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GAIN Report

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India

Grain and Feed Update

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Report Highlights:

MY 2015/16 wheat production is forecast lower at 87 million metric tons (MMT) compared to nearly 96 MMT in 2014/15, on expected damage from untimely rains in March/April. However, sufficient carryover stocks with the government will limit any significant negative impact on domestic supplies. India is likely to emerge as net importer of wheat in MY2015/16 with imports estimate at 1.0 MMT and exports at 0.5 MMT. MY 2014/15 rice exports estimate is raised to 10.2 MMT on higher exports in the first half of the marketing year. The MY 2014/15 corn production estimate is revised lower to 21.5 MMT and exports to 1.5 MMT.

Post:
New Delhi

Commodities:
Wheat

Rice, Milled

Corn

Author Defined:

India Heading for Second Consecutive Below-Normal Monsoon

On April 22, 2015, Indian Metrological Department (IMD) released its first [long-range forecast for the 2015 southwest monsoon season \(June-September\)](#), predicting a below normal monsoon for the second consecutive year. The 2015 monsoon rainfall is likely to be about 93 percent of the long period average (LPA) with a margin of error of five percent. The IMD forecast stated that the *El Niño* weather pattern in the Pacific ocean (which triggers below normal monsoon precipitation in the Indian sub-continent) is likely to persist during 2015 monsoon season. IMD forecast predicts a 33-percent chance for deficit rainfall (below 90 percent of LTA), a 35-percent chance for below average rainfall (90-96 percent of LTA), a 28-percent chance for average rainfall (96-104 percent of LTA), and a four-percent chance for above average to excessive rainfall (above 104 percent of LTA). IMD will continue to monitor the factors potentially affecting monsoon precipitation and revise the forecast for the 2015 monsoon in early June.

India's southwest monsoon provides 70-percent of the country's annual rainfall. Consequently, normal and well distributed southwest monsoon is crucial for grain production in India, particularly for *kharif* (fall and early harvested) crops such as rice, corn, sorghum, millet and pulses. Good monsoon rains also support crop yield and reduce cost of production for irrigated crop land and *rabi* (winter) planted crops like wheat, corn, sorghum, barley and pulses. The 2014 Indian southwest monsoon was 12 percent below the normal, with the major grain producing northwestern, eastern, and northeastern regions receiving deficit rains (below 90 percent of LPA). Consequently, production of most grains in Indian crop year 2014/15 was affected. A second consecutive below-normal 2015 monsoon would further affect India's MY 2015/16 grain production prospects and government food grain stocks.

Zero Import Duty on Pulses Extended

In June 2006, the GOI exempted pulses from the applicable 10-percent import duty through March 31, 2009, which has been periodically extended. On March 31, 2015, the Central Board of Excise and Customs notified that the [zero import duty on pulses has been further extended till September 30, 2015](#).

WHEAT

Table1.India: Commodity, Wheat, PSD

(Area in thousand hectares, Quantity in thousand metric tons, Yield in MT/hectares)

<i>Wheat</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Apr 2013		Apr 2014		Apr 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,000	30,000	31,530	31,530	0	30,600
Beginning Stocks	24,200	24,200	17,830	17,830	0	17,200
Production	93,510	93,510	95,850	95,850	0	87,000
MY Imports	25	25	45	45	0	1,000
TY Imports	22	22	125	125	0	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	117,735	117,735	113,725	113,725	0	105,200
MY Exports	6,053	6,053	3,500	3,300	0	500
TY Exports	5,354	5,354	1,700	1,200	0	500
Feed and Residual	4,800	4,800	4,500	4,500	0	4,800
FSI Consumption	89,052	89,052	89,225	88,725	0	88,000
Total Consumption	93,852	93,852	93,725	93,225	0	92,800
Ending Stocks	17,830	17,830	16,500	17,200	0	11,900
Total Distribution	117,735	117,735	113,725	113,725	0	105,200
Yield	3.1170	3.1170	3.0400	3.0400	0.0000	2.8431

(Note: All PSD forecast revisions for MY 2015/16 in the report reference changes from Post's previous forecast in the India Grain Voluntary Update-April 2015 (IN5041). USDA's official forecast for MY 2015/16 is forthcoming.)

MY 2015/16 Production Affected by Late Season Rains

India's MY 2015/16 wheat production is expected to decline significantly from the record MY 2014/15 production (95.9 MMT) due to untimely rains in March and April when the crop was at the critical flowering, grain filling/setting and harvest stage. Post currently forecasts MY 2015/16 wheat production at 87 million metric tons (MMT) on expected lower yield than previous years.

The major wheat producing areas in North West and Central India received an unprecedented heavy and intermittent spells of rain from end February to 3rd week of April. Indian Metrological Department reported that the cumulative rainfall during March through 3rd week of April, 2015 was nearly double the normal in these areas. The rain spells were accompanied with strong wind and hailstorm causing

significant crop lodging and damage to the crop across major wheat growing belt. The Ministry of Agriculture estimates that about 6.3 million hectares of the wheat area has been adversely affected by untimely rains and hailstorm (see IN5041) resulting in head loss due to lodging. Prolonged rains and cloudy conditions have also adversely affected pollination, seed setting and overall grain development for the standing crop. Post field trip to major wheat growing states in North India suggest lower grain setting (kernel counts), smaller grain size and more shrunken kernels compared to previous years. The late rains have also affected the vitreousness (lustre loss) of the grain from upcoming harvest, which could potentially affect the storability of the new crop. Frequent rains and high humidity during crop maturity stage also resulted in higher incidence of rust in some pockets of north India which will also contribute to lower yields.

Reports of crop damage due to the late rains rain has fueled market speculations on the size of the upcoming wheat harvest, with industry estimates currently ranging from 80 to 90 MMT. Preliminary harvest reports from the northern states indicate about 8-10 percent lower yield compared to last year, and about 5-8 percent lower yield in western and central states. The preliminary estimates from the government's crop cutting survey for assessing current year yields are likely to be available by July. At this stage, Post estimates MY 2015/16 production lower at 87 MMT on expected lower yield (2.8 MT/hectare vs 3.0 MT/hectare last year) based on the market reports and field observations.

Delay in Harvest Affects Government Procurement

The late season rains have delayed wheat harvest by two to three weeks in the major wheat producing states. Harvest in the western states of Gujarat and Rajasthan and central state of Madhya Pradesh was over by first week of April; almost over in the northern states of Punjab, Haryana, Rajasthan and most of Uttar Pradesh; and in full swing in eastern India (east Uttar Pradesh, Bihar, West Bengal).

Government's MY 2015/16 wheat procurement began in April on a very weak note due to the delayed harvest and quality concerns about the new crop arrival (higher shriveled/damaged grains, lustre loss, foreign matter contamination and other parameters compared to the standard procurement norms). To reduce the hardship of farmers affected by the untimely rains and avoid distress sale of wheat, the [central government relaxed the specifications for procurement of wheat in various state for the upcoming season](#) pertaining to permissible limit for shriveled/damaged grains and lustre loss wheat. Consequently, government procurement has gained pace from third week of April. However, the total procurement of MY 2015/16 wheat through April 23, 2015 is estimated at 8.6 MMT, nearly 14 percent behind last year procurement.

Table 2.India: Government Wheat Procurement by State
(Quantity in million metric tons)

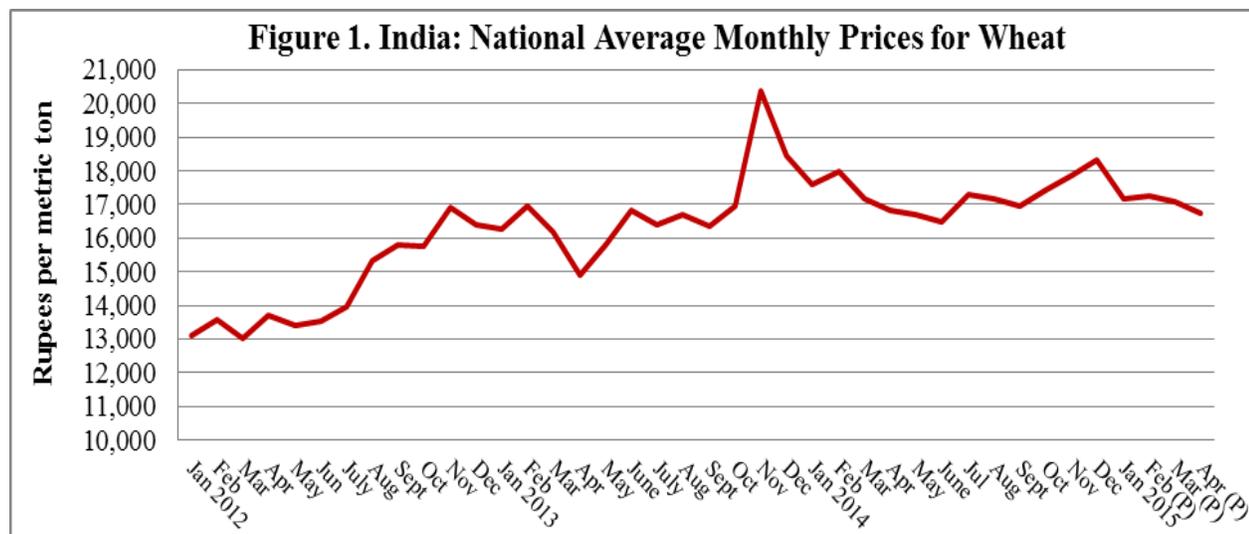
State	MY 2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	April-March	April-March	April 1 through April 23	
Punjab	10.90	11.64	2.15	1.39
Haryana	5.87	6.50	4.02	3.54
Madhya Pradesh	6.36	7.09	3.54	3.27
Uttar Pradesh	0.68	0.63	0.04	0.18
Rajasthan	1.27	2.16	0.33	0.21
Others	<u>0.02</u>	<u>0.01</u>	<u>-0.08</u>	<u>0.01</u>
Total	25.09	28.02	10.00	8.60

Source: Food Corporation of India, GOI.

Procurement in the major surplus states of Punjab and Haryana is likely to continue through end May, while procurement in other states will continue through June. Despite speculation on the lower crop, private trade has not been active in wheat purchases during the current season in most states due to quality concerns on the grain arrivals, particularly higher incidence of lustre loss and damaged/rust infested grains which can affect the storability of the wheat stocks. Market sources report that the government will be the major buyer for the lower quality wheat during the procurement season (April-July). Farmers and local traders are likely to hold better quality wheat for sale after the government procurement season is over in June/July. Consequently, MY 2015/16 procurement is expected to reach 25-26 MMT (vs. 28 MMT last year), which should be sufficient for meeting government's wheat supply commitment under the National Food Security Act (NFSA) and other government food programs.

Prices Weak

Despite speculation on lower wheat production, market prices in most producing states have been weak in March-April due to low purchase by private trade.



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

Currently, market prices in the major producing states have been hovering around the government's

procurement price (INR 14,500.MT), but are likely to ease further as arrival accelerates in May/June in Uttar Pradesh and other states. However, prices are likely to respond to the forecast tight domestic supplies after government procurement tapers off in June. Prices are likely to remain firm during most of the MY 2015/16. However, government will contain any significant escalation in prices by releasing wheat from its stocks through the public distribution system (PDS) and open market sales (OMS).

Government Stocks Sufficient

Relatively lower off take of wheat through the PDS and OMS in MY 2014/15 has resulted in higher than initially expected MY 2014/15 ending stocks. Government-held stocks as of April 1, 2015, are estimated at 17.2 MMT, about 3 percent lower than last year, but more than double the desired stock levels (4.46 MMT buffer and 3 MMT reserve). MY 2015/16 ending stocks are forecast to decline to 11.9 MMT on expected lower procurement and higher off take during the upcoming ‘short’ crop year.

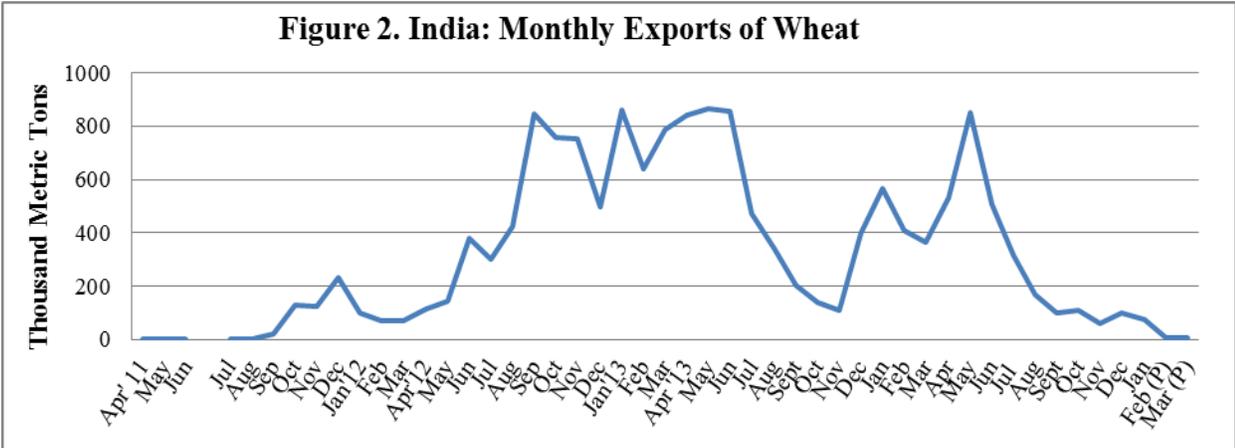
Consumption Revised Marginally

Sufficient government-held carryover will contain any significant impact on domestic supplies and consumption in the upcoming season. Due to expected tight domestic supplies, MY 2015/16 FSI consumption is revised marginally lower to 88 MMT compared to 89 MMY estimated earlier. However, Consumption of wheat for feed and residual is revised higher to 4.8 MMT as some of the lower quality wheat is likely to be diverted for cattle feed.

MY 2014/15 consumption has been adjusted to reflect the changes in the exports and ending stock estimates.

India to Emerge as Net Importer

After a gap of four years, India is likely to emerge as net importer of wheat in MY2015/16 due forecast lower production, lack of availability of quality wheat and relatively weak international prices. Export of India wheat has plunged in the recent months as it is not price competitive (\$30-40/MT costly) even in the neighboring markets like Bangladesh.



Source: DGCIS, GOI, and private sources (February and March estimates).

Post's MY 2014/15 wheat exports are revised lower to 3.3 MMT based on the provisional export figures for wheat exports (see graph) and estimated exports of wheat products from the partial MY data from GTA. Exports prospects for wheat in the upcoming MY2015/16 will be adversely affected by forecast tight domestic supplies and lack of supplies of quality wheat. Assuming no significant changes in the international wheat prices, Post MY 2015/16 export forecast stands at 500,000 MT as exports are likely to be limited to wheat (by road) to neighboring Nepal and Bangladesh, and some wheat products to traditional markets.

MY 2015/16 wheat imports are estimated higher at 1.0 MMT, mostly imports of quality wheat for blending by millers based in the southern states. Higher inland transport costs will force most of the inland millers to continue to source wheat from government stocks, which includes sufficient better quality wheat from previous years. Market sources report that south India based millers have already contracted about 120-150 thousand MT of wheat for imports. Government is unlikely to import wheat in the near future due to sufficient carryover stocks and expected sufficient procurement for their supply commitments for NFSA and other programs.

RICE

Table 3. India: Commodity, Rice, Milled, PSD

(Area in thousand hectares, Quantity in thousand metric tons, Yield in MT/hectares)

<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	43,940	43,940	43,000	43,000	0	4,400
Beginning Stocks	25,440	25,440	22,651	22,651	0	15,600
Milled Production	106,540	106,540	102,500	102,500	0	104,000
Rough Production	159,826	159,826	153,765	153,765	0	156,016

Milling Rate (.9999)	6,666	6,666	6,666	6,666	0	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	131,980	131,980	125,151	125,151	0	119,600
MY Exports	10,149	10,149	9,000	10,200	0	8,500
TY Exports	10,901	10,907	9,000	9,800	0	8,500
Consumption and Residual	99,180	99,180	99,351	99,351	0	99,500
Ending Stocks	22,651	22,651	16,800	15,600	0	11,600
Total Distribution	131,980	131,980	125,151	125,151	0	119,600
Yield (Rough)	3.6374	3.6374	3.5759	3.5759	0.0000	35.4582

Government Procurement Lag, Stocks Down

Government rice procurement in MY 2014/15 through April 23, 2015, was estimated at 25.3 MMT compared to 25.6 MMT during the corresponding period of MY 2013/14 due to lower production and strong exports.

Table 4. India: Government Procurement of Rice by State
(Quantity in million metric tons)

State	MY2012/13	MY2013/14	MY 2013/14	MY 2014/15
	October-September		October 1 through April 23	
Punjab	8.56	8.11	8.11	7.78
Andhra Pradesh	6.49	3.74	4.05	1.97
Telangana	-	4.35	-	1.70
Chhattisgarh	4.80	4.29	4.29	3.35
Odisha	3.62	2.80	2.17	2.66
Haryana	2.61	2.41	2.40	2.00
Uttar Pradesh	2.29	1.13	1.10	1.62
West Bengal	1.77	1.36	0.83	1.33
Madhya Pradesh	0.90	1.04	1.04	0.81

Tamil Nadu	0.48	0.68	0.06	0.01
Others	<u>2.54</u>	<u>1.94</u>	<u>1.52</u>	<u>2.10</u>
Total	34.04	31.84	25.56	25.33

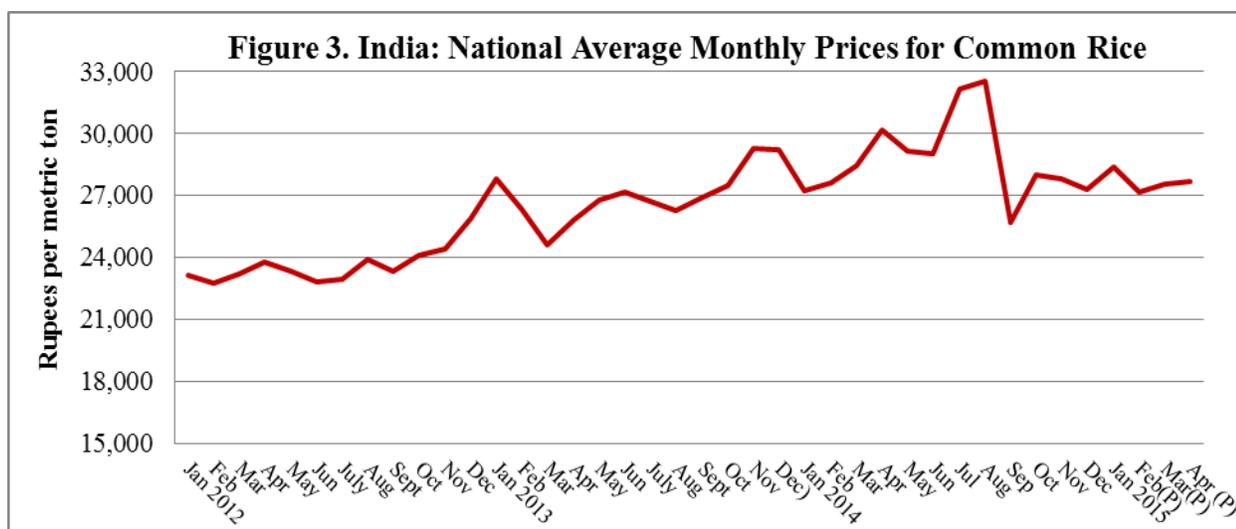
Source: The Food Corporation of India, GOI.

Procurement has been relatively weak in most traditionally surplus states of Punjab, Haryana, Chhattisgarh, Andhra Pradesh and the new state of Telangana (carved from Andhra Pradesh). However, higher procurement in the eastern states has partially offset the lower procurement from the surplus states. Procurement is almost over in most states except Andhra Pradesh, Telangana, West Bengal and Odisha where some additional procurement of *rabi* rice (harvested in March-June) will continue through August. Given lower planting of the upcoming *rabi* rice compared to last year, total rice procurement is likely to be lower around 29-30 MMT compared to 31.8 MMT last year, but sufficient to meet the annual requirement for the NFSA and other government food programs.

Relatively weak procurement coupled with larger off take of rice through the PDS has drawn down the government stocks in MY 2014/15. Government-held rice stocks on April 1, 2015 were estimated at 23.8 MMT, nearly 7 MMT lower than last year level, but still double the desired stock levels (11.8 MMT buffer and 2 MMT reserve). Assuming a normal pace of government procurement and offtake during the balance of the season, government MY 2014/15 ending stocks are expected to reflect the current reduction. MY 2014/15 ending stocks is estimated lower at 15.6 MMT compared to MY 2013/14 ending stocks of 22.7 MMT assuming ending stocks with the private trade unchanged from last year level.

Domestic Prices Steady

Domestic prices have ruled stable since the beginning of the marketing season but have marginally firmed up in April on relatively tight domestic supplies.



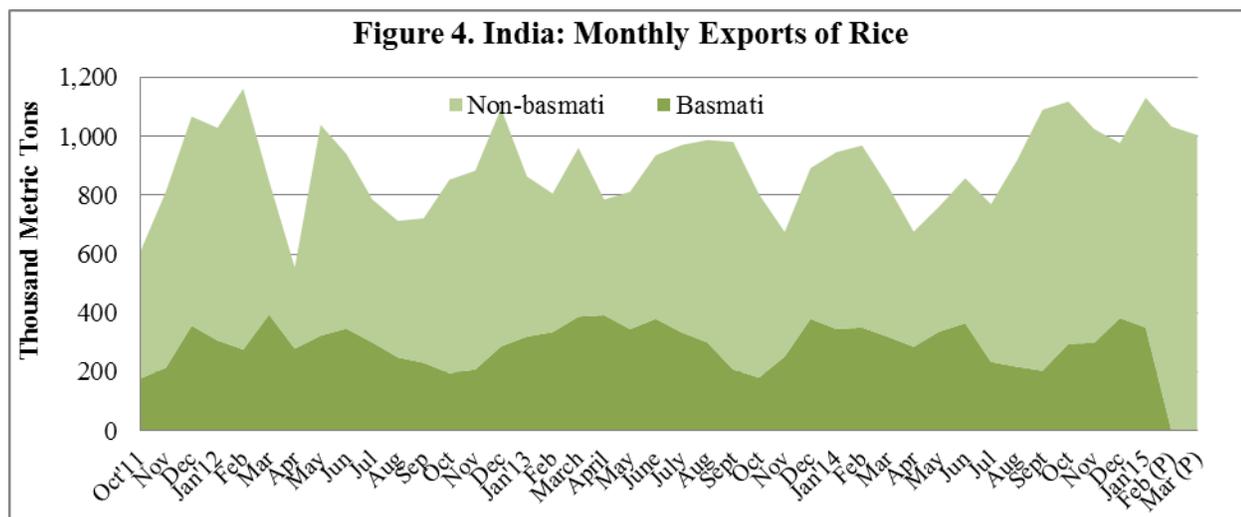
Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Domestic prices are likely to firm up further in the coming months on expected lower *rabi* rice harvest and speculation on the likely impact of the below normal 2015 monsoon on country's rice production and

domestic supplies.

MY 2014/15 Exports Raised

Post’s MY 2014/15 rice exports estimate has been raised higher to 10.2 MMT based on higher than anticipated exports in the first half of the marketing year. Stable domestic prices coupled with strong export demand have fueled Indian rice exports since the beginning of the marketing year.



Source: Monthly exports through January 2015 from DGCIS, GOI; February-March 2014 derived from rice shipping data compiled by a private source, which does not break out Basmati and non-Basmati.

According to the preliminary export figures, rice exports during October 2014 through March 2015 are estimated at 6.3 MMT, about 1.1 MMT higher compared to last year’s exports during the corresponding period. Market sources report strong exports to the traditional Middle East and African markets and neighboring Bangladesh and Sri Lanka. However, export prospects in the second half of the marketing year are likely to be affected by expected firm domestic prices and concerns on the MY 2015/16 rice planting and production. Assuming lower pace of exports in the second half of the marketing season, MY 2014/15 exports are expected to reach 10.2 MMT. CY 2015 exports are estimated at 9.8 MMT on expected lower pace of exports in the last quarter of the calendar year. Post continues to estimate MY 2015/16 exports at 8.5 MMT on expected tight domestic supplies.

CORN

Table 5. India: Commodity, Corn, PSD

(Area in thousand hectares, Quantity in thousand metric tons, Yield in MT/hectares)

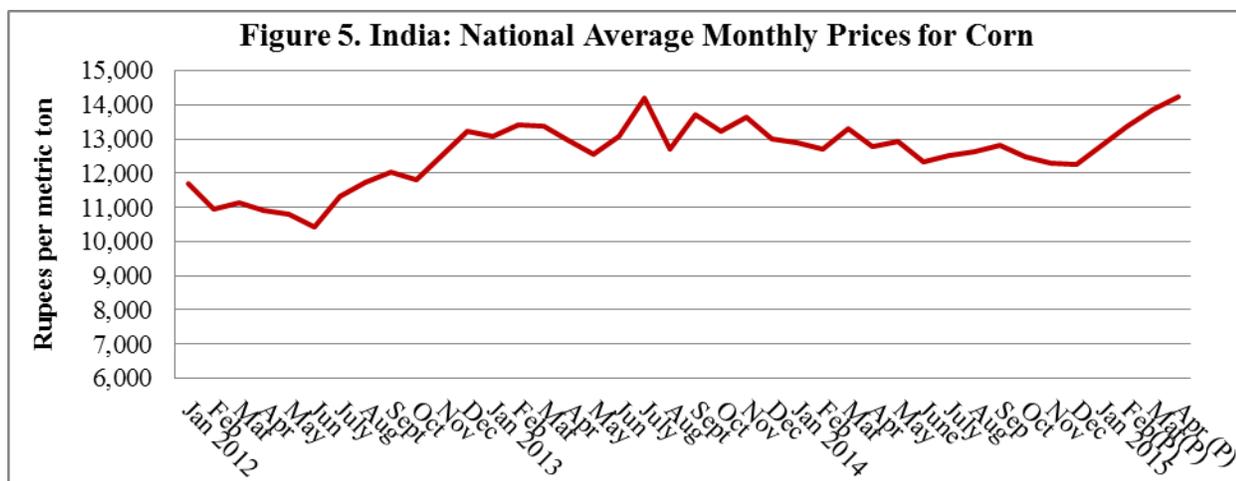
<i>Corn</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Nov 2013		Nov 2014		Nov 2015	
<i>India</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area	9,430	9,430	9,300	9,000	0	9,200

Harvested						
Beginning Stocks	651	651	1,450	1,450	0	760
Production	24,260	24,260	22,500	21,500	0	23,500
MY Imports	10	10	10	10	0	50
TY Imports	10	10	10	10	0	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	24,921	24,921	23,960	22,960	0	24,310
MY Exports	3,871	3,871	2,500	1,500	0	2,000
TY Exports	3,889	3,899	2,500	1,500	0	2,000
Feed and Residual	10,600	10,600	11,000	11,500	0	12,300
FSI Consumption	9,000	9,000	9,000	9,200	0	9,400
Total Consumption	19,600	19,600	20,000	20,700	0	21,700
Ending Stocks	1,450	1,450	1,460	760	0	610
Total Distribution	24,921	24,921	23,960	22,960	0	24,310
Yield	2.5726	2.5726	2.4194	2.3889	0.0000	2.5543

MY 2014/15 Production Lowered

Post's MY 2014/15 production estimate is revised lower to 21.5 MMT on lower than expected yields, both for the *khariif* corn (fall harvested) and the upcoming *rabi* (winter planted) and summer corn. Major industry sources are currently estimating the MY 2014/15 corn production in the range of 19 to 21 MMT against the government's second advance estimate of 23.0 MMT.

Domestic corn prices have gone up strongly since January 2015 (see below) as the market responded to lower than initially anticipated *Khariif* corn production and consequent tight domestic supplies.



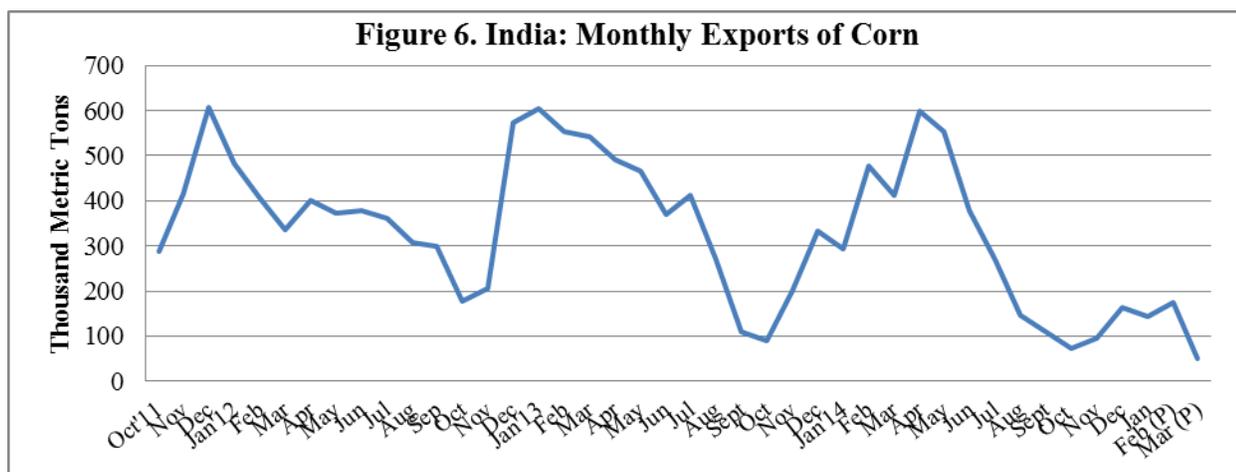
Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

The government procurement of corn under the MSP program during the ongoing marketing year is estimated at 0.3 MMT, about one fourth of last year's procurement. Purchase of corn by private exporters has been significantly lower than last year on weak export offtake (November-March exports estimated at 0.6 MMT vs 1.7 MMT same time last year). Market sources report local traders and feed manufacturers are not stocking higher quantities of corn due to capacity limitations (financial and infrastructural). Despite lower government procurement and export offtake, domestic corn prices have continued to climb since January through April to record level, with the April prices a whopping 16 percent higher than December level.

The current tight market supplies clearly points toward a lower MY 2014/15 corn production on lower than anticipated *kharif* corn yield and expected losses in *rabi* corn due to the untimely rains at the time of harvest. Consequently, Post has lowered MY 2014/15 corn production to 21.5 MMT, which includes 15.5 MMT *kharif* corn and 6.0 MMT of *rabi* corn.

Exports Lowered

Post's MY 2014/15 corn export estimate is revised lower to 1.5 MMT on continued weak export demand and uncompetitive prices. Corn exports during November 2014 through March 2015 declined to 596,000 metric tons compared to 1.72 metric tons during the comparable period in MY 2013/14.



Source: DGCIS, GOI, and private sources (February and March estimates).

Indian corn monthly exports have plunged to record low since January due to the strong surge in domestic prices. Market sources report that weak international prices have out priced Indian corn in the traditional markets including neighboring Bangladesh. Domestic prices are likely to ease in the coming months with the arrival of *rabi* corn harvest as exports to neighboring Nepal and Bangladesh may resume in the second half of the marketing year. Assuming current price parity for Indian corn vis-a-vis other competing origins does not change significantly, Indian corn exports are likely to reach 1.5 MMT, about 40 percent lower than last year.

Consumption and Ending Stocks Revised

MY 2014/15 consumption and ending stocks have been revised to reflect the changes in production and export estimates.