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Voluntary Public

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Grain and Feed Voluntary Update - December 2013

Report Categories:

Grain and Feed

Agriculture in the Economy

Trade Policy Monitoring

Competitor

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Report Highlights:

MY 2013/14 milled rice production is lowered to 103 million metric tons (MMT) on crop damage due to recent cyclones on the eastern coast and heavy rains in eastern and southern states. MY 2012/13 export estimate is revised marginally lower to 10.9 MMT based on preliminary official statistics. Government wheat exports against the 2 MMT quota have resumed with lowering of the minimum export price from \$300 to \$260 per ton FOB in early November and issuance of seven tenders.

General Information:

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 1	New Post	USDA Official 1	New Post	USDA Official 1	New Post
Area Harvested	44,100	44,100	42,410	42,410	43,500	43,500
Beginning Stocks	23,500	23,500	25,100	25,100	25,000	25,100
Milled Production	105,310	105,310	104,400	104,400	105,000	103,000
Rough Production	157,981	157,981	156,616	156,616	157,516	154,515
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	130,000	128,100
MY Exports	10,376	10,376	11,000	10,900	10,000	10,000
TY Exports	10,250	10,250	10,500	10,500	10,000	10,000
Consumption and Residual	93,334	93,334	93,500	93,500	96,000	95,000
Ending Stocks	25,100	25,100	25,000	25,100	24,000	23,100
Total Distribution	128,810	128,810	129,500	129,500	130,000	128,100
Yield (Rough)	4.	3.5823	4.	3.6929	4.	3.5521
TS=TD		0		0		0

MY 2013/14 Production Lowered

Post's MY 2013/14 milled rice production has been lowered to 103 million metric tons (MMT) as the recent cyclones in the eastern coast and heavy rains have damaged the standing rice crop, which was at maturity and harvest stage, in eastern and southern states.

Since early October, three consecutive cyclones (*Phaillin*, *Helen* and *Lehar*) on the eastern coast have caused significant damage to the rice crop in the coastal belt of Andhra Pradesh and Orissa. The consequent heavy rains in the eastern states of West Bengal, Bihar, Jharkhand and eastern Uttar Pradesh have caused some crop lodging. Harvesting in the rain-affected areas has been significantly delayed as the mechanical harvesters are unable to operate due to wet soil conditions. Planting of *rabi* (winter planted) rice, mostly confined to West Bengal and southern states, has started and will continue through

December. Although no official assessment of crop loss due to the recent cyclones and heavy rains is available, market sources report crop loss in the affected areas of around 3 MMT. Planting of *rabi* rice is likely to be higher than last year on improved soil moisture conditions, augmented water levels in irrigation reservoirs and relatively firm domestic prices. Assuming normal weather conditions, higher *rabi* rice production is likely to partially offset the recent crop loss. Consequently, MY 2013/14 rice production is revised lower to 103 MMT, which will be India's record third highest crop ever.

Procurement Lag Behind Last Year

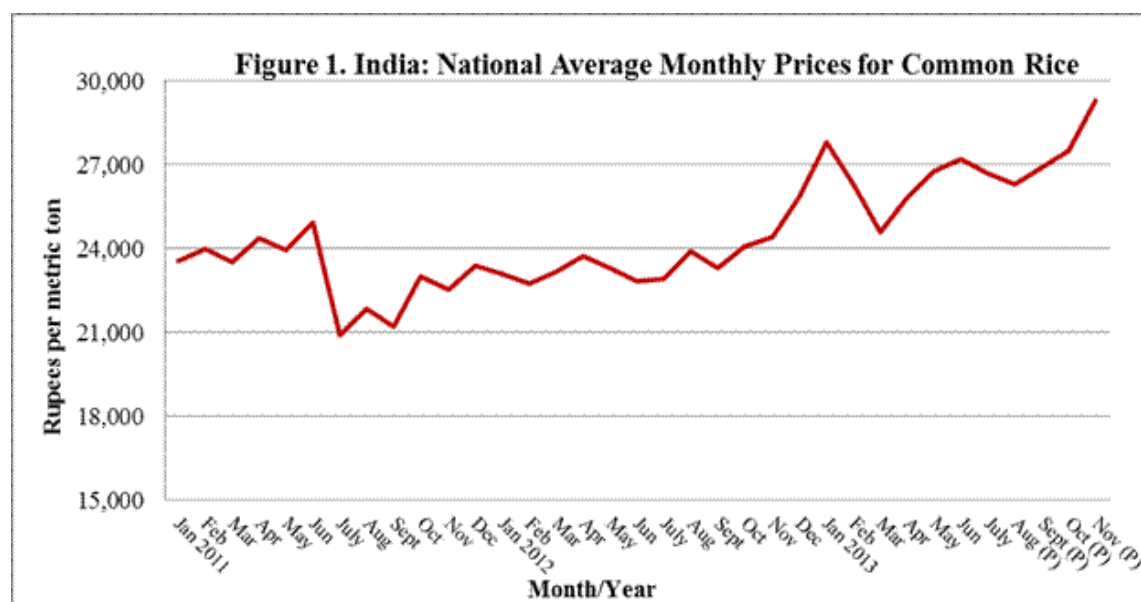
The government procurement of rice for the MY 2013/14 season as of November 19, 2012, is estimated at 11.05 MMT (milled basis) compared to 11.65 MMT for the corresponding period last year. Most procurement has been in the northern states of Punjab and Haryana. Procurement in other states like Andhra Pradesh, Uttar Pradesh, Chhattisgarh and West Bengal will accelerate in December/January. However, overall procurement is likely to be lower than last year on production being affected by adverse weather conditions and relatively strong open market prices. Consequently, 2013/14 rice procurement is likely to be around 32 MMT compared to 34.0 MMT last year, and significantly below the government target (34.54 MMT).

Stocks Sufficient

Government rice stocks on November 1, 2012, were reported at 28.6 MMT, marginally lower than a year ago (29.0 MMT), but significantly higher than the government's desired rice stocks (varies from 7.2 MMT on October 1 to 14.2 MMT on March 1).

Prices Gain Further

Domestic rice prices have gained strongly in November on reports of crop damage in Andhra Pradesh and other eastern states.

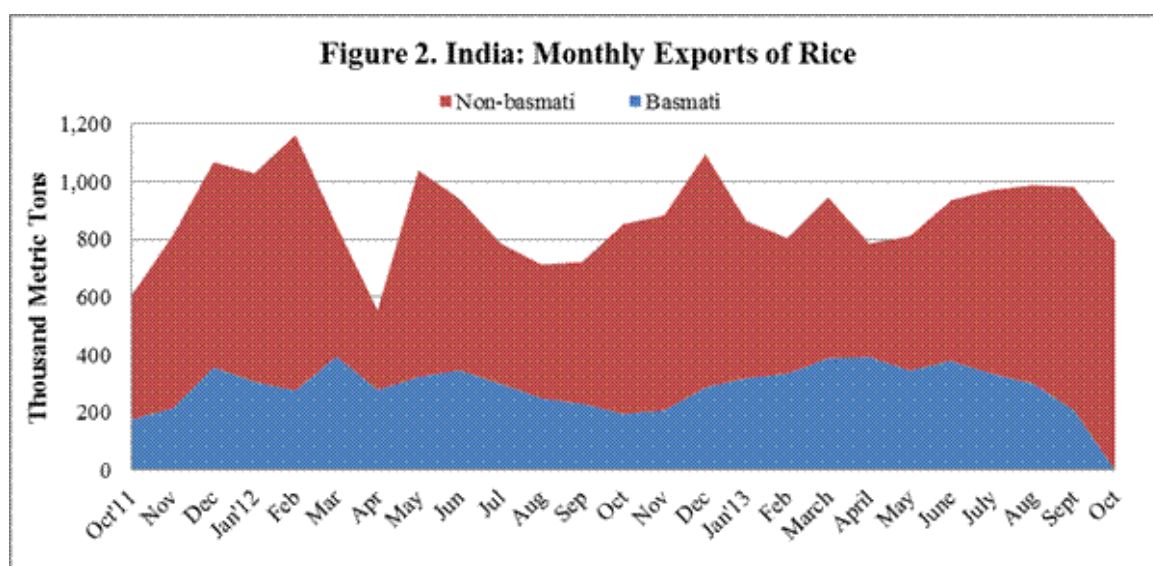


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI.

Rising domestic rice prices over the last few months has been a major concern for the government. With the Parliamentary elections due in next five months, the government may liquidate its 'more-than-sufficient' rice stocks to contain any further increase in domestic prices.

MY 2012/13 Exports Revised

Post's MY 2012/13 exports estimate is revised marginally lower to 10.9 million tons based on the preliminary official statistics for October 2012 to September 2013. Preliminary export figures for the first ten months of CY 2013 indicate rice exports of 8.9 million MMT compared to 8.6 MMT during the corresponding period last year, and CY 2013 exports are likely to reach forecast 10.5 MMT.



Source: Monthly exports till September 2013 from DGCIS, GOI; September 2013 figure derived from rice shipping data compiled from Infodrive, which does not break out Basmati and non-Basmati.

WHEAT

Wheat Planting Progress Strongly

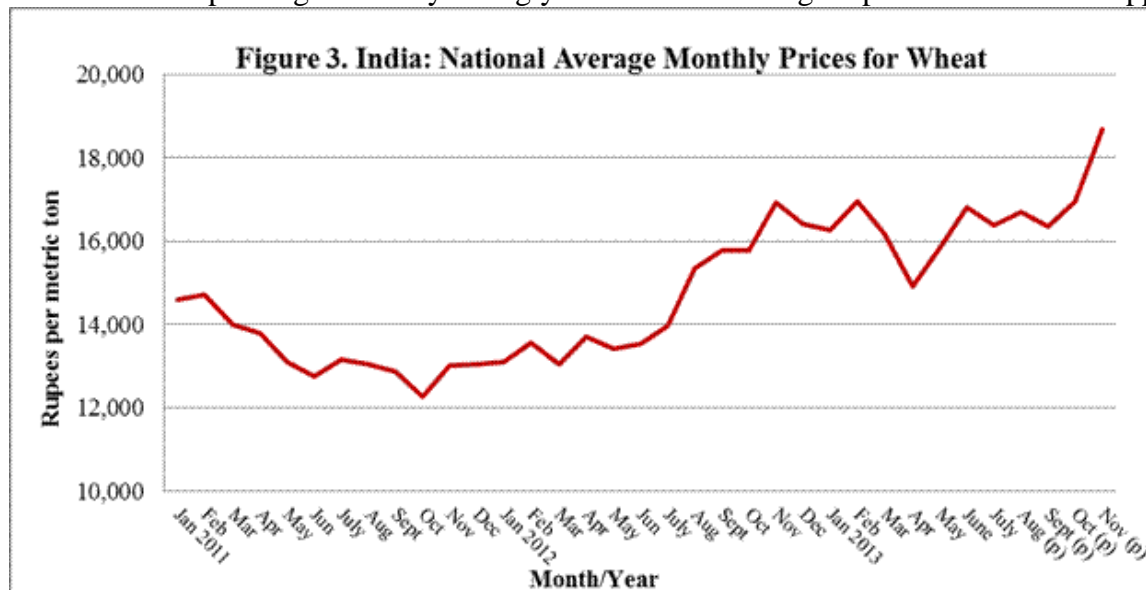
The Ministry of Agriculture's 2013/14 *rabi* planting progress report shows planting of the 2014 wheat crop through November 29, 2012 at 17.94 million hectares compared to 15.85 million hectares at the same time last year. Despite the modest increase in the minimum support price (MSP) of wheat for the upcoming season (see IN3124), strong open market prices for wheat have encouraged farmers to go for wheat. Consequently, 2014 wheat planting is likely to be marginally higher than last year's 29.4 million hectares.

With sufficient soil moisture due to late monsoon rains and adequate irrigation water available in major reservoirs in the growing areas, planting of wheat is likely to gather momentum from the last week of November. Planting is over in the northern and western states and is likely to be over in the central

states by end of December. Planting of wheat is likely to continue through early January in eastern Uttar Pradesh and Bihar due to the delayed harvest of rice. India seems to be heading toward another bumper 2013 wheat outturn, assuming normal weather conditions follow throughout the season.

Prices Escalate/Flare Up

Domestic wheat prices gained very strongly in November on tight open market wheat supplies.



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

Currently, spot prices for wheat in major markets range from INR 15,100 (\$245) to INR 19,800 (\$322) per ton. Market sources report lack of availability and quality problems with the open market wheat, and the local millers are increasingly shifting to buying government wheat under the open market sale scheme. The government is currently selling wheat to local millers and bulk customers in various states at reserve prices ranging from INR 15,400 (\$251) to INR 17,500 (\$285) per ton plus taxes, which is below the open market prices in most states. The government may announce additional tranches of government wheat sales to the domestic market to reduce the “surplus” wheat stocks (34.1 MMT as of November 1, 2013). Though the government is likely to release additional wheat from its food grain stocks to the domestic market, prices are likely to remain firm through the remainder of MY 2013/14.

Government Wheat Exports Resume

In early November, the government lowered the minimum export price (MEP) for sale of government wheat from \$300 per ton FOB to \$260 per ton FOB. This has paved the way for resumption of government wheat exports against the 2.0 MMT export quota announced in August 2013. On November 15, 2013, the government parastatals assigned to export government wheat allocated about 340,000 MT to various private exporters at prices ranging from \$284.70 to \$289.90 per ton FOB and announced additional tenders for about 650,000 MT (see table 2).

Table 2. India: Government Wheat Tenders Against the New Export Quota

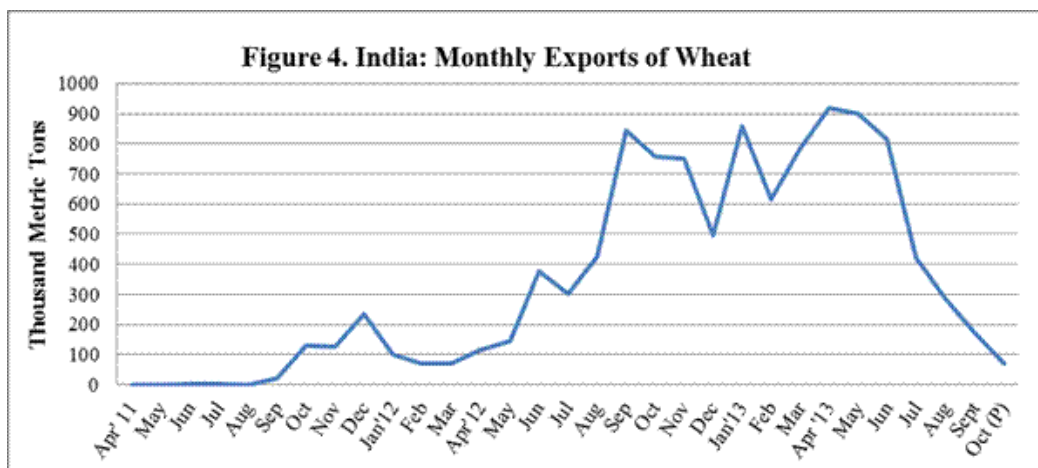
Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
STC	120,000	Nov 15, 2013	Nov 25-Dec 28, 2013	286.20	Mundra
PEC	70,000	Nov 15, 2013	Nov 20-Dec 20, 2013	289.90	Krishnapatnam
PEC	90,000	Nov 15, 2013	Nov 20-Dec 20, 2013	284.70	Kandla
MMTC	60,000	Nov 15, 2013	Nov 22-Dec 21, 2013	285.95	Kakinada
MMTC	55,000	Dec 12, 2013	Dec 22, 2013-Jan 25, 2014	NA	Pipavav
PEC	120,000	Dec 12, 2013	Dec 23, 2013-Jan 25, 2014	NA	Kandla
PEC	35,000	Dec 12, 2013	Dec 22, 2013-Jan 25, 2014	NA	Vizag
PEC	70,000	Dec 16, 2013	Dec 26, 2013-Jan 31, 2014	NA	Krishnapatnam
MMTC	100,000	Dec 23, 2013	Jan 3-Feb 4, 2014	NA	Kakinada
STC	200,000	Dec 23, 2013	Jan 4-Feb 3, 2014	NA	Mundra
STC	70,000	Dec 23, 2013	Jan 4-Feb 3, 2014	NA	Chennai
Total	990,000				
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](#)

The parastatals are likely to let more tenders and to exhaust the 2.0 MMT quota by early January for shipment through March 2014.

Exports to Recover

Provisional trade statistics estimate wheat exports during April-October 2012 at 3.6 MMT, with exports tapering off from August onward as the government's 4.5 MMT export quota was exhausted and exports of open market wheat were limited by relatively firm domestic prices.



Source: Monthly exports till September 2013 from DGCIS, GOI; September 2013 figure derived from rice shipping data compiled from Infodrive.

India's wheat exports are likely to recover from December onwards, with most exports likely to be government wheat against the 2.0 MMT export quota. Exports of open market wheat will be limited by relatively high open market prices, which are likely to remain firm during the balance of the season. Consequently, MY 2013/14 wheat exports are likely to reach 6.0 MMT.