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India

Grain and Feed Update

July 2019

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Report Highlights:

On July 3, 2019, the Government of India (GOI) approved increases in the minimum support prices (MSPs) for the *kharif* (fall harvested) crops for the 2019/20 season. A delayed and relatively weak 2019 monsoon has affected planting of most grains, including rice and corn, for the upcoming MY2019/20 *kharif* season. Planting may improve in July based on a forecasted recovery in the monsoon beginning the second week of July. No significant changes in the PSDs of rice, wheat and corn to report from Post's last report [IN9056](#).

Commodities:

Rice, Milled

Wheat

Author Defined:**Government Hikes Minimum Support Price (MSP) for Upcoming *Kharif* Crops**

On July 3, 2018, the Cabinet Committee on Economic Affairs (CCEA) announced modest increases in the minimum support prices (MSPs) for the *kharif* (fall harvested) crops of the Indian crop year 2019/20 (July-June) that is being planted now. The government [press release](#) stated that MSP has been determined by offering at least 50 percent over farmers cost of production. After a significant increase in MSP last year, the MSPs for the *kharif* crops have been raised by 2 to 9 percent over last year for most crops, with higher increases for finger millet and cotton.

Crops	2015-16	2016-17	2017-18	2018-19	2019-20	% increase over previous year
Paddy (Unmilled Rice) Common	14,100	14,700	15,500	17,500	18,150	3.7
Paddy Grade A	14,500	15,100	15,900	17,700	18,350	3.7
Sorghum	15,700	16,250	17,000	24,300	25,500	4.9
Pearl Millet	12,750	13,300	14,250	19,500	20,000	2.6
Finger millet	16,500	17,250	19,000	28,970	31,500	8.7
Corn	13,250	13,650	14,250	17,000	17,600	3.5
Pigeon pea	44,250	50,500	54,500	56,750	58,000	4.1
Green gram	46,500	52,250	55,750	69,750	70,500	2.2
Black matpe	44,250	50,000	54,000	56,000	57,000	1.8
Peanut InShell	40,300	42,200	44,500	48,900	50,900	4.1
Sunflower seed	38,000	39,500	41,000	53,880	56,500	4.9
Soybean	26,000	27,750	30,500	33,990	37,100	9.1
Cotton medium staple (Unginned seed cotton)	38,000	38,600	40,200	51,500	55,500	7.8

Source: Directorate of Economics and Statistics, Ministry of Agriculture and Farmer Welfare, GOI

Typically, the GOI announces MSP for the *Kharif* season crop by the first week of June to help farmers make planting decisions. This year the MSP announcement was delayed due to the recently held Parliamentary elections; as a result, farmers have most likely already made their planting decisions, including purchasing seeds and other inputs. Consequently, the MSP announcement is unlikely to influence the planting prospects, and the farmers will continue to favor crops with more stable yields and better market prices (based on last season), such as rice and to some extent corn and cotton. While the MSP increase may have been relatively modest, the increasing MSPs will further erode the export competitiveness of Indian agricultural commodities, which are already under pressure due to weak international prices.

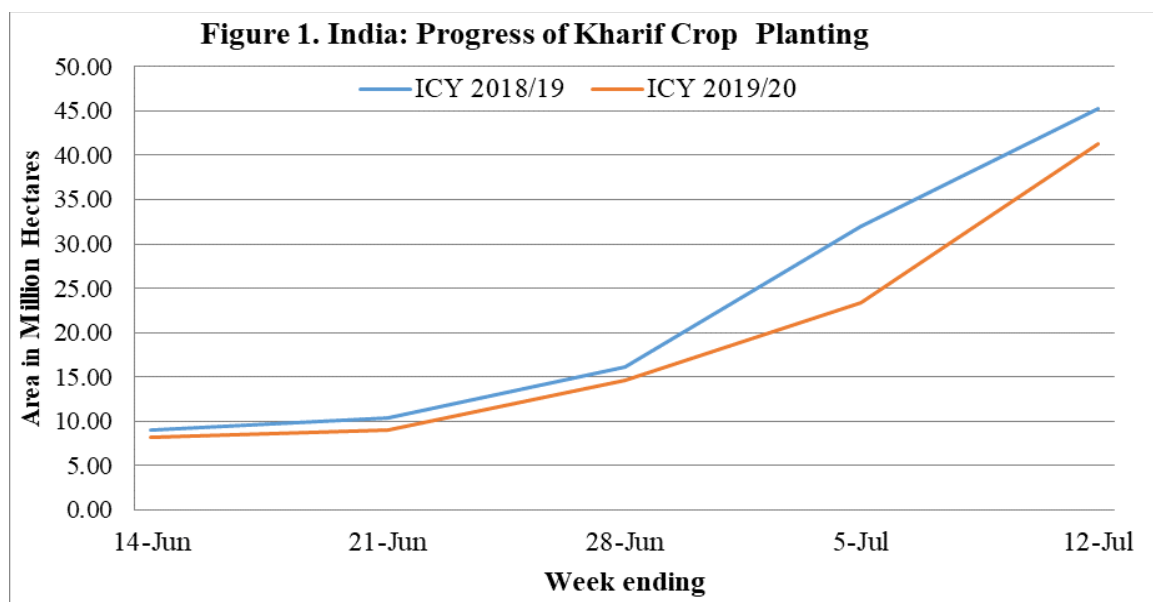
Weak 2019 Monsoon; Reservoir Levels Low

The southwest monsoon has progressed weakly and precipitation had been relatively light across the country during June but has recovered in July (See Appendix 1). The latest update from the Indian Meteorological Department indicates the cumulative rainfall for the week ending July 10, 2019 was 14 percent below normal (compared to the 20-year average); 20 of the 36 weather subdivisions received scant/deficient rains compared to only 13 last year (Appendix 2). Region wise, central and northwest India received near-normal rains (largely due to excellent rains in July), while southern and eastern India received deficient (20 percent below normal) rainfall. The [Indian Meteorological Department has forecast](#) good rainfall in the second/third week of July for most parts of the country.

The latest information from the Central Water Commission suggests that the water stored in the major reservoirs as of July 11, 2019 was 35.1 billion cubic meters (BCM), down slightly compared to 37.2 BCM last year and compared to the 10-year average of 37.1 BCM. However, the reservoir water situation is likely to improve with the expected recovery of the monsoon in July.

***Kharif* Planting Lags Behind Last Year**

Despite the recovery of the monsoon in July, the pace of planting *kharif* crops continues to lag behind last year.



Source: Ministry of Agriculture, GOI

The Ministry of Agriculture and Farmers Welfare (MoAFW) estimates total area sown through July 12, 2019 at 41.3 million hectares, compared to 45.2 million hectares at the same time last year, which was nearly exactly the 5-year average for area planted. Nearly all crops have lower plantings except cotton.

Table 2. India: Planting of *Kharif* Crops in Indian Crop Year (July/June)

(Area in Million Hectares)

Crop	Normal Planting as on July 12 ¹	ICY 2019/20 Progressive Planting till July 12, 2019	ICY 2018/19 Progressive Planting till July 12, 2018

Rice	12.13	9.78	10.99
Pulses	4.92	3.42	4.57
Coarse cereals	8.33	7.12	7.62
Oilseeds	9.25	7.57	8.38
Sugarcane	4.73	4.99	5.20
Cotton	4.56	7.77	7.75
Total	44.66	41.33	45.23

Note /1: Average planting of five crop years 2013/14 to 2017/18

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

Given the forecast for a better monsoon beginning July, the planting of most *kharif* (rice, corn, sorghum, millet and pulses) crops will recover, but will miss the ideal planting deadline of end July. Late planting of most *kharif* crop can continue through the first week of August, except for rice, for which planting will continue through September in southern India. Planting of pulses and coarse grains is likely to finish by the first week of August.

Compared to last year, the government's relatively modest increase in the minimum support prices (MSP) for most grains for the upcoming season is unlikely to cause acreage shifts between the crops, but the monsoon rainfall may affect planting of rainfed crops cultivated under unirrigated conditions (coarse grains, pulses and some rice). However, most farmers will continue to plant rice over other crops due to relatively stable yields and market prices.

A normal monsoon and weather conditions through August are essential to achieve Post's MY 2019/20 *kharif* grain area forecast, and sufficient and well-distributed rains through September is required to get the normal yields needed to achieve the forecast production levels. Prolonged dry spells during July-September could potentially affect planting and yield prospects in the non-irrigated area (nearly half of *kharif* cropped area). On the other hand, excessive rains and consequent floods in the traditional flood prone areas of east India, and normal cyclonic incidences in coastal India, can affect planting and cause significant crop damage.

RICE

No significant changes in the PSD to report from Post's last report [IN9056](#).

Table 3. India: Commodity, Rice Milled PSD						
(Area in Thousand Hectares, Others in Thousand Metric Tons)						
Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42900	43774	44500	43690	44000	44000
Beginning Stocks	20550	20550	22600	22600	25500	25000
Milled Production	112760	112760	115630	115630	115000	112000
Rough Production	169157	169157	173462	173462	172517	168017
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	133310	133310	138230	138230	140500	137000
MY Exports	12041	12041	12000	11500	12000	12000
TY Exports	11791	11791	12000	11500	12000	12000
Consumption and Residual	98669	98669	100730	101730	102000	102000
Ending Stocks	22600	22600	25500	25000	26500	23000
Total Distribution	133310	133310	138230	138230	140500	137000
Yield (Rough)	3.9431	3.8643	3.898	3.9703	3.9208	3.8186

MY 2019/20 Planting Lag on Weak Monsoon

Due to the weak 2019 monsoon in June, rice planting in most rice growing states is behind last year: rice area planted through July 12, 2019, estimated at 9.78 million hectares, is down about 11 percent from last year, and nearly 20 percent lower than the 5-year average. Planting is likely to recover in July in the major rice growing states on forecast normal monsoon rains in July. Planting is currently in full swing in most states, and will continue through the second week of August. Planting of long-grain Basmati rice in Punjab, Haryana and western Uttar Pradesh, as well as rice in coastal Andhra Pradesh and Tamil Nadu, will continue through late August/early September.

Assuming normal rainfall during July-September and weather conditions through harvest (October/November), Post continues to forecast MY 2019/20 rice area and production unchanged at 112 million metric tons from 44 million hectares, assuming normal yields (see [IN9056](#) & [IN9025](#)).

MY 2018/19 Procurement Swells to a New Record

Due to the record production and high MSP compared to open market prices, government rice procurement during the ongoing season has continued to grow. Government estimates MY 2018/19 rice procurement through July 8, 2018 at 43.8 MMT compared to 36.2 MMT during the same period last year. With some additional procurement in eastern and southern states to continue through September, total MY 2017/18 rice procurement is likely to cross a record 44 MMT, a whopping 15 percent increase over last year's record procurement.

Table 4. India: Government Rice Procurement by State

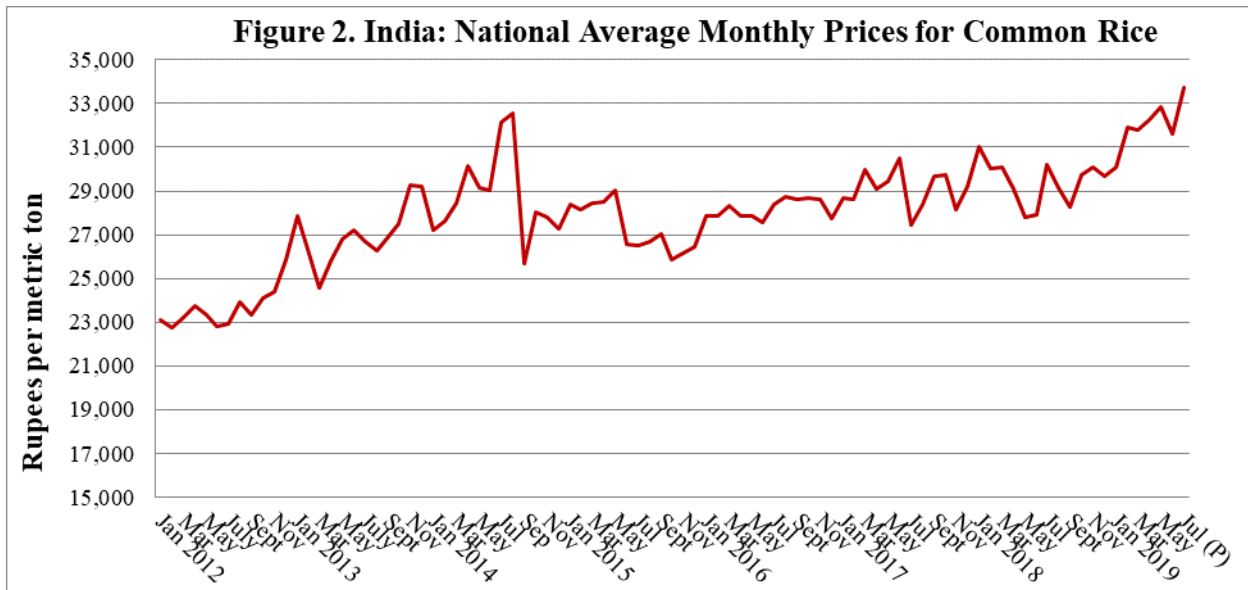
Figures in million metric tons

State	MY 2016/17	MY 2017/18	MY 2017/18	MY 2018/19
	Oct. – Sept.	Oct. – Sept.	Oct. 1-July 8	Oct 1- July 8
Punjab	11.05	11.83	11.83	11.33
Andhra Pradesh	3.72	4.00	3.90	4.57
Telangana	3.60	3.62	3.62	5.19
Chhattisgarh	4.02	3.26	3.22	4.08
Odisha	3.63	3.29	3.28	4.38
Haryana	3.58	3.99	3.99	3.94
Uttar Pradesh	2.35	2.88	2.88	3.23
West Bengal	1.92	1.67	0.06	1.72
Madhya Pradesh	1.31	1.10	1.10	1.40
Tamil Nadu	1.19	1.01	0.84	1.21
Others	<u>1.72</u>	<u>1.54</u>	<u>1.52</u>	<u>2.71</u>
Total	38.11	38.18	36.24	43.75

Source: Food Corporation of India, GOI

Prices Firm

Despite record domestic harvest and strong *rabi* (winter) rice arrivals, domestic prices have firmed up in July on recovery in export demand for coarse grain rice. Prices are likely to remain steady through the fourth quarter of MY 2018/19 (July-Sept) on sufficient domestic supplies, assuming recovery of the 2019 monsoon and planting of the upcoming *kharif* rice crop.



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

The recent hike in the MSP for MY 2019/20 will prevent any decline in prices in the upcoming MY 2019/20, but future price movements will critically depend on the planting and harvest prospects of the upcoming crop and international demand.

MY 2018/19 Exports and Ending Stocks Unchanged

Based on the current pace of exports, Post's MY 2018/19 rice export estimate remains unchanged at 11.5 MMT. With reports suggesting that the government is likely to expand the distribution of rice under the existing food security programs and encourage open market sales, consumption continues to be estimated higher at 101.7 MMT and ending stocks at 25 MMT. See [IN9056](#) for more details.

WHEAT

No significant changes in the PSD to report from Post's last report [IN9056](#).

Table 5. India: Commodity, Wheat PSD						
(Area in Thousand Hectares, Others in Thousand Metric Tons)						
Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Apr 2017		Apr 2018		Apr 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Harvested	30785	30785	29651	29651	29850	29555
Beginning Stocks	9800	9800	13230	13230	16992	16992
Production	98510	98510	99870	99870	101200	101200
MY Imports	1166	1166	17	17	20	20
TY Imports	863	863	20	20	20	20
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	109476	109476	113117	113117	118212	118212
MY Exports	569	569	496	496	500	500
TY Exports	517	517	500	500	500	500
Feed and Residual	5000	5000	5000	5000	6000	6000
FSI Consumption	90677	90677	90629	90629	92000	92000
Total Consumption	95677	95677	95629	95629	98000	98000
Ending Stocks	13230	13230	16992	16992	19712	19712
Total Distribution	109476	109476	113117	113117	118212	118212
Yield	3.1999	3.1999	3.3682	3.3682	3.3903	3.4241

Government Procurement Lower; Prices Firm

Despite record harvests, the government wheat procurement for MY 2019/20 decreased by nearly 5 percent to 34.1 MMT and prices have been firm on higher private sector purchase (See [IN9056](#)).

Table 6. India: Government Wheat Procurement by State

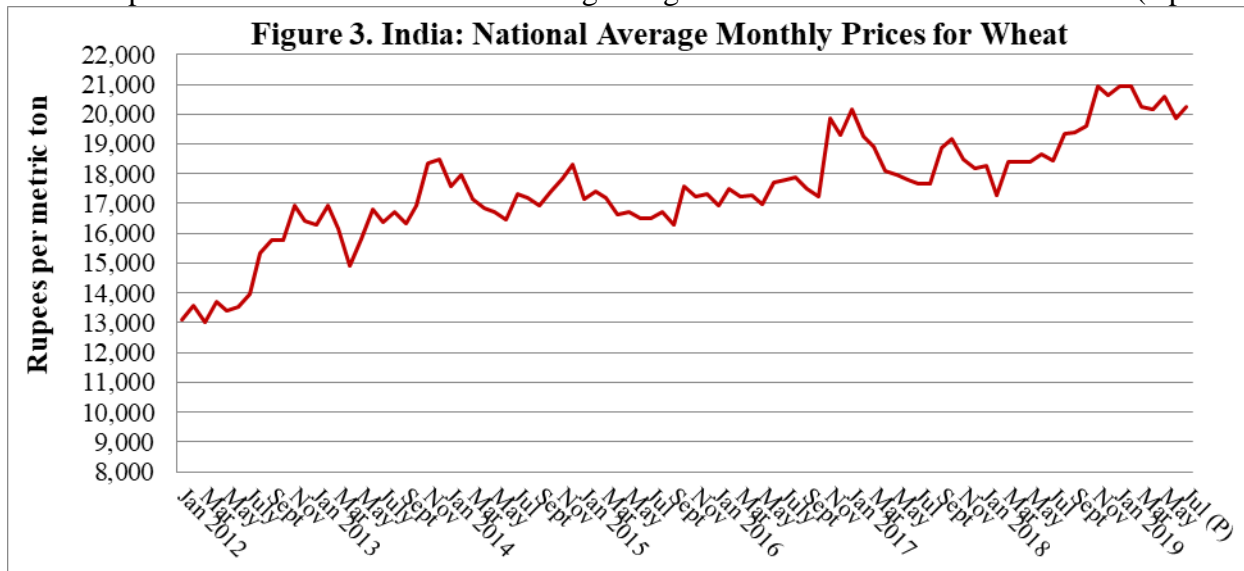
Figures in million metric tons

State	MY 2017/18	MY 2018/19	MY 2019/20
	April-March	April-March	April-March
Punjab	11.71	12.69	12.91
Haryana	7.43	8.78	9.32
Madhya Pradesh	6.73	7.31	6.73
Uttar Pradesh	3.70	5.29	3.70
Rajasthan	1.25	1.53	1.41
Others	0.02	0.18	0.06
Total	30.83	35.80	34.13

Source: Food Corporation of India, GOI

Despite record harvest, government procurement ended by the third week of June in most states due to higher market prices. While procurement is higher in Punjab and Haryana, it has been lower in other states due to higher private sector buying after the government announced the higher open market sale prices for the year.

Domestic prices have also ruled firm since beginning of the MY 2019/20 harvest season (April-June).



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

Despite the government procurement getting over by end of June, market prices in the major producing states are ranging from INR 18,400 (\$267) to 18,800 (\$273) per metric ton, significantly above the government MSP of INR 18,400 (\$267) per metric ton. Market prices during the balance of MY 2019/20 are likely to rule steady at or below the government’s open market sale prices of INR 20,800 (\$301) to 22,500 (\$326) per metric ton (see [IN9049](#)) due to ‘more than sufficient’ government wheat stocks.

No significant changes in the PSD to report from Post's last report [IN9056](#).

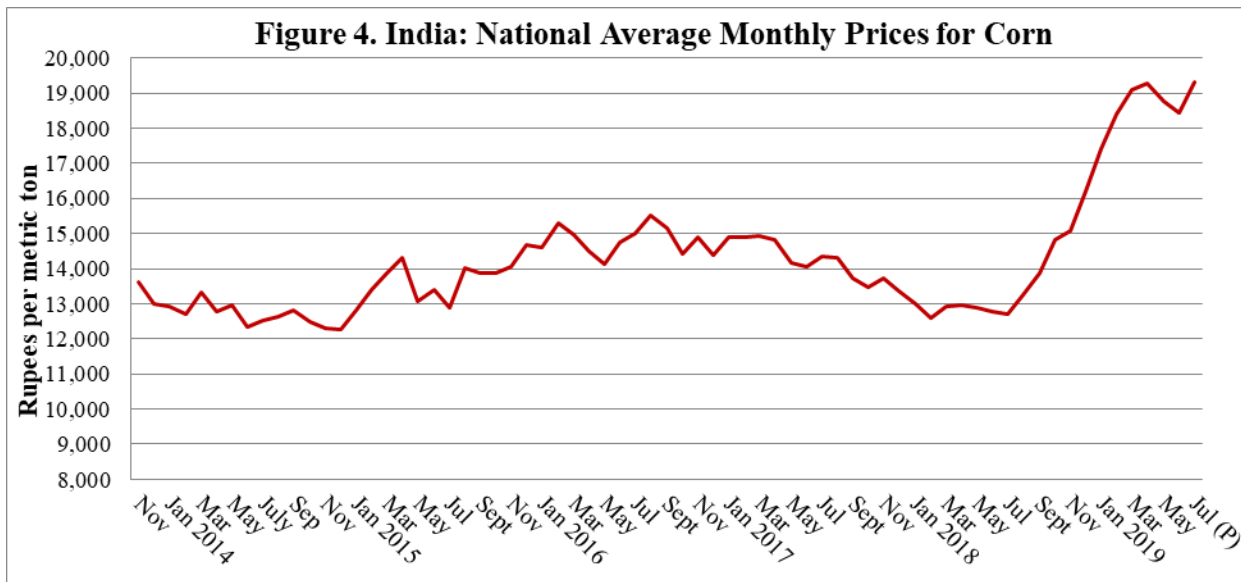
Table 7. India: Commodity, Corn PSD						
(Area in Thousand Hectares, Others in Thousand Metric Tons)						
Corn	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
Market Begin Year						
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9380	9472	9200	8980	9500	9500
Beginning Stocks	1337	1337	2329	2329	1129	1029
Production	28753	28753	27800	26500	29000	27000
MY Imports	28	28	500	500	500	1000
TY Imports	27	27	500	500	500	1000
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	30118	30118	30629	29329	30629	29029
MY Exports	1089	1089	500	500	500	500
TY Exports	1076	1076	500	500	500	500
Feed and Residual	16200	16200	17500	16800	17500	17200
FSI Consumption	10500	10500	11500	11000	11500	10800
Total Consumption	26700	26700	29000	27800	29000	28000
Ending Stocks	2329	2329	1129	1029	1129	529
Total Distribution	30118	30118	30629	29329	30629	29029
Yield	3.0654	3.0356	3.0217	2.951	3.0526	2.8421

Production Unchanged

Post continues to estimate MY 2018/19 corn production unchanged at 26.5 MMT on lower planting estimates and expected lower yield due to dry conditions in July/August 2018 in the major corn growing belt and incidence of new pest fall army worm (FAW). MY 2019/20 production forecast is also unchanged at 27 MMT from 9.5 million hectares on expected lower yields based on the historical yields in recent past and expected impact of FAW.

Domestic Prices Indicate Lower MY 2018/19 Harvest

Domestic prices escalated since the beginning of the MY 2018/19 with average prices during the three quarter (November 2018 to July 2019) more than 35 percent higher than the average prices during the corresponding period last year. Prices eased slightly in May/June with the harvest of *rabi* (winter) corn, but with the arrivals tapering prices have once again escalated in July to record levels (52 percent higher than last year) indicating a significant shortfall in domestic production in MY 2018/19 over last year.



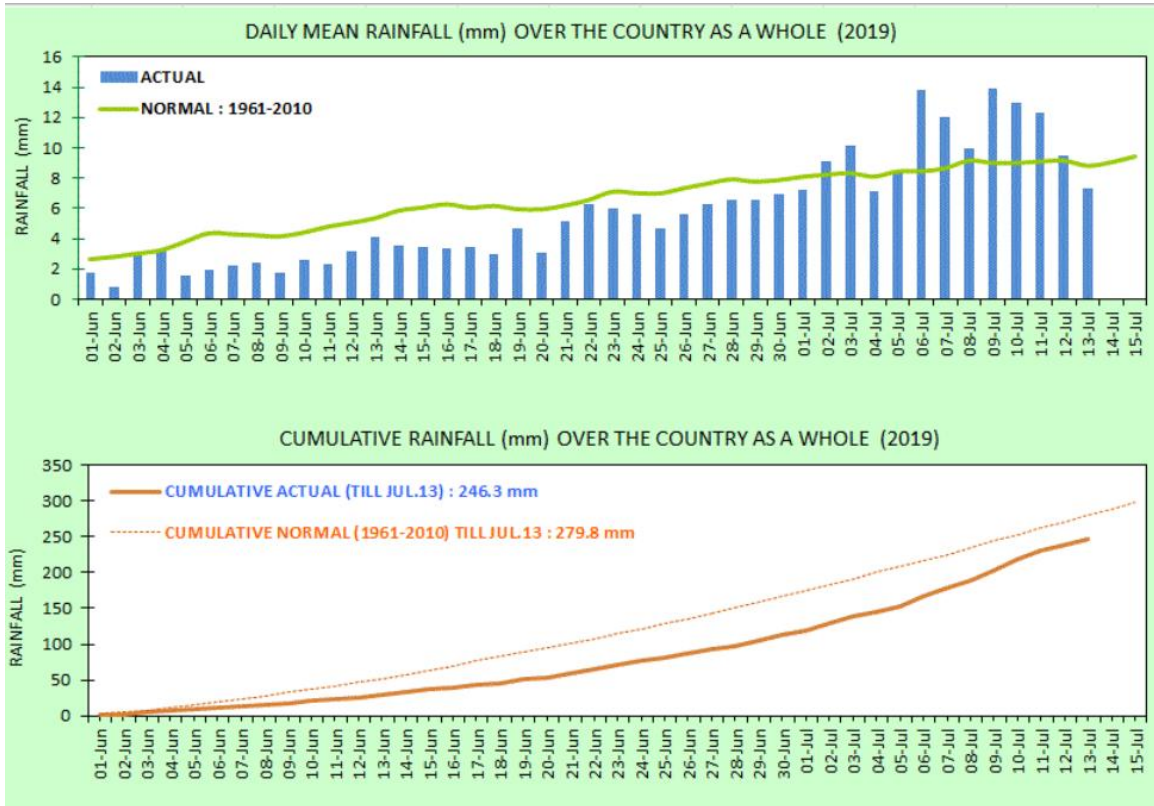
Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Market prices in the major producing states currently range from INR 16,520 (\$240) to INR 23,400 (\$339) per metric ton (spot), about 35 to 69 percent higher than prices July 2018 in these states.

Slow Planting Despite Strong Opening Prices

MY 2019/20 corn planting has been lagging behind last year on deficit rains in June, with total corn planted area through July 12, 2019, estimated 4.05 million hectares compared to 4.16 million hectares last year, and 4.19 million hectare normal for the preceding years, despite relatively high corn prices vis-à-vis other competing crops.

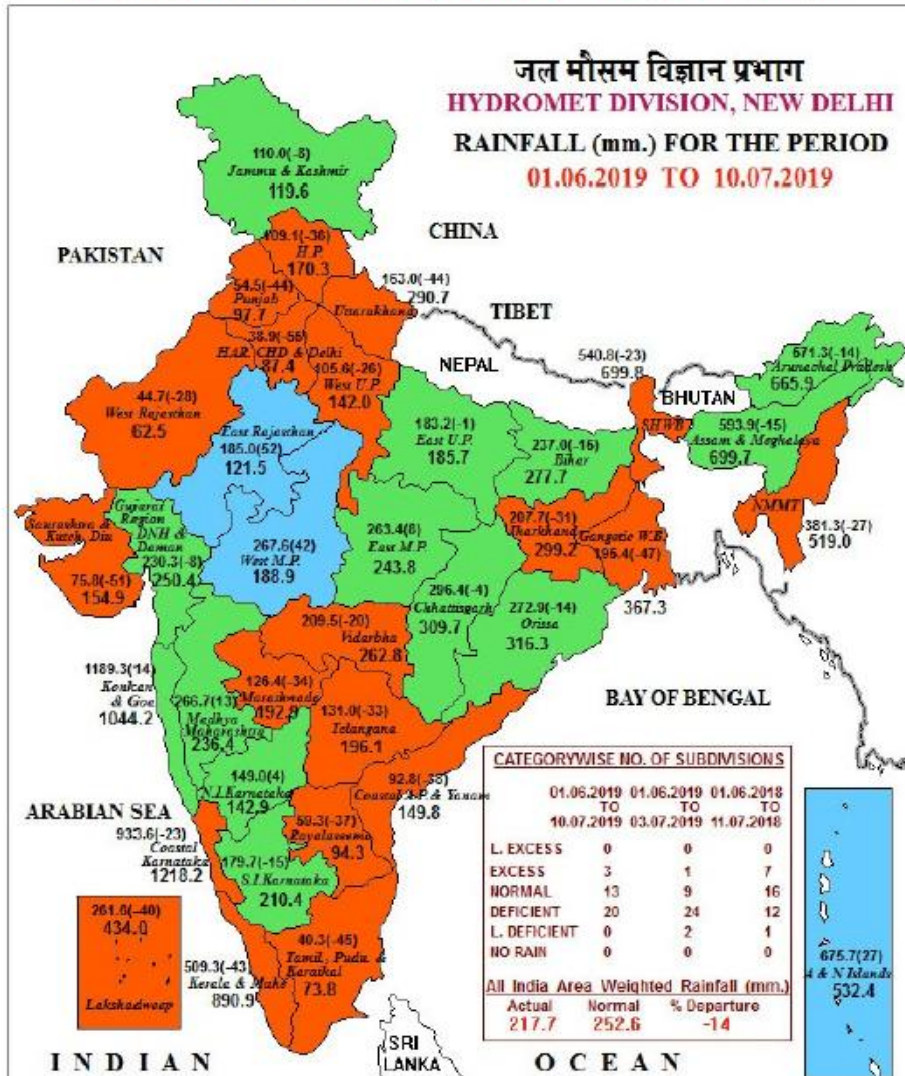
Appendix 1. India: Daily Mean Rainfall over Normal Rainfall until July 15, 2019



Source: [Indian Metrological Department](#), GOI.

Appendix 2. India: Cumulative Southwest Monsoon Rainfall Until July 10, 2019.

भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT



LEGEND: ■ L. EXCESS (+60% OR MORE) ■ EXCESS (+20% TO +59%) ■ NORMAL (+19% TO -19%)
 ■ DEFICIENT (-20% TO -59%) ■ L. DEFICIENT (-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: Indian Metrological Department, GOI