



# Wheat Weekly Research Report

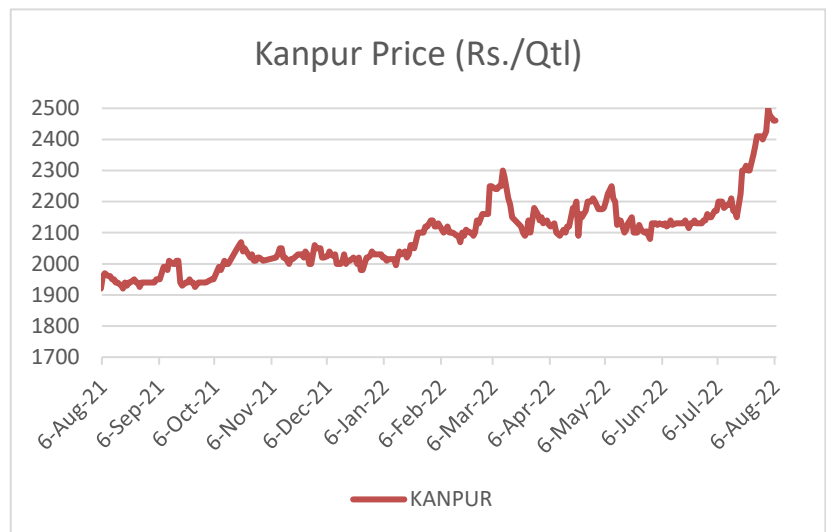
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## Wheat Domestic Market Fundamentals

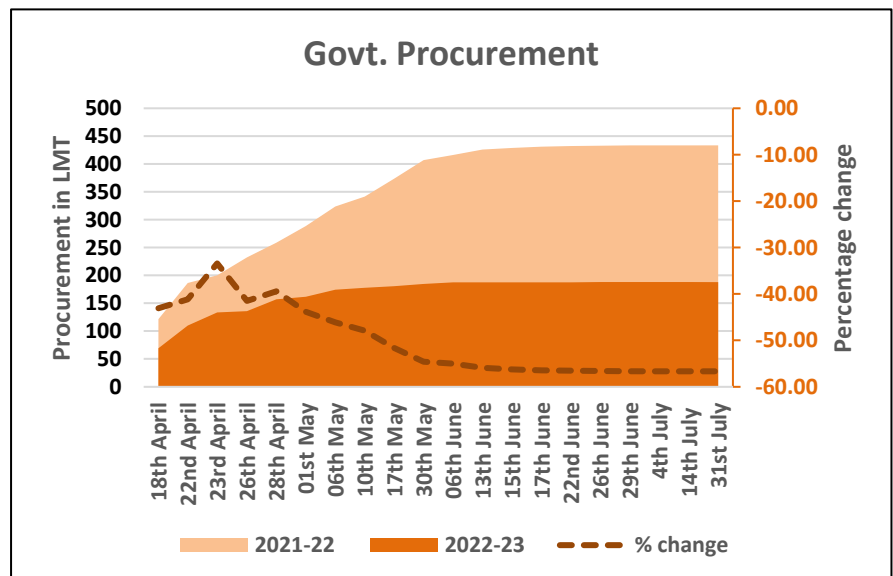
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Wheat prices traded on higher side during the week under review on good domestic and export demand. In Benchmark market Kanpur Mill delivery prices rose by Rs.60 per quintals to Rs.2460 per quintals as compared to past week. Tight supplies also helpful in giving support to remain prices firm. In coming days, prices remain firm due to tight supplies and good demand in domestic market. Traders urge government to sell Wheat in open market in order to control inflation.



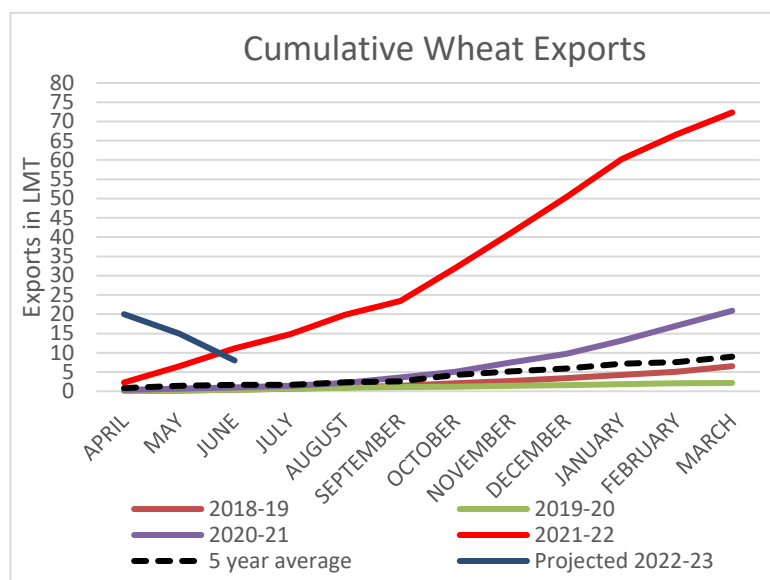
Procurement of Wheat is about to get completed and there has been no change of figures in procurement number. As of July 31<sup>st</sup>, the procurement of Wheat still stood at 187.94 LMT which is down by 56.6% from last year.

Due to low procurement and a decline in output during 2021-22 crop year, the Central Pool's wheat inventories as on 1st July were perilously close to the minimum needs of operational buffer stock and strategic reserves.



Import duty on Wheat might get reduced. In order to control soaring domestic Wheat prices that may accentuate inflationary pressures, the Centre is likely to reduce the 40% import duty on Wheat soon. However, duty cut may not be very effective in the current context to cool local prices as domestic prices are much cheaper than the current global prices. Besides scrapping import duty, reportedly the Centre is also looking at imposing stock holding limits on Wheat and voluntary disclosure of Wheat stocks held by stockiest, traders and millers.

After Wheat, Government has put curbs on export of Wheat Flour. The Center has made it mandatory for exporters to seek prior permission from Inter-Ministerial Committee (IMC) on Wheat Flour export before any shipment. The arrangement will come into force after 12<sup>th</sup> July 2022. As on July 19, Directorate General of Trade (DGFT) released a new notification which mentions that this ban will not apply to Maida and Semolina.



**Outlook & Recommendation:** Wheat prices may remain on higher side in coming weeks as well as a result of tight supplies and good domestic demand. Arrival of festive season may support the prices in coming weeks. If export requests from different nations accepted by Government, then it may push the prices further. Resumption of grains export from war affected Ukraine pressurizes the export prices. If this resumption continues then prices may decline further.

**Trade Call:** There is no NCDEX trading currently.

**Weather Outlook:** Rainfall has started in various parts of India which can help farmers to finish Kharif sowing on time. However, may also affect the wheat supplies in mandis/markets.

## Wheat Weekly Export

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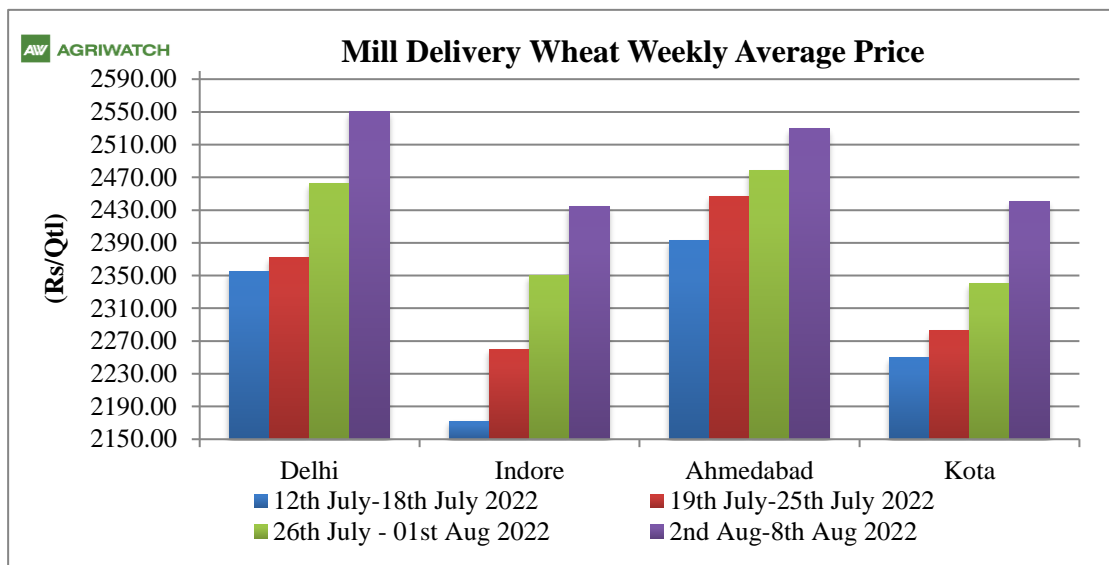
A week-on-week Exports	Quantity in MT	Average FOB (\$/TONNE)
01-08 June-2022	259766.52	217.68
9-15 June-2022	169436.33	169.01
16-23 June-2022	232253.43	241.53
24-30 June-2022	141860.15	269.74
<b>Total</b>	<b>803316.45</b>	<b>232.74</b>

Source: Trade

## Wheat Import

Date	Origin	Port	Quantity in MT
April to Feb. 22	Australia, UK	Tuticorin	51.06
	Mexico, USA		3.00
	<b>Total</b>		<b>54.06</b>

Source: Apeda

Wheat Weekly Average Price Chart
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In major mandis, Wheat delivery prices traded higher on tight supplies and good domestic as well as export demand. We anticipate prices to go up in the coming days.

Wheat and Rice Stocking Norms

<u>Wheat Stock Norms</u>						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
<b>As on</b>						
<b>1st April</b>	115.80	44.60	160.40	20.00	30.00	210.40
<b>1st July</b>	115.40	245.80	361.20	20.00	30.00	411.20
<b>1st October</b>	82.50	175.20	257.70	20.00	30.00	307.70
<b>1st January</b>	56.10	108.00	164.10	20.00	30.00	214.10
<b>Buffer Norms w.e.f. 01.07.2017</b>						

State-wise Procurement Progress 2022-23

State/UTs	Procurement in LMT (as on 31.07.2022)
Punjab	96.47
Haryana	41.86
Uttar Pradesh	3.36
Madhya Pradesh	46.03
Rajasthan	0.10
Others	0.12
<b>All-India</b>	<b>187.94</b>

**FOB & CIF Quote for Wheat at Kandla**
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	At Kandla
Mill delivery (Rajkot)	24000
Freight charge	310
Misc. Charges (port handling)	650
FOB (at Kandla Rs/T)	24960
FOB value in \$ for FAQ	314.24
Freight Charges (US \$/ton) to Dubai	44
Insurance @ 0.1% (\$/MT)	31.42
CIF to Dubai (value in \$ for SRW)	357.02

(INR value: 79.43 as on 04.08.2022)

The Indian wheat FOB prices quoted at \$314.24 per MT. Although the rupee has declined, the FOB remains ambitious as domestic prices are growing firmer by-passing days.

Indicative FOB Quotes:						
Wheat FOB	Variety	Current Week	Week Ago	Month Ago	Year Ago	% Change over Prev. Week
		4-Aug-22	29-Jul-22	5-Jul-22	4-Aug-21	
USA (Chicago)	2srw	330	337	316	-	-2.08
France	FCW3	354	362	352	-	-2.21
Argentina	ASW	410	410	435	-	-
Russia	SRW	355	360	-	-	-1.39
India	FAQ	314.24	312.75	291.76	-	0.48

**International Weekly Outlook:**

Resumption of grains exports from Ukraine pressurize the export prices which results in decline of FOB prices in all countries as the US FOB decline by 2.08%, France by 2.21% and Russia by 1.39%. While Argentina shows steady FOB since July 25<sup>th</sup>.

**Spot Price at NCDEX Delivery Centers:**

Spot prices of wheat at NCDEX Delivery Centers					
NCDEX SPOT	Current Week	Week Ago	Month Ago	Year Ago	% Change over prev. Year
	6-Aug-22	30-Jul-22	7-Jul-22	6-Aug-21	
Indore	2400	2387.5	2195	1871	28.27
Delhi	2520	2468	2323	1871	34.69
Kanpur	2485	2437.5	2188	1710	45.32
Rajkot	2425	2400	2240	1831	32.44
Kota	2337.5	2350	2210	1898	23.16

Domestic Market Weekly Outlook:
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Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Current Week	Yesterday	Week Ago	Month Ago	Year Ago
			6-Aug-22	5-Aug-22	30-Jul-22	7-Jul-22	6-Aug-21
Delhi	Lawrence Road	Mill Delivery	2595	2575	2500	2340	1890
	Narella	Mill Quality Loose	2400	2350	2345	2180	1800
	Nazafgarh	Mill Quality Loose	2360	2330	-	2150	1780
Gujarat	Rajkot	Mill Delivery	2400	2400	2440	2235	1820
	Ahmedabad	Mill Delivery	2530	2500	2520	2390	1890
	Surat	Mill Delivery	2580	2560	2580	2450	1970
	Dhrol	Mill Delivery	2315	2425	2310	2335	-
M.P.	Indore	Mill Delivery	2450	2450	2350	2230	1930
	Bhopal	Mill Quality Loose	2200	2200	2125	1925	1825
Rajasthan	Kota	Mill Quality Loose	2280	2300	2200	2150	1800
		Mill Delivery	2430	2450	2350	2300	1950
U.P.	Kanpur	Mill Delivery	2460	2460	2400	2200	1740
	Mathura	Mill Quality Loose	2350	2350	2230	2150	1680
	Kosi	Mill Quality Loose	2340	2330	2225	2110	1670
	Hathras	Mill Quality Loose	2400	2350	2300	2150	1680
	Aligarh	Mill Quality Loose	2340	2320	2300	2140	1680
Punjab	Khanna	Mill Quality Loose	2300	2300	2180	2030	1760
	Ludhiana (Jagraon)	Mill Delivery	2300	2300	2100	2135	-
Haryana	Sirsa	Mill Delivery loose	2250	2250	2200	2050	1740
	Hodal	Mill Delivery	-	-	-	-	-
	Bhiwani	Mill Quality Loose	2400	2300	2270	2150	1785
	Karnal	Mill Delivery	-	-	-	-	-
	Panipat	Mill Quality Loose	2400	2400	2300	2200	-
Tamil Nadu	Chennai	Mill Quality	2700	2700	2650	2500	2150
	Madurai	Mill Quality	2757	2850	2800	2700	2350
	Coimbatore	Mill Quality	2757	2900	2850	2750	2400
Bihar	Khagariya	Mill Delivery	2550	2550	2400	2250	1700
	Muzaffarpur	Mill Delivery	2550	2550	2400	2150	1750

International Market Update:
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**Bangladesh decreases its Wheat prices by 4-5 per kg as India resumes its export through Hili land port.** Prices increase as a result of comfortable supply side. On May 13, India imposed ban on Wheat export in order to ensure better supply of the food grains in their domestic market. But later allowed wheat export to Bangladesh under the previous LCs since May 29. The importers who had opened LCs to import Wheat through railway containers have to import by road due to some problems with railway line. Until January of fiscal year 2021-22, India contributed 66% of Wheat Bangladesh imported.

**Germany's 2022 winter Wheat harvest expected to increase by 1% to 21.38 MMT as compared to previous year.** Harvesting is almost completed in most regions of Germany. Nationally, German Wheat harvest yields were up by estimated 4% to 7.64 tonnes per hectare.

**European Union Wheat exports at 1.77 MMT by July 31. Wheat exports of soft Wheat which started last month had reached 1.77 MMT by July 31,** as per the data published by European Commission. They further added that Romania is leading as largest exporter with 0.47 MMT.

**US 2022-23 spring Wheat output seen at bumper levels on higher yields. The plating progress of spring** Wheat in the US has surprised markets with expectations of a bumper output on the back of a jump in yields. The development is most similar to China's, comes at a time when global Wheat markets are witnessing low supplies.

**Pakistan has requested to supply Wheat at \$390 per LMT against the Russian offer at \$400 per LMT. It** would be interesting to see whether the Russian Govt. accepts the request. Earlier the supply offer was made at \$410 per LMT. As per the sources, in compliance with the decision of the Federal Cabinet by ECC on June 28 for the import of 30 LMT of Wheat, Trade corporation of Pakistan initiated the process of import from the Russian government on G2G basis.

**Kazakhstan's grain union sees 2022 Wheat crop at 144 LMT. Country's grain union forecasts the 2022** Wheat crop at 144 LMT above from Government forecast of 135 LMT. While on the other hand, domestic prices might get pressurized as result of good crop prospects from Russia.

IGC Wheat Balance Sheet:
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IGC Forecast (Fig-In MMT)	2019-20	2020-21 est.	2021-22 F'cast	2022-23 Proj	
				23.06.2022	21.07.2022
<b>Production</b>	761	774	781	769	770
<b>Trade</b>	185	190	196	194	194
<b>Consumptions</b>	745	771	778	779	780
<b>Carryover stocks</b>	276	279	282	273	272
<b>Y-O-Y change</b>	16	3	3	-9	-10
<b>Major Export</b>	62	60	65	62	60

- IGC has projected 2022-23 global wheat production at 770 MMT high from previous estimate of 769 MMT in June. IGC has estimated global wheat production at 781 MMT for 2021-22, similar to April month's estimate.
- The trade projection for 2022-23 is 194 MMT up from previous estimate of 193 MMT.
- Consumption has been increased from previous estimate of 779 MMT to 780 MMT.

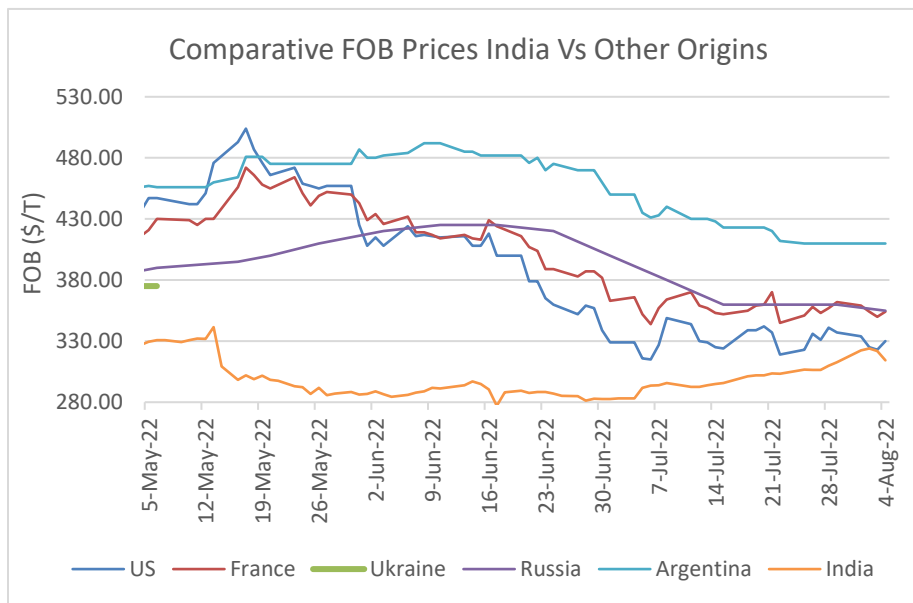
- Carryout for 2022-23 is projected at 60 MMT which is down from the previous estimate of 62 MMT.

#### 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
	5-Aug-22	29-Jul-22	6-Jul-22	5-May-22	4-Feb-22	5-Aug-21	
Sep-22	311.65	296.77	295.57	406.80	280.33	261.96	18.97
Dec-22	314.49	303.38	301.82	407.08	281.98	263.33	19.43
Mar-23	316.88	309.72	307.51	407.08	283.54	264.44	19.83
May-23	317.98	312.93	309.90	403.86	281.89	-	-
Jul-23	315.32	311.37	305.22	386.60	272.61	-	-
Dec-23	314.59	311.65	302.28	386.60	212.45	-	-
Mar-24	315.23	312.75	300.90	-	-	-	-

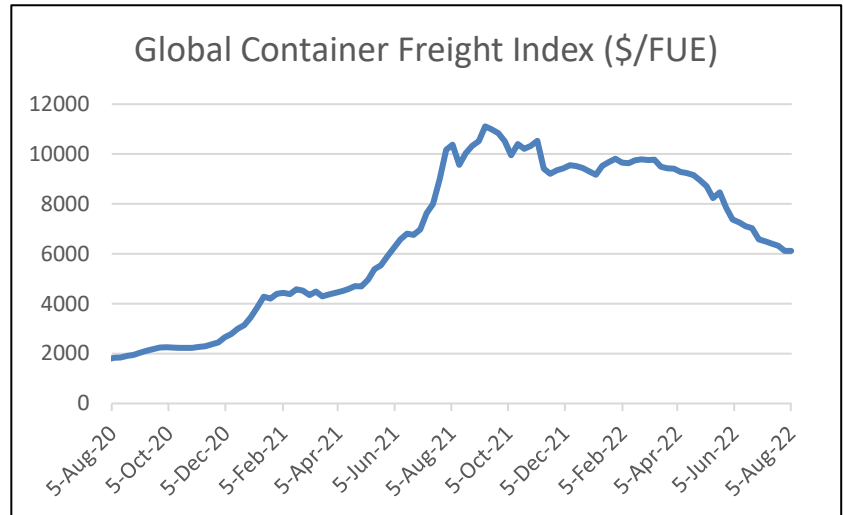
#### International FOB Weekly Price Movement

Indian FOB is being quoted at \$314.24 per tones. Although the rupee has declined, the FOB remains ambitious as domestic prices are getting somewhat firmer.



## Container Freight Index

The global container freight index rose by 0.03 percent compared to previous week to \$6122 per foot unit equivalent. Chinese manufacturing unexpectedly contracted in July and consumer spending in the US has slowed for certain types of goods as inflation continues to climb. Best buy was the latest major retailer to project a decrease in revenue, through sales remain above pre-pandemic levels. Despite these signs of slowdown,



some ocean carriers still anticipate strong transpacific volumes for the coming months. Even with some decline in demand, new covid disruptions in Asia, labor tensions, and persistent congestion at European and North American ports will likely keep container rates elevated on all major trade lanes.

## US Wheat Futures Sept -22

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**1<sup>st</sup> Support: 748**

**2<sup>nd</sup> Support: 693**

**1<sup>st</sup> Resistance: 852**

**2<sup>nd</sup> Resistance: 923 (\$ per tonne)**

As evident from the above chart, prices are at the key support level of 100 day DMA and as well as support level of 748 level. Both momentum indicator MACD and Oscillator RSI are moving down and pointing for weakness in prices. We expect prices to remain range bound / sideways in coming week. The immediate support of 748 need to be observed closely as any close below the support would drag down the prices further.

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