

Required Report: Required - Public Distribution

Date: July 21, 2022

Report Number: IN2022-0064

Report Name: Grain and Feed Update – July 2022

Country: India

Post: New Delhi

Report Category: Grain and Feed

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Report Highlights:

The weak southwest monsoon in first half of June 2022 slowed ongoing plantings of the kharif (fall harvested) season crops. Plantings will recover under adequate soil moisture conditions with the revival of monsoon starting the third week of June, along with expected normal precipitation in July. On July 6, India's Ministry of Commerce and Industry notified authorizing the export of wheat flour and other products (Harmonized Tariff System - HS code 1101) only on the recommendation of Inter-Ministerial Committee on the Export of Wheat. Based on the domestic market supply situation, FAS New Delhi continues to estimate market year (MY) 2022/2023 wheat production at 99 million metric tons (MMT), exports at 6 MMT, and ending stocks at 8.5 MMT.

GENERAL SITUATION

Minimum Support Prices (MSP) for 2021/22 Kharif Crops Announced

On June 8, 2022, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, approved the increase in the [Minimum Support Prices \(MSPs\) for the mandated kharif \(fall harvested\) crops for Indian Crop Year \(ICY\) 2022/2023 \(July-June\)](#). However, the MSPs for pulses and oilseeds were set higher compared to cereals (i.e., rice and corn). The government press release states that the MSP changes have been made in continuation of the budget announcement of 2018/2019; that promises 50 percent returns over the cost of production. The government is also attempting to realign the MSP in favor of oilseeds, pulses, and coarse cereals to encourage farmers to shift larger area under these crops and adopt best technologies and farm practices, to correct demand and supply imbalances.

By far rice remains the preferred kharif season crop. Plantings continue strong on the expectation of higher yields under monsoon weather conditions, as well as buttressed by stable market prices coming from the government MSP procurement program. Plantings of oilseed and pulses hinge on the performance of 2022 monsoon. Higher market prices for oilseeds and pulses in the 2021/2022 crop season, bolstered by the recent increase in the government MSP, will support crop plantings. Area will be diverted to it away from other coarse grains/minor crops, as well as bring some additional fallow area under cultivation.

Kharif Planting Lags as Monsoon Falts in June: After the early arrival of 2022 monsoon in southern India at the end of May, the monsoon stalled for 10-15 days in central India. It resumed in the third week of June, covering most of India by early July (see, Appendix 1). The weak early monsoon led to the kharif crop planting in June, which has lagged compared to that of last year.

Table 1: India: Planting of Kharif Crops in ICY (July/June) as of July 1 (area, million hectares)

Crop	ICY 2021/2022	ICY 2022/2023
	Progressive Planting - July 1, 2021	Progressive Planting - July 1, 2022
Rice	5.96	4.35
Pulses	2.62	2.81
Coarse cereals	3.63	3.71
Oilseeds	5.04	4.63
Sugarcane	5.34	5.29
Cotton	6.17	6.41
Jute & Mesta	0.68	0.68
Total	29.43	27.87

Source: Ministry of Agriculture and Farmers Welfare (MOAFW).

With the recovery of 2022 monsoon, planting is progressing full swing for most crops. With the planting window for crops extending through the end of July, the forecast of a normal monsoon in July should support favorable planting conditions for the MY 2022/2023 kharif season crops (rice, corn, and other coarse grains). Overall planting and production prospects for the crops are dependent on a sufficient and well distributed 2021 monsoon (July-September). Which will be needed to achieve the official MY 2022/2023 area and production forecasts for rice, corn, and other coarse grains.

COMMODITIES:

RICE

Table 2. India: Commodity, Rice Milled, Production, Supply and Distribution (PSD)

Rice, Milled	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2022	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	45769	45769	47000	46280	47000	47000
Beginning Stocks (1000 MT)	33900	33900	37000	37000	38700	36000
Milled Production (1000 MT)	124370	124370	129660	129660	130500	130500
Rough Production (1000 MT)	186574	186574	194509	194509	195770	195770
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	158270	158270	166660	166660	169200	166500
MY Exports (1000 MT)	20199	20199	21000	21000	22000	22000
TY Exports (1000 MT)	21238	21238	21000	21000	22000	22000
Consumption and Residual (1000 MT)	101071	101071	106960	109660	107500	107500
Ending Stocks (1000 MT)	37000	37000	38700	36000	39700	37000
Total Distribution (1000 MT)	158270	158270	166660	166660	169200	166500
Yield (Rough) (MT/HA)	4.0764	4.0764	4.1385	4.2029	4.1653	4.1653

MY = Marketing Year, begins with the month listed at the top of each column.

TY = Trade Year, which for rice, milled begins in January for all countries. TY 2022/2023 = January-December 2023.

PRODUCTION

While the initial two-week lull in 2022 monsoon slowed rice planting in June, recovery in monsoon activity and forecasted normal rains in July will augment planting of the MY 2022/2023 crop. The optimal planting window for rice in most production states runs through the end of July, with the planting of late rice varieties continuing into mid-August. Assuming normal rainfall during July-September, and favorable weather conditions through the harvest (October/November), the MY 2022/2023 rice production forecast is unchanged at 130.5 MMT from 47 million hectares. However, any prolonged dry spell, or excess rains leading to flooding in Gangetic basin region, and/or a major cyclonic buildup in September-October in coastal India could lower the production forecast.

MY 2021/22 Procurement Slows, Still Set to Reach Record: Riding on record production, government rice procurement under the minimum support price (MSP) program in the ongoing MY2022/2023 is likely to surpass last year's record. India's MY 2021/2022 rice procurement under the MSP program through June 30, 2022, is estimated at 58 MMT compared to 56.8 MMT during the same time last year.

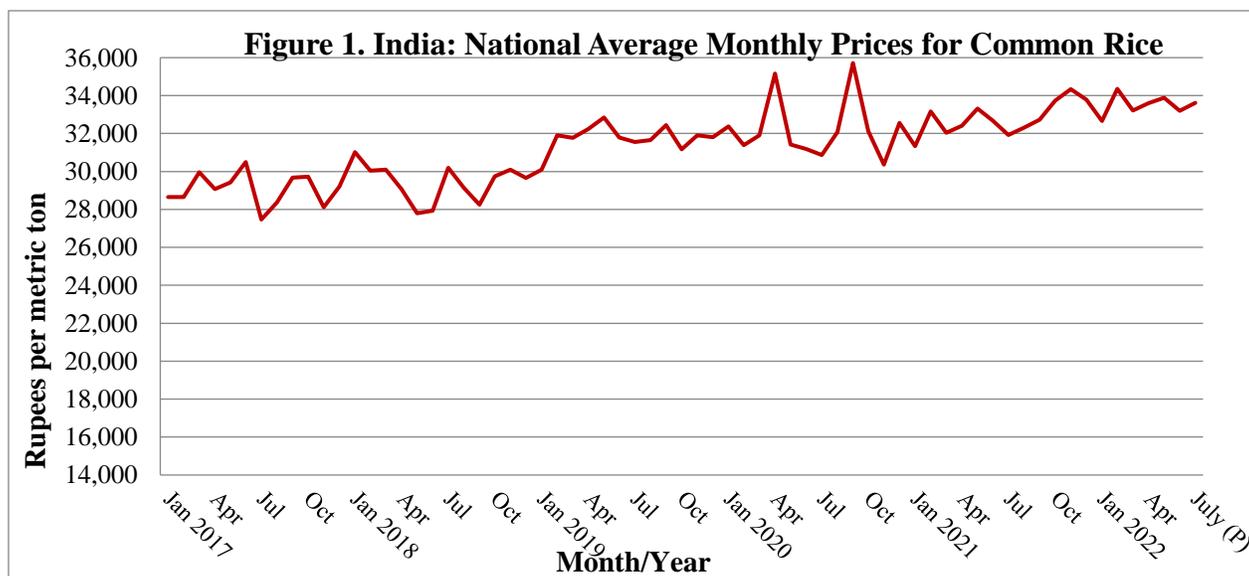
Trade sources report that procurement has been slowing down in recent months on strong export demand and firm domestic prices. With some additional procurement to continue through September 2022 in the eastern and southern Indian states, total MY 2022/2023 rice procurement is likely to exceed 61 MMT, just slightly higher than last year's record procurement volume of 60.1 MMT.

Table 3. India: Government Rice Procurement by State (million metric tons)

STATE	MY 2019/2020	MY 2020/2021	MY 2020/2021	MY 2021/2022
	Oct-Sept	Oct-Sept	Oct 1- June 30	Oct 1- June 30
Punjab	10.88	13.59	13.59	12.55
Andhra Pradesh	5.53	5.67	5.33	4.48
Telangana	7.45	9.45	9.19	7.97
Chhattisgarh	5.05	4.67	3.98	6.17
Odisha	4.80	5.26	5.26	4.83
Haryana	4.31	3.79	3.79	3.71
Uttar Pradesh	3.79	4.48	4.48	4.39
West Bengal	1.84	1.89	1.58	1.67
Madhya Pradesh	1.74	2.50	2.50	3.07
Tamil Nadu	2.20	3.05	2.46	2.68
Others	4.23	5.73	4.68	6.48
TOTAL	51.83	60.08	56.82	57.99

Source: Food Corporation of India.

Government Raise Rice Allocation Under Food Security Programs: On May 2, 2022, the Indian government raised the rice allocation under the Prime Minister *Garib Kalyan Yojana* (PMGKY) from 2.16 MMT/month to 3.27 MMT/month for the months of May-September 2022. Industry sources report that rice allocation under the regular food security programs through the National Food Security Act (NFSA) has also been raised from 2.44 MMT to 3.03 MMT/month.¹ Government monthly offtake of rice under the food security programs in May-September 2022 (MY 2021/2022) is raised to 6.4 MMT/month, a whopping 36 percent increase over monthly allocations in the preceding months.



Source: Agricultural Marketing Information Network, Ministry of Agriculture.

Prices Steady: Despite a record domestic harvest and the government raising the allocation of subsidized rice under its food security programs, domestic rice prices have remained steady on strong

¹ Rice allocation under National Food Security Act for the IFY 2022/2023 (April-March) has been revised higher to 36.31 MMT compared to 29.32 MMT for IFY 2021/2022.

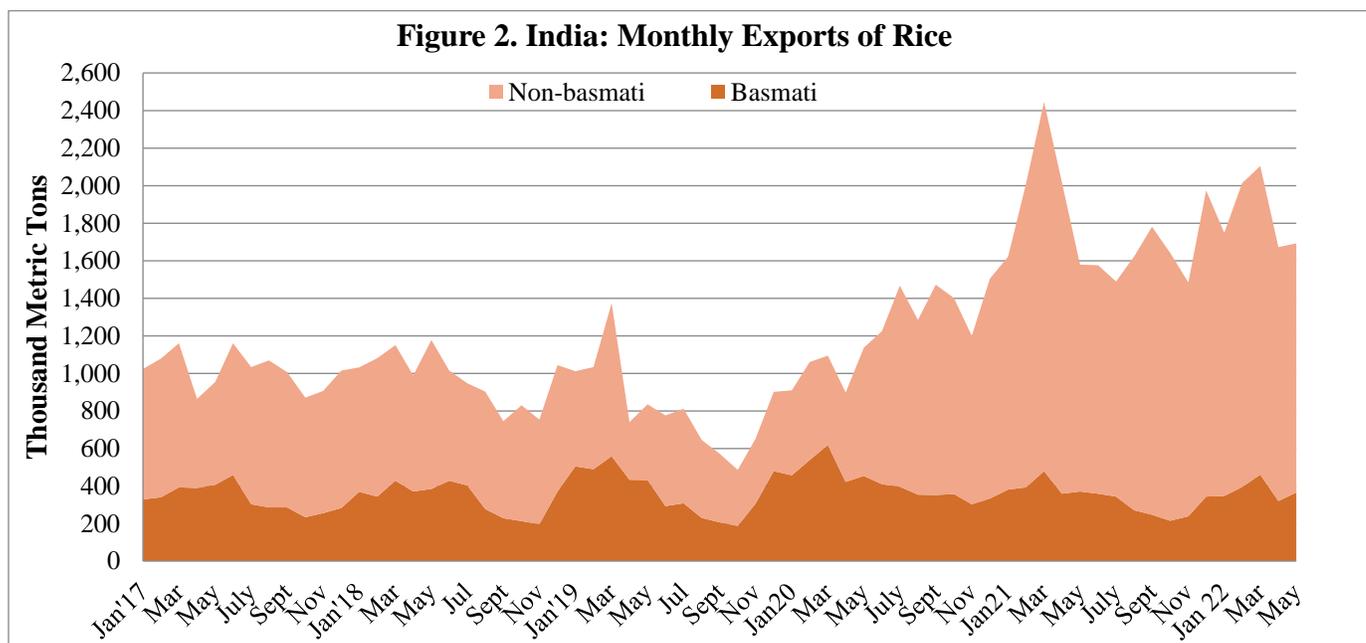
export demand over the last few months. Average spot prices for common grade, coarse grain rice in the first week of July ranged from Indian rupees (INR) 29,610 (\$375)/MT to INR 30,385 (\$385)/MT in the major production states. Prices should remain steady in the last quarter of MY 2021/2022 but might be affected by the progress of the planting and harvest of the MY 2022/2023 rice crop.

CONSUMPTION

MY 2021/2022 Consumption Raised: Post’s MY 2021/2022 rice consumption estimate is raised to 109.7 MMT on estimated higher offtake of rice under the government food security programs and lower ending stocks. Higher supplies of subsidized government rice, lower supplies of government wheat, and strong wheat prices are likely to drive rice consumption up, particularly in the non-traditional wheat consuming states of southern and eastern India. MY 2022/2023 consumption remains unchanged at 107.3 MMT assuming no further extension of supplies of free food grain after September 2022.

TRADE

MY 2021/2022 Exports Unchanged: Since the beginning of calendar year (CY) 2021 (January-December), Indian rice prices are extremely competitive compared to those of other origins, especially for coarse grain non-Basmati rice. Based on the current pace of exports, Post continues to estimate MY 2021/2022 rice exports unchanged at a record 21 MMT on the continued export competitiveness of Indian rice and sufficient domestic supplies.



Source: Directorate General of Commercial Intelligence.

According to preliminary official statistics, MY 2021/2022 rice exports through May 2022 is reported at 14.3 MMT compared to 13.8 MMT during the corresponding period last year. Trade sources attribute a slight decline in rice exports in April-May due to Port congestions and logistical challenges facing Indian wheat exports. These report recovery in rice exports from June onward thanks to the Indian wheat

export ban easing port congestion and the declining value of Indian rupee to the U.S. dollar.² Trade sources report that currently Indian coarse rice is extremely competitive (about \$60-100/MT lower depending on the grade) than rice from competing origins such as Thailand, Vietnam, and Burma.

Assuming no meaningful change in the current price parity of Indian rice compared to that of other origins and steady international demand, MY 2021/2022 rice exports are expected to reach the estimated 21 MMT. MY 2022/2023 exports are forecast unchanged at 22 MMT (new record) on forecast sufficient domestic supplies and steady export demand.

STOCKS

Ending Stocks Lowered: FAS New Delhi (Post) continues to estimate the MY 2021/2022 rice ending stocks lower at 36 MMT. The expected decline in government rice stocks is premised on higher rice allocations for the food security programs.

The Indian government's rice stocks as of June 1, 2022, are estimated at 49.7 MMT compared to 49.2 MMT at the same time last year. At the current rate of monthly allocation for the food security programs, the government will offload 25.6 MMT rice in June-September 2022. With an estimated additional government rice procurement of 6 MMT government rice stocks by October 1, 2022, should drop to 30.1 MMT, about 4.7 MMT lower than the volume held at the same time last year.³

Assuming higher MY 2021/2022 rice ending stocks with the private trade (i.e., exporters and domestic trade) holding 5.9 MMT (compared to 2.3 MMT last year), MY 2021/2022 rice ending stocks are estimated to reach 36 MMT, slightly lower than last year's ending stocks. The MY 2022/2023 rice ending stocks are revised lower to 37 MMT on estimated lower opening stocks.

² Exchange rate of the Indian rupee to the U.S. dollar declined from 1.00 USD = INR 75.80 on April 5, 2022, to 1.00 USD = INR 79.10 on July 7, 2022.

³ India's government rice procurement for MY 2021/2022 through June 3, 2022, was estimated at 55.1 MMT. Total rice procurement in MY 2021/2022 is estimated to reach 61 MMT.

WHEAT

Table 4. India: Commodity, Wheat PSD

Wheat Market Year Begins	2020/2021		2021/2022		2022/2023	
	Apr 2020		Apr 2021		Apr 2022	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	31357	31357	31125	31125	31000	30550
Beginning Stocks (1000 MT)	24700	24700	27800	27800	21467	19500
Production (1000 MT)	107860	107860	109586	109586	106000	99000
MY Imports (1000 MT)	18	18	25	25	25	25
TY Imports (1000 MT)	18	18	25	25	25	25
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	132578	132578	137411	137411	127492	118525
MY Exports (1000 MT)	2561	2561	8033	8033	6500	6000
TY Exports (1000 MT)	3597	3597	10000	10000	6000	4000
Feed and Residual (1000 MT)	6500	6500	7000	7000	6500	6000
FSI Consumption (1000 MT)	95717	95717	100911	102878	98000	98000
Total Consumption (1000 MT)	102217	102217	107911	109878	104500	104000
Ending Stocks (1000 MT)	27800	27800	21467	19500	16492	8525
Total Distribution (1000 MT)	132578	132578	137411	137411	127492	118525
Yield (MT/HA)	3.4397	3.4397	3.5208	3.5208	3.4194	3.2406

MY = Marketing Year, begins with the month listed at the top of each column.
TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023.

PRODUCTION

Post estimates MY 2022/2023 wheat production at 99 MMT, unchanged from its last report based on the latest market situation suggesting tight domestic supplies.⁴ Government wheat procurement under the MSP program is likely to end below 18.9 MMT, less than 43 percent of last year's record procurement of 44.3 MMT. The Indian government's May 13, 2022, decision to ban wheat exports (with some exceptions) have severely affected the market sentiments on export prospects for Indian wheat in the upcoming season. Despite the perceived significantly higher wheat supplies, domestic wheat prices remained firm after the export ban during the balance of the peak marketing season (April-July) when farmers bring their produce to the market.

Trade sources continue to estimate the MY 2022/2023 wheat crop to range of 92 to 100 MMT, notably lower than the MOAFW's Third Advance Estimate of 106.4 MMT. Based on the current market supply and price situation, Post continues to estimate MY 2022/2023 wheat production at 99 MMT.

Procurement Dips: Government wheat procurement under MSP program in MY 2022/2023 is likely to barely reach 18.9 MMT, less than half of last year's record procurement.

⁴ See, [GAIN-INDIA | IN2022-0052 | India Grain and Feed Update](#) and [GAIN-INDIA | IN2022-0045 | India – Extreme Temperatures Scorch Indian Wheat Production](#).

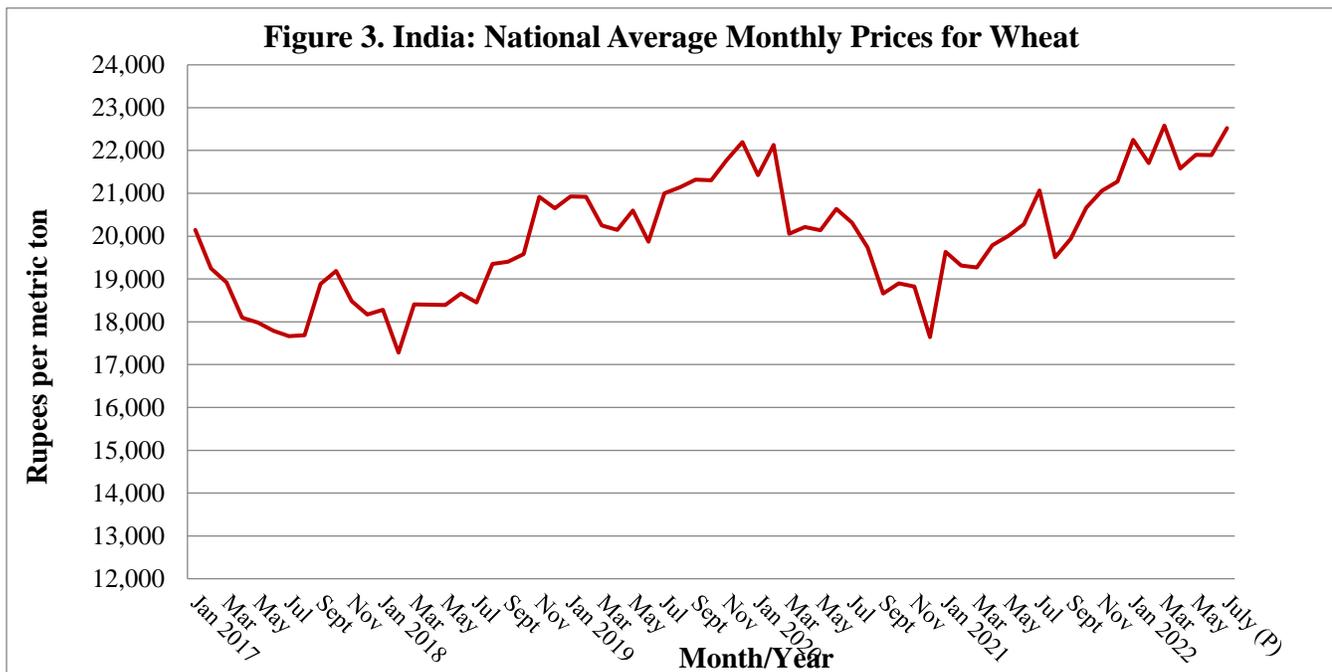
Table 5. India: Government Wheat Procurement by State (million metric tons)

STATE	MY 2020/21	MY 2021/22	MY 2021/22	MY 2022/23
	Apr-Mar	Apr-Mar	Apr 1-June 30	Apr 1-June 30
Punjab	12.71	13.22	13.21	9.65
Haryana	7.40	8.49	8.49	4.18
Madhya Pradesh	12.94	12.82	12.81	4.60
Uttar Pradesh	3.58	5.64	5.64	0.34
Rajasthan	2.23	2.34	2.34	0.00
Others	0.13	0.83	0.50	0.02
TOTAL	38.99	43.34	43.00	18.79

Source: Food Corporation of India.

Government procurement has ended in most states and procurement levels are significantly lower across all states. The drop owes to higher market prices compared to the government MSP of INR 20,150 (\$255)/MT due to speculation on the crop size and strong demand.

But Prices Do Firm Up: While the initial rally in local wheat prices were partially attributed to strong export demand on high global prices, the May 13, 2022, export ban could not cool down the domestic prices.



Source: Agricultural Marketing Information Network, Ministry of Agriculture.

Average spot prices during the first week of July in the major producing states ranged from INR 20,400 (\$258) to 22,950 (\$290)/MT, well above the government MSP of INR 20,150 (\$255)/MT. Domestic price movement in the coming months will be critical in assessing the domestic wheat supplies and the MY 2022/2023 crop size.

CONSUMPTION

Based on lower ending stocks, MY 2021/2022 consumption estimate is raised higher now to 102.9 MMT. While MY 2022/2023 FSI consumption is unchanged at 98 MMT, Feed and Residual use is estimated lower at 6 MMT on expected higher wheat prices.

TRADE

Exports Prospects Unchanged: Post continues to estimate MY 2022/2023 wheat exports at 6 MMT under the current export policy. The official trade data reports wheat exports during April-May 2022 at 2.6 MMT, which includes wheat exports exempted under the May 13, 2022, export ban notification.⁵

While the official trade data is not available for June, trade sources report that about 0.9 MMT of wheat has been shipped under various export exemptions. Sources inform that several countries have submitted requests to the Indian government to allow wheat exports by Indian exporters. While the Indian government has set up an Inter-Ministerial Committee on wheat to review the export exemption request, there has not been any announcement on procedure for review and issuance of exemption to countries for food security requirement. The Indian government is likely to consider the export exemption request on a case-by-case basis while issuing exemptions to specific export shipments to specified countries, premises on geo-political considerations.

Government Imposes Approval Restriction on Wheat Flour Exports: On July 6, 2022, the Ministry of Commerce and Industry [issued a notification](#) revising the export policy of wheat flour (Harmonized Tariff System - HS 1101) allowing the export of wheat flour and related products but only on the recommendation of the Inter-Ministerial Committee on wheat. Wheat flour and other related products are being subjected to a similar degree of scrutiny as in the case of export exemption for wheat. Industry sources allege that the decision to subject wheat flour and related products to government approval for quality checks is an attempt to control, limit exports. While the policy does not outright ban exports of wheat flour and other products, the requirement of obtaining a recommendation is likely to affect the export prospects of wheat products.

An estimated 3.5 MMT of wheat has already shipped in the first quarter of this marketing year. MY 2022/2023 wheat exports are estimated at 6 MMT (including 2 MMT of wheat and 0.5 MMT of wheat products). The government seeks to ensure sufficient domestic supplies, while keeping prices for wheat and basic wheat products under tight controls.

STOCKS

Stocks Lowered: Post continues to estimate MY 2021/2022 ending stocks at 19.5 MMT and MY 2022/2023 ending stocks at 8.5 MMT.

Government-held wheat stocks as of April 1, 2022, are estimated at 18.99 MMT. Trade sources report that local millers/processors and retailers held normal pipeline (not included in the PSD) ending stocks on the expectation of an upcoming record MY 2022/2023 harvest in February/March 2022. Trade

⁵ See, [GAIN-INDIA | IN2022-0046 | India Bans Wheat Exports Due to Domestic Supply Concerns](#).

sources report that most of the wheat shipped out in April-May 2022 was from the new crop (early harvested wheat from Madhya Pradesh and Gujarat). As a result, Post estimates MY 2021/2022 ending stocks lower at 19.5 MMT, which includes about 0.5 MMT of old crop wheat stocks held by exporters for shipment in April.

Government-held wheat stocks on June 1, 2022, are estimated at 31.1 MMT, half of the wheat stocks at the same time last year. The government is lowering the wheat allocation under PMGKY and NFSA.⁶ However, it remains committed to providing 18 MMT through the balance of MY 2022/2023.⁷

Industry sources indicate that the government may need to release wheat for open market sales to private millers to contain the rise in wheat prices out of food inflation concerns. If this occurs, Post expects it take place in the second half of the marketing year riding on the surge in demand coming from the Indian festival season. FAS New Delhi estimates MY 2022/2023 ending stocks to decline to 8.5 MMT on expected open market sales of wheat to maintain domestic prices.⁸

CORN

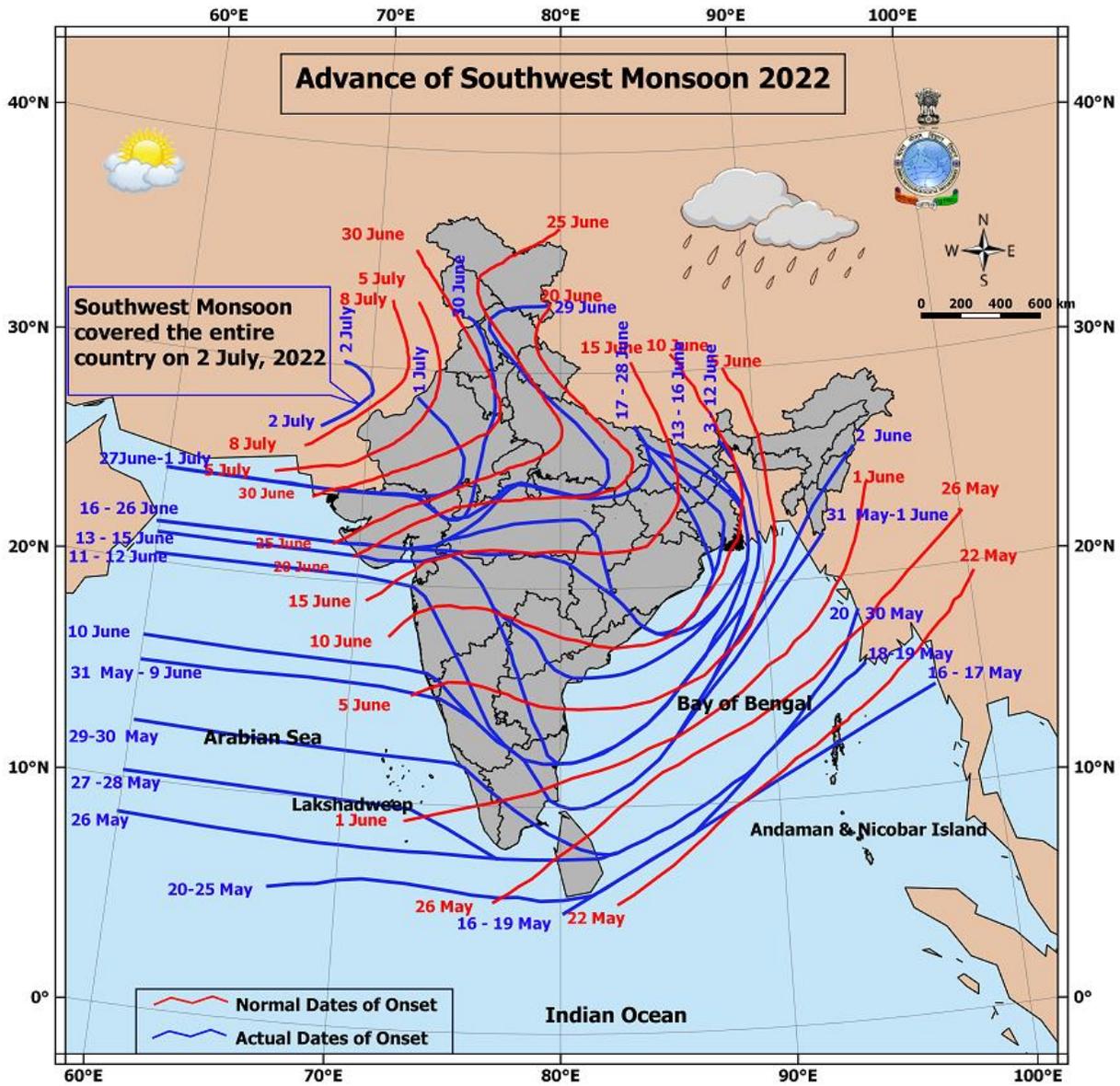
No significant changes in the official the Production, Supply, and Distribution table of corn or any major market developments to report.

⁶ Wheat allocation under the PMGKY was lowered from 1.82 MMT/month to 0.71 MMT/month for the period May to September 2022, while rice allocation under NFSA for IFY 2022/2023 has been lowered to 1.5 MMT/month from 1.99 MMT/month in IFY 2021/2022.

⁷ Includes 2.84 MMT under the PMGKY, 15 MMT under the NFSA, and the balance falls under other food security programs.

⁸ Open market sale in MY 2022/2023 estimated at 4.7 MMT compared to 7.1 MMT last year despite government offloading copious quantities of subsidized wheat domestically in MY 2021/2022.

APPENDIX 1: ADVANCE OF THE SOUTHWEST MONSOON 2022



Source: [Indian Metrological Department](http://www.imd.gov.in).

Attachments:

No Attachments