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GAIN Report

Global Agricultural Information Network

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Report Highlights:

Timely and strong 2013 monsoon rains have supported early planting of *kharif* (fall and early-winter harvested) crops, including rice, corn, and other coarse grains. Post continues to estimate MY 2013/14 production estimate at 87 million metric tons (MMT). Government wheat procurement is likely to touch 25.5 MMT against last year's record 38.2 MMT. Domestic wheat prices are a whopping 25 percent higher than last year. MY 2013/14 wheat exports continue to be estimated at 5.0 MMT.

General Information:

2013 *Kharif* Crop Planting Begins on a Strong Note on Timely Monsoon

With only about 44 percent of India's cropped area under assured irrigation, planting of most *kharif* crops, which include rice, coarse grains, pulses, oilseeds and cotton, is dependent on the progress of monsoon. Timely and strong 2013 monsoon rains have supported early planting of *kharif* (fall and early-winter harvested) crops across the country in the upcoming season. The 2013 monsoon covered the entire country two weeks before normal by June 16, 2013. Cumulative rainfall for the week ending June 26, 2013, was 37 percent above normal, with 29 of the 36 weather subdivisions receiving normal or above normal rainfall. Consequently, planting of *kharif* crops has started on a strong note, with total planted area till June 28, 2013, estimated at 25.1 million hectares, almost double last year's delayed monsoon affected planting.

Table 1: India: Planting of *Kharif* Crops in Indian Crop Year (July/June) till June 28, (Area in Million Hectares)

Crop	ICY 2013/14 Progressive Planting till June 28, 2013	ICY 2012/12 Progressive Planting till June 28, 2012
Rice	3.91	2.97
Pulses	1.05	0.00
Coarse cereals	2.93	0.56
Oilseeds	6.07	1.18
Sugarcane	4.74	4.94
Cotton	5.58	3.14
Total	25.10	13.59

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

Timely and strong precipitation of 2013 monsoon to date has provided excellent planting conditions to most crops, especially for transplanting of rice which is in full swing. Most agriculture experts expect planting of *kharif* crops in most states to be over on schedule by the third week of July. However, a normal monsoon with adequate and well distributed rains during the remaining July-September period will be critical for achieving Post's current forecast production estimates of rice, corn, sorghum, and millet. Monsoon performance during August/September also affects *rabi* (winter) season crops (wheat, pulses and rapeseed) by ensuring adequate soil moisture at the time of planting (October/November).

Support Price for *Kharif* Crops Raised

On June 28, 2013, the government announced the minimum support prices (MSP) for the *kharif* crops of the upcoming Indian crop year 2013/14. The MSP for paddy (unmilled) rice has been raised by about 5 percent over last year, while MSPs for corn and pigeon pea have been raised by over 11 percent.

Table 2. India: Minimum Support Price for Various Kharif Crops, in Indian Rupees (INR) per metric ton

Crop	Minimum Support Price		
	MY 2011/12	MY 2012/13	MY 2013/14
Rice, Paddy (Common)	10,800	12,500	13,100
Rice, Paddy (Grade A)	11,100	12,800	13,450
Corn	9,800	11,750	13,100
Pearl Millet	9,800	11,750	12,500
Sorghum (Hybrid)	9,800	15,000	15,000
Pigeon Pea	32,000	38,500	43,000
Mung Beans	35,000	44,000	45,000
Black Matpe	33,000	43,000	43,00

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

The timely announcement of higher MSPs will support planting of *kharif* crops, particularly rice and corn in irrigated areas. Despite relatively higher MSPs for corn and pigeon pea, most farmers will continue to plant rice due to the government's 'rice and wheat' focused food grain procurement system. Farmers also prefer rice with its higher 'assured' returns compared to coarse grains due to relatively stable yields and lower vulnerability to pests/diseases and climatic factors. Consequently, the revised MSPs are unlikely to cause any major shift in the cropping pattern for the upcoming 2012 *kharif* season. Market analysts report that the increase in MSPs could further cereal price inflation ([16.1 percent in May 2013](#)), and may also lead to higher government procurement of rice in the upcoming MY 2013/14 season.

WHEAT

Table 3. 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	29,400
Beginning Stocks	15,360	15,360	19,950	19,950	24,200	24,200
Production	86,870	86,870	94,880	94,880	92,000	87,000
MY Imports	17	17	10	10	10	10
TY Imports	17	17	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	102,247	102,247	114,840	114,840	116,210	111,210
MY Exports	891	891	6,500	6,500	8,000	5,000
TY Exports	1,722	1,722	8,000	7,800	8,000	5,000
Feed and Residual	3,100	3,100	3,400	3,400	3,500	3,500
FSI Consumption	78,306	78,306	80,740	80,740	84,510	83,000
Total Consumption	81,406	81,406	84,140	84,140	88,010	86,500
Ending Stocks	19,950	19,950	24,200	24,200	20,200	19,710
Total Distribution	102,247	102,247	114,840	114,840	116,210	111,210

MY 2013/14 Production Down

Post continues to estimate MY 2013/14 wheat production at 87 million metric tons (MMT) due to lower yields in major wheat growing states. Information from various agricultural research institutions, state officials and market sources in the major wheat producing states indicate 5 to 10 percent declines in yields below last year due to lower grain setting and smaller kernel size (see Table 4). Please see [IN3055](#) for more information on factors affecting MY 2013/14 wheat production.

Table 4. India: Wheat Area, Production and Yield by State, Area in Million Hectares, Production in Million Metric Tons and Yield in Kilograms per Hectare

State	2013/14 ¹			MY 2012/13			MY 2011/12		
	Area	Production	Yield	Area	Production	Yield	Area	Production	Yield
Uttar Pradesh	9.71	27.20	2802	9.73	30.29	3113	9.64	30.00	3112
Punjab	3.52	15.85	4504	3.53	17.28	4895	3.51	16.47	4692
Haryana	2.52	11.42	4532	2.52	12.69	5036	2.52	11.63	4615
Rajasthan	2.86	8.36	2921	2.94	9.32	3175	2.48	7.21	2907
Madhya Pradesh	5.30	11.88	2242	4.89	11.54	2360	4.34	7.63	1758
Bihar	2.20	4.62	2100	2.14	4.73	2210	2.10	4.10	1952
Gujarat	1.05	3.01	2864	1.35	4.07	3015	1.27	4.02	3165
Maharashtra	0.59	0.92	1556	0.80	1.31	1638	1.31	2.30	1756
Uttarakhand	0.36	0.77	2141	0.37	0.88	2378	0.38	0.88	2322
West Bengal	0.35	0.95	2719	0.32	0.87	2719	0.32	0.87	2744
Others	1.21	2.02	1669	1.31	2.00	1520	1.20	1.76	1462
All India	29.67	87.00	29320	29.90	94.88	3173	29.07	86.87	2988

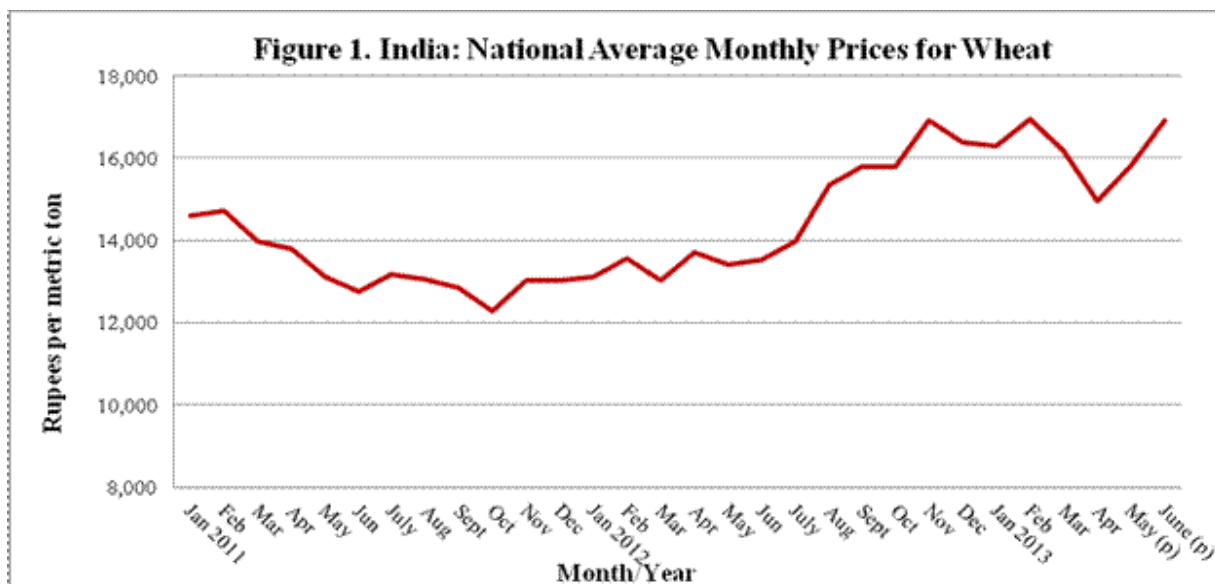
Note ¹ FAS New Delhi estimates based on post-harvest interviews of producers and merchants.

Source: Ministry of Agriculture, GOI.

While there is no published information, various local market and trade companies are currently estimating MY 2013/14 wheat production in the range of 80 to 85 MMT. Given that the government's 3rd advance estimate of 93.62 MMT was based on pre-harvest information from state governments, market sources expect the government to lower the production estimate in the 4th advance estimate to be announced in July.

Market Parameters Point to Lower Crop

With the market responding to the reports of lower than initially anticipated wheat yields, domestic prices have gone up sharply in May and June, the peak wheat arrival period (see fig 1). Average wheat prices in the month of June went up by 7 percent over previous month, and are a whopping 25 percent over last year.



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

Market prices in the last week of June in the major states ranged from INR 14,165 (\$240) to INR 17,910 (\$304) per metric ton, well above the government's procurement price of INR 13,500 (\$229) per metric ton. Consequently, government wheat procurement has virtually come to a halt, almost a month before it did last year. Cumulative government wheat procurement through June 20, 2012 is estimated at 25.1 MMT, more than 10 MMT behind last year (see Table 5). Market sources report that MY 2013/14 is likely to barely reach 25.5 MMT, against the initial target of 44 MMT, and more than 30 percent lower than last year's procurement.

Table 5. India: Government Procurement of Wheat by State, in million metric tons

State	April-March		As of June 30	
	MY 2011/12	MY 2012/13	MY 2012/13	MY 2013/14
Punjab	10.96	12.83	12.83	10.89
Haryana	6.93	8.67	8.67	5.87
Madhya Pradesh	4.97	8.49	8.51	6.36
Uttar Pradesh	3.46	5.06	4.35	0.68
Rajasthan	1.30	1.96	1.83	1.27
Total	28.34	38.15	36.89	25.08

Note: Government procurement price is INR 13,500 per metric ton, except for Madhya Pradesh and Rajasthan, where the state governments give an additional bonus of INR 1,500 per metric ton.

Source: Food Corporation of India, GOI.

Market sources report that major exporters and traders have not been actively buying and stocking wheat due to relatively weak international prices. While local traders and some farmers are holding some wheat, they do not have the capacity to hold large quantities. Low government procurement and strong domestic prices clearly point toward a lower MY 2013/14 wheat production compared to last year's record harvest.

Stocks Ease

Government-held wheat stocks on June 1, 2013, were officially estimated at 44.4 MMT, nearly 12 percent lower than last year's record stocks on June 1, 2012. Nevertheless, the government stocks are still more than double the government's desired June 1 stocks of 20.1 MMT. Consequently, a significant quantity of MY 2013/14 crop as well as old crop (MY 2011/12 and 2012/13) wheat will continue to be stored in the open on plinths with polythene covers, estimated in the range of 10 to 12 MMT which needs to be liquidated either in the domestic market or through exports.

Government Wheat Exports by Parastatals Taper Off

The government wheat exports through parastatals against the 4.5 MMT export quota will continue through July. Due to weak international prices, there has been limited interest from buyers for the tenders in the month of June. Against the quantity of 340,000 metric tons tendered in June, only 130,000 metric tons has been allocated in the price range of \$300.01 to \$304.00 per metric ton, slightly above the government floor price of \$300 per metric ton.

Table 6. India: Government Wheat Tenders in 2013

Agency	Quantity (Metric 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,	Mar 5-31	305.00	New Mangalore

		<u>2013</u>			
MMTC	75,000	<u>Mar 5, 2013</u>	Mar 15-Apr 5	303.40	Kakinada
PEC	40,000	<u>Mar 6, 2013</u>	Mar 15-Apr 15	303.40	Karaikal
MMTC	35,000	<u>Mar 11, 2013</u>	Mar 15-Apr 20	305.08	Pipavav
STC	70,000	<u>Mar 12, 2013</u>	Mar 20-Apr 20	305.08	Chennai
MMTC	40,000	<u>Mar 14, 2013</u>	Mar 25-Apr 20	305.08	Mormugoa
PEC	75,000	<u>Mar 15, 2013</u>	Mar 25-Apr 15	305.27	Kandla
PEC	80,000	<u>Mar 20, 2013</u>	Mar 25-Apr 30	306.87	Krishnapatnam
STC	155,000	<u>Mar 20, 2013</u>	Apr 1-May 10	305.72	Mundra
PEC	50,000	<u>Mar 25, 2013</u>	Apr 1-30	304.72	Gangavaram
PEC	55,000	<u>Mar 28, 2013</u>	Apr 10-May 20	305.87	Krishnapatnam
PEC	75,000	<u>Apr 2, 2013</u>	Apr 15-May 15	301.88	Kandla
STC	60,000	<u>Apr 16, 2013</u>	May 10-Jun 10	302.48	Chennai
STC	100,000	<u>Apr 17, 2013</u>	May 15-Jun 20	304.00	Mundra
MMTC	35,000	<u>Apr 12, 2013</u>	May 5-June 5	302.03	Kakinada
STC	40,000	<u>May 22, 2013</u>	June 1-25	302.50	Chennai
STC	60,000	<u>May 22, 2013</u>	June 5-25	304.50	Mundra
PEC	40,000	<u>May 23, 2013</u>	June 1-20	305.00	Kandla
PEC	30,000	<u>May 23, 2013</u>	June 7-20	303.10	Gangavaram
PEC	40,000	<u>May 23, 2013</u>	June 1-20	301.00	Krishnapatnam
MMTC	50,000	<u>June 3, 2013</u>	June 5-30	304.00	Kakinada
PEC	30,000/1	<u>June 19, 2013</u>	June 20-July 25	300.10	Kandla
STC	50,000/2	<u>June 20, 2013</u>	June 25-July 15	300.40	Mundra
TOTAL	2,330,000				
Recent Tenders Cancelled					
STC	30,000	<u>Mar 26, 2013</u>	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	65,000	Apr 5, 2013	Apr 9-May 9	Cancelled	Pipavav
MMTC	40,000	Apr 9, 2013	Apr 20-May 20	Cancelled	Mormugoa
MMTC	100,000	May 21, 2013	June 1-30	Cancelled	Kakinada
MMTC	100,000	June 21, 2013	June 28-July 25	Cancelled	Pipavav

Note: In some tenders, quantity allocated has been lower than the quantity mentioned in the tender.

1/ Allocated only 30,000 against the tender quantity of 90,000 MT.

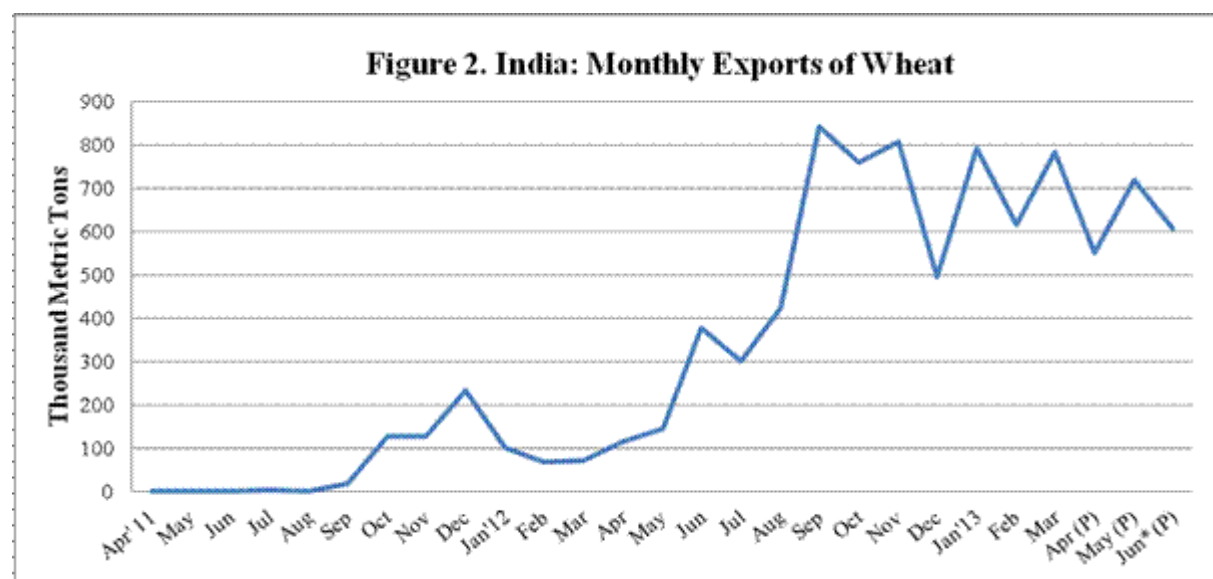
2/ Allocated only 50,000 against the tender quantity of 100,000 MT.

STC- State Trading Corporation; PEC - Project Export Corporation; and MMTC - Minerals and Metals Trading Corporation

With the lower wheat procurement and no immediate storage crisis, the government may not be in a hurry to announce a new export quota through parastatals or to lower the current floor price for exports of government wheat directly from warehouses in Punjab and Haryana. However, the government may review the policy in August/September after assessing *kharif* rice production and procurement prospects.

Exports Prospects Stay Weak

India's 2012/13 July-June wheat export estimate is revised to 7.8 MMT based on the latest monthly export statistics. Preliminary figures for wheat exports from July 2012 through June 26, 2013, indicate sales of 7.7 MMT of wheat, both government and private-wheat sourced from open market.



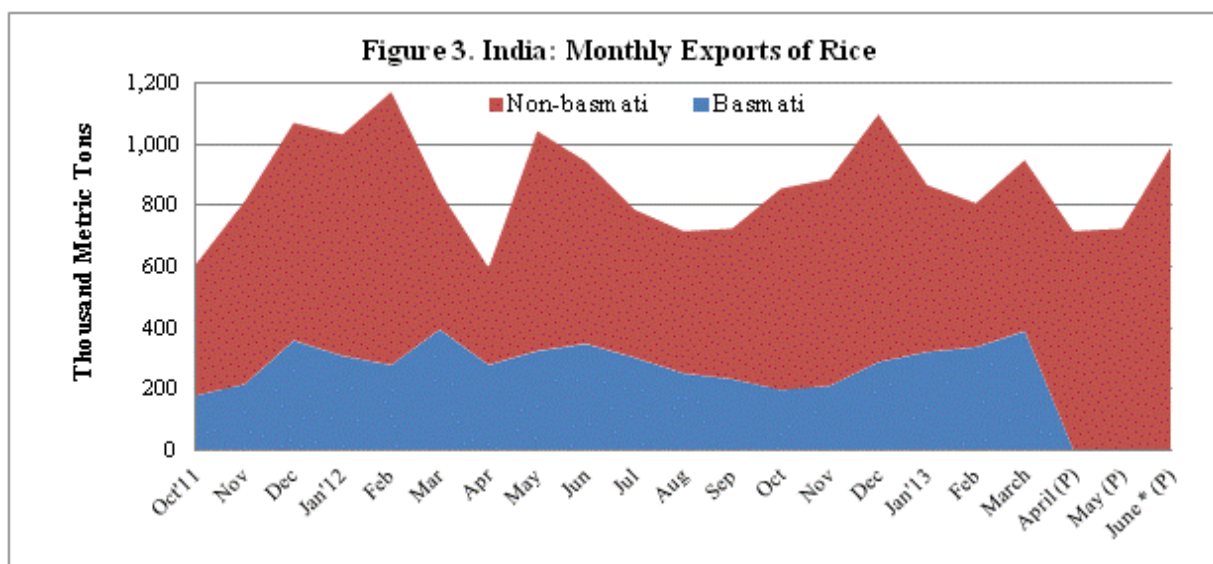
Source: Monthly exports till March 2013 from Directorate General of Commercial Intelligence (DGCIS), GOI; April, May and June 1-26, 2013 figures are derived from shipping data compiled by Infodrive. (P) indicates provisional figures.

Forecast lower production, government procurement and currently weak international prices are likely to affect adversely MY 2013/14 wheat export prospects. Despite the recent weakening of the value of the Indian rupee vis-à-vis the U.S. dollar, export prospects remain unaffected due to the strong surge in domestic wheat prices. Consequently, Post continues to estimate MY 2013/14 wheat exports at 5.0 MMT (3.0 MMT of government wheat and 2.0 MMT of wheat procured by private trade in the open market).

RICE

Rice Exports Steady

According to the preliminary official statistics for January-March 2013, and April, May and June 1-26, 2013, shipping data compiled by a private source, rice exports are estimated at 5.0 MMT compared to 5.6 MMT during the corresponding period last year. Provisional shipping data compiled by a private source for the period June 1 to 26, 2013 reveal a strong surge in exports in the month of June, which are likely to exceed cross 1.0 MMT on strong exports of non-Basmati rice to African countries, including Senegal, Benin, South Africa, Cote d' Ivoire, and Cameroon.



Source: Monthly exports till March 2013 from DGCIS, GOI; April, May and June 1-26, 2013, figures are derived from rice shipping data compiled by Infodrive, which does not break out Basmati and non-Basmati. (P) indicates provisional figures.

Trade sources attribute the strong June off take of non-Basmati rice as “pipeline” exports to Africa to cover requirements for the next few months (July-Sept) when exports from India could be hampered by monsoon rains. Exports of Basmati and other long grain rice exports have also been strong as Iran remains the major buyer for Indian Basmati rice. With the forecast of a normal monsoon and consequent

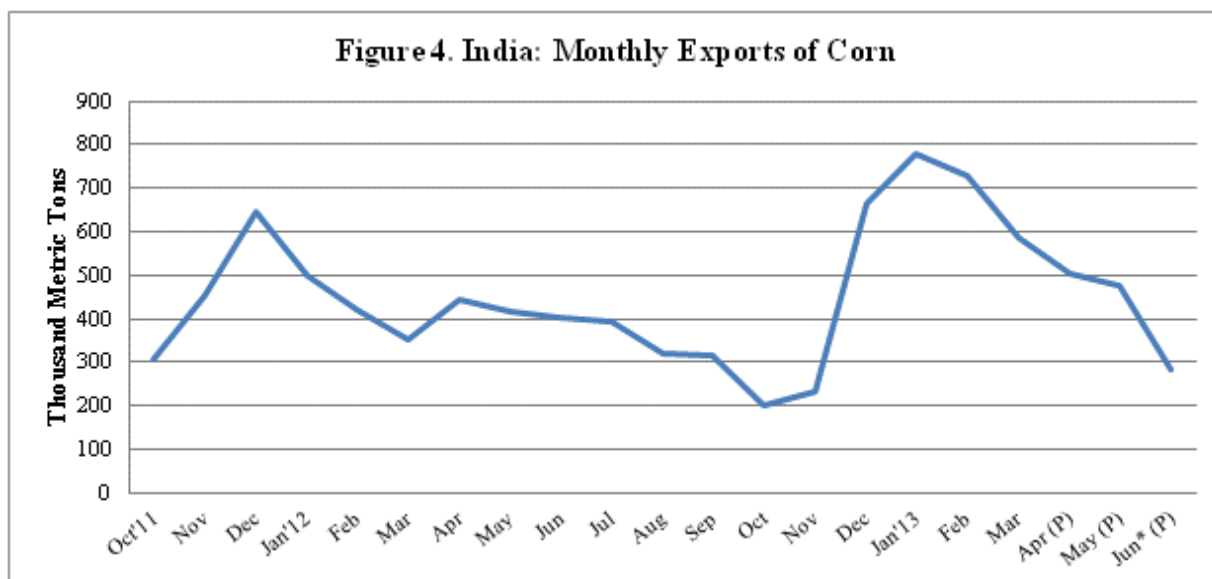
sufficient domestic rice production, the Indian government is unlikely to impose any export restrictions. Assuming current price parity and pace of exports continue, Post estimate for CY 2013 rice exports remains unchanged at 9.0 MMT.

Basmati Exports in the Media

In June 2013, the All India Rice Exporters Association began to broach in the Indian mass media (*Economic Times*, [CNBC-TV18](#), Chandigarh *Tribune*) discontent over the number of basmati rice cargoes rejected at U.S. ports of entry for contamination with residues of chemicals not registered in the United States. The association has accused the United States of erecting a non-tariff barrier and of failing to honor its commitments under the World Trade Organization Agreement on Sanitary and Phytosanitary Measures. The association told the *Economic Times* that in the first quarter of 2013, Indian basmati exports to the United States were only 19,583 metric tons. In an interview with the *Tribune*, Arvinder Pal Singh, president of the Punjab Rice Millers Exporters Association, explained why exporters are worried about access to the relatively minor U.S. market for Basmati, saying, “Though the main market for Indian basmati exports is West Asia, the inaccessibility of the [U.S.] market because of the pesticide residue levels could have an adverse impact on the Indian basmati exports.”

CORN

Exports Start Tapering Off



Source: Monthly exports till March 2013 from Directorate General of Commercial Intelligence (DGCIS), GOI; April, May and June 1-26, 2013 figures are derived from shipping data compiled by Infodrive. (P) indicates provisional figures.

According to preliminary official statistics for November 2012 to March 2013, and April, May and June 1-26, 2013, shipping data compiled by a private source, corn exports are estimated at 4.3 MMT compared to 3.6 MMT during the corresponding period last year. Provisional shipping data show exports during June 1 to 26, 2013, coming down to 284,000 metric tons. Market sources expect exports to slow further in the coming months due to relatively strong domestic prices, quality issues with the rain affected *rabi* corn, and infrastructure problems during the monsoon period. Consequently, Post continues to estimate MY 2012/13 corn exports at 4.8 MMT.