

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Grain Voluntary Update - July 2014

**Report Categories:**

Grain and Feed

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**Report Highlights:**

The 2014 monsoon rainfall activity through June 25, 2014, has been significantly below normal in most parts of the country. If the monsoon does not recover by the mid-July, planting and production prospects for *kharif* crops, especially rice, corn and soybeans and some pulses, will be adversely affected. The government raised the minimum support prices (MSP) marginally for the upcoming 2014/15 *kharif* crops. Government procurement of wheat under the price support operation is likely to reach 28.0 MMT compared to 25.0 MMT last year.

## General Information:

### Below-Normal 2014 Monsoon...

After forecasting a 'below-normal' 2014 monsoon in late April, the Indian Meteorological Department (IMD) issued a second [long-range forecast](#) update for 2014 southwest monsoon rainfall predicting that the seasonal rainfall will be 93 percent of normal with model error of  $\pm 4$  percent. Northwestern India is set to receive 85 percent of normal rains, central India will receive 94 percent of normal while southern peninsula and northeastern India are forecast to receive 93 percent and 99 percent of rainfall, respectively, with a model error of  $\pm 8$  percent. For more information on IMD's long range forecast, please refer GAIN reports [IN4030](#) and [IN4043](#).

The southwest monsoon arrived a week later than normal at the southern tip of Indian peninsula in Kerala on June 6, 2014, and has advanced slowly to cover most of India's southern, eastern and northeastern states by the second week of June. The monsoon's advance has stalled in central India since the third week of June and progress to western and northern India has been delayed by 1-2 weeks. Rainfall activity through June 25, 2014, has been significantly below normal in most parts of the country (see Appendix 2). With only 7 of the 36 weather subdivisions receiving normal rainfall, the cumulative rainfall during this year's monsoon has been 40 percent of normal.

### ... Kharif Planting Begins on a Weak Note...

Indian agriculture is heavily dependent on southwest monsoon rains which provide about 80 percent of the country's annual precipitation. With only about 45 percent of India's cropped area irrigated, planting of most kharif (fall and early winter harvested) crops (rice, corn, other coarse grains and pulses, begins with the onset of monsoon. The weak onset of 2014 monsoon has delayed planting of *kharif* crops across the country.

**Table 1: India: Planting of *Kharif* Crops in Indian Crop Year (July/June)**  
(Area in Million Hectares)

Crop	ICY 2014/14 Progressive Planting till June 27, 2013	ICY 2013/14 Progressive Planting till June 28, 2013	ICY 2012/12 Progressive Planting till June 28, 2012
Rice	2.19	3.91	2.97
Pulses	0.43	1.05	0.00
Coarse cereals	1.95	2.93	0.56
Oilseeds	0.48	6.07	1.18
Sugarcane	4.39	4.74	4.94
Cotton	2.91	5.58	3.14
Total	13.10	25.10	13.59

Source: Ministry of Agriculture, Government of India (GOI).

### ... Raises Concern for the Upcoming Crops.

The slow progress and scanty precipitation of 2014 monsoon have been a serious concern to the farmers and policy makers. The window of opportunity for planting most *kharif* crops extends through July. The revival of monsoon in the next few weeks will be critical for transplanting of rice and planting of other *kharif* crops. Rice seedling nursery operations are largely unaffected by the weak monsoon as the nurseries are operated under assured irrigation. With the early forecast of a weak 2014 monsoon, farmers have reportedly delayed nursery preparation by 1-2 weeks, which does offer an additional 1-2 week window for transplanting. Nevertheless, planting prospects for *kharif* crops, especially rice, corn and soybeans and some pulses, will be adversely affected if the monsoon does not recover by the mid-July.

Recovery of the 2014 monsoon with adequate and well distributed rains during July-September will be critical for achieving Post's current forecast production estimates for rice, corn, sorghum and millet. Besides affecting planting prospects, rains during July-September are also critical for crop development even in the irrigated areas as they affect reservoir and ground water levels. Monsoon performance during August-October also affects *rabi* (winter planted)

### Support Price for *Kharif* Crops Raised

On June 25, 2014, the government announced a modest increase in the minimum support prices (MSP) for the *kharif* crops of the upcoming Indian crop year 2014/15. The MSPs for paddy (unmilled) rice, sorghum and pulses have been raised marginally, while MSPs for corn and pigeon pea have been left unchanged. Market analysts report that food price inflation concerns of the new government may have influenced the modest change in the MSPs.

**Table 2. India: Minimum Support Price for Various *Kharif* Crops, 2011/12-2014/15**  
in Indian Rupees (INR) per metric ton

Crop	Minimum Support Price			
	MY 2011/12	MY 2012/13	MY 2013/14	MY2014/15
Rice, Paddy (Common)	10,800	12,500	13,100	13,600
Rice, Paddy (Grade A)	11,100	12,800	13,450	14,000
Corn	9,800	11,750	13,100	13,100
Pearl Millet	9,800	11,750	12,500	12,500
Sorghum (Hybrid)	9,800	15,000	15,000	15,300
Pigeon Pea	32,000	38,500	43,000	43,500
Mung Beans	35,000	44,000	45,000	46,000
Black Matpe	33,000	43,000	43,000	43,500

Source: Ministry of Agriculture, Government of India (GOI).

The revised MSPs are unlikely to cause any major shift in the cropping pattern for the upcoming 2014 *kharif* season. If the monsoon recovers, most farmers will continue to plant rice to the government's 'rice and wheat'-focused food grain procurement system. Farmers also prefer rice with its higher 'assured' returns compared to coarse grains due to relatively stable yields and lower vulnerability to pests/diseases and climatic factors.

## WHEAT

### Government Procurement Over

Government procurement of wheat under the price support operation has recovered in MY 2014/15 from the last year's low. Total government procurement of wheat during the ongoing season is likely to reach 28.0 MMT compared to 25.0 MMT last year, but significantly lower than the government's procurement target of 31 MMT and the record procurement of 38.2 MMT in MY 2012/13.

**Table 3. India: Government Procurement of Wheat by State**  
(Quantity in MMT)

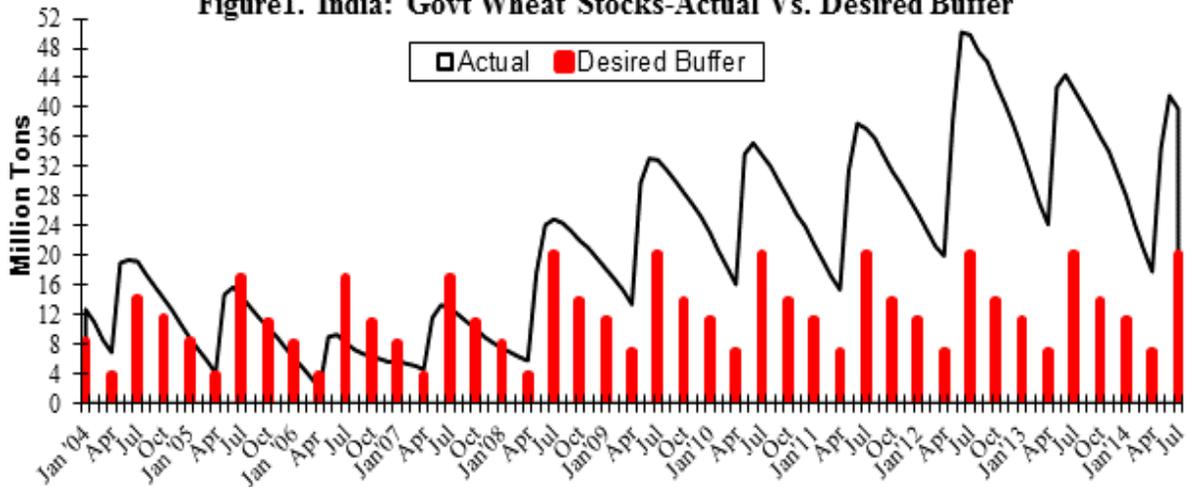
State	MY 2012/13	MY 2013/14	MY 2013/14	MY 2014/15
	April-March	April-March	April through June 27	
Punjab	12.83	10.90	10.88	11.64
Haryana	8.67	5.87	5.87	6.49
Madhya Pradesh	8.49	6.36	6.32	7.09
Uttar Pradesh	5.06	0.68	0.68	0.59
Rajasthan	1.96	1.27	1.27	2.16
Others	1.13	0.02	0.01	0.01
Total	38.15	25.09	25.04	27.98

Source: The Food Corporation of India, GOI.

### ... Stocks Ease

The second consecutive year of lower-than-anticipated procurement and higher off take in the domestic and export market has brought the government-held wheat stocks significantly down in MY 2014/15. Government-held stocks as of June 1, 2014, are officially estimated at 41.6 MMT compared to 44.4 MMT at the same time last year, but more than 17-percent lower than the record stocks of 50.2 MMT on June 1, 2012. At the current pace of offtake, government wheat stocks on July 1, 2014, are forecast to come down to 39.8 MMT, which will still be nearly double the government's desired peak stocks of 20.1 MMT (as of July 1).

**Figure 1. India: Govt Wheat Stocks-Actual Vs. Desired Buffer**

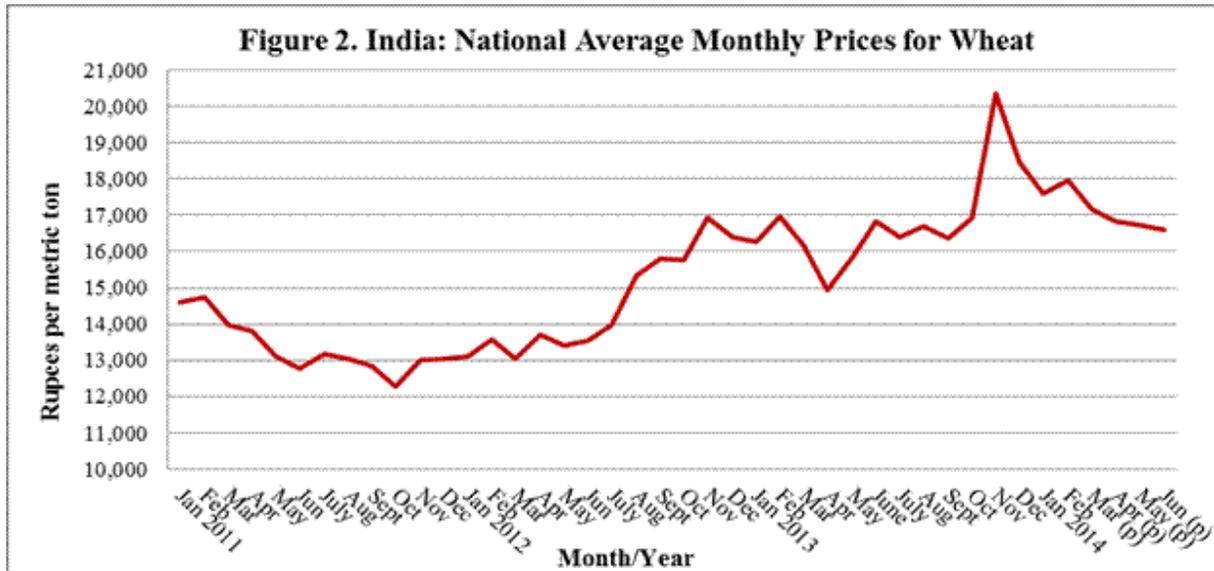


Source: The Food Corporation of India, .GOI

### Domestic Prices Rule Easy

Domestic prices continued to soften in June on steady arrival of the rain-delayed new crop and relatively weak international prices.

**Figure 2. India: National Average Monthly Prices for Wheat**

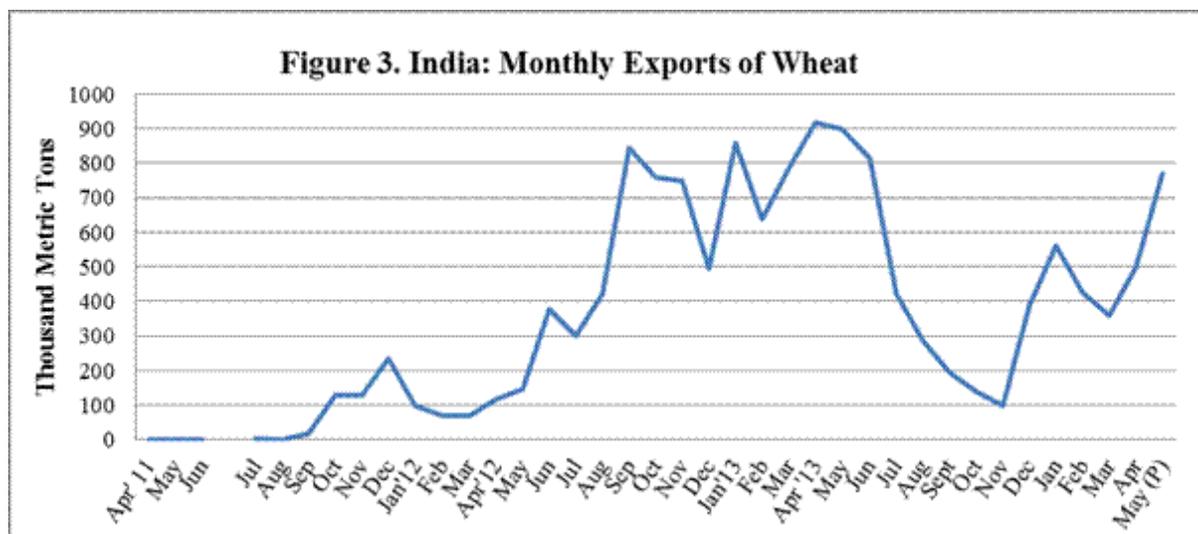


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI.

Market prices in the states supplying wheat to private trade (Uttar Pradesh, Madhya Pradesh, Rajasthan, and Bihar) currently range from INR 14,100 (\$235) to INR 14,810 (\$247) per metric ton, above the government's MSP (INR 14,000/MT). Domestic prices are expected to firm up from July onwards as market arrivals taper off. However, the government is likely to use its wheat stocks to control any significant escalation in domestic prices, especially on concerns of an impending below-normal monsoon and its potential inflationary effect on food prices.

## Exports to Slow Down

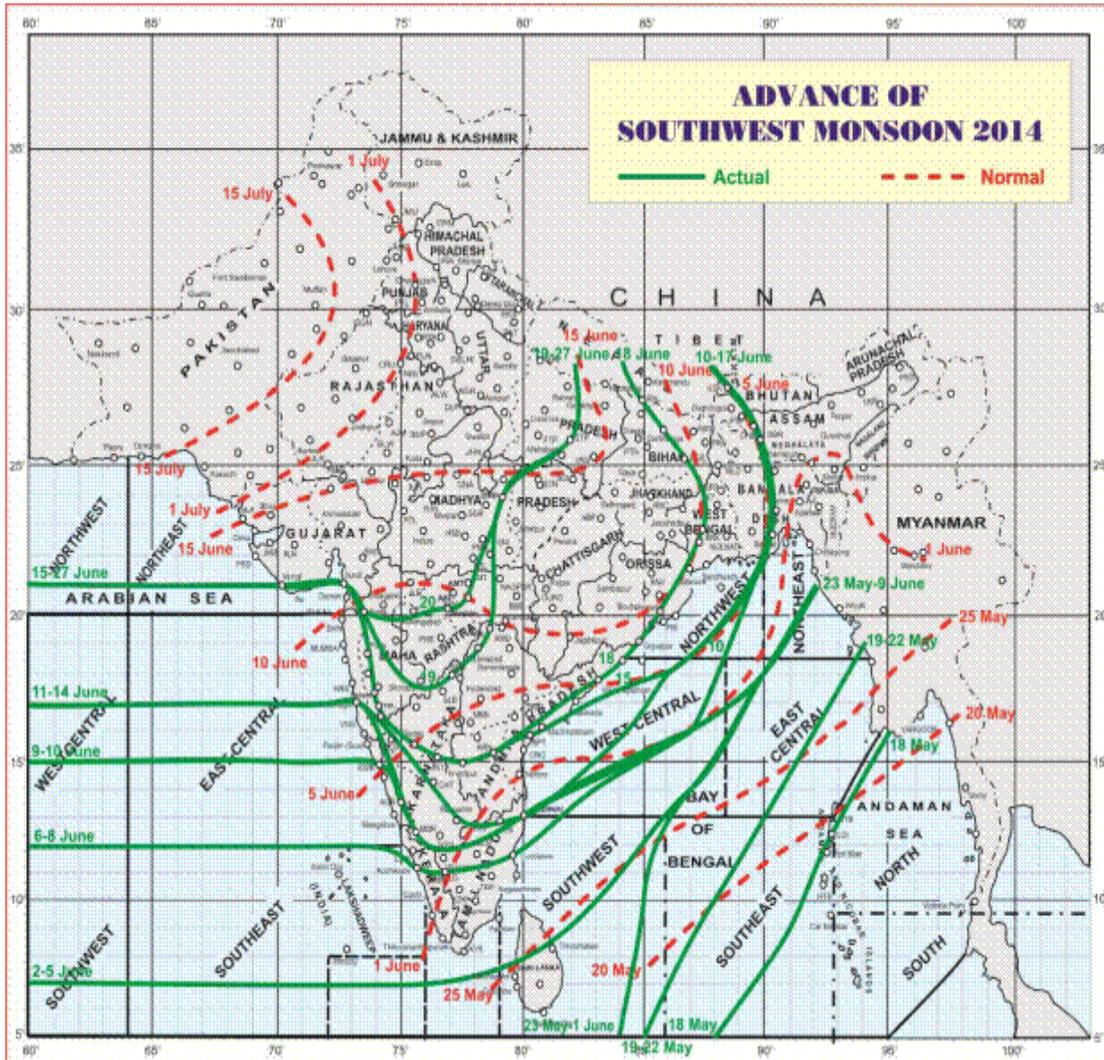
With exports of government-held wheat coming to a halt (see [IN4039](#)) in mid-May, exports demand for Indian wheat has slowed down since June due to appreciation in the value of the Indian rupee and relatively weak international prices. Wheat exports in the first two months of MY 2014/15 were provisionally estimated at 1.3 MMT. Market sources report that about 400-500,000 MT of wheat has been shipped in June, and about 200-300,000 MT will be shipped in July, mostly against the wheat contracted for exports during April/May.



Source: Monthly exports through April 2014 from DGCIS, GOI; May 2014 derived from wheat shipping data compiled by a private source.

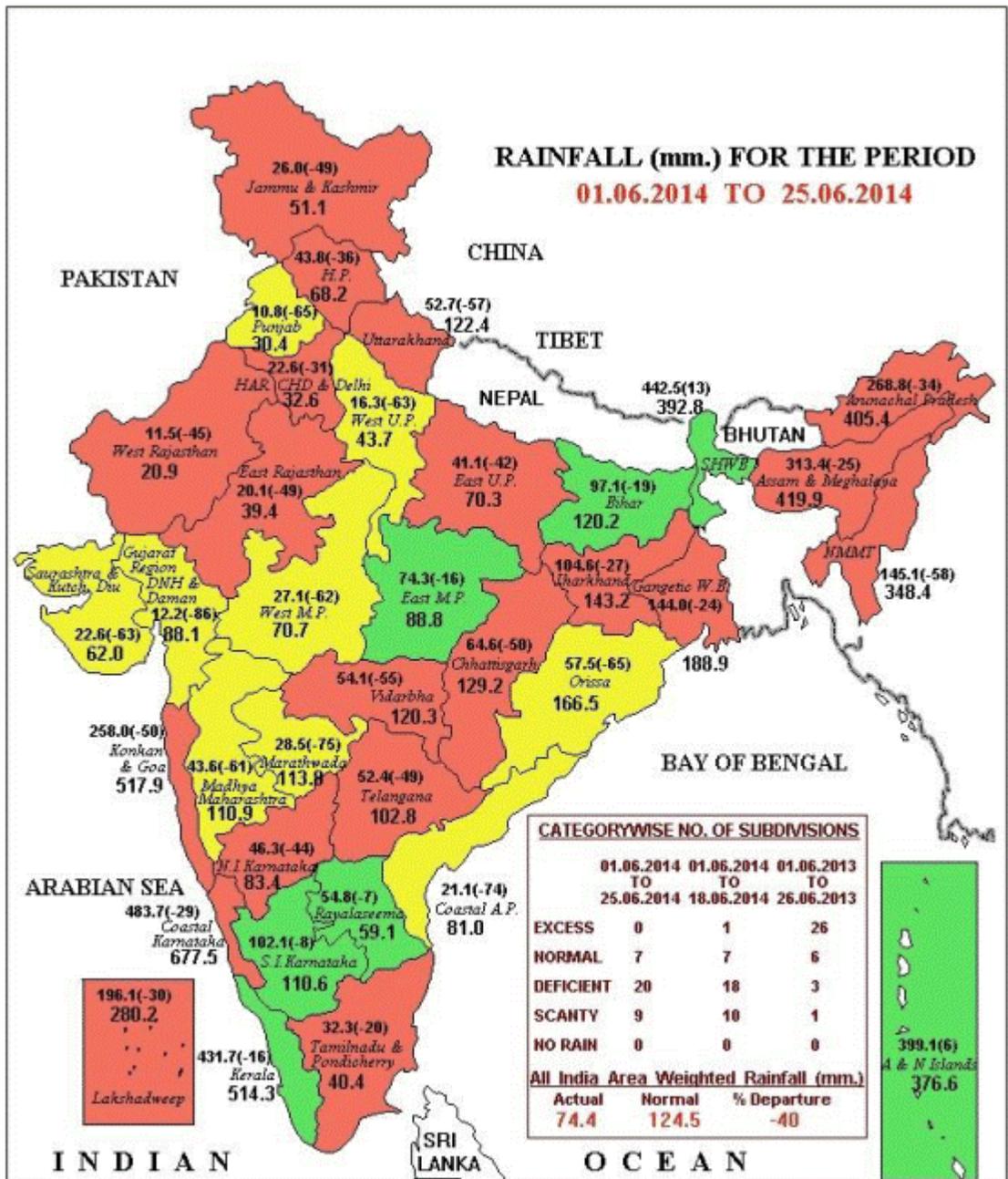
Exports are likely to slow down significantly from July onwards, mostly exports of milling wheat to neighboring markets like Bangladesh and Middle East countries (for Indian-style breads). Consequently, Post continues to forecast MY 2014/15 wheat exports unchanged at 3.0 MMT. However, exports prospects may change depending on the relative movement of domestic and international prices, and changes in the value of Indian rupee vis-a-vis U.S. dollar.

**Appendix 1. India: Progress of 2014 South West Monsoon as on June 27, 2014.**



Source: [June 27 Press Release of Indian Metrological Department](#)

Appendix 2. India: Cumulative South West Rainfall till week ending June 25, 2014



LEGEND: ■ EXCESS [+20% OR MORE] ■ NORMAL [+19% TO -19%] ■ DEFICIENT [-20% TO -59%]  
■ SCANTY [-60% TO -99%] ■ NO RAIN [-100%]  NO DATA

NOTES:

- [a] Rainfall figures are based on operational data.
- [b] Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)  
 Percentage Departures of Rainfall are shown in Brackets.

Source: [June 27 Press Release of Indian Metrological Department](#)