

Commodity Strategy

FUTURES

AUGUST 2023

PRESENTER: ANIL KUMAR, CFA, CAIA, CIPM

TIWI INVESTMENT & CONSULTANCY, MUSCAT, OMAN
GSM: (+968) 9010 1438 / 9133 9784

EMAIL: ANIL.NEERUKONDA@TIWIINVESTMENT.COM



Global wheat 2023/24 season outlook

World			Output	Total Supply	Trade 2/	Total Use 3/	Ending Stocks
Wheat	2021/22		781.03	1065.11	202.85	792.50	272.60
	2022/23 (Est.)		789.97	1062.57	218.56	794.27	268.31
	2023/24 (Proj.)	Jul	796.67	1065.98	211.62	799.45	266.53
		Aug	793.37	1061.68	209.39	796.07	265.61

Source: USDA, World Agricultural Supply and Demand (WASDE)

- As per the latest WASDE report, global wheat supply for 2023/24 season is projected to decline by 4.3 million tons from Jul est. to 1,062 million tons. This is due to lower production from the EU, China and Canada (drought conditions in the Prairies), partially offset by increase from Ukraine and Kazakhstan.
- Global consumption of wheat is expected to drop 3.4 million tons to 796 million tons as shown in the table above under total use mainly due to lower feed and food use.
- Global trade of wheat is also expected to drop mainly due to lower exports from Canada and the US while Ukraine's exports remain unchanged due to expiration of the Black Sea grain initiative.

Global wheat 2023/24 season outlook

- Ending stock of wheat in the world for 2023/24 is also expected to drop to around 266 million tons, the lowest since 2015/16 season.
- US wheat inventory is expected to be around 615 million bushels (16.7 million tons), well below its 5 years average of 846 million bushels.
- A Reuters analysis of wheat inventories and crop usage for seven major exporters shows stockpile levels will dwindle to a 16-year low in 2023-24
- However, Russia is expected to boost wheat supply owing to a bumper harvest which is one of the reasons for the recent drop in prices.
- The ongoing geopolitical tension in the Black Sea continues to be a risk factor for wheat price in the near-term
- Average 2023/24 season farm price of US wheat is expected to be around \$7.50 per bushel according to WASDE

US wheat mini futures (nearest contract)

Last price (Aug 25, 2023): 593 cents/bushel

Target: xxxx

	Specification
Contract	Chicago Soft Red Winter Wheat mini-sized
Contract Size	1,000 bushels
Exchange	CME Group
Tick size	1/8 cent per bushel (\$1.25 per contract)
Margin/Maintenance per contract	\$726/660 (around 12% initial margin, 11% maintenance margin)
Exposure per contract	\$5,930
Most active contract	December 2023

For more information, please contact,

Anil Kumar, CFA

GSM: (+968)9010 1438

(+968)9133 9784

Email: anil.neerukonda@tiwiinvestment.com