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## India

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### **Grain and Feed Voluntary – June 2018**

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**Report Highlights:**

On May 16, 2017, the Ministry of Agriculture (MOA) raised the third advance estimate for grains production for the Indian Crop Year 2017/18 (July-June) to a record 279.5 million metric tons (MMT). The MY 2017/18 rice production estimate is raised higher to a record 111 MMT on reported higher planted acreage. MY 2018/19 wheat production is raised higher to 98 MMT on reports of higher yields due to favorable weather through harvest. On May 23, 2018, the Ministry of Finance raised the import duty on wheat to 30 percent from 20 percent. Consequently, MY 2018/19 wheat imports are revised lower to 0.5 MMT.

## General Information:

### Government Raises 2017-18 Food Grain Production Estimate to New Record

On May 16, 2018, the Ministry of Agriculture (MOA) released the [Third Advance Estimates of Production of Food Grains for the Indian Crop Year \(ICY\) 2017/18 \(July-June\)](#), estimating grain production at a record 279.5 million metric tons (MMT), surpassing the 277.5 MMT estimated in the [Second Advance Estimate \(February 27, 2018\)](#), and about 4.5 MMT higher than last year's record harvest. [MOA attributes](#) the forecast record grain production to near-normal 2017 monsoon rainfall and various policy initiatives taken by the government.

The MOA's ICY 2017/18 grain production estimate includes MY 2017/18 rice, coarse grains, and pulse crops harvested last fall (*kharif*) and this spring (*rabi*), as well as the MY 2018/19 wheat and barley crops (*rabi*) harvested in March-May 2018. The MOA's ICY 2017/18 grain production estimate includes record production of:

- Rice at 111.5 MMT (vs. 109.7 MMT in 2016-17) on reported higher planting (43.9 million hectares vs. 42.9 million hectares in 2<sup>nd</sup> Advance Estimate) and record yields (2.54 MT/hect vs. previous record of 2.49 MT/hect in 2016/17);
- Wheat at 98.6 MMT (vs. 98.5 MMT in ICY 2016-17 or MY 2017/18) on record yields (3.32 MT/hect vs. previous record 3.2 MT/hect in ICY 2016/17), despite lower planting than last year;
- Corn at 26.9 MMT (vs. 25.9 MMT in 2016-17) on record yields (2.9 MT/hect vs. 2.7 MT/hect in 2016-17); and
- Pulses at 24.5 MMT (vs. previous record 23.1 MMT in 2016-17) on near record planting and record yields (0.89 MT/hect vs. 0.79 MT/hect in 2016-17).

The 2017 southwest monsoon was normal for the country, but some parts of northwest and central India faced early withdrawal of monsoon, affecting soil moisture conditions for the winter planted *rabi* crops. The northeast monsoon (October-December) which provides rainfall to the southern states (October to December) was relatively better compared to last year, supporting production prospects in south India. However, market sources report that the government estimates may be slightly optimistic and likely to be adjusted lower after the yield estimates for the *rabi* crops are available.

The third advance estimates are based on: (i) acreage estimates for both *kharif* and (provisional) *rabi* crops; (ii) yield estimates for the *kharif* crops based on the crop cutting survey reports from major states; and (iii) early harvest reports and crop condition survey reports at the harvest of the *rabi* crops. The MOA will further revise the ICY 2017/18 estimate in August (fourth advance estimate) based on the revised data from various state governments on acreage and yields (based on crop cutting experiments) for both *kharif* and *rabi* crops; MOA will finalize the ICY 2016/17 estimates by February 2019.

## WHEAT

<b>Table 1. India: Commodity, Wheat PSD</b>
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(Area in thousand hectares, quantity in thousand metric tons and yield in MT/hectare)						
Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2016		Apr 2017		Apr 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30220	30220	30785	30785	30000	29720
Beginning Stocks	14540	14540	9800	9800	11754	13230
Production	87000	87000	98510	98510	95000	98000
MY Imports	5896	5896	1165	1165	2000	500
TY Imports	6147	6147	1000	1000	2000	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	107436	107436	109475	109475	108754	111730
MY Exports	516	516	411	411	400	400
TY Exports	409	409	300	300	400	400
Feed and Residual	4700	4700	5000	5000	5000	5000
FSI Consumption	92420	92420	92310	90834	93000	93000
Total Consumption	97120	97120	97310	95834	98000	98000
Ending Stocks	9800	9800	11754	13230	10354	13330
Total Distribution	107436	107436	109475	109475	108754	111730
Yield	2.8789	2.8789	3.1999	3.1999	3.1667	3.2974

### MY 2018/19 Production Raised...

Post estimates MY 2017/18 wheat production higher at 98 MMT based on higher than earlier expected yields as communicated in early harvest reports from the major wheat growing states. Despite relatively dry planting conditions and low winter rains, extended low temperatures during critical growth stages through harvest have supported record yields, especially in wheat growing areas with assured irrigation facilities. Strong market arrivals and higher government wheat procurement compared to last year also suggest a near record wheat harvest during the current season. Field reports suggest that the yields are higher than last year in most states, except Rajasthan and Madhya Pradesh due to the absence of adequate and assured irrigation facilities. Most industry sources estimate the crop harvest to be about the same as last year, despite lower planting. Post's MY 2018/19 estimate of 98 MMT is marginally lower than the government's third advance estimate of 98.8 MMT on expected lower yields in the irrigation deficient states.

Market arrivals are likely to be over in most states by the first week of June, but will continue through early July in the central and eastern regions. Some wheat held by farmers and local traders will

continue to be marketed throughout the year in most states, except Punjab and Haryana, where most of the locally produced wheat is procured by the government. Field sources report that farmers and local traders are likely to hold lower than normal quantities of wheat on the expectation that wheat prices are likely to remain stable through the year due to higher government wheat stocks.

### ... Strong Procurement

Strong government wheat procurement during the current season supports the expected bumper harvest. Total government procurement of wheat through May 26, 2018, is estimated at 33.9 MMT compared to 29.3 MMT last year during the corresponding period, already surpassing the government expected procurement target of 32 MT.

**Table 2. India: Government Procurement of Wheat by State**  
(Quantity in MMT)

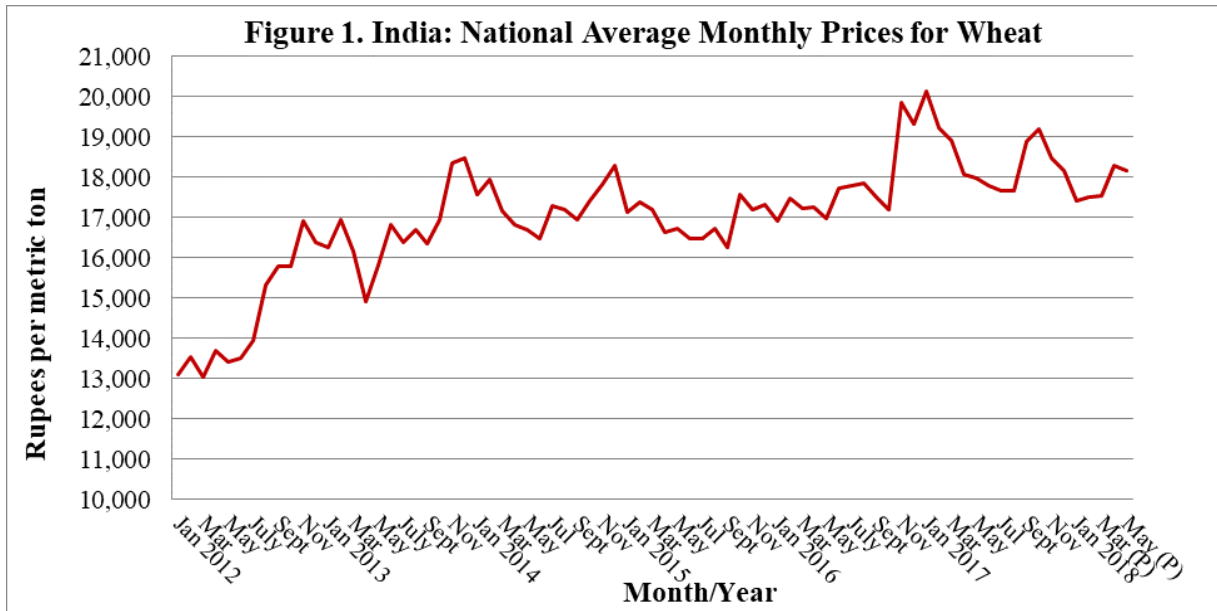
State	MY 2017/18	MY 2017/18	MY 2018/19
	April-March	April - May 26	April - May 26
Punjab	11.71	11.67	12.66
Haryana	7.43	7.41	8.74
Madhya Pradesh	6.73	6.53	7.06
Uttar Pradesh	3.70	2.54	3.82
Rajasthan	1.25	1.09	1.45
Others	0.02	0.02	0.14
Total	30.83	29.26	33.85

Source: Food Corporation of India, GOI

Wheat procurement in the major surplus states has been significantly higher than last year due to higher government minimum support prices relative to the open market prices. Procurement in Punjab and Haryana is likely to be at near record levels (the previous record was in MY 2012/13) and will be over by the first week of June. Procurement is likely to continue in other states through June on late harvest of wheat and staggered post-harvest sales by farmers due to relatively weaker procurement infrastructure. While procurement officially continues through June, volumes are likely to taper off by the third week of June. Government sources expect that MY 2018/19 wheat procurement may exceed 35 MMT, well above last year's procurement (30.8 MMT) and the government's initial procurement target this year (32 MMT).

### ... Prices Steady

Due to ongoing government procurement operations, domestic prices have been hovering around the government's MSP in most producing states, with prices in major producing states currently range from INR 17,033 (\$254) to INR 17,680 (\$264) per metric ton, around the government's MSP of INR 17,350 (\$259) per metric ton. However, wheat prices in the non-producing states range from INR 19,200 (\$287) to 22,385 (\$334) per metric ton.



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

Market prices are likely to remain steady through the next few months on sufficient domestic supplies and more than sufficient government wheat stocks. Market sources report that the government is likely to have 12 to 13 MMT of additional wheat stocks after meeting the requirements for the ongoing food security programs (27-28 MMT) and year end buffer stock norms (7.46 MMT). Consequently, future price movements are likely to be largely driven by the government’s policies regarding open market sale of wheat and import tariffs.

**Government Raises Import Duty...**

On March 28, 2017, the Ministry of Finance issued a [notification raising the basic custom duty on wheat to 30 percent ad valorem](#). Market sources report that the duty has been raised to protect domestic wheat growers from the impact of imports of cheaper international wheat. Earlier, the [import duty on wheat was raised to 20 percent](#) in November 2017, after the government imposed [a basic custom duty of 10 percent on imports of wheat](#) in March 2017. Market sources report that an import duty of 30 percent precludes wheat imports, even in the coastal southern India markets, for which imported wheat has a freight advantage over domestic wheat shipped from the northern and central producing areas.

**...MY 2018/19 Imports Lowered**

With the increase in the import duty, Post’s MY 2018/19 wheat import forecast is revised lower to 0.5 MMT assuming relatively stable domestic prices on sufficient production. Market sources expect imports to be limited to quality wheat by south Indian millers for blending purpose to meet specific flour use requirement.

## MY 2017/18 Consumption Revised

MY 2017/18 consumption estimate has been revised lower to 95.8 MMT to account for the estimated higher MY 2017/18 government ending stocks for wheat. MY 2018/19 consumption forecast is unchanged at 98 MMT on expected normal growth in consumption.

## Ending Stocks Raised

Based on the official government [wheat stock estimates on April 1, 2018](#), MY 2017/18 ending stocks have been raised higher to 13.23 MMT. MY 2018/19 forecast ending stocks are also raised higher to 13.3 MMT on higher government wheat procurement.

## RICE

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	42900	43916	43500	43500
Beginning Stocks	18400	18400	20550	20550	20000	20500
Milled Production	109698	109698	110000	111000	109000	109000
Rough Production	164563	164563	165017	166517	163516	163516
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	130550	131550	129000	129500
MY Exports	11772	11772	13200	13200	13000	13000
TY Exports	12560	12560	13200	13200	13000	13000
Consumption and Residual	95776	95776	97350	97850	98000	98500
Ending Stocks	20550	20550	20000	20500	18000	18000
Total Distribution	128098	128098	130550	131550	129000	129500
Yield (Rough)	3.7407	3.7407	3.8466	3.7917	3.759	3.759

## MY 2017/18 Production Raised

Post's MY 2017/18 rice production estimate is raised higher to a record 111 MMT on higher planted area reported by the government in the third advance estimate. Based on the revised official estimates from the MoA, MY 2017/18 planted area is revised higher to 43.9 million hectares. Post's MY 2017/18 production estimates are marginally lower than MoA's third advance estimate on expected lower yield

of *rabi* and summer rice based on field reports and relatively weaker government procurement in the second half of the marketing year.

### Government Procurement Slows Down

After relatively strong procurement in the first half of the marketing season, MY 2017/18 rice procurement has fallen behind last year on relatively strong offtake by exporters. Government rice procurement through May 26, 2018, is estimated at 35 MMT compared to 37.1 MMT during the corresponding period last year.

**Table 3. India: Government Rice Procurement by State**  
(Quantity in MMT)

State	MY 2016/17	MY 2016/17	MY 2017/18
	October-September	October 1 through May 26	
Punjab	11.05	11.05	11.83
Andhra Pradesh	3.72	3.51	3.60
Telangana	3.60	3.04	3.40
Chhattisgarh	4.02	4.66	3.21
Odisha	3.63	2.85	2.70
Haryana	3.58	3.58	3.97
Uttar Pradesh	2.35	2.35	2.92
West Bengal	1.92	1.86	0.05
Madhya Pradesh	1.31	1.31	1.10
Tamil Nadu	1.19	0.01	0.64
Others	<u>1.72</u>	<u>2.82</u>	<u>1.59</u>
Total	38.11	37.06	35.00

Source: Food Corporation of India, GOI

With additional procurement of *rabi* and summer rice likely to continue in eastern and southern states (slightly lower than last year), government rice procurement in MY 2017/18 is likely to exceed 36 MMT, about 2 MMT lower than last year's record procurement.

### Consumption Raised

Post's MY 2017/18 consumption estimate is raised higher to 97.9 MMT to account for higher domestic supplies. MY 2017/18 ending stocks estimate is also raised higher to 20.5 MMT, with the additional 0.5 MMT to be consumed in the forecast year 2018/19.

MY 2018/19 consumption forecast is raised higher to 98.5 MMT assuming normal consumption growth on forecast sufficient domestic supplies.

### CORN

No significant changes in the PSD or market development to report.