

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Report Highlights:

India is set to harvest another bumper wheat crop with MY 2014/15 planting estimated at a record 31.5 million hectares. MY 2013/14 corn exports are estimated lower at 3.2 million metric tons on weak export demand.

General Information:

WHEAT

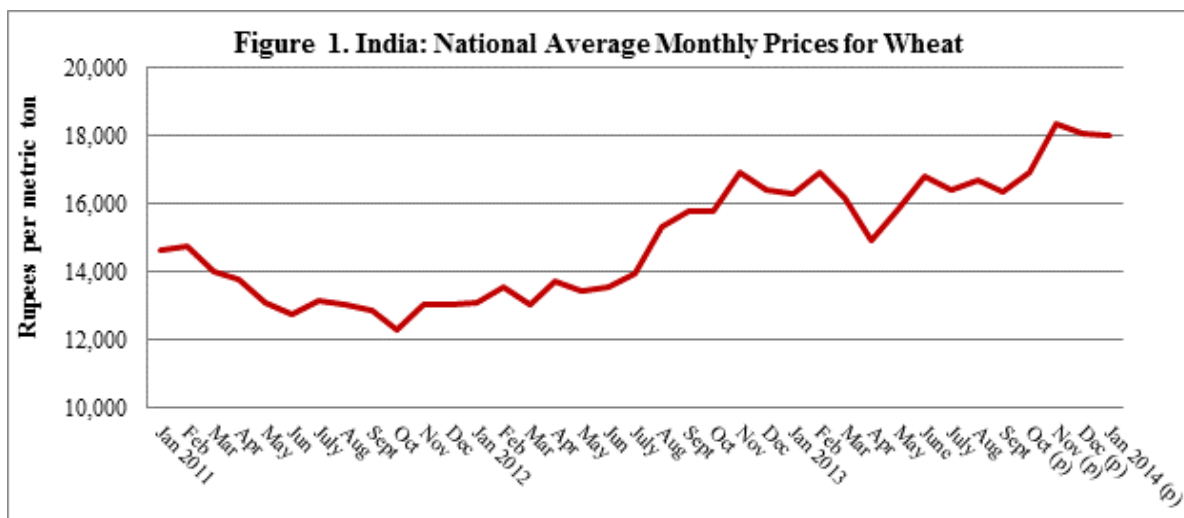
India Set for Bumper 2014 Wheat Crop on Record Planting

The Ministry of Agriculture's 2013/14 *rabi* (winter planted) crop planting report estimates planting of 2014 wheat crop at a record 31.5 million hectares compared to 29.6 million hectares last year. Favorable planting conditions coupled with expectations of good market prices encouraged farmers to bring more area under wheat in most states, especially in the rainfed wheat growing states of Madhya Pradesh, Uttar Pradesh, Gujarat and Rajasthan. Sufficient 2013 monsoon rains and timely harvest of the preceding *kharif* (fall harvested) crops provided excellent planting conditions. Relatively strong market prices during MY 2013 and the expectations of additional bonuses from the state governments (over and above the government of India's (GOI) minimum support price) due to the upcoming Parliamentary elections in April 2014 further encouraged farmers to plant wheat.

Field sources report that the standing wheat crop is progressing well under adequate soil moisture and weather conditions throughout the wheat growing region. Low temperatures and sporadic rains during December/January have been generally beneficial. There have been no incidences of pest or disease in the major growing areas. Record planting coupled with favorable growing conditions to date have fueled the expectation of a bumper 2014 wheat harvest. With the official advance estimate expected in the first fortnight of February, trade sources estimate the crop in the range of 94 to 98 million metric tons (MMT). However, temperatures during the critical filling and ripening stages during February/March or unseasonal rains during harvest (March/April) could temper production prospects.

Prices Steady

With the government the dominant/major supplier to the domestic millers and exporters, domestic wheat prices ruled steady in the month of January.



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

Since November 2013, local millers have been sourcing government wheat for meeting the bulk of their consumption requirements as open market supplies of MY 2013 wheat have dried up (or are nearly exhausted). Government wheat is available to local millers under the open market sales scheme in the price range of INR 15,400 (\$248) to INR 17,500 (\$281) per ton plus local taxes in various states. With 'sufficient' government wheat stocks (28.0 MMT on January 1, 2014), relatively weak international prices, and prospects for another bumper harvest, domestic wheat prices are likely to ease in February/March.

Government Wheat Exports Sputter

Due to weak international prices, the government parastatals assigned to export government wheat against the two MMT export quota announced in August 2013 have struggled to find buyers for the tenders let since the last week of December. Consequently, the parastatals had to cancel some and only partially award most of the recent tenders (see below) due to low offer prices.

Table 1. India: Government Wheat Tenders Against the New Export Quota

Agency	Quantity Awarded or Tendered (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
STC	120,000	Nov 15, 2013	Nov 25-Dec 28, 2013	286.20	Mundra
PEC	70,000	Nov 15, 2013	Nov 20-Dec 20, 2013	289.90	Krishnapatnam
PEC	90,000	Nov 15, 2013	Nov 20-Dec 20, 2013	284.70	Kandla
MMTC	60,000	Nov 15, 2013	Nov 22-Dec 21, 2013	285.95	Kakinada
MMTC	55,000	Dec 12, 2013	Dec 22, 2013-Jan 25, 2014	283.10	Pipavav

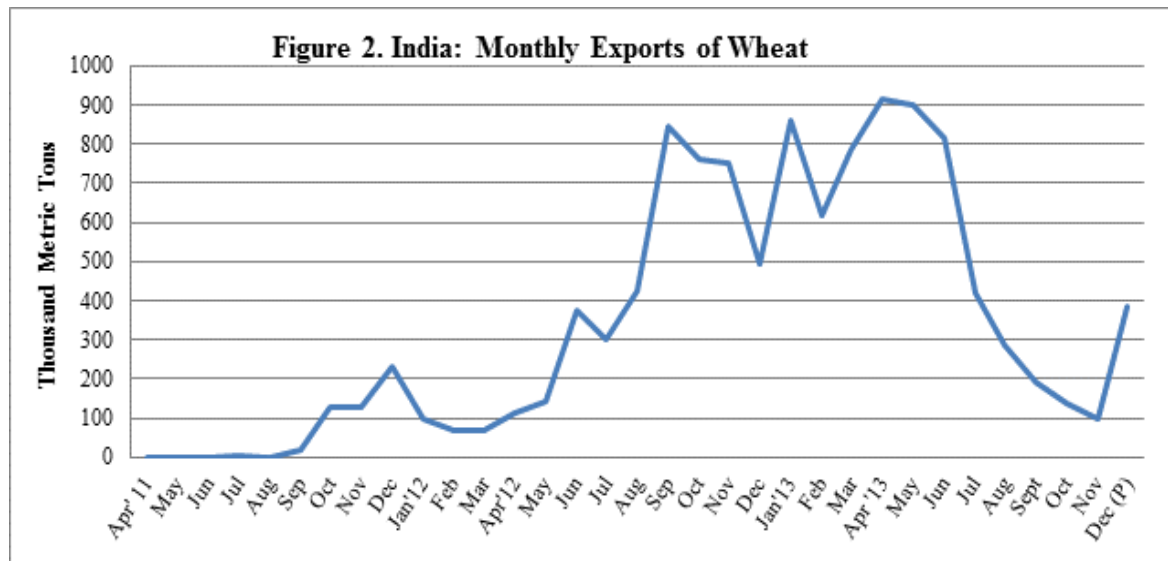
PEC	110,000 (120,000) ¹	Dec 12, 2013	Dec 23, 2013-Jan 25, 2014	285.41	Kandla
PEC	35,000	Dec 12, 2013	Dec 22, 2013-Jan 25, 2014	287.10	Vizag
PEC	70,000	Dec 16, 2013	Dec 26, 2013-Jan 31, 2014	281.50	Krishnapatnam
MMTC	85,000 (100,000) ¹	Dec 23, 2013	Jan 3-Feb 4, 2014	283.11	Kakinada
STC	40,000 (200,000) ¹	Dec 23, 2013	Jan 4-Feb 3, 2014	288.30	Mundra
STC	125,000 (160,000) ¹	Jan 8, 2014	Jan 18-Feb 18, 2014	282.60	Mundra
STC	70,000	Jan 10, 2014	Feb 1-Feb 28, 2014	283.60	Chennai
PEC	45,000 (120,000) ¹	Jan 14, 2014	Jan 20-Feb 25, 2014	281.31	Kandla
PEC	70,000	Jan 14, 2014	Jan 20-Feb 25, 2014	279.52	Vizag
STC	120,000	Jan 23, 2014	Feb 1, Mar 5, 2014	278.20	Mundra
MMTC	60,000	Feb 3, 2014	Feb 10-Mar 10, 2014	NA	Pipavav
PEC	100,000	Feb 3, 2014	Feb 10-Mar 10, 2014	NA	Krishnapatnam
PEC	120,000	Feb 12, 2014	Feb 25-Mar 25, 2014	NA	Kandla
PEC	35,000	Feb 12, 2014	Feb 20-Mar 25, 2014	NA	Vizag
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
MMTC	60,000	Jan 14, 2014	Jan 20-Feb 24, 2014	Cancelled	Pipavav
MMTC	120,000	Jan 23, 2014	Feb 1-Mar 5, 2014	Cancelled	Kakinada

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

¹ Partial award of the tender, with figure in parentheses indicating the total quantity tendered.

The January wheat tenders were awarded at prices ranging from \$278.20 to \$283.60 per ton FOB, well below the November high of \$289.90 per ton. Market sources expect offer prices for the government wheat to ease further in the coming months, but may be higher than the government's floor price of \$260 per ton FOB. Consequently, the government parastatals are likely to tender the unallocated balance of the two MMT export quota during February-March for exports through April/May.

Provisional official trade statistics indicate that wheat exports for April to December 2013 reached 4.2 MMT (including 300,000 MMT of government wheat), with Bangladesh, U.A.E, and some African countries being the major buyers in recent months.



Source: Monthly exports through November 2013 from DGCIS, GOI; December 2013 derived from wheat shipping data compiled by a private source.

Trade sources estimate government wheat shipments in January 2014 at 300,000 metric tons. Given weak export demand, the shipment of government wheat from the two-MMT-quota is not likely to be over by end of March 2014 as some shipments will spill over to the next marketing year. Assuming bumper 2014 wheat production and timely harvest of early wheat in Gujarat and Rajasthan, exports of open market wheat may be higher than expected in March 2014. Consequently, Post continues to estimate MY 2013/14 wheat exports at 6.0 MMT.

CORN

Table 2. India: Commodity, Corn, PSD

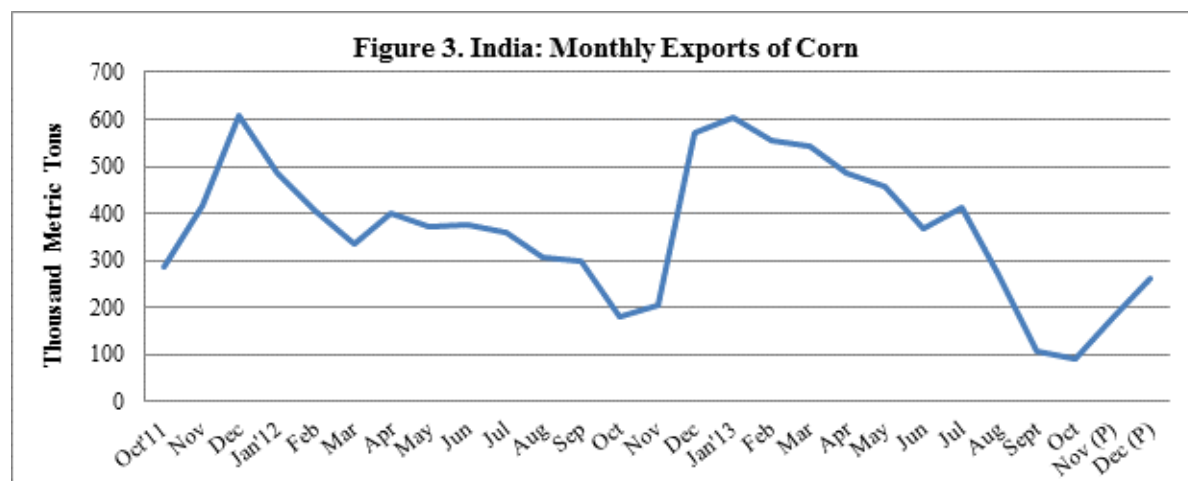
(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

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	9,400	9,400
Beginning Stocks	576	576	570	570	710	637
Production	21,760	21,760	22,230	22,230	23,000	23,000
MY Imports	3	3	10	10	10	10
TY Imports	3	3	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,339	22,339	22,810	22,810	23,720	23,647

MY Exports	4,569	4,569	4,700	4,673	3,500	3,200
TY Exports	4,674	4,674	4,768	4,768	3,500	3,200
Feed and Residual	8,800	8,800	8,900	8,900	9,900	10,000
FSI Consumption	8,400	8,400	8,500	8,600	9,000	9,000
Total Consumption	17,200	17,200	17,400	17,500	18,900	19,000
Ending Stocks	570	570	710	637	1,320	1,447
Total Distribution	22,339	22,339	22,810	22,810	23,720	23,647
Yield	2.	2.4727	3.	2.5522	2.	2.4468

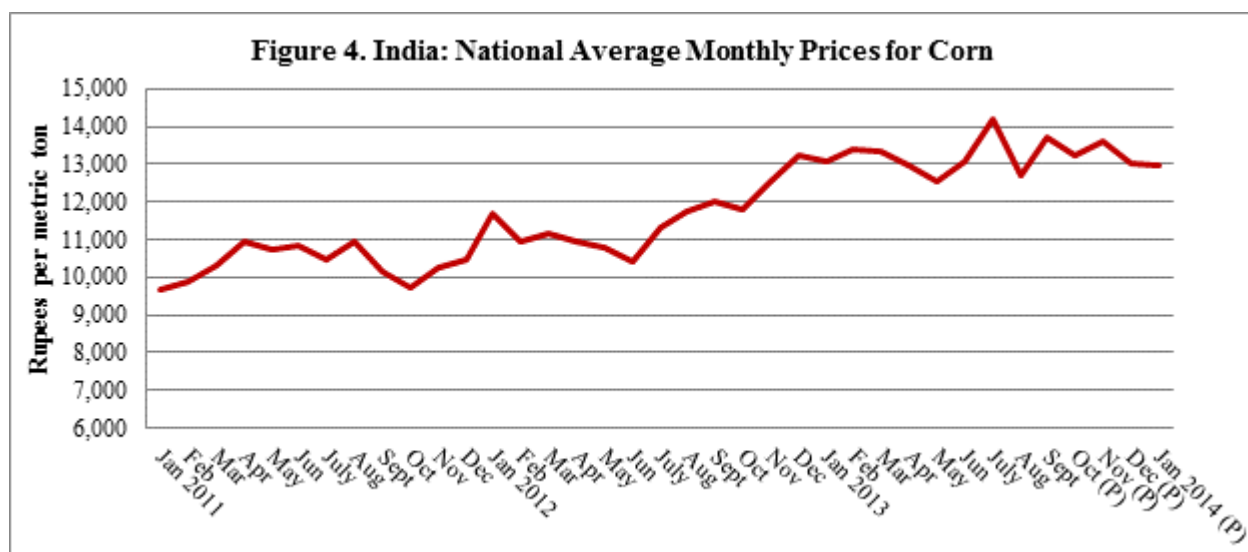
MY 2013/14 Exports Lowered

Post's MY 2013/14 corn export is estimated lower at 3.2 MMT on weak export demand. Provisional monthly trade estimates indicate a sharp decline in Indian corn exports since August 2013 due to relatively weak international prices on improved supplies from other competing origins compared to last year. MY 2012/13 exports have also been revised marginally lower to 4.67 MMT based on official trade figures compiled by the Global Trade Atlas.



Source: Monthly exports through October 2013 are derived from Global Trade Atlas, and November and December 2013 figures are derived from corn shipping data compiled by a private source.

Domestic corn prices have been relatively steady due to strong domestic demand from the poultry and starch industry, and the government's intermittent intervention of procuring corn at the minimum support price (INR 13,100 or \$212 per ton) in many states. Market sources report that the GOI has procured about 400,000 to 450,000 metric tons of corn under the minimum support price operation in the states of Andhra Pradesh, Maharashtra and Karnataka. The last corn procurement of this general magnitude was 328,858 metric tons in Indian kharif marketing season 2009/10 (October/September). Market sources also report a strong demand from the Indian poultry industry since October 2014 on improved consumer demand for poultry products and relatively lower feed prices. The off take by the starch industry is also strong to meet demand from the local textile industry on growth in textile exports.



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

Domestic spot prices of corn in the major producing states currently range from INR 11,640 (\$188) to INR 13,650 (\$220) per ton. Some corn is being exported to Bangladesh and south Asian markets at prices ranging from \$235 to \$240 per ton FOB, which is not competitive in the traditional destinations compared to the corn available from other competing origins. Market sources expect domestic prices to ease further with the harvest of *rabi* (winter) corn in Bihar and eastern India, where government procurement is not very effective. Corn exports are expected to improve in coming months assuming the current price parity of Indian corn vis-a-vis other origins remains unchanged. Consequently, MY 2013/14 corn exports are expected to reach 3.2 MMT compared to the last year's record 4.67MMT.

Consumption/Stocks Adjusted

Post's MY 2013/14 consumption and stocks have been revised to reflect the change in the export estimate.

RICE

Weak Government Procurement

MY 2013/14 government domestic rice procurement at the minimum support price continues to lag behind last year's due to relatively firm market prices. Government procurement on January 17, 2014, was estimated at 18.7 MMT compared to 20.2 MMT during the corresponding period last year, with procurement lagging in most states except Chhattisgarh and Madhya Pradesh.

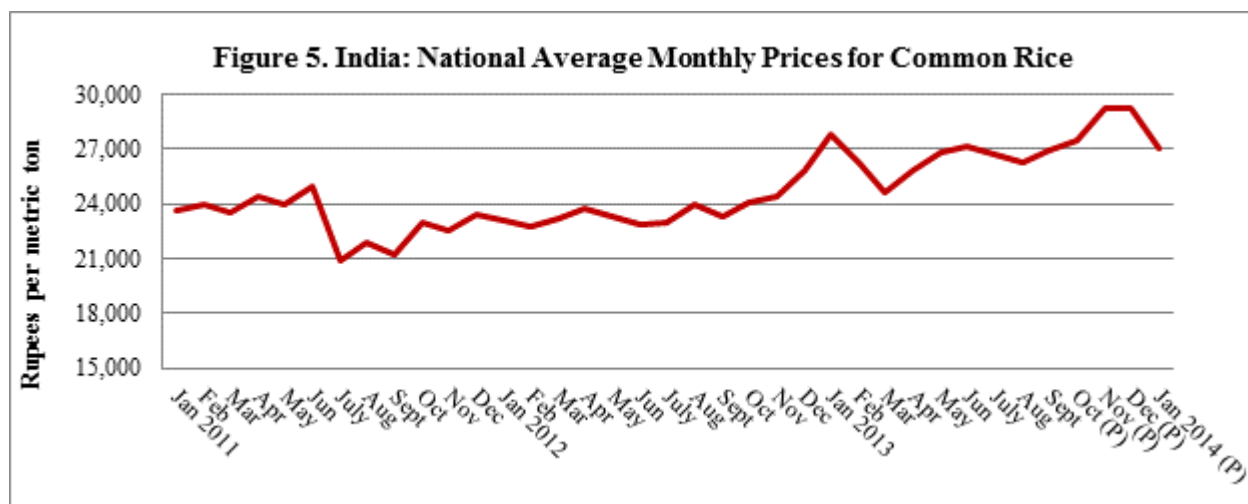
Table 3. India: Government Rice Procurement by State, in Million Tons

State	MY 2011/12	MY 2012/13	MY 2012/13	MY 2013/14
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	October-September		October through January 17	
Punjab	7.73	8.56	8.56	8.11
Andhra Pradesh	7.54	6.46	2.25	1.87
Chhattisgarh	4.12	4.80	3.12	3.53
Odisha	2.87	3.61	1.42	0.88
Haryana	2.01	2.61	2.59	2.40
Uttar Pradesh	3.36	2.29	0.96	0.48
West Bengal	2.04	1.77	0.36	0.29
Madhya Pradesh	0.64	0.90	0.63	0.85
Tamil Nadu	1.60	0.48	0.01	0.08
Others	3.15	2.54	0.30	0.24
Total ²	35.06	34.02	20.20	18.73

Source: Food Corporation of India, GOI

With market prices declining in January 2014 (see below), government procurement is likely to improve in the coming months. Overall procurement during MY 2013/14 will depend on the production of *rabi* (winter) rice to be harvested from March onwards, but is likely to be around 32 MMT compared to 34 MMT last year.

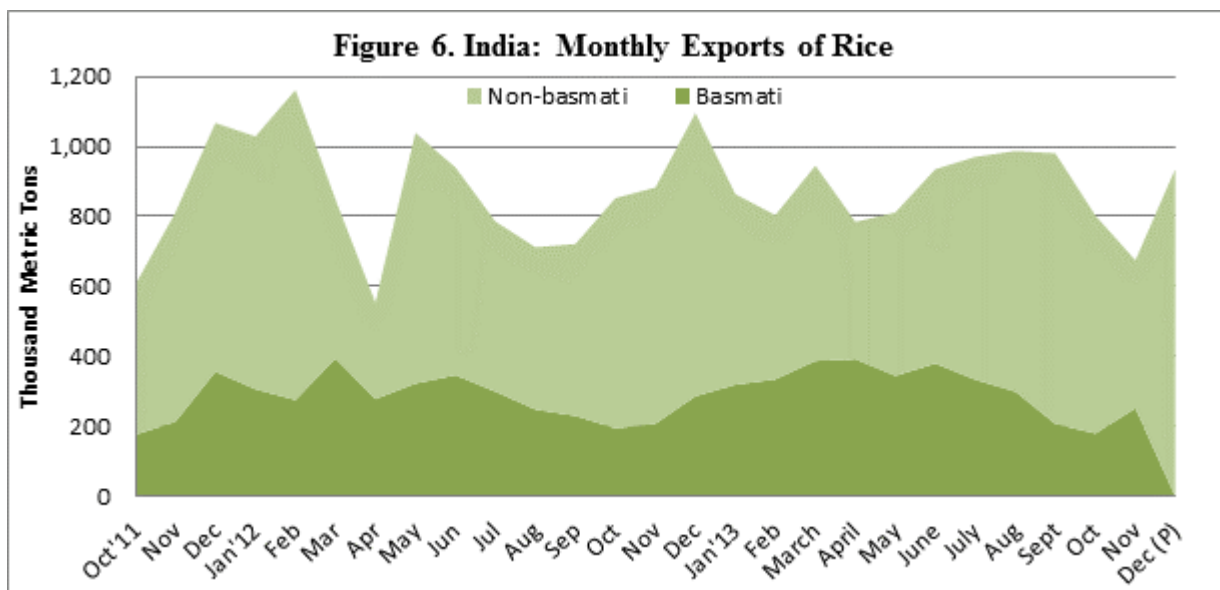


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Market sources report that relatively weak export demand during November and December 2014 affected domestic prices. Currently, spot prices for common grade coarse rice range from INR 18,850 (\$305) to INR 30,450 (\$490) per ton in major producing states.

Exports Steady After Faltering in December

Preliminary CY 2013 export figures from official and private sources are estimated at 10.5 MMT.



Source: Monthly exports through November 2013 from DGCIS, GOI; December 2013 derived from rice shipping data compiled by a private source, which does not break out Basmati and non-Basmati.

Provisional shipment data from private sources indicate that rice exports in January 2014 improved after faltering in November and December 2013. With domestic prices easing in recent months, market sources report increased offtake of rice to Africa and other Middle East countries, and resurgence in exports of long grain Basmati rice to Iran after a lull during October to December 2013. Post continues to estimate MY 2013/14 exports at 10.0 MMT assuming no significant changes in the price parity of Indian rice in the international market.