

Bi-Weekly Wheat Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 22 Aug 2017

Delhi Wheat Price Outlook Summary

23 Jul 2017	Delhi Wheat Spot INR/Qntl	Indore Wheat Spot INR/Qntl	Karnal Wheat Spot INR/Qntl	USA HRW Wheat USD/MT	EU France (Grade 1) USD/MT
Closing Prices	1740	1595	1610	243	192
Change	-3	-16	-5	+27	+3
Fundamental Summary	Critical Price drivers			Price Direction	
	Prevailing ample supply across physical markets			Downward	
	Bumper wheat production from current season			Downward	
	Wait and watch mode from private stockiest			Upward	
	Hand to mouth basis demand from local flour millers			Upward	
Price Outlook Summary	Active procurement by FCI			Upward	
	Prices are likely to hold above support at INR 1700 and trade higher towards INR 1850 in the coming 3-5 weeks.				
	0 to 1 Month		0 to 2 Months		
Direction	Mixed		Upwards		
Price Range	1700 to 1850		1700 to 2100		

Delhi Wheat Spot Procurement Strategy for spot month*

Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	1 Jul 2017	31 Jul 2017	1757	1720	100
Yet to be Priced (Remaining quantity)					

Strategy Review

Jun'17 buying requirement was covered at INR 1743

Closed Positions Audit

Market	Period	Procurement savings % (Bettering the market average)
Delhi Wheat Spot INR/Qntl	2003 to Till Date Jan 2017	3.45% 4.35%

* Please contact engagement manager for forward / long term buying strategies

Fundamental Analysis:

- ❖ Indian Wheat price traded negative from previous fortnight on the back of ample supply from farmers and wait and watch mode from small consumers as anticipation of lower mandi (physical markets) taxes after GST regime from 1st of July.
- ❖ Meanwhile, hand to mouth basis demand from local flour millers is keeping domestic wheat prices under pressure. Finally wheat prices in Delhi market settled at INR 1740/qtl, declined by INR 3 per qtl from previous fortnight.

Weather & kharif sowing

- ❖ On set of monsoon across South and central India led advancement of kharif sowing across South and central India. Monsoon has been delayed 5-6 days in Northern and western India as prevailing lower cyclonic pressure. Expected normal monsoon from next week onwards might commence the sowing activity.
- ❖ Indian Meteorological Department (IMD) in its second stage forecast has said that the SW monsoon rains to be at 98% of LPA which is two percentage points higher than its April 1st stage forecast.
- ❖ As on 27th of June cumulative rain has been above average in South and North West India indicating possibility of on time sowing of major food grain crops. Cumulative rainfall across India long period avg (LPA) stood 139.5 mm against normal rainfall of 140.1 mm.
- ❖ Indian kharif food grains area as on 23rd June'17 is reported around 40.38 Lakh hectares against 40.92 Lakh hectares during last year same period

- ❖ Indian wheat production for 2017-18 MY is expected to be near 95.5-96 million tons. While, Agri ministry of India is anticipated in 3rd advance estimate at 97.44 million tons.
- ❖ Whereas, USDA is estimated around 96 million tons from last month estimation of 96.5 million tons.

Indian Scenario

- ❖ Indian wheat delivery prices declined marginally from previous fortnight on the back of ample supplies in domestic markets and bumper crop from current year season.
- ❖ On the other hand, hand to mouth basis demand from flour millers amid sluggish stockiest activity from traders as anticipation of regime new taxes by GST across India shall keep domestic wheat prices on depressed note.
- ❖ As per taxes source, current taxes on wheat in APMC mandis are likely to decline by 0.2-9 percent across Indian states after GST regime owing to all taxes are likely to abolish except APMC (mandi samiti charges), thus might reduce wheat purchase cost (tax paid) in selective states.
- ❖ Moreover, majority of small players are likely to active in wheat buying after regime GST from 1st July'2017. Therefore, keep buying competition within the buyers and same may keep domestic wheat prices on positive note in near term.
- ❖ Wheat procurement from FCI and state agencies from 1st April to 23rd May stood at 30.79 million tons against 22.9 million tons during last year same period. Wheat procurement in Punjab and Haryana states have been increased significantly due to ample supply from farmers and active procurement from state agencies.
- ❖ The FCI targeted procurement quantity has been covered from Punjab state so far, but the target quantity is not completed from MP, UP and Haryana states. Prevailing ample stocks availability from these regions shall execute targeted quantity in coming weeks.
- ❖ Wheat stocks in central pool as on beginning of Jun month was around 33.44 million tons against 32.63 million tons during the last year same period.
- ❖ Furthermore, bumper wheat production and prevailing ample supply in physical markets shall keep domestic wheat prices on negative note in immediate front, but expected onset of monsoon from 1st week of July in Northern Indian region shall decrease arrivals supply in physical markets and same may support wheat prices.

- ❖ Import front, south Indian millers are active in domestic wheat buying instead of cheaper wheat imports due to good quality wheat availability in domestic markets amid prevailing normal prices. On the other hand, South India millers are likely to commence wheat imports during lean season (Oct-Dec) owing to expected increase domestic wheat prices.
- ❖ However, imposing methyl bromide fumigation in Indian ports after 1st week of July of foreign wheat shall restrict wheat imports from EU and Black Sea region due to methyl bromide is banned in EU, North American and Black Sea region nations. Contrary, they can fumigate aluminum phosphaide instead of methyl bromide, but the cost will increase considerably.
- ❖ On the other hand, methyl bromide is allowed in Australian ports, therefore, India can import Australian wheat, but recently Australian wheat prices increased significantly as sluggish standing Australian wheat crop growth amid anticipation of lower production y-o-y basis. Australian wheat FOB prices are trading at \$ 240-245 per ton.
- ❖ Moving ahead, Indian wheat prices are likely to trade negative note in immediate front, but expected commencement of buying from local millers and stockiest after GST regime shall keep competition in buying and thus might keep domestic wheat prices on positive note in near-term.

Global Scenario

- ❖ During last fortnight CME wheat futures gained by 8.5% on the back of damaged winter wheat crop by unseasonal rains in major winter wheat growing belt of Kansas and Missouri. Due to above impact recovery from winter wheat yield declined from early harvest.
- ❖ Further dry weather hitting across spring wheat growing regions and normal demand for soft wheat from South American countries supported prices to move up during last fortnight under review.
- ❖ Moreover concerns about dry weather in spring wheat growing region of Dakota (US) is leading to wheat crop shortfalls globally; which shall keep global wheat prices on buoyant note moving forward.

Planting, Crop condition & Harvest:

- ❖ US winter wheat headed at 97% of crop ripening stage as on 18th June against 99% during same period last year. Five years avg for crop ripening stage is ~95% during same period.

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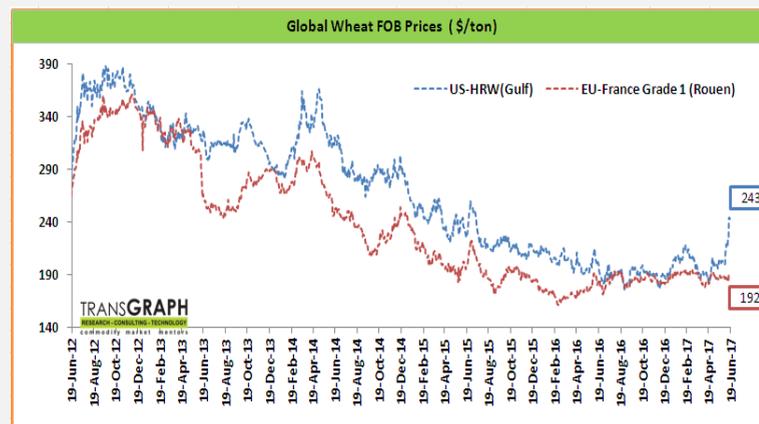
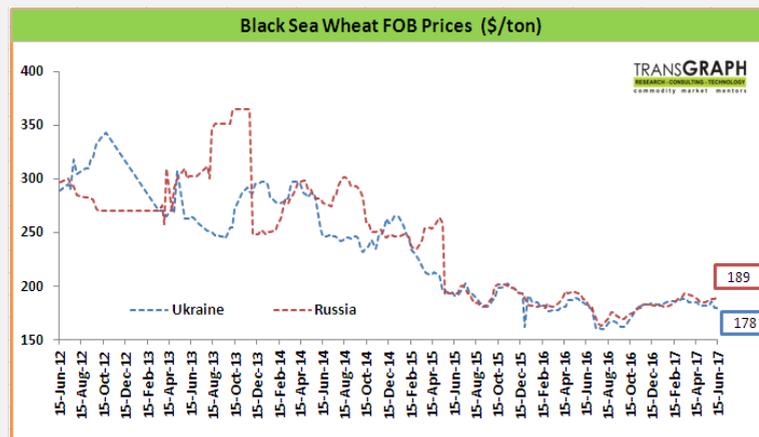


- ❖ Currently overall 20-30% of standing US winter wheat crop is with poor condition, which shall be keeping US wheat prices on positive note moving forward.
- ❖ On the other hand, starting of winter wheat harvest across Northern USA plains and EU nations (fresh supply) might limit steep price rise.

❖ US wheat production for 2017-18 crop year expected decline ~ 21% on y-o-y due to damage noticed on winter wheat crop by hailstorms in Kansas and Missouri amid sluggish crop growth of spring wheat in Northern US Plains. Wheat production for current year is projected at ~49.6 million tons against 62.8 million tons arrived in 2016-crop year.

❖ EU wheat production for 2017-18 CY expected to be near 141.6 million tons, declining by 1.1 million tons from previous month estimate amid concern on present dry weather condition in major producing regions of Germany and Netherlands.

❖ Australian wheat production for 2017-CY is expected to be lower by 9 mln ton to 24 million tons



Wheat crop condition as on 15 th June, 2017					
Condition	Very Poor	Poor	Fair	Good	Excellent
Winter Wheat (USA)	10%	21%	24%	40%	5%
Spring Wheat (USA)	10%	13%	32%	38%	7%
Wheat Soft (France)	7%	13%	35%	38%	7%
Wheat hard (France)	0%	11%	27%	55%	7%

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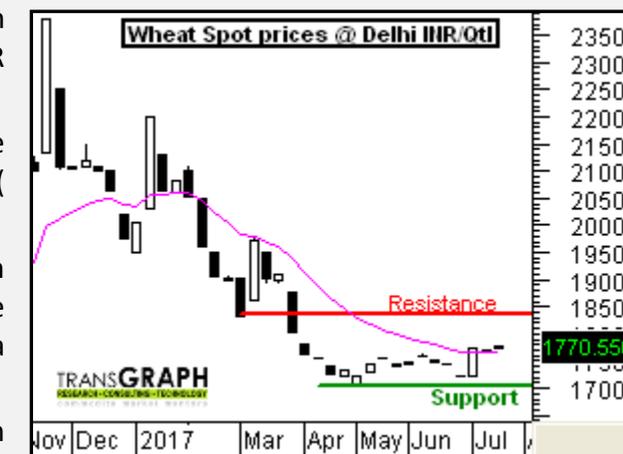
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against 33 million tons during previous year. Production likely to decline by 26-27% on y-o-y basis owing to dryness in Western Australia by EL Nino concern.

- ❖ Considerably production decline from major producing regions are likely to keep global wheat FOB prices on higher note in medium term. Global wheat production for 2017-18 crop year (CY) expected to decline by 2% to 739 million tons on anticipated decline in production from US, Australia and Russia. Such scenario is likely to keep global wheat FOB prices on positive note in near term.
- ❖ However, improved weather condition in Ukraine and Russia winter wheat growing region and higher global wheat carry forward stocks for 2017-18 year shall limit steep price rise in medium term.
- ❖ Similarly anticipated arrival of fresh winter wheat crop from US, EU and Black sea region (spring wheat harvest) from July month end onwards shall keep global wheat prices under pressure in medium term.
- ❖ Currently US HRW & SRW wheat FOB prices are trading at USD \$ 243 & \$ 192 per ton respectively. Whereas, Ukraine and Russia soft wheat FOB prices are being offered at USD \$ 178 & USD \$ 189 per tons respectively. Price improved marginally during last fortnight amid weather disturbance noted in winter wheat growing regions of US, EU and black Sea.

Technical Outlook: Delhi Wheat Spot INR/Qntl

- Wheat Delhi spot prices have recovered sharply in the last few weeks after finding support at INR 1700.
- Prices took support at long term trend line while still holding below the short term moving average (21 Pd EMA).
- On the weekly technical set up, momentum oscillators like RSI (14) and Stochastic (14/3/3) are seen coiling in oversold region supporting a corrective bias.
- On the higher side, INR 1850 can act as an immediate resistance followed by INR 2000.



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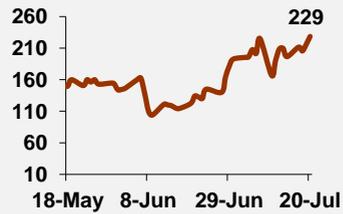


➤ On the lower side, INR 1700 region can act as an immediate and strong support zone.

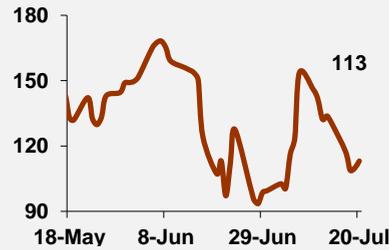
Concisely, prices are likely to hold above support at INR 1700 and trade higher towards INR 1850 in the coming 3-5 weeks.

Mini Charts

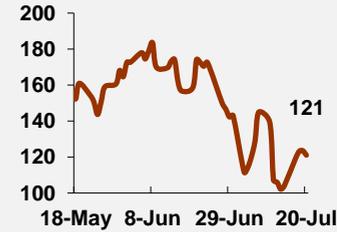
Wheat Spot Spread (Delhi-Spot) in INR/QTL



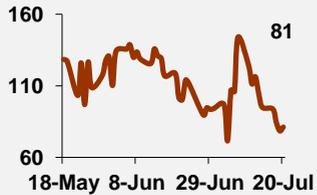
Wheat Spot Spread (Delhi-Indore) in INR per To



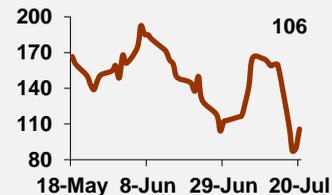
Wheat Spot Spread (Delhi-Kanpur) in INR per Qtl



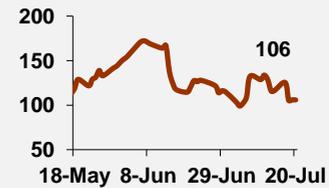
Wheat Spot Spread (Delhi-Kota) in INR per Qtl



Wheat Spot Spread (Delhi-Rajkot) in INR per Qtl



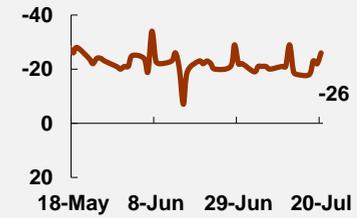
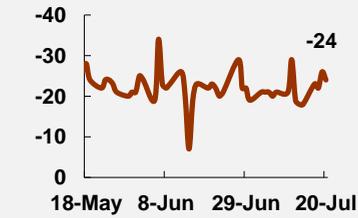
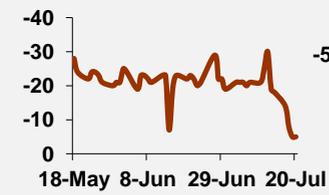
Wheat Future - Spot Spread



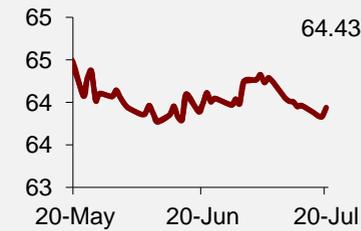
NCDEX Wheat Futures Spread (Jul'17-Aug'17)

NCDEX Wheat Futures Spread (Aug'17-Sep'17)

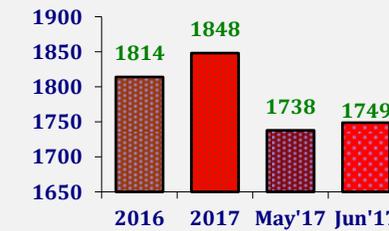
NCDEX Wheat Futures Spread (Sep'17-Oct'17)



INR vs. USD



Wheat Avg Prices Historical (INR/Kg)



Futures Market Prices

Exchange	Contract	22 Jun 2017			Change	Previous Close
		Open	High	Low		
CME Wheat	Sep'17	174.75	175	173.75	-1.5	175.5
NCDEX Wheat	Jul'17	1613	1616	1612	-1	1615

Spot Market Prices

State	Market	21 st Aug'17	1st May'17	Change	% Change
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Delhi	Delhi			
Madhya Pradesh	Indore			
Haryana	Karnal			
Punjab	Khanna			
Uttar Pradesh	Kanpur			
	Bareilly			
Rajasthan	Kota			
	Sri Ganganagar			
Mill Delivery	Hyderabad			
	Bangalore			

Trading Strategies TS, Procurement Strategies PS, Price Outlook PO, Market Intelligence MI, Facts & Figures FF, Market Prices MP, Price Spreads PS, Forward Curves FC, Elliott Wave Analysis EWA, 5D, 2W, 6W, 2M, 4-6M

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Daily NCDEX Guar Seed & Gum Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	IN.GUARSEED.NCDEX, IN. GUARSEED.NCDEX
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Bi-weekly Maize Price Outlook and Strategy	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W, 2M	IN.MZ.NIZAMABAD
Bi-weekly Wheat Price Outlook and Strategy	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W, 2M	IN.WHEAT.DELHI
Bi-weekly Feed Grain Price Outlook and Strategy	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W, 2M	IN.MZ.NIZAMABAD, IN.BJR.JAIPUR, IN.SORGM.JAIPUR, IN.BARLEY.JAIPUR, IN.BRICE.GANGAVATI
Bi-Weekly Poultry Feed Market Analysis and Price Outlook	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	IN.SB.NCDEX, IN.SM.INDORE, IN.MZ.NIZAMABAD
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