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Global Agricultural Information Network

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India

Grain and Feed Update

Quarterly Update - May 2012

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Report Highlights:

The Ministry of Agriculture's third advance estimate has raised India's food grain production for the Indian crop year 2011/12 to a record 252.6 million tons on record production of rice and wheat. Post's MY 2012/13 wheat production has been raised to a record 91 million tons and MY 2011/12 rice production to a record 103.4 million tons. With the government already holding 'burdensome' grain stocks, expected record government wheat and rice procurement in the coming months will lead to serious storage challenges.

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Government Report Record Grain Harvest

The Agriculture Ministry's [Third Advance Estimates for the Indian Crop Year 2011/12](#) (July-June) assess total food grain production at a record 252.6 million tons, nearly 2.2 million tons higher than the Second Advance Estimates released in February 2012, and about 7.8 million tons higher than the last year's (2010/11) record final production. Food grain production includes rice, coarse grains and pulse crops harvested last fall and this spring, as well as the wheat crop harvested in March/April 2012. The grain production increase has been largely accounted by rice and wheat crops due to higher planting and expected record yields on favorable growing conditions. The Government of India currently estimates rice production at a record 103.4 million tons (vs. previous record of 99.2 million tons in 2008/09), and wheat is estimated at a record 90.2 million tons (vs. last year's record 86.9 million tons). However, the advance estimates are subject to revision and the final estimates for the Indian crop year 2011/12 are likely to be released by the end of CY 2012.

WHEAT

Table 1. India: Commodity, Wheat PSD

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

Wheat India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012	
	USDA Official	New Post	USDA Official	New Post	Old Post	New Post
Area Harvested	28,460	28,460	29,400	29,100	29,600	29,800
Beginning Stocks	16,120	16,120	15,360	15,360	18,500	19,950
Production	80,800	80,800	86,870	86,870	87,500	91,000
MY Imports	272	272	25	25	0	0
TY Imports	199	199	25	25	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	97,192	97,192	102,255	102,255	106,000	110,950
MY Exports	72	72	700	700	1,500	1,500
TY Exports	60	60	700	700	1,500	1,500
Feed and Residual	2,900	2,900	3,100	3,100	400	3,600
FSI Consumption	78,860	78,860	79,955	78,505	84,600	82,850
Total Consumption	81,760	81,760	83,055	81,605	85,000	86,450
Ending Stocks	15,360	15,360	18,500	19,950	19,500	23,000
Total Distribution	97,192	97,192	102,255	102,255	10,600	110,950

MY 2012/13 Production Raised

Post's MY 2012/13 wheat production has been raised higher to 91 million tons (record) due to higher planted area (29.8 million hectares) and favorable growing conditions during the late crop growth stages of crop development. Extended winter and consequent prolonged cool weather conditions during March-April 2012 have resulted in better flowering and grain filling, and lower infestation of disease/pests compared to previous years. While there have been sporadic rains in March/April in most of the wheat growing areas, there are no reports of significant crop damage. The government's third advance estimates place wheat production lower at 90.2 million tons. However, a Post field trip to the major wheat growing states of Punjab, Haryana and Uttar Pradesh and reports from other states suggest prospects for higher yields (record 3.1 tons per hectare) than last year (3.0 tons per hectare). Most of the production increase is expected in the traditionally non-surplus states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Bihar. However, 'abnormally' extended winter and late season rain has delayed the harvest by about 2 weeks in the major growing states. The late rains during the harvest stage could possibly affect the quality of wheat (vitreousness), particularly for the manually harvested crop.

Post's MY 2010/11 and 2012/13 wheat area estimates have been revised marginally based on the latest official estimates (provisional).

Procurement Starts on a Strong Note

Despite the delayed harvest in the major wheat growing states, market arrivals and government procurement have begun on a strong note reflecting the record production. Total government procurement of wheat through April 22, 2012 is estimated at 10.2 million tons compared to 8.8 million tons last year during the same period. Wheat procurement this year will also be supported by higher minimum support price (MSP) of Rs. 12,850 (\$250) per ton vs. last year's Rs. 11,700 (\$280) per ton. Market arrivals are likely to gain speed in the next few weeks and the government procurement season is likely to continue for a longer period than last year. With government's MSP well above the prevailing market prices (Rs. 11,000 to Rs.12,500) per ton, and the states of Madhya Pradesh and Rajasthan announcing an additional bonus of Rs. 1000 (\$19) per ton, total procurement is likely to exceed the government's target of 31.8 million tons. The contribution from the traditional supplier states Punjab and Haryana is likely to be slightly higher. However, Madhya Pradesh, Uttar Pradesh, Rajasthan and Bihar are likely to supply significantly larger volumes compared to last year's government procurement program. Although the farmers may be interested in offloading larger volumes to the government agencies, lack of adequate procurement and storage infrastructure is likely to constrain the government's ability to purchase wheat, particularly in the states of Uttar Pradesh, Rajasthan and Bihar. Consequently, total government wheat procurement is likely to be around 32-33 million tons in MY 2012/13 compared to 28.3 million tons last year

Higher state taxes/market fees charged by the Punjab and Haryana and additional bonus announced by

Madhya Pradesh and Rajasthan discourage the private trade from market participation during the peak marketing period (April-July). Although some other state governments are encouraging participation of private trade in wheat purchasing, uncertainty about government wheat sales in the open market at subsidized prices and non-competiveness of Indian wheat in the international market will discourage private trade purchasing in these states. Private sector participation is likely to be confined to Uttar Pradesh as prices are typically lowest compared to other states due to relatively poor government procurement operations. The private trade purchases higher-quality wheat from Madhya Pradesh, and small quantities of wheat during the lean season (August-March) from farmers holding wheat stocks on expectation of higher late season prices.

Government Stocks Surge

Government-held wheat stocks as of April 1, 2012, are estimated at 19.95 million tons, nearly 30 percent higher than last year, and nearly three times the [desired stock levels](#) (4.0 million tons buffer and 3.0 million tons strategic reserve). Lower-than-expected offtake of government wheat during the months of February-March 2012 has resulted in higher-than-expected build-up of current wheat stocks. With a likely record procurement of the upcoming harvest, government-held wheat stocks are likely to swell to a record 44.0 million tons on July 1, 2012, against the government's desired stock level of 20.1 million tons and the previous record of 41.3 million tons on June 1, 2002, when government was forced to export wheat at subsidized prices.

The massive wheat stocks combined with huge rice stocks (projected at 31.5 million tons on July 1, 2012) will pose unprecedentedly serious storage problems to the government at the onset of the 2012 monsoon, raising concerns about higher grain losses. Sources report that government will be forced to store about 3.5 million tons in open on plinth under polythene cover (CAP storage) and about 2.5 million tons in temporary open space (without CAP), where the wheat stocks are susceptible to higher damage from monsoon rains, temperature fluctuations, pests/rodents and pilferage.

Consumption and Ending Stocks Raised

Post's MY 2012/13 consumption has been raised to 86.45 million tons on expected higher offtake of government-held wheat at subsidized process in the domestic market (both subsidized wheat under Public Distribution System and open market sales), and expected higher grain losses due to inadequate storage facilities. Given the prohibitively high cost of government wheat (\$326 per ton) compared to current international prices, and the improbability of government subsidizing exports of wheat in near future, MY 2012/13 ending stocks are estimated higher at 23.0 million tons. Based on the latest official statistics, MY 2011/12 ending stocks have been raised to 19.95 million tons.

Export Prospects Unchanged

Despite record production and beginning stocks, export prospects remains unchanged as the high minimum support price is likely to keep the domestic wheat price relatively firm. Currently, wheat exports are allowed by private trade of wheat sourced from the open market. However, open market prices of wheat have been bolstered by the MSP, which is based on cost of production and unrelated to market prices. The higher MSP for MY 2011/12 is likely to keep the local wheat prices in the range of Rs. 11,500-13,000 (\$220-250) per ton compared to Rs 10,500 to 12,000 (\$200-240) last year. Consequently, Indian wheat for export is likely to be available in the price range of \$240-270 per ton FOB during the marketing year. The cost of government-held wheat is prohibitively high (\$326 per ton) and the government is unlikely to subsidize exports of its wheat in the near future. Unless there is a significant increase in global wheat prices or depreciation in the value of India rupee relative to the U.S. dollar, Indian wheat is likely to continue to be exported in small quantities to neighboring markets. Consequently, Post continues to estimate MY 2012/13 wheat exports as unchanged at 1.5 million tons.

RICE

Table 2. India: Commodity, Rice, Milled, PSD

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

Rice, Milled India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	Old Post	New Post
Area Harvested	42,860	42,860	45,200	44,100	45,000	45,000
Beginning Stocks	20,500	20,500	23,500	23,500	24,500	25,000
Milled Production	95,980	95,980	102,750	103,400	100,000	100,000
Rough Production	143,984	143,984	154,140	155,116	150,015	150,015
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.	0	0	0	0	0	0
Total Supply	116,480	116,480	126,250	126,900	124,500	125,000
MY Exports	2,774	2,774	7,000	7,000	6,000	6,000
TY Exports	4,637	4,637	7,000	7,000	6,000	6,000
Consumption and Residual	90,206	90,206	94,750	94,900	96,000	96,000
Ending Stocks	23,500	23,500	24,500	25,000	22,500	23,000
Total Distribution	116,480	116,480	126,250	126,900	124,500	125,000

MY 2011/12 Production Raised...

Based on the government's third advance estimates, MY 2011/12 rice production has been raised higher to a record 103.4 million tons on higher-than-expected production in the eastern India due to favorable weather conditions. Post agrees with the government estimates as they are based on the crop cutting experiments on *Kharif* (fall and early harvested) rice, which accounts for about 88 percent of the total rice production, and the *rabi* (spring harvested) rice production looks good due to favorable weather

conditions. MY 2011/12 consumption and ending stocks have been revised to reflect the change in the production estimate.

... Procurement and Stocks Mount

Riding on a bumper harvest, government rice procurement in MY 2011/12 through April 22, 2012, was estimated at 30.5 million tons compared to 26.0 million during the corresponding period of MY 2010/11, supporting the record production estimate. All major rice-producing states, except Punjab, have registered higher procurement this year. With additional procurement likely to continue in southern and eastern states, total rice procurement is likely to reach 38 million tons in MY 2011/12 compared to 34.2 million tons in MY 2010/11.

Following bumper government procurement in the ongoing season, government-held rice stocks on April 1, 2012, swelled to a record 33.4 million tons compared to 28.8 million ton a year ago, and more than double the government desired stocks of 14.2 million tons (12.2 million tons buffer and 2.0 million tons strategic reserve).

Exports to Continue

Given 'more-than-sufficient' domestic supplies and 'burdensome' government-held rice stocks, the Indian government is unlikely to impose export restrictions on non-basmati rice in the foreseeable future. On February 21, 2012, the Directorate General of Foreign Trade issued a [notification lowering the minimum export price of Basmati rice](#) to \$700 per ton from the earlier MEP of \$900 per ton.

Although official trade figures are available only through December 2011, market sources report that India has shipped about 3.5 million tons of non-basmati rice and 1.5 million tons of basmati rice during October 2011 through mid-April 2012. Traders remain optimistic about India's rice export prospects in 2012 due to the recent weakening of Indian rupee against dollar (US\$ = Rs. 52.6 compared to Rs. 50 a month earlier). Consequently, Post's MY 2011/12 rice export figure remains unchanged at 7.0 million tons.

PULSES

Production Estimate Lowered

The third advance estimate of pulse production in the Indian crop year 2011/12 is 17.0 million tons, marginally lower than the second advance estimate of 17.3 million tons, and more than 1.2 million tons lower than last year's record production of 18.2 million tons. Production includes 7.4 million tons of chick peas, 2.7 million tons of pigeon peas, 1.8 million tons of black matpe and 1.6 million tons of mung beans. The lower production prospect has raised concerns about an increase in pulse prices on the

domestic market. As in past years, the government may have to import yellow peas to preclude acceleration of food price inflation.

Export Ban and Zero Import Duty Extended

On March 27, 2012, the Directorate General of Foreign Trade extended the export ban on pulses till March 2013. However, exports of garbanzo beans and 10,000 metric tons of organic pulses are exempted from the ban. On March 17, 2012, the government extended the zero import duty regime on pulses through March 31, 2013.

COARSE GRAINS

MY 2011/12 Production Revised Marginally

The government's third advance estimate places total coarse grain production in Indian crop year 2011/12 (July-June) at 41.9 million tons, marginally lower than the second advance estimate of 42.1 million tons (February 2012) and nearly 1.8 million tons lower than the last year's record production. Based on the latest official figures, Post's MY 2011/12 production estimates for corn have been revised marginally lower and for millets marginally higher. The consumption estimates in the PS&D have been revised to reflect the production changes.

Table 3. India: Commodity, Corn, PSD

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

Corn India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	Old Post	New Post
Area Harvested	8,600	8,600	8,700	8,600	8,900	8,900
Beginning Stocks	453	453	603	603	713	713
Production	21,730	21,730	21,500	21,300	22,000	22,000
MY Imports	20	20	10	10	10	10
TY Imports	20	20	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,203	22,203	22,113	21,913	22,723	22,723
MY Exports	3,500	3,500	2,400	2,400	2,200	2,200
TY Exports	3,400	3,400	2,400	2,400	2,200	2,200
Feed and Residual	9,000	9,000	9,700	9,600	10,400	10,400
FSI Consumption	9,100	9,100	9,300	9,200	9,600	9,600
Total Consumption	18,100	18,100	19,000	18,800	20,000	20,000
Ending Stocks	603	603	713	713	523	523
Total Distribution	22,203	22,203	22,113	21,913	22,723	22,723

Table 4. India: Commodity, Millets, PSD
(Area in Thousand Hectares, Others in Thousand Metric Tons)

Millet India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	Old Post	New Post
Area Harvested	11,150	11,150	10,500	10,800	10,500	10,500
Beginning Stocks	300	300	990	990	860	860
Production	13,290	13,290	12,500	12,870	12,500	12,500
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	13,590	13,590	13,490	13,860	13,360	13,360
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1,200	1,200	1,500	1,500	1,500	1,500
FSI Consumption	11,400	11,400	11,100	11,500	11,300	11,300
Total Consumption	12,600	12,600	12,600	13,000	12,800	12,800
Ending Stocks	990	990	890	860	560	560
Total Distribution	13,590	13,590	13,490	13,860	13,360	13,360