

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain Voluntary Update – June 2014

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Grain and Feed

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Competitor

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Report Highlights:

The GOI's third advance estimate raised India's grain production in the Indian Crop Year (ICY) 2013/14 (July-June) to a record 263.2 million metric tons (MMT). MY 2013/14 corn production estimate has been raised higher to a record 23.8 MMT. MY 2013/14 corn export estimate is raised higher to 3.5 MMT on recovery in export demand. **Export of government-held wheat ended by second week of May 2014** but exports of wheat procured by private trade from the open market are likely to continue.

General Information:

The Ministry of Agriculture Raise Forecast Record Food Grain Production

On May 15, 2014, the Ministry of Agriculture (MOA) released its [Third Advance Estimate of Production of Food Grains for the Indian Crop Year \(ICY\) 2013-14](#), raising grain production further to a record 264.4 million metric tons (MMT) compared to 263.2 MMT estimated in the [Second Advance Estimate released in February 2014](#), and more than 5 MMT higher than the previous record of 259.3 MMT in ICY 2011/12.

Market sources believe that the government estimate is over-optimistic as the overall weather condition during the current season has not been as favorable as observed in ICY 2011/12. Given the third advance estimates are based on the crop condition prior to the harvest of the *rabi* (winter planted) season crops (wheat, corn, barley and pulses), the crop loss due to abnormal rains and hailstorm during the *rabi* harvest season (March-April) have not been adequately factored into the latest estimate. The third advance estimate was released a day before the previous United Progressive Alliance (UPA) government was voted out of power in the recently held Parliamentary elections. Some sources allege that the food grain production estimate had been ‘optimistically’ raised by the previous United Progressive Alliance (UPA) government to leave a strong legacy.

The government’s third advance estimate for grain production includes rice (record 106.3 MMT), wheat (record 95.9 MMT), corn (record 24.2 MMT), sorghum (5.3 MMT), millet (11.5 MMT) and pulses (record 19.6 MMT).

- i. MY 2013/14 Rice, corn, sorghum, millet, and pulses, including *kharif* (harvested from October to December 2013) and *rabi* crops (harvested from March to May 2014).
- ii. MY 2014/15 wheat and barley crops (harvested from March to May 2014).

The MOA will further revise the ICY 2013/14 estimate in July (fourth advance estimate) using the latest available data from various state governments on acreage and yields (based on crop cutting experiments) for both *kharif* and *rabi* crops. Given the delays in getting the data from various states, the ICY 2013/14 grain productions estimates are likely to be finalized in February 2015 based on past records.

CORN

Table 1. India: Commodity, Corn, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

Corn India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,910	8,910	9,500	9,500	9,000	9,000
Beginning Stocks	570	570	651	651	1,561	1,561
Production	22,260	22,260	23,000	23,800	22,000	22,000
MY Imports	12	12	10	10	10	10
TY Imports	9	9	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,842	22,842	23,661	24,461	23,571	23,571
MY Exports	4,691	4,691	3,000	3,500	2,500	2,500
TY Exports	4,768	4,768	3,000	3,500	2,500	2,500
Feed and Residual	8,900	8,900	10,100	10,400	10,800	10,800
FSI Consumption	8,600	8,600	9,000	9,000	9,500	9,500
Total Consumption	17,500	17,500	19,100	19,400	20,300	20,300
Ending Stocks	651	651	1,561	1,561	771	771
Total Distribution	22,842	22,842	23,661	24,461	23,571	23,571

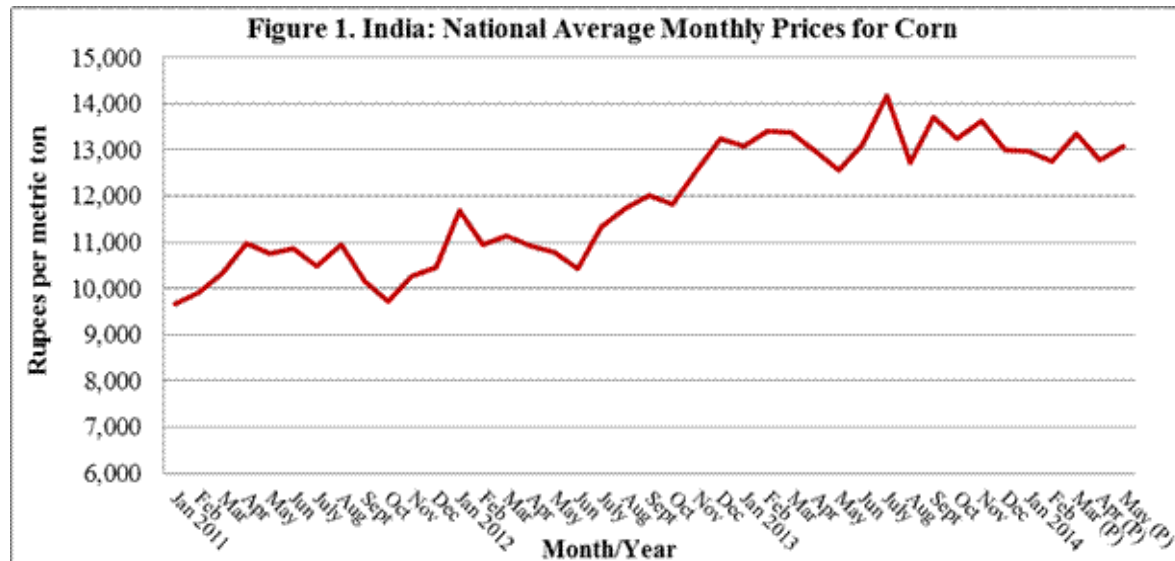
MY 2013/14 Production Raised

Post's MY 2013/14 corn production estimate has been raised higher to a record 23.8 MMT based on the estimated higher production of *kharif* (spring planted) season corn reported by the government's third advance estimate. The government estimate incorporates the yield reports from the crop cutting experiments of the *kharif* season corn, and has raised the estimated *kharif* corn production higher at 17.5 MMT from the earlier estimate of 16.9 MMT. The government has also raised the *rabi* corn estimate to 6.9 MMT. However, early reports from the harvest of *rabi* corn (May-June) suggests government estimate optimistic as the yields are slightly higher than last year. Consequently, Post has revised MY 2013/14 production higher to 23.8 MMT, which includes 17.5 MMT *kharif* corn and 6.2 MMT *rabi* corn.

Higher *kharif* corn production has resulted in a significant increase in government procurement of corn in the major producing states. Government procurement of corn through May 27, 2014, was estimated at a record 1.2 MMT compared to 72,000 MT last year and the previous record 993,695 MT in MY 2008/09. Most of the corn was procured at minimum support price (INR 13,100 per MT) in the producing states of Karnataka (700,000 MT), Andhra Pradesh (290,000 MT), Maharashtra (95,000 MT and Madhya Pradesh (85,000 MT).

Prices Stable

Despite record production and relatively weak export demand, domestic corn prices have hovered around the MSP level for most of the season due to the government's procurement operation.

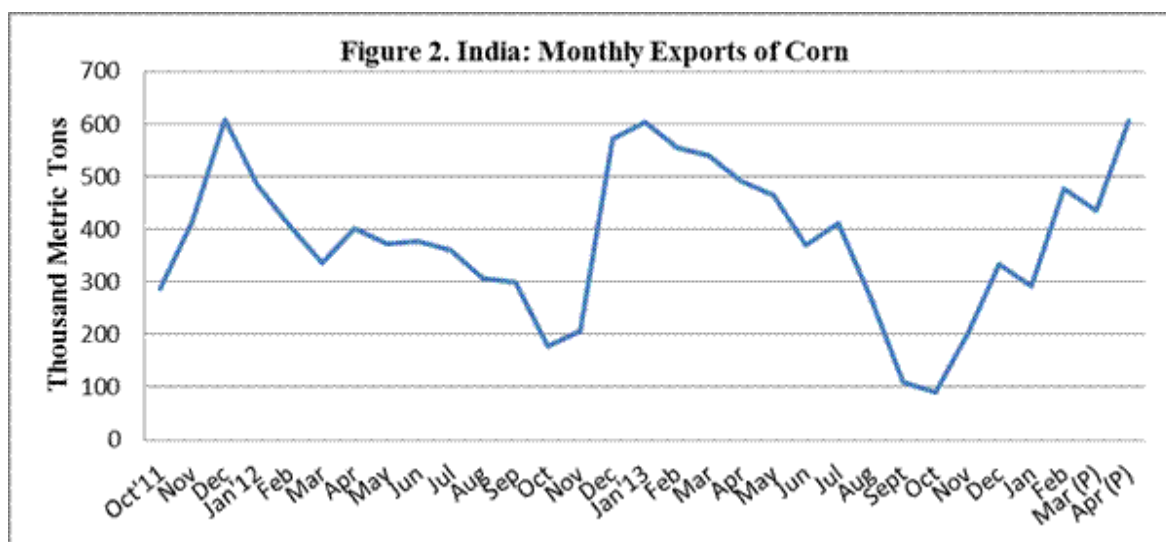


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI.

Market prices in the major producing states are currently ranging from INR 11,830 (\$203) to INR 14,700 (\$253) per metric ton. These prices are expected to rule easy in June/July with the market arrivals of *rabi* corn, but the government's MSP will contain any significant decline during the coming months.

MY 2013/14 Exports Raised

Post's MY 2013/14 corn export estimate is raised higher to 3.5 MMT on recovery in export demand. Provisional monthly trade estimates indicate a strong increase in corn exports since February 2014. Indian corn exports in the first half of the MY 2013/14 (November-April) is estimated at 2.35 MMT, with exports in the month of April 2014 zooming to a near-record 605,000 MT (record 608,000 MT in December 2011).



Source: Monthly exports through February from Global Trade Atlas, March-April 2014 derived from corn shipping data compiled by a private source.

While official data is not available, market sources estimate corn exports in May at 400-450,000 metric tons. Exports during the remaining five months will largely depend on the price competitiveness of Indian corn, but small quantity of exports will continue to the neighboring markets. Consequently, MY 2013/14 exports are likely to reach 3.5 MMT.

WHEAT

Production Unchanged

Post continues to estimate MY 2014/15 production at 94 MMT based on the preliminary harvest reports from the major wheat growing states. Despite abnormal rains during maturity stage which delayed harvest by 2-3 weeks, crop yield in Punjab and Haryana is reported to be marginally higher than last year, but lower than MY 2012/13 (previous record harvest year). However, prolonged rains (February-April) and sporadic hailstorm have caused some crop damage and lower yields compared to last year in Uttar Pradesh and Madhya Pradesh. Against the government's 'optimistic' wheat production estimate of a record 95.9 MMT, most industry estimates are currently ranging from 89 to 94 MMT on reports of crop damage due to untimely rains/hail during harvest. Consequently, MY 2013/14 wheat production continues to be estimated at 94 MMT, India's second largest wheat harvest. See IN4034 (Page 3) for more information on wheat production situation.

Wheat harvest was over across the country by early May, and market arrivals are almost over now in the major producing states of Punjab, Haryana, Rajasthan and Gujarat. Market arrivals are likely to continue through June in Uttar Pradesh, Madhya Pradesh and Bihar. Some quantity of wheat held by farmers and traders for late season sale is likely to continue in most states except Punjab and Haryana wherein most of the wheat is procured by government.

Government Procurement Improve...

After a weak start due to the 2-3 week delay in harvest, government procurement recovered in May compared to last year. Total government procurement of wheat through May 27, 2014, was officially estimated at 27.2 MMT compared 24.9 MMT during the same period last year.

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

State	MY 2012/13	MY 2013/14	MY 2013/14	MY 2014/15
	April-March	April-March	April through May 27	
Punjab	12.83	10.90	10.85	11.53
Haryana	8.67	5.87	5.87	6.49
Madhya Pradesh	8.49	6.36	6.32	7.09
Uttar Pradesh	5.06	0.68	0.67	0.34
Rajasthan	1.96	1.27	1.20	1.72
Others	<u>1.13</u>	<u>0.02</u>	<u>0.02</u>	<u>0.01</u>
Total	38.15	25.09	24.93	27.18

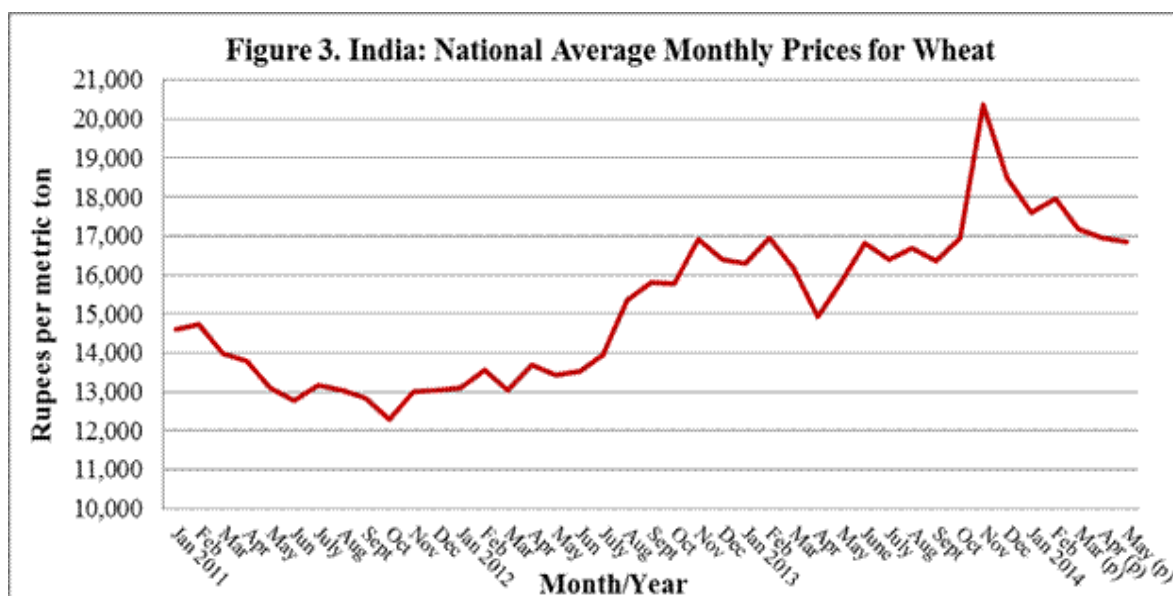
Source: The Food Corporation of India, GOI.

Wheat procurement in the major surplus states of Punjab and Haryana was officially over on May 31, 2014, and the total procurement was higher than last year, but lower than procurement in 2012/13. Relatively high local taxes precluded any significant private purchases in Punjab and Haryana despite some tax incentives offered to local millers in Punjab. Procurement in Madhya Pradesh and Rajasthan has been supported by the additional bonus of INR 1,500/MT given by the respective state governments. However, relatively firm open market prices compared to the government's minimum support price (INR 14,000/MT) has limited government procurement in other states.

Procurement will continue through June in most states except Punjab and Haryana but the volumes are likely to taper off in the next few weeks. Consequently, total government wheat procurement is likely to improve to above 28 MMT, but significantly lower than the government's procurement target of 31 MMT and the record procurement of 38.2 MMT in MY 2012/13.

Prices Ease

Domestic prices softened in May with the arrival of the new crop and relatively weak international prices but are still well above the government's MSP and additional bonus in some states.



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

Market prices in the state which cater to private trade (Uttar Pradesh, Madhya Pradesh, Rajasthan, and Bihar) currently range from INR 14,211 (\$245) to INR 16,411 (\$282) per metric ton. While these prices are expected to firm after June the market arrivals taper off, international price movement will affect domestic prices during the coming months. However, the new National Democratic Alliance (NDA) government may use of the government-held wheat stocks to control any significant escalation in domestic prices.

... Stocks Ease

Government-held stocks as of May 1, 2014, are estimated at 34.4 MMT, nearly 20 percent lower than last year. At the current pace of arrivals and offtake, government wheat stocks on June 1, 2014 are forecast to come down to 32.8 MMT, against last year stock of 33.3 MMT, which will still be more than double the government's desired peak stocks of 20.1 MMT (as on July 1).

The second consecutive year of lower-than-anticipated procurement has brought down the wheat stocks significantly lower than the record stocks of 50.2 MMT on June 1, 2012, which resulted in government exporting wheat from its warehouses in September 2012 to create space for storage of food grains.

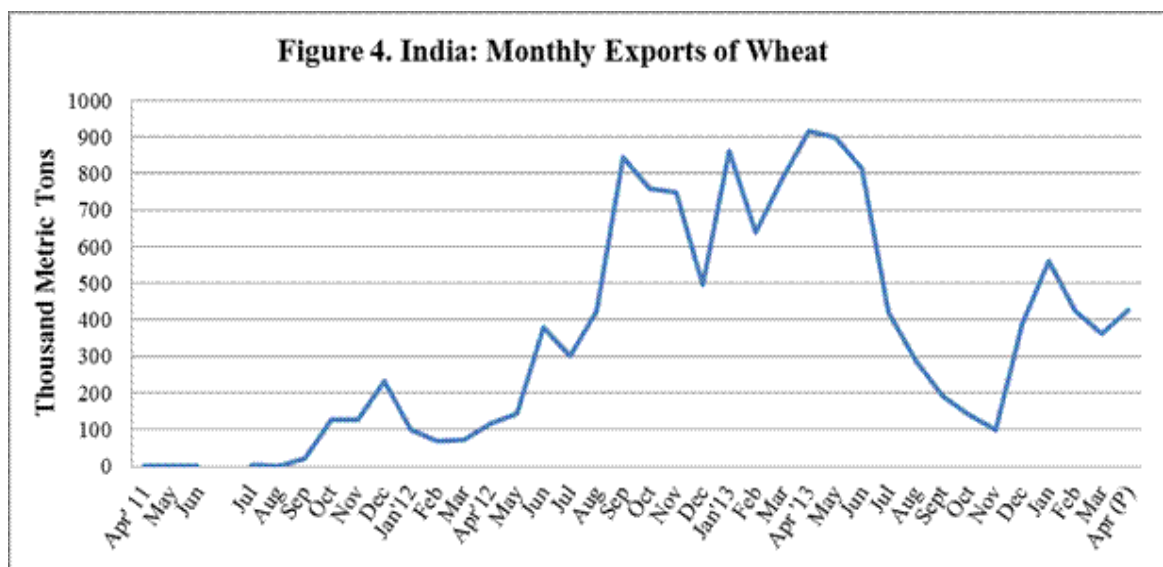
Government Wheat Exports Come to an End...

The export of government-held wheat came to a halt by the second week of May 2014 with no further tenders being floated by the three parastatals since April 2014. Of the two-MMT export quota announced in April 2013, the government had allocated a total of 1.55 MMT by April 11, 2014 (see IN4034 page 6), which was shipped by the second week of May. No new tenders have been floated by the three parastatals for the balance of 450,000 MT. While there has not been any official notification, market sources and [media reports indicate that the government has decided to discontinue the export of wheat from government stocks](#) with immediate effect due to weak

international prices and opposition to India's 'subsidized exports' in the WTO forum.

.... Exports by Private Trade to Continue.

Given the sufficient government-held wheat stocks to contain any escalation in domestic prices, exports of wheat procured by private trade from the open market are likely to continue.



Source: Monthly exports through March 2014 from DGCIS, GOI; April 2014 derived from wheat shipping data compiled by a private source.

Although no official or published industry estimates are available, market sources report that India shipped about 900,000 MT of wheat, mostly by private trade, in May 2014 at a price range of \$281-293/MT FOB on a strong surge in export demand due to the Ukraine crisis. Market sources report export demand for Indian wheat has weakened in the last two weeks due to appreciation in the value of Indian rupee and weak international prices. Nevertheless, export shipments of the wheat contracted during April/May will continue through July. However, exports of milling wheat to neighboring markets like Bangladesh and Middle East countries (Indian style breads) will likely to continue through the season. Consequently, Post continues to forecast MY 2014/15 wheat exports unchanged at 3.0 MMT. However, Indian wheat exports prospects could improve depending on the movement of international prices and value of Indian rupee vis-a-vis US dollar.