

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Grain and Feed Voluntary Update - October 2013

**Report Categories:**

Grain and Feed

Agriculture in the Economy

Trade Policy Monitoring

Competitor

Policy and Program Announcements

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**Report Highlights:**

Post's MY 2013/14 milled rice production has been lowered to 105 million metric tons (MMT) on lower planting (43.5 million hectare) than earlier anticipated due to deficient rains in eastern states. MY 2013/14 corn production is raised to 23.0 MMT on higher planting of *kharif* corn.

## General Information:

### Excellent 2013 Monsoon Rains Bolster Production Prospects

The 2013 monsoon rains have been above normal through the season (June-September), except for some parts of eastern India. Cumulative rainfall through September 25, 2013, was reported to be 5 percent above normal, with 30 of the 36 weather subdivisions receiving normal or above-normal rains. However, the eastern states of Bihar, Jharkhand, Orissa, Assam and West Bengal, and coastal Andhra Pradesh received deficient rains during the months of August and September.

Adequate monsoon precipitation in most parts of the country has replenished soil moisture and augmented water storage in major reservoirs, which provides favorable growing conditions for the ongoing *kharif* (fall and early-winter harvested) grain crops (rice, corn, sorghum and millet) and favorable planting conditions for the *rabi* (winter planted) crops (wheat, corn, rice, barley). However, the planting of *kharif* rice in the rain-deficit eastern states was adversely affected by deficient rains in August. Due to the continued intermittent dry spells in September, most of the planted *kharif* crops in these states are facing moisture stress conditions.

## RICE

**Table 1. India: Commodity, Rice, Milled, PSD, Area in Thousand Hectares, and Quantity in Thousand Metric Tons**

Rice, Milled India	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: May 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	44,100	44,100	42,410	42,410	44,500	43,500	(1000 HA)
Beginning Stocks	23,500	23,500	25,100	25,100	24,000	25,500	(1000 MT)
Milled Production	105,310	105,310	104,400	104,400	108,000	105,000	(1000 MT)
Rough Production	157,981	157,981	156,616	156,616	162,016	157,516	(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)
TY Imports	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	128,810	128,810	129,500	129,500	132,000	130,500	(1000 MT)

MY Exports	10,376	10,376	10,000	10,000	9,300	9,300	(1000 MT)
TY Exports	10,250	10,250	10,000	10,000	9,300	9,300	(1000 MT)
Consumption and Residual	93,334	93,334	95,500	94,000	98,200	96,700	(1000 MT)
Ending Stocks	25,100	25,100	24,000	25,500	24,500	24,500	(1000 MT)
Total Distribution	128,810	128,810	129,500	129,500	132,000	130,500	(1000 MT)
Yield (Rough)	4.	3.5823	4.	3.6929	4.	3.6211	(MT/HA)
TS=TD		0		0		0	

### Production Lowered

Post's MY 2013/14 milled rice production has been lowered to 105 MMT on lower planting (43.5 million hectare) than earlier anticipated due to deficient rains in eastern states, the major rice growing region where most of the rice is not irrigated. According to the government's provisional planting report for the period ending September 26, 2013, area planted to *kharif* rice was estimated at 37.6 million hectare, higher than last year but significantly lower than MY 2011/12.

**Table 2. India: Progress of Planting of Rice in Major States until September 26, Area in Million Hectares**

State	MY 2011/12	MY 2012/13	MY 2013/14	Normal Total Kharif Planting
Uttar Pradesh	5.96	5.88	5.96	5.69
West Bengal	4.42	4.11	4.19	4.12
Chhattisgarh	3.60	3.66	3.68	3.73
Odisha	3.59	3.57	3.67	4.01
Bihar	3.38	3.17	3.01	3.20
Punjab	2.75	2.83	2.77	2.76
Andhra Pradesh	2.56	2.13	2.53	2.65
Assam	2.22	2.17	2.11	2.12
Madhya Pradesh	1.64	1.66	1.84	1.59
Jharkhand	1.69	1.44	1.24	1.30
Haryana	1.21	1.08	1.16	1.19
Total	38.37	36.70	37.58	39.21

Source: Ministry of Agriculture, GOI.

Although planting of some rice will continue in some parts of eastern and southern India, total MY 2013/14 *kharif* planting is likely to be about a million hectares lower than the earlier anticipated normal *kharif* total planting of 39.2 million hectares. Consequently, MY 2013/14 rice area is revised lower to 43.5 million hectares.

There have been no reports of serious pest or disease infestations in the major rice growing areas across

the country. Field condition reports suggest that the rice crop is progressing well under adequate soil moisture conditions in most of the growing states, except eastern India. Most of the moisture-stressed rice crop in the eastern states is at the critical panicle initiation and milky stage and needs some rain in the next few weeks. Improved yield prospects due to timely planting and sufficient rains in most of the rice growing area will partially offset expected yield loss in eastern India. Assuming normal weather conditions through harvest (end-October to November), MY 2013/14 rice production is estimated at a near-record 105 MMT, marginally lower than the MY 2011/12 record crop of 105.3 MMT. However, continued dryness in October in eastern India and the ‘normal’ cyclones in October/November across coastal India could damage the standing crop and further temper the kharif rice production prospects.

### Procurement Down...

Total government rice procurement for MY 2012/13 is provisionally estimated at 34.0 MMT, nearly 3 percent lower than last year’s record procurement of 35.1 MMT. Lower procurement in the states of Andhra Pradesh and Uttar Pradesh accounts for most of the decline in procurement.

**Table 3. India: Government Procurement of Rice by State, in million tons**

State	MY 2009/10	MY 2010/11	MY 2011/12	MY2012/13 <sup>1</sup>
<b>Punjab</b>	9.28	8.64	7.73	8.56
<b>Andhra Pradesh</b>	7.55	9.61	7.54	6.46
<b>Chhattisgarh</b>	3.36	3.75	4.12	4.80
<b>Uttar Pradesh</b>	2.90	2.55	3.36	2.29
<b>Odisha</b>	2.50	2.47	2.87	3.61
<b>West Bengal</b>	1.24	1.31	2.04	1.76
<b>Haryana</b>	1.82	1.69	2.01	2.61
<b>Tamil Nadu</b>	1.24	1.54	1.60	0.48
<b>Total</b>	32.03	34.20	35.06	34.02

Note <sup>1</sup>: Provisional Estimate for October 1, 2012 to September 30, 2013.

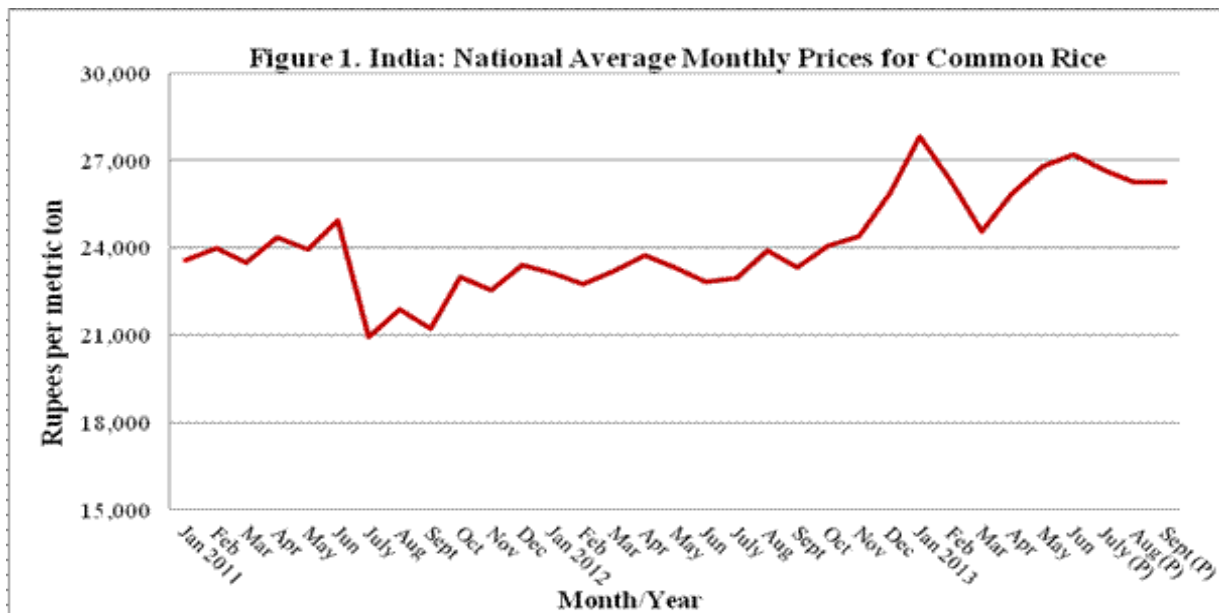
Source: Food Corporation of India, GOI.

### ... Ending Stocks Raised

MY 2012/13 ending stocks have been raised higher to 25.5 MMT on higher than anticipated government stocks due to weak off take by the government’s Public Distribution System. Despite lower procurement, government-held rice stocks on September 1, 2013, were officially estimated at 26.9 MMT, nearly 1.3 MMT higher than last year level. Based on reports of weak procurement and normal off take of government rice in September, October 1, 2013, stocks are estimated at 24.0 MMT compared to 23.4 MMT.

### Prices Ease

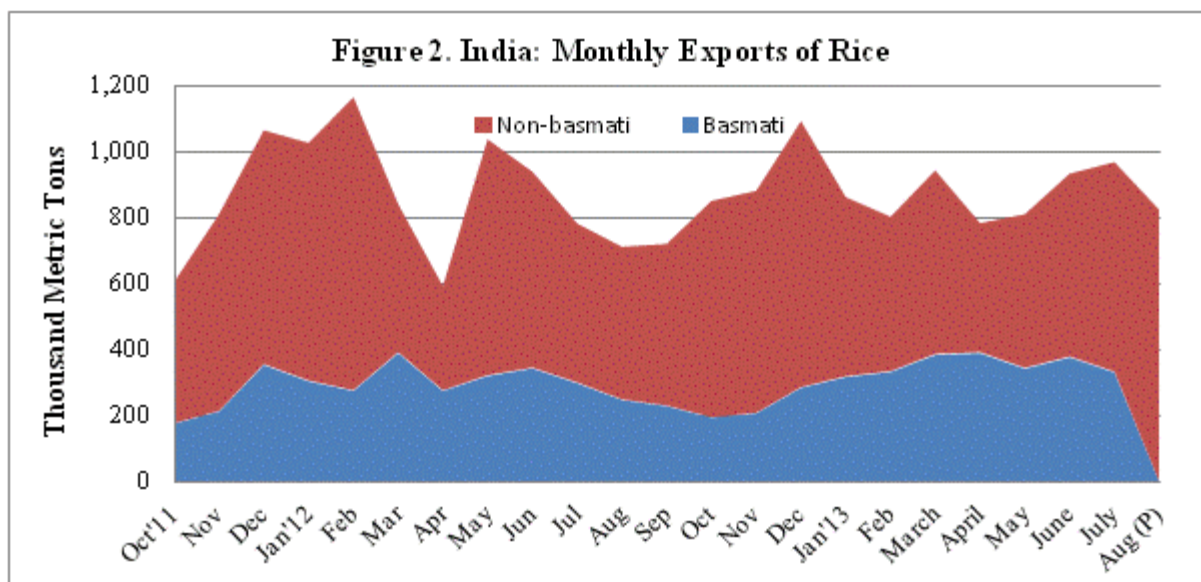
With another ‘bumper’ rice harvest imminent, domestic rice prices have continued to ease since July 2013, and are expected to soften further in October with the onset of harvest.



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI. While strong exports may likely temper price movement, government has enough rice stocks to control any significant flare up in domestic prices due to the upcoming parliamentary elections in 2014.

### Exports Steady

According to preliminary official statistics for January-July 2013 and August 2013 based on shipping data compiled by a private source, rice exports in the first eight months of CY 2013 are estimated at 6.9 MMT compared to 7.1 MMT during the corresponding period last year.



Source: Monthly exports till July 2013 from DGCIS; GOI; August 2013, figures are derived from rice shipping data compiled by Infodrive, which does not break out Basmati and non-Basmati. (P)- indicate provisional figures.

Assuming continued export demand and price parity of Indian rice vis-a-vis other origins, CY 2013 exports are likely to reach 10.0 MMT. With the forecast near-record MY 2013/14 production and “more-than-sufficient” government-held rice stocks, the Indian government is unlikely to impose any export restrictions in the near future.

## 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	8,800	8,800	8,710	8,710	9,000	9,400	(1000 HA)
Beginning Stocks	576	576	570	570	610	610	(1000 MT)
Production	21,760	21,760	22,230	22,230	22,500	23,000	(1000 MT)
MY Imports	3	3	10	10	10	10	(1000 MT)
TY Imports	3	3	10	10	10	10	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	22,339	22,339	22,810	22,810	23,120	23,620	(1000 MT)
MY Exports	4,569	4,569	4,800	4,800	3,500	3,500	(1000 MT)
TY Exports	4,674	4,674	4,800	4,800	3,500	3,500	(1000 MT)
Feed and Residual	8,800	8,800	8,900	8,900	9,400	9,900	(1000 MT)
FSI Consumption	8,400	8,400	8,500	8,500	9,000	9,000	(1000 MT)
Total Consumption	17,200	17,200	17,400	17,400	18,400	18,900	(1000 MT)
Ending Stocks	570	570	610	610	1,220	1,220	(1000 MT)
Total Distribution	22,339	22,339	22,810	22,810	23,120	23,620	(1000 MT)
Yield	2.	2.4727	3.	2.5522	2.	2.4468	(MT/HA)
TS=TD		0		0		0	

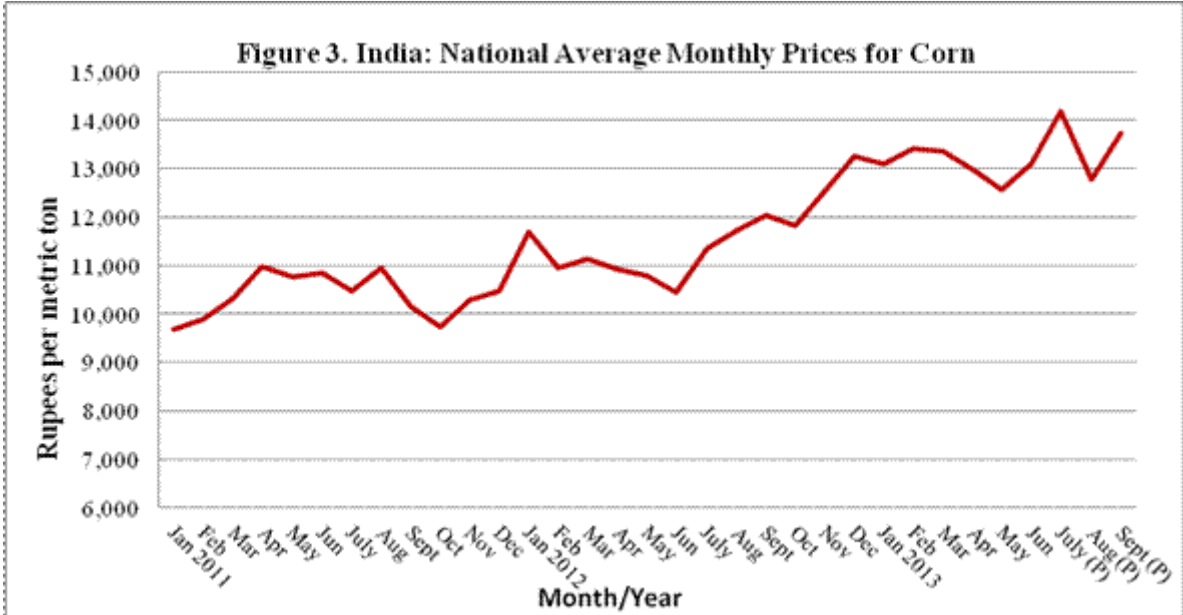
### Production Raised

Post’s MY 2013/14 corn production is raised to 23.0 MMT based on higher than anticipated planting of *kharif* corn. The government’s provisional planting report for the period ending September 20, 2013

estimate planted area under *khari* corn at 8.2 million hectares compared to 7.4 million hectare during the corresponding period last year. Timely and well distributed 2013 monsoon rains have facilitated higher planting of corn in the traditional rainfed (not under irrigation) corn growing areas in western and southern India. Assuming normal weather and market conditions, an additional 1.2 million hectare will be sown in the *rabi* (winter) season. Field reports suggest that the crop is progressing well under adequate soil moisture conditions. There have not been any reports of crop losses due to excess rains and flooding or pest and diseases in the major growing areas.

**Domestic Prices Firm**

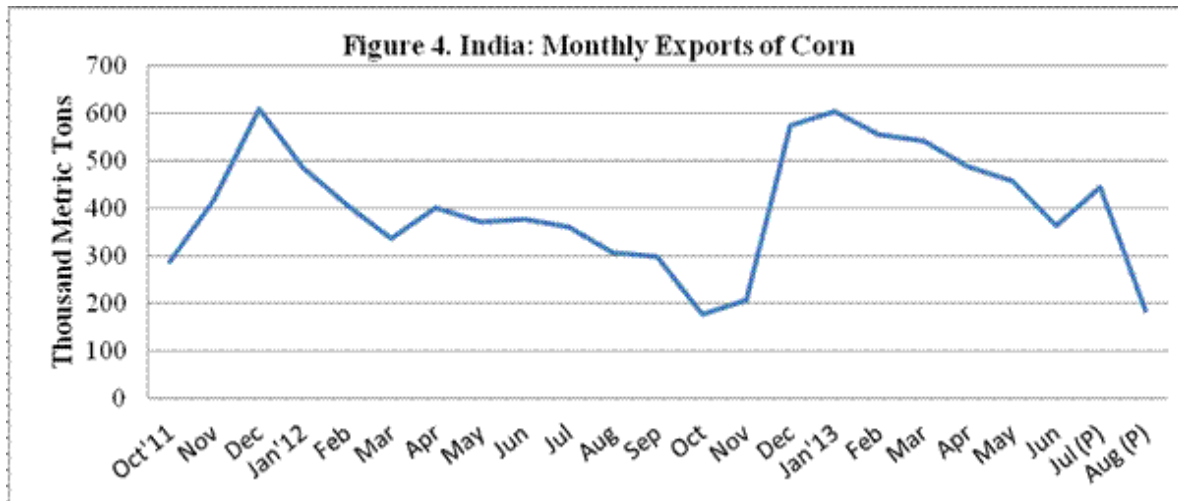
Despite forecast record production in the upcoming season, corn prices firmed up in September on a recovery in domestic demand, particularly from the poultry feed industry.



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

**Exports Unchanged**

According to the preliminary trade figures, MY 2012/13 corn exports through August 2013 are estimated at 4.4 MMT compared to 4.1 MMT for the corresponding period last year.



Source: Monthly exports till April 2013 from Global Trade Atlas; May, June and July 1-23, 2013 figures are derived from shipping data compiled by Infodrive.

(P) indicates provisional figures.

Provisional shipping data for exports show a strong decline in exports in August 2013 to 184,000 metric tons due to relatively weak international prices. With domestic price firming up further in September, market sources report that India is currently not price competitive in the international market compared to other origins. With some exports likely to continue to neighboring markets, MY 2012/13 exports are expected to touch 4.8 MMT.

## WHEAT

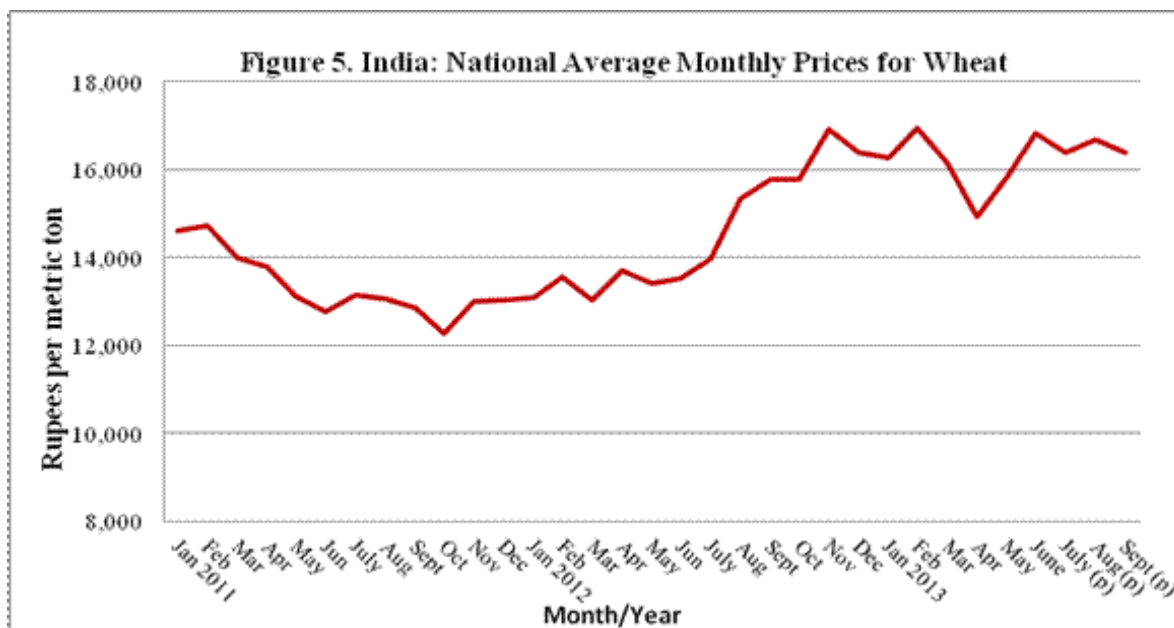
### Government Stocks Ease

Government wheat stocks on September 1, 2013, were estimated at 38.4 MMT, nearly 17 percent lower than last year's level. Assuming normal off take in September, wheat stocks on October 1, 2013, are estimated around 36.0 MMT, still more than double the government's desired October 1 stocks of 14.0 MMT. With the imminent near-record rice harvest from October, government continues to remain under pressure to liquidate additional wheat stocks to create space for the upcoming rice crop. In early August, the government announced open market sales of wheat for domestic users from Punjab and Haryana at the ex-warehouse floor price of INR 15,400 (\$246) per ton, but the off take has been very limited.

### Domestic Prices Subdued

Domestic prices in the past few months have remained subdued on weak demand, both domestic and exports.





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

Average spot prices for wheat in September in the major producing states ranged from INR 14,407 (\$231) to INR 17,700 (\$283) per metric tons. With government wheat stocks at double the requirement, the government may release additional subsidized wheat to control domestic prices, if warranted.

### Government Announces Additional Wheat Export Quota

On August 6, 2013, the Cabinet Committee on Economic Affairs approved export of an additional 2.0 MMT of wheat from government-held stocks through March 31, 2014, subject to the floor price of US\$300 per metric ton FOB. As with the previous 4.5 MMT export quota, exports will be channeled through the three trading parastatals (State Trading Corporation, Minerals and Metal Trading Corporation, and Project Export Corporation) and follow the same tendering and allocation procedure.

**Table 5. India: Government Wheat Tenders Against the New Export Quota**

Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
PEC	40,000	<a href="#">Oct 4, 2013</a>	Oct 15-Nov 15, 2013	NA	Kandla
STC	60,000	<a href="#">Oct 4, 2013</a>	Oct 15-Nov 15, 2013	NA	Mundra
MMTC	50,000	Oct 4, 2013	Oct 15-Nov 15, 2013	NA	Kakinada
<b>TOTAL</b>	<b>150,000</b>				

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

On September 12, 2013, the three parastatals floated tenders for 150,000 metric tons, which will be

reviewed for allocation on October 4, 2013. However, the high floor price (\$300 per ton) may not attract genuine buyers as global prices are much lower at \$260-270 per ton FOB level for similar wheat from competing origins. Market sources report that the export floor prices have to be brought down if the government is serious about exporting government wheat. Recent strong depreciation of the Indian rupee against the dollar also warrants lowering of the dollar export floor price. The Indian rupee has depreciated by about 14 percent compared to October 2012 when the government initially set up the export floor price of \$300 per ton. Consequently, the government may review the export price restriction after it receives the feedback from the parastatals on the price offer against the three tenders.