

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Report Categories:

Grain and Feed
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Agricultural Situation

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Report Highlights:

MY 2015/16 rice exports are revised lower to 8 million tons based on the current pace of exports. MY 2015/16 corn imports estimated higher at 400,000 metric tons based on the recent government allocation under the tariff rate quota (TRQ) imports. Indian wheat production in the upcoming MY 2016/17 likely to decline for the second consecutive year on adverse weather conditions during planting and early growth stages.

General Information:

RICE

Table 1. India: Commodity, Rice Milled, PSD

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

<i>Rice, Milled</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Oct 2013		Oct 2014		Oct 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	44136	44136	43000	43000	43000	43000
Beginning Stocks	25440	25440	22757	22757	17686	17686
Milled Production	106646	106646	104800	104800	100000	100000
Rough Production	159985	159985	157216	157216	150015	150015
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
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	132086	132086	127557	127557	117686	117686
MY Exports	10149	10149	11871	11871	8500	8000
TY Exports	10907	10907	11000	10800	8500	8000
Consumption and Residual	99180	99180	98000	98000	98000	98000
Ending Stocks	22757	22757	17686	17686	11186	11686
Total Distribution	132086	132086	127557	127557	117686	117686

Production Outlook Unchanged

Post continues to estimate MY 2015/16 rice production unchanged at 100 million tons despite relatively strong government procurement in the northern states on expected lower harvest of the *rabi* (winter planted) rice. Early withdrawal of 2015 monsoon and lack of rains during October through December have resulted in sub-optimal soil moisture conditions for *rabi* rice, particularly in the southern states. Based on the provisional planting reports received from the states, the Ministry of Agriculture estimates *rabi* rice planting through January 28, 2016, at 2.2 million hectare compared to 2.4 million hectare same time last year. The continued dry conditions is likely to affect further planting and yield prospects of *rabi* rice, particularly in south India.

Strong Government Procurement...

Despite lower production, MY 2015/16 government rice procurement has been supported by relatively weak open market prices and export offtake. The government rice procurement as of January 29, 2016 was estimated at 23.9 million tons compared to 18.6 million tons for the corresponding period last year. The procurement increase is largely accounted for by the states of Punjab, Haryana, Andhra Pradesh, Chhattisgarh and Uttar Pradesh. Rice procurement is expected to exceed 37 million tons in MY 2011/12 (see Table 3), more than 8 percent higher than last year and 5 percent above the MY 2011/12

procurement target of 35.3 million tons.

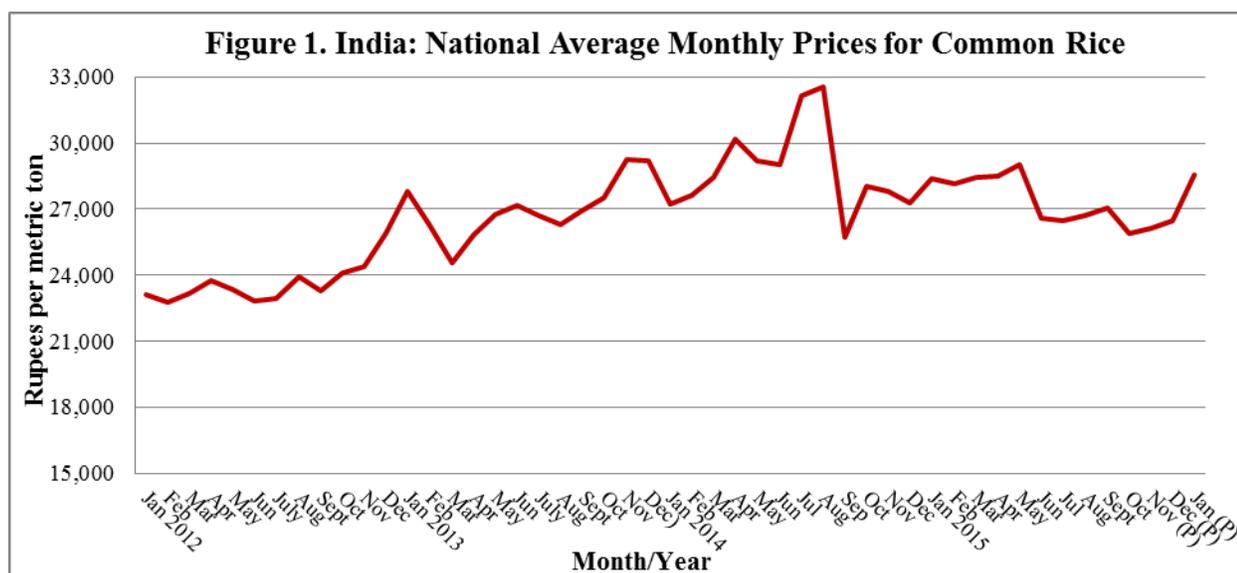
Table 2. India: Government Rice Procurement by State, in Million Tons

State	MY2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	October-September	October-September	October 1 through Jan 29, 2016	
Punjab	8.11	7.79	7.78	9.35
Andhra Pradesh	3.74	3.60	0.97	1.85
Telangana	4.35	3.50	1.47	0.99
Chhattisgarh	4.29	3.42	2.86	3.72
Odisha	2.80	3.49	0.16	1.07
Haryana	2.41	2.02	2.01	2.85
Uttar Pradesh	1.13	1.70	1.07	1.93
West Bengal	1.36	2.03	0.68	0.17
Madhya Pradesh	1.05	0.81	0.76	0.85
Tamil Nadu	0.68	1.05	0.12	0.12
Others	<u>1.94</u>	<u>2.77</u>	<u>0.72</u>	<u>0.94</u>
Total	31.85	32.17	18.59	23.85

Source: Food Corporation of India, GOI

... late Surge in Prices...

With open-market prices surging upward since December 2015 (see below), government procurement is likely to slow down in the coming months, particularly due to expected lower *rabi* rice harvest. Consequently, overall procurement during MY 2015/16 is likely to be around 32 MMT, nearly same as last year.



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

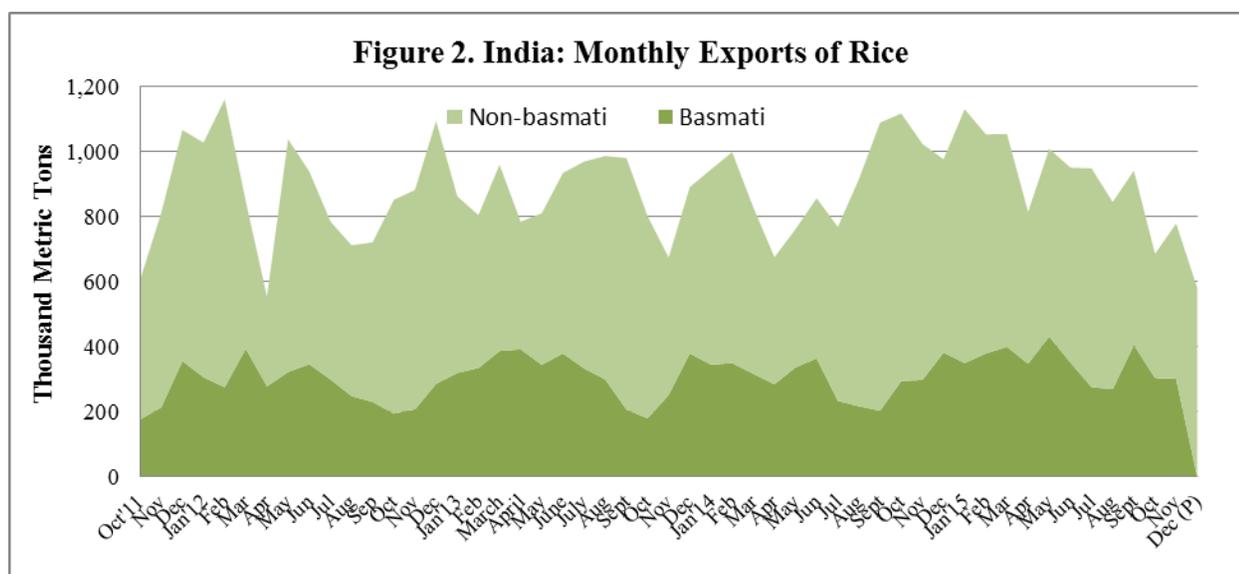
Market sources report that relatively weak export demand since the beginning of MY 2015/16 affected domestic prices, but the prices have started to surge since December 2015 reflecting tighter supplies.

... Stocks Build to Decline.

Continuing strong procurement in the first quarter of MY 2015/16 has increased government-held rice stocks to an estimated at 26 million tons (as of January 1, 2016) compared to 23.1 million tons same time last year, and more than three times the government’s desired stock level of 7.6 million tons. However, with expected lower procurement of *rabi* rice and higher off take of rice from the government-held stocks to control domestic prices, MY ending stocks are likely to decline in the second half of the marketing year. Post estimates MY 2015/16 ending stocks at 11.8 million tons (9.8 million tons government stocks and 2.0 million tons of private stocks), marginally lower than the government’s desired rice stock level of 10.3 million tons (Oct 1).

Exports Falter in MY 2015/16

Post estimates MY 2015/16 rice exports lower at 8 million tons compared to the earlier estimate of 8.5 million tons based on the pace of exports in the first quarter of the marketing season. India’s rice exports slowed down in MY 2015/16 due to weak demand, both for long-grain Basmati rice (Iran and middle-east countries) and coarse rice varieties (Africa and neighboring Bangladesh and Sri Lanka).



Source: Monthly exports through November 2015 from DGCIS, GOI; December 2015 derived from rice shipping data compiled by a private source, which does not break out Basmati and non-Basmati.

Provisional export estimates from the government and private sources estimate rice exports in the first quarter (October-December) of MY 2015/16 at 2.05 million tons compared to 3.12 million tons during the same period in CY 2014. With the domestic prices expected to rise further on forecast tight supplies, rice exports are likely to be lower compared to last year, unless there is a strong surge in

demand from importing countries. Consequently, Post estimates MY 2015/16 exports lower at 8 million tons assuming no significant changes in the price parity of Indian rice in the international market. CY 2015 exports are revised marginally lower to 10.8 million tons based on the latest information from official and private sources.

CORN

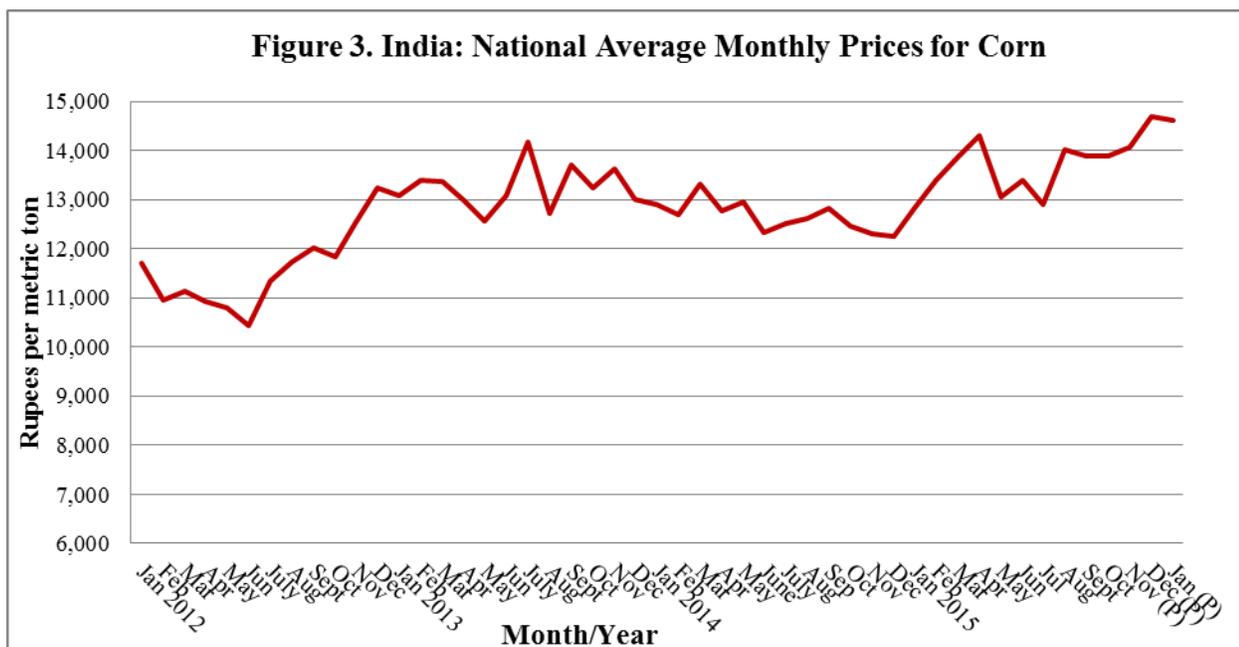
Table 3. India: Commodity, Corn, PSD

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

<i>Corn</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Nov 2013		Nov 2014		Nov 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9066	9066	9300	9300	9000	9300
Beginning Stocks	633	633	1428	1428	2011	2005
Production	24259	24259	23670	23670	21000	21000
MY Imports	7	7	24	24	50	400
TY Imports	11	11	21	21	50	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	24899	24899	25122	25122	23061	23405
MY Exports	3871	3871	1111	1117	700	700
TY Exports	3889	3889	1156	1159	700	700
Feed and Residual	10600	10600	12500	12500	12200	12500
FSI Consumption	9000	9000	9500	9500	9200	9200
Total Consumption	19600	19600	22000	22000	21400	21700
Ending Stocks	1428	1428	2011	2005	961	1005
Total Distribution	24899	24899	25122	25122	23061	23405

Strong Domestic Prices

Due to the reported crop in *kharif* corn in the major drought affected producing states, domestic corn prices have firmed up buoyed by strong domestic demand from the poultry and starch industry. Despite weak exports, market sources report steady demand from the Indian poultry industry (improved consumer demand for poultry products) and starch industry (strong demand from the local textile industry).



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

Market sources expect domestic prices to ease with the harvest of *rabi* (winter) corn in Bihar and eastern India from end March.

India to Import Corn in MY 2015/16

India is likely to import corn after a long time in MY 2015/16 on tight domestic supplies due to the drought affected domestic harvest. Post's MY 2015/16 import estimate is raised to 400,000 metric tons based on the quota allocation of 290,000 MT of corn for imports under the tariff rate quota (TRQ), and the likelihood of additional allocation of 100,000 to 120,000 MT before the *rabi* corn arrivals begin in April, 2016. While the conditionality of non-GMO corn for imports may limit sourcing options, trade sources report that some countries can provide non-GMO certificates as per the government's requirement.

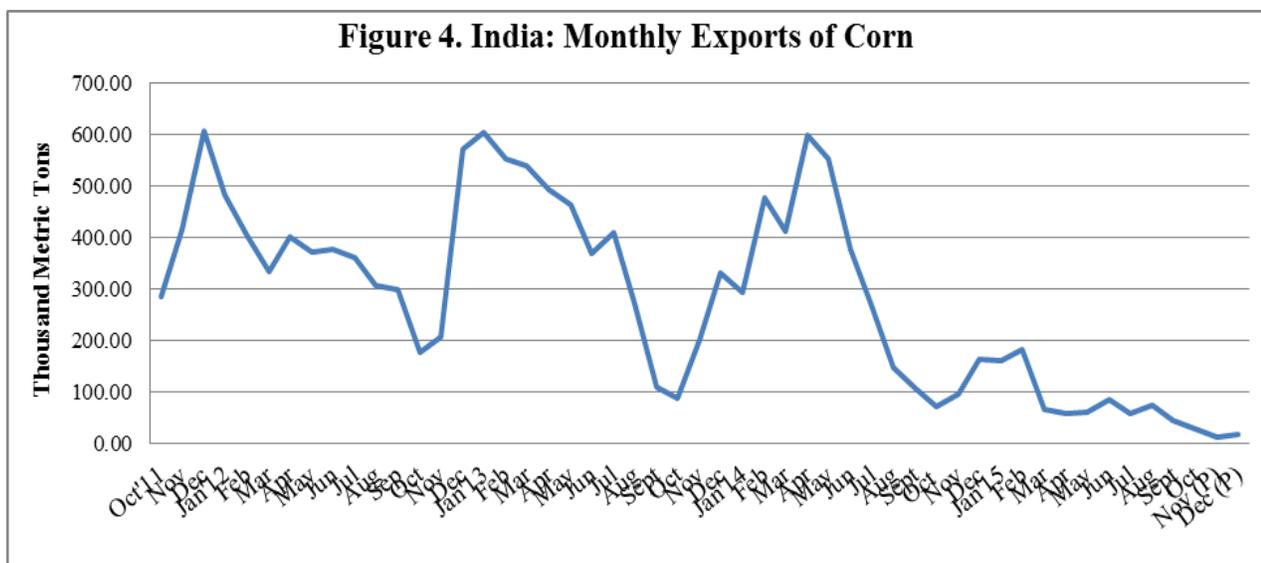
Speculation on the size of the 'poor monsoon' affected domestic harvest and 'relatively' cheaper international corn prices, the local poultry and starch industries pressured the government to allow importing corn under the TRQ (500,000 metric tons at zero duty in an Indian fiscal year (April/March)). On January 4, 2016, the government parastatal ([PEC](#)) issued a tender for importing 320,000 MT of corn under specific conditions including certification from government agency in the country of origin that the cargo is non-GMO. On January 13, 2016, PEC reviewed the bids for the tender, and offered orders for imports of 290,000 MT corn under the TRQ at various specified ports in the price range of \$191.99

to \$196 port delivered for corn. Most of the qualify bids offered corn sourced from East European and Black Sea origins who can provide non-GMO certification. Encouraged by the response from exporters, PEC is likely to offer another 100,000 to 120,000 metric tons corn under TRQ for imports before end of March 2016.

Assuming no major weather aberration from now through the harvest of the upcoming *rabi* corn, the government may not be inclined to allow further imports of corn under TRQ after the commencement of arrival of *rabi* corn in late March through July. Prospects for imports in the later part of the marketing year will depend on the size of *rabi* corn harvest, which is currently progressing well in the major growing areas. Assuming a normal harvest of *rabi* corn and relatively stable domestic prices during the balance of marketing year, MY 2015/16 imports are estimated to reach 400,000 MT.

Export Prospects Remain Weak

Indian corn exports have declined sharply since March 2015 due to relatively low international prices on sufficient supplies from competing origins. Based on the latest official data, MY 2014/15 corn exports are estimated 1.1 MMT compared to 3.9 MMT in MY 2013/14. Based on the current pace of exports, Post estimates MY 2015/16 corn exports to decline to 700,000 metric tons.



Source: Monthly exports through November 2015 are derived from Global Trade Atlas, and December 2016 figures are derived from corn shipping data compiled by a private source.

While the domestic prices are likely to ease with the harvest of *rabi* (winter) corn in Bihar and eastern India, prospects for corn exports are unlikely to improve in coming months assuming stable international prices and exchange rates. Consequently, MY 2015/16 corn exports are expected to reach 700,000 metric tons, mostly to neighboring markets and seeds to traditional markets.

MY 2015/16 Consumption/Stocks Adjusted

Post's MY 2015/16 consumption and stocks have been revised to reflect the change in the import estimate.

WHEAT

Table 1. India: Commodity, Wheat, PSD

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

<i>Wheat</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Apr 2013		Apr 2014		May 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30003	30003	30473	30473	30600	30600
Beginning Stocks	24200	24200	17830	17830	17200	17200
Production	93506	93506	95850	95850	88940	88940
MY Imports	25	25	52	52	500	500
TY Imports	22	22	273	273	300	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	117731	117731	113732	113732	106640	106640
MY Exports	6053	6053	3402	3402	800	800
TY Exports	5354	5354	1694	1694	800	500
Feed and Residual	4800	4800	4500	4500	4800	4500
FSI Consumption	89048	89048	88630	88630	89140	86540
Total Consumption	93848	93848	93130	93130	93940	91040
Ending Stocks	17830	17830	17200	17200	11900	14800
Total Distribution	117731	117731	113732	113732	106640	106640

Wheat Production Likely to Decline for the Second Consecutive Year in 2016

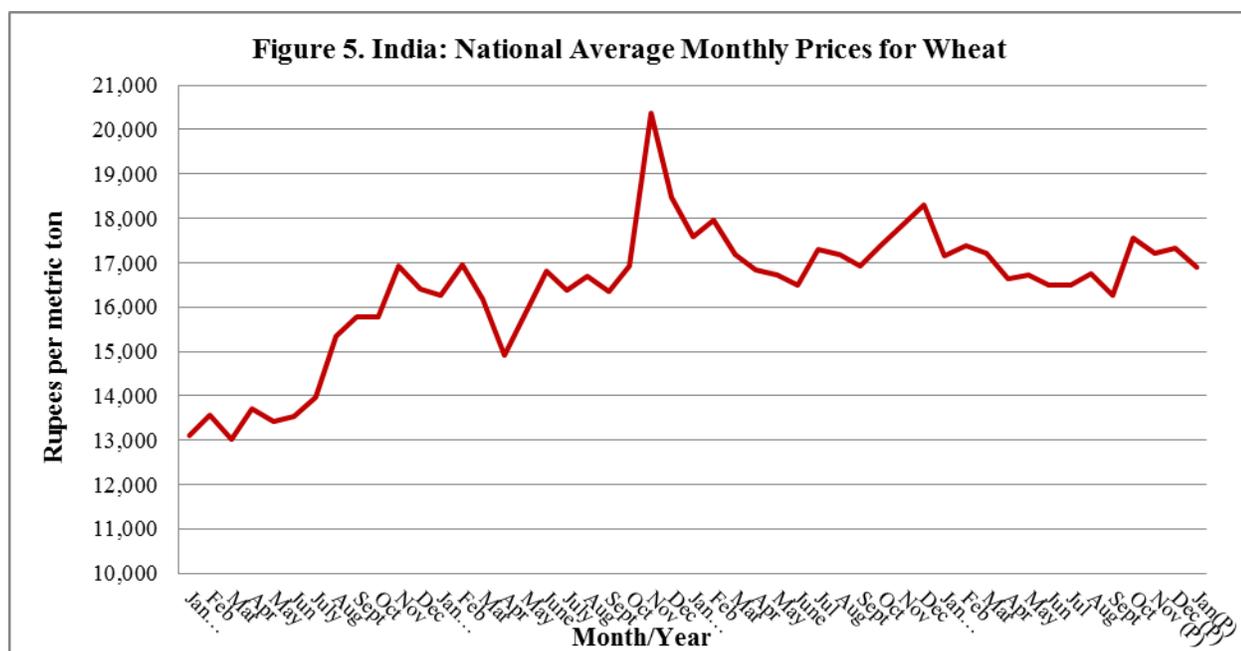
The Ministry of Agriculture's 2015/16 *rabi* (winter planted) crop planting report estimates planting of 2016 wheat crop at 29.3 million hectares, down more than four percent over last year. Unfavorable planting conditions (early withdrawal of 2015 monsoon and relatively warm temperature) during most of the growing season resulted in lower wheat acreage, especially in the unirrigated/partially irrigated wheat growing states of Madhya Pradesh, Uttar Pradesh, Gujarat and Rajasthan.

2016 wheat planting began in October under poor soil moisture availability for sowing (October-Mid-December) due to deficit and early withdrawal of 2015 monsoon. Deficient to scanty rainfall across the

major wheat growing areas (northwest and central India) affected progress of planting, crop establishment and early crop growth due to antecedent soil moisture stress. Agriculture experts report that higher than normal maximum and minimum temperatures during the second fortnight of December and first fortnight of January have affected the crop at vegetative crop growth stage and earlier than normal heading and panicle initiation which may lead to lower yield (poor grain setting) in the early planted wheat. However, rains and cooler temperature in the major going areas since second fortnight of January have benefitted the standing crop and may improve the yield prospects. However, temperatures during the critical filling and ripening stages during February/March or unseasonal rains during harvest (March/April) could further temper the production prospects. Nevertheless, overall 2016 wheat yield is likely to be lower than the yield realized over last few years. With the official advance estimate expected in the first fortnight of February, trade sources estimate the crop in the range of 75 to 84 million tons assuming various weather conditions scenario from now through harvest.

Prices Steady

With the government being the dominant/major supplier to the domestic millers and exporters, domestic wheat prices ruled steady in the last few months.

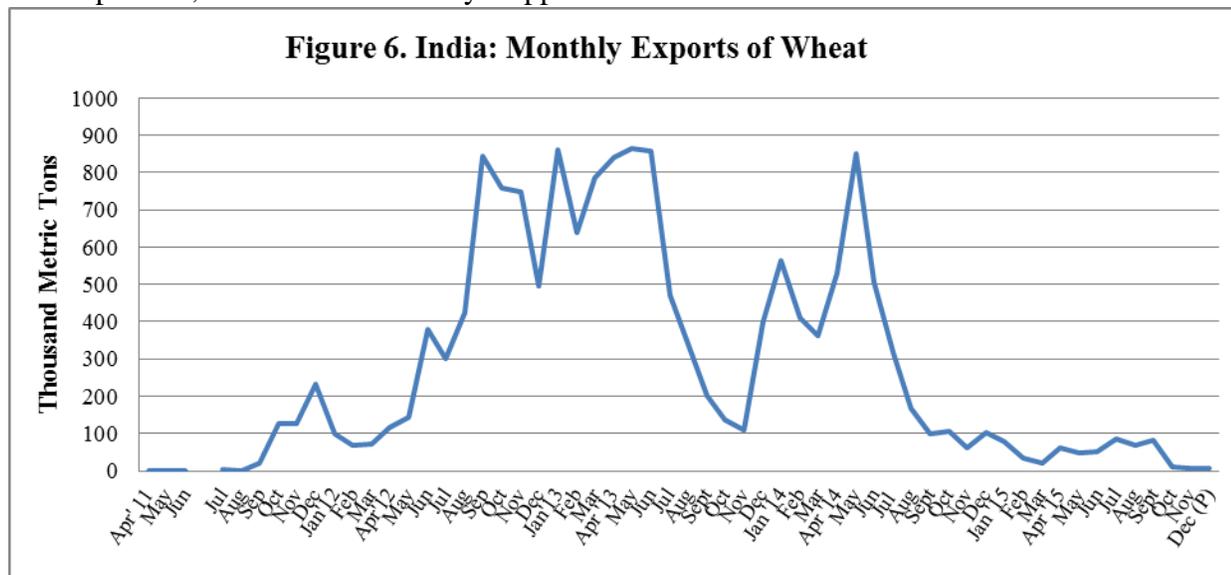


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Since November 2015, local millers and traders have been sourcing government wheat for meeting the bulk of their consumption requirements as domestic supplies of MY 2015 wheat in the open market are nearly exhausted and imports have ceased with the increase in import duty to 25 percent (see IN5137). Government wheat is available to local millers under the open market sales scheme in the price range of INR 15,800 (\$230) to INR 18,200 (\$272) per metric ton plus local taxes in various states. Despite strong speculation on a ‘smaller’ upcoming wheat harvest (MY 2016/17), ‘sufficient’ government wheat stocks (23.8 million tons on January 1, 2015) and relatively weak international prices are likely to keep domestic prices in a narrow range in February/March.

Indian Wheat Exports Come to an End

Relatively weak international prices and tight domestic supplies have made Indian wheat exports uncompetitive, which has effectively stopped since October 2015.



Source: Monthly exports through November 2015 from DGCIS, GOI; December 2015 derived from wheat shipping data compiled by a private source.

Provisional official trade statistics estimate MY 2015/16 wheat (excluding wheat products) exports through December 2015 at 424,000 MT compared to 2.7 million tons same time last year. With the strong likelihood of a lower 2016 wheat harvest and relatively weak international prices, wheat exports prospects are unlikely to improve in the near future. Based on the latest official exports of wheat and wheat products (October 2015), MY 2015/16 wheat exports (including wheat products) are likely to reach 800,000 MT. However, TY 2015/16 (July/June) wheat exports are estimated lower at 500,000 MT on weak exports prospects in the second half of the trade year (January-June 2016).

MY 2015/16 Ending Stocks Raised

MY 2015/16 wheat ending stocks estimate is raised to 14.8 million tons based on the latest official wheat stock estimate and expected offtake in the balance of the marketing year.

As on January 1, 2016, the government-held wheat stocks are estimated at 23.9 million tons compared to 25.1 million tons same time last year. Despite lower 2015 wheat production and continued government open market sales scheme for wheat, there have been lower than anticipated sales as open market prices remained low during most of the marketing year. Assuming a slightly stronger offtake in the fourth (Jan-Mar) quarter (9.0 million tons) compared to the third (Oct-Dec) quarter (8.7 million tons), MY 2015/16 ending stocks are expected to reach 14.8 million tons.

MY 2015/16 consumption has been lowered to reflect the higher ending stocks.