

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Agricultural Situation

Agriculture in the Economy

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Report Highlights:

The Government of India's third advance estimate marginally lowered Indian crop year 2015/16 (July-June) grain production to 252.2 MMT, but marginally higher than last year's production. Post continues to forecast MY 2016/17 wheat production at 88 million metric tons (MMT) but government procurement has faltered on firm domestic prices. MY 2016/17 wheat imports are forecast higher at 2.0 MMT on low international prices.

Author Defined:

Government Lowers Indian Crop Year 2015/16 Grain Production...

On May 9, 2016, the Ministry of Agriculture (MOA) released its [third advance estimate of production of food grains for the Indian crop year \(ICY\) 2015/16](#) (July/June) marginally lowering grain production estimate to 252.2 million metric tons (MMT), down one MMT compared to the [second advance estimate released in February 2016](#). Despite second consecutive deficient monsoon rainfall and shortage of irrigation water, both ground (bore wells) and surface (reservoirs), the government is optimistically estimating 2015-16 food grain production higher than last year, largely on expected higher production of wheat.

The ICY 2015/16 grain production estimate includes MY 2015/16 rice, coarse grains and pulse crops harvested last fall (*kharif* crop) and this spring (*rabi* crop), as well as the MY 2016/17 wheat and barley (*rabi* crop) harvested in March-May 2016.

- MY 2015/16 rice is estimated at 103.4 MMT vs. 105.5 MMT last year and record 106.7 MMT in MY 2013/14; corn estimated at 21 MMT vs. 24.2 MMT last year and record 24.3 in MY 2013/14; sorghum estimated at 4.6 MMT vs. 5.5 MMT last year, millet estimated at 10.5 MMT vs 11.6 MMT last year, and pulses 17.1 MMT vs. 17.2 MMT last year and record 19.3 MMT in MY 2013/14.
- MY 2016/17 wheat is estimated at 94 MMT vs. 86.5 MMT last year and record 95.9 MMT in MY 2014/15; and barley at 1.6 MMT nearly same as last year.

Typically the third advance estimates are based on the provisional acreage estimates for both *kharif* and *rabi* crops; provisional yield estimates for the *kharif* crops based on the crop cutting survey reports from major states, and crop condition survey reports conducted before the harvest of the *rabi* crops. Market sources believe that the government's third advance estimate for wheat is highly optimistic given the weak pace of market arrivals and 'unofficial' reports of yield realization in various states. The MOA will further revise the ICY 2015/16 estimate in August (fourth advance estimate) based on the revised data from various state governments on acreage and yields (based on crop cutting experiments) for both *kharif* and *rabi* crops. The ICY 2015/16 estimates are likely to be finalized in January/February 2017, to be released with the second advance estimate for ICY 2016/17.

... Sets an Ambitious Target for the Upcoming Crop Year

Riding on the expectations of above normal 2016 monsoon, the Ministry of Agriculture has set an ambitious target of 270.1 MMT for the upcoming ICY 2016/17, nearly 5 MMT higher than the record production realized in ICY 2013/14 (See <http://www.pib.nic.in/newsite/erelease.aspx> *release ID 145666*). The production target for individual crops is – rice record 108.5, wheat record 96.5 MMT, coarse grains record 44.4 MMT and pulses record 20.8 MMT. Last year the government had set the ICY 2015/16 grain production target of 264.1 MMT

WHEAT

Table 1. India: Commodity, Wheat PSD

(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2014		Apr 2015		Apr 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30473	30473	30600	31470	29400	29800
Beginning Stocks	17830	17830	17200	17200	14500	14540
Production	95850	95850	86530	86530	88000	88000
MY Imports	51	51	500	520	1000	2000
TY Imports	273	273	500	300	1000	2000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	113731	113731	104230	104250	103500	104540
MY Exports	3409	3409	1000	1000	400	400
TY Exports	1820	1820	650	650	400	400
Feed and Residual	4500	4500	4200	4200	4500	4500
FSI Consumption	88622	88622	84530	84510	87450	88640
Total Consumption	93122	93122	88730	88710	91950	93140
Ending Stocks	17200	17200	14500	14540	11150	11000
Total Distribution	113731	113731	104230	104250	103500	104540

Production Unchanged...

Post continues to estimate MY 2016/17 wheat production at 88 MMT despite higher planted area reported by the government based on the preliminary unofficial harvest reports from major wheat growing states. Unlike last few years, wheat was harvested on time in most states due to a shorter winter and early rise in temperature in March/April. Crop yields in the irrigated northern states is reported to be around normal (3-year average excluding last year), higher than last year but lower than the prolonged winter supported record harvest in MY 2014/15. Yields in the partially irrigated states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Bihar are 5-10 percent below normal due to moisture stress conditions during most of the growth stage and rise in the temperature at the time of harvest. However, the government's third advance estimate has been raised marginally higher to 94 MMT; largely on higher than earlier estimated acreage and 'expected' near normal yields. However, most industry estimates are currently ranging between 81 to 86 MMT based on the weak arrivals and government procurement and rising domestic prices.

Wheat harvest was over across the country by early May and the quality of the wheat is reported to be good across the major growing states due to absence of any untimely rains, but early rise in temperature

at the time of harvest has resulted in smaller grain weight in ‘drier’ states. Market arrivals are tapering off in the northern states where the government procurement operation is strong. Market arrivals have also slowed down considerably in other states due to rising domestic prices. Field sources report that the farmers and local village level aggregators and traders are holding on larger than normal quantities of wheat expecting higher late season prices. Consequently, Post continues to estimate MY 2016/17 wheat production at 88 MMT.

MY 2014/15 and 2016/17 wheat area is revised higher based on the latest government estimates.

.... But Procurement Falters

After a strong start in April due to timely harvest, government procurement of wheat in the ongoing season has been severely curtailed by the market speculation on upcoming crop size and farmers/traders holding larger than normal what volumes for off season sales compared to previous years. The government’s decision to extend the 25 percent import duty regime and raise the reserve price of wheat under the open market sale scheme for domestic traders and millers to INR 16,400/MT from INR 15,500/MT has also resulted in higher market purchase by private trade and millers/processors. Consequently, government wheat procurement through May 24, 2016 is estimated at 22.8 MMT, about 15 percent lower than procurement during the corresponding period last year.

Table 2. India: Government Procurement of Wheat by State
(Quantity in Million Metric Tons)

State	MY 2014/15	MY 2015/16	MY 2015/16	MY 2016/17
	April-March	April-March	Apr1-May 24, 2015	Apr1-May 24, 2016
Punjab	11.64	10.34	10.25	10.60
Haryana	6.50	6.78	6.69	6.72
Madhya Pradesh	7.09	7.31	6.96	3.99
Uttar Pradesh	0.63	2.27	1.66	0.79
Rajasthan	2.16	1.30	1.12	0.74
Others	<u>0.01</u>	<u>0.09</u>	<u>0.07</u>	<u>0.01</u>
Total	28.02	28.09	26.75	22.84

Source: Food Corporation of India, Government of India.

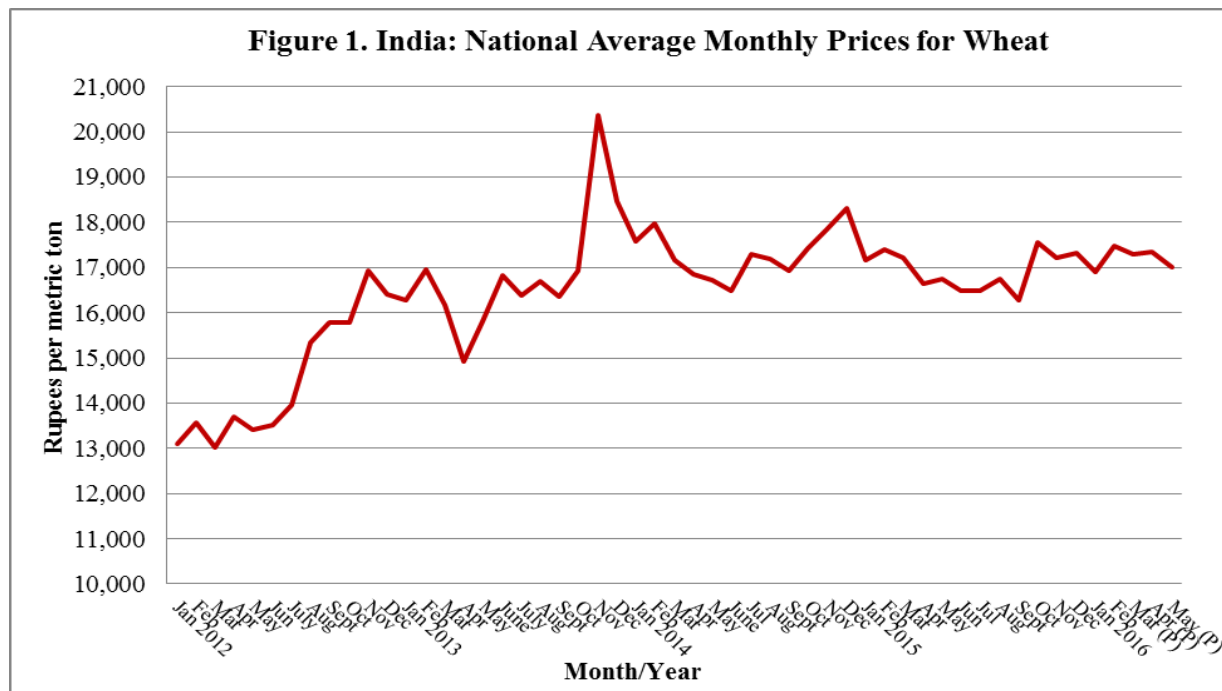
Procurement is almost over in the northern states of Punjab and Haryana and is higher than last year suggesting higher crop yields. Government buys almost all of the wheat in these two states at the government procurement price (INR 15,250/MT) or minimum support price (MSP) as higher local taxes precludes wheat purchase by private trade. Procurement of wheat has started tapering off in other states where private trade is active as the open market prices are currently ruling at or above the government’s MSP in most of the growing states. With open market prices likely to remain firm during the balance of the government procurement season (April-July), government wheat procurement during MY 2016/17 is likely to be around 23.5 MMT, well below last year’s 28.1 MMT and government’s target of 30.5 MMT.

The government wheat stocks during the current year are likely to be relative tight (opening stock of 14.5 MMT+ 23.5 MMT procurement vs opening stock of 17.2 + 28.1 MMT procurement last year). However, it will be sufficient to meet the wheat requirement for public distribution and other government welfare scheme (24.5 MMT last year) and prescribed minimum ending stocks (7.5 MMT),

but a small surplus of about 6 MMT for open market sale (7.1 MMT last year). However, government has sufficient rice surplus stocks that can be released in the market to contain food price inflation.

Prices Firm

Despite the timely harvest of wheat in most states, domestic prices have continued to rule relatively firm compared to previous years due to continued speculation on the size of harvest and strong domestic demand. The wheat prices in most of the wheat producing states currently range from INR 14,675 to 16,930 per metric tons, hovering above the MSP.



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

Market prices are likely to remain firm during June/July, but the later price movement will largely depend on government's import policy decisions as the government can lower the import duties from the current 25 percent level to contain any significant increase in wheat prices. Besides, the wheat stocks held by the private trade is also likely to be released upon the arrival of the upcoming *khariif* crops harvest from September 2016 onwards.

MY 2016/17 Imports Higher

MY 2016/17 wheat imports are forecast higher at 2.0 MMT on relatively low international wheat prices and the government's expected lower open market sale intervention due to tight stocks. Market sources report that by the third week of May, local south India based millers have contracted about 450,000-500,000 MT of wheat for imports, mostly quality (high protein) wheat from Australia (price range \$237-245/MT CIF) and some lower protein wheat from Europe (\$200 to \$205/MT CIF) for delivery from July through September. Despite the weak procurement, government is unlikely to import wheat in the upcoming marketing year unless the open market prices increase significantly despite lowering the import duties. However, local millers are likely to continue to import wheat to take advantage of the availability of cheaper wheat in the international market. Consequently, Post estimate MY 2016/17

wheat imports higher at 2.0 MMT, assuming weak international prices and lowering of import duty after domestic wheat arrivals are over.

Consumption/Stocks Revised

Post's MY 2016/17 consumption is raised higher to 88.6 MMT as consumption is expected to recover to the MY 2014/15 level on sufficient supplies of quality wheat, both domestic and imported.

Based on the latest official estimates on government held wheat stocks, MY 2015/16 ending stocks is estimated marginally higher at 14.54 MMT. MY 2016/17 ending stocks is also revised lower to 11 MMT due to the tight government wheat supplies on lower procurement.

RICE

Table 3. India: Commodity, Rice Milled PSD

(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43740	44110	42750	43460	43500	44000
Beginning Stocks	22757	22757	17766	17766	13266	13766
Milled Production	105480	105480	103000	103500	105000	105000
Rough Production	158236	158236	154515	155266	157516	157516
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
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	128237	128237	120766	121266	118266	118766
MY Exports	12238	12238	9000	9000	8500	8500
TY Exports	11046	11046	9000	9000	8500	8500
Consumption and Residual	98233	98233	98500	98500	98600	99000
Ending Stocks	17766	17766	13266	13766	11166	11266
Total Distribution	128237	128237	120766	121266	118266	118766

MY 2015/16 Production Raised Marginally

Post's MY 2015/16 rice production estimate is raised marginally higher to 103.5 MMT on higher planted area reported in the government's third advance estimate. MY 2014/15 and 2015/16 rice area is revised higher based on the latest planted area estimates from the state governments.

Procurement Strong

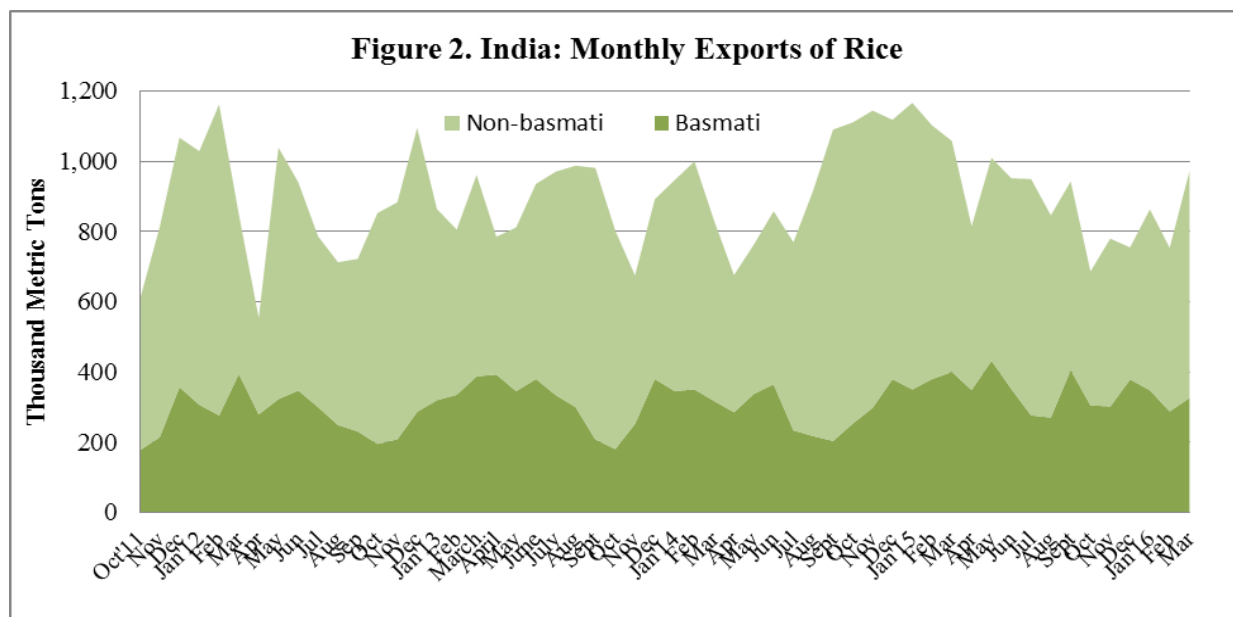
Government rice procurement through May 24, 2016 is estimated at 33.1 MMT, nearly 11 percent higher than last year, but has slowed down in most states. Major procuring states were Punjab (record 9.4 MMT), Andhra Pradesh (record 4.1 MMT), Chhattisgarh (3.4 MMT), Uttar Pradesh (2.9 MMT), Haryana (record 2.9 MMT), Odisha (2.8 MMT), Telangana (1.5 MMT), and West Bengal (1.4 MMT). With the expected lower rabi rice harvest, there is likely to be very small additional procurement in the southern and eastern states. Consequently, total procurement is likely to be around 34 MMT compared to 32.2 MMT last year, but below the record procurement of 35 MMT in MY 2011/12.

MY 2015/16 Ending Stocks Revised Up

MY 2015/16 ending stocks have been revised higher 13.8 MMT to account for the higher production estimate and expected higher government rice stocks. Government rice stocks on May 1, 2016 is estimated at 27.8 MMT compared to 22.4 MMT same time last year. However, government rice stocks are likely to be drawn down significantly in the balance of the MY 2015/16 as the government tries to keep the food grain prices under check due to relatively tight wheat stocks. Consequently, MY 2015/16 government held ending stocks are estimated at 11.5 MMT (vs 10.25 government’s prescribed minimum ending stocks and 14.2 MMT last year) and the private held stocks at 2.3 MMT (vs. 3.6 MMT last year).

Rice Exports Steady

According to the preliminary official statistics for January-March 2016, rice exports in the first quarter of CY 2016 are estimated at 2.9 MMT compared to 3.3 MMT during the corresponding period last year.



Source: Monthly exports till March 2016 from DGCIS, GOI.

After sluggish pace of exports since the beginning of the MY 2015/16, exports in March 2016 recovered on improved demand for non-Basmati rice in the traditional African market. With the forecast of a normal monsoon and consequent sufficient domestic rice production, government is unlikely to impose

any export restrictions. At the current pace of monthly exports, CY 2016 exports are likely to reach 9.0 MMT.

CORN

Table 4. India: Commodity, Corn PSD

(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

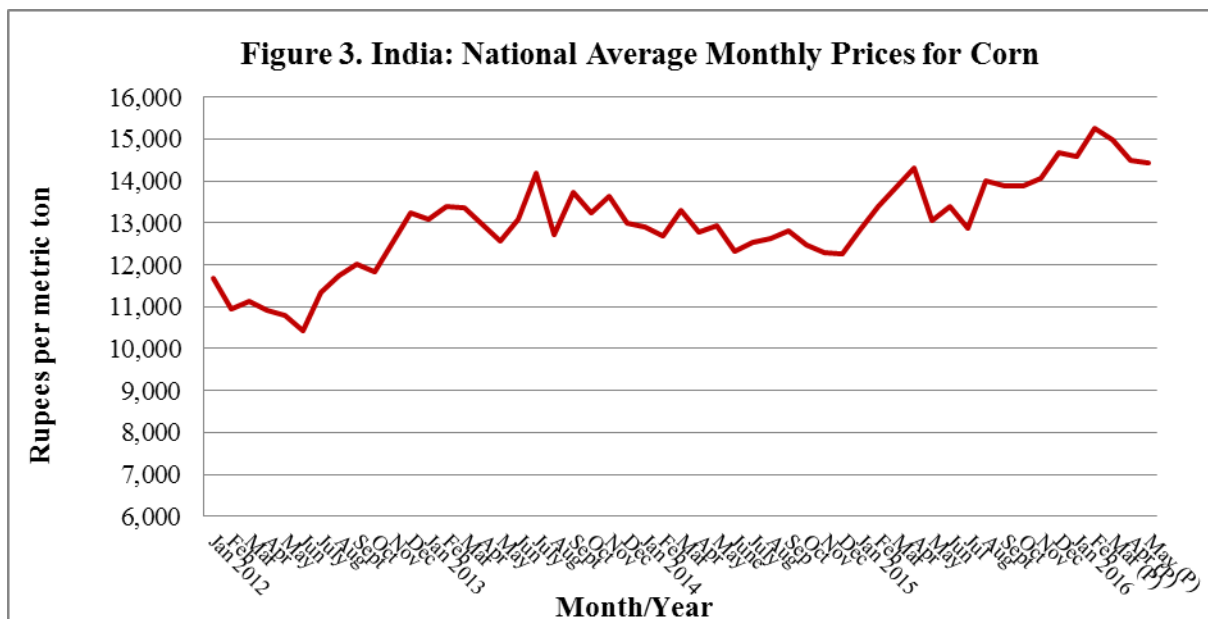
Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8980	9185	8760	8490	9000	9000
Beginning Stocks	1416	1416	2184	2184	834	834
Production	24170	24170	21000	21000	23000	23000
MY Imports	29	29	250	250	200	200
TY Imports	21	21	250	250	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	25615	25615	23434	23434	24034	24034
MY Exports	1131	1131	500	500	500	500
TY Exports	1172	1172	500	500	500	500
Feed and Residual	12500	12500	12600	12600	13000	13000
FSI Consumption	9800	9800	9500	9500	9800	9800
Total Consumption	22300	22300	22100	22100	22800	22800
Ending Stocks	2184	2184	834	834	734	734
Total Distribution	25615	25615	23434	23434	24034	24034

Acreage Revised; PSD Unchanged

Post's MY 2014/15 and 2015/16 corn acreage has been revised based on the latest acreage estimates provided by the state governments. However, Post continues to estimate MY 2015/16 corn production unchanged at 21 MMT based on the reports of good harvest of *rabi* corn in the eastern states.

Prices Ease with Rabi Corn Arrivals

Domestic corn prices have also eased since February 2016 with the arrival of *rabi* corn and are currently ranging from INR 13,500 to 15,250 (\$205 to \$230) per MT. Domestic prices are likely to trade easy through July till the arrival of *rabi* corn ceases, and the future price movements are likely to depend on the domestic demand. At these prices, Indian corn is uncompetitive in the export market, and is likely to remain so in the near future on expected weak international prices.



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

OTHER COARSE GRAINS

Based on the recent MOA's third advance estimate, MY 2014/15 sorghum and millet (largely *kharif* crops) production estimate has been revised lower on revised lower acreage and yields. The consumption and ending stocks in the PS&D have been revised to reflect the production changes.

Table 5. India: Commodity, Sorghum PSD

(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Sorghum	2014/2015		2015/2016		2016/2017	
	Nov 2014		Nov 2015		Nov 2016	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5300	5300	5750	5660	5800	5800
Beginning Stocks	364	364	593	593	293	243
Production	5450	5450	5050	4600	5500	5500
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	5814	5814	5643	5193	5793	5743
MY Exports	121	121	50	50	100	100
TY Exports	121	121	50	50	100	100
Feed and Residual	700	700	700	600	850	750
FSI	4400	4400	4600	4300	4600	4600

Consumption						
Total Consumption	5100	5100	5300	4900	5450	5350
Ending Stocks	593	593	293	243	243	293
Total Distribution	5814	5814	5643	5193	5793	5743

Table 6. India: Commodity, Millet PSD

(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Millet	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		May 2015		Nov 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8903	8903	8950	8810	9400	9400
Beginning Stocks	477	477	507	507	287	147
Production	11630	11630	10680	10540	11500	11500
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	12107	12107	11187	11047	11787	11647
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1600	1600	1400	1400	1600	1600
FSI Consumption	10000	10000	9500	9500	9800	9800
Total Consumption	11600	11600	10900	10900	11400	11400
Ending Stocks	507	507	287	147	387	247
Total Distribution	12107	12107	11187	11047	11787	11647