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Grain and Feed Update

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Report Highlights:
Almost halfway through the 2012 monsoon season (June-September), rains have been significantly deficient in the central, north and northwest parts of India, indicating a below-normal monsoon. Consequently, Post's MY 2012/13 production forecasts for rice, corn, sorghum, and millet have been revised lower, and may decline further unless the monsoon gains momentum in the next few weeks. An Empowered Group of Ministers (EGoM) announced a relief package of about Rs 19 billion ($342 million) to states facing a drought-like situation, and a Diesel fuel subsidy of 50 per cent to farmers for saving standing crops. Concerns about an impending drought have led to a significant increase in food prices with food grains prices rising by 6 to 14 percent during July. The Ministry of Agriculture's recently released Fourth Advance Estimates for Indian Crop Year (ICY) 2011/12 (July/June) further raised the food grain production estimate to a record 257.4 million tons on higher-than-earlier expected yields.

Post:
New Delhi

Author Defined:

Poor Monsoon Portends Moisture Deficit….

Almost halfway through the 2012 monsoon season (June-September), rains have been significantly deficient in the central, north and northwest parts of India, indicating a below-normal monsoon. Cumulative rainfall for the week ending August 1, 2012, was significantly below normal (see Appendix 1) in many parts of the country, with only 16 of the 36 weather subdivisions receiving normal or above normal-rainfall. The all-India area-weighted rainfall total through August 1 was reported as 19 percent below normal. Deficient monsoon rains have affected water storage in 81 major reservoirs, which are currently running low at 66 percent of last year's level and 81 percent of normal (longer-term average level).

While the monsoon may recover in the second half (August and September), the 2012 monsoon at best can recover to 85 percent of normal based on the last 10 years' monthly precipitation data. Thus, the 2012 monsoon is most likely to be well below the 90 percent threshold that defines a 'deficient' monsoon. A comparison of this year's rainfall pattern with historical data shows that the situation is similar to the last two "deficient" monsoon years of 2002 and 2009 (see Appendix 2). The predominantly rainfed agriculture states of Karnataka, Maharashtra, Gujarat and Rajasthan have been particularly rain deficient, which will affect corn, sorghum, millet, and pulse crops.

… and Affects 2012/13 Production Prospects.

Poor rainfall distribution in central, north and northwest India is likely to affect adversely the MY 2012/13 *kharif* (fall/early winter harvested) food grain crops like rice, corn, sorghum, millet and major pulses (pigeon pea, mung beans, black matpe). Planting of the upcoming *kharif* crops is lagging significantly behind last year, particularly rainfed (dryland) coarse grains and pulses.

Table 1. India: Progressive Planting of Major *Kharif* Food Grains

(Area in Million Hectares)

Crop	Planting as of July 27, 2012	Planting as of July 29, 2011	Planting as of July 29, 2010
Rice	19.11	20.99	19.98
Corn	5.72	5.93	6.39
Sorghum	1.72	2.23	2.41
Millets	4.31	7.03	7.90
Pulses	6.30	7.39	8.18

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

Given the rainfall deficit through July but assuming normal rains will fall in August/September, Post revises the MY 2012/13 production forecast for rice, corn, sorghum, and millet downward. The window of opportunity for planting/re-planting of most *kharif* grain crops will be over by the second week of August in most states. Unless monsoon activity gains momentum in the next week and a half, there will likely be a further decline in planted area and production of rice, corn and other coarse grains.

Rice:

Post's MY 2012/13 rice production estimate is revised lower to 94 million tons from 42 million hectares on deficient rains in the rice-growing states of Punjab, Haryana, Uttar Pradesh, West Bengal, Tamil Nadu and Bihar. The effect of poor rainfall through the first half of the monsoon season is relatively more severe in eastern Uttar Pradesh, West Bengal, and Tamil Nadu, where rice transplanting is almost entirely dependent on monsoon rains. Although rice planting in the surplus states of Andhra Pradesh, Punjab, West Uttar Pradesh and Haryana is mostly irrigated, deficient monsoon rains affect rice prospects due to depletion of rechargable ground water and surface reservoirs required for irrigation. Additionally, the cost of production for farmers is likely to increase due to greater operation of Diesel-powered pumps in irrigated areas.

Planting progress is currently lagging behind last year's level by about 2 million hectares and the window of opportunity for planting of rice in most states will be over by the second week of August. On a positive note, area planted under long-grain basmati rice in Punjab, Haryana and western Uttar Pradesh is likely to expand on relatively strong export demand and a longer planting window (through end of August). However, if rains remain deficient in August, farmers will most likely shift to less irrigation-dependent crops, like short-season pulses and forage crops. Deficient and erratic monsoon rains and delayed planting in most states will likely adversely affect yields for these crops, especially compared to last's year record 3.5 tons/hectare. Although the government should make efforts to reduce *kharif* rice losses and encourage *rabi* (winter planted/spring harvested) rice production by providing various incentives and input subsidies to farmers and drought-mitigating contingency plans in affected states, MY 2012/13 production is forecast to decline at least to 94 million tons from 42 million hectares compared to last year's record 104.3 million tons from 44.4 million hectares. In a worst-case scenario,

if the monsoon rains remain deficient in August, production will almost certainly not achieve even that reduced level. However, a clearer picture will emerge only by the end of August after assessing precipitation and soil moisture conditions in major production areas.

Corn:

Post's MY 2012/13 corn production estimate is revised lower to 20.0 million tons due to deficient rains in Gujarat, Rajasthan and parts of Karnataka. Rainfall has been deficient but adequate for corn in the major surplus states of Andhra Pradesh, Maharashtra and parts of Karnataka. However, if deficient rains persist through the first fortnight of August, production prospects will be adversely affected on lower area planted and yields. Should monsoon rains be deficient in August/September, production prospects would suffer for *rabi* corn, which accounts for about one-fourth of the total crop.

Other Coarse Grains:

MY 2012/13 sorghum production forecast is lowered to 6.4 million tons, and 10.0 million tons for millet due to current drought-like conditions in the major producing states of Rajasthan, Karnataka, Gujarat and Maharashtra. While the current planting figures are significantly behind last year's, the decline in production of sorghum and millet may be less severe as farmers who otherwise would plant rice shift to short-season coarse grains, supported by government contingency plans if rains remain weak in August. It is possible that the area under sorghum and millet may remain unsown in Maharashtra, Karnataka, Gujarat and western Rajasthan, as the contingency plans for these states will focus on forage production, short-season pulses and fallow to conserve moisture for early planting of *rabi* crops.

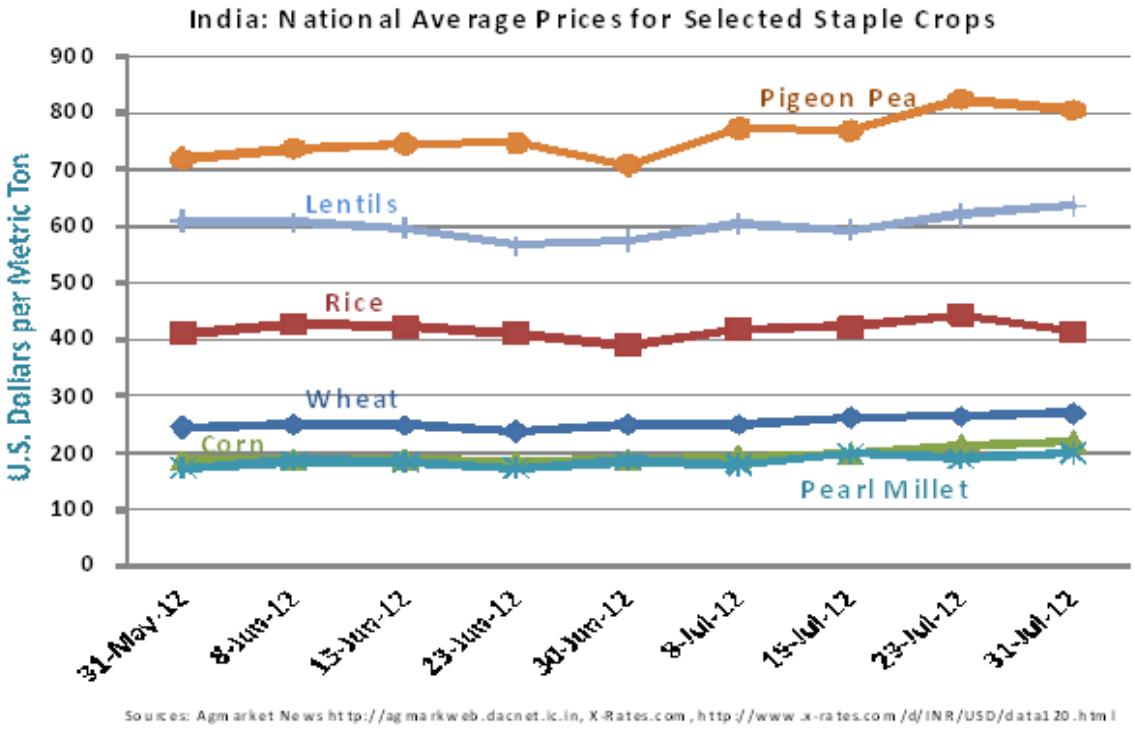
Government Takes Steps to Mitigate Looming Crisis

The Ministry of Agriculture has been closely observing the monsoon's progress and periodically issuing crop advisories as well as contingency plans in case of imminent drought (http://agricoop.nic.in/). On July 31, 2012, an Empowered Group of Ministers (EGoM) on drought, headed by Agriculture Minister Sharad Pawar, announced a relief package of about Rs 19 billion ($342 million) to states facing a drought-like situation: Karnataka, Maharashtra, Rajasthan, Gujarat and Haryana. The EGoM also announced a Diesel fuel subsidy of 50 per cent to farmers for saving standing crops - 25 per cent of the subsidy on Diesel will be borne by the central government and 25 percent by state governments. While the modalities for the Diesel subsidy program are yet to be settled, there have been implementation problems in the past, whereby the beneficiaries have not received the subsidy in time. The EGoM is likely to meet regularly, and may announce additional measures after assessing the monsoon situation in the second and third weeks of August. Some of the state governments have also started implementing drought management contingency plans. Several state governments are already seeking financial assistance from the central government for additional input subsidy (free electricity, Diesel subsidy, free seed, etc), loan rescheduling and cash relief to farmers and employment for displaced labors under the

Mahatma Gandhi National Rural Employment Guarantee Act, and other programs for mitigating impact of drought conditions on the rural economy.

Food Prices Surge…

Continued deficient monsoon rains and reports of impending drought have led to a significant increase in food prices with prices of most food grains rising by 6 to 14 percent during July (see below chart and Table 9). The increase in the prices of corn and various pulses has been very strong, raising serious food inflation concerns among policy makers.



Despite a likely decline in food grain production this year, overall food grain supplies should remain stable following record procurement of wheat (38.0 million tons) and rice (37.0 million tons) by the government from the record MY 2011/12 rice and 2012/13 wheat crops, which resulted in an "abnormally" high build-up of government-held stocks. Government-held food grain stocks on July 1, 2012, were estimated at 30.7 million tons of rice and 49.8 million tons of wheat, more than two and a

half times higher than the desired stock levels (11.8 million tons rice and 20.1 million tons wheat).

Government May Intervene to Control Prices

Media reports suggest that the government is closely monitoring the food price situation, and may announce measures to keep food prices under control. The government is likely to increase the release of wheat and rice through the public distribution system (PDS) and open market sales to keep prices under control. However, the government may explore additional market control measures: imposing limits on stockpiles to prevent hoarding, cracking down on holders of stocks, and banning futures trading, if prices of grains and pulses continue to rise.

Trade Not Affected If Monsoon Recovers

Post estimates for exports of wheat, rice, and corn remain unchanged on expected sufficient domestic supplies. If the monsoon recovers in August and rains are normal in August/September, the government is unlikely to impose any export control measures on rice, wheat and corn. However, if rains remain deficient through August/September, the government may review exports of non-basmati rice, wheat from government stocks and corn, with an eye to imposing an export ban.

To contain the rising prices of pulses (beans, peas, and lentils), the government may decide to import and distribute additional quantities of pulses at subsidized prices through the PDS. The GOI has authorized government agencies/trading companies such as National Agriculture Marketing Federation (NAFED), State Trading Corporation (STC), Project and Equipment Corporation (PEC) Ltd., and Mineral and Metal Trading Corporation (MMTC) to import pulses for sale in the domestic market, and these agencies qualify for a subsidy of up to 15 percent of the cost of importation.

Government Agencies Float Tender for Wheat Exports

On July 13, 2012, the government parastatals nominated for export of government-held wheat (see GAIN report IN2095) floated tenders for exports of 240,000 metric tons of wheat. The wheat being offered is mostly from MY 2012/13, with some quantities from MY 2011/12 also. Later on July 27, 2012, the PEC floated a tender for additional an 60,000 metric tons to be exported from the east coast.

Table2: India: Government Wheat Tenders

Agency	Quantity (Metric Tons)	Crop Year	Port of Loading
State Trading Corporation (STC)	100,000	2012/13	Mundra, Gujarat
Project Export Corporation (PEC)	90,000	2011/12 & 2012/13	Kandla, Gujarat
Minerals and Metal Trading Corporation (MMTC)	50,000	2012/13	Pipavav, Gujarat

Project Export Corporation (PEC)	60,000[\1]	2012/13	Krishnapatnam, Andhra Pradesh

[\1]: PEC tender floated on July 27, 2012, with the tender closing on August 16, 2012.

While the tenders are likely to be let on August 3, 2012, sources report that there is considerable interest from the private trade.

Official Production Estimates for Crop Year 2011/12 Raised

On July 16, 29012, the Ministry of Agriculture released the Fourth Advance Estimates for Indian Crop Year (ICY) 2011/12 (July/June), wherein the food grain production estimate has been raised further to a record 257.4 million tons, nearly five million tons higher than the third advance estimate, and a 5.2 percent increase over the final 2010/11 production (244.8 million tons) estimate. ICY 2011/12 food grain production includes rice, coarse grains and pulse crops harvested last fall and this spring (MY 2011/12), and wheat and barley crops harvested in March\April, 2012 (MY 2012/13).

The government has raised the ICY 2011/12 production estimates of most grains on higher-than-anticipated-earlier yields. A normal 2011 monsoon coupled with favorable weather condition during the growing period, particularly for the *rabi* (winter planted/spring harvested) crops, was reportedly responsible for the increased yields. MY 2012/13 wheat production has been revised higher to a record 93.9 million tons, more than an 8.1 percent increase over last year's production. MY 2011/12 rice production has also been further raised to a record 104.3 million tons, about an 8.7 percent increase over last year's crop.

The PS&D tables for various grains have been revised to reflect the official production estimates with appropriate adjustments in consumption, trade and/or stocks to reflect these changes.

STATISTICAL TABLES

Table 3. 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: May 2012	
	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Harvested	42,860	42,860	44,100	44,410	44,000	42,000
Beginning Stocks	20,500	20,500	23,500	23,500	25,000	26,000
Milled Production	95,980	95,980	103,400	104,320	100,000	94,000
Rough Production	143,984	143,984	155,116	156,496	150,015	141,014
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	126,900	127,820	125,000	120,000
MY Exports	2,774	2,774	8,000	8,000	7,000	7,000
TY Exports	4,637	4,637	8,000	8,000	6,500	6,500
Consumption and Residual	90,206	90,206	93,900	93,820	96,000	95,000
Ending Stocks	23,500	23,500	25,000	26,000	22,000	18,000
Total Distribution	116,480	116,480	126,900	127,820	125,000	120,000
Yield (Rough)	3.	3.3594	4.	3.5239	3.	3.3575
TS=TD		0		0		0

Table 4. India: Commodity, Wheat PSD

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

Wheat India	2010/2011 Market Year Begin: Apr 2010		2011/2012 Market Year Begin: Apr 2011		2012/2013 Market Year Begin: Apr 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	28,460	28,460	29,400	29,400	29,800	29,690
Beginning Stocks	16,120	16,120	15,360	15,360	19,950	19,950
Production	80,800	80,800	86,870	86,870	91,000	93,900
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	110,950	113,850
MY Exports	72	72	750	750	4,500	5,000
TY Exports	74	74	1,150	1,150	5,000	5,000
Feed and Residual	2,900	2,900	3,100	3,100	3,600	3,750
FSI Consumption	78,860	78,860	78,455	78,455	81,850	83,100
Total Consumption	81,760	81,760	81,555	81,555	85,450	86,850
Ending Stocks	15,360	15,360	19,950	19,950	21,000	22,000
Total Distribution	97,192	97,192	102,255	102,255	110,950	113,850
Yield	3.	2.8391	3.	2.9548	3.	3.1627
TS=TD		0		0		0

Table 5. India: Commodity, Corn PSD

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

Corn India	2010/2011 Market Year Begin: Nov 2010		2011/2012 Market Year Begin: Nov 2011		2012/2013 Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,600	8,600	8,600	8,670	8,900	8,500

Beginning Stocks	453	453	576	576	486	756
Production	21,730	21,730	21,300	21,570	22,000	20,000
MY Imports	19	19	10	10	10	10
TY Imports	24	24	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,202	22,202	21,886	22,156	22,496	20,766
MY Exports	3,526	3,526	3,800	3,800	2,500	2,500
TY Exports	3,376	3,376	3,800	3,800	2,500	2,500
Feed and Residual	9,000	9,000	9,000	9,000	10,200	9,500
FSI Consumption	9,100	9,100	8,600	8,600	9,000	8,500
Total Consumption	18,100	18,100	17,600	17,600	19,200	18,000
Ending Stocks	576	576	486	756	796	266
Total Distribution	22,202	22,202	21,886	22,156	22,496	20,766
Yield	3.	2.5267	2.	2.4879	2.	2.3529
TS=TD		0		0		0

Table 6. India: Commodity, Sorghum PSD

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

Sorghum India	2010/2011 Market Year Begin: Nov 2010		2011/2012 Market Year Begin: Nov 2011		2012/2013 Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,060	7,060	6,600	6,330	7,000	6,500
Beginning Stocks	154	154	327	327	102	132
Production	7,000	7,000	6,100	6,030	6,700	6,400
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	7,154	7,154	6,427	6,357	6,802	6,532
MY Exports	27	27	25	25	50	25
TY Exports	31	31	25	25	50	25
Feed and Residual	1,400	1,400	1,300	1,200	1,400	1,300
FSI Consumption	5,400	5,400	5,000	5,000	5,200	5,100
Total Consumption	6,800	6,800	6,300	6,200	6,600	6,400
Ending Stocks	327	327	102	132	152	107
Total Distribution	7,154	7,154	6,427	6,357	6,802	6,532
Yield	1.	0.9915	1.	0.9526	1.	0.9846
TS=TD		0		0		0

Table 7. India: Commodity, Millet PSD

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

Millet India	2010/2011 Market Year Begin: Nov 2010		2011/2012 Market Year Begin: Nov 2011		2012/2013 Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,150	11,150	10,800	10,800	10,500	8,500
Beginning Stocks	300	300	990	990	860	790

Production	13,290	13,290	12,870	12,800	12,500	10,000
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	13,860	13,790	13,360	10,790
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	1,200
FSI Consumption	11,400	11,400	11,500	11,500	11,300	9,300
Total Consumption	12,600	12,600	13,000	13,000	12,800	10,500
Ending Stocks	990	990	860	790	560	290
Total Distribution	13,590	13,590	13,860	13,790	13,360	10,790
Yield	1.	1.1919	1.	1.1852	1.	1.1765
TS=TD		0		0		0

Table 8. India: Commodity, Barley PSD

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

Barley India	**2010/2011**		**2011/2012**		**2012/2013**	
	Market Year Begin: Apr 2010		**Market Year Begin: Apr 2011**		**Market Year Begin: May 2012**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	620	620	780	780	770	770
Beginning Stocks	202	202	178	192	263	277
Production	1,350	1,350	1,660	1,660	1,650	1,610
MY Imports	2	2	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	1,554	1,554	1,838	1,852	1,913	1,887
MY Exports	26	12	25	25	25	25
TY Exports	30	26	25	25	25	25
Feed and Residual	150	150	250	250	300	280
FSI Consumption	1,200	1,200	1,300	1,300	1,400	1,400
Total Consumption	1,350	1,350	1,550	1,550	1,700	1,680
Ending Stocks	178	192	263	277	188	182
Total Distribution	1,554	1,554	1,838	1,852	1,913	1,887
Yield	2.	2.1774	2.	2.1282	2.	2.0909
TS=TD		0		0		0

Table 9. India: National Average Weekly Wholesale Prices for Selected Staple Crops

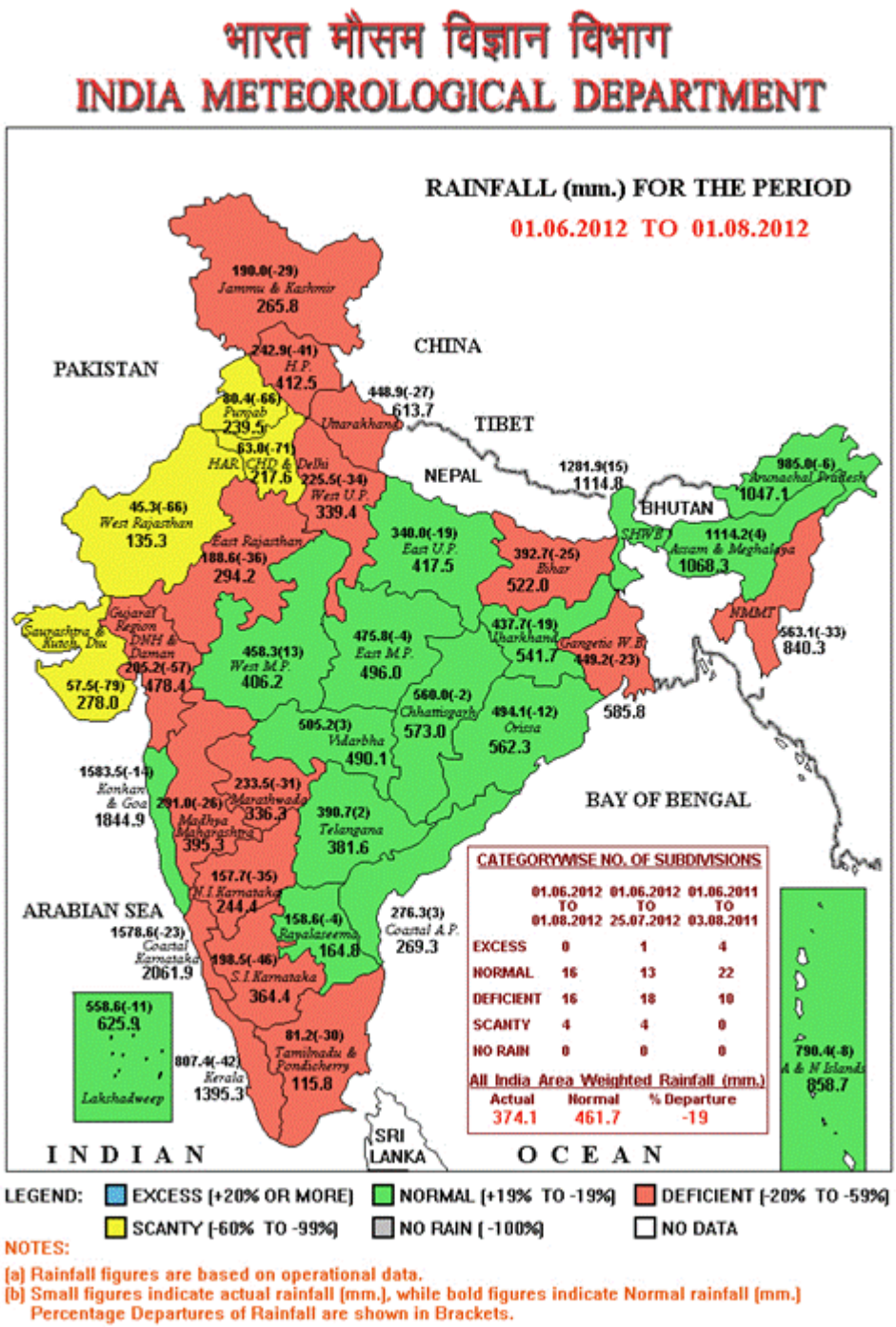
(in rupees per ton)

Week of	**Wheat**	**Rice**	**Corn**	**Sorghum**	**Pearl Millet**	**Pigeon Pea**	**Lentils**
July 24-31, 2012	15,012	22,981	12,309	15,958	11,135	44,835	35,431
July 16-23, 2012	14,637	24,583	11,702	15,710	10,530	45,663	34,402
July 9-15, 2012	14,406	23,270	10,961	19,377	10,925	42,390	32,733
July 1-8, 2012	13,863	23,277	10,679	17,017	9,964	42,957	33,577
June 24-30, 2012	13,896	21,763	10,482	16,689	10,333	39,440	32,046

June 16-23, 2012	13,533	23,393	10,521	15,014	9,900	42,696	32,339
June 9-15, 2012	13,746	23,483	10,434	15,505	10,154	41,323	33,110
June 1-8, 2012	13,852	23,630	10,424	14,949	10,291	40,910	33,688
May 24-31, 2012	13,808	23,077	10,392	15,808	9,680	40,386	34,163
July 24-31, 2011	13,053	21,755	10,695	15,968	9,990	35,396	28,750

Source: Agmarknet, Ministry of Agriculture http://agmarknet.nic.in/

Appendix 1. India: Cumulative Monsoon Rainfall to the Week Ending August 1, 2012



Appendix 2: Indian Monsoon and Rice Planting through July in 2012 vs. 2009 and 2002

Weather Subdivision	2012	2009	2002

	Rainfall deviation 6/1/12 to 7/25/12 (% from normal)	Change in Planted area from previous year(Mhec)\[1]	Rainfall deviation 6/1/09 to 7/22/09 (% from normal)	Change in Planted area from previous year (Mhec) [/2]	Rainfall deviation 6/1/02 to 7/24/02 (% from normal)	Change in Planted area from previous year (Mhec)) [/2]
West Bengal	-27	-0.69	-41	-0.39	+16	-0.2
Coastal Andhra Pradesh (AP)	+5	-0.16	-31	-0.07	-33	-1.0
Telangana (AP)	-4		-41		-37	
Rayalseema (AP)	-3		-33		-16	
Uttar Pradesh West	-55	-0.16	-58	-2.47	-73	-1.7
Uttar Pradesh East	-14		-58		-51	
Punjab	-66	+0.08	-65	-0.09	-69	0
Orissa	-17	-0.24	+46	-0.29	-30	-0.2
Bihar	-20	+0.09	-64	-1.13	+27	0
Tamil Nadu	-22	-0.06	-14	-0.04	-38	-0.3
Chhattisgarh	-8	-0.29	-8	-0.16	-38	-0.4
Assam	+8	-0.17	-45	-0.08	-12	0
All India	-22	-1.83	-19	-5.5	-24	-4.3

Note: \1: As of July 27, 2012

\2: As of July 23, 2009 and July 23, 2002, respectively.

Source: Indian Meteorological Department and Ministry of Agriculture, GOI.