

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Grain and Feed Update

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Report Highlights:

MY 2014/15 wheat production estimate is revised lower to 94 million metric tons (MMT) based on the revised official planting estimates and reports of lower yield in major states. The government is unlikely to announce any new wheat export quota from government stocks in MY 2014/15 on expected weak procurement and concerns about a possibly below-normal 2014 monsoon.

Post:

New Delhi

Commodities:

Rice, Milled

Wheat

Author Defined:**IMD Forecasts below-Normal 2014 Monsoon**

On April 24, 2014, the Indian Metrological Department released its [long-range forecast of the 2014 monsoon season \(June-September\)](#), predicting a below-normal monsoon. The 2014 monsoon rainfall is most likely to be about 95 percent of the long period average (LPA) with a margin of error of five percent. The IMD forecast stated that the warming sea surface temperatures over the Pacific's equatorial belt indicates a 60-percent chance for an *el Niño* pattern to affect India's 2014 monsoon season. The IMD report predicts a 23-percent chance of deficit rainfall (below 90 percent of LPA), a 33-percent chance of below average rainfall (90 to 96 percent of LPA), a 35-percent chance of average rainfall (96 to 104 percent of LPA), and a one-percent chance of excessive rainfall (above 104 of LPA). See IN4030 for more information.

Typically, India's southwest monsoon provides 70-percent of India's total rainfall and irrigates 55-percent of its agricultural land. Normal and well distributed southwest monsoon is crucial for grain production in India, particularly for *kharif* (fall and early harvested) crops such as rice, corn, sorghum, millet and pulses. Good monsoon rains also support crop yield and reduce cost of production for irrigated crop land and *rabi* (winter) planted crops like wheat, corn, sorghum, barley and pulses. Production of most grains in Indian crop year 2013/14 was generally supported by above normal 2013 monsoon precipitation. A below-normal 2014 monsoon would adversely affect the planting prospects for the upcoming MY 2014/15 rice, corn, and other grains, and weaken MY 2014/15 grain production prospects.

WHEAT

Table 1. India: Commodity, Wheat, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT per Hectare)

Wheat India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29,860	29,860	29,600	30,003		30,600
Beginning Stocks	19,950	19,950	24,200	24,200		17,830
Production	94,880	94,880	93,510	93,510		94,000
MY Imports	16	16	20	20		0
TY Imports	20	20	20	20		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	114,846	114,846	117,730	117,730		111,830
MY Exports	6,824	6,824	6,000	6,000		3,000
TY Exports	8,648	8,648	5,000	5,000		3,000
Feed and Residual	3,400	3,400	4,800	4,800		4,500
FSI Consumption	80,422	80,422	87,930	89,100		88,000
Total Consumption	83,822	83,822	92,730	93,900		92,500
Ending Stocks	24,200	24,200	19,000	17,830		16,330
Total Distribution	114,846	114,846	117,730	117,730		111,830
Yield	3.	3.1775	3.	3.1167		3.0719

MY 2014/15 Production Lowered

Post's MY 2014/15 wheat production estimate is revised lower to 94 million metric tons (MMT) from 96 MMT (IN4023) based on the revised official planting estimates and reports of lower yield compared to last year in the major producing states. The Ministry of Agriculture has revised the MY 2014/15 wheat area to 30.6 million hectares compared to the provisional planting estimate of 31.5 million hectares based on the planted area reported by various state governments. Continued sporadic untimely rains through the first fortnight of April resulted in considerable delay (3-4 weeks) in wheat harvesting in the major producing states of northern India (Punjab, Haryana and Uttar Pradesh). The untimely rains and accompanying winds have also caused some damage due to lodging of the standing crop, which was ready to harvest. Earlier, untimely rains and hail in first fortnight of March caused some localized crop damage in parts of Madhya Pradesh and Uttar Pradesh (See IN4023 for more information).

Wheat harvest is almost over in Punjab, Haryana, and most of Uttar Pradesh, and in full swing in eastern India (eastern Uttar Pradesh, Bihar and West Bengal). The government's crop cutting survey for assessing current year yields are being conducted in the major growing states and the early trends will be available by early June. Despite the extended growing season (low temperatures and untimely rains), market and field reports suggest that yield from the current crop is slightly lower than last year in the

northern states. Market sources also report higher incidence of yellow rust and pests (aphids) compared to last year in the northern wheat growing belt due to rains and cloud cover during February through April, which may have also contributed to lower yield. Earlier, untimely rains and hail during first fortnight of March caused significant damage to the wheat crop in Madhya Pradesh. Based on the initial field reports, Post has revised MY 2014/15 wheat production lower to 94.0 MMT, which will still be the second-largest harvest in Indian history.

MY 2013/14 wheat area has also been revised higher to 30 million hectares based on the [government final estimate by state for Indian crop year 2012-13 \(July-June\)](#).

Procurement Starts on a Weak Note...

The government wheat procurement has begun on a very weak note due to the 3-4 week delay in harvest and ongoing speculation on the crop size. Total government procurement of wheat through April 29, 2014, was estimated at 18.2 MMT, significantly lower than 20.2 MMT last year during the corresponding period.

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 1 through April 29	
Punjab	12.83	10.90	9.30	7.42
Haryana	8.67	5.87	5.30	5.42
Madhya Pradesh	8.49	6.36	4.75	4.52
Uttar Pradesh	5.06	0.68	NA	NA
Rajasthan	1.96	1.27	0.57	0.73
Others	<u>1.13</u>	0.02	0.25	0.09
Total	38.15	25.09	20.17	18.18

Source: The Food Corporation of India, GOI.

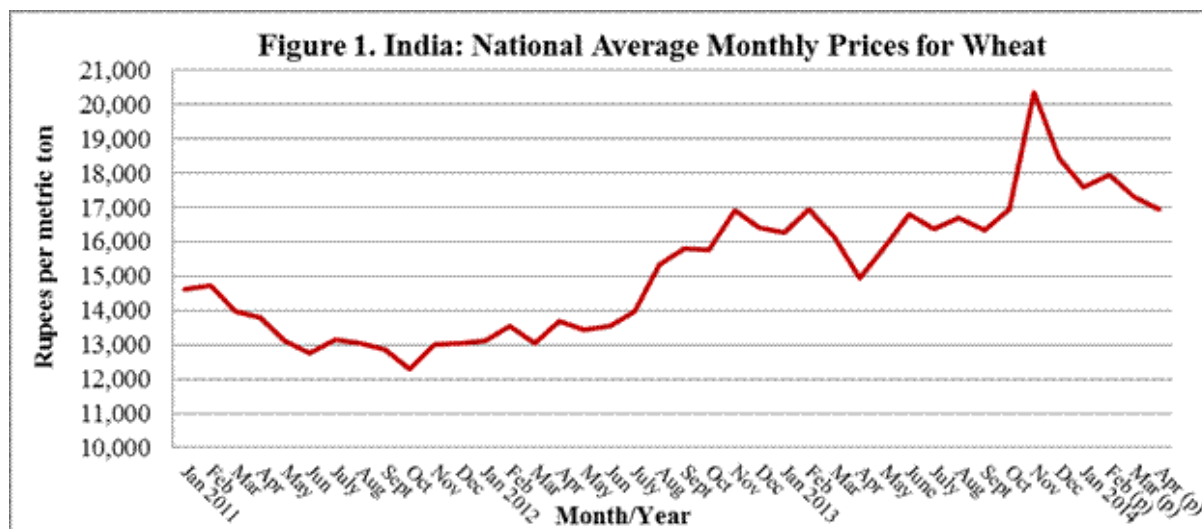
Wheat procurement in the major surplus states of Punjab and Wheat is in full swing, but likely to taper off by the second week of May. Despite some participation of private trade purchases in Punjab due to tax incentives extended by the state government to local millers, relatively high local taxes preclude any significant private purchases in Punjab and Haryana.

Relatively firm open market prices compared to the government's minimum support price (INR 14,000/MT) have limited government procurement in most states. Procurement in the states of Madhya Pradesh and Rajasthan has been supported by the additional bonus of INR 1,500/MT given by the respective state governments. Procurement in the state of Uttar Pradesh has been negligible due to higher open market prices. Procurement will continue through June in most other states except Punjab and Haryana, depending on the movement of open market prices. Given the relatively firm open market prices, total government wheat procurement is likely to be around last year's level, circa 25-26 MMT, significantly lower than the government's procurement target of 31 MMT. Nevertheless, MY 2014/15 procurement will be sufficient to meet the wheat required for government's Public Distribution System (PDS) for phased implementation of the National Food Security Act. However, if the procurement falls significantly short of the target, the government may reduce open market sale of wheat compared to last

year.

Prices Firm

Despite the arrival of the new crop, domestic prices have continued to rule relatively firm, hovering above the government's MSP in most states. The local wheat prices in most producing states currently range from INR 14,227 (\$237) to INR 16,085 (\$268) per metric ton, well above the government's MSP and additional bonus in some states.



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

Market prices are likely to ease as arrivals accelerate in May and June in most states, but will largely depend on the overall crop outturn.

Stocks Lowered

Government-held wheat stocks as of April 1, 2014, are estimated at 17.8 MMT, more than 26 percent lower than last year, but still more than double the desired stock levels (4.0 MMT buffer and 3 MMT strategic reserves). Relatively higher offtake of wheat (domestic sale and exports) during the last quarter of the MY 2013/14 has resulted in lower than initially expected government wheat stocks. MY 2013/14 consumption has been adjusted to account for the change in the ending stock estimate.

With likely modest procurement of the upcoming wheat harvest, and higher offtake under the PDS implementing the National Food Security Act, MY 2014/15 ending stocks are likely to be drawn down further to 16.3 MMT.

Government Wheat Exports Taper...

Table 3. 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 25, 2014	279.52	Vizag
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	284.10	Vizag
PEC	35,000	Apr 11, 2014	Apr 30-May 25, 2014	285.17	Krishnapatnam
MMTC	35,000	Apr 11, 2014	Apr 20-May 19, 2014	281.83	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 parentheses indicating the total quantity tendered.

The government's parastatals have let three tenders in April at prices ranging \$281.83 to \$285.17 per MT FOB, but have not announced any new tenders. **To date, the government has already let about 1.55 MMT of the 2 MMT quota announced in November 2013. The government is likely to monitor closely wheat procurement and international price movement when letting the tenders for the balance of 450,000 MT of the two-MMT quota.**

Given the relatively weak procurement in the ongoing season and concerns about a possibly below-normal 2014 monsoon, the government is unlikely to announce any new quota in MY 2014/15. However, exports of wheat procured by private trade from the open market are likely to continue as the government has sufficient wheat carryover stocks from previous seasons.

.. Private Trade Begins Exports of New Season Wheat

Although no official or reliable industry figures are available, market sources report that the private

trade has already contracted about 1.2 MMT of wheat for exports through June 2014 at prices ranging from \$276 to \$282 per MT FOB. Trade sources report that Indian wheat is currently competitive before the entry of Black Sea wheat in July. With the prices expected to ease further in the next few months, market sources expect exports to continue through July, after which export prospects will be largely driven by competitiveness of India wheat (international prices and value of Indian rupee vis-a-vis US dollar). However, exports of wheat to neighboring markets like Bangladesh will likely to continue through the season. Consequently, Post continues to forecast MY 2014/15 wheat exports unchanged at 3.0 MMT.



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

Provisional official trade statistics indicate that wheat exports for MY 2013/14 reached 5.5 MMT. With the wheat product exports estimated around 500,000 MT (wheat equivalent); MY 2012/13 wheat exports are likely to reach 6.0 MMT.

RICE

Procurement Lags Further as Prices Firm Up in April

Government domestic rice procurement at the MSP in the month of April fell further behind last year as the domestic prices firmed up further on strong exports. Government procurement on April 25, 2014, was estimated at 27.3 MMT compared to 30.5 MMT during the corresponding period last year, with procurement lagging in most states, except Chhattisgarh and Madhya Pradesh wherein the state government gave additional bonus over and above the MSP.

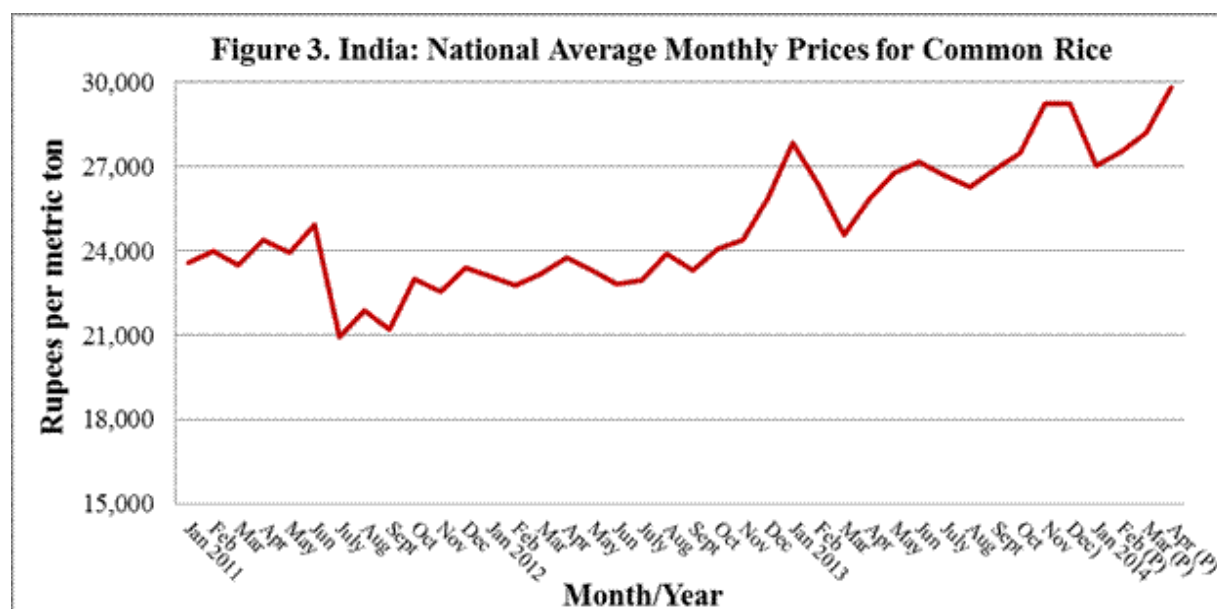
Table 4. India: Government Rice Procurement by State, Quantity in MMT

State	MY 2011/12	MY 2012/13	MY 2012/13	MY 2013/14
	Oct-Sept	Oct.-Sept	Oct. through April 25	
Punjab	7.73	8.56	8.56	8.11

Andhra Pradesh	7.54	6.46	4.50	4.09
Chhattisgarh	4.12	4.80	4.81	5.34
Odisha	2.87	3.61	2.82	2.17
Haryana	2.01	2.61	2.60	2.40
Uttar Pradesh	3.36	2.29	2.21	1.10
West Bengal	2.04	1.77	1.36	0.83
Madhya Pradesh	0.64	0.90	0.77	1.04
Tamil Nadu	1.60	0.48	0.47	0.66
Others	3.17	2.54	2.35	1.56
Total	35.06	34.02	30.45	27.29

Source: The Food Corporation of India, GOI.

Expected higher production of *rabi* (winter planted) rice harvested from March through June may support some late season procurement. Consequently, MY 2013/14 procurement may reach 30 MMT compared to 34 MMT last year.

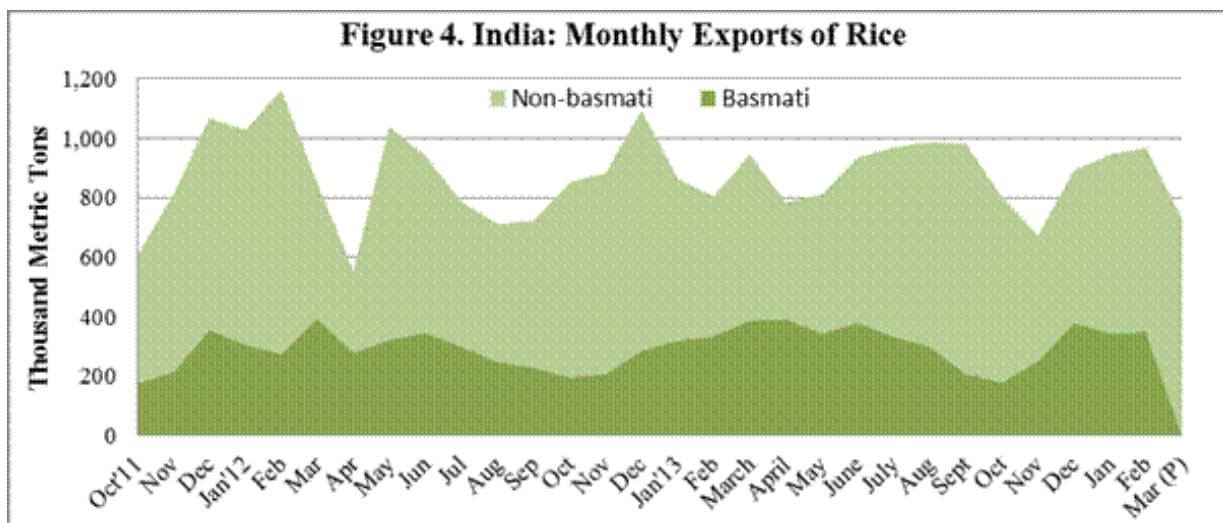


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Strong export demand for non-Basmati rice continued to fuel domestic common rice prices. Currently, spot prices for common grade coarse rice range from INR 20,067 (\$335) to INR 35,443 (\$590) per ton in major producing states. Prices are likely to remain firm during May. Late season prices will largely depend on the progress of 2014 monsoon and the international price movements.

Exports Steady

Indian rice exports have been very strong since the beginning of CY 2014 on relatively strong demand for non-Basmati rice, mainly from African countries and neighboring Bangladesh.



Source: Monthly exports through February 2014 from DGCIS, GOI; March 2014 derived from rice shipping data compiled by a private source, which does not break out Basmati and non-Basmati.

According to preliminary official and trade statistics, rice exports from January through March 2014 was estimated at 2.6 MMT, marginally higher than last year for the corresponding period, largely on strong demand for non-Basmati rice. 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.