

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:

Post continues to forecast MY 2016/17 wheat production at 88 million metric tons (MMT) based on the initial harvest reports from the major producing states. Due to the timely harvest, government procurement through third week of April 2016 was nearly three times last year procurement. MY 2015/16 rice exports estimated marginally lower at 8.5 MMT on weak export demand for coarse rice.

Post:
New Delhi

Commodities:
Rice, Milled

Wheat

Corn

Author Defined:

IMD Forecasts Above-Normal Monsoon

On April 12, 2016, Indian Metrological Department (IMD) released its [first long range forecast for the 2016 Southwest Monsoon Season \(June-September\)](#), predicting an above normal monsoon in 2016 on expected weakening of the *El Niño* weather pattern in the Pacific Ocean. Historically, a strong *El Niño* weather pattern in the Pacific Ocean caused below normal monsoon precipitation in the Indian sub-continent. IMD reports that the *El Niño* is likely to weaken during the first half of the monsoon season (June-July) and ENSO neutral conditions are likely to get established thereafter. Consequently, the 2016 monsoon rainfall is likely to be about 106 percent of the long period average (LPA) with a margin of error of five percent. IMD forecast predicts a 30-percent chance for average rainfall (96-104 percent of LTA), 34-percent chance of above normal rainfall (104-110 percent of LTA), 30-percent chance for excessive rainfall (above 110 percent of LTA) and only six percent chance of below normal rainfall (below 96 percent of LTA). IMD will update the forecast in early June based on the factors potentially affecting monsoon precipitation, including the actual status of *El Niño*.

India's southwest monsoon provides 70-percent of the country's annual rainfall and provides soil moisture for cropping in more than 55 percent of the unirrigated cultivable land. The two consecutive below normal monsoon rains in 2014 and 2015 adversely affected production of most grains in the last two marketing years, but is likely to recover in the upcoming MY 2016/17 on forecast above-normal 2016 monsoon. However, well distributed southwest monsoon is crucial for planting and yields of most grains, particularly for *kharif* (fall and early harvested) crops such as rice, corn, sorghum, millet and pulses. Good 2016 monsoon rains will also support crop yields and reduce cost of production for crops in irrigated areas and *rabi* (winter) planted crops like wheat, corn, sorghum, barley and pulses.

WHEAT

Table 1: India: Commodity, Wheat, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, and Yield in MT/Hectares)						
Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Apr 2014		Apr 2015		Apr 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30473	30473	30600	30600	0	29400
Beginning Stocks	17830	17830	17192	17192	0	14530
Production	95850	95850	86530	86530	0	88000
MY Imports	51	51	500	525	0	1000
TY Imports	273	273	500	300	0	1000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	113731	113731	104222	104247	0	103530
MY Exports	3409	3409	1000	1000	0	400
TY Exports	1817	1817	650	650	0	400
Feed and Residual	4500	4500	4200	4200	0	4500
FSI Consumption	88630	88630	85830	84517	0	87500
Total Consumption	93130	93130	90030	88717	0	92000
Ending Stocks	17192	17192	13192	14530	0	11130
Total Distribution	113731	113731	104222	104247	0	103530

Note: All PSD forecast revisions for MY 2016/17 in the report reference changes from Post's previous forecast in the India Grain and Feed Annual 2016 (IN6033). USDA's official forecast for MY 2016/17 is forthcoming.

MY 2016/17 Production Forecast Unchanged

Post continues to forecast MY 2016/17 wheat production at 88 million metric tons (MMT) from 29.4 million hectare based on the initial harvest reports from the major producing states. Despite the initial dry conditions, low temperature during most of March and April supported grain setting in the standing crop. Wheat harvesting began on time in most states unlike previous years where harvest was delayed by 2-3 weeks due to untimely rains and/or extended winter. Wheat harvest got over in Gujarat, Rajasthan and Madhya Pradesh by early April, nearly over in Punjab, Haryana and Western Uttar Pradesh and is currently in full swing in eastern India (East Uttar Pradesh, Bihar and West Bengal) to be over by first week of May.

Despite some speculation about yield likely to be affected by some localized hailstorm in early April and relatively early rise in temperature compared to previous years, Post field travel to the major wheat producing states of Punjab and Haryana suggest prospects for near-normal yield (historical 4-year average excluding adverse weather affected MY 2015/16), but significantly higher than last year's untimely rain affected wheat harvest. Market sources are speculating on the current year yield realization in Madhya Pradesh, Uttar Pradesh and other wheat growing states. However, reports from field trials by research organizations in various states suggest current year yields are slightly lower than

normal.

The early results of the government's crop cutting surveys for assessing current crop yields are expected to be available from early June. Post will continue to monitor the harvest reports from field sources.

At this stage, Post continues to forecast MY 2016/17 wheat yield at 3.0 MT/hectare (vs normal yield of 3.1 MT/hectare) and production at 88 MMT. The industry continues to speculate on the size of the upcoming wheat crop from 81 MMT to 85 MMT against the government's second advance estimate of 93.8 MMT. The government's third advance estimate is likely to come out in the first fortnight of May wherein they may revise the wheat numbers.

Procurement Starts on a Strong Note

Due to the timely harvest in the major wheat growing states, government procurement is significantly ahead of last year (untimely rain delayed/affected harvest). The total government procurement of wheat through April 22, 2016, was estimated at 15.6 MMT, nearly three times last year procurement during the same period. Market sources report that the quality of new crop wheat is good compared to last year's rain damaged wheat wherein the government had to relax the quality standards (about 70 percent wheat procured under relaxed standards).

Table 2. India: Government Procurement of Wheat by State
(Quantity in MMT)

State	MY 2013/14 April-March	MY 2014/15 April-March	MY 2015/16 April-March	MY 2015/16 April 1-22, 2015	MY 2016/17 April 1-22, 2016
Punjab	10.90	11.64	10.34	0.39	6.45
Haryana	5.87	6.50	6.78	2.40	5.60
Madhya Pradesh	6.36	7.09	7.31	2.90	3.20
Uttar Pradesh	0.68	0.63	2.27	0.11	0.11
Rajasthan	1.27	2.16	1.30	0.10	0.22
Others	<u>0.02</u>	<u>0.01</u>	<u>0.09</u>	<u>0.01</u>	<u>0.02</u>
Total	25.09	28.02	28.09	5.90	15.60

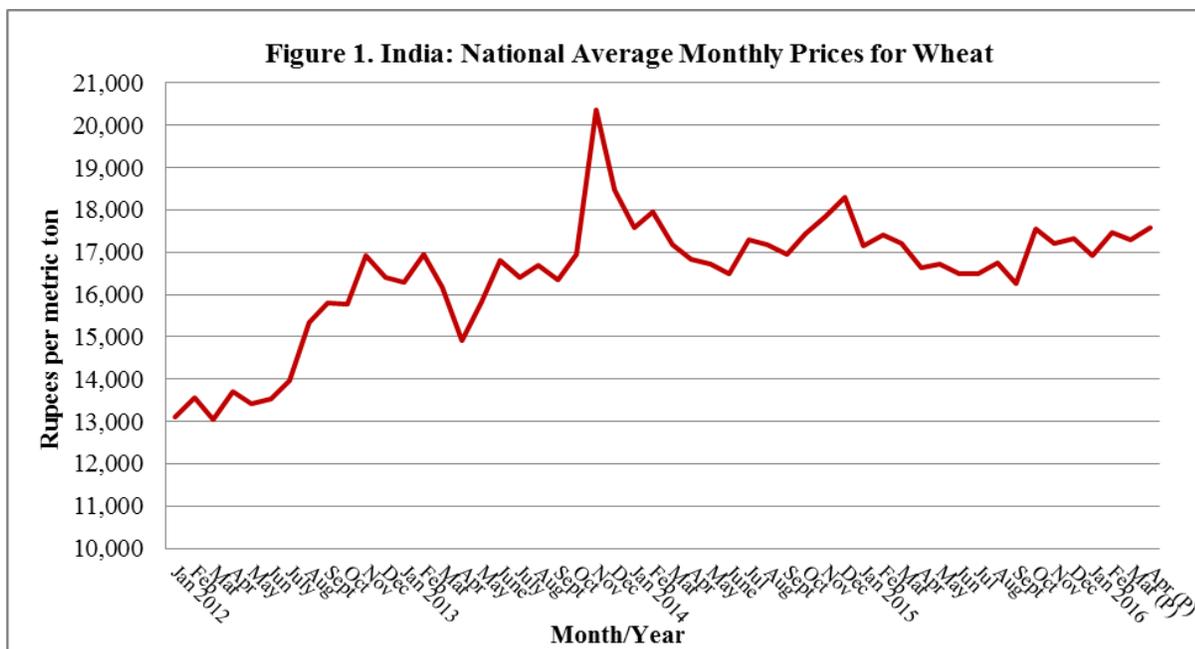
Source: Food Corporation of India, Government of India (GOI).

Wheat procurement in the major wheat surplus state of Punjab and Haryana is in full swing but is likely to be over by end of April, nearly two weeks ahead of last year. Relatively high local taxes preclude any significant private sector purchase of wheat in Punjab and Haryana, except for some wheat purchase by Punjab millers due to tax incentives. Market sources expect that the total government procurement of wheat in the two states is likely to be higher than last year on expected higher production. Despite relatively strong early season procurement in other states, relatively firm open market prices compared to the government's minimum support price (INR 15,250/MT) are likely to slow down government procurement in most states. Procurement will continue in most states (except Punjab, Haryana and Rajasthan) will continue through June, but the procurement volumes will largely depend on the open market price movement. Assuming continued firm open market prices, government procurement is likely to be slightly above last year's 28.1 MMT, significantly lower than the government's target of 30.5 MMT but sufficient to meet the government's wheat requirement for Public Distribution System

(PDS) and other welfare programs (24-25 MMT).

Prices Firm

Despite the timely and sufficient arrival of the new crop, domestic prices have firmed up in April due to continued speculation on the size of harvest and relatively strong domestic demand as local mills seek to cover their requirement from open market. The wheat prices in most of the wheat producing states currently range from INR 15,200 to 16,050 per metric tons, hovering above the MSP in most states.



Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

With the extension of the 25 percent import duty on wheat precluding prospects for imports and suspension of the government supplies of wheat under the open market sale scheme (OMSS) from April onwards, most of the local mills are covering their requirement for the next three months through open market purchase. Market prices are likely to ease as arrivals accelerate in other states in May, but the price movement in the next few months will largely depend on the overall production realization. However, prices are unlikely to rise significantly as government can intervene to control the prices by lowering import duty or releasing additional wheat under the OMSS given sufficient supplies (14.5 MMT opening stocks plus 28.2 MMT forecast procurement).

Stocks Raised

Relatively lower than expected offtake of wheat through the PDS and OMSS in the last quarter has resulted in higher than initially expected MY 2015/16 ending stocks. Government-held stocks as of April 1, 2016, are estimated at 14.53 MMT (against the initial expectation of 13.2 MMT), nearly double than the desired stock levels of 5.5 MMT. MY 2015/16 consumption has been revised lower to account for the increase in ending stocks. MY 2016/17 ending stocks has also been forecast higher to 11.1 MMT from 10.0 MMT forecast earlier (IN6033).

Trade

The [government's decision to extend the 25 percent import duty](#) from March 31, 2016 to June 30, 2016 has adversely affected the import prospects. At the current price parity for Indian wheat vis-a-vis wheat from other origins, Post continues to forecast MY 2016/17 imports at 1.0 MMT as the imports are likely to be limited to higher quality wheat for blending purpose by southern millers at the current duty level. However, import prospects can improve if the government lowers the import duty or the domestic prices increase significantly.

Latest provisional import figures for the period April 2015 to February 2016 estimate wheat imports at 513,400 MT as wheat imports have tapered off in the last two months, and the MY 2015/16 imports are estimated to reach 525,000 MT. Based on the estimated exports during July 2015 through February 2016 (215,000 MT) and expected lower imports in the next quarter, Trade Year 2015/16 imports are revised lower to 300,000 MT.

Provisional official figures estimate wheat exports during April 2015 to February 2016 at 576,000 MT while the wheat product exports during April 2015 through January 2016 are estimated at over 380,000 MY (wheat equivalent). At the current pace of exports, MY 2015/16 exports are expected to reach 1.0 MMT. MY 2016/17 exports are raised higher to 400,000 MT on expected continued exports of wheat products to the traditional markets and some exports to neighboring countries.

RICE

Table 3: India: Commodity, Rice Milled, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, and Yield in MT/Hectares)						
Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43740	43740	42750	42750	0	43500
Beginning Stocks	22757	22757	17766	17766	0	13766
Milled Production	105480	105480	103000	103000	0	105000
Rough Production	158236	158236	154515	154515	0	157516
Milling Rate (.9999)	6666	6666	6666	6666	0	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	128237	128237	120766	120766	0	118766
MY Exports	12238	12210	9000	8500	0	7000
TY Exports	11046	11058	9000	8500	0	7000
Consumption and Residual	98233	98261	98500	98500	0	99500
Ending Stocks	17766	17766	13266	13766	0	12266
Total Distribution	128237	128237	120766	120766	0	118766

Note: No changes in the PSD forecast for MY 2016/17 Post's previous forecast in the India Grain and Feed Annual 2016 (IN6033). USDA's official forecast for MY 2016/17 is forthcoming.

Procurement Slacken...

Government rice procurement through April 22, 2016 is estimated at 31.3 MMT, nearly 18 percent higher than last year, but has slowed down in the last two months as *kharif* rice arrivals and procurement has started to taper off in most states.

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

State	MY2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	October-September	October-September	Oct 1, 2014 thru April 22, 2015	Oct 1, 2015 thru April 22, 2016
Punjab	8.11	7.79	7.79	9.35
Andhra Pradesh	3.74	3.60	1.92	3.32
Telangana	4.35	3.50	1.68	1.10
Chattisgarh	4.29	3.42	3.35	3.40
Odisha	2.80	3.49	2.65	2.67
Haryana	2.41	2.02	2.01	2.85
Uttar Pradesh	1.13	1.70	1.60	2.90
West Bengal	1.36	2.03	1.34	1.27
Madhya Pradesh	1.05	0.81	0.80	0.85
Tamil Nadu	0.68	1.05	0.85	0.95
Others	<u>1.94</u>	<u>2.77</u>	<u>2.60</u>	<u>2.64</u>
Total	31.85	32.17	26.60	31.30

Source: Food Corporation of India, GOI

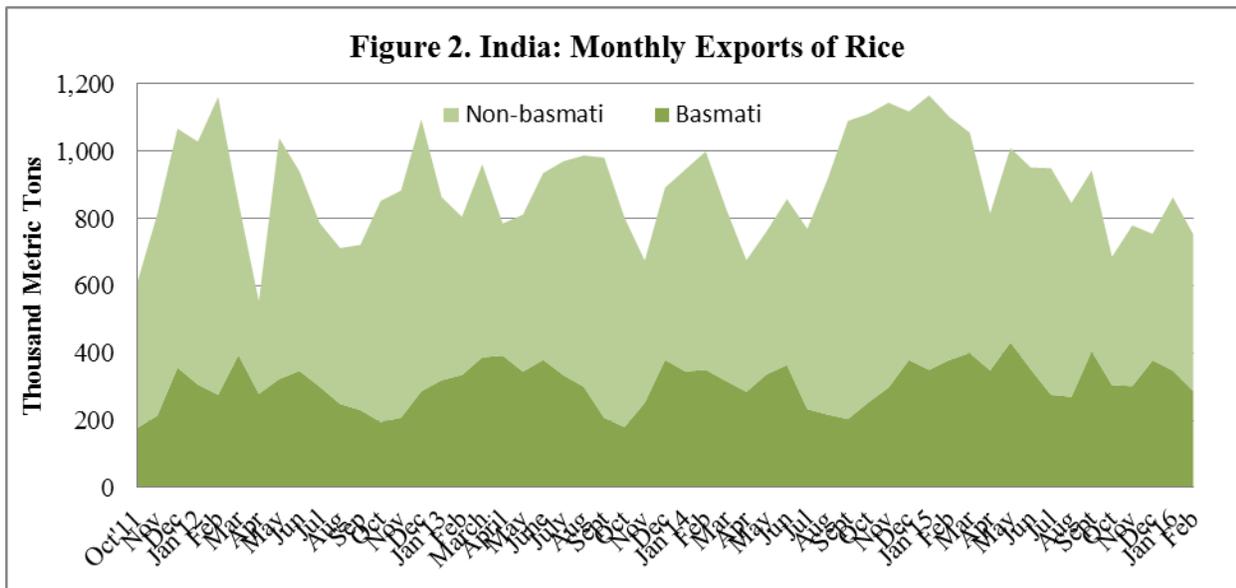
All major rice producing states, except the drought affected Telangana, have registered higher procurement this year, with the northern states of Punjab and Haryana registering record procurement levels. Additional procurement is likely to continue in the southern and eastern states, but is likely to be lower than normal due to the expected lower harvest of *rabi* rice due to irrigation water stress. Consequently, total procurement is likely to be around 33 MMT, slightly higher than last year.

... Stocks up, But Likely to Come Down

Following early season bumper government procurement in the ongoing season, government held rice stocks on April 1, 2016, increased to 28.8 MMT compared to 23.8 MMT a year ago, and more than double the government desired stocks of 13.6 MMT. However, expected weakening in government procurement and continued higher offtake of rice under the PDS and other government programs is likely to draw down these stocks in the second half of the marketing season. Consequently, MY 2015/16 ending stocks are estimated at 13.8 MMT (11.2 MMT government stocks and 2.6 MMT private stocks) compared to 17.8 MMT (14.2 MMT government stocks and 3.6 MMT private stocks) last year.

Exports Continue at Lower Pace

Indian rice exports weakened since the beginning of MY 2015/16 on relatively weak export demand for non-Basmati rice from African countries and neighboring Bangladesh.



Source: Monthly exports through February 2016 from Directorate General of Commercial Intelligence (DGCIS), GOI.

According to the provisional official statistics, rice exports from October 2015 through February 2016 was estimated at 3.8 MMT, down 32 percent compared to rice exports during the same period last year. Assuming the current price parity for Indian rice vis-à-vis other origins and at the current pace of exports, MY 2015/16 exports are estimated lower at 8.5 MMT compared to 12.2 MMT last year. Calendar Year (CY) 2016 exports are also estimated lower at 8.5 MMT. Post’s continues to forecast MY 2016/17 and CY 2017 rice exports unchanged at 7 MMT on forecast tight supplies (IN6033).

Based on the revised official figures, MY 2014/15 rice exports are revised marginally to 12.2 MMT (record) and CY 2015 exports to 11.06 MMT.

CORN

Note: No Changes in the official PSD estimates to report.