



Wheat Future

Overview

The report summarize the Wheat future market fundamentals, Wheat relation with inflation, contract details, factors that affects the price of the Wheat and basic information and kinds of Wheat

Wheat is the most important food grain in the world, and therefore an essential component of the world's commodity trading network.

It is the staple food of millions of people all across the world, and has been ever since people developed advanced agricultural techniques thousands of years ago.

Basic information and Kinds of Wheat

Wheat needs (31 to 38 centimeters) of water to produce a good crop. It grows best when temperatures are warm, (21° to 24° C), but not too hot. Wheat also needs a lot of sunshine, especially when the grains are filling. Areas with low humidity are better since many wheat diseases thrive in damp weather.

Winter Wheat: - Winter wheat, which is planted in the fall, becomes dormant when temperatures drop below freezing. It remains alive but does not grow until the weather becomes warmer. Winter wheat actually requires cold weather in order to develop normally. If planted in the spring, it will not form heads. In extreme cold, however, winter wheat can die. During cold weather, a snow-covered ground insulates the soil and keeps the wheat warmer than the air.

Spring Wheat: - spring wheat is grown in the colder north of the Canadian Prairies, where winter temperature may drop to 16°C to below freezing point and seeds can only be sown after the severe winter is over.

Furthermore, wheat is divided into hard and soft. Both winter and spring wheat may be either hard or soft. The hard wheat has low moisture content and best suited for bread making. While soft wheat, with its higher moisture content is more suited for making cakes, biscuits and pastries.

Wheat Production Cycle

- Pre-Planting: Includes choosing the seeds, Determine the climate, when plant Winter Wheat planted in fall and spring Wheat is planted in spring and choosing the technology
- Growth: Include the planting method and technology used, adding water, fertilizer and removing weeds.
- Post Production: includes drying, storage and milling after harvesting. Spring wheat harvested in the fall. It is the more common variety in areas that have colder winters

Genetically Modified Organism (GMO)

GMOs are living organisms whose genetic material has been artificially manipulated in a laboratory through genetic engineering, or GE. This relatively new science creates unstable combinations of plant, animal, bacteria and viral genes that do not occur in nature or through traditional crossbreeding methods.

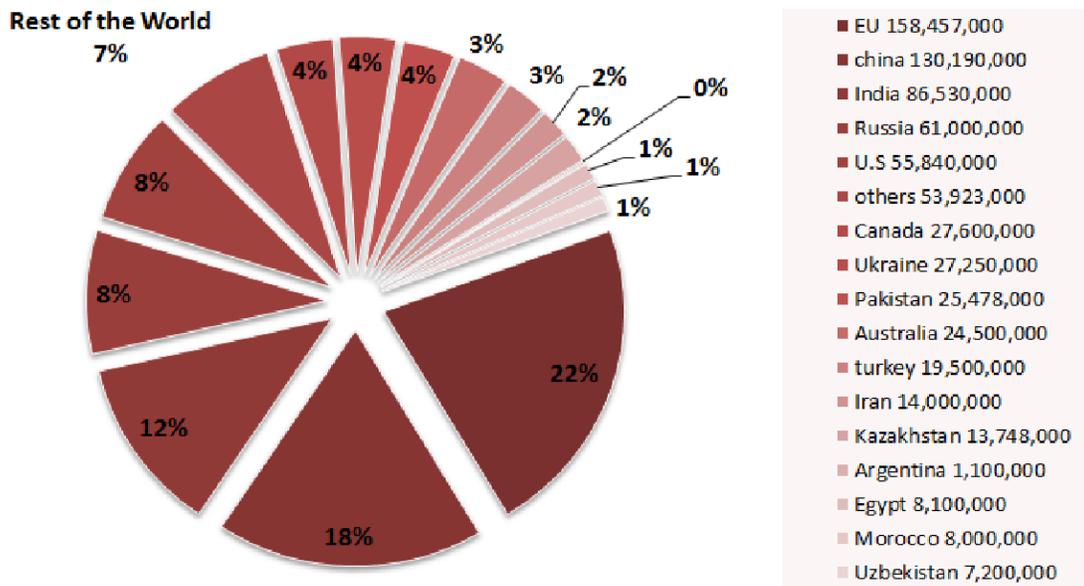
Genetically Modified Wheat

Reported by the USDA affirms that no genetically modified wheat is in commerce and that the commercial seed and grain supply does not contain genetically modified wheat. This finding is supported by extensive testing by USDA.

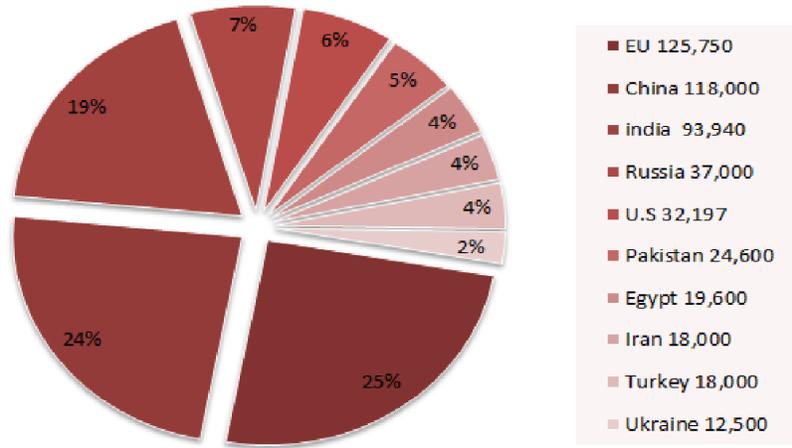
Wheat Market Fundamentals

As the following graph illustrate the European Union produce the majority of the wheat market followed by China. They produce 40% of the world Wheat market, which effect the price of the wheat

**Wheat Production By Country
 (Values in Metric Tons)**

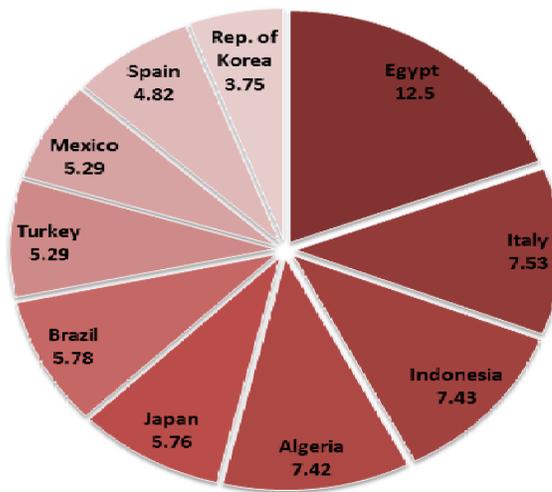


Wheat Consumption by country in 1000 MT

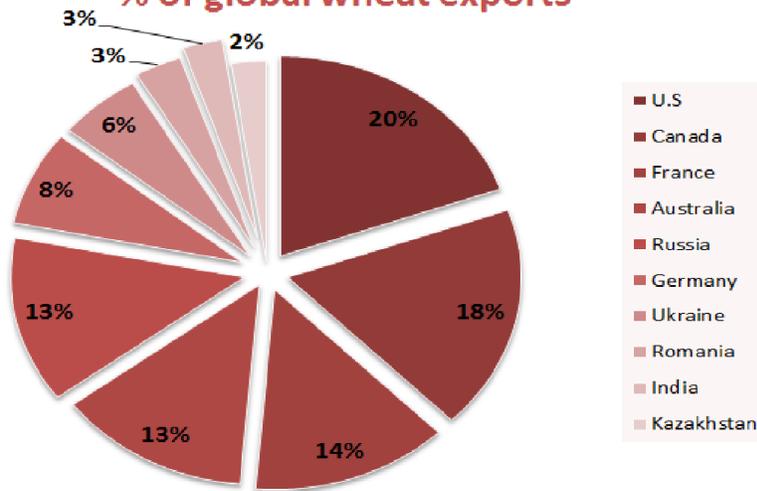


European Union and China are both the largest producers and consumers of Wheat in the world followed by India, thus U.S is the largest exporter of wheat followed by Canada. Surprisingly Egypt stills the largest Importing of wheat in the world followed by Italy

Major Importing Countries of Wheat in million MT

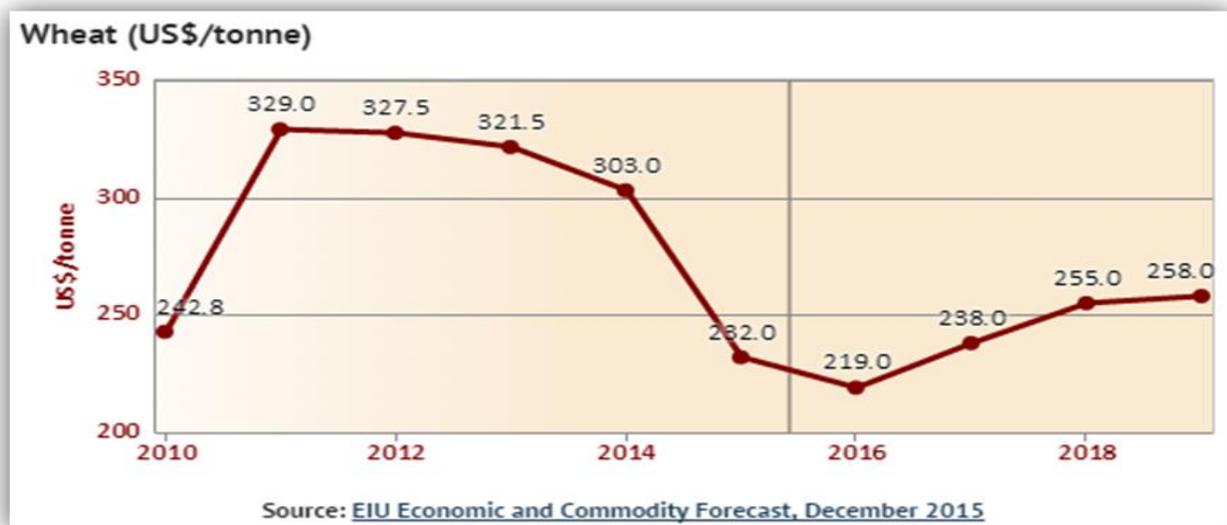


Top 10 wheat exporters % of global wheat exports



Wheat Futures price Forecast

According to the Economist Intelligence Unit the Wheat future price forecast indicates that the price will raise during the year 2016 to 2018 then it will remain stable until the end of 2019, after the steep decline between the years 2013 and 2015.



Wheat Futures and Inflation

Wheat could potentially help hedge against inflation. Historical data has shown us that wheat prices tend to move with the rate of inflation. Consider the chart below as reference. It shows the US producer price index for farm products wheat, which embodies the state of the wheat market, and US inflation rate



Wheat Future Contract Details

- Wheat Future contract size is 5,000 bushels (~ 136 Metric Tons).
- Wheat future trading months are March (H), May (K), July (N), September (U) & December (Z).
- Wheat future symbol ZW.

Factors That Affect the Prices of Wheat

- Wheat diseases: - Wheat is subject to more diseases than other grains, and, in some seasons, especially in wet ones, heavier losses are sustained from those diseases than are in other cereal crops. Wheat may suffer from the attack of insects at the root; from blight, which primarily affects the leaf or straw, and ultimately deprives the grain of sufficient nourishment; from mildew on the ear; and from gum of different shades, which lodges on the chaff or cups in which the grain is deposited.
- Technology: - one of the important factors that affect the supply of wheat new agricultural technologies can also affect the price of wheat, as production costs will vary depending on the method of harvest. A better and advance technology increase the production of the wheat which leads to increase in the supply of the product. With new technology the production of the fertilizers and good quality seeds increase the production of wheat.
- Exports: - While world wheat reserves are the lowest in 25 years, demand for wheat remains robust. In 2007 wheat-importing nations including Egypt, Iraq and Iran were importing over a million bushels of U.S. wheat per week. Recently, the strength of the U.S. dollar has been weighing on U.S. exports. Russia has taken advantage of the situation by trying to get a foothold in some of the U.S.'s traditional markets.

Technical analysis



Resistance level 1	Resistance level 2	Resistance level 3
482.1667	490.5833	504.1667
Support level 1	Support level 2	Support level 3
460.1667	446.5833	438.1667
Pivot Point	468.5833	

Conclusion

Investing is an art not a Science, so in order to invest in wheat market the investor must be aware of what triggers the market such as market conditions, weather and supply and demand of wheat. The investor must be aware and understand the risk and return associated with it.

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