

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain Voluntary Update - December 2015

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Report Highlights:

Post's MY 2015/16 milled rice production forecast has been lowered to 100 million metric tons (MMT) on lower yields due to below normal 2015 monsoon. MY 2015/16 corn production forecast is also revised lower on reported lower yields in the major growing states. Consumption, exports and ending stocks have been revised lower due to expected tight domestic supplies for rice and corn.

General Information:

MSP for Rabi Crops Raised

On November 16, 2015, the government announced the minimum support price (MSP) for *rabi* (winter planted) crops for the Indian crop year (ICY) 2015/16 (July-June), which will be marketed in MY 2016/17.

Table 1 India: GOI's Minimum Support Prices (MSP) for *Rabi* Crops in Indian Crop Year

Commodity	MSP for 2014-15 (INR per Metric Tons)	MSP for 2015-16 (INR per Metric Tons)
Wheat	14,500	15,250
Barley	11,500	12,250
Chickpea	31,750	35,000*
Lentil	30,750	34,000*
Rapeseed/Mustard	31,000	33,500
Safflower	30,500	33,000

*- Includes a bonus of INR 750/MT over and above the MSP announced for this season.

Source: Ministry of Agriculture and Farmer's Welfare, Government of India (GOI).

Typically, the government undertakes MSP procurement operation in rice and wheat, and rarely undertakes MSP procurement operations for pulses, oilseeds and other crops. The MSP for wheat and barley has been raised by about 5 percent over last year, while MSPs for pulses (chickpea and lentil) have been raised by more than 10 percent and for oilseed by over 8 percent over last year's MSPs. Although the support prices for pulse and oilseed crops have been raised higher than wheat, there may not be a major shift in area from wheat to other crops as wheat offers relatively stable yields and an assured government procurement system vis-a-vis pulse/oilseed crops. Given the relatively dry planting conditions (soil moisture and inadequate irrigation water availability) due to below normal 2015 monsoon coupled with high open market prices of pulses, farmers are likely to increase planting of pulses away from wheat in the semi irrigated areas (without assured irrigation facilities).

Rabi Planting Begins on a Weak Note...

Due to below normal 2015 monsoon and consequent relatively sub-optimal soil moisture conditions and inadequate irrigation water availability, planting in the ongoing 2015/16 *rabi* season for wheat, pulses (gram, lentils, Mung beans, and black eye beans), oilseeds (rapeseed & mustard, sunflower, safflower) is significantly behind last year, while planting of coarse grains (corn, barley, sorghum) is up from last year.

Table 2: India: Planting of *Rabi* Crops in Indian Crop Year (Area in Million Hectares)

Crop	ICY 2015/16 Planting from Oct 1 thru Nov 27, 2015	ICY 2014/15 Planting from Oct 1 thru Nov 27, 2014
Wheat	11.73	16.16
Pulses	9.09	9.78
Coarse cereals	4.44	3.75
Oilseeds	5.71	6.57
Rice	0.83	1.01
Total	31.80	37.26

Source: Ministry of Agriculture and Farmer's Welfare, GOI.

Rabi planting is in progress in most of the growing states and is likely to continue through end December. Agriculture experts and field sources expect higher planting of coarse grains and pulses and lower planting of wheat compared to last year due to relatively dry planting conditions.

RICE

Table 3. India: Commodity, Rice Milled, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

<i>Rice, Milled</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Oct 2013		Oct 2014		Oct 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	44,136	44,136	43,000	43,000	43,200	43,000
Beginning Stocks	25,440	25,440	22,757	22,757	17,660	17,590
Milled Production	106,646	106,646	104,800	104,800	103,500	100,000
Rough Production	159,985	159,985	157,216	157,216	155,266	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	132,086	132,086	127,557	127,557	121,160	117,590
MY Exports	10,149	10,149	11,800	11,870	9,000	8,000
TY Exports	10,907	10,907	11,500	11,500	9,500	8,000
Consumption and Residual	99,180	99,180	98,097	98,097	99,000	98,000
Ending Stocks	22,757	22,757	17,660	17,590	13,160	11,590
Total Distribution	132,086	132,086	127,557	127,557	121,160	117,590
Yield (Rough)	3.6248	3.6248	3.6562	3.6562	3.5941	3.4887

MY 2015/16 Production Lowered

Post's MY 2015/16 milled rice production forecast has been lowered to 100 million metric tons (MMT) on reported lower yields in several growing states due to poor 2015 monsoon and losses due to recent rains in southern India damaging the standing rice crop.

The *kharif* (fall harvested) rice harvest is almost over, excepting for some late-sown rice in the eastern and southern states. Although the official crop cutting yield reports are likely to be available by early January, market sources report lower yields due to moisture stress at critical crop growth and maturity stages in most of the growing states, except the irrigated northern states of Punjab, Haryana and West Uttar Pradesh. Several states have declared large number of their administrative districts drought affected (monsoon rains less than 20 percent of normal), and the central government is in the process of assessing the damages in the drought affected areas. Recent heavy rains in the coastal belt of Andhra Pradesh and Tamil Nadu have caused significant damage to the rice crop, which was at maturity and harvest stage.

Although no official assessment of crop loss is available due to drought or recent rains is available, market sources report *kharif* rice crop loss of around 5-8 MMT in the affected area. Crop losses in these states are likely to be partially offset by higher production in the northern states as reflected by higher procurement. Planting of *rabi* (winter planted) rice, mostly confined to West Bengal and southern states, has started and will continue through December. Planting of *rabi* rice is likely to be lower than last year on lower water levels in irrigation reservoirs, particularly in the southern states. Consequently, MY 2015/16 rice production is revised lower to 100 MMT compared to the earlier forecast of 103 MMT ([IN5126](#)).

Government Procurement Ahead of Last Year

Government procurement of MY 2015/16 rice under the minimum support price (MSP) continues to be ahead of last year due to the timely harvest (last year delayed due to October rains) and good harvest from the irrigated northern states. Government procurement through November 30, 2015, is estimated at 13.87MMT compared to 10.64 MMT during the corresponding period of MY 2014/15.

Table 4. India: Government Procurement of Rice by State
(in million metric tons)

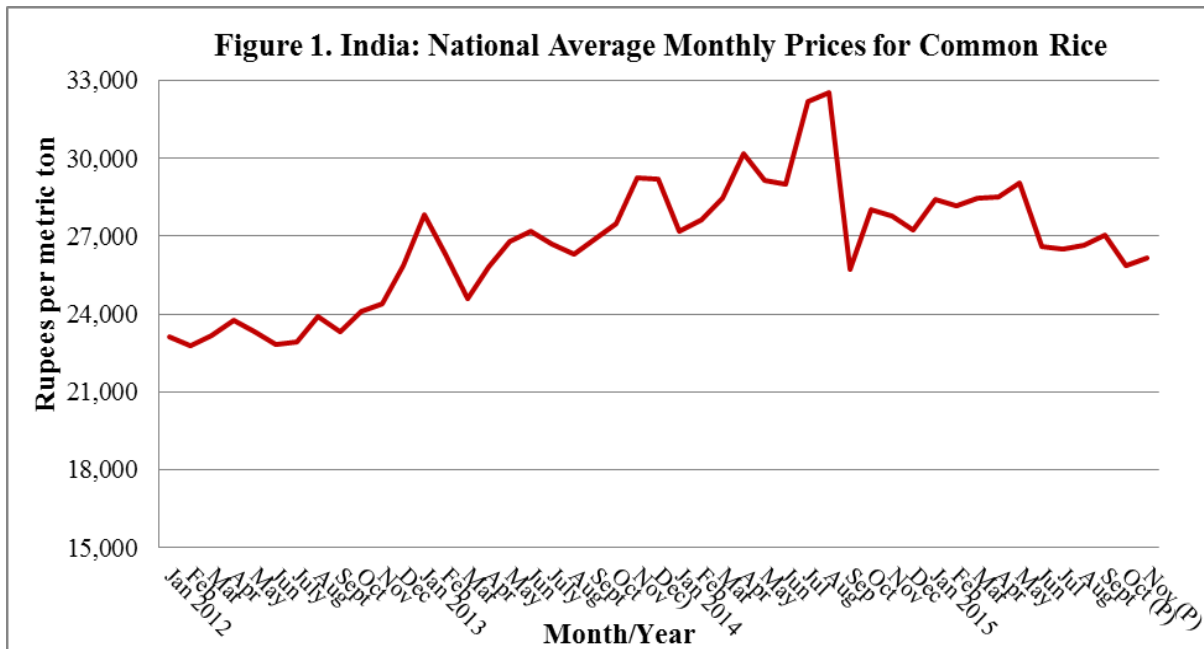
State	MY2013/14	MY 2014/15	MY 2015/16	MY 2014/15
	October-September	October-September	October 1 through November 30	
Punjab	8.11	7.79	9.30	7.74
Andhra Pradesh	3.74	3.60	0.15	0.10
Telangana	4.35	3.50	0.48	0.54
Chhattisgarh	4.29	3.42	0.39	0.01
Odisha	2.80	3.49	-	-
Haryana	2.41	2.02	2.85	1.99
Uttar Pradesh	1.13	1.70	0.37	0.12
West Bengal	1.36	2.03	-	-
Madhya Pradesh	1.05	0.81	-	-
Tamil Nadu	0.68	1.05	-	-
Others	1.94	2.77	0.33	0.14
Total	31.85	32.17	13.87	10.64

Source: Food Corporation of India, GOI

Procurement in the northern states is almost over, but will gradually spread to other parts of the country as harvest progresses. Market sources report that the government's MSP (INR 14,100/MT for common paddy rice) is currently slightly above the open market price of unmilled paddy rice, but the market prices have started firming up in the drought affected states, which may affect government procurement in these states. Consequently, market sources expect procurement during the MY 2015/16 to be lower at around 30 MMT compared to last year's procurement of 32.2 MMT.

Prices Firm

Despite relatively strong early season market arrivals, domestic prices marginally firmed up in November on reports of lower yields due to drought conditions in major states.

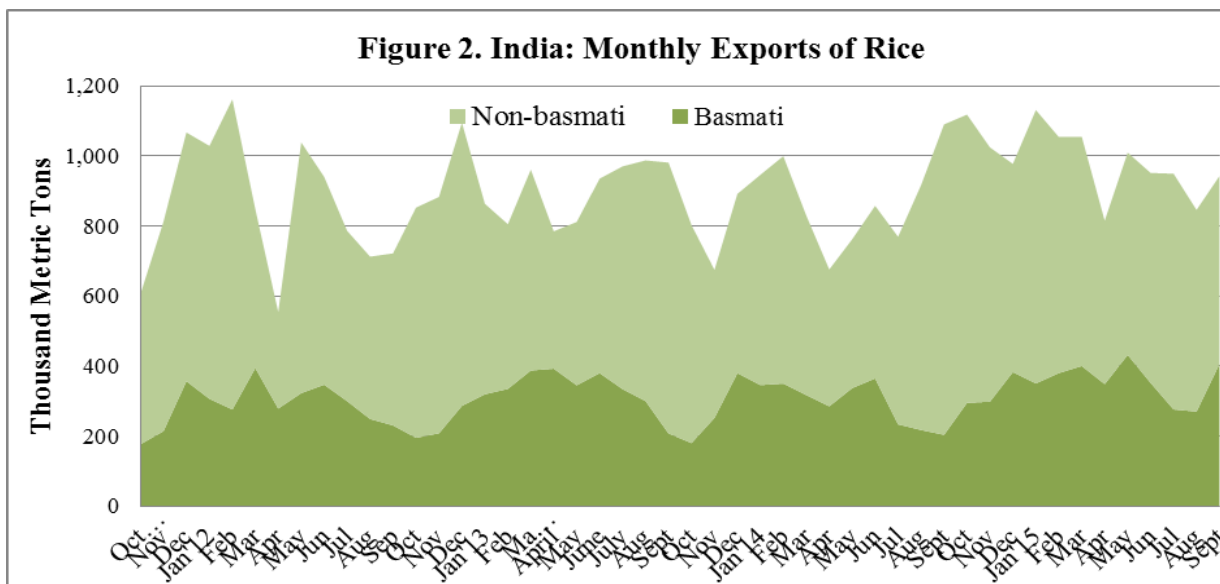


Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Prices during the marketing year will largely depend on the domestic crop harvest and export demand.

Export

Post's MY 2014/15 export estimate is raised marginally higher to a record 11.87 MMT based on the preliminary official statistics for October 2014 to September 2015.



Source: Monthly exports through September 2015 from DGCIS, GOI.

India's rice export during the first 9 months of CY 2015 is estimated at 8.8 MMT compared to 7.8

MMT during the corresponding period last year. Assuming no significant change in the domestic prices and export demand, Post continues to estimate CY 2015 exports at a record 11.5 MMT. However, MY 2015/16 and CY 2016 rice exports are forecast lower at 8.0 MMT on forecast tight domestic supplies.

Consumption/Ending Stocks

MY 2015/16 consumption and ending stocks have been lowered to 98.0 MMT and 11.6 MMT, respectively on forecast tight domestic supplies. MY 2014/15 ending stocks has been revised marginally lower to 17.6 MMT to account for the higher exports during the marketing season.

CORN

Table 5. India: Commodity, Corn, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

<i>Corn</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Nov 2013		Nov 2014		Nov 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,066	9,066	9,300	9,300	9,200	9,300
Beginning Stocks	633	633	1,428	1,428	2,008	2,008
Production	24,259	24,259	23,670	23,670	22,500	21,000
MY Imports	7	7	10	10	50	50
TY Imports	11	11	10	10	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	24,899	24,899	25,108	25,108	24,558	23,058
MY Exports	3,871	3,871	1,100	1,100	1,500	1,000
TY Exports	3,889	3,889	1,100	1,100	1,500	1,000
Feed and Residual	10,600	10,600	12,500	12,500	12,800	12,200
FSI Consumption	9,000	9,000	9,500	9,500	9,500	9,200
Total Consumption	19,600	19,600	22,000	22,000	22,300	21,400
Ending Stocks	1,428	1,428	2,008	2,008	758	658
Total Distribution	24,899	24,899	25,108	25,108	24,558	23,058
Yield	2.6758	2.6758	2.5452	2.5452	2.4457	2.2581

Production Lowered

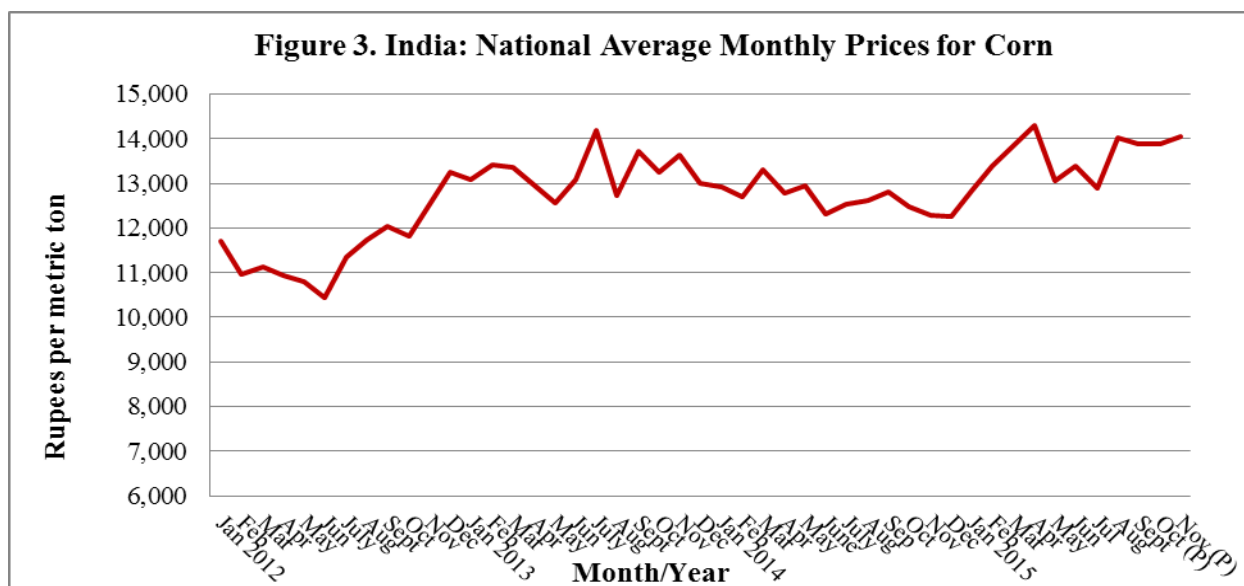
MY 2015/16 corn production forecast is revised lower to 21.0 MMT on reports of lower than

anticipated yields in the major growing states of Maharashtra, Karnataka, Telangana, Andhra Pradesh and Gujarat which face drought like conditions in most parts due to second consecutive below normal monsoon.

With the corn crop largely unirrigated, the prolonged dry spell in August-September significantly affected the yields, which are reportedly down by over 20 percent in these states. Market sources report that *kharif* corn production to decline by 2- 3 MMT over last year (16.4 MMT). While the planting for *rabi* corn is likely to be higher than last year, continued dry conditions (soil moisture and irrigation water availability) is likely to affect the overall yields. Consequently, MY 2015/16 production is forecast lower at 21 MMT, which includes 14 MMT *kharif* corn and 7 MMT *rabi* corn.

Prices Escalate

Despite record opening stocks and weak export demand, domestic corn prices firmed up in October-November strongly with the November prices near record suggesting significantly lower crop from the last year's record harvest.



Average market prices in the major producing states in the month of November ranged from INR 13,000 (\$200) to INR 14,750 (\$227) per metric ton. Prices are expected to remain stable in December and the future prices during the season will largely depend on the *rabi* corn production and international demand.

Consumption Lowered

MY 2015/16 consumption forecast is revised lower to 21.4 MMT on forecast tight domestic supplies, expected firm domestic prices and relatively stagnant growth in the consuming sectors (poultry feed and starch).

Exports Lowered

MY 2015/16 export forecast is revised lower to 1.0 MMT on continued weak export demand and relatively tight domestic supplies.

Market sources report that the firm domestic prices and weak international prices have rendered Indian corn exports unviable and are unlikely to improve unless the international prices gain significantly. Assuming no significant change in the relative prices of Indian corn vis-a-vis corn from other origins and continued exports to neighboring countries and containerized exports to traditional south Asian markets, MY 2015/16 exports are forecast lower at 1.0 MMT from the earlier forecast of 1.5 MMT ([IN5137](#)).

WHEAT

Wheat Planting Falter

The Government's progressive *rabi* planting report shows that planting of wheat through November 27, 2015 is only 11.7 million hectares, down 27 percent from the last year's planting at the same time due to inadequate soil moisture and irrigation water availability. Although late October through November is considered the optimal planting time for wheat, planting typically continues through December in many states. Recent reports suggest that wheat planting has picked up in most states with farmers augmenting soil moisture through irrigation. However, Post expects 2015 wheat acreage to decline around 28 million hectares from the last year's record acreage of 30.6 million hectares. However, production will largely depend on winter rains (December/January) and temperatures during the critical crop growth stages like flowering/grain filling (February) and at the time of harvest.

Wheat PSD- No Changes to Report