

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 10/30/2018

GAIN Report Number: IN8122

India

Grain and Feed Update

November 2018

Approved By:

Mark Wallace

Prepared By:

Dr. Santosh K. Singh

Report Highlights:

On October 3, 2018, the Government of India raised the minimum support prices (MSP) for the select upcoming *rabi* (winter-planted) crops. Due to a slowdown in rice export offtake in the last quarter, the estimate for MY 2017/18 rice exports is lowered to 12.2 MMT. MY 2018/19 rice exports forecast is lowered to 12.5 MMT.

Post: Commodities:

New Delhi Rice, Milled

Wheat

Corn

Author Defined:

Government of India Raises Minimum Support Prices (MSP) for Rabi Crops

On October 3, 2018, the Government of India (GOI) raised [minimum support prices \(MSP\) for the select upcoming rabi \(winter-planted\) crops](#) for the Indian crop year 2018/19 (July-June), which is to be harvested and marketed in MY 2019/20 (April-March). The announcement mentions that the MSP increase of the notified crops will give an estimated additional return of INR 626 (\$ 8.6) billion to the farmers.

The MSP for wheat was raised by INR 1,050 (\$14.4) per metric ton (MT) over last year to INR 18,400 (\$252) per MT, which offers a return of 112 percent over the estimated cost of production. The MSP for barley has been raised by INR 300/MT to INR 14,400 (\$197) per MT, chickpeas by INR 2200/MT to INR 46,200 (\$633) per MT, and lentils by INR 2250/MT to INR 44,750 (\$613) per MT, which offers returns of 67 to 77 percent over the cost of production in these crops.

Despite the greater MSP increase for pulses (chickpeas and lentils), farmers likely will continue to prefer wheat to pulses since a well-established and operational government procurement program exists for wheat in most wheat growing states. However, soil moisture content at the time of planting (October to Mid-December) may affect overall planting prospects in the partially irrigated states (Uttar Pradesh, Rajasthan and Madhya Pradesh), especially in the areas where 2018 monsoon rains have been below normal.

The government announced measures for more robust implementation of MSP in the notified crops under the Prime Minister's Farmers Income Protection Campaign (PM-AASHA). Under PM-AASHA, the government offers the option of three schemes – (i) [Price Support Scheme](#) (PSS), (ii) Price Deficiency Payment Scheme (PDPS) and (iii) Private Procurement & Stockist Scheme (PPSS). [Refer <http://pib.nic.in/newsite/PrintRelease.aspx?relid=177233>) for more information on these schemes].

RICE

Table 1. India: Commodity, Rice Milled, PSD

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

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43993	43993	43789	43789	44000	44000
Beginning Stocks	18400	18400	20550	20550	22000	22700
Milled Production	109698	109698	112910	112910	111000	111000
Rough Production	164563	164563	169382	169382	166517	166517
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	128098	128098	133460	133460	133000	133700
MY Exports	11772	11772	12800	12200	13000	12500
TY Exports	12560	12560	13000	12200	13000	12500
Consumption and Residual	95776	95776	98660	98560	100000	100000
Ending Stocks	20550	20550	22000	22700	20000	21200
Total Distribution	128098	128098	133460	133460	133000	133700
Yield (Rough)	3.7407	3.7407	3.8681	3.8681	3.7845	3.7845

Production Unchanged

Post continues to estimate MY 2018/19 milled rice production at 111 million metric tons (MMT) from 44 million hectares on expected lower yield than last year's record yield due to erratic and below-normal 2018 monsoon (see [IN8114](#)).

Based on the first advance estimates for Indian crop year 2018/19, the [latest report from the](#) Ministry of Agriculture and Farmers Welfare (MoAFW) estimates *kharif* (fall harvested) rice planting at 38.4 million hectares compared to 39.4 million hectares last year. Surprisingly, MOAFW weekly reports through September 20, 2018, reported higher planting than the latest report. The MoAFW planting estimates are subject to future revisions based on the crop surveys undertaken by various state governments. Also, last year the MoAFW raised their figure for the *kharif* rice area planted higher than estimated in the first advance estimate.

The Central Water Commission (CWC) estimated the overall water storage position on October 11,

2018, at 118.3 billion cubic meters (BCM), compared to 108.5 BCM at the same time last year; this is higher than the last ten-year average of 115.7 BCM. The improved reservoirs position is likely to support rice planting in the upcoming *rabi* (winter planted) season, particularly in the southern states largely dependent on reservoir irrigation. Consequently, post estimates MY 2018/19 rice planting unchanged at 44 million hectares on expected higher *rabi* rice planting.

Nevertheless, inadequate monsoon rains and prolonged dry spells during July and August during critical crop growth stages are likely to result in slightly lower 2018/19 *kharif* rice yield compared to last year's record yield. Assuming normal weather conditions during *kharif* harvest and *rabi* season, MY 2018/19 production is estimated unchanged at 111 MMT (97.5 MMT *kharif* rice and 13.5 MMT *rabi* rice), marginally lower than last year's record harvest.

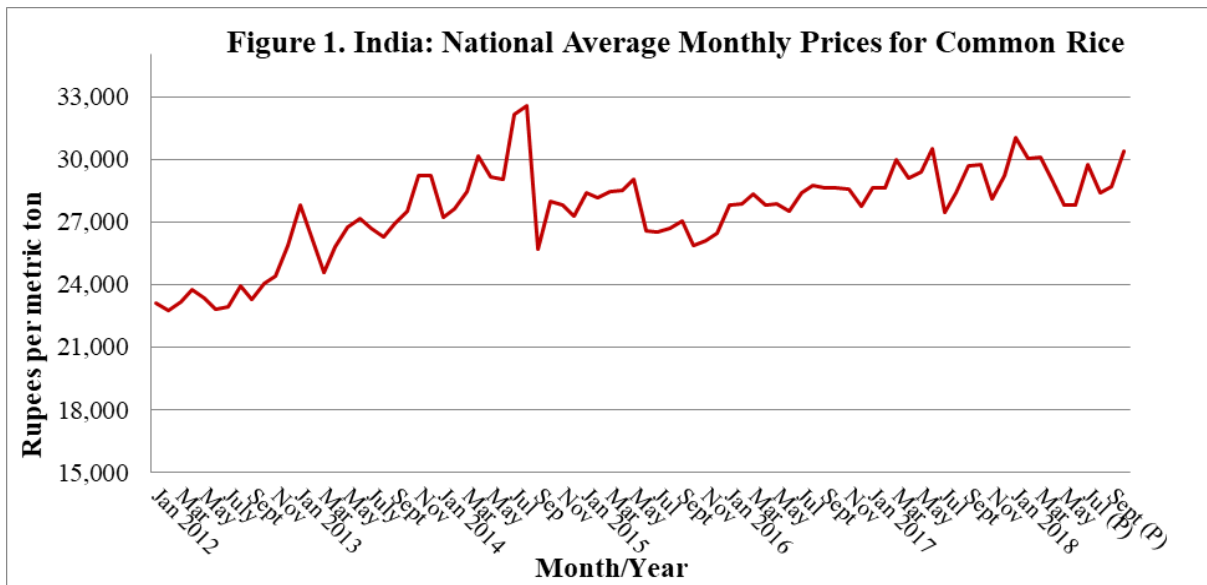
Due to the delayed withdrawal of the 2018 monsoon, harvest of *kharif* rice commenced around 2nd week of October, which was 1-2 weeks behind schedule. The harvest will be over by the end of October in the northern states (Punjab, Haryana, Rajasthan, west Uttar Pradesh). Harvesting will commence in other states shortly and will continue through mid-December. Although the harvest reports are not yet available, field agriculture experts suggest that rice yields are likely to be lower than last year in the largely rainfed growing states of peninsular and eastern India due to inadequate monsoon rains during critical crop growth stages.

Government Procurement Slow on Delayed Harvest

Due to the delayed harvest, government procurement of MY 2018/19 rice under the MSP operation is lagging behind last year's level at 7.7 MMT as of October 26, 2018, compared to 9.96 during the corresponding period last year. Most of the procurement is from the northern states of Punjab (4.3 MMT vs 6.5 MMT last year) and Haryana (3.3 MMT vs 3.4 MMT last year). Procurement is going to gain pace in the coming weeks in northern India and will gradually spread to other states from 2nd week of November onwards. Market sources report that government procurement is likely to be significantly higher than last year at around 41-42 MMT on higher government MSP and expanding government procurement operations in the eastern and southern states.

Price Firm

Domestic rice prices have firmed up in October due to the delayed harvest of the new crop and higher government MSP for unmilled paddy rice (INR 17,500/MT vs. INR 15,500/MT last year).

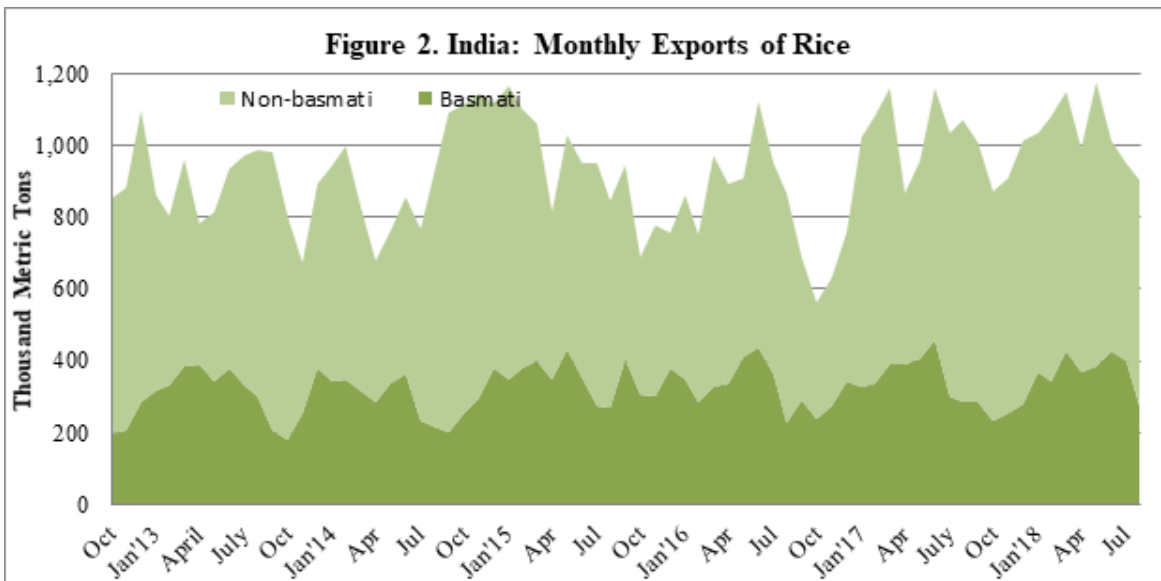


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Despite the higher pace of arrivals from November, prices are likely to remain steady due to expected stronger government rice procurement at higher MSP from most rice growing states. Future domestic prices during the marketing year will also depend on export demand and international price movements.

Exports Slowdown in Last Quarter of MY 2017/18

Post’s MY 2017/18 rice exports estimate is lowered to 12.2 MMT as exports slowed in the last quarter on weak export demand due to larger inventory carried by the traditional buyers.



Source: Directorate General of Commercial Intelligence, GOI

The latest available official trade estimate indicates MY 2017/18 rice exports through August 2018 at

11.1 MMT compared to 10.6 MMT during the corresponding period last year. Export prospects have improved due to the continuing decline in the value of the Indian rupee (The exchange rate was INR 68.2/\$1 USD at the beginning of August; it is now greater than INR 73/\$1). Consequently, MY 2017/18 rice exports are estimated to reach 12.2 MMT (4.1 MMT of long grain Basmati rice and 8.1 MMT of coarse rice), which is slightly below the MY 2014/15 record exports.

Despite higher domestic prices, the weak Indian rupee is likely to support export prospects in MY 2018/19. Assuming no significant changes in the export demand, MY 2018/19 rice export forecast is 12.5 MMT, which is slightly lower than initially expected (4.2 MMT Basmati and 8.3 MMT non-Basmati), but still a record level.

Ending Stocks Raised, Consumption Lowered

The Food Corporation of India estimated government rice stocks on October 1, 2018 to be at 19.7 MMT, compared to 17.5 MMT at the same time last year. Trade sources report rice stocks with private trade unchanged from last year's levels. Consequently, India's MY 2017/18 ending stocks is estimated higher at 22.7 MMT (19.7 MMT government stocks and 3.0 MMT private stocks).

Post's MY 2018/19 forecast ending stocks have also been raised to 21.2 MMT on higher opening stocks and forecast lower exports.

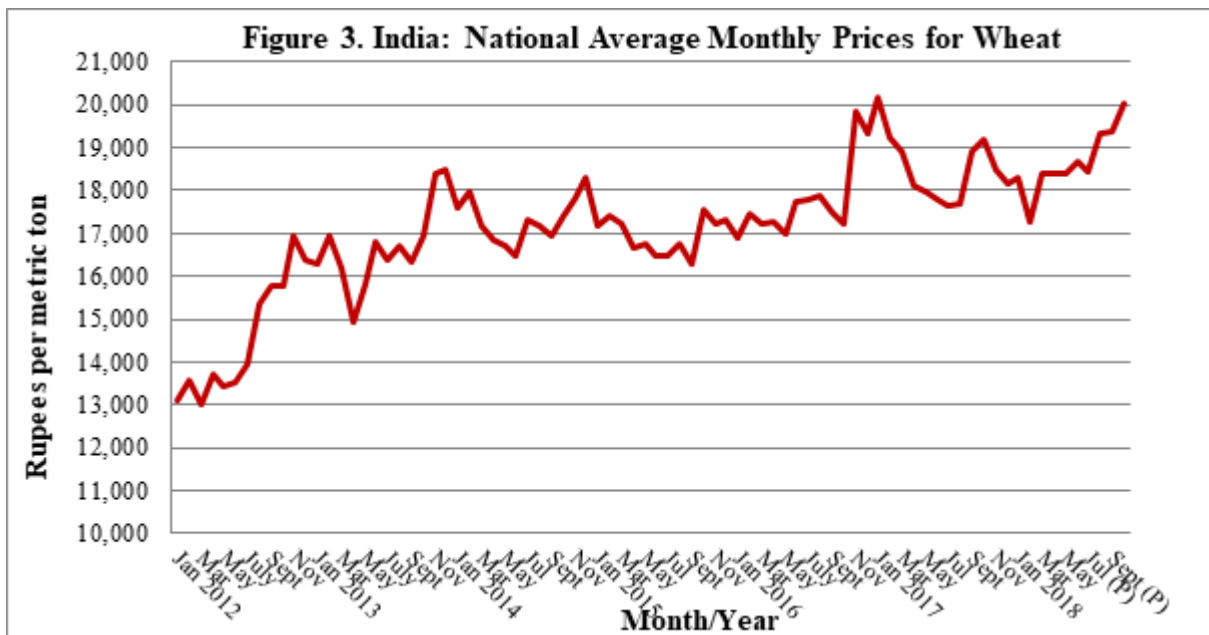
Post's MY 2017/18 consumption estimate is revised marginally lower to 98 MMT to account for the increase in ending stocks and lower exports.

WHEAT

No significant changes in the PSD to report.

Market Prices Firm

Despite record wheat production in MY 2018/19, domestic prices have continued to firm up since the beginning of the season on government intent to increase farmer's income through higher MSP (see IN8014). With the intent to raise the MSP further for the upcoming MY 2019/20 wheat crop season, the sale price of government wheat for private trade under the open market sale scheme (OMSS) has been kept higher to support higher domestic prices.



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

Market sources report that the reserve price for wheat auctioned under the OMSS during MY 2018/19 is fixed at INR 19,000 to 19,500 per metric tons ex-warehouse from the major wheat procuring states of Punjab/Haryana. Accounting for the auction premium, transportation, and other charges for moving the wheat from government warehouses to mills, the government wheat costs to deficit states of southern and eastern India works out in the range of INR 23,000 (\$315) to 25,000 per MT. Consequently, market prices have continued to climb during the procurement season (April-June) and the second quarter of MY 2018/19.

Average spot prices in the major wheat producing states in October 2018 ranged from INR 17,700 (\$242) to INR 19,100 (\$262) per metric ton, well above the government’s MSP of INR 17,350 (\$250) per metric ton. Average open market prices in the wheat deficit states of southern India have already reached INR 20,150 (\$276) to INR 25,570 (\$350) per MT. With the government having sufficient wheat stocks, market sources expect increased offtake of government wheat under OMSS, which should contain further increases in market prices.

CORN

Note: No significant changes in the official PSD to report.

Production Unchanged

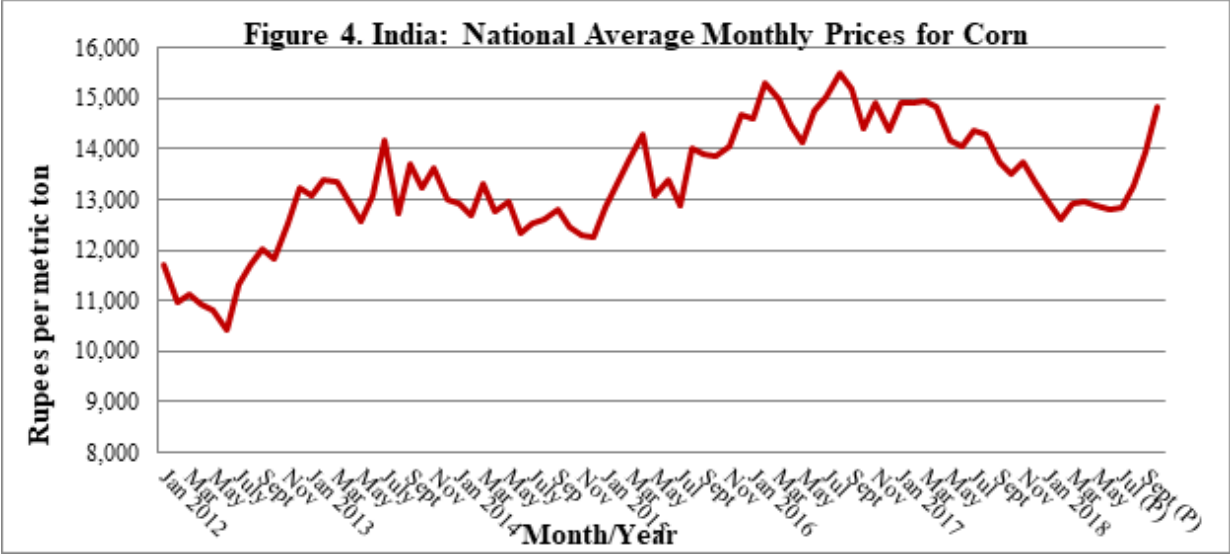
Post continues to estimate MY 2018/19 corn production at 26 MMT on expected lower yields due to erratic and deficient 2018 monsoon rains, particularly in July and August in the major corn growing regions. Harvest of the new crop commenced from the second week of October and will continue through November in the major producing states. Post’s field trip to the southern states of Karnataka and Telangana, as well as field reports from other states, indicate that the corn yields in the unirrigated areas are lower than last year’s record harvest due to moisture stress at the critical vegetative and early reproductive growth stages. Despite reports of sporadic incidence of Fall Army Worm in the corn crop

during the early vegetative growth stage (July/August) in peninsular India, there has been limited damage due to pest control measures and intermittent heavy rains. However, there are concerns on possible infestation of FAW to the upcoming *rabi* (winter) corn. Nevertheless, delayed withdrawal of the 2018 monsoon and the resultant improved reservoir position in rain fed central and southern states is likely to support planting of the upcoming *rabi* corn. Consequently, Post continues to estimate MY 2018/19 production at 26 MMT.

See [IN8114](#) for more information on production situation.

Domestic Prices Firm

Despite the onset of the new crop harvest, domestic prices have firmed up in October on relatively tight domestic supplies and higher government MSP [INR 17,000 (\$232) per MT vs. INR 14,250 (\$190) per MT last year].



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

Currently, wholesale prices in the major producing states are ranging from INR 12,360 (\$169) to 17,210 (\$235) per metric ton. Domestic prices should remain steady in November on speculation about the size of the domestic harvest, and will largely depend on domestic demand and government MSP operation during the balance of MY 2018/19.