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Grain and Feed Update - June 2015

Report Categories:
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Agriculture in the Economy
Agricultural Situation

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Report Highlights:

MY 2015/16 wheat production is estimated lower at 87 million metric tons (MMT) based on preliminary harvest reports from producing states. MY 2015/16 wheat imports are forecast higher at 1.0 MMT to augment quality wheat requirement.

General Information:

Government Lowers Indian Crop Year 2014/15 Grain Production

The Ministry of Agriculture's (MOA) Third Advance Estimate of Production of Food Grains for the Indian Crop Year (ICY) 2014/15 (July/June) lowers grain production to 251.1 million metric tons (MMT) compared to 257.1 MMT estimated in the Second Advance Estimate released in February 2015, and about 14 MMT lower than the last year's (ICY 2013/14) record harvest. The ICY 2014/15 grain production estimate includes rice, coarse grains and pulse crops harvested last fall (*kharif* crop) and this spring (*rabi* crop), as well as the wheat and barley (*rabi* crop) harvested in March-May 2015. The government has attributed the production decline to poor 2014 monsoon and unseasonal rains and hailstorm during February-March resulting in decline production of most grains.

The government's third advance estimate for ICY 2014/15 grain production includes

- MY 2014/15 rice (102.5 MMT vs. record 106.7 MMT last year), corn (22.7 MMT vs. record 24.3 MMT last year), sorghum (4.8 MMT vs. 5.5 MMT), and pulses (17.4 MMT vs. record 19.3 MMT last year).
- MY 2015/16 wheat (90.8 MMT vs. record 95.9 MMT last year) and barley (1.6 MMT vs. record 1.8 MMT last year).

Market sources believe that the government estimate for wheat and corn is optimistic. Given that the third advance estimates are based on the crop survey conducted about 3-4 weeks before the harvest of the *rabi* crops, the crop loss due to abnormal rains and hailstorm during February through April have not been adequately factored into the latest MOA estimate. The MOA will further revise the ICY 2014/15 estimate in July (fourth advance estimate) using the latest available data from various state governments on acreage and yields (based on crop cutting experiments) for both *kharif* and *rabi* crops. However, the final estimates for the ICY 2014/15 are likely to be released by the end of CY 2015.

WHEAT

Table 1. India: Commodity, Wheat PSD
(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2013		Apr 2014		Apr 2015	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,000	30,000	31,530	31,530	30,600	30,600
Beginning Stocks	24,200	24,200	17,830	17,830	16,500	17,200
Production	93,510	93,510	95,850	95,850	90,000	87,000
MY Imports	25	25	45	45	500	1,000
TY Imports	22	22	125	125	500	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	117,735	117,735	113,725	113,725	107,000	105,200
MY Exports	6,053	6,053	3,400	3,400	500	500
TY Exports	5,354	5,354	1,550	1,200	500	500
Feed and Residual	4,800	4,800	4,500	4,500	4,800	5,000
FSI Consumption	89,052	89,052	89,325	88,625	89,800	87,800
Total Consumption	93,852	93,852	93,825	93,125	94,600	92,800
Ending Stocks	17,830	17,830	16,500	17,200	11,900	11,900
Total Distribution	117,735	117,735	113,725	113,725	107,000	105,200
Yield	3.1170	3.1170	3.0400	3.0400	2.9412	2.8431
TS=TD	0	0	0	0	0	0

MY 2015/16 Production Decline on Adverse Weather….

Post estimates MY 2015/16 wheat production lower at 87 MMT based on the reports of lower yield realization due to untimely rains and hailstorms during March-April at the critical flowering, grain setting, maturity and harvest stages.

Post field trips to the major wheat growing states of Punjab, Haryana, Uttar Pradesh and Bihar and reports from other states point to production losses due to crop lodging, higher incidence of disease, lower grain setting and smaller kernel size. While the farmers and traders report significantly higher losses (10-25 percent), local agricultural scientists and experts and provisional harvest reports from various agricultural research institutions indicate 5-10 percent lower yield realizations compared to last year's record harvest in major states. The rain-affected new crop harvest in most states display significant quality problems like discoloration/loss of lustre (vitreousnous) of grains, higher percentage of shrunken/immature kernels, and spotted (fungal infected) grains compared to previous years. Please refer IN5057 for information on the adverse impact of untimely rains and hailstorms on MY 2015/16 wheat harvest. The industry estimates for the MY 2015/16 crop is currently ranging from 82 MMT to 88 MMT, significantly lower than the MOA's third advance estimate of 90.8 MMT. Market sources expect that the official estimate may be lowered after the provisional official crop cutting experiments from the states are available by end July. Based on the provisional information from various states, Post estimates MY 2015/16 wheat production at 87 MMT, about 9 percent lower than last year's record crop.

…. But Government Procurement Steady on Quality Relaxation

After a slow start in April due to delayed harvest and quality concerns, government procurement of wheat in the ongoing season gained pace from third week of April after the central government relaxed the quality specifications for procurement of wheat in various states. Despite the forecast lower production, government wheat procurement through May 28, 2015, was estimated at 26.8 MMT compared to 26.4 MMT during the same period last year.

Table 2. India: Government Wheat Procurement by State

(Quantity in million metric tons)

State	MY 2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	April-March	April-March	April 1 through May 28	
Punjab	10.90	11.64	10.71	9.90
Haryana	5.87	6.50	6.41	6.76
Madhya Pradesh	6.36	7.09	7.01	7.26
Uttar Pradesh	0.68	0.63	0.35	1.64
Rajasthan	1.27	2.16	1.79	1.20
Others	0.02	0.01	0.09	0.08
Total	25.09	28.02	26.37	26.84

Source: Food Corporation of India, GOI.

Market arrivals suggest that the rain affected wheat is being off loaded by the farmers at the government procurement centers due to lower market purchase by local traders and processors on quality concerns. Market sources report that the new crop wheat affected by lustre loss (70-80 percent) will have to be off loaded by the government in the next 5 to 6 months to avoid storage losses (insect infestation, etc.). Consequently, lower purchase by private trade could also be driven by the expectation of subsidized sales of government wheat after the procurement ends in July. Sources report that the government has already issued instructions to distribute the current season wheat first and retain the previous year's (MY 2014/15 and MY 2013/14) wheat currently in storage.

With the government being the major buyer in the market, market prices in most states are currently around the government's procurement price (INR 14,500 per MT). Prices are likely to rise after the government procurement tapers off in June.

MY 2014/15 Ending Stocks Raised; Consumption Revised

MY 2014/15 ending stocks is estimated higher to 17.2 MMT based on the latest official estimate on government-held wheat stocks. MY 2014/15 consumption estimated has been revised marginally lower to 93.1 MMT to adjust the revision in the ending stocks. MY 2015/16 consumption is also revised lower to 92.8 MMT on forecast tight domestic supplies.

MY 2015/16 Imports Raised

MY 2015/16 wheat imports are forecast higher at 1.0 MMT to augment forecast lower domestic production and lower quality of the MY 2015/16 wheat. Market sources report that by the third week of May, local millers have contracted about 350-400,000 MT of wheat for imports at prices ranging between $250-265/MT C&F, mostly from Australia for blending by south India based millers. Given the strong procurement and sufficient carryover stocks, government is unlikely to import wheat in the upcoming marketing year. However, local millers are likely to continue to import quality wheat to augment their blending requirements. Consequently, Post estimate MY 2015/16 wheat imports at 1.0 MMT. However, import prospects will improve if the domestic prices surge during the marketing year on lower domestic production realization from the current forecast.

COARSE GRAINS

Sorghum Production Revised

Based on the recent MOA's third advance estimate, MY 2013/14 sorghum production estimate has been revised marginally higher and MY 2014/15 production estimate marginally lower. The ending stocks in the PS&D have been revised to reflect the production changes.

Table 3. India: Commodity, Sorghum PSD
(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Sorghum	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5,900	5,900	5,500	5,500	6,000	6,000
Beginning Stocks	145	145	108	398	158	238
Production	5,250	5,540	5,000	4,790	5,500	5,500
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	5,395	5,685	5,108	5,188	5,658	5,738

MY Exports	87	87	50	50	100	100
TY Exports	89	89	50	50	100	100
Feed and Residual	700	700	700	700	750	750
FSI Consumption	4,500	4,500	4,200	4,200	4,500	4,500
Total Consumption	5,200	5,200	4,900	4,900	5,250	5,250
Ending Stocks	108	398	158	238	308	388
Total Distribution	5,395	5,685	5,108	5,188	5,658	5,738
Yield	0.8898	0.9390	0.9091	0.8709	0.9167	0.9167
TS=TD	0	0	0	0	0	0

MY 2015/16 Barley Production Revised Lower

Based on the recent MOA's third advance estimate, MY 2015/16 barley production is forecast lower at 1.6 MMT due to untimely rains and hailstorm during March-April. The consumption and ending stocks in the PS&D have been revised to reflect the production change.

Table 4. India: Commodity, Barley PSD
(Area in thousand hectares, quantity in thousand metric tons, and yield in MT/hectares)

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2013		Apr 2014		Apr 2015	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	780	780	810	810	800	800
Beginning Stocks	120	120	231	231	212	212
Production	1,750	1,750	1,830	1,830	1,850	1,630
MY Imports	2	2	1	1	5	5
TY Imports	1	1	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1,872	1,872	2,062	2,062	2,067	1,847
MY Exports	441	441	450	450	400	400
TY Exports	546	545	300	300	400	400
Feed and Residual	200	200	200	200	200	200
FSI Consumption	1,000	1,000	1,200	1,200	1,250	1,100

Total Consumption	1,200	1,200	1,400	1,400	1,450	1,300
Ending Stocks	231	231	212	212	217	147
Total Distribution	1,872	1,872	2,062	2,062	2,067	1,847
Yield	2.2436	2.2436	2.2593	2.2593	2.3125	2.0375
TS=TD	0	0	0	0	0	0