

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Grain and Feed Update

Quarterly Update - May 2013

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Report Highlights:

MY 2013/14 wheat production is revised lower to 92 million metric tons (MMT) based on harvest reports of lower yield compared to last year. Government wheat procurement in MY 2013/14 is likely to be around last year's record 38.2 MMT, and June 1, 2013 stocks are likely to swell to a record 54.0 MMT, further aggravating the government's food grain storage crisis. MY 2013/14 export prospects remain unchanged as the government will have to liquidate its burdensome wheat stocks. MY 2012/13 corn exports are estimated higher at 4.0 million tons based on strong exports in the first half of the marketing year.

Post:

New Delhi

Author Defined:**IMD Forecast Normal 2013 Monsoon**

On April 26, 2013, the [Indian Metrological Department \(IMD\) released its long-range forecast of the 2013 monsoon season](#) (June-September), predicting a normal monsoon. The 2013 monsoon season (June-September) rainfall is most likely to be 98 percent of the Long Period Average with a model error of +/- 5 percent. The IMD is expected to update its monsoon forecast in June 2013, and will issue monthly rainfall reports in July and August, as well as a seasonal rainfall report (June-September) for the four main geographical regions of India.

The southwest monsoon brings about 70 percent of total annual rainfall and provides moisture to about 55 percent of agricultural land. Normal and well distributed southwest monsoon rain is crucial for grain production in India, particularly for *kharif* (fall and early harvested) planted crops such as rice, corn, sorghum, millet and pulses. Production of these crops in Indian crop year 2012/13 (July-June) suffered a setback due to the delayed and uneven 2012 monsoon rains. Even for irrigated agricultural lands, good monsoon rains can boost yields and reduce the cost of production. A normal 2013 monsoon would provide favorable planting conditions for the upcoming 2013/14 food grain crops and support good production.

WHEAT

Table 1. India: Commodity, Wheat, PSD

(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Wheat India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29,070	29,070	29,860	29,860		29,400
Beginning Stocks	15,360	15,360	19,950	19,950		24,200
Production	86,870	86,870	94,880	94,880		92,000
MY Imports	17	17	10	10		0
TY Imports	17	17	10	10		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	102,247	102,247	114,840	114,840		116,200
MY Exports	891	891	6,500	6,500		8,000
TY Exports	1,699	1,699	8,500	8,500		8,000
Feed and Residual	3,100	3,100	3,400	3,400		4,000
FSI Consumption	78,306	78,306	81,140	80,740		83,000
Total Consumption	81,406	81,406	84,540	84,140		87,000
Ending Stocks	19,950	19,950	23,800	24,200		21,200
Total Distribution	102,247	102,247	114,840	114,840		116,200

MY 2013/14 Production Lowered

Post's MY 2013/14 wheat production estimate is revised lower to 92 million tons (vs. 95.2 million tons in IN3033) based on reports of lower yield compared to last year in most states. Favorable weather conditions (low temperatures and more-than-normal rains) during February and March and excellent crop condition initially had improved the prospects for higher yields this harvest. Contrary to these initial expectations, unofficial harvest reports from various states indicate that the yield realization is slightly lower than last year's in most wheat growing states. Some agricultural experts attribute the lower yield to the abnormal rains in the first fortnight of February (flowering stage) affecting crop pollination and resulting in lower grain setting. Market sources also report higher incidence of rust compared to last year in some pockets of Punjab and Haryana due to intermittent rains coupled with cloud cover in February/March, which has also contributed to lower yields. Consequently, MY 2013/14 wheat production is revised lower to 92.0 million tons, which would still be the second largest harvest after six consecutive production records in MYs 2007/08 to 2012/13.

Government Procurement

Wheat harvesting was timely in the major wheat growing states, in contrast to last year's 2-week delay. However, market arrivals and government procurement through April have been around last year's implying lower production. Government procurement of MY 2013/14 wheat through April 29, 2013, was marginally higher at 20.1 million tons, compared to 19.7 million tons last year during the corresponding period.

Table 2. India: Government Procurement of Wheat by State

(Quantity in million metric tons)

State	April-March		April 1 - April 29	
	MY 2011/12	MY 2012/13	MY 2012/13	MY 2013/14
Punjab	10.96	12.83	8.02	9.30
Haryana	6.93	8.67	6.56	5.30
Madhya Pradesh	4.97	8.49	3.85	4.65
Uttar Pradesh	3.46	5.06	0.63	0.24
Rajasthan	1.30	1.96	0.59	0.57
Bihar	0.56	0.77	-	-
Gujarat	0.11	0.16	-	-
Others	0.06	0.20	-	-
Total	28.34	38.15	19.71	20.07

Source: Food Corporation of India, GOI.

Procurement in the major surplus states of Punjab and Haryana has started tapering off and likely to be over by the 2nd week of May, while procurement in other states will continue through June. Market sources report higher participation of private trade in wheat purchases compared to last year in most states except Punjab and Haryana, where high local taxes preclude significant private purchases. Procurement in Madhya Pradesh and Rajasthan is likely to be higher than last year due to the additional bonus of INR 1,500 (\$27) per metric ton (in addition to the GOI's minimum support price (MSP) of INR 13,500/MT) announced by the state governments. Other state governments are encouraging participation of private trade in wheat purchases due to problems of inadequate procurement and storage infrastructure. Consequently, procurement in Uttar Pradesh and other states is likely to be lower than last year. Consequently, total government wheat procurement in MY 2013/14 is likely to be around last year's record 38.2 MMT, but significantly lower than the government's target procurement of 44.1 MMT (IN3033). Nevertheless, upcoming record or near-record procurement will be well above the wheat required for the government's Public Distribution System (PDS) and other food and nutrition programs, which will further inflate government stocks and aggravate the storage crisis.

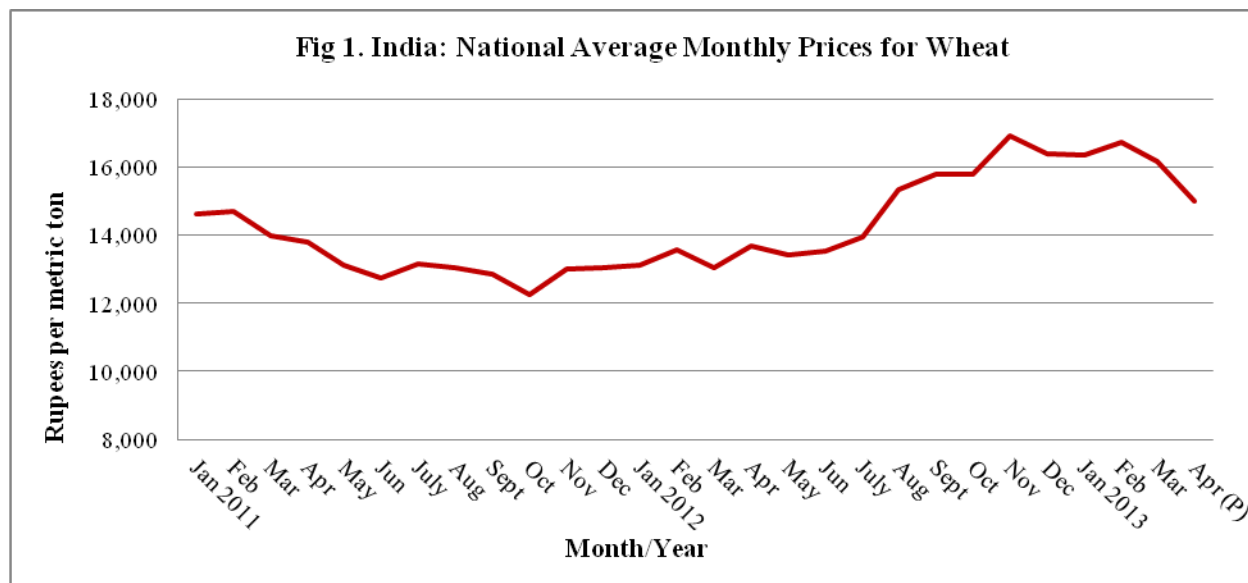
Government Stocks Swell

Government-held wheat stocks on April 1, 2013, were officially estimated at 24.2 MMT, more than 21 percent higher than last year and more than three times the government's desired stocks of 7.0 MMT. Lower off take of government wheat in the last quarter of MY 2012/13 has resulted in even higher ending stocks.

With near-record MY 2013/14 wheat procurement likely, government-held wheat stocks are expected to swell to a record 54 million tons on June 1, 2013, against the previous record of 50.2 million tons on June 1, 2012, and more than double the government's desired stocks of 20.1 million tons. The estimated rice stocks are likely to fuel the government food grain stocks to a gargantuan level of 88 MMT on June 1, 2013. With the government warehouses already choked with huge rice stocks and large carryover of wheat from previous years, a significant quantity of new crop wheat will have to be stored in the open, both with and without plinth and polythene cover. These wheat stocks will be highly susceptible to damage from the 2013 monsoon, temperature fluctuations, pests, vermin, and pilferage.

Prices Ease

The arrival of MY 2013/14 crop has eased domestic prices, with prices in major producing states currently in the range of INR 13,470 (\$247) per metric ton to INR 15,650 (\$287) per metric ton.



Source: [Agric Marketing Information Network](#), Ministry of Agriculture

Market prices are likely to ease further as arrival accelerates in May/June in Uttar Pradesh and other states. Prices are likely to start strengthening after arrivals stop by the end of June, but the government will contain any significant escalation in prices by releasing additional wheat from its stocks through the public distribution system and open market sales.

NFSB Introduced In Parliament, But Unlikely to Clear in this Session

On May 1, 2013, the government introduced the revised National Food Security Bill ([IN3037](#)) in the lower house of the Parliament for discussion and passage. However, the opposition parties have effectively brought the ongoing budget session to a halt on several contentious political issues. With the ongoing stalemate unlikely to be resolved by the end of the budget session on May 10, 2013, the proposed bill will have to be deferred to the next Parliament session. Implementation of the amended National Food Security Bill, aimed at providing legal entitlement to food grains to around 67 per cent of the population, would cost the government exchequer around INR 1.23 trillion (\$22.5 billion).

Slowdown in Government Wheat Export through Parastatals

Relatively weak international wheat prices have slowed exports of government wheat through government parastatals, which had been directed to export 4.5 million tons of government wheat stocks. Since late March 2013, the parastatals have to cancel several tenders (see Table 3) due to lack of buyers at the floor price of \$300 per metric ton. Tender allocations in April have been done in the price range of \$301.90 - \$304.00 per metric ton, significantly below the November peak of \$328.05 per metric ton. Government parastatals have allocated about 3.93 million tons to various private exporters, of which about 3.28 MMT had been shipped as of April 23, 2013. Market sources report that the

government may review the current floor price of \$300 per metric tons lower in the next few weeks to revive government wheat exports through the parastatals.

Table 3. India: Government Wheat Tenders in 2013

Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
August-December 2012					
Various	2,035,000	End Dec 2012	Aug 2012-Jan 2013	296.70-328.05	Various
January 2013 onwards					
PEC	35,000	Jan 3, 2012	Jan 10-Feb 10	318.00	Karaikal
PEC	100,000	Jan 7, 2013	Jan 10-Feb 15	320.89	Krishnapatnam
STC	50,000	Jan 10, 2013	Jan 21-Mar 5	323.50	Mundra
STC	100,000	Jan 10, 2013	Jan 21-Mar 5	318.50	Mundra
MMTC	50,000	Jan 11, 2013	Feb 1-Mar 5	319.45	Kakinada
MMTC	50,000	Jan 16, 2013	Feb 1-28	309.00	Pipavav
PEC	125,000	Jan 17, 2013	Feb 1-Mar 10	314.00	Kandla
STC	40,000	Jan 23, 2013	Feb 1-28	314.34	Chennai
PEC	35,000	Feb 6, 2013	Feb 11-Mar 10	312.00	Vizag
PEC	55,000	Feb 6, 2013	Feb 11-Mar 10	312.10	Karaikal
STC	200,000	Feb 7, 2013	Feb 18-Mar 30	310.21	Mundra
MMTC	50,000	Feb 14, 2013	Feb 20-Mar 31	311.11	Kakinada
PEC	125,000	Feb 18, 2013	Feb 20-Mar 31	312.20	Krishnapatnam
STC	30,000	Feb 25, 2013	Mar 5-31	305.00	New Mangalore
MMTC	75,000	Mar 5, 2013	Mar 15-Apr 5	303.40	Kakinada
PEC	40,000	Mar 6, 2013	Mar 15-Apr 15	303.40	Karaikal
MMTC	35,000	Mar 11, 2013	Mar 15-Apr 20	305.08	Pipavav
STC	70,000	Mar 12, 2013	Mar 20-Apr 20	305.08	Chennai
MMTC	40,000	Mar 14, 2013	Mar 25-Apr 20	305.08	Mormugoa
PEC	75,000	Mar 15, 2013	Mar 25-Apr 15	305.27	Kandla
PEC	55,000	Mar 20, 2013	Mar 25-Apr 30	306.87	Krishnapatnam
STC	155,000	Mar 20, 2013	Apr 1-May 10	305.72	Mundra
PEC	50,000	Mar 25, 2013	Apr 1-30	304.72	Gangavaram
PEC	60,000	Mar 28, 2013	Apr 10-May 20	305.87	Krishnapatnam
PEC	75,000	Apr 2, 2013	Apr 15-May 15	301.88	Kandla
STC	60,000	Apr 16, 2013	May 10-Jun 10	302.48	Chennai
STC	55,000	Apr 17, 2013	May 15-Jun 20	304.00	Mundra
TOTAL	1,890,000				
Recent Tenders Cancelled					
STC	30,000	Mar 26, 2013	Apr 5-30	Cancelled	New Mangalore
MMTC	65,000	Mar 26, 2013	Apr 1-30	Cancelled	Pipavav
PEC	70,000	Mar 28, 2013	Apr 1-30	Cancelled	Vizag
MMTC	100,000	Apr 3, 2013	Apr 10-May 12	Cancelled	Kakinada
STC	50,000	Apr 4, 2013	May 1-20, 2013	Cancelled	Mundra
MMTC	40,000	Apr 9, 2013	Apr 20-May 20	Cancelled	Mormugoa

Note: STC - [State Trading Corporation](#); PEC - [Project Export Corporation](#); and MMTC - [Minerals and Metals Trading Corporation](#). In some tenders, quantity allocated has been lower than the quantity mentioned in the tender.

No Takers for Government Wheat for Direct Export

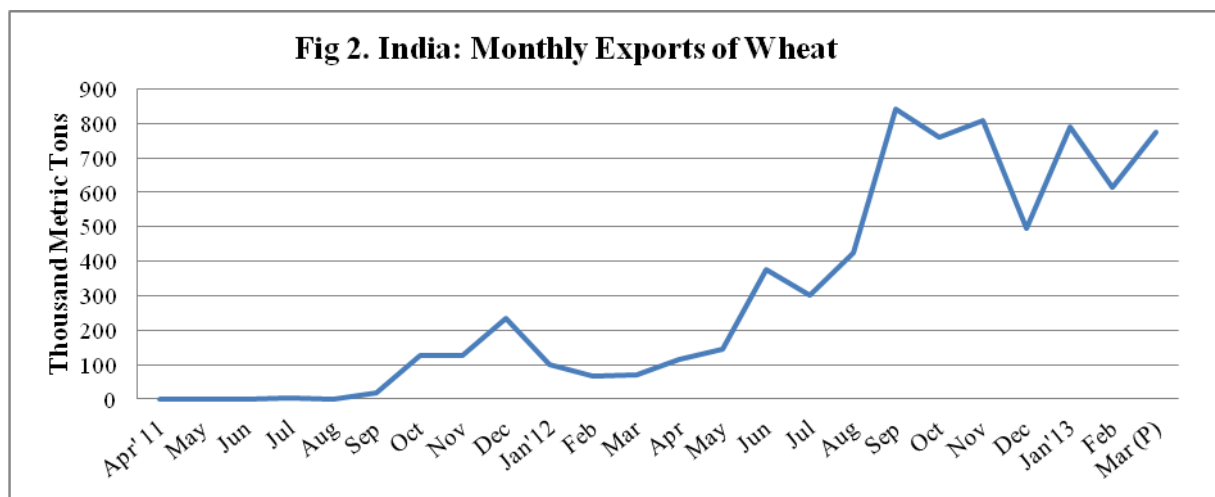
Nearly 40 days after the Empowered Group of Ministers (EGoM) approved exports of 5.0 million tons of wheat for direct exports by private trade (see [IN3033](#)), the Food Corporation of India issued tenders on April 26, 2013, for direct export through private trade for wheat sourced from government warehouses in Punjab (540,000 metric tons) and Haryana (409,826 metric tons). The FCI tendered for the MY 2011/12 wheat at a floor price of INR 14,840 (\$272) per metric tons, with the wheat to be supplied to the bidder from various warehouses in Punjab and Haryana. The tender closed on April 29, 2013, without even a single bidder.

Market sources report that exports are not feasible at the current floor price for two-year old wheat (mostly feed quality) after accounting for local taxes (7.5%), cost of inland transport to West Coast (INR 1,700 per metric ton), FOBing charges (INR 850 per metric ton), and miscellaneous charges (2%), which together raise the total cost to \$325 per metric ton FOB. Meanwhile, the government parastatals have offered MY 2012/13 wheat in April at \$301-304 per metric ton FOB loading port. Market sources report that currently private trade is exporting and contracting open market wheat from MY 2012/13 and MY 2013/14 at around \$306-\$310 per metric ton. Market reports suggest that the government is likely to lower the current floor prices, both for direct exports and exports through parastatals, to improve the feasibility of exports of government wheat.

Export Prospects Unchanged

Despite slightly lower production and government procurement, MY 2013/14 export prospects remain unchanged as the government will have to liquidate its burdensome wheat stocks. With an estimated 18-20 MMT wheat expected to be kept in temporary open storage before the onset of the forecast normal 2013 monsoon, the government will be under tremendous pressure to minimize losses. Besides, the forecast of a normal 2013 monsoon portends a bumper MY 2013/14 rice harvest and high government procurement, further aggravating the storage crisis. The government is likely to revise the floor price lower to off load the excess government wheat stocks in the export market. Consequently, Post continues to estimate MY 2013/14 exports at 8.0 MMT.

According to the preliminary official statistics for April 2012 to February 2013, and March shipping data compiled by private sources, MY 2012/13 wheat exports are estimated to reach 6.5 MMT. The major export destinations are Bangladesh, South Korea, U.A.E., Yemen, Djibouti, Indonesia, Thailand, Oman and Tanzania.



Source: Directorate General of Commercial Intelligence, GOI; Mar 2013 figures derived from shipping data compiled from Infodrive.

CORN

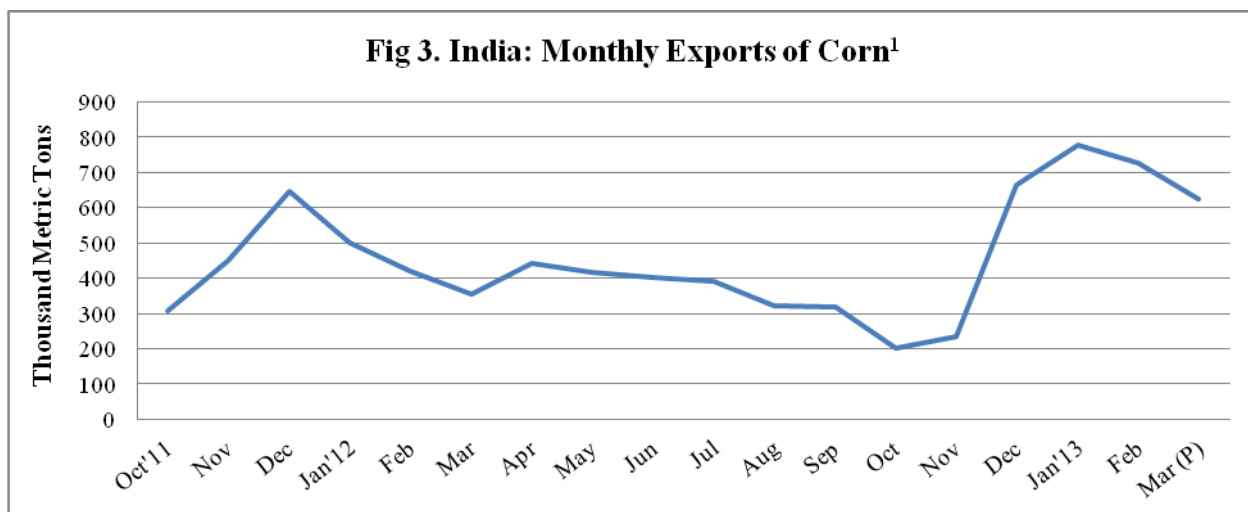
Table 4. India: Commodity, Corn, PSD

(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Corn India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Nov 2011		Market Year Begin: Nov 2012		Market Year Begin: Nov 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,670	8,800	8,930	8,600		8,800
Beginning Stocks	576	576	580	570		375
Production	21,570	21,760	21,000	21,000		21,500
MY Imports	3	3	10	5		10
TY Imports	3	3	10	5		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	22,149	22,339	21,590	21,575		21,885
MY Exports	4,569	4,569	3,000	4,000		3,000
TY Exports	4,674	4,674	3,000	4,000		3,000
Feed and Residual	8,600	8,800	9,400	9,000		9,800
FSI Consumption	8,400	8,400	8,600	8,200		8,500
Total Consumption	17,000	17,200	18,000	17,200		18,300
Ending Stocks	580	570	590	375		585
Total Distribution	22,149	22,339	21,590	21,575		21,885

Exports Raised

India's MY 2012/13 corn exports are estimated higher at 4.0 million tons based on the strong exports in the first half of the marketing year. MY 2013/14 export is also forecast higher at 3.0 million tons on expected continued demand from south Asian markets. Consumption and stocks estimates in the PSD have been adjusted to account for the higher exports.



Note: ¹ - official export statistics for other cereals, which includes 99 percent corn and small quantities of sorghum and millet.
Source: Directorate General of Commercial Intelligence, GOI; Mar 2013 figures derived from shipping data compiled from Infodrive.

After faltering in the first two month of MY 2012/13, corn exports have gained strongly since December 2012 on strong export demand. According to the preliminary official statistics for October 2012 to February 2013, and March shipping data compiled by private sources, corn exports in the first half of MY 2012/13 are estimated at 3.2 million tons compared to 2.7 million tons last year during the corresponding period. Most of the exports have been to traditional Asian markets like Indonesia, Vietnam, Malaysia, Taiwan, and neighboring Bangladesh. Iran is also emerging as a buyer, with exports estimated about 150,000 metric tons, against the bilateral rupee payment mechanism for export sales of Iranian petroleum to India. Domestic corn price in the major markets in the surplus states of Maharashtra and Karnataka is currently around INR 13,000 (\$238) per metric ton. Market sources expect the prices to firm and pace of exports to slow in the second half of the marketing year. Consequently, MY 2012/13 exports are estimated to reach 4.0 million tons.

RICE

Procurement Steady, Stocks Up

Government rice procurement in MY 2012/13 has slackened in April, with total rice procurement through April 29, 2013, estimated marginally lower at 30.77 MMT compared to 30.8 MMT last year during the corresponding period.

Table 5. India: Government Procurement of Rice by State
(Quantity in million metric tons)

State	October-September		October- April 29	
	MY 2010/11	MY 2011/12	MY2011/12	MY2012/13
Punjab	8.64	7.73	7.73	8.56
Andhra Pradesh	9.61	7.54	5.46	4.72
Chattisgarh	3.75	4.12	4.11	4.80
Uttar Pradesh	2.55	3.36	3.27	2.21
Odisha	2.47	2.87	2.06	2.87
West Bengal	1.31	2.04	1.27	1.37
Haryana	1.69	2.01	2.01	2.60
Tamil Nadu	1.54	1.60	1.54	0.47
Bihar	0.88	1.53	1.47	1.25
Madhya Pradesh	0.52	0.64	0.63	0.90
Others	<u>1.25</u>	<u>1.61</u>	-	-
Total	34.20	35.04	30.80	30.77

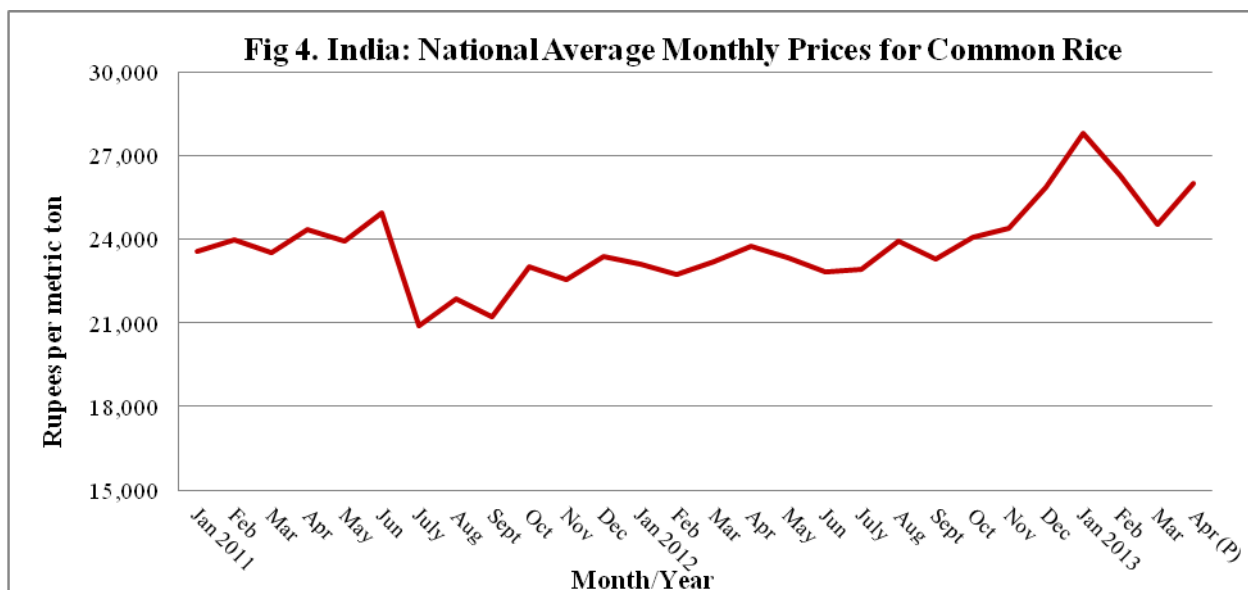
Source: Food Corporation of India, GOI.

Procurement has been strong in the northern states and some eastern states, but relatively lower in the “below-normal” monsoon southern states (Andhra Pradesh, Tamil Nadu and Karnataka), and “delayed” monsoon eastern states (Uttar Pradesh and Bihar). With additional procurement expected mostly from Andhra Pradesh, West Bengal and Odisha, MY 2012/13 rice procurement is unlikely to reach last year’s record 35.0 MMT on lower *rabi* (winter planted) rice harvest and relatively firm domestic prices.

Despite the slowdown in procurement, government-held rice stocks on April 1, 2013 are estimated at 35.5 MMT compared to 33.4 MMT a year ago, and more than double the government desired stocks of 14.2 MMT.

Domestic Prices Firm

Domestic rice prices have started to firm up again in April on relatively tight open-market supplies due to lower production coupled with government procurement of a significant share of the total production.

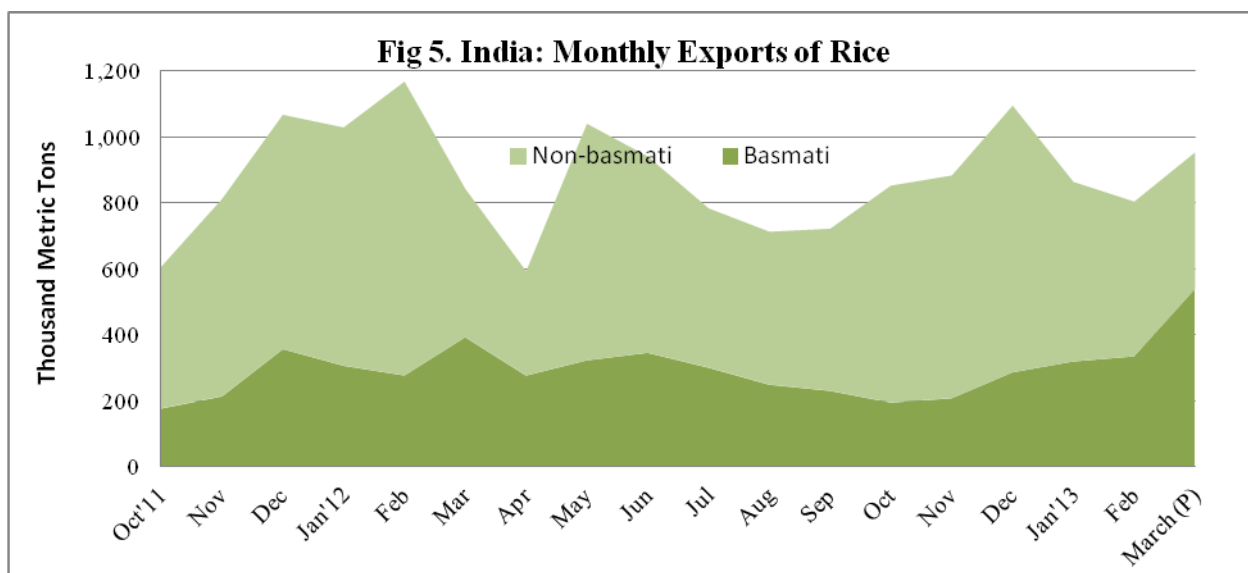


Source: [Agric Marketing Information Network](#), Ministry of Agriculture

While domestic prices are likely to remain firm, the government would intervene to contain escalation in prices through increased sales of government rice through the Public Distribution System or open market sales.

Exports to Continue

Given “more-than-sufficient and burdensome” government rice stocks, and a forecast of normal 2013 monsoon rains, the GOI is unlikely to impose any export restrictions on non-Basmati rice in the near future. In any case, Indian rice exports have slowed since the beginning of CY 2013 on relatively weak demand for non-Basmati rice and firm domestic prices.



Source: Directorate General of Commercial Intelligence, GOI; Mar 2013 figures derived from shipping data compiled from Infodrive

According to the preliminary official statistics for January-February 2013, and March shipping data compiled by private sources, rice exports in January-March 2013 are estimated at 2.62 MMT (1.43 MMT non-Basmati and 1.19 MMT Basmati), down by 14 percent compared to last year's rice exports during the corresponding period (2.06 MMT non-Basmati and 0.98 MMT Basmati). Market sources report higher exports of Basmati rice in recent months on improved export demand, particularly to Iran against the Indo-Iran bilateral rupee payment mechanism for sales of Iranian petroleum to India. In the first three months of 2013, Iran emerged as India's largest rice customer, importing during that quarter an estimated 405,500 metric tons. Consequently, CY 2013 rice exports continue to be estimated at 8.1 million tons compared to the last year's record 10.4 million tons.

PULSES

Export Ban and Zero Import Duty on Pulses to Continue

On March 25, 2013, the Ministry of Commerce and Industry extended [the export ban on pulses](#) by one more year till March 31, 2014. However, exports of garbanzo bean (*kabuli chana*) and 10,000 metric tons of organic pulses continue to be exempted from the ban.

On March 26, 2013, the Ministry of Finance [notified the extension of the zero import duty regime for pulses](#) through March 31, 2013.