

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Grain and Feed Update

2015

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Report Highlights:

On October 19th, 2015, the Ministry of Finance issued a [notification](#) raising the basic custom duty on imports of wheat to 25 percent (*ad valorem* on CIF value). MY 2015/16 wheat imports are revised lower to 500,000 MT as the duty hike precludes additional imports. MY 2015/16 corn exports are forecast lower to 1.5 MMT on uncompetitive price of Indian corn. MY 2014/15 rice exports are estimated at a record 11.8 MMT.

Post:
New Delhi

Commodities:
Rice, Milled
Wheat
Corn

Author Defined:

RICE

Table 1. 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	16,606	17,660
Milled Production	106,646	106,646	104,800	104,800	103,500	103,000
Rough Production	159,985	159,985	157,216	157,216	155,266	154,515
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	120,106	120,660
MY Exports	10,149	10,149	11,700	11,800	9,000	9,000
TY Exports	10,907	10,907	11,500	11,500	9,500	9,000
Consumption and Residual	99,180	99,180	99,251	98,097	99,200	99,000
Ending Stocks	22,757	22,757	16,606	17,660	11,906	12,660
Total Distribution	132,086	132,086	127,557	127,557	120,106	120,660
Yield (Rough)	3.6248	3.6248	3.6562	3.6562	3.5941	3.5934

Production

Post continues to estimate MY 2015/16 milled rice production at 103 million metric tons (MMT) on weak 2015 monsoon during August and September (see [IN5126](#)). However, planted area is revised marginally lower to 43 million hectare due to the early withdrawal of 2015 monsoon, which affected late *kharif* (fall harvested) planting. The Ministry of Agriculture (MoA) estimates rice area planted

through October 16, 2015 at 37.82 million hectares compared to 37.97 million hectares last year on lower late season planting in the drought affected southern states of Andhra Pradesh and Tamil Nadu. Market sources also expect that *rabi* (winter planted) rice planting will also be slightly lower than last year due to ongoing soil moisture stress and lower availability of irrigation water.

Due to the timely planting and early withdrawal of monsoon, harvest of *kharif* rice began on schedule in the last week of September and will be over by end-October in the northern states (Punjab, Haryana, Rajasthan, west Uttar Pradesh). Initial harvest reports suggest slightly lower yields compared to last year due to moisture stress at critical reproductive and grain production stages. Harvesting has commenced in other states and will continue through mid-December and market sources suggest that rice yields are likely to be lower than last year in most states.

Government Procurement Begins on a Strong Note

Government procurement of MY 2015/16 rice under the minimum support price (MSP) is significantly ahead of last year due to the timely harvest of rice unlike last year where harvest was delayed by about two weeks due to October rains. Government procurement through October 25, 2015, is estimated at 6.54 MMT compared to 5.05 MMT during the corresponding period of MY 2014/15. Most of the procurement is currently limited to the northern states, but will gradually spread to other parts of the country from November onwards as harvest progresses.

Table 2. India: Government Procurement of Rice by State
(in million metric tons)

State	MY2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	October-September	October-September	October 1 through Oct 25	
Punjab	8.11	7.79	3.70	4.26
Andhra Pradesh	3.74	3.60	-	-
Telangana	4.35	3.50	-	-
Chhattisgarh	4.29	3.42	-	-
Odisha	2.80	3.49	-	-
Haryana	2.41	2.02	1.30	2.22
Uttar Pradesh	1.13	1.70	0.02	0.02
West Bengal	1.36	2.03	-	-
Madhya Pradesh	1.05	0.81	-	-
Tamil Nadu	0.68	1.05	-	-
Others	<u>1.94</u>	<u>2.77</u>	<u>0.03</u>	<u>0.05</u>
Total	31.85	32.17	5.05	6.54

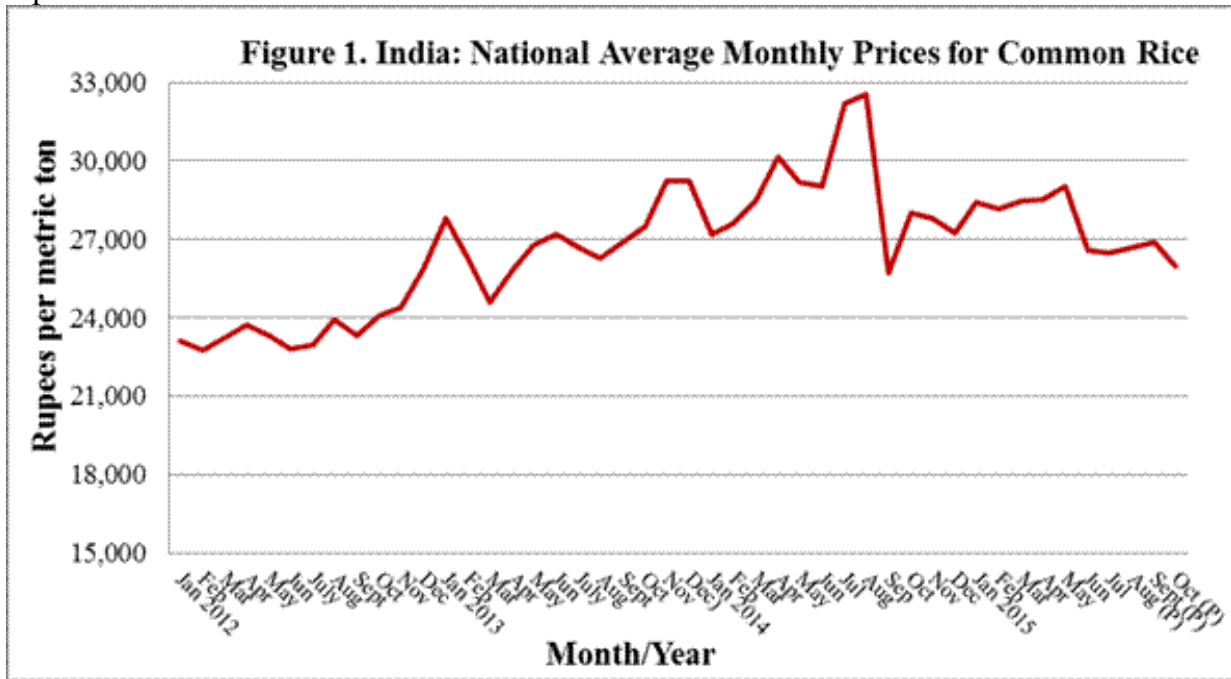
Source: Food Corporation of India, GOI

Based on the production and procurement estimates suggested by various states, the government has set the MY 2015/16 *kharif* rice procurement target of 30 MMT compared to MY 2014/15 *kharif* rice procurement of 25.3 MMT (target 30.1 MMT). Market sources report that the government's MSP (INR 14,100/MT for common paddy rice) is above the open market price of unmilled paddy rice supporting government procurement. However, overall procurement is likely to depend on open market prices in

other states, which could be affected by forecast lower productivity.

Prices Ease

Domestic prices have eased in October on relatively strong early season arrival of the MY 2015/16 crop.

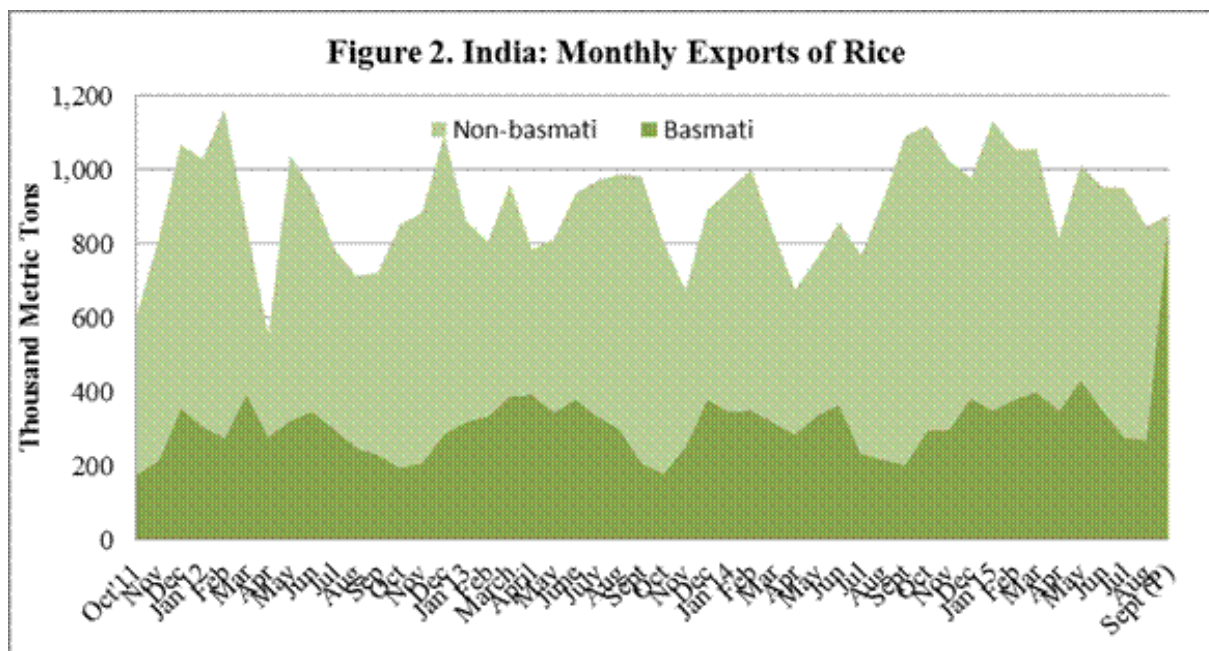


Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Prices are expected to ease further in November with the arrival of the new crop across the country. However, domestic prices during the marketing year will largely depend on the domestic crop harvest and export demand.

MY 2014/15 Exports Raised

Post's MY 2014/15 export estimate is raised marginally higher to a record 11.8 MMT based on the preliminary official statistics for October 2014 to August 2015, and September 2015 data compiled by private source. Market sources report continued strong exports of coarse non-Basmati rice varieties from May 2015, mostly to African and neighboring markets.



Source: Monthly exports through August 2015 from DGCIS, GOI; September 2015 derived from private source, which does not break out Basmati and non-Basmati

India's rice export during the first nine months of CY 2015 is estimated at 8.7 MMT compared to 7.8 MMT during the corresponding period last year. Pace of exports are likely to remain steady in the last quarter of CY 2015 on expected weak domestic prices and steady export demand. Consequently, Post continues to estimate CY 2015 exports at a record 11.5 MMT.

Post continues to forecast MY 2015/16 and CY 2016 rice exports at 9.0 MMT on forecast tight supplies.

Stocks/Consumption Revised

MY 2014/15 ending stocks have been raised to 17.7 MT based on the latest official rice stock estimates. MY 2014/15 consumption has been lowered to 98.1 MMT to reflect the changes in exports and ending stocks. MY 2015/16 ending stocks have been raised to reflect the increase in opening stocks assuming no significant change in the forecast consumption estimate.

Due to relatively strong procurement and weak offtake in September 2015, the government-held rice stocks on October 1, 2015, were officially estimated at 14.2 MMT against the initial expectations of 12.0 MMT. While there is no published information on rice stocks held by private trade, the relatively strong export offtake since June 2015 is likely to have drawn down the stocks held by exporters. MY 2014/15 ending stocks held by private trade is estimated lower at 3.5 MMT compared to last year's 5.2 MMT. Consequently, MY 2014/15 ending stocks are estimated at 17.7 MMT compared to 22.8 MMT last year, barely sufficient to meet consumption requirement for two months.

WHEAT

Table 3. India: Commodity, Wheat, PSD

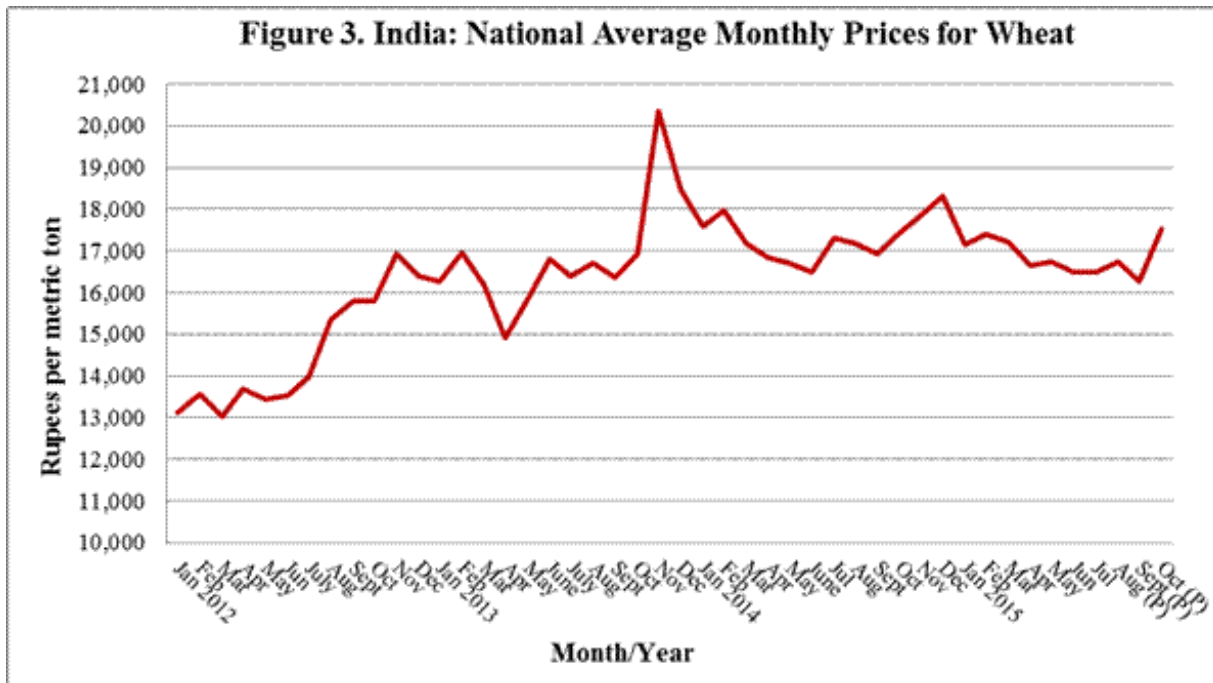
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

<i>Wheat</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Apr 2013		Apr 2014		Apr 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,000	30,000	31,530	30,473	30,600	30,600
Beginning Stocks	24,200	24,200	17,830	17,830	17,200	17,200
Production	93,510	93,510	95,850	95,850	88,940	88,940
MY Imports	25	25	52	52	800	500
TY Imports	22	22	273	273	800	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	117,735	117,735	113,732	113,732	106,940	106,640
MY Exports	6,053	6,053	3,402	3,402	500	500
TY Exports	5,354	5,354	1,694	1,694	300	300
Feed and Residual	4,800	4,800	4,500	4,500	4,800	4,800
FSI Consumption	89,052	89,052	88,630	88,630	89,740	89,440
Total Consumption	93,852	93,852	93,130	93,130	94,540	94,240
Ending Stocks	17,830	17,830	17,200	17,200	11,900	11,900
Total Distribution	117,735	117,735	113,732	113,732	106,940	106,640
Yield	3.1170	3.1170	3.0400	3.1454	2.9065	2.9065

Import Duty on Wheat Raised to 25 percent

On October 19th, 2015, the Ministry of Finance issued a [notification](#) raising the basic custom duty on imports of wheat to 25 percent (*ad valorem* on CIF value). Earlier on August 7, 2015, the government had imposed an import duty of 10 percent *ad valorem* effective till March 31, 2016, *i.e.*, end of MY 2015/16 (see [IN5103](#)). Market sources report that the GOI decision to raise import duty was due to concern about the improved prospects for imports and relatively weak off take of government held wheat in the recent months.

Domestic prices have surged since end-September on tight supplies of quality wheat. Recent hike in domestic prices coupled with relatively weak international wheat prices had improved prospects for imports of wheat in early October. Market sources reported renewed interest in exploring opportunities for import of wheat after the lull since August when 10 percent import duty was introduced.



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

Government-held wheat stocks on October 1, 2015 are officially estimated at 32.5 million metric tons (MMT), marginally higher than the last year levels, despite government efforts to liquidate the ‘rain affected’ MY 2015/16 wheat. Sources report that the offtake of government wheat during August-September 2015 was estimated at 4.3 MMT compared to 5.8 MMT during the same period last year.

Consequently, the government raised the import duty on wheat to curb any prospects for wheat imports. Market sources report that imports of wheat at 25 percent import duty is not feasible at current domestic prices.

MY 2015/16 Imports Lowered

Post’s MY 2015/16 wheat imports are revised lower to 500,000 MT due to the recent increase in the import duty (25 percent) which precludes further wheat import in the marketing year. Provisional official figures estimate MY 2015/16 wheat imports during April through September 2015 at 429,000 MT. Assuming no significant changes in the current price parity between domestic and international wheat prices, imports are likely to be limited to 500,000 MT.

MY 2015/16 consumption estimate is revised marginally lower to reflect the change in the import estimate. Post continues to estimate other PSD figures unchanged from the last updates (see [IN5126](#)).

CORN

Table 4. 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	9,430	9,066	9,300	9,300	9,200	9,200
Beginning Stocks	651	651	1,447	1,447	2,027	2,027
Production	24,260	24,260	23,670	23,670	23,000	22,500
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	24,918	24,918	25,127	25,127	25,077	24,577
MY Exports	3,871	3,871	1,100	1,100	2,000	1,500
TY Exports	3,889	3,889	1,100	1,100	2,000	1,500
Feed and Residual	10,600	10,600	12,500	12,500	12,800	12,800
FSI Consumption	9,000	9,000	9,500	9,500	9,500	9,500
Total Consumption	19,600	19,600	22,000	22,000	22,300	22,300
Ending Stocks	1,447	1,447	2,027	2,027	777	777
Total Distribution	24,918	24,918	25,127	25,127	25,077	24,577
Yield	2.5726	2.6759	2.5452	2.5452	2.5000	2.4457

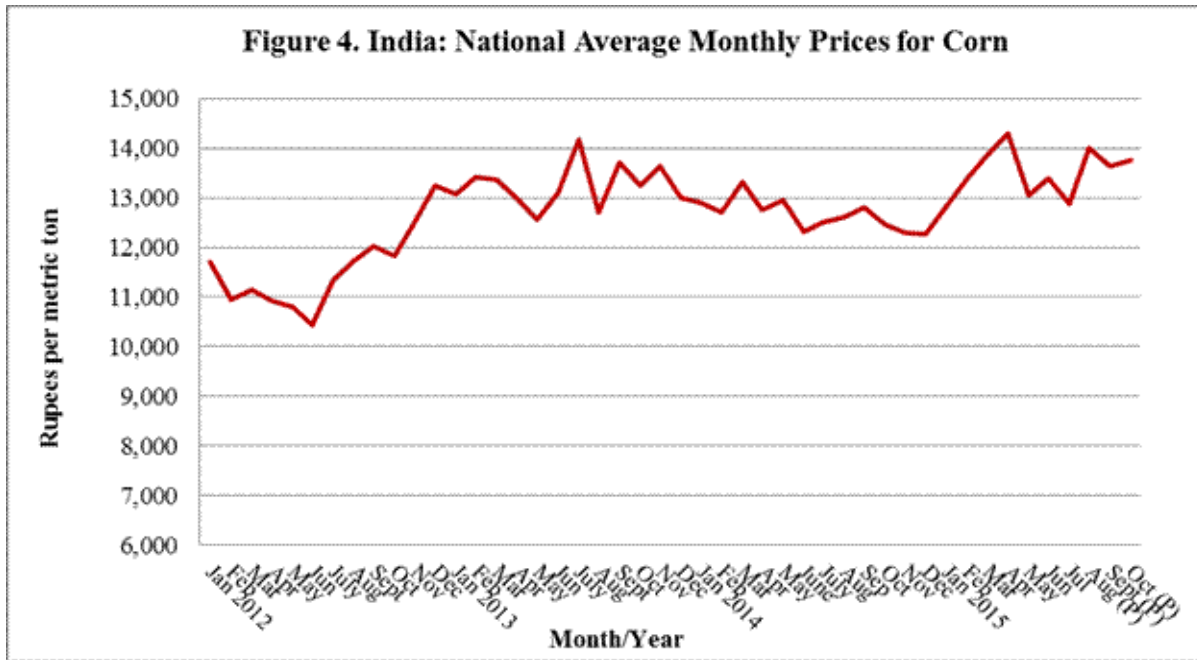
Production

Post continues to estimate MY 2015/16 corn production at 22.5 MMT on expected lower yields due to deficient 2015 monsoon rains, particularly in July and August (see [IN5126](#)). Harvest of the new crop commenced from the second week of October and is likely to continue through November in the major producing states. Post field trip to the southern state of Karnataka and field reports from other states indicate that the corn yields in the unirrigated area are lower than last year's crop due to moisture stress at the critical stage (tassling, silking, and seed setting). Early withdrawal of 2015 monsoon and continued dry conditions in the rain fed central and southern states is likely to affect planting of the upcoming *rabi* corn. Consequently, Post continues to estimate MY 2015/16 production at 22.5 MMT from 9.2 million hectares.

Domestic Prices Firm

Despite the onset of new crop harvest and weak export demand, domestic prices have firmed up in

October suggesting tight domestic supplies.

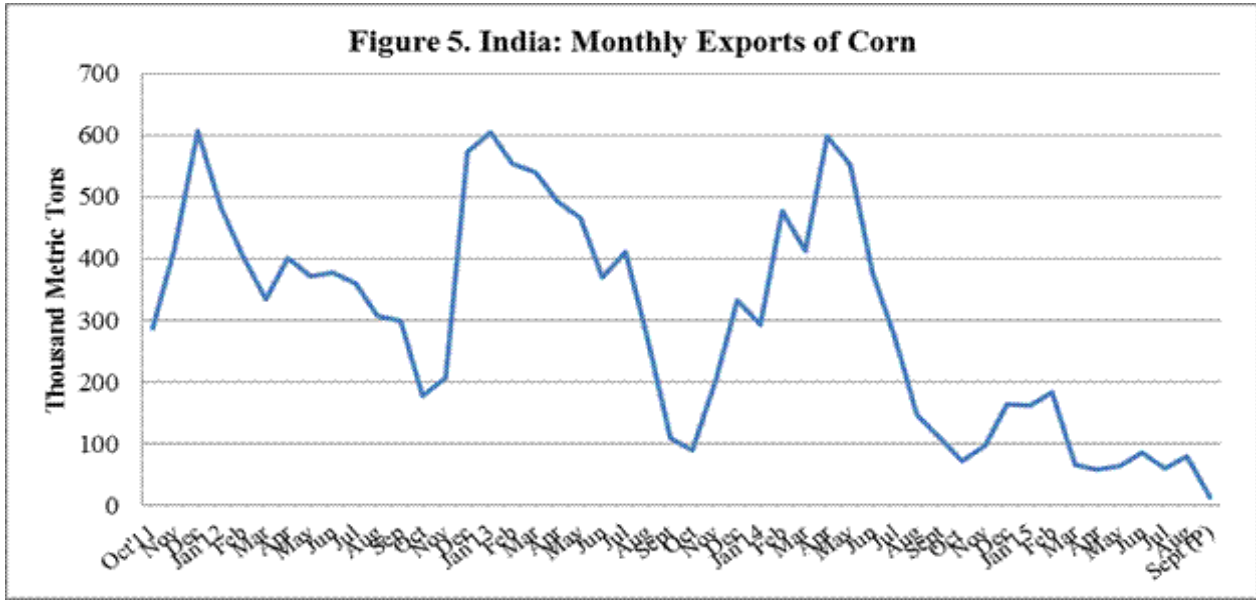


Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Currently, the wholesale prices in the major producing states is ranging from INR 13,170 (\$206) to 14,100 (\$220) per metric ton. Market sources expect domestic prices to remain steady in November on speculation on the size of the domestic harvest and will largely depend on domestic demand during the season as exports are not feasible at these prices.

MY 2015/16 Exports Lowered

Due to the uncompetitive prices in the international market, Indian corn exports have continued to stagger lower since March 2015. Assuming no significant change in the price parity between Indian corn vis-à-vis corn from other origins, Post's MY 2015/16 corn exports are forecast lower to 1.5 MMT, mostly limited to neighboring countries (Bangladesh, Nepal and Sri Lanka) and some containerized exports to South Asian countries.



Source: Monthly exports through August 2015 from Global Trade Atlas; September 2015 derived from private source.