

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary _ Public

Date: 3/31/2014

GAIN Report Number: IN4023

India

Post: New Delhi

Grain Voluntary Update – April 2014

Report Categories:

Grain and Feed

Agriculture in the Economy

Trade Policy Monitoring

Competitor

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Report Highlights:

Untimely rains and hail have raised concerns about India's MY 2014/15 wheat harvest. The government has set the MY 2014/15 wheat procurement target at 31 million metric tons (MMT).

General Information:

WHEAT

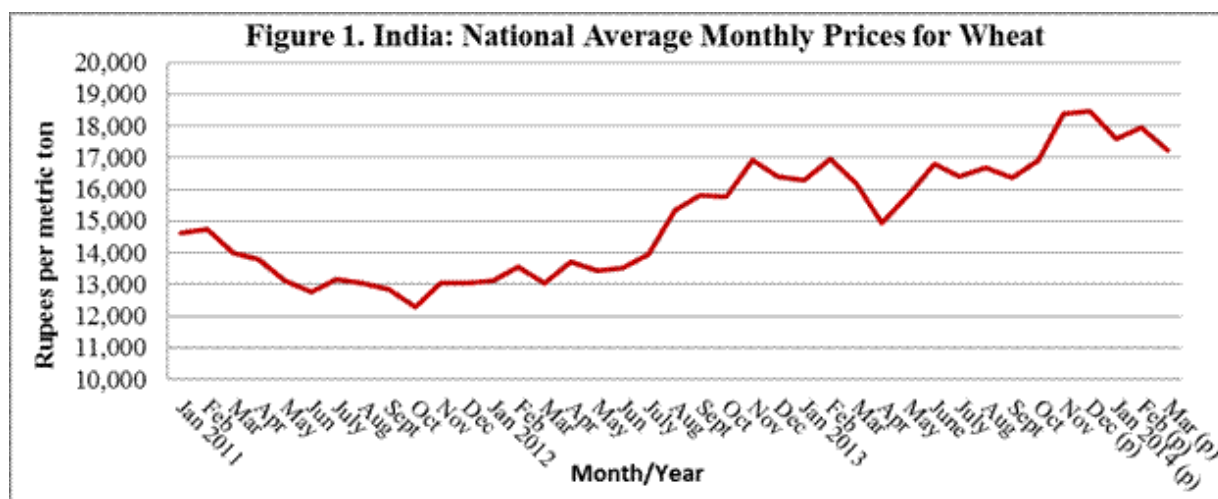
Untimely Rains/Hail in March May Affect Production Prospects...

Untimely rains and hail in March may have adversely affected India's MY 2014/15 wheat production prospects. Reports suggest that rains and hail in the first fortnight of March coincided with the early wheat harvest in states like Madhya Pradesh, causing localized quantitative and qualitative crop damages. While media reports significant crop loss, sources suggest that political considerations due to the ongoing parliamentary elections could possibly exaggerate reports of losses in expectation of government compensation. While there are no reports of major crop damage and conflicting reports on the effect of these rains on productivity in the major wheat growing states of Punjab, Haryana and western Uttar Pradesh, the harvest is likely to be delayed by 10-15 days. Some agricultural experts report that the March rains would benefit the late planted rainfed wheat in eastern Uttar Pradesh, Bihar and adjoining eastern states provided there are no rains in April. Market sources also report better crop outlook in the states of Gujarat and Rajasthan compared to last year (drought affected). Consequently, Post continues to estimate MY 2014/15 production at 96 million metric tons (MMT) and would review the estimate after assessing the preliminary harvest report from northern and eastern India.

Harvesting has begun in central and western India, and preliminary reports suggest a better production outlook than last year in Gujarat and Rajasthan. Wheat harvesting in the northern states will begin in the second week of April, while harvesting in eastern India will begin in the last week of April. However, weather during the harvest in April will be important as continued rains and hailstorms and/or a sudden significant increase in temperature could potentially temper the production prospects and affect the quality (vitreousness) of the crop.

...Prices Steady

Despite adverse weather reports, domestic wheat prices have eased in March with the arrival of early sown wheat.



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

Average spot prices in the major wheat producing states in the last week of March ranged from INR 15,030 (\$248) to INR 18,170 (\$300) per metric ton. By March end the government will stop supplying wheat to local millers under the open market sales scheme, available in the price range of INR 15,400 (\$248) to INR 17,500 (\$281) per ton plus local taxes in various states. Prices are likely to remain steady in April on reports of quality damage to Madhya Pradesh wheat and delay in harvest from other regions.

.. Government Sets a Modest Procurement Target.

Reports suggest that the Food Ministry has set a target of 31 MMT for wheat procurement in MY 2014/15 compared to last year's procurement of 25.1 MMT, with the major increase accounted by the states of Madhya Pradesh and Uttar Pradesh. However, actual procurement will largely depend on open market prices, which in turn will largely depend on international prices.

Table 1. India: Government Procurement of Wheat by State (Quantity in MMT)

State	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15 ¹
	April-March	April-March	April-March	April-March
Punjab	10.96	12.83	10.90	11.00
Haryana	6.93	8.67	5.87	6.50
Madhya Pradesh	4.97	8.49	6.36	8.00
Uttar Pradesh	3.46	5.06	0.68	3.00
Rajasthan	1.30	1.96	1.27	1.80
Others	<u>0.72</u>	<u>1.13</u>	<u>0.02</u>	<u>0.70</u>
Total	28.34	38.15	25.09	31.00
Percent of Production	32.6%	40.6%	27.1%	32.3%

Note ¹: Government's expected procurement.

Source: Trade sources for MY 2014/15 and Food Corporation of India for MY 2013/14 to 2011/12.

On March 15, 2014, government procurement started in Madhya Pradesh, and will begin in other states in the first week of April. Procurement in the major surplus states of Punjab, Madhya Pradesh and Haryana is likely to be over by May, and will continue through July in Uttar Pradesh and other states. Private trade in Punjab and Haryana is severely affected by higher market fees and levies charged by the state governments, and in Madhya Pradesh and Rajasthan by the INR 1,500 bonus over and above the GOI's support price announced by the state governments. Most private trade buying will be confined to Uttar Pradesh and Bihar as market prices tend to be lower than the support price due to relatively ineffective government procurement facilities, and some purchase of quality wheat at a premium from Madhya Pradesh and Rajasthan.

Government Wheat Exports Wobble On

With the international prices firming up in March, there has been renewed interest in government wheat against the two-MMT quota announced in November 2013.

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

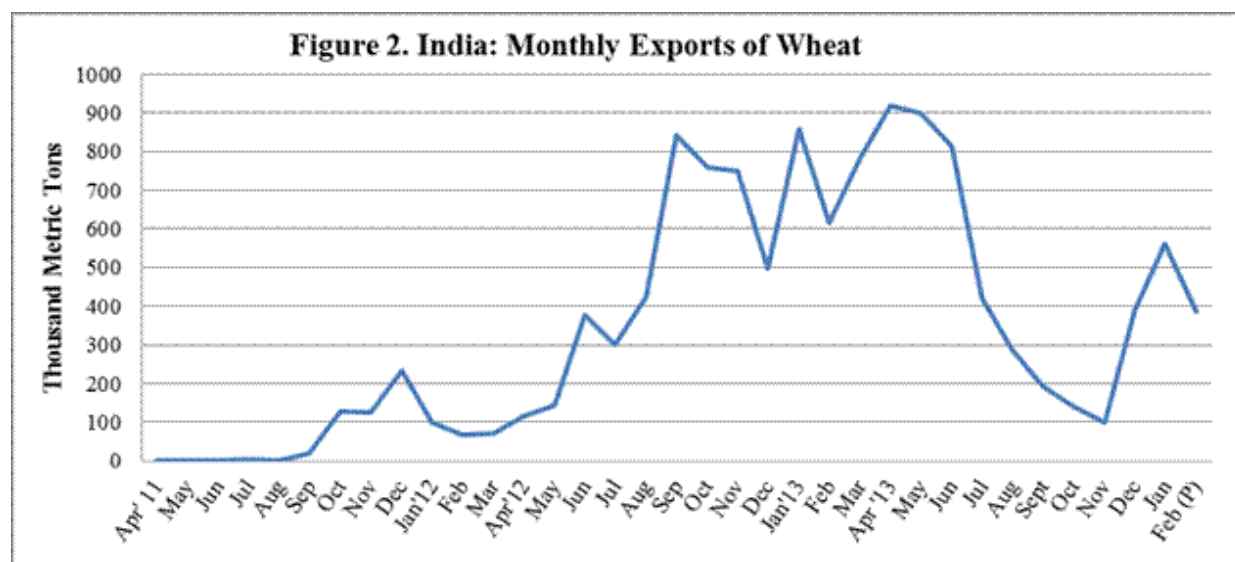
Agency	Quantity Allocated or Tendered (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
STC	120,000	Nov 15, 2013	Nov 25-Dec 28, 2013	286.20	Mundra
PEC	70,000	Nov 15, 2013	Nov 20-Dec 20, 2013	289.90	Krishnapatnam
PEC	90,000	Nov 15, 2013	Nov 20-Dec 20, 2013	284.70	Kandla
MMTC	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	279.52	Vizag

		2014	25, 2014		
STC	40,000 (120,000) ¹	Jan 23, 2014	Feb 1, Mar 5, 2014	278.20	Mundra
MMTC	30,000 (60,000) ¹	Feb 3, 2014	Feb 10-Mar 10, 2014	275.20	Pipavav
PEC	70,000	Feb 24, 2014	Feb 28-Mar 28, 2014	274.90	Krishnapatnam
STC	110,000 (150,000) ¹	Feb 24, 2014	March 6-April 6, 2014	274.90	Mundra
PEC	70,000	Mar 12, 2014	March 15-April 15, 2014	282.10	Kandla
MMTC	80,000	Mar 12, 2014	March 15-Apr 15, 2014	281.05	Kakinada
PEC	30,000	Apr 11, 2014	Apr 20-May 19, 2014	Na	Vizag
PEC	35,000	Apr 11, 2014	Apr 30-May 25, 2014	Na	Krishnapatnam
MMTC	35,000	Apr 11, 2014	Apr 20-May 19, 2014	Na	Pipavav
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
PEC	100,000	Feb 3, 2014	Feb 10-Mar 10, 2014	Cancelled	Krishnapatnam
PEC	35,000	Feb 12, 2014	Feb 20-Mar 25, 2014	Withdrawn	Vizag
PEC	100,000	Feb 14, 2014	Feb 25-Mar 25, 2014	Cancelled	Kandla
MMTC	80,000	Feb 14, 2014	Feb 20-Mar 19, 2014	Cancelled	Kakinada
STC	50,000	Feb 24, 2014	March 6-April 6, 2014	Withdrawn	Chennai

Note: STC- State Trading Corporation; PEC - Project Export Corporation; and MMTC - Minerals and Metals Trading Corporation

¹ Tender allocated partially, with figure in parenthesis indicating the total quantity tendered.

Recently, there has been some renewed interest in government wheat by international buyers after the long lull in January-February when most tenders were cancelled or only partially awarded (see above) due to low offer prices. Nevertheless, the two March tenders were awarded at prices significantly below the November high of \$289.90 per ton. The government is left with about 650,000 MT unallocated balance the two MMT quota, which is likely to be exhausted by end June, 2014 if the international prices remain firm.



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

Provisional official trade statistics indicate that wheat exports for April 2013 to February 2014 reached 5.1 MMT. Due to the relatively firm domestic prices, market sources report negligible exports of open market wheat by private trade and government wheat exports around 300,000 MT. With the wheat product exports estimated around 600,000 MT (wheat equivalent); MY 2012/13 wheat exports are likely to reach 6.0 MMT.

RICE

Procurement Continues to Lag Behind Last Year

Relatively firm domestic prices have contained MY 2013/14 government domestic rice procurement at the minimum support price, which continues to lag behind last year. Government procurement on March 21, 2014, was estimated at 25.7 MMT compared to 28.8 MMT during the corresponding period last year, with procurement lagging in most states except Chhattisgarh and Madhya Pradesh.

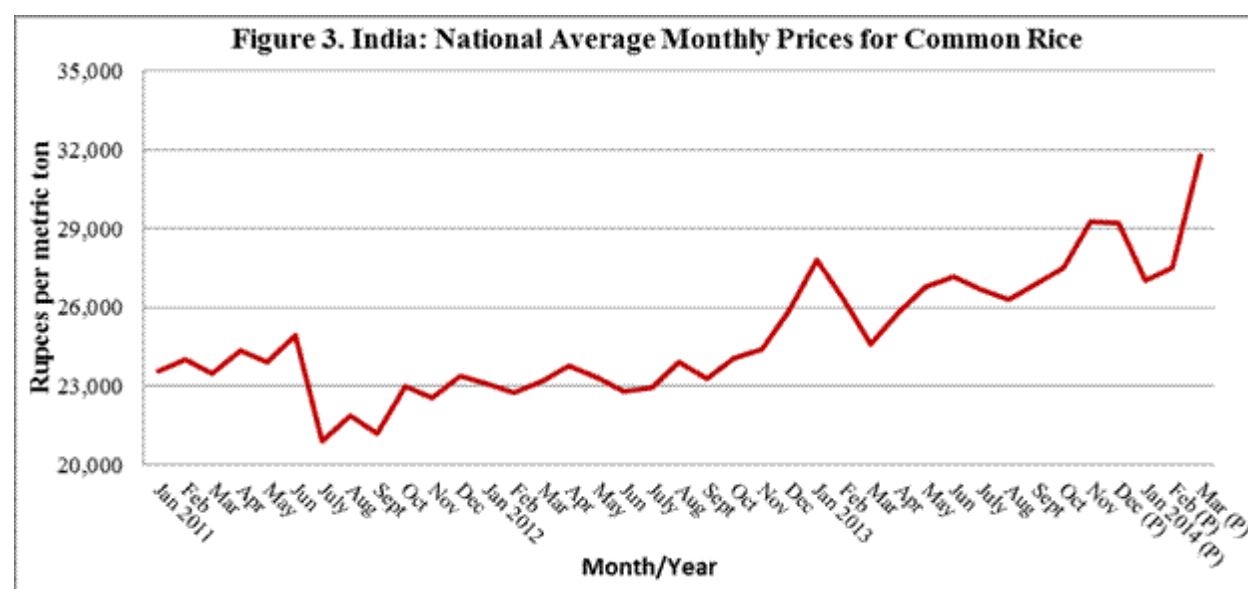
Table 3. India: Government Rice Procurement by State, in Million Metric Tons

State	MY 2011/12	MY2012/13	MY 2012/13	MY 2013/14
	Oct-Sept	Oct-Sept	October through March 21	
Punjab	7.73	8.56	8.56	8.11

Andhra Pradesh	7.54	6.46	3.90	3.41
Chhattisgarh	4.12	4.80	4.80	5.34
Odisha	2.87	3.61	2.68	1.89
Haryana	2.01	2.61	2.60	2.40
Uttar Pradesh	3.36	2.29	2.15	1.05
West Bengal	2.04	1.77	1.10	0.71
Madhya Pradesh	0.64	0.90	0.77	1.04
Tamil Nadu	1.60	0.48	0.42	0.65
Others	3.17	2.54	1.79	1.16
Total	35.06	34.02	28.77	25.74

Source: Food Corporation of India, GOI.

With market prices firming up significantly in March 2014 (see below), government procurement is likely to remain weak in the April. However, higher production of *rabi* (winter) rice to be harvested from March onwards may support late season procurement. Nevertheless, MY 2013/14 procurement is likely to be around 31 MMT compared to 34 MMT last year.

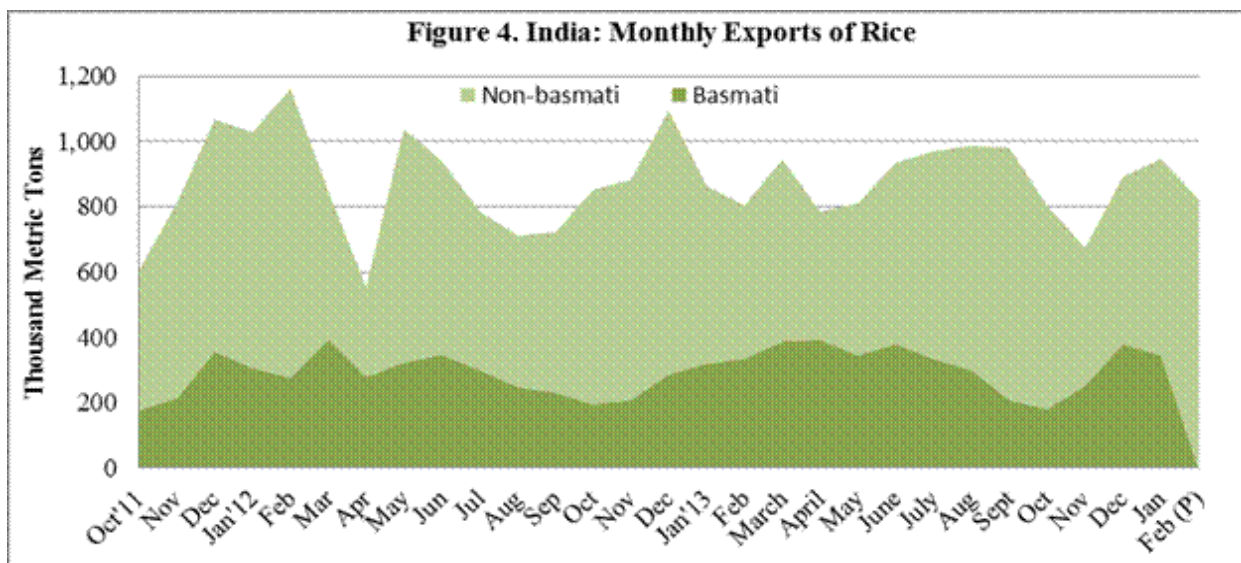


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

The surge in export demand since January 2014 has supported domestic prices. Currently, spot prices for common grade coarse rice range from INR 23,575 (\$390) to INR 36,170 (\$598) per ton in major producing states. Prices are likely to remain firm before the *rabi* rice start coming to the market by end April.

Exports Steady

Market sources report that Indian rice exports have been steady since the beginning of CY 2014 on relatively strong demand for non-Basmati rice.



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.

According to preliminary official statistics, rice exports in January 2014 increased to 946 thousand tons (346 thousand tons Basmati and 600 thousand tons non-Basmati rice) from 892 thousand tons in December 2013 (380 thousand tons Basmati and 512 thousand tons non-Basmati rice). Provisional shipment data from private sources indicate that rice exports in February 2014 at 824 thousand tons, largely on strong exports of non-Basmati rice. Exports of Basmati rice are estimated lower on weak export demand from Iran and relatively strong domestic prices. Post continues to estimate CY 2013/14 exports at 10.0 MMT assuming no significant changes in the price parity of Indian rice in the international market.