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Report Highlights:

On November 10, 2012, the government approved an additional allocation of 6.0 million tons of food grains from government stocks for domestic sale to check rising wheat prices. Early trends indicate that MY 2012/13 government rice procurement is likely to surpass last year's record procurement of 35.0 million tons. Planting of the 2013 wheat crop has been delayed due to a delay in harvest of *kharif* (fall harvested) rice, but prospects are favorable due to sufficient soil moisture conditions, sufficient irrigation water availability and favorable weather conditions.

General Information:

RICE

Production Unchanged

Post continues to estimate MY 2012/13 production at 99 million tons based on the early pace of government wheat procurement and market arrivals. In early November [Cyclone Nilam](#) caused localized damage to the standing rice crop in the coastal belt of Andhra Pradesh and adjoining states. However, these crop losses have been offset by better than expected production in the northern states of Punjab and Haryana. The harvest of *kharif* (fall harvested) rice is almost over, except for some late sown rice in the southern and eastern states. Planting of *rabi* rice, mostly confined to West Bengal and southern states, has started and will continue through December.

Please refer to GAIN reports [IN2140](#), [IN2123](#) and [IN2112](#) for information on MY 2012/13 rice production prospects.

Procurement Ahead of Last Year

After a slow start in October, the pace of government procurement of rice for the MY 2012/13 season picked up in November. MY 2012/13 rice procurement as of November 19, 2012, is estimated at 11.24 million tons (milled basis) compared to 10.15 million tons for the corresponding period of MY 2011/12. Most of the procurement to date has been from the northern rice surplus states of Punjab and Haryana. Procurement from other states like Andhra Pradesh, Uttar Pradesh, Chhattisgarh and West Bengal is likely to accelerate in December/January.

Government rice stocks on November 1, 2012, were reported at 28.95 million tons compared to 26.08 million tons a year ago. Early procurement trends indicate that the government's MY 2012/13 rice procurement will most likely surpass last year's record 35.03 million tons, which is likely to put more pressure on the government's "already bursting" food grain storage infrastructure.

Exports Steady

According to preliminary official trade statistics, rice exports in September 2012 were estimated at 676,000 tons, taking MY 2011/12 rice exports to a record 10.4 million tons. While Indian rice continues to be price competitive vis-à-vis other origins, export shipments during October and November have been adversely affected by congestion at the Port of Kakinada and Cyclone *Nilam*. Indian non-basmati rice of various grades is currently being contracted for exports at prices ranging

from \$340 to \$420 per ton FOB. Rice export shipments are likely to improve in December, which would take India's CY 2012 rice exports to 10.0 million tons.

Please refer to GAIN report [IN2140](#) for information on MY 2012/13 rice exports.

WHEAT

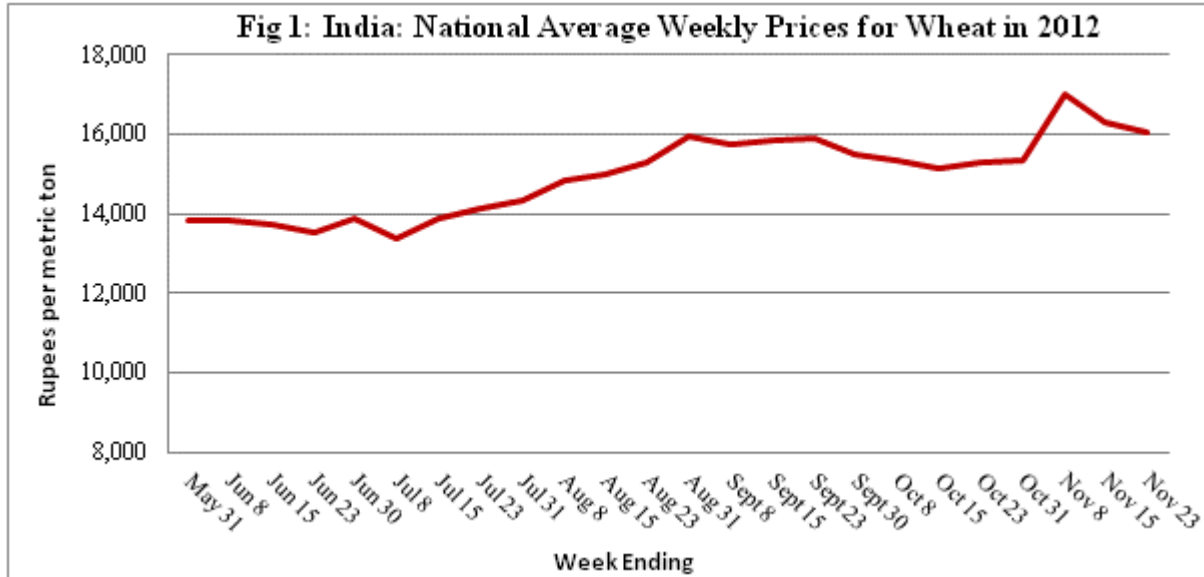
2013 Wheat Planting Delayed, but Prospects Favorable

The late withdrawal of the southwest monsoon across most parts of the country and the consequent delay in harvest of the *kharif* crops like rice have delayed sowing of *rabi* crops, including wheat. The Ministry of Agriculture's 2012/13 *rabi* planting progress report shows planting of the 2013 wheat crop through November 23, 2012 at 9.18 million hectares compared to 9.23 million hectares at the same time last year. With sufficient soil moisture due to late monsoon rains and adequate irrigation water available in major reservoirs in the growing areas, planting of wheat is likely to gather momentum from the last week of November.

While the government has not yet announced the minimum support price (MSP) of wheat for the upcoming season, strong open market prices for wheat should encourage farmers to go for wheat. Nevertheless, 2013 wheat planting is likely to be marginally lower than last year's record 29.7 million hectares due to the continued "uncertainty" about the wheat MSP and significant increases in the MSP for other competing crops (see [IN2144](#)). Planting of wheat is likely to continue through the end of December. Despite encouraging wheat planting prospects, MY 2013/14 wheat production will largely depend on winter rains (December/January) and temperatures during the critical grain filling and ripening stages (February/March). Nevertheless, India seems to be heading towards another bumper 2013 wheat outturn, assuming normal weather conditions follow throughout the season.

Prices Firm

Domestic wheat prices continued to firm up in November on tight open market wheat supplies and strong export demand. Currently, spot prices for wheat in major markets range from Rs. 14,200 (\$258) to 18,900 (\$344) per ton. Prices are likely to remain firm during the remainder of MY 2012/13 season the government's releasing additional wheat from its food grain stocks in the domestic market.



Source: Directorate of Marketing and Inspection, Ministry of Agriculture

Note: Exchange Rate as of Nov 26, 2012, INR 55.7=\$1.0

Government Releases Additional Food Grain for Domestic Sales

In an effort to check rising wheat prices, the Cabinet Committee on Economic Affairs on November 10, 2012, approved an additional allocation of food grains from government-held food grain stocks for the domestic market, which includes

- 6.5 million tons of wheat for sale under the open market sale (OMS) scheme to bulk consumers like wheat millers, wheat product manufacturers, etc., and
- 0.5 million tons of wheat and rice for sale to retail consumers through government cooperatives like National Agriculture Cooperative Marketing federation ([NAFED](#)), National Cooperative Consumer Federation ([NCCF](#)), and [Central Government Employees Consumer Cooperative](#).

Earlier in June 2012, the government had announced an additional allocation of three million tons of wheat for bulk consumers and five million tons of food grain (wheat and rice) for the government’s public distribution system (see [IN2089](#)). The recent allocation takes the IFY 2012/13 total food grain allocation to 69.3 million tons, slightly lower than the total food grain allocation of 70.9 million tons in IFY 2011/12.

The government is currently selling wheat to bulk customers in various states at reserve prices ranging from Rs. 14,030 (\$255) to Rs. 17,780 (\$323) per ton, which is below the open market prices in most states. The government may announce additional tranches of government wheat sales to the domestic market to reduce the “abnormally surplus” wheat stocks (40.6 million tons as of November 1, 2012).

Exports Strong

Provisional official trade statistics estimate wheat exports during April-September 2012 at 2.4 million tons, with the major export destinations being Bangladesh, South Korea, U.A.E., Indonesia, Tanzania, Thailand, Yemen, Oman, Djibouti and Ethiopia. Market sources report that April-September shipments include 2.1 million tons of private wheat and about 0.3 million tons of government wheat.

Government parastatals assigned to export wheat from government-held stocks have floated tenders for about 1.83 million tons against the two-million-ton quota of July 2012, of which about 1.3 million tons has been allocated to various private exporters. The government wheat tenders in November have been allocated at prices ranging from \$315.20 to \$319.50 per ton FOB (see Table 1). The parastatals are likely to let more tenders and to exhaust the quota by the mid-December 2012.

Table 1: India: Government Wheat Tenders

Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
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STC	100,000	Aug 3, 2012	Aug/Sept	302.50	Mundra
PEC	90,000	Aug 3, 2012	Aug/Sept	296.70	Kandla
PEC	60,000	Aug 16, 2012	September	308.00	Krishnapatnam
MMTC	35,000	Aug 21, 2012	September	301.10	Pipavav
STC	40,000	Aug 24, 2012	Sept/Oct	311.10	Chennai
PEC	125,000	Sept 10, 2012	Oct-Nov 10	313.50	Kandla
PEC	70,000	Sept 13, 2012	October	316.01	Krishnapatnam
PEC	30,000	Sept 27, 2012	Oct 10- Nov 5	307.50	Karaikal
STC	40,000	Oct 9, 2012	Oct 20-Nov 20	305.00	Chennai
MMTC	50,000	Oct 10, 2012	November	308.36	Kakinada
STC	150,000	Oct 19, 2012	Nov-Dec 10	311.75	Mundra
PEC	100,000	Oct 19, 2012	Oct 25-Nov 25	310.00	Krishnapatnam
MMTC	35,000	Oct 25, 2012	Nov 10-Dec 10	310.80	Pipavav
PEC	125,000	Oct 30, 2012	Nov 10-Dec 15	314.12	Kandla
MMTC	100,000	Nov 8, 2012	Nov 25-Dec 31	318.67	Kakinada
STC	30,000	Nov 16, 2012	Nov 20-Dec 15	315.20	New Mangalore
PEC	55,000	Nov 19, 2012	Nov 26-Dec 25	319.50	Karaikal
MMTC	30,000	Nov 20, 2012	Dec, 2012	317.00	Mormugoa
STC	40,000	Nov 20, 2012	Dec, 2012	317.21	Chennai
STC	150,000	Nov 26, 2012	Dec 10-Jan 15, 2013	NA	Mundra
PEC	100,000	Nov 26, 2012	Dec 10-Jan 10, 2013	NA	Krishnapatnam
MMTC	50,000	Nov 27, 2012	Dec 10-31	NA	Pipavav

		2012			
PEC	125,000	Nov 29, 2012	Dec 10-Jan 15, 2013	NA	Kandla
MMTC	100,000	Dec 18, 2012	January 2013	NA	Kakinada

Note: STC- [State Trading Corporation](#); PEC - [Project Export Corporation](#); and MMTC - [Minerals and Metal Trading Corporation](#)

Market sources report that about 700-800,000 tons of government wheat has been shipped through the third week of November and another 500-600,000 tons is in the pipeline for shipment through December. The government wheat is currently fetching good export prices compared to the PDS wheat price of Rs. 2,000-6,100 (\$36-\$110) per ton, MSP for MY 2012/13 of Rs. 12.850 (\$234) per ton, and OMS sale price for bulk consumers in most states. With export prospects looking favorable on expected firm international wheat prices through the first quarter of calendar year 2013, the government most likely will further augment the government-held wheat export quota. However, the decision is likely to be taken in late December or early January after review of the 2013 wheat production prospects based on the planting report. Trade sources expect the government wheat export quota to be raised by another two million tons, and total shipment of government wheat are expected to reach 3.0 million tons by March 2013 (MY 2012/13).

With the current tight open market supplies of wheat, private wheat exports are likely to come down significantly in the coming months. Consequently, Post continues to estimate MY 2012/13 exports at 6.0 million tons, which includes 3.0 million tons each of government and open-market wheat.