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India

Grain and Feed Update

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Report Highlights:

Based on the latest trade reports, MY 2011/12 rice export estimate has been raised higher to a record 10.4 million tons, and MY 2011/12 corn export estimate has been raised to a record 4.8 million tons. As of the end of October, government parastatals have floated tenders for export of 1.1 million tons of wheat against the two-million-ton export quota of government wheat for MY 2011/12. MY 2012/13 guar production is forecast lower at 2.2 million tons.

Post:
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RICE

Table 1: India: Commodity, Rice PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Rice, Milled India	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: May 2012		
	USDA Officia l	New Post	USDA Officia l	New Post	USDA Officia l	New Post	
Area Harvested	42,860	42,860	44,100	44,100	43,000	43,000	(1000 HA)
Beginning Stocks	20,500	20,500	23,500	23,500	25,000	25,100	(1000 MT)
Milled Production	95,980	95,980	104,320	104,320	99,000	99,000	(1000 MT)
Rough Production	143,984	143,984	156,496	156,496	148,515	148,515	(1000 MT)
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
FY Imports	0	0	0	0	0	0	(1000 MT)
FY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	116,480	116,480	127,820	127,820	124,000	124,100	(1000 MT)
MY Exports	2,774	2,774	10,000	10,400	7,250	7,250	(1000 MT)
FY Exports	4,637	4,637	9,750	10,000	6,500	6,500	(1000 MT)
Consumption and Residual	90,206	90,206	92,820	92,320	95,250	95,250	(1000 MT)
Ending Stocks	23,500	23,500	25,000	25,100	21,500	21,600	(1000 MT)
Total Distribution	116,480	116,480	127,820	127,820	124,000	124,100	(1000 MT)
Yield (Rough)	3.	3.3594	4.	3.5487	3.	3.4538	(MT/HA)
TS=TD		0		0		0	

Production Outlook Favorable

Post estimates MY 2012/13 rice production at 99 million tons from 43 million hectares on continued favorable weather conditions. The *kharif* (fall-harvested) rice crop is progressing well under adequate soil moisture and weather conditions in most rice growing states. With the arrival of winter in October, lower temperatures coupled with adequate sunshine at the grain filling stage has been beneficial for the rice crop. To date there have been no reports of floods in eastern India or cyclones in southern India. Most southern states received beneficial rains in recent weeks, further bolstering *kharif* rice production prospects and supporting a favorable *rabi* (winter harvested) and summer season rice outlook. Favorable planting conditions coupled with the significant hike in the government's procurement price will support higher *rabi* (winter harvested) and summer season rice planting, confined mostly to West Bengal and southern states. Delayed planting is likely to result in a 2- to 3-week delay in the harvest of *kharif* rice in most rice growing states. Harvesting commenced in the northern states (Punjab/Haryana) in the second week of October and will start the first week of November in other states, to continue through December.

Please refer to GAIN reports IN2123 and IN2112 for more information on MY 2012/13 rice crop prospects.

Government Procurement Lag...

Government procurement of rice under the price support operation during the current season is lagging behind last year's level at 7.13 million tons as of October 28, 2012, compared to 7.70 million tons procured during the corresponding period of MY 2011/12. Government procurement is likely to accelerate in December when the harvest is in full swing in eastern and southern India.

Given sufficient domestic production, an increase in the minimum support price of rice (IN2089), and steady expansion of the government's grain procurement system in the eastern states (Bihar, West Bengal, Orissa), the government has set the MY 2012/13 rice procurement target at 40.1 million tons compared to the MY 2011/12 record procurement of 35.0 million tons (see table 2). While MY 2012/13 rice procurement is likely to surpass last year's record, strong exports may pull actual procurement below the government target.

Table 2. India: Government Rice Procurement by State

(Million Tons)

State	MY 2011/12	MY 2010/11	MY 2009/10
Punjab	7.73	8.63	9.28
Andhra Pradesh	7.54	9.64	7.55
Chhattisgarh	4.12	3.74	3.36
Uttar Pradesh	3.36	2.56	3.01
Orissa	2.85	2.47	2.49

West Bengal	2.04	1.31	1.28
Haryana	2.01	1.69	1.82
Tamil Nadu	1.60	1.51	1.22
Bihar	1.53	0.87	0.89
Others	2.25	1.78	1.13
Total	35.03	34.20	32.03

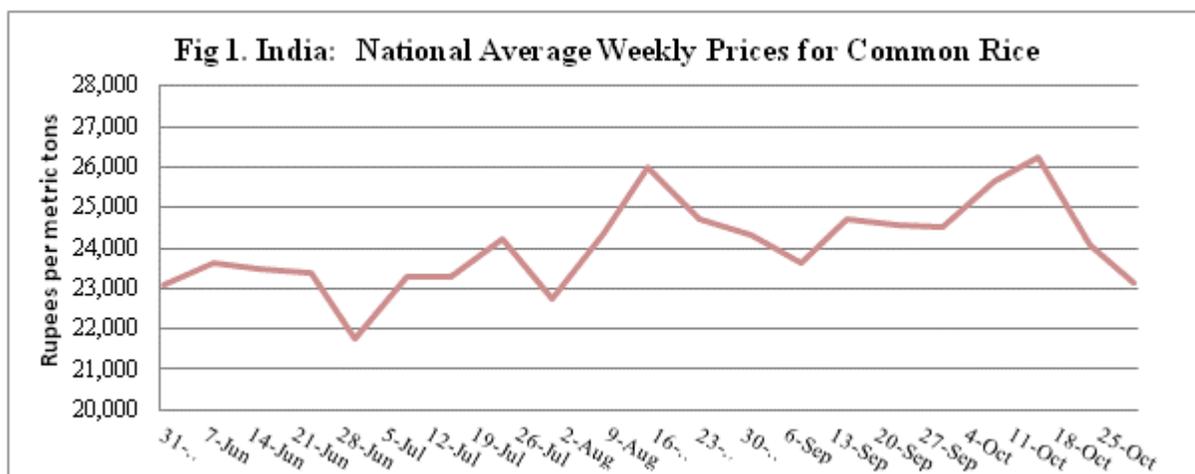
Source: Food Corporation of India, Government of India (GOI)

...More than Ample Government Stocks

Buoyed by two consecutive years of record procurement, government-held rice stocks on October 1, 2012 were estimated at 23.4 million tons, nearly 3 million tons higher than last year's level, and more than three times the government's desired stocks of 7.2 million tons.

Prices Ease On New Crop Arrival

With the onset of the harvest of the new crop, domestic prices of rice have eased from the second week of October. Domestic prices are likely to be under downward pressure as arrivals accelerate in the next few months. However, any significant decline in open market prices will be constrained by the government's higher minimum support price (Rs. 12,500 or \$232 per ton for unmilled common rice).



Source: Directorate of Marketing & Inspection, Ministry of Agriculture
Exchange Rate as of October 29, 2012, INR 54.08 = \$ 1.00

MY 2011/12 Exports Raised

Based on the latest trade reports, the MY 2011/12 rice export estimate has been raised higher to 10.4 million tons. The latest official figures estimate rice exports during October 2011 through August 2012 at 9.69 million

tons, which includes 6.45 million tons non-basmati and 3.24 million tons basmati rice. Trade sources report that export off take has been strong in the last quarter of MY 2011/12 (July-Sept) as Indian rice has been very price competitive. Indian non-basmati rice of various grades is currently being exported at prices ranging from \$365 to \$435 per ton FOB. Consequently, MY 2011/12 rice exports are revised higher to 10.4 million tons.

With ample government rice stocks and relatively stable domestic prices, the government is likely to continue with the current export policy that allows export of basmati and non-basmati rice without restrictions (either quantitative or minimum export price). However, the government's higher minimum support price will raise the cost of Indian rice, particularly after December when the government procurement operation is fully operational. Market sources expect the export price of non-basmati rice of various grades will have to go up by \$10-\$15 per ton from the current levels. Trade sources report that higher costs will reduce the competitiveness of Indian rice in the international market, particularly white rice. Consequently, Post continues to forecast MY 2012/13 rice exports lower at 7.25 million tons.

MY 2011/12 Ending Stocks/Consumption Revised

MY 2011/12 ending stocks have been revised marginally higher to 25.1 million tons based on the official government-held rice stock estimate of 23.4 million tons and estimated lower private stocks of 1.7 million tons (stronger than expected exports in the last quarter). MY 2011/12 consumption has been revised lower to reflect the changes in exports and stocks.

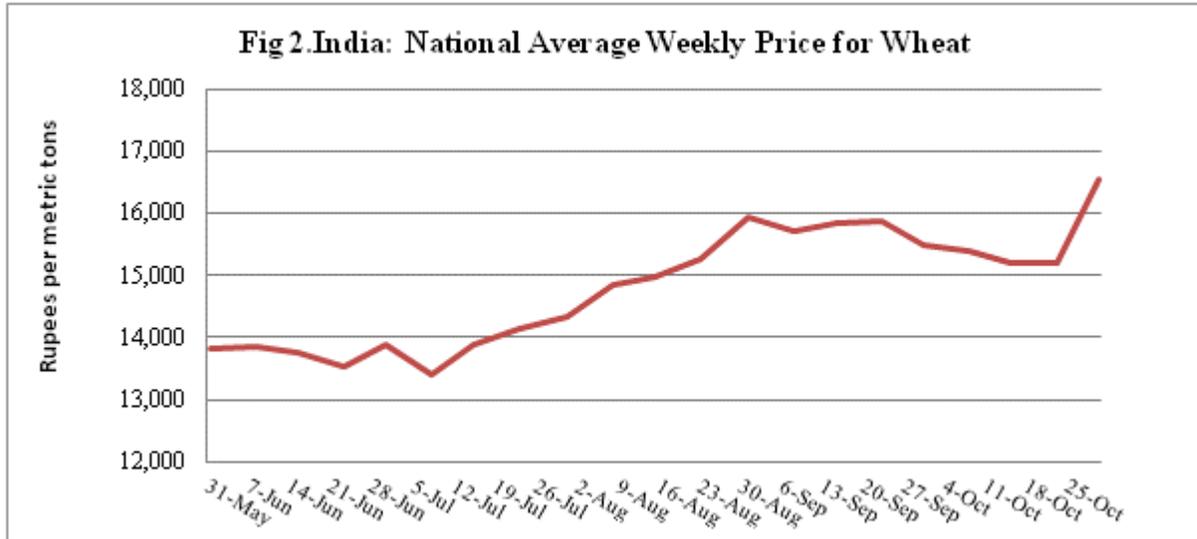
WHEAT

Planting Prospects Favorable

Planting of MY 2013/14 wheat crop is likely to begin in the second week of November and will continue through the end of December. Although the government has not yet announced the minimum support price of wheat, and may not raise it above the last year's Rs. 12,850 (\$238) per ton, planting prospects remain favorable on good soil moisture, sufficient irrigation water and optimal weather conditions. Please see GAIN report IN2123 for information on planting prospects for the MY 2013/14 wheat crop.

Government Stocks Huge, But Prices Go Up

Government-held wheat stocks on October 1, 2012, were estimated at 43.4 million tons compared with 31.4 million tons a year ago, and more than three times the desired stocks of 14 million tons. Despite huge government stocks, domestic prices have continued to increase in recent months on strong export demand and tight open market supplies. Currently, spot prices for wheat in major markets range from Rs. 13,500 (\$250) per tons to 17,000 (\$315) per tons.



Source: Directorate of Marketing & Inspection, Ministry of Agriculture

Exchange Rate as of October 29, 2012, INR 54.08 = \$ 1.00

Market sources report that domestic prices are moving in tandem with prices in the international market. With the government procuring the major share (38.2 million tons) of marketed wheat (55 percent of 93.9 million tons production) and unexpectedly strong exports of open-market wheat in the first half of the season, the supplies of open-market wheat are very tight. Given the huge governments stocks and favorable planting prospects for the upcoming wheat crop, the government may liquidate additional wheat stocks in the open market to restrain domestic price increases (see IN2089 and IN2112).

Government Wheat Exports Gain Pace

The government parastatals designated for export of government wheat against the two-million-ton export quota (see IN2095) have floated tenders for about 1.1 million tons, of which about 970,000 metric tons has been allocated to various private exporters at prices ranging from \$296.7 to \$316.01 per tons FOB (see table 3). While official figures are not available, trade sources report that about 600,000 tons of government wheat has been shipped or is being loaded for shipment by end of October 2012 since operations began in August. The designated agencies are likely to let more tenders in the coming weeks and to exhaust the two-million-tons quota by the end of December for shipment through February. The government is likely to review the production prospects for the MY 2013/14 crop and the export market outlook in January/February, and may augment the existing two-million-ton government wheat export quota for MY 2012/13.

Table 3: India: Government Wheat Tenders

Agency	Quantity (Metric Tons)	Tender Close	Shipment Period	Price Range (US\$ per ton FOB)	Port of Loading
STC	100,000	Aug 3, 2012	Aug/Sept	302.5	Mundra
PEC	90,000	Aug 3, 2012	Aug/Sept	296.7	Kandla
PEC	60,000	Aug 16, 2012	September	308.0	Krishnapatnam
MMTC	35,000	Aug 21, 2012	September	301.1	Pipavav
STC	40,000	Aug 24, 2012	Sept/Oct	311.1	Chennai
PEC	125,000	Sept 10, 2012	Oct-Nov 10	313.5	Kandla
PEC	70,000	Sept 13, 2012	October	316.01	Krishnapatnam
PEC	30,000	Sept 27, 2012	Oct 10- Nov 5	307.5	Karaikal
STC	40,000	Oct 9, 2012	Oct 20-Nov 20	305.0	Chennai
MMTC	50,000	Oct 10, 2012	November	308.36	Kakinada
STC	165,000	Oct 19, 2012	Nov-Dec 10	311.75	Mundra
PEC	125,000	Oct 30, 2012	Nov 5-Dec 10	310.0	Kandla
MMTC	40,000	Oct 25, 2012	Nov 10-Dec 10	310.8	Pipavav
MMTC	100,000	Nov 8, 2012	Nov 25-Dec 31	NA	Kakinada
STC	30,000	Nov 16, 2012	Nov 20-Dec 15	NA	New Mangalore

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

The governments of India and Iran continue to negotiate on opportunities for exports of Indian wheat from government stocks to Iran against the rupee payment for export sales of Iranian petroleum to India. However, there has not yet been agreement between the two countries.

The latest official trade figures for wheat exports during April-August, 2012, are estimated at 1.2 million tons, mostly exports of open-market wheat by the private trade. Market sources report that an additional 0.6 to 0.7 million tons of open-market wheat has been exported by the private trade in October-September, 2012. Trade sources report that export prices of open-market wheat are currently ranging around \$325-\$330 per ton FOB at major ports. With the availability of ‘cheaper’ government wheat to the private trade and tight supplies of ‘costlier’ open-market wheat, exports of open-market wheat by private trade will fall in coming months. Consequently, Post forecasts MY 2012/13 exports at 5.5 million tons, which includes 3.0 million tons of open-market wheat and 2.5 million tons of government wheat.

CORN

Table 4. India: Commodity, Corn PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Corn India	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: May 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	8,600	8,600	8,670	8,670	8,500	8,500	(1000 HA)
Beginning Stocks	453	453	576	576	756	556	(1000 MT)
Production	21,730	21,730	21,570	21,570	20,000	20,000	(1000 MT)
MY Imports	19	19	10	10	10	10	(1000 MT)
TY Imports	24	24	10	10	10	10	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	22,202	22,202	22,156	22,156	20,766	20,566	(1000 MT)
MY Exports	3,526	3,526	4,200	4,800	3,000	3,000	(1000 MT)
TY Exports	3,376	3,376	4,400	4,800	3,000	3,000	(1000 MT)
Feed and Residual	9,000	9,000	8,600	8,600	9,000	9,000	(1000 MT)
FSI Consumption	9,100	9,100	8,600	8,200	8,500	8,300	(1000 MT)
Total Consumption	18,100	18,100	17,200	16,800	17,500	17,300	(1000 MT)
Ending Stocks	576	576	756	556	266	266	(1000 MT)

							MT)
Total Distribution	22,202	22,202	22,156	22,156	20,766	20,566	(1000 MT)
Yield	3.	2.5267	2.	2.4879	2.	2.3529	(MT/HA)
TS=TD		0		0		0	

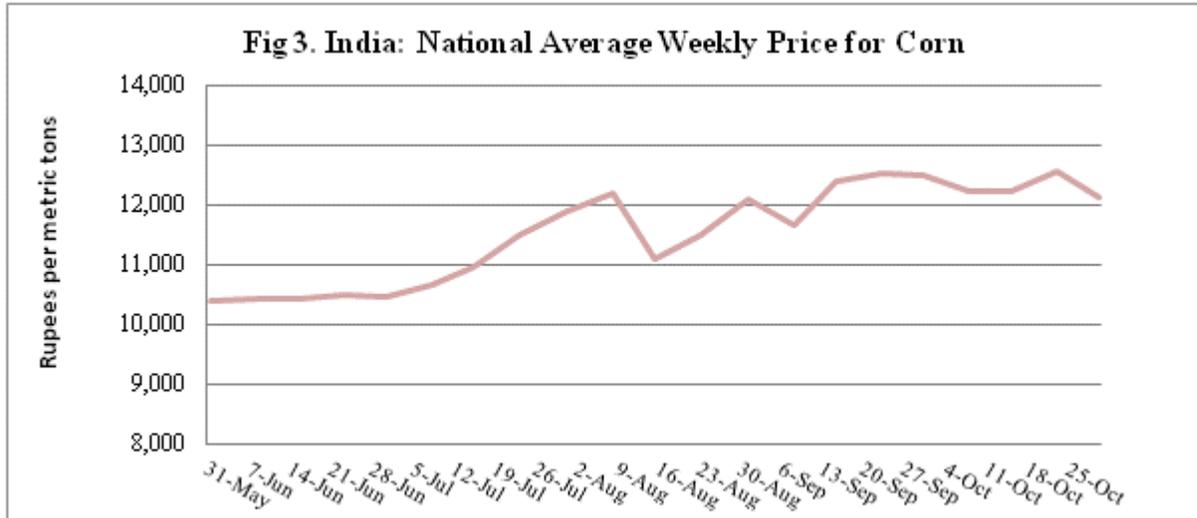
MY 2011/12 Exports Raised

Post's MY 2011/12 corn export estimate has been raised to a record 4.8 million tons based on the latest official and trade reports. The latest official trade figures for corn exports during November 2011 through August 2012 are provisionally estimated at 4.3 million tons, mostly to the traditional export destinations of Vietnam (1.15 million tons), Indonesia (1.04 million tons), Malaysia (984,000 tons), Taiwan (318,000 tons), and Bangladesh (216,000 tons). Currently, Indian corn for exports is priced in the range of \$280-\$290 per ton FOB at major exporting ports on the East coast. Trade sources report that exports of corn during September-October were sluggish due to a slowdown in export demand and port congestion. Nevertheless, MY 2011/12 corn exports are likely to reach a record 4.8 million tons compared to last year's 3.5 million tons. The MY 2012/13 export forecast is lower at 3.0 million tons on an expected stronger domestic price of corn compared to last year.

MY 2011/12 FSI consumption and ending stocks have been revised lower to reflect the changes in exports.

But Domestic Prices Sluggish

Corn prices gained strongly in July on concerns of drought due to a weak early monsoon and strong exports. Prices eased in the first fortnight of August with the recovery of the monsoon, but moved up again with reports of lower MY 2012/13 planting and production prospects. However, prices have remained sluggish since mid-September on the slowdown in export demand. Currently, spot prices of corn in the major markets range from Rs. 11,800 to Rs.14,000 (\$219-260) per ton. Domestic prices are likely to ease further as new crop arrival accelerates, which would move below the government's MY 2012/13 minimum support price of Rs. 11,750 (\$218) per ton. The government agencies may have to intervene in the market to bolster market prices through a minimum support price procurement operation for corn in the upcoming season.



Source: Directorate of Marketing & Inspection, Ministry of Agriculture
 Exchange Rate as of October 29, 2012, INR 54.08 = \$ 1.00

PULSESES

Government to Supply Imported Pulses at Subsidized Rates

Given the prospects of lower domestic pulse production due to the subnormal monsoon in MY 2012/13, the [Cabinet Committee on Economic Affairs approved](#) distribution of imported pulses through the Public Distribution System (PDS) with a subsidy of Rs.20 per kilogram (\$370 per ton) to the designated importing agencies. The new scheme will help tide over the possible spike in prices of pulses and make available pulses, a critical protein requirement to the below poverty line population at subsidized rates.

Imports will be undertaken by the designated government trade agencies (State Trading Corporation, Mineral and Metal Trading Corporation, Project Export Corporation and National Agriculture Marketing Federation) up to March 31, 2013. The designated import agencies will be directly contracting with the state governments for supply of imported pulses to be distributed under PDS.

GUAR

Harvest of New Crop Commences

Despite significantly higher acreage, MY 2012/13 guar production prospects have been tempered by lower yields due to adverse weather conditions. Consequently, MY 2012/13 guar production is forecast lower at 2.2 million tons compared to the initial forecast of 2.44 million tons (IN2112). Although official production estimates are not available, market sources report the crop in the range of 1.8-2.2 million tons vs. initial expectations of 2.5 to 3.0 million tons, but significantly higher than 1.6 to 1.7 million tons production estimate for MY 2011/12.

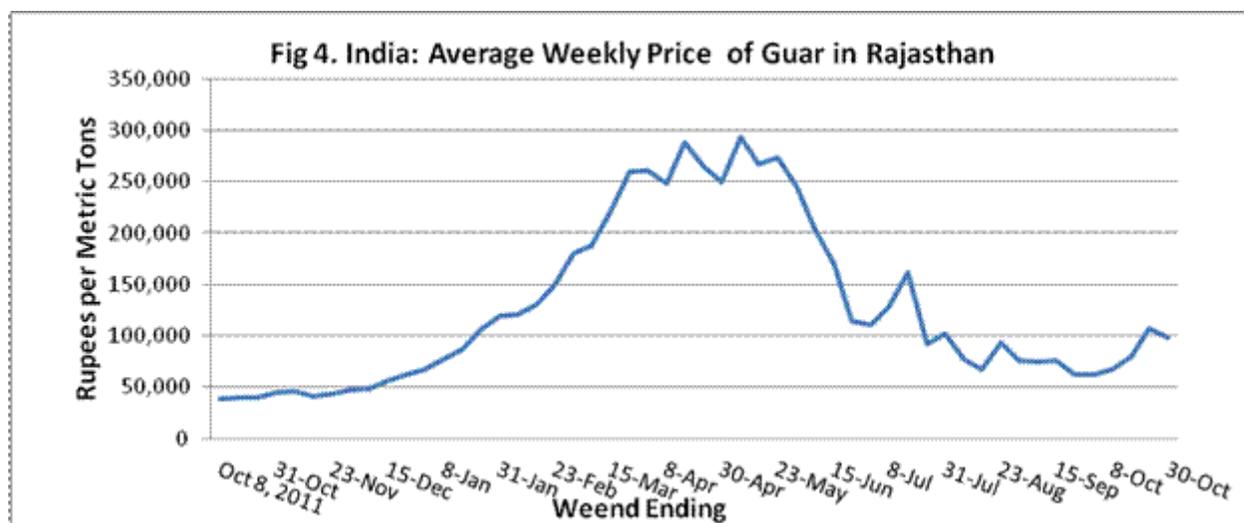
Harvest of the new crop commenced in the second week of October and likely to be over by first week

of November. Market sources report lower yields than initially expected due to delayed sowing in the traditionally rainfed areas in Rajasthan and adjoining states. Above-normal September rains and reports of incidence of white fly have also affected the crop in some pockets, particularly irrigated areas in Rajasthan and adjoining Punjab. However, firm guar prices will encourage higher planting of summer guar (planted after *rabi* harvest) in the irrigated areas of Punjab, Rajasthan and Gujarat. Due to the relatively low cost of cultivation of guar, farmers are willing to assume higher risks in anticipation of the potential windfall. Some traders and processors are also promising informal “forward contracts” to buy guar at Rs. 80-100,000 per ton.

Please see GAIN report IN2112 for information on India’s guar bean production situation and prospects for MY 2012/13.

Prices Rise

With the reports of a lower-than-initially-expected crop, guar prices have started firming up from the first week of October. The current average spot price of guar bean in the major markets of Rajasthan (which accounts for 85 percent of production) is around Rs. 102,000 (\$1,890) per ton compared to Rs. 42,800 (\$7,930 per ton at the same time last year.



Last year guar bean prices peaked to as high as Rs. 320,000 (\$5,925) per ton in May on strong export demand, most of it for ‘fracking’ for extraction of petroleum and natural gas. Due to the expectation of higher MY 2012/13 guar planting and production, prices came down to Rs. 68,000 (\$1,260) per ton in the second week of September. Prices this year are not likely to reach last year's peak due to expected weak purchasing from the major international buyers. Market sources report that foreign buyers are holding large stocks. With the price spike of guar gum last year, the production of guar gum in Texas and Oklahoma may be on the rise and gas companies are also pushing to find suitable substitutes.

Nevertheless, farmers are realizing much better prices this season, unlike last year during which the local traders benefited from the late surge in prices. Market sources report that farmers are likely to bring their product to market in batches in expectation of a late season surge in prices like last year.

