

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Voluntary – June 2017

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Report Highlights:

On May 19, 2017, the Ministry of Agriculture (MOA) raised the third advance estimate for grains production for the Indian Crop Year 2016/17 (July-June) further to a record 273.4 million metric tons (MMT). MY 2017/18 wheat production is estimated marginally lower at 96 MMT (record) on the latest official planting estimate. MY 2016/17 rice production estimate is raised higher to a record 108 MMT on expected record yields. Based on the current pace of monthly exports, Post's MT 2016/17 rice export is estimated higher at 11 MMT.

General Information:

The Ministry of Agriculture Raises Forecast of Record Food Grain Production

On May 19, 2017, the Ministry of Agriculture (MOA) released its [Third Advance Estimates of Production of Food Grains for the Indian Crop Year 2016/17](#) (July-June), raising grain production further to a record 273.4 million metric tons (MMT) compared to 271.9 MMT estimated in the [Second Advance Estimate](#) released on February 15, 2017. The forecast production is a whopping 21.8 MMT higher than last year's weak monsoon-affected harvest, and about 8.3 MMT higher than the previous record of 265.04 MMT in ICY 2013/14. The Ministry of Agriculture attributes the forecast record grain production to record planting, 'good' 2016 monsoon, and various policy initiatives taken by the government.

The MOA's ICY 2016 grain production estimate includes MY 2016/17 rice, coarse grains, and pulse crops harvested last fall (*kharif* crop) and this spring (*rabi* crop), as well as the MY 2017/18 wheat and barley (*rabi* crop) harvested in March-May 2017. The record 2016/17 grain production estimate includes record production of:

- rice at 109.2 MMT (vs. 106.7 MMT in 2013-14) on expected record yields (2.54 MT/hect vs previous record of 2.46 MT/hect in 2012/13)
- wheat at 97.4 MMT (vs. 95.9 MMT in 2013-14) on near record planting and yields
- corn at 26.1 MMT (vs. 24.3 MMT in 2013-14) on record planting (9.76 million hectares) and near record yields
- pulses at 22.4 MMT (vs. previous record 19.3 MMT in 2013-14) on record planting (29.3 million hectares vs 26.4 million hectares in 2010/11).

Market sources report that the government's third advance estimate is over-optimistic as the overall weather condition during the current season has not been as favorable as observed during the previous record grain production season of ICY 2013/14. While the 2016 monsoon was normal for the country, some parts of north and south India received below normal rains, and the northeast monsoon which provides rainfall to the southern states (October to December) was relatively weak. Sources also report that the temperatures during the early part of the winter season (November/December) had been above-normal, which affected soil moisture conditions for the winter planted *rabi* crops. Consequently, the weather conditions during the ICY 2016/17 have been less than ideal compared to the previous record food grain production year 2013/14.

The third advance estimates are based on three things: 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. 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 2016/17 estimates are likely to be finalized in February 2018.

WHEAT

Table 1. India: Commodity, Wheat PSD						
(Area in thousand hectares, quantity in thousand metric tons and yield in MT/hectare)						
Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Apr 2015		Apr 2016		Apr 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	31470	31470	30220	30418	31750	30715
Beginning Stocks	17220	17220	14540	14540	9640	9640
Production	86530	86530	87000	87000	97000	96000
MY Imports	471	471	6000	6000	4000	4000
TY Imports	300	300	6000	6000	4000	4000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	104221	104221	107540	107540	110640	109640
MY Exports	1130	1130	400	400	500	500
TY Exports	873	873	400	400	500	500
Feed and Residual	4200	4200	4700	4700	5000	5000
FSI Consumption	84351	84351	92800	92800	95000	94000
Total Consumption	88551	88551	97500	97500	100000	99000
Ending Stocks	14540	14540	9640	9640	10140	10140
Total Distribution	104221	104221	107540	107540	110640	109640
Yield	2.7496	2.7496	2.8789	2.8601	3.0551	3.1255

Production

Post estimates MY 2017/18 wheat production marginally lower at 96 MMT on lower than earlier reported official planting estimate of 30.7 million hectares in the third advance estimate. Due to the timely onset of the spring season and absence of late season rains (March/April), wheat was harvested at ideal times in most states starting late March in Madhya Pradesh/Rajasthan and was over in most states by early May. Unofficial field reports suggest that the yields in most of the growing states are higher than normal (five year average) but lower than the record yield in MY 2012/13 due to early temperature stress (November/December). Most industry sources estimate the crop harvest to be in the range between 92 to 96 MMT, compared with the government's third advance estimate of 97.4 MMT on 'over-optimistic' yield expectation (3.17 MT/hectare). Post estimates MY 2016/17 wheat production at

a record 96 MMT from a record 30.7 million hectares with an expected yield realization of 3.13 MT/hectare.

Market arrivals are likely to be over in most states by first week of June, but will continue through early July in Uttar Pradesh, Madhya Pradesh and Bihar. However, market arrivals of wheat held by farmers and local traders for late season sale will continue through the year in most states except Punjab and Haryana, where most of the locally produced wheat is procured by the government. Field sources report that farmers and local traders are likely to hold larger than normal quantities of wheat on expectation of higher late season prices than was experienced during the last marketing season.

Strong Procurement...

The government wheat procurement has been strong during the current season suggesting bumper harvest. Total government procurement of wheat through May 24, 2017, is estimated at 29.1 MMT compared to 22.8 MMT last year during the corresponding period

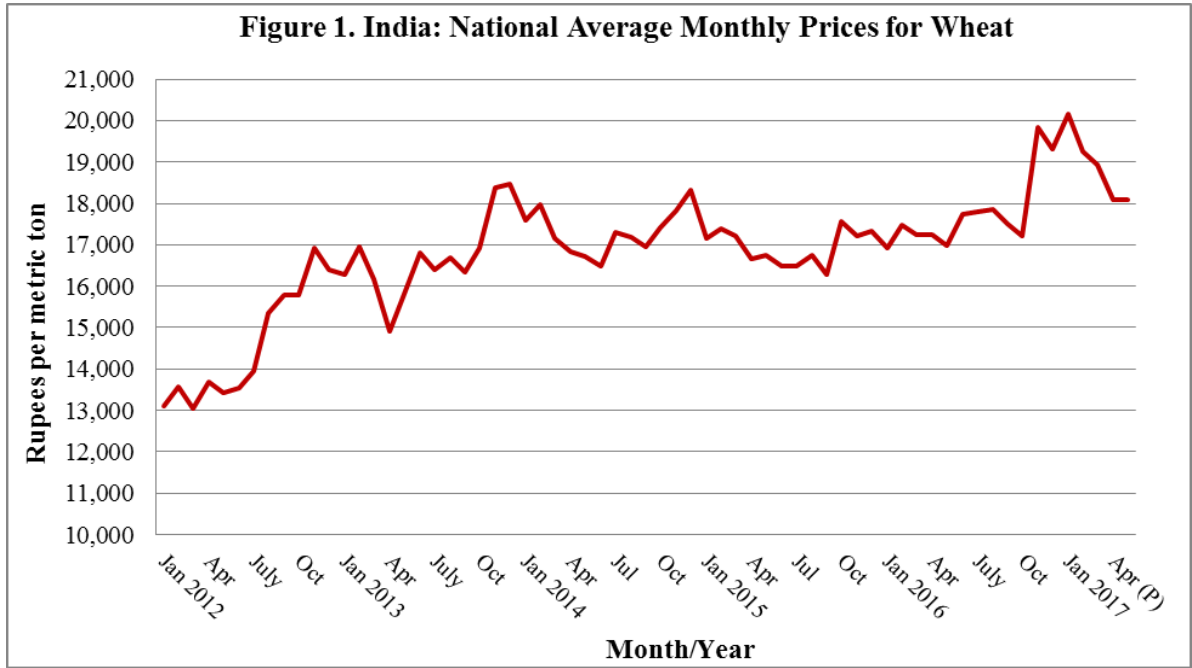
Table 2. India: Government Procurement of Wheat by State (Quantity in MMT)

State	MY 2016/17	MY 2016/17	MY 2017/18
	April-March	Apr 1-May 24, 2016	Apr 1-May 24, 2017
Punjab	10.65	10.60	11.60
Haryana	6.75	6.72	7.40
Madhya Pradesh	3.99	3.99	6.50
Uttar Pradesh	0.80	0.79	2.40
Rajasthan	0.76	0.74	1.00
Others	0.01	<u>0.01</u>	<u>0.20</u>
Total	22.96	22.84	29.10

Source: The Food Corporation of India, GOI

Wheat procurement in the major surplus states has been significantly higher than in the last two years. Procurement in Punjab and Haryana will be over by late May as farmers bring their produce immediately after harvest (first week of May); high local taxes preclude any significant private purchases. Procurement is likely to continue in other states through June on harvest of late season wheat; also, farmers tend to stagger post-harvest sales as private trade competes with the government procurement. While procurement will officially continue through June, volumes are likely to taper off in most states in the next two weeks. Market sources expect MY 2017/18 wheat procurement to be around 31 MMT compared with the central government's procurement target of 33 MMT.

Domestic prices have been hovering around the government's MSP in most producing states due to the ongoing government procurement operation. The local wheat prices in major wheat surplus states currently range from INR 16,040 (\$248) to INR 16,810 (\$260) per metric ton, around the government's MSP of INR 16,250 (\$252 per metric ton).



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Market prices are likely to remain steady in June on the ongoing government procurement program. Future price movement will largely depend on the government import duty policy and international price movements.

Consumption

MY 2017/18 consumption estimate has been revised lower to 99 MMT (FSI consumption 94 MMT and Feed & Residual 5 MMT) to account for the forecast lower production, a more modest increase of 1.5 percent over last year.

RICE

Table 1. India: Commodity, Rice Milled PSD (Area in Thousand Hectares, Others in Thousand Metric Tons)						
Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43499	43499	44500	42950	44500	44000
Beginning Stocks	17800	17800	18400	18400	18900	18900
Milled Production	104408	104408	106500	108000	106000	106000
Rough Production	156628	156628	159766	162016	159016	159016
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	122208	122208	124900	126400	124900	124900
MY Exports	10240	10240	10000	11000	10000	10000
TY Exports	10040	10040	10000	11000	10000	10000
Consumption & Residual	93568	93568	96000	96500	97500	97500
Ending Stocks	18400	18400	18900	18900	17400	17400
Total Distribution	122208	122208	124900	126400	124900	124900
Yield (Rough)	3.6007	3.6007	3.5902	3.7722	3.5734	3.614

MY 2016/17 Production Raised...

Post's MY 2016/17 rice production estimate is raised higher to a record 108 MMT on higher than initially expected production of *kharif* (fall harvested) rice based on the provisional yield estimates reported in the government's third advance estimate. MY 2016/17 area is revised lower to 42.9 million hectares based on the revised official estimates from the Ministry of Agriculture. Consequently, MY 2016/17 rice yields are estimated at a record 2.51 MT per hectare (3.79 MT/hectare rough rice) compared to the previous record of 2.46 MT/hectare (3.69 MT/hectare rough rice) in MY 2012/13. The normal 2016 monsoon supported timely planting, lower incidence of pest and diseases, and relatively lower harvest losses due to untimely rains at the time of harvest. The relatively higher share of high yielding non-Basmati rice compared to the long grain Basmati rice supported higher rice production in the north Indian states (Punjab, Haryana and Uttar Pradesh). Timely withdrawal of the 2016 monsoon and absence of floods and cyclonic storms during harvest (October/November 2016) supported higher production in eastern and coastal India. Provisional harvest reports from the state governments suggest higher *kharif* rice yields than earlier anticipated in these regions. Consequently, Post estimate MY 2016/17 rice production at 108 MMT (95 MMT *kharif* rice and 13 MMT *rabi* (spring harvested) rice) from 42.9 million hectares.

... Heading for Record Government Procurement

Riding on expected record harvest, government rice procurement has already surpassed the previous record 36 MMT in MY 2009/10. Government rice procurement through May 24, 2017, is estimated at 36.9 MMT compared to 32.6 MMT during the corresponding period last year.

Table 3. India: Government Rice Procurement by State
(Quantity in MMT)

State\Period	MY 2015/16	MY 2015/16	MY 2016/17
	Oct-Sept	Oct 1, 2015 - May 24, 2016	Oct 1, 2016 - May 24, 2017
Punjab	9.35	9.35	11.05
Andhra Pradesh	4.34	4.12	4.20
Telangana	1.58	1.51	2.10
Chattisgarh	3.44	3.44	4.66
Odisha	3.37	2.83	2.81
Haryana	2.86	2.86	3.58
Uttar Pradesh	2.91	2.91	2.35
West Bengal	1.57	1.27	1.80
Madhya Pradesh	0.85	0.85	1.31
Tamil Nadu	1.19	0.95	0.14
Others	<u>2.76</u>	<u>2.51</u>	<u>2.88</u>
Total	34.22	32.6	36.90

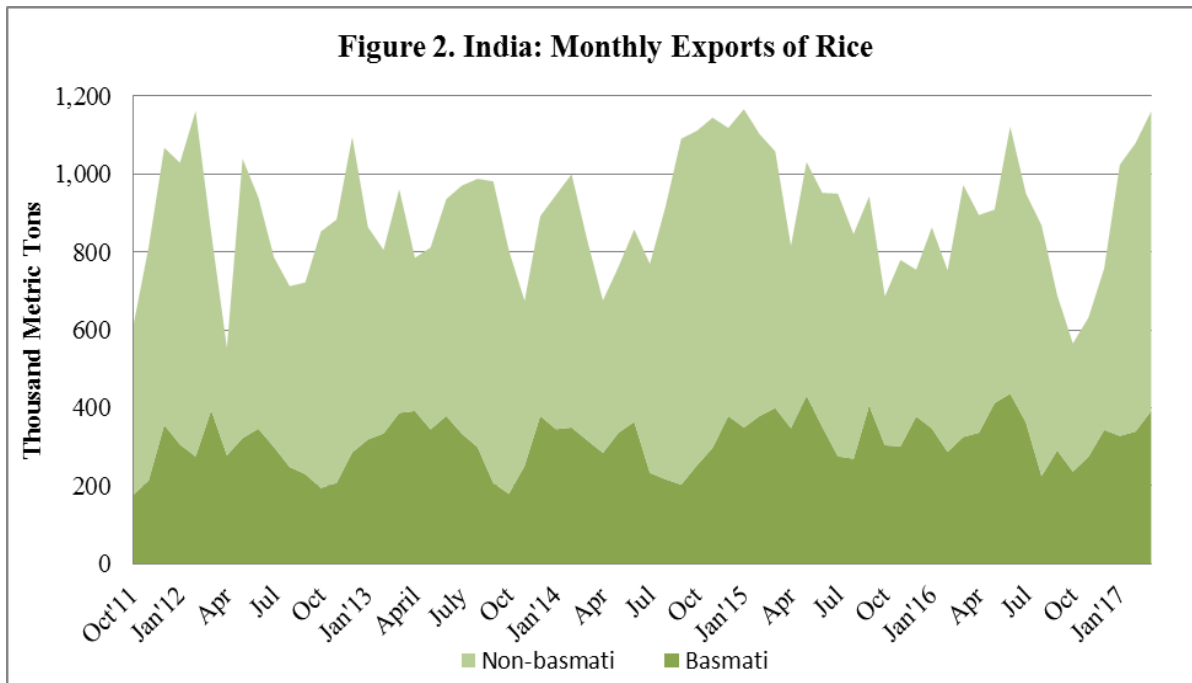
Source: The Food Corporation of India, GOI.

With additional procurement of *rabi* and summer rice likely to continue in eastern and southern states (slightly lower than last year), government rice procurement in MY 2016/17 is likely to touch record 38 MMT, about 4 MMT higher than last year and 2 MMT higher than the previous record.

MY Exports Raised

Indian rice exports have been very strong since the beginning of CY 2017 on relatively strong demand for non-Basmati rice, mainly from African countries and neighboring Bangladesh.

Based on the current pace of monthly exports, Post's MT 2016/17 rice exports is estimated higher at 11 MMT on forecast domestic supplies and strong export demand, assuming no significant change in the price parity of India rice vis-à-vis rice of other origins.



Source: Monthly exports through March 2017 from DGCIS, GOI.

According to preliminary official statistics, rice exports from October 2016 to March 2017 were estimated at 5.2 MMT compared to 4.8 MMT for the corresponding period last year, largely on strong resurgence in the demand for both Basmati and non-Basmati rice since December 2016. Assuming no significant changes in the price parity for Indian rice during the remaining marketing year, MY 2016/17 exports are likely to reach 11 MMT compared to 10.2 MMT in the previous year. However, any change in the import policy of the major destination country or in the value of Indian rupee against the US dollar may affect the export prospects in the second half of the marketing year. MY 2017/18 rice exports are forecast at 10 MMT on sufficient domestic supplies, assuming continued export demand and international price parity for Indian rice.

CORN

No significant changes in the official PSD to report.