firm, until the new crop arrives.

Trade Call: There is no NCDEX trading currently.

Weather Outlook: Fairly widespread/widespread light/moderate rainfall accompanied with isolated thunderstorm/lightning/hailstorm is expected over Punjab, Haryana- Chandigarh-Delhi, Uttar Pradesh on 22nd & 23rd January which should reduce thereafter to isolated rainfall. The intensity of rainfall and possible water logging could negatively impact in the wheat crop.

Wheat Weekly Export

(Back to Table of Contents)

A week-on-week Exports	Quantity in MT	Average FoB ($/T)
01-08 Dec-2021	97605.8650	308.2538
9-15 Dec-2021	149391.6672	317.1443
16-23 Dec-2021	315047.0980	306.4397
24-31 Dec-2021	210363.6670	328.5143
Total	**858047.3842**	**314.9429**

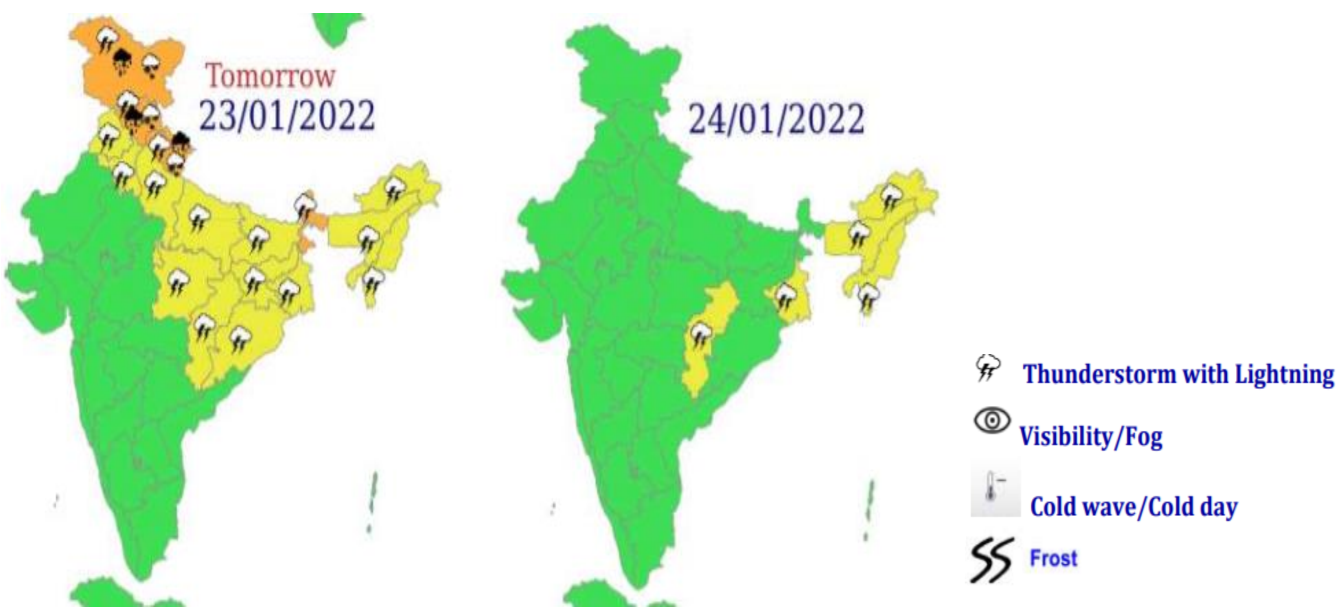
Source: Trade

Wheat Import

Date	Origin	Port	Quantity in MT
Oct-2021	Australia, UK	Tuticorin	4.0
	Mexico		2.3
	Total		6.38

Source: Traders
No Import so far.

Weather: -
Weather forecast:
Forecast: - January 2022

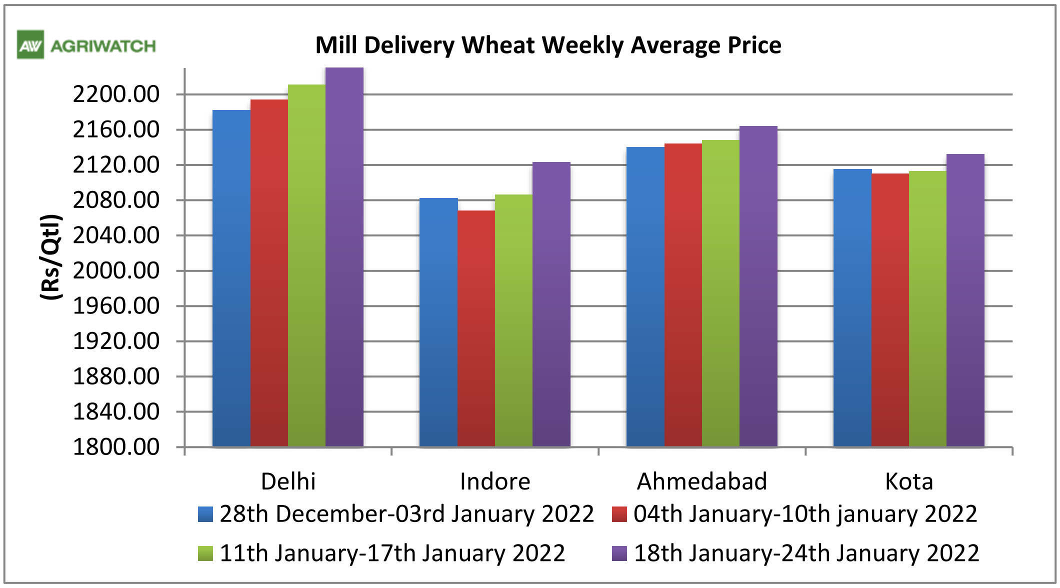


Source: IMD

Wheat Weekly Average Price Chart

(Back to Table of Contents)

In all the four markets, the prices were mostly steady compared to previous week. In Delhi, the prices were up by 1.09 percent while in Indore the prices were up by 1.77 percent. In Ahmedabad, the price was up by 0.74 percent while in Kota the price was up by 0.90 percent. We expect the market to trade in range bound in coming week as good export demand and free ration scheme simultaneously impact the market condition.



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 2021-22

State/UTs	Procurement as of15thJul-2021 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	12.2	119.9	132.1
Haryana	6.94	77.99	84.93
Uttar Pradesh	1.39	55.02	56.41
Madhya Pradesh	0	128.16	128.16
Bihar	0	4.56	4.56

Rajasthan	16.56	6.84	23.4
Others	0.6	3.16	3.76
All-India	**37.69**	**395.63**	**433.32**

FOB & CIF Quote for Wheat at Kandla

(Back to Table of Contents)

	At Kandla
Mill delivery (Rajkot)	**21100**
Freight charge	310
Misc. Charges (port handling)	650
FOB (at Kandla Rs/T)	22060
FOB value in $ for FAQ	**296.414**
Freight Charges (US $/ton) to Dubai	36
Insurance @ 0.1% ($/MT)	0.29
CIF to Dubai (value in $ for SRW)	**332.704**

(INR value: 74.423 as on 22.01.2022)

The FOB prices were quoted at $296.414 per tonne which is slightly higher compared to previous week. The Indian wheat FOB is still competitive among major wheat producing countries and the prices of Argentina wheat is close to Indian wheat prices.

Indicative FOB Quotes:

Wheat FOB	Variety	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Week
		21-Jan-22	14-Jan-22	21-Dec-21	21-Jan-21	
USA (Chicago)	2srw	340	326	343	-	4.29
France	FCW3	319	316	327	287.21	0.95
Argentina	ASW	301	300	319	-	0.33
Russia	SRW	332	333	336	302.00	-0.30
India	FAQ	296.358	293.49	286.847	269.14	0.98

International Weekly Outlook:

Prices for US soft winter wheat rose by 4.29 percent compared to previous week while for France the FOB price rose by 0.95 percent. Russia's FOB fell by 0.30 percent and that of Argentina rose by 0.33 percent. The prices rose in most of the major markets due to higher demand and urgency in trades prior to closure of ports during the Chinese New Year interrupting the shipping line. In Russia, the export duty has been reduced by $1.70 per tonne which has led to slight decrease in the wheat export prices. Indian FoB remains highly competitive and rose by 0.98 percent compared to previous week.

Wheat Weekly Research Report
24th Jan-2022

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
	21-Jan-22	14-Jan-22	21-Dec-21	21-Jan-21	
Indore	2063	2058	2038	1822	13.23
Delhi	2224	2194	2180	1972	12.78
Kanpur	2062	2110	2030	1800	14.56
Rajkot	2082	2071	2060	1911	8.95
Kota	2115	2100	2100	1856	13.95

Domestic Market Weekly Outlook:

(*Back to Table of Contents*)

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			21-Jan-22	20-Jan-22	14-Jan-22	21-Dec-21	21-Jan-21
Delhi	Lawrence Road	Mill Delivery	2250	2250	2225	2190	1980
	Narella	Mill Quality Loose	2050	2050	2040	2060	1860
	Nazafgarh	Mill Quality Loose	2060	2060	2050	2050	1820
Gujarat	Rajkot	Mill Delivery	2110	2110	2075	2075	1900
	Ahmedabad	Mill Delivery	2170	2170	2140	2160	1960
	Surat	Mill Delivery	2260	2250	2230	2235	2020
	Dhrol	Mill Delivery	2180	2130	0	2120	1835
M.P.	Indore	Mill Delivery	2125	2130	2100	2100	1825
	Bhopal	Mill Quality Loose	1925	1900	1900	1950	1780
Rajasthan	Kota	Mill Quality Loose	2000	1980	1960	1950	1750
		Mill Delivery	2150	2130	2110	2100	1850
U.P.	Kanpur	Mill Delivery	2060	2060	2040	2015	1780
	Mathura	Mill Quality Loose	2080	2080	2030	1980	1760
	Kosi	Mill Quality Loose	2060	2050	2000	2000	1700
	Hathras	Mill Quality Loose	2050	2050	2040	1925	1760
	Aligarh	Mill Quality Loose	2000	2020	2000	1940	1760
Punjab	Khanna	Mill Quality Loose	1960	1990	1950	2000	1760
	Ludhiana (Jagraon)	Mill Delivery	-	-	-	-	-
Haryana	Sirsa	Mill Delivery loose	2025	2025	2010	2010	1775
	Hodal	Mill Delivery	-	-	-	-	-
	Bhiwani	Mill Quality Loose	2090	2090	2050	2040	1850
	Karnal	Mill Delivery	-	-	-	-	-
	Panipat	Mill Quality Loose	-	-	-	-	-
Tamil	Chennai	Mill Quality	2500	2500	2450	2450	2050

Nadu	Madurai	Mill Quality	2557	2600	2550	2550	2150
	Coimbatore	Mill Quality	2557	2650	2600	2600	2200
Bihar	Khagariya	Mill Delivery	2100	2100	2050	2000	1800
	Muzaffarpur	Mill Delivery	-	-	-	-	1800

Ongoing Rabi sowing 2021-22

(*Back to Table of Contents*)

Rabi sowing update (as on 21.01.2022)				
State	**Normal area (2021)**	**2021**	**2020**	**Absolute Change 2021 vs. 2020**
Bihar	21.25	**23.250**	**22.970**	0.280
Chhattisgarh	1.08	**1.688**	**1.980**	-0.292
Gujarat	9.44	**12.490**	**13.610**	-1.120
Haryana	25.32	**23.870**	**25.210**	-1.340
Himachal Pradesh	3.22	**3.400**	**3.400**	**0.00**
J&K	2.80	**2.477**	**2.502**	-0.025
Jharkhand	1.94	**1.878**	**2.313**	-0.435
Karnataka	1.67	**1.670**	**1.895**	-0.225
Madhya Pradesh	58.65	**91.960**	**87.980**	3.980
Maharashtra	10.20	**9.789**	**11.118**	-1.329
Punjab	35.11	**35.020**	**35.090**	-0.070
Rajasthan	29.49	**31.000**	**32.624**	-1.624
Uttar Pradesh	96.89	**97.156**	**99.043**	-1.887
Uttarakhand	3.32	**3.220**	**3.270**	-0.050
West Bengal	2.16	**1.700**	**1.940**	-0.240
Others	0.20	**0.00**	**0.000**	**0.00**
All-India	**303.06**	**340.825**	**345.137**	-4.312

Source: Ministry of Agriculture

International Market Update:

(*Back to Table of Contents)*

Algeria's move to halt imports of French wheat will create a hefty surplus stock of wheat for France and will help the rival countries to break French wheat dominance in Algeria. India's highly competitive price can help enter the Algerian market but chances of shifting from France to Argentina is more probable in case of Algeria due to better proximity and bumper production there.

As per Buenos Aires Grain Exchange, Argentina's 2021-22 wheat season produced a record 21.8 million tonnes of the grain, breaking the country's previous all-time high harvest of 19 million tonnes in the 2018-19 crop year. The national average yield was 3.44 tonnes per hectare and 21.9 percent higher than the previous season and 11.5 percent higher than the average over the last five years. This is expected to impact India's exports as even the Middle East and north African countries are shifting towards Latin American countries.

In US, excessively warm temperatures and dry weather are impacting this year's wheat harvest in Oklahoma. Over 94% of the state is experiencing some level of drought and the state needs rain between now and April to make a difference in the wheat crop. If there is a deficit rainfall, we can see a major fall in the production which was already seen in the previous year. The current scenario can support the wheat prices in coming future.

As of 17th January, Ukraine's wheat exports for the marketing year 2021-22 were 28% higher year on year at 16.3 MMT. Wheat exports from Ukraine have gathered momentum over the past few months, as neighboring Russia increased its export taxes. However, the pace has slowed down to some extent, with the ongoing tensions between Russia and Ukraine. The export prices remain highly uncompetitive for both Russia and Ukraine and that can be helpful for Indian wheat which still remains highly competitive.

Russia's floating export duty fell by $1.70 per tonne from previous week and will be taxed at $95.80 per tonne from January 21 to February 1. From Feb. 15 to the end of the marketing year on June 30, an additional constraint on exporters will come from the government's wheat export quota, which was announced in December at 8 MMT. The wheat export price stood at $330 per tonne this week lower than previous week due to fall in the export duty price.

Taiwan purchased an estimated 49,395 tonnes of milling wheat to be sourced from the United States in a tender which closed on 20th January 2021. The wheat was bought in one consignment comprising various wheat types for shipment from the U.S. Pacific Northwest coast between March 16 and March 30. The purchase involved 30,150 tonnes of U.S. dark northern spring wheat of 14.5% protein content bought at FOB $414.16 per tonne. Another 14,600 tonnes of hard red winter wheat of 12.5% protein was bought at FOB $401.60 per tonne and 4,645 tonnes of soft white wheat of 11% protein was bought at FOB $430.91 per tonne.

IGC Wheat Balance Sheet:

(Back to Table of Contents)

IGC Forecast (Fig- In MMT)	2018-19	2019-20	2020-21 est.	2021-22 F'cast	
				18.11.2021	13.01.2022
Production	733	762	773	777	781
Trade	168	185	191	196	196
Consumptions	740	745	771	782	783
Carryover stocks	260	276	278	274	276
Y-O-Y change	-8	16	2		-2
Major Export	69	63	59	53	56

- IGC has estimated global wheat production at 781 MMT for 2021-22, 4 MT up from last month's estimate. According to estimates by IGC the 2019-20 global wheat production was around 762 MMT and 733 MMT for 2018-19.
- The trade estimates for 2021-22 is 196 MMT. It is same compared to the previous estimate and also higher from 2020-21.
- Consumption has been higher at 783 MMT for 2021-22. The forecast is higher by 12 MMT compared to 2020-21.
- Carryout for 2021-22 is forecast at 276 MMT compared to an estimate of 274 MMT in previous month. It is lower by around 2 MMT compared to 2020-21.

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
	21-Jan-22	14-Jan-22	21-Dec-21	21-Oct-21	23-Jul-21	21-Jan-21	
Mar-22	286.57	272.43	294.56	278.12	257.55	241.93	18.45
May-22	288.32	273.53	290.25	274.36	258.01	237.89	21.20
Jul-22	284.46	270.87	290.06	274.82	252.31	228.61	24.43
Sep-22	284.92	271.78	290.89	276.65	253.23	-	-
Dec-22	286.48	273.80	290.98	277.30	255.16	-	-
Mar-23	288.04	275.55	286.39	277.30	212.45	-	-
May-23	285.56	274.08	271.69	-	-	-	-

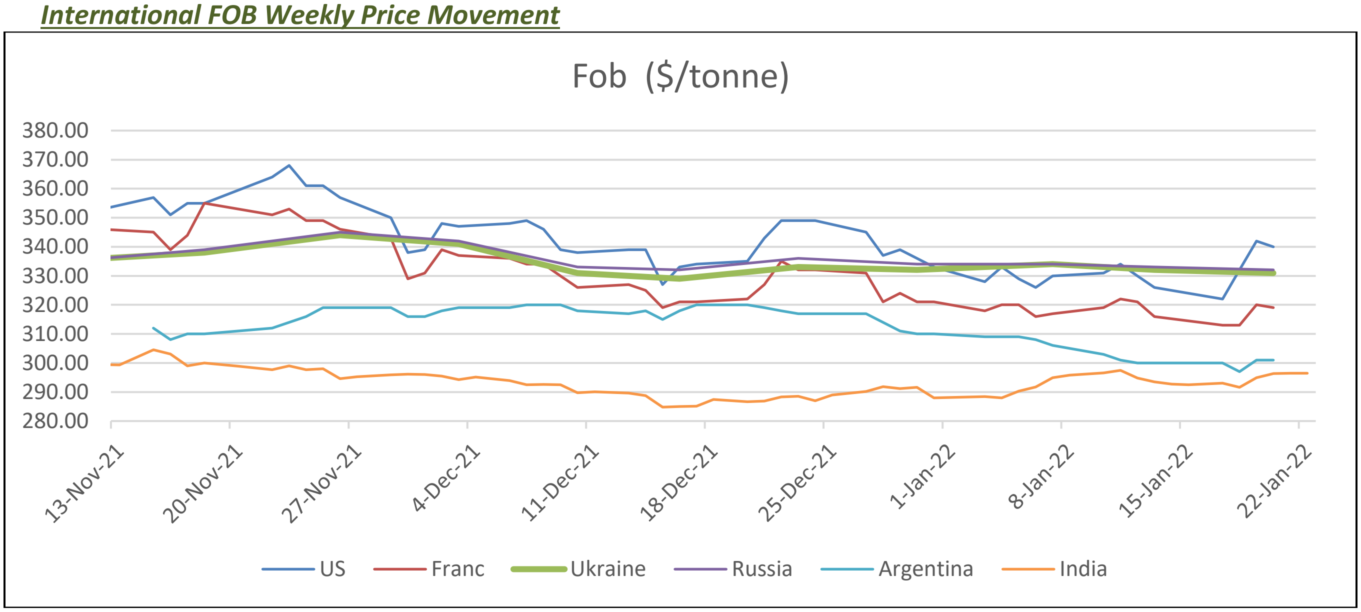
CBOT Dec -21

(Back to Table of Contents)

1st Support: 670
2nd Support: 604
1stResistance: 780
2nd Resistance: 850
($ per tonne)

The wheat contract showed bullish trend last week which is supported by concerning dry weather condition in major wheat growing areas of USA. The high number of tenders from Jordan, Iran and Taiwan has also supported the market. We expect the Russia-Ukraine tension is expected to divert the CBOT market into weak bias in coming week along with lower trades expected.

International FOB Weekly Price Movement



Indian FoB is being quoted at $293.49 per tonne. Indian wheat in domestic market is expected to trade steady to weak in coming week as a result we can see slight decrease in FoB in coming week. Argentina's FoB has reached $301 per tonne. The Argentina's FoB is nearing close to Indian FoB prices but with high export demand the prices are expected to go up in coming days making Indian market competitive enough to attract large international markets.