USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 7/27/2017

GAIN Report Number: IN7094

India

Grain and Feed Update

August 2017

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Report Highlights:

Timely and adequate 2017 monsoon through the third week of July supported normal planting of most grains, including rice and corn, in the ongoing MY 2017/18 *kharif* season (fall harvested) crops. No significant changes in the rice, wheat and corn official PSDs to report.

Post:
New Delhi

Commodities:
Rice, Milled
Wheat
Corn

Author Defined:

2017 Monsoon Covers the Country

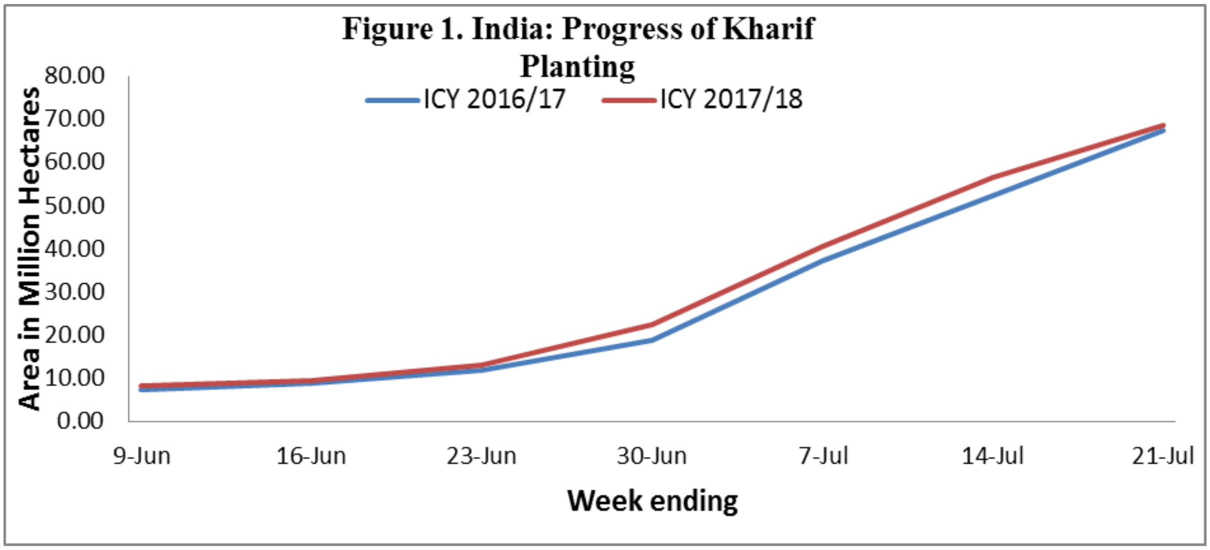
The southwest monsoon reached coastal Kerala on May 30, and progressed strongly to cover the country passing the north/northwest region by July 19, 2017, nearly on normal schedule. Monsoon rains were sufficient during most of June but was relatively deficient in the first fortnight of July. However, monsoon has revived strongly since last week with most central and western regions receiving heavy rains. As per the latest update from the Indian Metrological Department, the cumulative rainfall for the week ending July 19, 2017 was one percent above normal, with about 32 of the 36 weather subdivisions receiving normal and above normal rains. Region wise, northwest and central India received normal to heavy rains, while some parts of southern Peninsula and east and north east India received deficit rains.

The Indian Metrological Department continues to forecast near normal 2017 monsoon. Monsoon rainfall is likely to be above normal over most parts of the country, particularly western and central India, through end July, but may weaken in first week of August. For more information on monsoon reporting, please refer GAIN report IN7087.

Latest information from the Ministry of Water resources suggest that the water levels in the major reservoirs till July 13, 2017 was lower than last year level despite a normal monsoon. However, the reservoir water situation is likely to improve with the recovery of monsoon since last week. However, some parts of south India is likely to continue to suffer from water shortages due to deficient 2016 north east monsoon (October-December) before they are replenished by the retreating southwest monsoon in August/September.

***Kharif* Planting Progress Steady**

Timely and steady monsoon rains supported normal planting of *kharif* crops during the ongoing season in most of the country. With the recent heavy rains, water levels in the major reservoir irrigated areas are likely to improve providing more water for irrigation in the coming months even if the monsoon is slightly deficient in August.



Source: Ministry of Agriculture, GOI.

The Ministry of Agriculture (MoA) estimates total area sown till July 21, 2017 at 68.5 million hectares compared to 67.3 million hectares same time last year, with higher area for most crops except oilseeds. Planting of coarse grains (except corn) and pulses (except Pigeon Pea), typically sown under unirrigated conditions has been ahead of last year on sufficient rains and consequent optimal soil moisture conditions. Government's strategy of relatively higher increases in the minimum support prices (MSP) of pulses has further bolstered planting during the ongoing season.

Table 1: India: Planting of *Kharif* Crops in Indian Crop Year (July/June)
(Area in Million Hectares)

Crop	Normal Planting as on July 21[/1]	ICY 2016/17 Progressive Planting till July 21, 2016	ICY 2017/18 Progressive Planting till July 21, 2017
Rice	18.05	16.92	17.70
Pulses	6.76	9.03	9.34
Coarse cereals	12.11	12.94	13.09
Oilseeds	13.02	14.48	12.36
Sugarcane	4.89	4.52	4.92
Cotton	9.21	8.69	10.43
Total	64.83	67.34	68.53

Note /1: Average planting of five crop years 2011/12 to 2015/16
Source: Ministry of Agriculture, Government of India (GOI).

Heavy rains and flood like situation in central and western India may cause some damage to the newly planted crop if the conditions persist for another week. Planting of most *kharif* crop is likely to conclude on time by end-August, except for rice which may continue through September in South India. Planting of pulses and coarse grains is likely to be over by first week of August. Overall favorable planting conditions in the major grain producing states is likely to support Post's MY 2017/18 *kharif* grain area forecast.

While the overall planting prospects look favorable for the upcoming crop, sufficient and well distributed rains throughout August and September will be critical for achieving forecast normal yields and production. Excessive rains and consequent floods in the traditional flood prone areas of east India, and normal cyclonic incidences in coastal India may cause crop damage. Prolonged dry spells during August/early September could potentially temper yield prospects in the non-irrigated area (more than half of *kharif* cropped area).

RICE

Note: No significant changes in the official PSD to report.

2017/18 Rice Production Prospects Unchanged on Steady Planting

Timely and adequate monsoon rainfall in June and most of July supported planting in most rice growing states with rice area planted through July 21, 2017 estimated higher at 17.7 million hectares compared to 16.9 million hectares last year, but slightly lower than the normal (5-year average) planting for the corresponding period. Higher planting of rice is reported in most states except Assam and the adjoining northeastern states due to below normal monsoon in the region.

Table 2. India: Planting of *Kharif* Rice by State for week ending July 21
(Area in Million Hectares)

State	Normal[1] Area for Corresponding Week	MY 2017/18	MY 2016/17	MY 2015/16
Andhra Pradesh	0.23	0.31	0.31	0.23
Assam	1.02	0.83	1.10	1.04
Bihar	1.19	1.48	1.17	1.37
Chhattisgarh	2.34	2.33	2.43	2.37
Haryana	0.97	1.02	0.88	1.11
Jharkhand	0.21	0.30	0.19	0.19
Karnataka	0.25	0.21	0.24	0.23
Madhya Pradesh	0.79	0.96	0.91	0.73
Maharashtra	0.37	0.36	0.41	0.29
Odisha	1.58	1.52	1.48	1.49
Punjab	2.82	2.82	2.88	2.98
Tamil Nadu	0.16	0.12	0.19	0.18
Telangana	0.15	0.17	0.11	0.09
Uttar Pradesh	3.74	3.02	2.42	3.77
West Bengal	0.83	0.74	0.77	0.68
Total[2]	18.05	17.70	16.92	18.24

Note [1] Average planting for the period MY 2012/13 to 2016/17.
[2] Total includes other states.

Source: Ministry of Agriculture, Government of India (GOI).

Planting is currently in full swing in most states and is likely to be over on schedule by end-August. Planting of long-grain Basmati rice in Punjab, Haryana and western Uttar Pradesh, as well as rice in coastal Andhra Pradesh and Tamil Nadu will continue through the end of August-early September. Field sources report that Basmati area is likely to increase by 15-20 percent over last year due to relatively strong end-season prices last year. Assuming normal rainfall during August/September and weather conditions through harvest (October/November), Post suggest no change in the MY 2017/18 official area and production forecast (108 MMT from 44.5 million hectares). However, a prolonged dry spell in August, and/or prolonged floods in August/September and major cyclonic build up in September/October could lower the official production forecast.

Record MY 2016/17 Government Procurement, Stocks Gain

Riding on record production, government rice procurement during the ongoing season has crossed a new record. Total MY 2016/17 rice procurement through July 14, 2017, is estimated at 38.7MMT compared to 34.1 MMT during the same period last year. With some additional procurement in eastern and southern states through September, total MY 2016/17 rice procurement is estimated to reach a record at 38.8 MMT, a whopping 13 percent higher than last year and about 11 percent higher than the previous record procurement of 35 MMT in MY 2011/12.

Table 3. India: Government Rice Procurement by State
Figures in million metric tons

State\Period	**MY 2015/16**	MY 2015/16	MY 2016/17
	Oct-Sept	Oct 1, 2015-Jul 14, 2016	Oct1, 2016- Jul 14, 2017
Punjab	**9.35**	9.35	11.05
Andhra Pradesh	**4.34**	4.33	3.71
Telangana	**1.58**	1.58	3.59
Chhattisgarh	**3.44**	3.44	4.66
Odisha	**3.37**	3.37	3.58
Haryana	**2.86**	2.86	3.58
Uttar Pradesh	**2.91**	2.91	2.35
West Bengal	**1.57**	1.55	1.92
Madhya Pradesh	**0.85**	0.84	1.31
Tamil Nadu	**1.19**	1.11	0.14
Others	**2.76**	2.74	2.76
Total	**34.22**	34.08	38.67

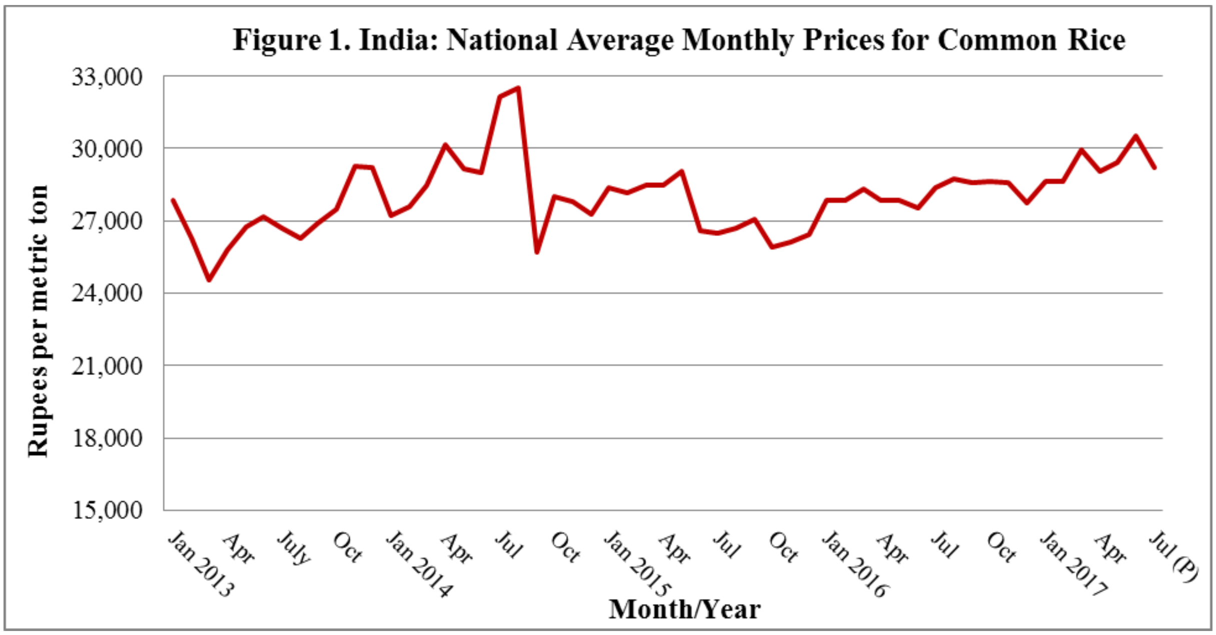
Source: Food Corporation of India, GOI

Despite record government procurement, government held rice stocks on July 1, 2017, are officially reported at 26.5 MMT compared to 24.5 MMT a year ago on relatively higher offtake of rice under the public distribution system and other government food programs. Assuming the current pace of offtake during the last quarter (July-Sept), October 1, 2017 government rice ending stocks are estimated at 17

MMT. With an additional 2.4 MMT ending stocks estimated to be held by private trade, MY 2016/17 ending stocks are estimated to reach 19.4 MMT.

Prices Ease

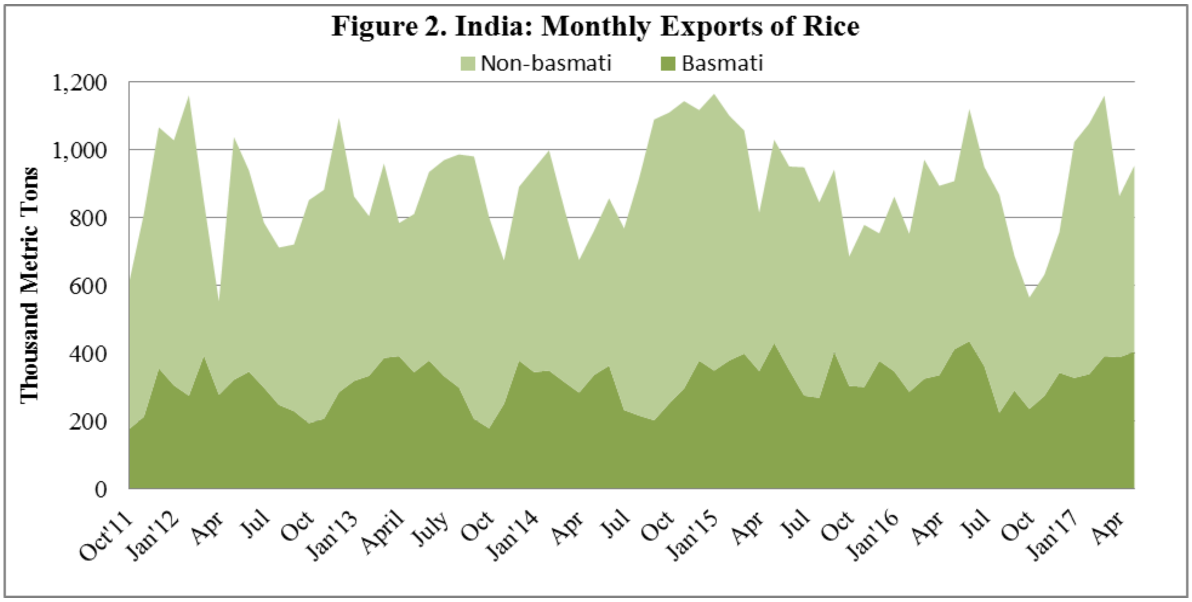
Domestic prices have eased in July on sufficient harvest of *rabi* (winter planted) rice and stable demand. Normal monsoon and planting of the upcoming *kharif* rice crop is likely to keep prices steady through the harvest of the new crop in September/October. Future price movements during MY 2017/18 will largely depend on the harvest prospects of the upcoming crop and international demand.



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

Exports Prospects Unchanged

Indian rice exports have improved since the beginning of CY 2017 on recovery in export demand for both long grain Basmati rice and coarse grain non-Basmati rice from the traditional importing markets.



Source: Monthly exports through April 2017from Directorate General of Commercial Intelligence (DGCIS), GOI.

According to the provisional official statistics, rice exports for the first five months of CY 2017 are estimated at 5.1MMT compared to 4.4 MMT same period last year. There has been a strong recovery in export demand for Basmati rice largely due to competitive prices. There has also been a strong recovery in export demand for non-Basmati rice from African markets. Assuming no significant changes in the export demand and price parity for Indian rice vis-a-vis other origin, CY 2017 (MY 2015/16 exports) will cross 10.5 MMT at the current pace of exports.

WHEAT

Note: No significant changes in the official PSD to report.

MY 2017/18 Record Crop Bolster Government Procurement

Due to the record harvest, government wheat procurement for MY 2017/18 increased by over 34 percent to 30.8 MMT and record second highest after 37.9 MMT in MY 2012/13.

Table 4. India: Government Wheat Procurement by State
Figures in million metric tons

State	**MY 2016/17 (Final)**	**MY 2016/17**	**MY 2017/18**
	April-March	Apr1-Jul14, 2016	Apr1-Jul14,2017
Punjab	**10.65**	10.65	11.71
Haryana	**6.75**	6.75	7.41
Madhya Pradesh	**3.99**	3.99	6.72
Uttar Pradesh	**0.80**	0.80	3.70
Rajasthan	**0.76**	0.76	1.25
Others	**0.01**	0.01	0.02
Total	**22.96**	22.96	30.80

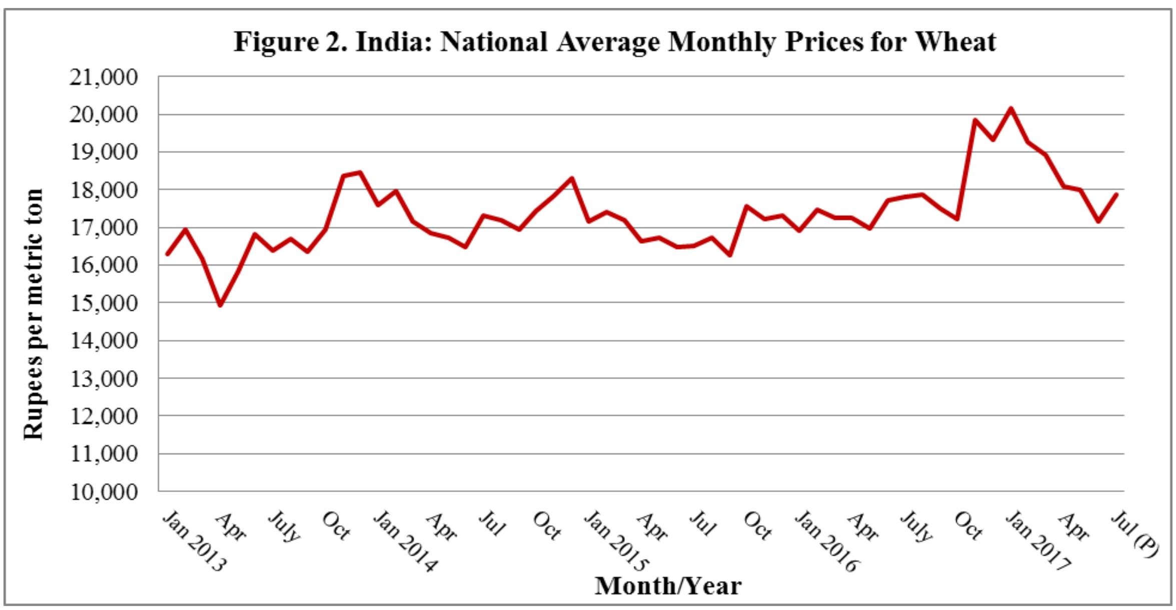
Source: Food Corporation of India, GOI.

Procurement was over in time (vary from first week of June to second week of July) in most states due to timely harvest and relatively lower speculation on crop size and market price expectations. While procurement is higher in all the major growing states, the increase in procurement in the state of Uttar Pradesh has been the highest owing to the measures taken by the newly elected state government to support government procurement operation.

Government-held wheat stocks on July 1, 2017, are officially reported at 32.3 MMT compared to 30.2 MMT a year ago. Industry sources report that government wheat stocks are sufficient to meet the government commitment for the National Food Security Act through the PDS and other food programs (27 MMT) and buffer stock (7.5 MMT ending stocks) requirement, with a surplus of only about 4 MMT for open market sales (OMS). [OMS sale of wheat in last 5 years has ranged from 4.2 MMT to 7 MMT per annum.] If the government decides to augment their government stocks to higher than the buffer stock norms, wheat available for OMS will be further reduced, which has to be augmented through imports.

Prices Stable

Domestic prices have ruled weak during the MY 2017/18 harvest season (April-June) supporting forecast record production (96 MMT)



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

With the wheat arrivals tapering off in July, domestic prices have slightly increased but are likely to remain stable as market sources report sufficient wheat in the open market.

CORN

Note: No significant changes in the official PSD to report.

MY 2017/18 Planting Steady

Timely and sufficient 2017 monsoon rains have supported near normal MY 2017/18 corn planting but lower than last year as farmers have reportedly shifted to crops like rice and pulses. As per the latest official estimates, total corn planted area through July 21, 2017, was estimated at 6.0 million hectares compared to 6.8 million hectares last year but nearly same as the normal of 6.1 million hectares.

Table 5. India: Planting of *Kharif* Corn by state for week ending July 21, 2017
(Area in Million Hectares)

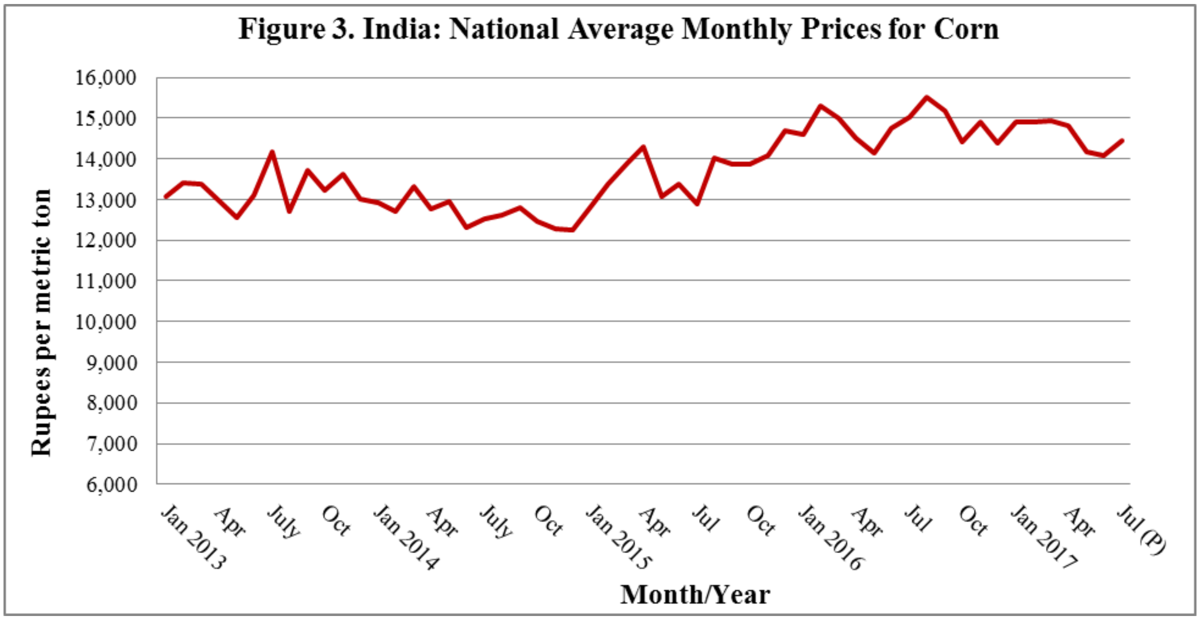
State	Normal[1] Area for Corresponding Week	MY 2017/18	MY 2016/17	MY 2015/16
Bihar	0.35	0.38	0.40	0.39
Gujarat	0.23	0.25	0.26	0.26
Himachal Pradesh	0.29	0.29	0.30	0.30
Karnataka	0.81	0.62	1.01	0.77
Madhya Pradesh	0.90	1.16	1.19	0.97
Maharashtra	0.56	0.62	0.63	0.64
Rajasthan	0.81	0.84	0.94	0.79
Telangana	0.35	0.32	0.39	0.31
Uttar Pradesh	0.67	0.46	0.62	0.69
Total[2]	6.07	6.02	6.82	6.25

Note [1] Average planting for the period MY 2012/13 to 2016/17.
[2] Total includes other states.
Source: Ministry of Agriculture, Government of India (GOI).

Near normal planting is being reported in the major producing states except Karnataka, where planting is likely to recover in coming weeks with the resurgence in monsoon. Planting is likely to be over by 2nd week of August on forecast normal rains in August. However, excess rains during September/October may affect the yield prospects as the crop would be at the harvest stage. However, sufficient rains during September/October will be critical for planting prospects for the *rabi* season (planted on October-November) and winter corn (planted in January). Assuming normal monsoon through August/September, Post suggest no change in the forecast MY 2016/17 corn are and production at 23 MMT.

Prices Steady

Domestic prices have started firming up in July with the market arrivals of the MY 2016/17 crop tapering off in June.



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

Market prices in the major producing states currently range from INR 14,500 ($225) to INR 15,500 ($240) per metric ton (spot). Prices are expected to remain steady in August/September on sufficient supplies from the MY 2016/17 record harvest. Future price movements in MY 2017/18 will depend on the domestic crop prospects.