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GAIN Report

Global Agricultural Information Network

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India

Grain and Feed Update

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Report Highlights:

The MY 2016/17 wheat production forecast is revised lower to 87 million metric tons (MMT) based on continued tight domestic market supplies. The MY 2016/17 consumption forecast is revised lower to 89.6 MMT and ending stocks to 10 MMT. MY 2015/16 rice ending stocks have been raised higher to 18.4 MMT on higher government rice stocks. MY 2016/17 rice exports raised to 10.5 MMT on steady export demand.

Post:
New Delhi

Commodities:
Wheat
Rice, Milled
Corn

Author Defined:

WHEAT

Table 1. India: Commodity, Wheat, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)						
Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2014		Apr 2015		Apr 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30473	30473	31470	31470	30220	30220
Beginning Stocks	17830	17830	17200	17220	14500	14540
Production	95850	95850	86530	86530	90000	87000
MY Imports	51	51	471	471	3000	3000
TY Imports	273	273	300	300	3000	3000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	113731	113731	104201	104221	107500	104540
MY Exports	3409	3406	1060	1129	400	400
TY Exports	1820	1834	872	873	400	400
Feed and Residual	4500	4500	4200	4200	4500	4500
FSI Consumption	88622	88605	84441	84352	91600	89640
Total Consumption	93122	93105	88641	88552	96100	94140
Ending Stocks	17200	17220	14500	14540	11000	10000
Total Distribution	113731	113731	104201	104221	107500	104540

Production Revised Lower

Post's MY 2016/17 wheat production forecast is revised lower to 87 million metric tons (MMT) based on the continued tight domestic market as reflected by abnormally strong offtake of government wheat by the private trade under the open market sale scheme (OMSS) and firm domestic prices despite improved import prospects of cheaper foreign wheat after the government lowered the import duty (see [IN6128](#)). Various market and trade sources continue to estimate the crop in the range of 82-88 MMT against the Government's fourth advance estimate of 93.5 MMT ([IN6116](#)).

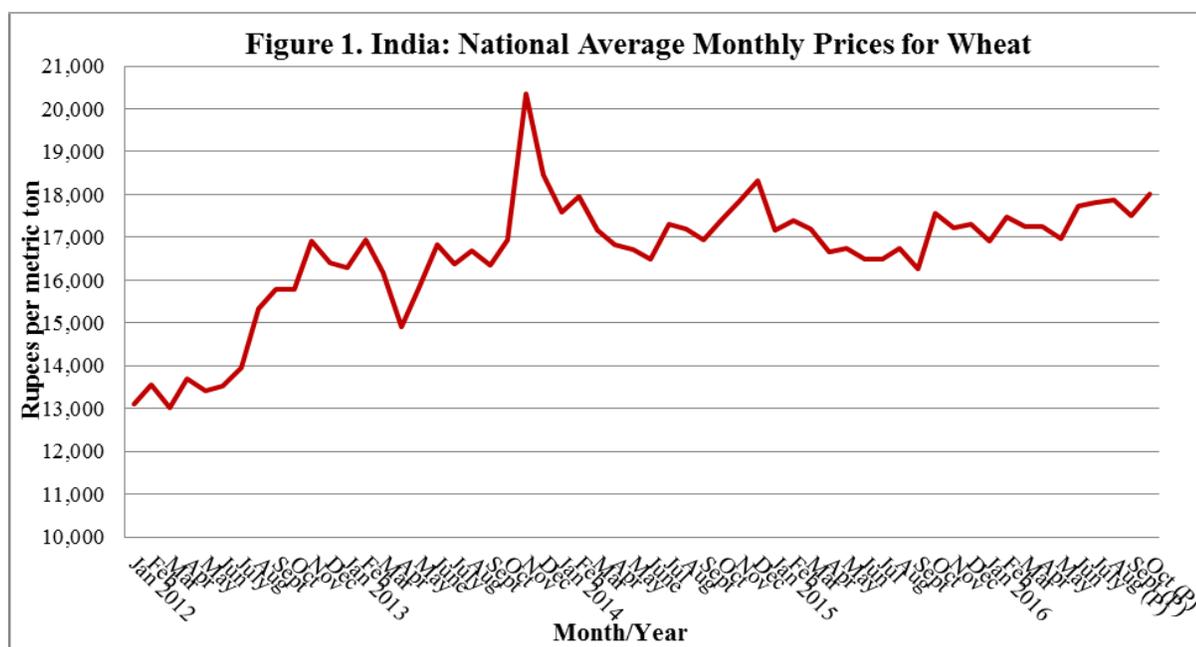
...Strong Offtake of Government Wheat

Official figures suggests that the offtake of wheat under the OMSS during April-September 2016 was

estimated at 2.31 MMT compared to 0.48 MMT during the corresponding period last year. Historically, the private trade buys government wheat under OMSS after October when the market arrivals are over. The unprecedented higher offtake (five times) of government wheat during the first half of the ongoing marketing year suggests tight open market wheat supplies (marketed surplus minus government procurement).

.... Firm Prices despite Improved Import Prospects

Domestic prices have been very firm right from the beginning of the marketing year amidst strong speculation on the crop size and reports of farmers/local traders holding on to higher than normal stocks for late season sales. Due to the concerns on rising domestic prices and strong early season off take of government held-stocks, the government reduced the import duty from 25 percent to 10 percent to improve supplies through imports. After a slight lull in prices in September, domestic wheat prices have firmed up further in October despite improved import prospects.



Source: Agmarket News (http://agmarknet.gov.in/PriceTrends/SA_Pri_Month.aspx), Ministry of Agriculture, GOI

The resurging domestic prices strongly suggest tighter than initially expected open market wheat supplies. Local farmers/traders are unlikely to hold on to the wheat after the arrival of the *kharif* harvest. The ongoing speculation on higher imports of cheaper foreign wheat and government’s proposal to further lower the import duty to check rising domestic prices also discourages stocking of wheat. Consequently, Post’s MY 2016/17 wheat production forecast is revised lower to 87 MMT.

Ending Stocks Lowered

Due to the relatively weak government procurement (22.9 MMT vs 28.1 MMT last year) and strong off take during the first half of the marketing year, government-held wheat stocks on October 1, 2016 are officially estimated to have come down to 21.7 MMT, nearly 11 MMT lower than same time last year, and just above the government’s desired stocks of 20.5 MMT.

The government decision to lower the import duty is likely to contain the off take under OMSS, particularly in south and peninsular India. However, government is committed to supply wheat under National Food Security Act (NFSA) and other government food schemes, but can marginally replace wheat for rice in the government programs. Assuming relatively tight government supplies under government programs and OMSS (1.9-2.0 MT per month vs 2.5 MMT during the first half of the MY), the government stocks on April 1, 2017 are likely to come down to 10 MMT.

Consumption Lowered

Post's MY 2016/17 consumption forecast is revised lower to 89.6 MMT, but more than 6 percent higher than last year's consumption. MY 2015/16 consumption is also revised marginally lower at 84.4 MMT based on the higher than earlier anticipated official export estimates.

MY 2016/17 Imports Unchanged

Post continues to estimate MY 2016/17 imports at 3.0 MMT after the government decision to reduce the import duty to 10 percent. Provisional official figures estimate MY 2016/17 wheat during April through August, 2016 at 263,000 MT. While the official/published figures are not available, market sources report that an additional 2 MMT has already been contracted for imports through mid-February 2017. Assuming current price parity and duty structures, MY 2016/17 are likely to reach 3.0 MMT. However, relative price movement and/or changes in the effective duty may affect the import prospects.

MY 2015/16 Exports Raised

Based on the latest GTA data, MY 2015/16 wheat exports is raised marginally higher to 1.13 MMT.

RICE

Rice, Milled Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	44110	44110	43479	43388	44500	44500
Beginning Stocks	22800	22800	17800	17800	17800	18400
Milled Production	105482	105482	104320	104320	106500	106500
Rough Production	158239	158239	156496	156496	159766	159766
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	128282	128282	122120	122120	124300	124900
MY Exports	12238	12238	10300	10300	10000	10500
TY Exports	11046	11046	10500	10500	10000	10500
Consumption and Residual	98244	98244	94020	93420	97000	97000

Ending Stocks	17800	17800	17800	18400	17300	17400
Total Distribution	128282	128282	122120	122120	124300	124900

Production Unchanged

Post estimates MY 2016/17 milled rice production at a record 106.5 million metric tons (MMT) on higher planted area and normal 2016 monsoon in the major growing states. The Ministry of Agriculture (MoA) estimates rice area planted through end September 2016 at 38.9 million hectares compared to 37.9 million hectares last year on timely progress and normal 2016 monsoon precipitation. Market sources expect that total planting of *kharif* (fall harvested) rice during the current season is likely to be around 40.5 million hectares compared to 39.5 million hectares last year. Planting of *rabi* (winter planted) rice is also likely to be slightly higher than last year at 4 million hectare compared to 3.9 million hectare last year on improved availability of availability of irrigation water, particularly in south India.

Due to the timely planting and normal withdrawal of monsoon in late September, harvest of *kharif* rice began on schedule in the last week of September and was over by 3rd week of October in the northern rice growing states (Punjab, Haryana, Rajasthan, west Uttar Pradesh). Initial harvest reports suggest good yields compared to last year due to timely planting and availability of irrigation water in most of the rice growing states. Harvesting has started in other states during the 2nd week of October to continue through mid-December. Field sources report that the rice yields are likely to be normal in most rice growing areas except some parts in south India where prolonged dry spells during August/September affected the crop at vegetative and early reproductive growth stages.

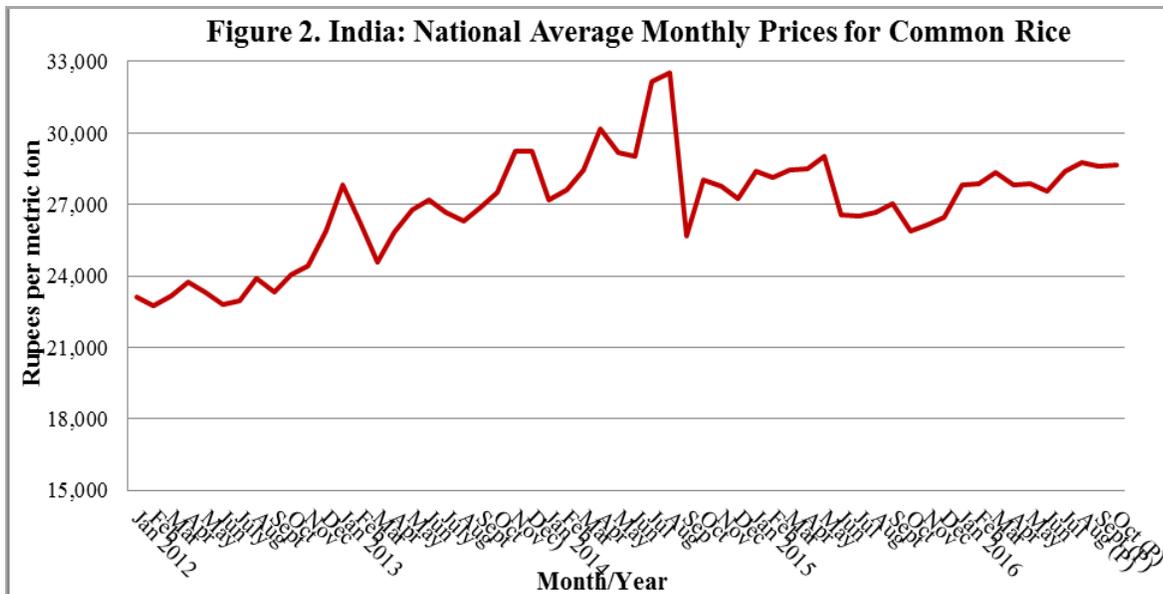
Procurement Starts of Strong

Government procurement of MY 2016/17 rice under the minimum support price (MSP) is significantly ahead of last year suggesting bumper harvest of the upcoming rice crop. Government procurement through October 25, 2016, is estimated at 8.9 MMT compared to 6.2 MMT during the corresponding period of MY 2015/16. Most of the procurement is currently limited to the northern states of Punjab (5.9 MMT vs 4.0 MMT last year) and Haryana (2.9 MMT vs 2.2 MMT last year) and will gradually spread to other parts of the country from November onwards as harvest progresses.

Based on the production and procurement estimates suggested by various states, the government has set the MY 2016/17 *kharif* rice procurement target of 33 MMT compared to MY 2015/16 *kharif* rice procurement of 30.9 MMT (target 30 MMT). While government is likely to procure in the northern states above the last year level, overall procurement is likely to depend on open market prices during the marketing year, particularly in southern and eastern states where procurement continues throughout the year.

Prices Steady

Domestic prices have remained relatively firm in October on the relatively higher government paddy (unmilled rice) procurement price (INR 14,700/MT compared to INR 14,100/MT for common variety). Most of the arrivals are in the northern states where the government procurement program is effective.



Source: Agmarket News (http://agmarknet.gov.in/PriceTrends/SA_Pri_Month.aspx), Ministry of Agriculture, GOI

Prices are expected to ease in the coming weeks as the arrivals of the new crop gain pace across the country.

Stocks/Consumption Revised

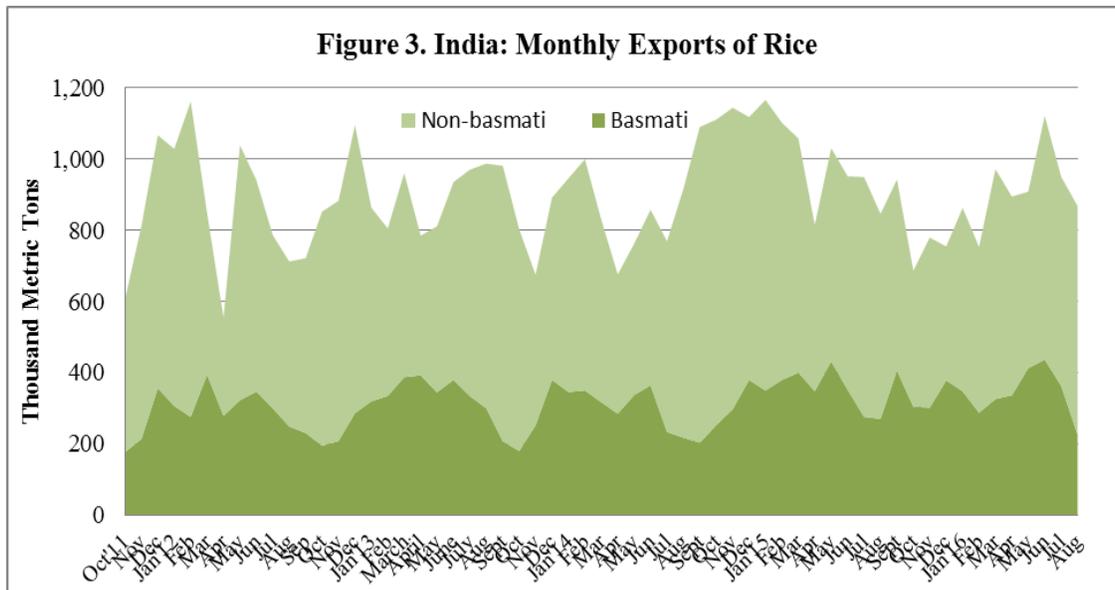
Based on the latest official rice stocks estimate, MY 2015/16 ending stocks have been raised to 18.4 MT, which includes 15.9 MMT government rice stocks and 2.5 MMT stocks with private trade. MY 2015/16 consumption has been lowered to 93.4 MMT to reflect the increase in ending stocks.

Due to relatively strong procurement and weak offtake during MY 2015/16, the government-held rice stocks on October 1, 2016, were officially estimated at 15.9 MMT against the initial expectation of drawdown of government-held rice stocks due to lower production. Published information on private rice stocks is not available, but most of the private rice stocks are held by exporters. Market sources report that relatively strong government procurement and resurgence in exports since March 2016 is likely to have drawn down the stocks held by exporters. Consequently, MY 2015/16 ending stocks held by private trade is estimated lower at 2.5 MMT compared to last year's 3.6 MMT.

MY 2016/17 ending stocks have been raised marginally to 17.4 MMT (15 MMT government stocks and 2.4 MMT private stocks) to reflect the increase in opening stocks to be partially offset by forecast higher exports.

Exports Steady

India's rice export during the first eight months of CY 2016 is estimated at 7.3 MMT compared to 7.9 MMT during the corresponding period last year. Pace of exports is likely to remain steady in the last quarter of CY 2016 on expected sufficient domestic supplies and steady export demand. Market sources report strong resurgence in export demand for both Basmati rice and coarse non-Basmati rice varieties since March 2016 to the traditional markets. Consequently, CY 2016 exports are likely to reach 10.5 MMT.



Source: Monthly exports through August 2016 from DGCIS, GOI.

Assuming no significant changes in the price parity for Indian rice in the export market and export demand, Post’s MY 2016/17 rice export forecast is raised higher to 10.5 MMT.

CORN

Table 3. India: Commodity, Corn, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Nov 2014		Nov 2015		Nov 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Harvested	9185	9185	8690	8690	9500	9500
Beginning Stocks	1416	1416	2179	2179	1029	1029
Production	24170	24170	21800	21800	24500	24000
MY Imports	29	29	250	250	100	100
TY Imports	21	21	250	250	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	25615	25615	24229	24229	25629	25129
MY Exports	1136	1136	550	550	700	600
TY Exports	1172	1172	550	550	700	600
Feed and Residual	12500	12500	13050	13050	13500	13500
FSI Consumption	9800	9800	9600	9600	9800	9800
Total Consumption	22300	22300	22650	22650	23300	23300
Ending Stocks	2179	2179	1029	1029	1629	1229

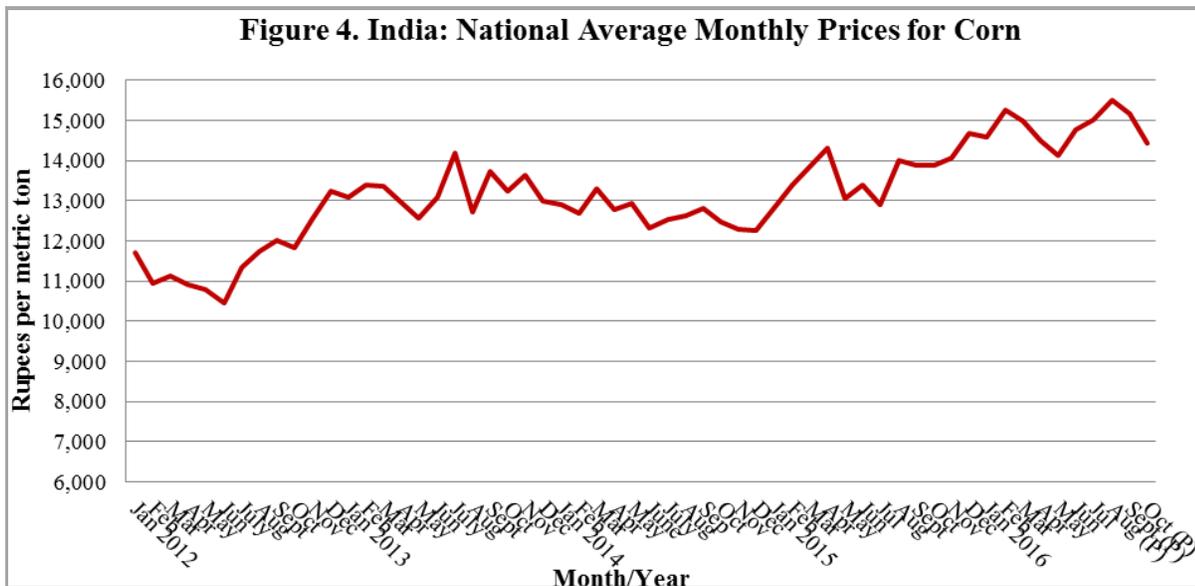
Total Distribution	25615	25615	24229	24229	25629	25129
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Production Lower

Post’s MY 2016/17 corn production forecast is marginally lowered to 24 MMT on expected lower yields in the corn growing areas in southern states and parts of Maharashtra. Excellent rains and strong prices supported timely and record planting of corn in the major growing states. However, prolonged dry spells in August/September in major corn growing areas of Karnataka, Telangana and parts of Andhra Pradesh and Maharashtra are likely to affect yield realization due to moisture stress at the vegetative and critical reproductive (tasseling/silking/seed setting) stages. The withdrawal of the southwest monsoon and continued dry conditions in the rain fed central and southern states is likely to affect planting of the upcoming *rabi* corn. However, losses in these states are likely to be partially offset by favorable production prospects in other states. Consequently, Post estimates MY 2016/17 corn production at 24 MMT from 9.5 million hectares.

Prices Ease

With the expectation of an upcoming bumper harvest and continued weak demand (both exports and domestic), domestic prices have eased over the last few months.

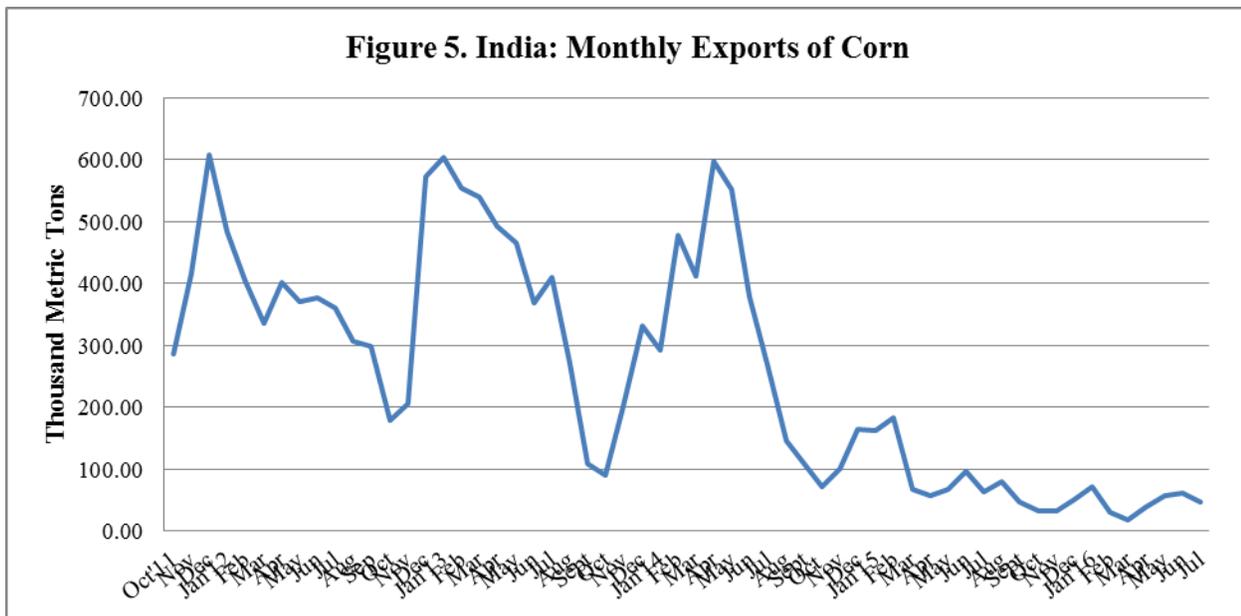


Source: Agmarket News (http://agmarknet.gov.in/PriceTrends/SA_Pri_Month.aspx), Ministry of Agriculture, GOI

Currently, the wholesale prices in the major producing states are ranging from INR 12,500 (\$188) to 14,400 (\$217) per metric ton. Market sources expect domestic prices to ease further in November after the arrivals gain pace on most producing states. Future price movements during the marketing year is likely to depend on the size of the domestic harvest and domestic demand, particularly poultry and starch sectors, as Indian corn is out priced in the international market.

Continued Weak Exports

Due to the weak international prices, Indian corn exports have staggered at low levels since March 2015, with exports limited to neighboring countries (Bangladesh, Nepal and Sri Lanka) and some containerized exports to South Asian countries.



Source: Monthly exports through July 2016 from Global Trade Atlas.

Corn exports during the first nine months of MY 2015/16 is estimated at 390,000 MT compared to 970,000 MT during the corresponding period last year. Markets sources expect the monthly pace of exports to continue at the current levels in the last quarter of the MY 2015/16 as Indian corn remains out priced and even the traditional neighboring markets have shifted to other origins. At the current pace of exports, MY 2015/16 exports are likely to reach the estimated 550,000 MT.

Assuming no significant change in the price parity between Indian corn vis-à-vis corn from other origins, MY 2016/17 corn export is forecast at 600,000 MT.

Stocks Lower

MY 2016/17 ending stocks have been revised lower to 1.23 MMT on forecast lower production.