

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Normal to excessive rains fell during September in the major rice growing areas, thereby benefitting the standing *kharif* (fall and early winter harvested) rice crop, and providing favorable planting conditions for the *rabi* (winter harvested) wheat crop. Post's MY 2011/12 rice export estimate has been raised to a record 10.0 million tons on strong export demand and competitive prices vis-à-vis other origins. The government parastatals had floated tenders for 765,000 metric tons of government wheat by the end of September against the two-million-ton export quota announced in July.

General Information:

RICE

Table 1. India: Commodity, Rice PSD
(Area in Thousand Hectares, Others in Thousand Metric Tons)

Rice, Milled India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42,860	42,860	44,100	44,100	43,000	43,000
Beginning Stocks	20,500	20,500	23,500	23,500	26,000	25,000
Milled Production	95,980	95,980	104,320	104,320	98,000	98,000
Rough Production	143,984	143,984	156,496	156,496	147,015	147,015
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
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	116,480	116,480	127,820	127,820	124,000	123,000
MY Exports	2,774	2,774	8,000	10,000	7,000	7,000
TY Exports	4,637	4,637	8,000	10,000	6,500	6,500
Consumption and Residual	90,206	90,206	93,820	92,820	95,000	95,000
Ending Stocks	23,500	23,500	26,000	25,000	22,000	21,000
Total Distribution	116,480	116,480	127,820	127,820	124,000	123,000

Production Outlook Unchanged

Post continues to estimate MY 2012/13 production at 98 million tons from 43 million hectares of planted area. The delayed withdrawal of the southwest monsoon resulted in normal to excess rainfall during September in the major rice growing areas, thereby benefitting the standing *kharif* (fall and early winter harvested) rice crop. However, September rains have been too late to support additional rice planting. While rice production prospects have improved due to excellent rains in August/September, overall productivity is likely to be lower than last year due to the 2-3 week delay in planting. However, the September rains will improve soil moisture and water supplies in major reservoirs, thereby providing favorable planting conditions for the *rabi* (winter harvested) rice crop.

The government's preliminary planting report estimates area planted to *kharif* rice as of September 28, 2012, at 36.8 million hectares, about 1.6 million hectares less than last year. Lower planting has been reported in Andhra Pradesh, Bihar, Jharkhand, West Bengal, Uttar Pradesh and Haryana, while slightly higher area has been reported in Chhattisgarh, Madhya Pradesh and Odisha.

Table 2. India: Progress of Planting of Rice in major states as of September 28, 2012

(Area in million hectares)

State	MY 2012/13	MY 2011/12
Uttar Pradesh	5.893	5.953
West Bengal	4.095	4.332
Chhattisgarh	3.662	3.598
Odisha	3.592	3.588
Bihar	3.165	3.381
Punjab	2.810	2.818
Andhra Pradesh	2.162	2.558
Madhya Pradesh	1.663	1.641
Maharashtra	1.520	1.500
Jharkhand	1.438	1.693
Haryana	1.082	1.235
All India	36.765	38.360

Source: Ministry of Agriculture, Government of India.

Field reports suggest that the crop is progressing well under adequate soil moisture conditions, and there have been no reports of major pest and disease infestations in the major rice growing areas. Unlike previous years there are no reports of floods in eastern India (Bihar, West Bengal and Odisha), except for Assam. Assuming normal weather conditions, Post currently forecasts MY 2012/13 rice production at 98 million tons (84.5 million tons of *kharif* rice and 13.5 million tons of *rabi* rice, compared with the MY 2011/12 production of 104.3 million tons (89.0 million tons *kharif* rice and 12.8 million tons *rabi* rice). The Ministry of Agriculture released the [first crop estimate for the 2012/13 season](#) estimating the *kharif* rice production at 85.6 million tons.

Government Rice Procurement Up ...

Government rice procurement through September 28, 2012, reached 34.9 million tons, and is likely to have reached 35.0 million tons by October 1 (vs. 34.2 million tons in MY 2010/11). Record production boosted government procurement in many states, particularly the eastern states of West Bengal, Odisha, and Bihar. However, higher offtake of non-basmati rice by private trade for exports eased procurement pressure on the government from the rice-surplus states of Andhra Pradesh, Punjab and Uttar Pradesh; otherwise the government procurement may have gone even higher.

Table 3. India: Government Rice Procurement by State

Million Tons

State	MY 2012/13 ¹	MY 2010/11	MY 2009/10
Andhra Pradesh	7.55 (9.54)	9.61	7.55
Punjab	7.73 (8.63)	8.63	9.28
Chhattisgarh	4.12 (3.73)	3.75	3.36
Uttar Pradesh	3.35 (3.45)	2.55	3.01
Haryana	2.01 (1.69)	1.69	1.82
Tamil Nadu	1.60 (1.51)	1.54	1.22
Bihar	1.53 (0.87)	0.88	0.89
West Bengal	1.94 (1.23)	1.31	1.28
Others	5.09 (3.04)	4.24	3.62
Total	34.92 (33.69)	34.20	32.03

Source: Food Corporation of India, Government of India (GOI)

Footnote: ¹ Total rice procurement as of Sept 28, 2012. Figures in parentheses are previous year's procurement for the corresponding period.

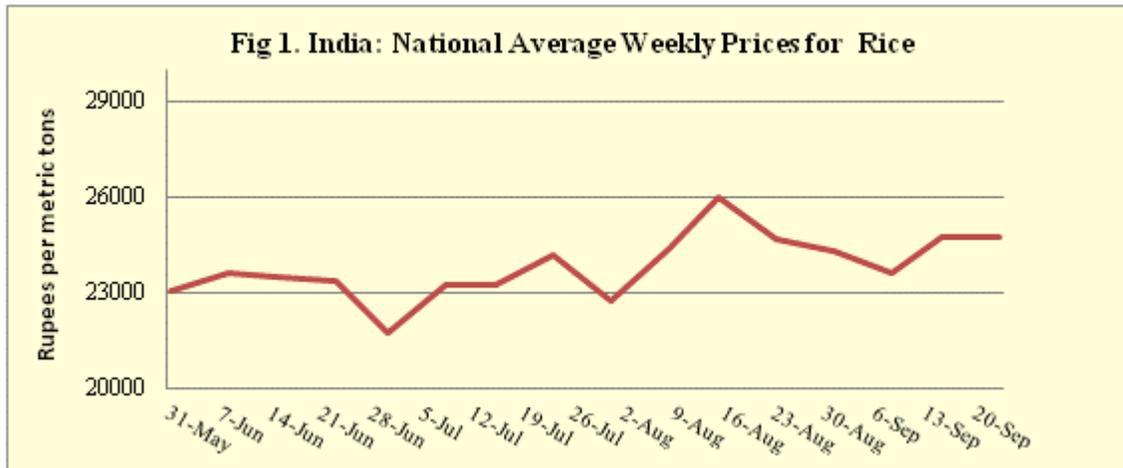
Government procurement of rice in MY 2012/13 is likely to rise to 36 million tons due to the significant increase in the government's minimum support price (MSP) for rice for the upcoming season (16 percent over last year, see IN2089). However, high international market prices of rice could temper the government rice procurement outlook.

.... Government Stocks High

Government rice stocks as of September 1, 2012, were estimated at 25.59 million tons, nearly 2.9 million tons higher than last year's level. Assuming normal offtake in the domestic market in September, official rice stocks on October 1, 2012, are estimated at 22.9 million tons compared to 20.4 million tons last year, and more than three times government's desired stock level of 7.2 million tons.

Price Stable

Domestic prices of rice gained strongly in the first fortnight of August on speculation about the 'imminent' drought due to the poor 2012 monsoon, and strong export demand. With the improvement in the monsoon rainfall, prices eased in the second week of August, and have been relatively stable in September despite strong export demand. The average domestic price of rice is likely to decline with the arrival of the new crop in the second week of October.



Source: Department of Agriculture and Cooperation, Ministry of Agriculture
Exchange rate as of October 1, 2012, INR 52.7 = \$ 1.00

MY 2011/12 Rice Export Raised

Post's MY 2011/12 rice export estimate has been raised to a record 10.0 million tons based on the latest official and trade reports on higher export offtake due to strong export demand and competitive prices vis-à-vis other origins. However, the MY 2012/13 export forecast is unchanged at 7.0 million tons on forecast relatively tight domestic supplies and expected higher domestic prices. The substantial increase in the government's MSP of rice for the upcoming season will likely prop up domestic prices, which is likely to affect adversely MY 2012/13 export prospects.

The latest official trade reports estimate rice exports during October 2011 through June 2012 at 8.2 million tons, which includes 2.7 million tons basmati rice and 5.5 million tons non-basmati rice. Trade sources report that export of basmati and non-basmati rice have been steady during the months of July through September on strong export demand and relatively stable Indian rupee vis-à-vis US dollars. Lower rainfall in the months of July-August, particularly in coastal Gujarat and Andhra Pradesh, has also facilitated movement of rice for export. Indian non-basmati rice for export remains very price-competitive, with Indian common rice varieties ranging from \$375-\$450 per ton FOB in the fourth week of September, 2012. The "unexpectedly" strong export demand for rice has resulted in port congestion at Kakinanada (East Coast), with reports of about 600,000 metric tons of rice currently lying in the port for export shipment.

Assuming some spillover of export shipments lying at Kakinada to October, rice exports during July-September are likely to exceed 1.8 million tons, which will take MY 2011/12 rice exports to a record 10.0 million tons. CY 2012 exports are also likely to reach 10.0 million tons assuming continued price parity of Indian rice vs. other origins. The government is likely to continue with the current rice export policy due to sufficiency of domestic supplies (near-record production) and abnormally large government food grain stocks (over three times the desired stocks).

Ending Stocks Lowered

MY 2011/12 rice ending stocks have been lowered to 25.0 million tons on strong exports. While the

government continues to hold high rice stocks, private trade is estimated to hold relatively lower stocks of 2.1 million tons compared to last year (3.1 million tons). MY 2011/12 consumption and MY 2012/13 ending stocks have been revised to reflect the changes in exports and stocks in the PSD.

WHEAT

Planting Conditions Favorable for Upcoming Crop

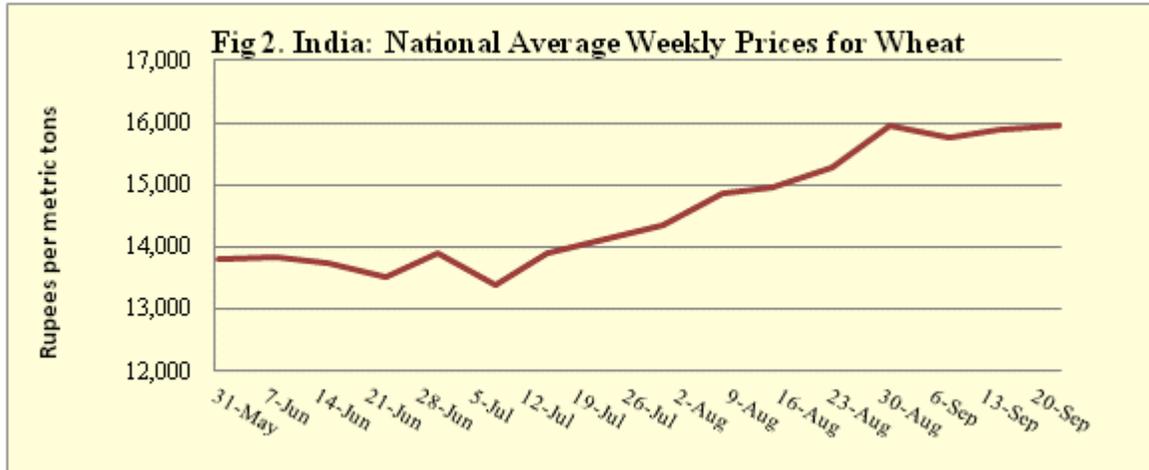
The above-normal monsoon precipitation in September in most of northern and central India has improved soil moisture conditions, replenished water tables, and augmented water levels of irrigation reservoirs, providing favorable planting conditions for the new wheat crop starting the third week of October. The Ministry of Agriculture has set the 2013 wheat production target at 86 million tons against the record harvest of 93.9 million tons this year. The government is pushing for reducing area under wheat in MY 2013/14 by substituting less irrigation-intensive crops, like pulses, corn and other coarse grains. The Commission on Agriculture Costs and Prices has suggested keeping the MSP of wheat unchanged from last year's level. The government has not yet announced the MSP for *rabi* crops, but the government's MSP for *kharif* corn, sorghum, millets and pulses will tend to support higher planting of these crops in *rabi* season. Nevertheless, most farmers will continue to plant wheat due to the government's "current 'rice and wheat"- focused food procurement system. Consequently, the government 2013 wheat production target appears modest, and actual production may be higher provided growing conditions are favorable during the season and there is no major incidence of disease or pests.

Government Stocks High....

As of September 1, 2012, government-held wheat stocks were estimated at 46.2 million tons compared with 33.6 million tons a year ago. Assuming higher domestic and export offtake, October 1, 2012, ending stocks are estimated at 43.5 million tons, more than three times the desired minimum buffer stock level of 14.0 million tons. Even if wheat offtake for the domestic market for the next six months is raised by 50 percent over last year (12.1 million tons), and the government ships the export quota of 2.0 million tons, government carryover stocks on April 1, 2013, will be well over 23 million tons. Abnormally high government stocks coupled with the favorable outlook for the next wheat crop would allow the government to liquidate stocks through additional export quotas.

...Prices Firm

Despite record production and huge government wheat stocks, domestic wheat prices have gained in recent months on relatively tight open market supplies and strong export demand. Open market availability of wheat in MY 2012/13 has been relatively tight due to record government wheat procurement of 38.15 million tons from the total production of 93.9 million tons (vs. 28.3 million tons procurement from 86.9 million tons in MY 2011/12).



Source: Department of Agriculture and Cooperation, Ministry of Agriculture
Exchange rate as of October 1, 2012, INR 52.7 = \$ 1.00

Currently, wheat is available in the price range of Rs. 13,000 to 16,700 per ton in major markets across the country. Market sources report that open market wheat for export is available at around Rs. 16,000 per ton at the ports. The government is closely monitoring prices, and may announce additional sales of wheat from its massive stocks for the open market to contain further price growth.

Wheat Exports by Private Trade Strong but Will Slow Down

Exports of open-market wheat by the private trade from open market wheat have been relatively strong in the first half of the MY 2012/13. The latest official trade estimates for wheat exports in the first quarter of MY 2012/13 (April-June 2012) are reported at 669,000 metric tons (740,000 metric tons during MY 2011/12). Market sources report that an additional 0.8 to 1.0 million tons of wheat has been shipped by the private trade during July-September. However, wheat exports by private trade slowed in September due to the increase in open-market prices (\$320-325 per ton FOB at major ports). Market sources expect private wheat exports to taper off in the coming months as open-market supplies diminish and government wheat becomes available at lower prices. Post continues to estimate MY 2012/13 wheat exports at 4.5 million tons, which includes 2.5 million tons government wheat, and 2.0 million tons private wheat.

Government Wheat Exports Commence on a Strong Note

The export sales of government wheat by government parastatals against the two-million-ton export quota announced in July (see IN2095) commenced in August. The State Trading Corporation (STC), Project Export Corporation (PEC), and Mineral and Metal Trading Corporation (MMTC) together have floated tenders for about 765,000 metric tons, of which 550,000 tons has been allocated to various traders at prices ranging between \$296.7 to \$316.01 per ton FOB at various ports (see Table 4). The designated agencies are likely to let more tenders in coming weeks.

Table 4: India: Government Wheat Tenders

Agency	Quantity (Metric Tons)	Tender Close	Shipment Period	Price Range (US\$ per ton FOB)	Port of loading
STC	100,000	Aug 3, 2012	Aug/Sept	302.5	Mundra
PEC	90,000	Aug 3, 2012	Aug/Sept	296.7	Kandla
PEC	60,000	Aug 16, 2012	September	308.0	Krishnapatnam
MMTC	35,000	Aug21, 2012	September	301.1	Pipavav
STC	40,000	Aug 24, 2012	Sept/Oct	311.1	Chennai
PEC	125,000	Sept 10, 2012	Oct-Nov 10	313.5	Kandla
PEC	70,000	Sept 13, 2012	October	316.01	Krishnapatnam
PEC	30,000	Sept 27, 2012	Oct 10- Nov 5	307.5	Karaikal
STC	125,000	Oct 1, 2012	Oct-Nov	Na	Mundra
STC	40,000	Oct 9, 2012	Oct 20-Nov 20	Na	Chennai
MMTC	50,000	Oct 10, 2012	November	Na	Kakinada

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

While official estimates are not yet available, market sources report that shipment of government wheat began in the last week of August, and about 275,000 metric tons of government wheat had been shipped by September 25, 2012.