

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 10/30/2013

GAIN Report Number: IN3124

India

Grain and Feed Update

November 2013

Approved By:

Allan Mustard

Prepared By:

Santosh Kumar Singh

Report Highlights:

MY 2012/13 rice exports have been raised to a record 11.0 MMT based on preliminary trade statistics. MY 2013/14 rice exports are forecast higher to 10.0 MMT on expected continued strong demand for Indian rice. Based on the latest official figures, MY 2012/13 ending stocks have been revised higher to 25.0 MMT. Government wheat exports are likely to resume from November as the minimum export price will likely be lowered to \$260 per ton.

Post:

New Delhi

Author Defined:**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: Oct 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
Beginning Stocks	23,500	23,500	25,100	25,100	24,000	25,000
Milled Production	105,310	105,310	104,400	104,400	108,000	105,000
Rough Production	157,981	157,981	156,616	156,616	162,016	157,516
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	128,810	128,810	129,500	129,500	132,000	130,000
MY Exports	10,376	10,376	10,000	11,000	9,300	10,000
TY Exports	10,250	10,250	10,000	10,500	9,300	10,000
Consumption and Residual	93,334	93,334	95,500	93,500	98,200	96,000
Ending Stocks	25,100	25,100	24,000	25,000	24,500	24,000
Total Distribution	128,810	128,810	129,500	129,500	132,000	130,000

Production Outlook

Post continues to estimate MY 2013/14 rice production at 105 million metric tons (MMT) from 43.5 million hectares. The harvest of *kharif* (fall-harvested) rice is in full swing in the northern states and initial harvest reports suggest good yields. The crop is progressing well under adequate soil moisture and weather conditions in most other rice growing states.

Crop damage was reported due to Cyclone Phailin in coastal Odisha and Andhra Pradesh, and ongoing floods due to heavy rains in some parts of Odisha, West Bengal and Andhra Pradesh. With rice at the grain filling stage, crop damage is likely to be heavy in the flood-affected areas. However, there are no published estimates of the extent of rice acreage affected by floods. Market sources report that the crop loss due to cyclone and floods in the eastern coast could be in the range of 1-2 percent of forecast production. However, an assessment of crop loss can be made only after

assessing the acreage and field reports of crop damage after flood water recedes. Till then, Post continues to estimate MY 2013/14 production at 105 MMT.

Please refer to IN3113 for more information on the MY 2013/14 rice planting situation and production prospects.

Procurement Steady...

Government procurement of MY 2013/14 rice under the price support program has proceeded steadily due to the timely harvest of rice in the northern states of Punjab and Haryana. Procurement through October 18, 2013, is estimated at 5.37 MMT compared to 5.16 MMT during the corresponding period of MY 2012/13. Most procurement is currently going on in the states of Punjab and Haryana and will gradually spread to other parts of the country as the harvest progresses. Typically, procurement in the northern states will start tapering off in December, but will peak in the eastern and the southern states in January.

Table 2. India: Government Rice Procurement by State, in million tons

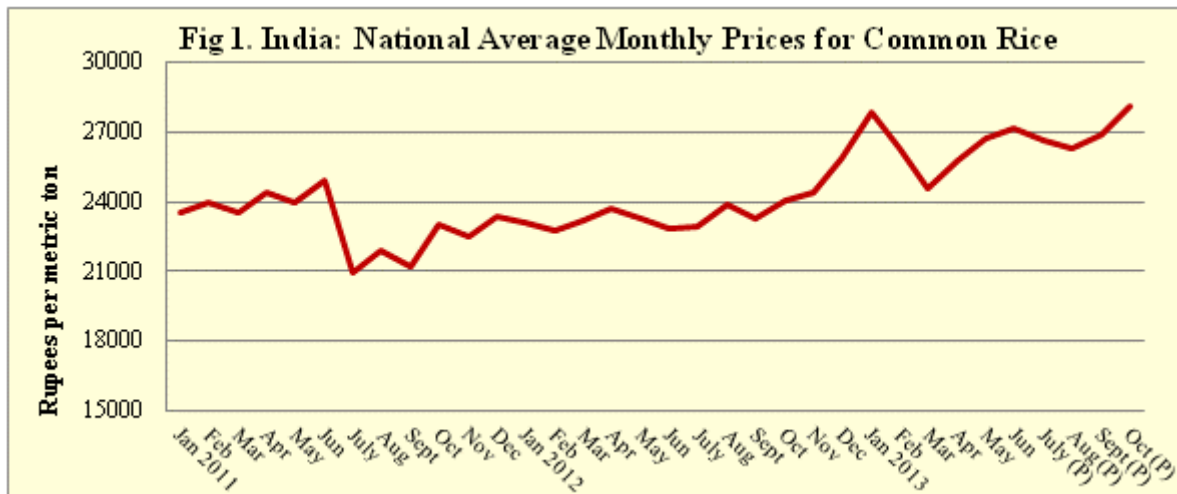
	MY 2010/11	MY 2011/12	MY2012/13	MY2013/14 (Target)
Punjab	8.64	7.73	8.56	8.30
Andhra Pradesh	9.61	7.54	6.46	6.00
Chhattisgarh	3.75	4.12	4.80	5.50
Uttar Pradesh	2.55	3.36	2.29	2.70
Odisha	2.47	2.87	3.61	2.65
West Bengal	1.31	2.04	1.77	2.20
Haryana	1.69	2.01	2.61	2.40
Tamil Nadu	1.54	1.60	0.48	1.50
Total	34.20	35.06	34.02	34.54

Source: Food Corporation of India, GOI

Based on reports from the state governments, the Government of India (GOI) has set the MY 2013/14 rice procurement target at 34.54 MMT, marginally higher than last year's procurement of 34.0 MMT (see Table 2). Market sources report that the government's minimum support price (INR 13,100 per ton for common paddy rice) is currently above the open market price of unmilled rice supporting government procurement. However, continued strong exports could restrain MY 2013/14 procurement to around last year's level, marginally below the government target.

Prices Gain...

Domestic rice prices have gained in September/October due to continued strong exports and speculation on crop damage due to Cyclone Phailin and floods in eastern India. However, prices are expected to ease from November onwards with the onset of harvest of the MY 2013/14 rice crop across the country.

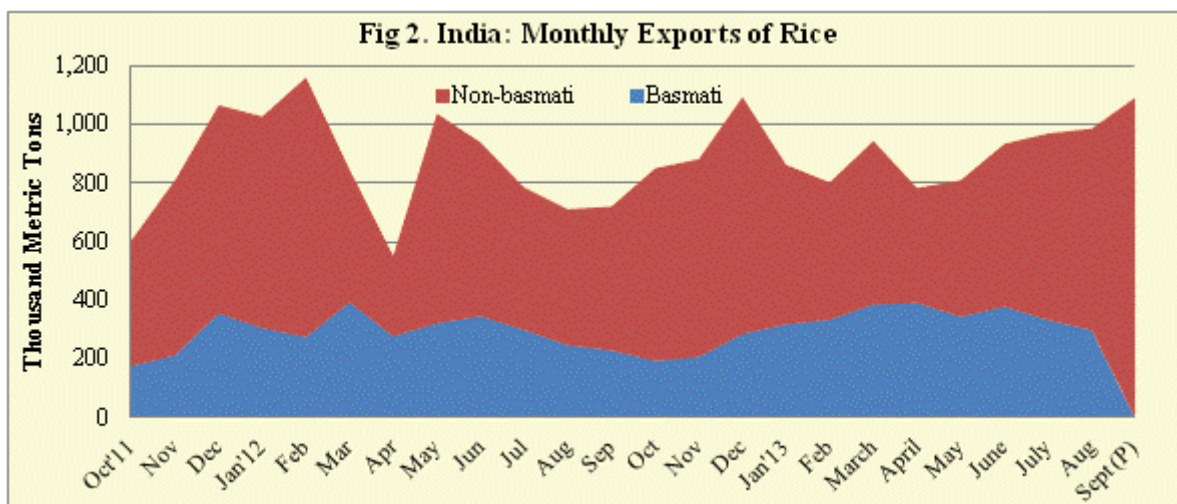


Source: Agricultural marketing Information Network, Ministry of Agriculture, GOI.

In the last few months, rice has been one of the major contributors to high food price inflation, a major concern for the government as it prepares to face Parliamentary elections in six months (around April 2014). The government is likely to contain any further increase in domestic prices by liquidating its 'more-than-sufficient' rice stocks.

Exports Raised

Post's MY 2012/13 export estimate is raised to a record 11.0 MMT based on preliminary official statistics for October 2012 to August 2013, and shipping data compiled by a private source for September 2013.



Source: Monthly exports till August 2013 from DGCIS, GOI; September 2013 figure derived from rice shipping data compiled from private sources, which do not breakout Basmati and non-Basmati. (P) – indicates provisional figures.

Preliminary export figures for the first nine month of CY 2013 indicate rice exports of 8.2 MMT compared to 7.8 MMT during the corresponding period last year. Market sources report exports of

non-Basmati rice have slowed down from in October 2013 due to the strengthening of the Indian rupee compared to the US dollar (current INR 61.5 from INR 65 in August/September). Assuming a slower pace of monthly exports in the remaining three months (October-December), CY 2013 exports are forecast to reach a record 10.5 MMT.

Based on the relatively strong export demand for Indian rice, both Basmati and non-Basmati, and sufficient domestic supplies, the MY 2013/14 rice export estimate is raised to 10.0 MMT. While exports of Basmati rice are likely to grow further, total exports are likely to be lower than last year's record sales due to relatively tight domestic supplies of non-Basmati rice and food price inflation concerns in an election year (2014).

Stocks/Consumption Revised

Based on the latest official figures, MY 2012/13 ending stocks have been revised higher to 25.0 MMT. The government-held rice stocks on October 1, 2012 were officially estimated at 23.1 MMT (compared to 23.3 MMT last year) and rice stocks held by private trade were estimated at 1.9 MMT (marginally higher than last year's 1.8 MMT). MY 2013/14 ending stocks are revised lower to 24.0 MMT on forecast higher exports. MYs 2012/13 and 2013/14 rice consumption estimates have been lowered to account for the changes in the exports and ending stocks.

WHEAT

Government Raises MSP

On October 17, 2013, the government announced the minimum support price (MSP) for *rabi* crops to be marketed in MY 2014/15. The MSP for wheat has been raised by INR 500 per ton over last year to INR 14,000 (\$228) per ton. Media reports suggest that the Ministry of Agriculture proposed an INR 1000-per-ton increase in the MSP for wheat, but the government decided on a more modest increase due to food price inflation concerns. Some state governments have also expressed concern about an "insufficient" increase in MSP to account for the higher cost of production and high open market prices. Given the upcoming Parliamentary elections in 2014, some governments may decide to offer an additional bonus over and above the GOI's MSP to wheat farmers as has been done in the past by the state governments of Madhya Pradesh and Rajasthan.

The MSP for barley has been raised by INR 1200 per ton to INR 11,000 per ton. The MSPs for chickpea and lentil have been raised by INR 1000 per ton and INR 500 per ton, respectively, over last year's MSPs, to INR 31,000 per ton and INR 29,500 per ton, respectively. Typically, the government rarely undertakes price support procurement operation for barley, chickpeas or lentils.

2014/15 Wheat Planting Prospects Favorable

The above-normal 2013 monsoon 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. Despite concerns about the relatively modest increase in MSP for wheat, most farmers will continue to plant wheat due to the government's current "rice and wheat"- focused food procurement system. Given the upcoming 2014 elections,

farmers' expectation of an additional bonus over and above the MSP may further bolster planting prospects.

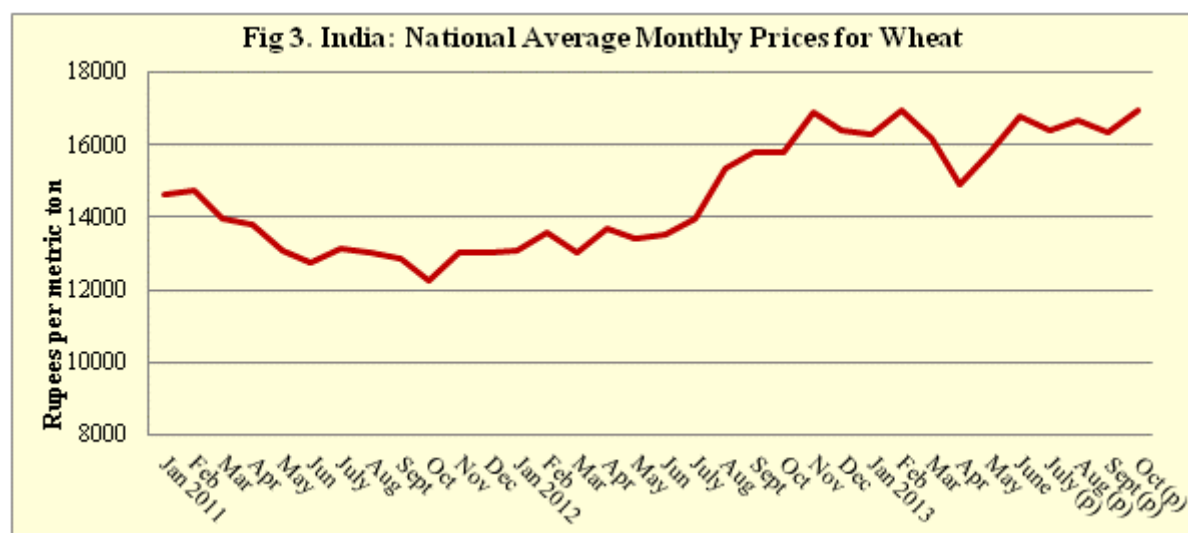
Due to the timely harvest of *kharif* rice, planting of MY 2014/15 wheat began in the last week of October in the northern states and will continue through November. Planting of wheat in the central and eastern states will commence in the second week of November and continue through December end. Given the favorable weather and soil moisture conditions and expected continued government policy on wheat procurement, Post expects 2014 acreage at 29.4 million hectares, same as last year.

Wheat Stocks Abundant

Government wheat stocks on October 1, 2013, were officially reported at 36.1 MMT, more than the desired October 1 stocks of 14.0 MMT. Market sources report that a significant portion of the wheat stocks is kept in the open under tarpaulin covers at temporary storage locations. With another expected bumper harvest of 2013/14 rice, the government is under tremendous pressure to liquidate excess wheat stocks to create storage space new crop paddy rice. While the government has expanded subsidized open market sale of wheat from government warehouses in Punjab and Haryana to other destination states, actual off take has been very low due to high floor prices (INR 15,400 per ton plus transportation charges).

Domestic Prices Firm

Despite weak export off take, domestic prices firmed up in the month of October 2013 reflecting tight domestic supplies.



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

Average spot prices in the major wheat producing states in the last week of October ranged from INR 14,710 (\$240) to INR 16,550 (\$270) per metric ton. With the need to liquidate the 'burdensome' wheat stocks, the government may enhance the price subsidy on domestic open market sale of wheat to contain any further increase in open market prices.

Government Wheat Exports to Resume....

As expected, the government had to scrap the three tenders floated by the three parastatals in September due to lack of bids above the \$300 per ton FOB minimum export price (MEP) set by the government. The offer prices by various bidders for the three tenders ranged from \$230 to \$267 per ton, FOB, significantly below the MEP. Market sources report that based on the performance of the three tenders, the government has prepared a proposal for lowering the MEP from \$300 per ton to \$260 per ton to the Cabinet Committee on Economic Affairs (CCEA) for approval. Market sources report that the proposal is likely to be approved by the CCEA at its next meeting, to be scheduled in next few days.

Table 3. India: Recent Government Wheat Tenders Against the New Export Quota					
Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
STC	120,000	Nov 15, 2013	Nov 24-Dec 20, 2013	NA	Mundra
PEC	70,000	Nov 15, 2013	Nov 20-Dec 20, 2013	NA	Krishnapatnam
PEC	90,000	Nov 15, 2013	Nov 20-Dec 20, 2013	NA	Kandla
MMTC	60,000	Nov 15, 2013	Nov 22-Dec 21, 2013	NA	Kakinada
Total	340,000				
Recent Tenders Cancelled					
PEC	40,000	Oct 4, 2013	Oct 15-Nov 15, 2013	Cancelled	Kandla
STC	60,000	Oct 4, 2013	Oct 15-Nov 15, 2013	Cancelled	Mundra
MMTC	50,000	Oct 4, 2013	Oct 15-Nov 15, 2013	Cancelled	Mundra

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

In anticipation of the CCEA's expected approval for lowering the MEP, the parastatals have floated tenders for sale of 340,000 metric tons to be opened in November, with exports of this government wheat to commence in the third week of November. Based on past performance, the government is likely to ship most of the 2.0 MMT export quota by the end of March 2014, assuming current export price parity for Indian wheat continues.

.... to Steady Exports

India's wheat exports tapered off after August, after the government wheat export quota of 4.5 MMT was exhausted. Firm domestic prices and relatively weak international prices have limited wheat exports by the private trade to neighboring Bangladesh and Nepal.



Source: Monthly exports till August 2013 from DGCIS, GOI; September 2013 figure derived from wheat shipping data compiled from Infodrive. (P) – indicates provisional figures.

Preliminary monthly export statistics indicate wheat exports in the first half of MY 2013/14 (April-September) at 3.3 MMT. With open market prices unlikely to weaken significantly in the balance of the season, most exports will be government wheat against the new quota (2.0 MMT), with some small private exports to neighboring markets. These likely will take MY 2013/14 exports to the forecast 5.5 MMT.