

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Report Highlights:

Government rice procurement is currently 16 percent higher than last year's, reflecting a record production of 100 million tons in MY 2011/12. Rice exports for MY 2011/12 are expected to reach 7.0 million tons on strong international demand and continuation of the policy allowing the export of non-basmati rice. Wheat exports are forecast to reach 700,000 tons in MY 2011/12 on lower-than-expected international demand for Indian wheat. Government-held wheat and rice stocks continue to increase in MY 2011/12. The MY 2011/2 wheat ending stocks are estimated at 18.5 million tons due to lower sales of government wheat.

General Information:

RICE

Production Outlook Unchanged

Rice production in MY 2011/12 is forecast to reach a record 100 million tons based on strong market arrivals of *kharif* (fall and early harvested) rice. Kharif paddy market arrivals through January 27, 2011 stood at 25.7 million tons, more than 15 percent higher than last year. Late monsoon rains in October/November have provided very favorable planting conditions for the *rabi* (winter harvested) rice and planting of the crop is progressing well under adequate moisture condition.

Procurement Ahead, Stocks Surge

As of January 27, 2012, government rice procurement was 20.9 million tons compared to 18.0 million tons for the corresponding period last year. The procurement increase is largely accounted for by the states of Andhra Pradesh (2.9 million tons vs. 1.9 million tons last year), Uttar Pradesh (2.0 million tons vs. 1.3 million tons), Chhattisgarh (3.3 million tons vs. 2.9 million tons), Haryana (1.9 million tons vs. 1.6 million tons) and Odisha (1.0 million tons vs. 0.7 million tons). Rice procurement is expected to exceed 37 million tons in MY 2011/12 (see Table 3), more than 8 percent higher than last year and 5 percent above the MY 2011/12 procurement target of 35.3 million tons.

Continuing strong procurement in MY 2011/12 has increased government-held rice stocks to an estimated at 29.7 million tons (as of January 1, 2012). This is 16 percent higher than last year, and more than double the government's desired stock level of 13.8 million tons.

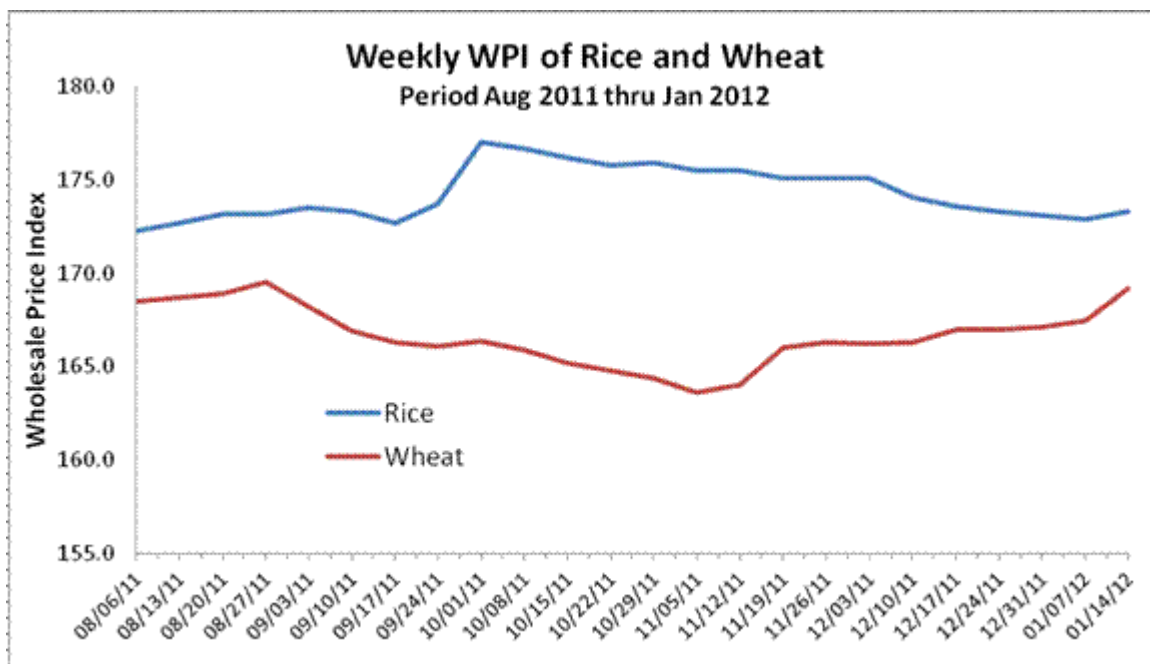
MY 2011/12 Exports Raised

Rice exports for MY 2011/12 are expected to reach 7.0 million tons due to strong international demand due to the highly competitive price of Indian rice and continuation of the policy to allow the export of non-basmati rice due to sufficiency of domestic supplies. Based on the provisional official monthly export statistics and market reports for October-December 2011 shipment period, CY 2010 rice exports are estimated at 4.2 million tons. Rice exports for MY 2009/10 and CY 2009 have been revised to 2.08 million tons and 2.23 million tons (see Table 4).

Since exports of non-basmati rice were resumed in September, trade sources report that India shipped about 2.2 million tons of non-basmati rice through the second week of January 2012. International demand for Indian non-basmati rice has been supported by competitive prices *vis-a-vis* other origins and a weakening of Indian rupee against the U.S. dollar (see GAIN Report IN1212). According to the

provisional official monthly export statistics, non-basmati exports reached 430,000 metric tons in October 2011. After the early problems with inland transport and port infrastructure bottlenecks, export logistics have improved supporting higher volumes of export shipments from November onwards. Currently, Indian non-basmati rice is very competitively priced (\$390- \$440 fob) *vis-à-vis* other origins in the international market. Nevertheless, the current pace of exports is expected to slow in the coming months due slackening demand from importing countries, competition from competing origins, and a recovery in the value of the Indian rupee *vis-à-vis* the U.S. dollar (currently around Rs. 49 compared to Rs. 54 in December).

Earlier, in September 2011 when the government removed the ban on exports of non-basmati rice without quota restrictions, the Empowered Group of Ministers on Food (EGoM) decided to monitor the pace of exports, and review the decision when either exports reached 2.0 million tons or domestic prices increased significantly (see IN1195). Despite strong international demand, the price of rice in the domestic market has remained steady. The government’s weekly wholesale price index (WPI) indicates that rice prices have fluctuated within a narrow band, even after exports were allowed in September 2011.



Source: The Office of Economic Advisor, Ministry of Commerce and Industries, GOI.

With MY 2011/12 rice procurement significantly ahead of last year’s’s, the Government of India seems reassured that there are more than sufficient supplies for the public distribution system. Reports suggest that the government has recently reviewed the status of rice exports and the prevailing market situation, and has decided to continue to allow exports of non-basmati rice. However, the government will continue to review the rice export policy, and could take action if domestic prices increase. Given

current domestic rice supply, market sources report that an additional 2.2 to 2.5 million tons of rice could be exported without causing a significant impact on local market prices. Accordingly, rice exports could reach 7.0 million tons in MY 2011/12; this includes 4.5 million tons of non-basmati and 2.5 million tons of basmati rice.

Stocks Adjusted

The MY 2011/12 opening rice stock estimate is estimated at 23.5 million tons, reflecting higher rice stocks with private trade to account for the higher export shipments during first quarter of MY 2011/12.

WHEAT

MY 2011/12 Wheat Stocks Up

The MY 2011/12 wheat ending stocks are estimated at 18.5 million tons, in line with the latest official government stock estimates and slow demand for government wheat. Due to record government wheat procurement in MY 2011/12 (see Table 5), and relatively slower consumption in the domestic market (Table 6), government-held wheat stocks (as of January 1, 2012) are estimated at 25.7 million tons, compared to 21.5 million tons last year. Despite government incentive scheme announcements for open market sales of wheat, there have been very limited sales as the open market prices have remained low (see WPI Chart). Assuming demand picks up in the latter part of the season (January-March 2012), MY 2011/12 wheat ending stocks are expected to reach 18.5 million tons.

MY 2011/12 Wheat Exports

Based on the latest market reports, wheat exports are forecast to reach 700,000 tons in MY 2011/12, which is lower than expected due to weak international demand for Indian wheat on uncompetitive pricing and quality issues. Even while the Indian rupee was relatively weak, Indian wheat prices were not competitive *vis-à-vis* other origins. Although official wheat export data are not yet available, trade sources report that MY 2011/12 wheat shipments through the second week of January 2012 reached 525,000 metric tons. This includes a 75,000 metric ton shipment to Afghanistan under a government-to-government agreement (250,000 metric ton quota). Currently, Indian wheat is available for around \$270 to \$275 per metric ton, and small quantities are moving by container to the Middle East and South Asian countries. Export prospects should improve after March as domestic prices ease with the arrival of the new crop from western India. Wheat exports for MY 2011/12 are expected to reach 700,000 metric tons, 600,000 metric tons through private trade, and 100,000 metric tons under government-to-government agreements.

STATISTICAL TABLES

Table 1. Commodity, Rice, Milled, PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Rice, Milled India	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	41,850	41,850	42,700	42,700	45,000	45,200
Beginning Stocks	19,000	19,000	20,500	20,500	23,000	23,500
Milled Production	89,090	89,090	95,300	95,300	100,000	100,000
Rough Production	133,648	133,648	142,964	142,964	150,015	150,015
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	108,090	108,090	115,800	115,800	123,000	123,500
MY Exports	1,900	2,082	2,800	2,800	4,500	7,000
TY Exports	2,052	2,228	3,800	4,200	4,500	7,000
Consumption and Residual	85,690	85,508	90,000	89,500	94,000	92,500
Ending Stocks	20,500	20,500	23,000	23,500	24,500	24,000
Total Distribution	108,090	108,090	115,800	115,800	123,000	123,500

Table 2. Commodity, Wheat, PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Wheat India	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	27,750	27,750	28,360	28,460	29,400	29,400
Beginning Stocks	13,430	13,430	16,120	16,125	15,360	15,360
Production	80,680	80,680	80,800	80,800	85,930	85,930
MY Imports	218	218	272	272	25	25
TY Imports	291	291	199	199	25	25
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	94,328	94,328	97,192	97,197	101,315	101,315
MY Exports	58	58	72	72	1,000	700
TY Exports	62	62	60	60	1,000	700
Feed and Residual	100	100	150	150	200	200
FSI Consumption	78,050	78,045	81,610	81,615	84,500	81,915
Total Consumption	78,150	78,145	81,760	81,765	84,700	82,115
Ending Stocks	16,120	16,125	15,360	15,360	15,615	18,500
Total Distribution	94,328	94,328	97,192	97,197	101,315	101,315

Table 3. India: Rice Production and Procurement

Marketing Year (Oct-Sept)	Production	Government Procurement	
		Million Metric Tons	as % of Production
UOM	Million Metric Tons	Million Metric Tons	as % of Production
2005/06	91.79	27.58	30.0
2006/07	93.35	25.11	26.9
2007/08	96.69	28.74	29.7
2008/09	99.18	34.10	34.4
2009/10	89.09	32.03	36.0
2010/11	95.33	34.20	35.9
2011/12*	100.00	37.00	37.0

*Post forecast

Source: Food Corporation of India, GOI

Table 4. India: Monthly Export of Rice
(Thousand Metric Tons)

	CY 2009 (Prov)	CY 2009 (Rev)	CY 2010 (Prov)	CY 2010 (Rev/Prov)	CY 2011 (Prov)
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Jan	45.8	47.3	191.5	193.8	242.8
Feb	268.9	270.4	162.2	164.0	167.0
Mar	238.5	238.5	203.4	203.3	204.9
Apr	225.4	225.3	174.2	182.4	245.6
May	237.0	237.7	133.3	161.9	285.8
Jun	275.0	278.6	163.0	193.4	233.6
Jul	199.4	202.0	123.9	174.2	333.8
Aug	128.2	137.0	137.2	192.0	240.9
Sept	83.2	86.3	191.5	192.0	248.3
Oct	82.3	82.7	119.5	119.1	599.2
Nov	154.6	156.2	219.0	219.0	na
Dec	185.4	186.3	233.0	233.0	na
Total	2123.8	2148.6	2051.7	2228.2	2801.9

Note: Provisional

Revised

Source: The Directorate General of Commercial Intelligence and Statistics, GOI.

Table 5. India: Wheat Production and Procurement

Marketing Year (Oct-Sept)	Production	Government Procurement	
	Million Tons	Million Tons	as % of Production
2005/06	68.64	14.79	21.6
2006/07	69.35	9.23	13.3
2007/08	75.81	11.13	14.6
2008/09	78.57	22.69	28.9
2009/10	80.68	25.38	31.5
2010/11	80.80	22.51	27.9
2011/12	85.93	28.34	32.9

Source: Food Corporation of India, GOI

Table 6. India: Monthly Off take of Wheat From Government Stocks

(Thousand metric tons)

Month\MY	2008/09	2009/10	2010/11	2011/12
April	830	1564	1576	1676
May	927	1787	1661	1805

June	1038	1632	1760	2058
July	1113	1679	1826	2077
August	1130	1683	1991	2298
September	1261	1644	2060	2298
October	1110	1680	1790	1667
November	1334	1761	1860	1832
December	1414	1958	2070	2097
January	1447	2385	2090	
February	1460	2355	2220	
March	1822	2259	2130	
Total	14886	22387	23034	17808

Source: Food Corporation of India, GOI.