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Grain and Feed Update

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Report Highlights:

The minimum support prices (MSP) for *rabi* (winter planted) crops for MY 2015/16 have been raised; the MSP for wheat by INR 500 per metric ton to 14,500 (\$236) per metric ton. MY 2013/14 rice export estimate is raised to 10.3 million metric tons (MMT) based on the preliminary monthly export figures. MY 2013/14 rice ending stocks have been revised lower to 22.5 MMT based on the published official rice stock estimates. Consumption was raised to 99.2 MMT reflecting the change in ending stocks.

Post:
New Delhi

Commodities:
Rice, Milled

Wheat

Barley

Oilseed, Rapeseed

Author Defined:

MSP for Rabi Crops Raised

On October 29, 2014, the government announced the minimum support price (MSP) for *rabi* (winter planted) crops for the Indian crop year (ICY) 2014/15 (August-July), which will be marketed in MY 2015/16. The MSP has been fixed based on the recommendations of the Commission for Agricultural Costs and Prices (CACP) to support production through assured remunerative prices to the farmers.

Table 1. India: MSP for Rabi Crops planted in ICY 2014/15

Commodity	MSP for 2013-14 (INR per Metric Tons)	MSP for 2014-15 (INR per Metric Tons)
Wheat	1400	1450
Barley	1100	1150
Chickpea	3100	3175
Lentil	2950	3075
Rapeseed/Mustard	3050	3100
Safflower	3000	3050

Source: [Press Information Bureau](#), press release 110995 of October 31, 2014

The MSP for wheat has been raised by INR 500 per metric ton over last year to INR 14,500 (\$236) per metric ton. While some state governments have expressed concern over the ‘inadequate’ increase in MSP to account for higher cost of production, the central government chose a modest increase on food price inflation concerns. The MSPs for chickpea and lentil have been raised by INR 750 per metric ton and INR 1,250 per metric ton, respectively over last year’s MSPs, while the MSP for other crops have been raised by the same amount as for wheat. Typically, the government undertakes only MSP procurement operation in wheat, and rarely undertakes MSP procurement operations for barley, pulses or oilseeds. Consequently, the revised GOI’s MSPs are unlikely to influence planting intentions for the upcoming *rabi* crop season. Despite concerns about the relatively modest increase in MSP for wheat, most farmers will continue to plant wheat due to the government’s “rice and wheat” focused food grain procurement system.

RICE

Table 2. India: Commodity, Rice Milled, PSD

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

Rice, Milled India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42,410	42,410	43,940	43,940	43,500	43,500
Beginning Stocks	25,100	25,100	25,440	25,440	25,480	22,500
Milled Production	105,240	105,240	106,540	106,540	102,000	102,000
Rough Production	157,876	157,876	159,826	159,826	153,015	153,015
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.	2	2	0	0	0	0
Total Supply	130,340	130,340	131,980	131,980	127,480	124,500
MY Exports	10,869	10,869	10,000	10,300	8,700	8,700
TY Exports	10,480	10,480	10,000	10,000	8,700	8,700
Consumption and Residual	94,031	94,031	96,500	99,180	98,000	99,000
Ending Stocks	25,440	25,440	25,480	22,500	20,780	16,800
Total Distribution	130,340	130,340	131,980	131,980	127,480	124,500
Yield (Rough)	4.	3.7226	4.	3.6374	4.	3.5176

Rice Harvest Begins

The harvest of *kharif* (fall harvested) rice is in full swing in the northern states (Punjab, Haryana, Rajasthan, western Uttar Pradesh) and will be over by the first week of November. Initial harvest reports from market sources suggest yields slightly lower than last year's due to inadequate monsoon rains. Harvesting has commenced in most of the other states and will continue through the third week of December. Standing rice in these states is progressing under adequate soil moisture conditions due to late September rains. Sources report some crop damage due to Cyclone Hudhud in coastal Andhra Pradesh and adjoining Odisha, and due to flooding in the northeastern state of Assam. There are no published estimates of the extent of rice acreage affected by Cyclone Hudhud and floods, but market sources expect crop losses lower than last year's. Please refer to GAIN report [IN4084](#) for more information on rice planting and production.

Government Procurement Begins on a Weak Note

Government procurement of MY 2014/15 rice under the MSP operation is lagging behind last year's

level at 6.9 million metric tons (MMT) as of October 31, 2014, compared to 8.0 MMT during the corresponding period of MY 2013/14. Most procurement is currently going on in the states of Punjab and Haryana, and will gradually spread to other parts of the country as the harvest progresses. The decline in procurement in Punjab and Haryana is largely due to the farmers' shifting acreage from coarse rice varieties to the new long grain variety PUSA Basmati 1509 (see [IN4084](#)).

Table 3. India: Government Procurement of Rice by State
(in million metric tons)

State	MY2012/13	MY2013/14	MY 2013/14	MY 2014/15
	October-September	October-September	October 1 through October 31	
Punjab	8.56	8.11	5.78	5.26
Andhra Pradesh	6.46	3.74	-	-
Telangana	-	4.35	-	-
Chhattisgarh	4.80	4.29 ¹	-	-
Odisha	3.61	2.82	-	-
Haryana	2.61	2.41	2.17	1.60
Uttar Pradesh	2.29	1.13	-	-
West Bengal	1.77	1.35	-	-
Madhya Pradesh	0.90	1.04	-	-
Tamil Nadu	0.48	0.68	-	-
Others	<u>2.54</u>	1.96	0.05	0.07
Total	34.02	31.86 ¹	8.00	6.93

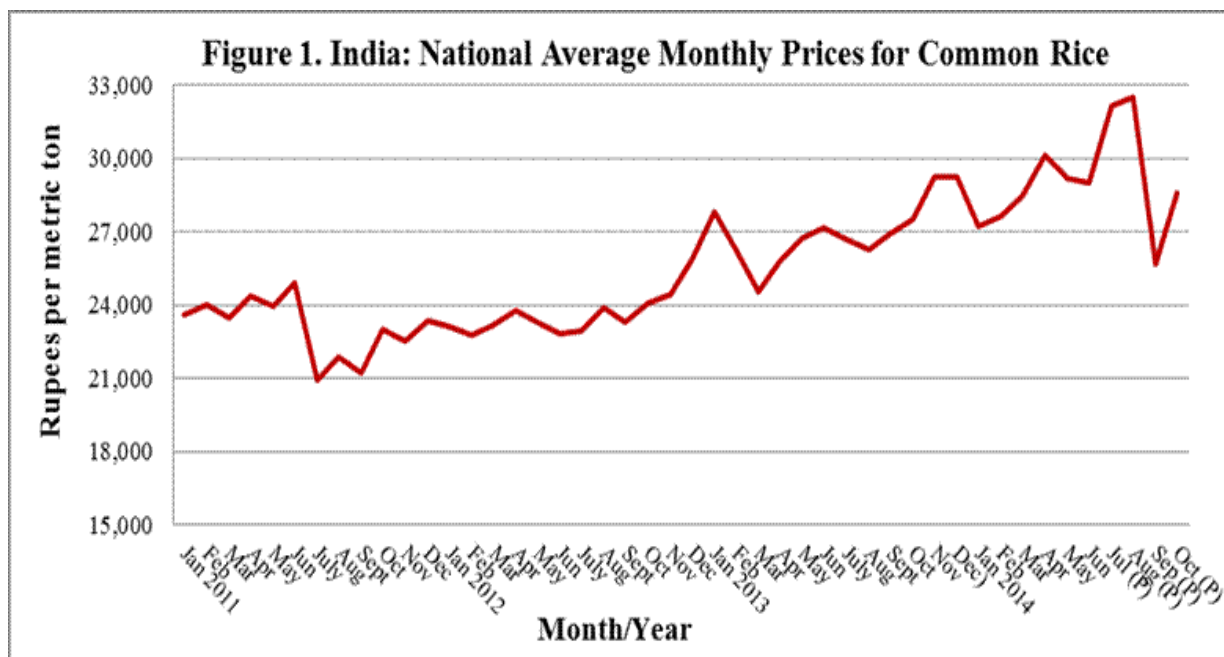
¹ Excludes 1.5 MMT procured by the Chhattisgarh state government for state feeding programs and not supplied to the central food grain procurement pool.

Source: Food Corporation of India, GOI.

Based on targets provided by the states, the government has optimistically set the MY 2014/15 *kharif* rice procurement target of 30.05 MMT compared to MY 2013/14 *kharif* rice procurement of 26.65 MMT (initial target of 32.06 MMT). While the overall procurement is likely to depend on open market prices during the season, market sources expect rice procurement to fall further in MY 2014/15.

Prices Steady

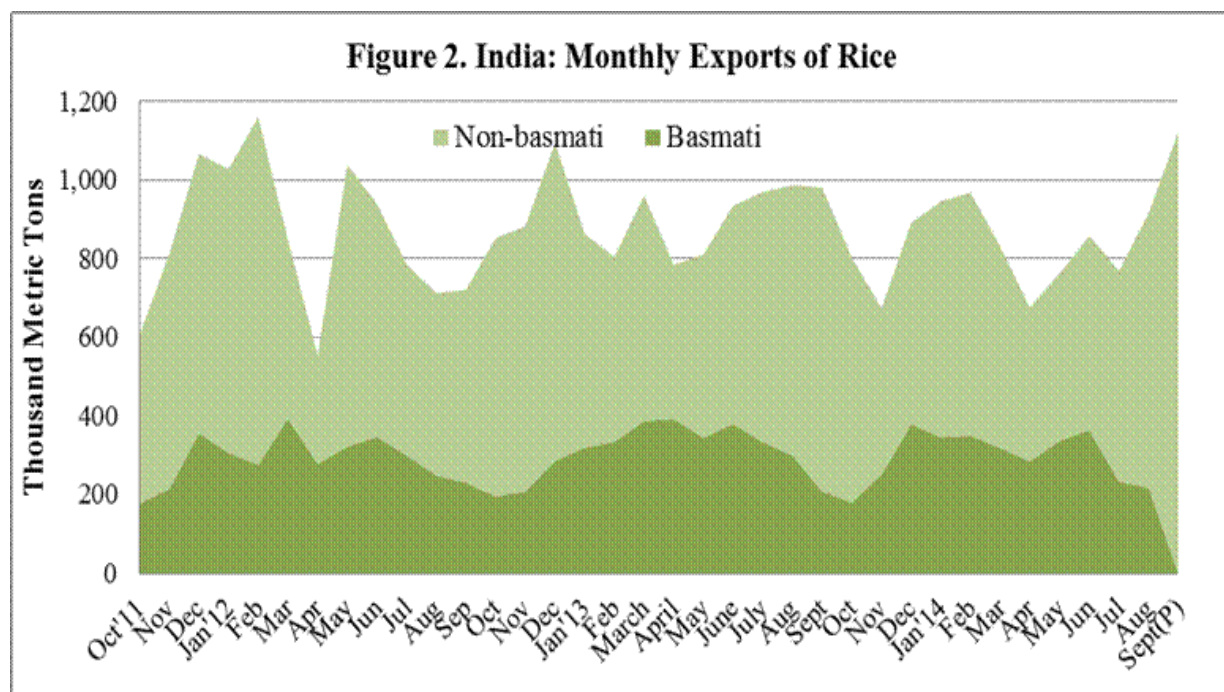
After declining sharply in September, domestic prices steadied in October on relatively strong export demand and lower domestic production prospects. While domestic prices are likely to ease with the arrival of the new crop in most of the states, any surge in export demand and international prices could bolster future prices.



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

MY 2013/14 Exports Raised

Post's MY 2013/14 export estimate is raised to 10.3 MMT based on the preliminary official export estimates for October 2013 to August 2014, and September 2014 shipping data compiled by a private source. Market sources report relatively strong export offtake in August-September, largely accounted for by non-Basmati rice exports to African and Middle Eastern destinations.



Preliminary export figures estimate India's rice exports during the first three quarters of calendar year (CY) 2014 at 7.9 MMT compared to 8.1 MMT during the corresponding period last year. Market sources report rice exports to have slowed since the beginning of October due to relatively higher domestic prices, weak export demand (problems in African markets) and competition from other origins (Thailand, Myanmar, Pakistan). Assuming a slower pace of monthly exports in the last quarter (October-December), CY 2014 the export forecast is unchanged at 10.0 MMT.

Post continues to forecast MY 2014/15 rice exports at 8.7 MMT due to relatively tight domestic supplies, expected steady value of Indian Rupee vis-a-vis other international currencies (US\$ and Euros) and competition from other competing origins.

MY 2013/14 Ending Stocks/Consumption Revised

Based on the latest official rice stock estimates, MY 2013/14 ending stocks have been revised lower to 22.5 MMT. Lower government procurement coupled with higher disbursement of rice through the public distribution system drew down the government rice stocks in MY 2013/14. The government-held rice stocks on October 1, 2014, were officially estimated at 17.6 MMT, about 5.5 MMT lower than last year's level. Nevertheless, the government stocks are more than double the desired October opening stocks of 7.2 MMT.

While there is no published information on rice stocks held by private trade, India's emergence as the leading rice exporter since the removal of the ban on exports of non-Basmati (coarse grain) rice in September 2011 has encouraged private traders to hold larger rice stocks. The significant increase in production and export oftake of Basmati rice, almost exclusively procured and marketed by private trade, has also increased rice stocks held by private trade. Market sources estimate the MY 2013/14 ending stocks held by private exporters and local traders at 4.9 MMT compared to last year's 2.3 MMT. Consequently, MY 2013/14 ending stocks are estimated at 22.5 MMT, compared to 25.5 MMT last year, sufficient to meet India's consumption requirement for nearly three months.

MY 2013/14 rice consumption estimate has been raised to reflect the changes in the exports and ending stocks. MY2014/15 consumption forecast has also been raised assuming consumption unchanged from previous year level to account for the increasing population despite relatively tight domestic supplies. The MY 2014/15 ending stocks have been lowered to reflect the change in opening stocks and consumption.