

Required Report: Required - Public Distribution

Date: July 25, 2023

Report Number: IN2023-0050

Report Name: Grain and Feed Update – July 2023

Country: India

Post: New Delhi

Report Category: Grain and Feed

Prepared By: Dr. Santosh K. Singh, Senior Agricultural Specialist and Mariano J. Beillard, Senior Regional Agricultural Attaché

Approved By: Mariano Beillard, Senior Regional Agricultural Attaché

Report Highlights:

The recovery of the 2023 southwest monsoon from third week of June and forecasted normal precipitation in July will support ongoing planting of kharif (fall harvested) season crops. MY 2022/2023 (October/September) rice production is lowered to 134 million metric tons (MMT) on relatively tighter than expected supplies reflected from a rise in domestic prices and lower than expected government procurement under the government's price support program. MY 2022/2023 rice ending stocks are estimated lower at 33 MMT. MY 2023/2024 wheat production is also forecast lower at 108 MMT on tight supplies. On June 12, 2023, the Indian government imposed stock limits on wheat for retailers, traders, and processors effective till March 31, 2024, to discourage price speculation. MY 2022/2023 ending stocks are revised lower to 8.5 MMT on lower-than-expected government wheat procurement.

GENERAL SITUATION

The Indian Government Raises Forecast 2022/2023 Grain Production

On May 25, 2023, India's Ministry of Agriculture and Farmers Welfare (MOAFW) released its [third advance estimate food grains for Indian crop year \(ICY\) 2022/2023 \(July-June\)](#). The ministry is raising its grain production estimate to a record busting 330.5 million metric tons (MMT), that is, nearly 7 MMT higher than the [earlier second advance estimate](#), and nearly 15 MMT higher than last year's previous record harvest, which is the highest year-on-year increase during the last decade.

Despite the relatively uneven 2022 southwest monsoon's performance, the forecast record grain production for the Indian crop year (ICY) 2022/2023 (July-June) is driven anew by record production of rice, wheat, corn, and pulses (i.e., mung beans and lentils). Most of FAS New Delhi's (Post) trade sources comment that the Indian government's forecast is highly 'optimistic' and intended merely to portray comfortable domestic supplies on food inflation concerns in the lead up to state-level elections this fall 2023, followed by national elections next April 2024.

The third advance estimate for ICY 2022/2023 includes market year (MY) 2022/2023 rice, corn, and other coarse grains (excluding barley) harvested in the fall of 2022 (*kharif* season) and spring (April-June) of 2023 (*rabi* season); and MY 2023/2024 spring (*rabi*) wheat and barley crops harvested in April-May. The ministry is set to revise the ICY 2022/2023 production estimate again in August (i.e., producing a fourth advance estimate), finalizing production figures in February 2024 reportedly based on the final acreage and yields from the crop surveys undertaken by the various Indian production states.

Minimum Support Prices (MSP) for 2023/2024 *Kharif* Crops: On June 7, 2023, the Cabinet Committee on Economic Affairs approved the increase in the [minimum support prices for the mandated *kharif* \(fall harvested\) crops for upcoming Indian ICY 2023/2024](#). Doubling down on the policy of last few years of encouraging crop diversification, the MSPs for pulses and oilseeds have been raised higher compared to that of cereals (i.e., rice, corn, and the other coarse grain). A recent government press release reiterates that the MSP changes are being made in continuation of the budget announcement of 2018/2019, which promises 50 percent returns over the cost of production.

Despite relatively a lower MSP increase in case of rice, Indian farmers will continue to prefer this crop over the other *kharif* season crops. Farmers' preference is driven by the crop's relatively higher/stable yields under monsoon rainfall conditions and comparatively stable market prices buoyed by the government's assured government MSP procurement program. However, recent government initiatives to support other coarse grains being promoted as nutri-cereals (the so-called *Shree Anna* or superior grains) will further encourage the planting of millet and sorghum. However, the performance of 2023, both in terms of spread across the country and during the July-September period, will critically affect planting of most *kharif* season crops overriding the MSP incentive announcements.

***Kharif* Planting to Recover after Revival of 2023 Monsoon:** After a week-long delay in arrival of 2023 southwest monsoon, followed by stalled progress over the next two weeks through peninsular India, the monsoon recovered strongly in the last week of June. It went on to cover the entire country by July 2, 2023, nearly six days ahead of the normal schedule (see, Appendix I). Nevertheless, [overall rainfall in June 2023](#) for the country was estimated at 148.6 MM, which is 10 percent less than the long

period average (LPA) of 165.3 MMT based on 1971-2020 data. The Indian Metrological Department [forecasts normal rains in the month of July 2023](#), that is, 94 to 106 percent of LPA, with higher probability of rainfall coming in on the positive side.

After a slow start, [planting of most of the kharif crops recovered in June, that is except for rice](#) as the planting of nursery (for rice seedlings) was delayed due to weak early monsoon.

Table 1: India: Planting of Kharif Crops in ICY as of June 30, 2023 (Hectares, Million)

Crop	ICY 2022/2023 Progressive Plantings through June 30, 2022	ICY 2023/2024 Progressive Plantings through June 30, 2023
Rice	3.61	2.66
Pulses	1.85	1.82
Coarse cereals	2.24	3.62
Oilseeds	1.88	2.16
Sugarcane	5.29	5.44
Cotton	4.70	4.05
Jute and Mesta	0.66	0.58
Total	20.23	20.32

Source: Ministry of Agriculture and Farmers Welfare, Government of India; FAS New Delhi office research.

With the recovery of 2023 monsoon, plantings are progressing in full swing for most crops (including rice) across the Indian sub-continent. With the planting window for most crops extending through the end of July, a forecasted normal monsoon in July should support favorable planting for the upcoming MY 2023/2024 *kharif* season crops, including rice, corn, other coarse grains, and pulses.

However, the overall planting and production prospects for India’s *kharif* crops depends on a sufficient and well distributed 2023 monsoon from July through September. If so, this will help make possible the current official MY 2023/2024 forecast area and production estimates for rice, corn, and other coarse grains.

COMMODITY

RICE

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

Rice, Milled	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	46279	46279	47700	47000	47000	47000
Beginning Stocks (1000 MT)	37000	37000	34000	34000	35000	33000
Milled Production (1000 MT)	129471	129471	136000	134000	134000	134000
Rough Production (1000 MT)	194226	194226	204020	201020	201020	201020
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)	166471	166471	170000	168000	169000	167000
MY Exports (1000 MT)	22025	22025	22500	22500	23000	23000
TY Exports (1000 MT)	22119	22119	22500	22500	23000	23000
Consumption and Residual (1000 MT)	110446	110446	112500	112500	114000	114000
Ending Stocks (1000 MT)	34000	34000	35000	33000	32000	30000
Total Distribution (1000 MT)	166471	166471	170000	168000	169000	167000
Yield (Rough) (MT/HA)	4.1968	4.1968	4.2771	4.277	4.277	4.277

(1000 HA), (1000 MT), (MT/HA).
 MY = Marketing Year, begins with the month listed at the top of each column.
 TY = Trade Year, rice, milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024.

PRODUCTION

MY 2023/2024 Kharif Rice Planting: The 2023 monsoon's initial three-week lull affected rice planting in June 2023. Area sown by month's end June is estimated at 2.7 million hectares or 10 percent behind last year's area. The strong recovery of monsoon activity in the last week of June, with forecast normal rains in July, will support higher plantings for July during the MY 2023/2024 *kharif* rice crop. While the optimal planting window for rice in most states runs through the end of July, planting of late rice varieties will continue through mid-August. Assuming normal rainfall and weather conditions during July-September, and favorable weather conditions through harvest (October/November), MY 2023/2024 rice production is forecast at 134 MMT (112 MMT *kharif* rice and 22 MMT *rabi*/summer rice) coming from 47 million hectares. However, either prolonged dry spells or excess rains and floods in Gangetic basin region, and/or major cyclonic events in September/October in coastal India could lower the forecasted *kharif* rice production number. *Rabi* rice production itself could be potentially stumble affected by the buildup of El Niño conditions and its impact on rainfall in the Indian sub-continent.

MY 2022/2023 Rice Production Lowered: FAS New Delhi is lowering MY 2022/2023 (October/September) rice production to 134 million metric tons (MMT).¹ Nevertheless, this still

¹ Includes 110 MMT of *Kharif* rice (marginally lower than record 111 MMT in MY 2021/2022) and a record 24 MMT of *rabi*/summer rice (significantly higher than the previous record 19.2 MMT in MY 2020/2021).

represents an increase of more than three percent over last year’s record harvest. The relatively strong rise in domestic prices and lower than expected procurement under the government’s price support program suggest tighter domestic supplies. Post’s market sources report a lower than anticipated harvest of *rabi* (i.e., winter planted) and summer rice. Most industry sources place MY 2022/2023 rice production falling closer to 125-130 MMT; significantly lower than the [Government of India’s third advance estimate of 135.5 MMT](#) and due to lower than expected yield of the *rabi*/summer rice.

MY 2022/2023 Procurement Lower than Expected: Government rice procurement under the minimum support price (MSP) program in MY 2022/2023 is likely to marginally surpass last year’s procurement. Despite a forecasted record harvest, procurement is nonetheless behind MY 2020/2021’s record procurement volume. India’s MY 2022/2023 MSP rice procurement through June 30, 2023, is estimated at nearly 56.7 MMT.

Table 3. India: Government Rice Procurement by State (MMT)

State	MY 2020/2021	MY 2021/2022	MY 2021/2022	MY 2022/2023
	October - September	October - September	October 1 - June 30	October 1 - June 30
Andhra Pradesh	5.67	4.46	4.46	2.83
Telangana	9.53	7.39	7.39	8.73
Bihar	2.38	3.01	3.01	2.82
Chhattisgarh	4.76	6.17	6.17	5.87
Haryana	3.79	3.71	3.71	3.98
Madhya Pradesh	2.50	3.07	3.07	3.09
Odisha	5.26	4.83	4.83	5.37
Punjab	13.59	12.55	12.55	12.20
Tamil Nadu	3.05	1.88	1.88	2.03
Uttar Pradesh	4.48	4.39	4.39	4.39
West Bengal	1.89	2.40	1.67	2.34
Others	3.35	3.74	3.49	3.04
Total	60.25	57.59	56.61	56.68

Source: Government of India, Food Corporation of India; FAS New Delhi office research.

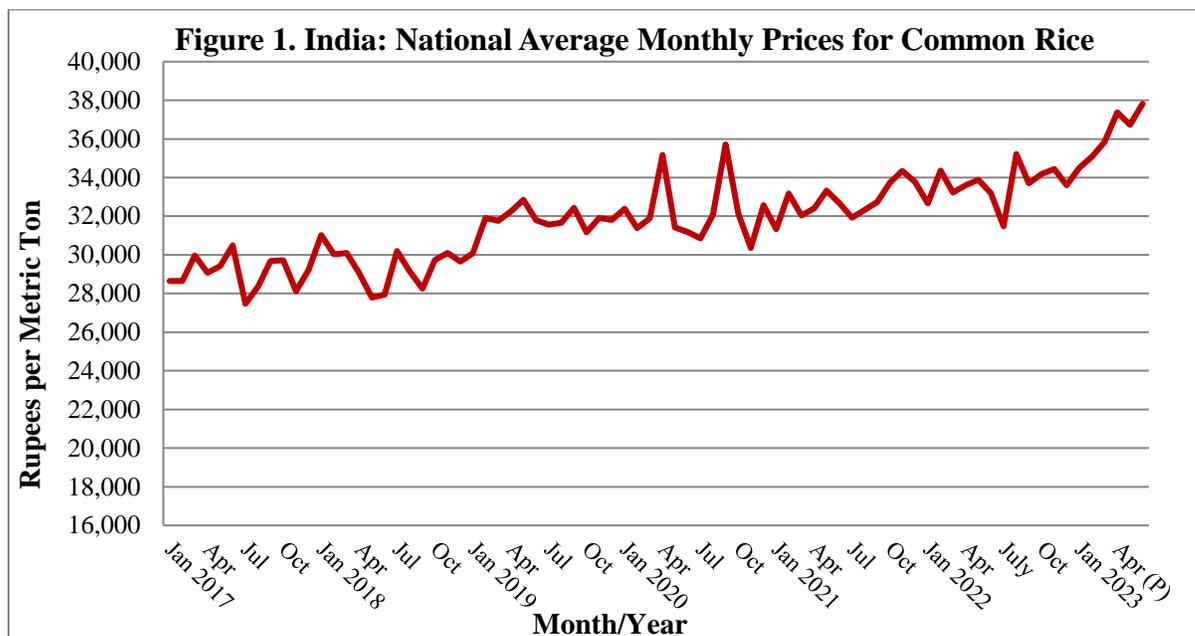
Despite the expected record harvest of *rabi* (summer rice), MSP procurement in the recent months is lower than anticipated on rising domestic prices and strong export demand. With additional procurement likely to remain weak through September in India’s eastern and southern states, total MY 2022/2023 MSP rice procurement will barely reach 58 MMT. This procurement is marginally higher than last year’s, but still 2 MMT lower than MY 2020/2021’s record procurement.²

Rice Prices Firm Up: Despite the record harvest (particularly of *rabi*/summer rice), domestic prices firmed up in the second quarter of calendar year (CY) 2023. Rice prices are strengthening on anticipated lower-than-expected yield realization, strong export demand, and El Niño’s impact on the MY 2023/2024 rice crop.

Common grade coarse grain rice average spot prices in June range INR 26,750 (\$330) per metric to INR 35,020 (\$432) per metric ton in the major production states. June 2023’s prices are 14 percent higher

² MY 2022/2023 production is estimated at nearly 10 MMT higher than the MY 2020/2021 production volume.

than the 2022 level. Prices may remain steady in the last quarter of MY 2022/2023, but price movements may be influenced by the progress of plantings and the MY 2023/2024 crop's harvest prospects.



Source: Government of India, Agricultural Marketing Information Network, FAS New Delhi office research.

STOCKS

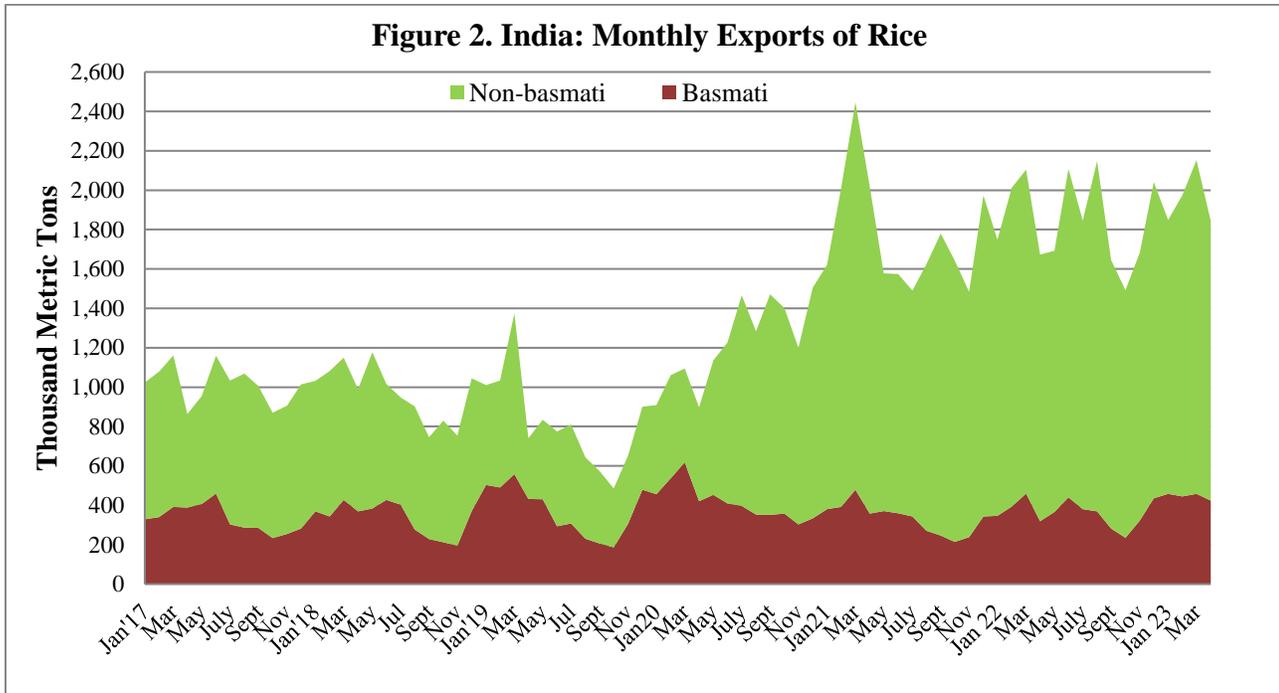
Ending Stocks Lowered: FAS New Delhi estimates India's MY 2022/2023 rice ending stocks lower at 33 MMT on expected offtake of government rice for the food security programs. The Indian government's [rice stocks as of June 1, 2022](#), are an estimated 41.4 MMT compared to the 49.7 MMT reported at this time last year. The Indian government is expected to offload 15.5 to 16 MMT of rice between June and September 2023, for its food security programs.³ Factoring in additional MSP rice procurement of 1.3 MMT this June to September, government rice stocks on October 1, 2023, are estimated to decline to 27 MMT compared to the 28.4 MMT reported at this time last year.

Assuming higher ending stocks with private trade (exporters/local trade) estimated at 6 MMT (versus 5.6 MMT last year), MY 2022/2023 rice ending stocks are estimated at 33 MMT, slightly lower than last year's ending stocks. The MY 2023/2024 forecast rice ending stocks are revised lower 30 MMT on estimated lower opening stocks.

TRADE

MY 2022/2023 Exports Steady: Based on the current pace of rice exports, MY 2022/2023 rice exports are expected to reach a record 22.5 MMT on continued strong export demand and competitive Indian rice prices compared to other origins.

³ Monthly offtake came down after the termination of the additional 5 kilograms of rice per person per month in December 2022. [Monthly rice offtake during January to May 2023](#) ranged from 3.1 MMT per month to 4.4 MMT per month with average monthly offtake estimated at 3.9 MMT per month.



Source: Government of India, Directorate General of Commercial Intelligence; FAS New Delhi office research.

According to preliminary official statistics, MY 2022/2023 rice exports through April 2023, are estimated at 13 MMT compared to the 12.6 MMT reported at the same time last year. Trade sources report continued steady rice exports as Indian coarse grain rice continues to be price competitive against rice from competing origins (such as Thailand, Vietnam, and Burma).

Assuming no significant change in the current price parity of Indian rice versus other origins and steady international demand, MY 2022/2023 rice exports are estimated at 22.5 MMT, and MY 2022/2023 exports at 23 MMT (new record) on forecast sufficient domestic supplies.

COMMODITY

WHEAT

Table 4. India: Commodity, Wheat Production, Supply and Distribution (PSD)

Wheat	2021/2022		2022/2023		2023/2024	
Market Year Begins	Apr 2021		Apr 2022		Apr 2023	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	31125	31125	30459	30459	32000	32000
Beginning Stocks (1000 MT)	27800	27800	19500	19500	9500	9500
Production (1000 MT)	109586	109586	104000	104000	113500	108000
MY Imports (1000 MT)	29	29	40	42	100	100
TY Imports (1000 MT)	30	30	50	50	100	100
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	137415	137415	123540	123542	123100	117600
MY Exports (1000 MT)	8033	8037	5320	5350	1000	1000
TY Exports (1000 MT)	10567	10567	1600	1625	1000	1000
Feed and Residual (1000 MT)	7000	7000	6500	6500	5500	5500
FSI Consumption (1000 MT)	102882	102878	102220	102192	102600	102600
Total Consumption (1000 MT)	109882	109878	108720	108692	108100	108100
Ending Stocks (1000 MT)	19500	19500	9500	9500	14000	8500
Total Distribution (1000 MT)	137415	137415	123540	123542	123100	117600
Yield (MT/HA)	3.5208	3.5208	3.4144	3.4144	3.5469	3.375

(1000 HA), (1000 MT), (MT/HA).
 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 2023/2024 = July 2023 - June 2024.

PRODUCTION

MY 2023/2024 Production Lower: Based on the latest market reports reflecting tighter than earlier expected domestic supplies, Post lowers its MY 2023/2024 wheat production forecast to 108 MMT.

Government wheat procurement under the MSP program should end below the initial procurement target of 34.2 MMT. Domestic prices remain well above MSP prices and even last year's prices despite the government's continued export ban on wheat and wheat products and the absence of purchases by major exporters during the peak marketing season (April-June).⁴

Government intervention by means of stock limits imposed on traders and processors on June 12, 2023, failed to arrest rising domestic prices. This suggests lower than initially expected domestic production. Post's sources estimate the MY 2023/2024 wheat crop at between 98 and 105 MMT, significantly lower than the MoAFW's Third Advance Estimate of 112.7 MMT.⁵ Based on the current market supply and pricing situation, FAS New Delhi is revising its MY 2023/2024 wheat production forecast lower to about 108 MMT.

⁴ When the farmers bring the major share of their marketable surplus for sale to the market yards.

⁵ Most trade sources continue to estimate the MY 2022/2023 harvest in the range of 92-98 MMT against the MoAFW's final estimate of 107.7 MMT.

Procurement Remains Weak: In MY 2023/2024, government MSP wheat procurement is estimated at 26.2 MMT, 23 percent lower than the government’s procurement target of 34.2 MMT. This volume is 40 percent lower than the record procurement in MY 2021/2022 of 43.3 MMT)

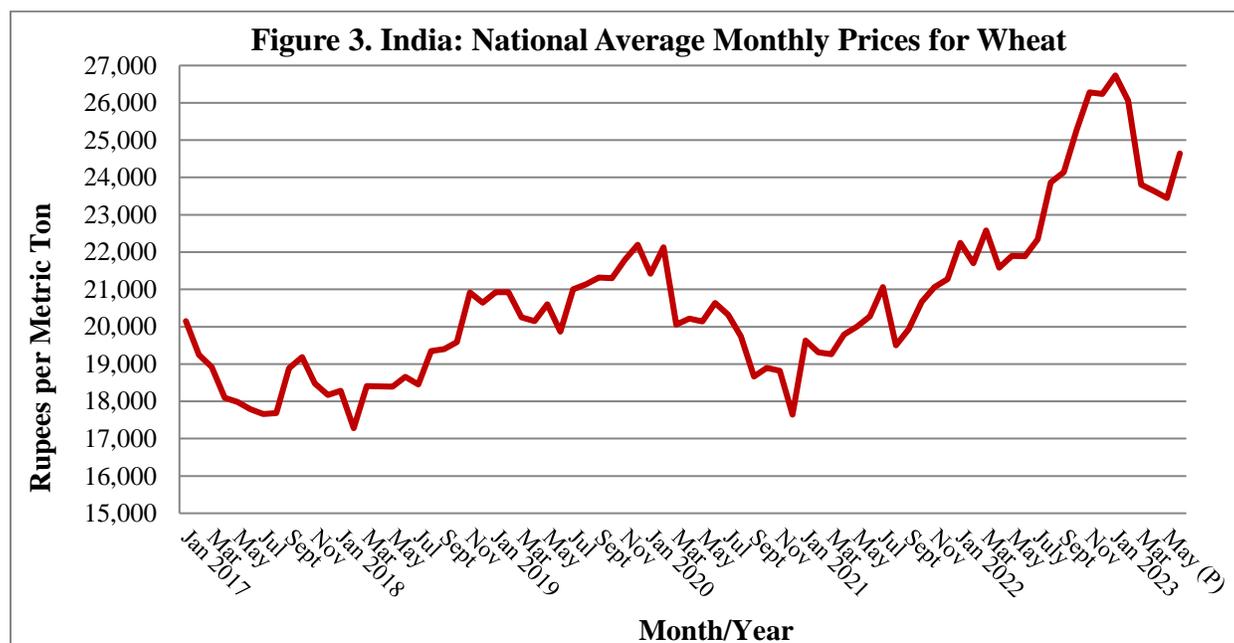
Table 5. India: Government Wheat Procurement by State (MMT)

State	MY 2021/2022	MY 2022/2023	MY 2022/2023	MY 2023/2024
	April-March	April-March	Apr 1-June 30	Apr 1-June 30
Punjab	13.22	9.65	9.61	12.12
Haryana	8.49	4.19	4.07	6.32
Madhya Pradesh	12.82	4.60	4.60	7.10
Uttar Pradesh	5.64	0.34	0.33	0.22
Rajasthan	2.34	0.00	0.01	0.44
Others	0.83	0.02	0.01	0.01
Total	43.34	18.79	18.63	26.20

Source: Government of India, Food Corporation of India; FAS New Delhi office research.

MSP procurement has now finalized in most of the Indian wheat production states. Procurement in Uttar Pradesh, Madhya Pradesh, and Rajasthan is well below the normal level. This attributed to higher market prices compared to the government MSP of INR 21,250 (\$255) per MT driven by crop size speculation and farmers/traders holding onto higher-than-normal stocks.

Prices Firm: Local wheat prices softened in March-May 2023 due to the government releasing additional wheat in the last quarter of MY 2022/2023 on the expectation of a record harvest. Nevertheless, domestic wheat prices have been on the rise since the second half of May, which is fueling food inflation concerns.



Source: Government of India, Agricultural Marketing Information Network; FAS New Delhi office research.

Average spot prices during June 2023 in the major wheat production states ranged from INR 22,500 (\$278) to 23,720 (\$290) per metric ton, well above the government MSP of INR 20,150 (\$293) per metric ton. Average wheat prices in June 2023 for the country are 13 percent higher than last year's level, raising fears of food inflation and of a lower-than-expected crop size.

Government Imposes Stock Limits/Open Market Sale to Moderate Prices: [On June 12, 2023, the Government of India imposed stock limits on wheat](#) for retailers, traders, and processors effective through March 31, 2024, to discourage hoarding of wheat and price speculation. Stock limits to the various entities range from 10 MT for retailers, 3,000 MT for traders, and 75 percent of the installed annual capacity for processors, wherein they must bring their stocks to the prescribed limits within 30 days or face criminal prosecution. In addition, the government announced the release of 1.5 MMT of wheat from the government stocks under the open market sale scheme to local processors.

Government imposed limits on wheat and its intervention in the market through the release of government-held wheat stocks for open market sales has had a limited impact on overall wheat prices.⁶ Wheat prices remain firm and there have been no further wheat supplies pushed out onto the market to bolster government MSP procurement. Most trade source attribute the price rise to tighter domestic supplies due to lower than anticipated MY 2023/2024 wheat production. Given the upcoming elections in key states in the later part of CY 2023 and parliamentary election in early 2024, the government is likely to take additional policy measure to control rising domestic prices, which may include lowering the import duty to augment domestic supplies for millers located near the country's ports.

TRADE

Exports/Imports Prospects Unchanged: Post continues to estimate MY 2022/2023 wheat exports at 1 MMT and imports at 100,000 MT under the current export policy and import duty regime. Sources report that the Indian government may continue to allow wheat and wheat product exports to neighboring Nepal, Bhutan, and Sri Lanka. Import prospects will change only if the government decides to lower the import duty.

STOCKS

MY 2023/2024 Ending Stocks Lowered: Post forecasts MY 2022/2023 ending stocks lower at 8.5 MMT on estimated lower than expected government wheat procurement under the government's MSP program and likely higher offtake of government wheat to control domestic prices out of food inflation concerns.

Government-held wheat stocks on June 1, 2023, are estimated at 31.4 MMT compared to 31.1 MMT at this same time last year, and an additional 4 MMT is likely to have been procured by end of June 2023. At the current pace of monthly offtake, the government will have to supply about 18-20 MMT under its various food security programs, and an additional 8-10 MMT under sales to private trade during the balance of the 10-month period of June 2023 to March 2024. Post estimates MY 2023/2024 ending stocks to decline to 8.5 MMT, slightly above last year's government stock levels.

⁶ Typically, government wheat is released for open market sale after September in the second half of the marketing year (October-March).

COMMODITY

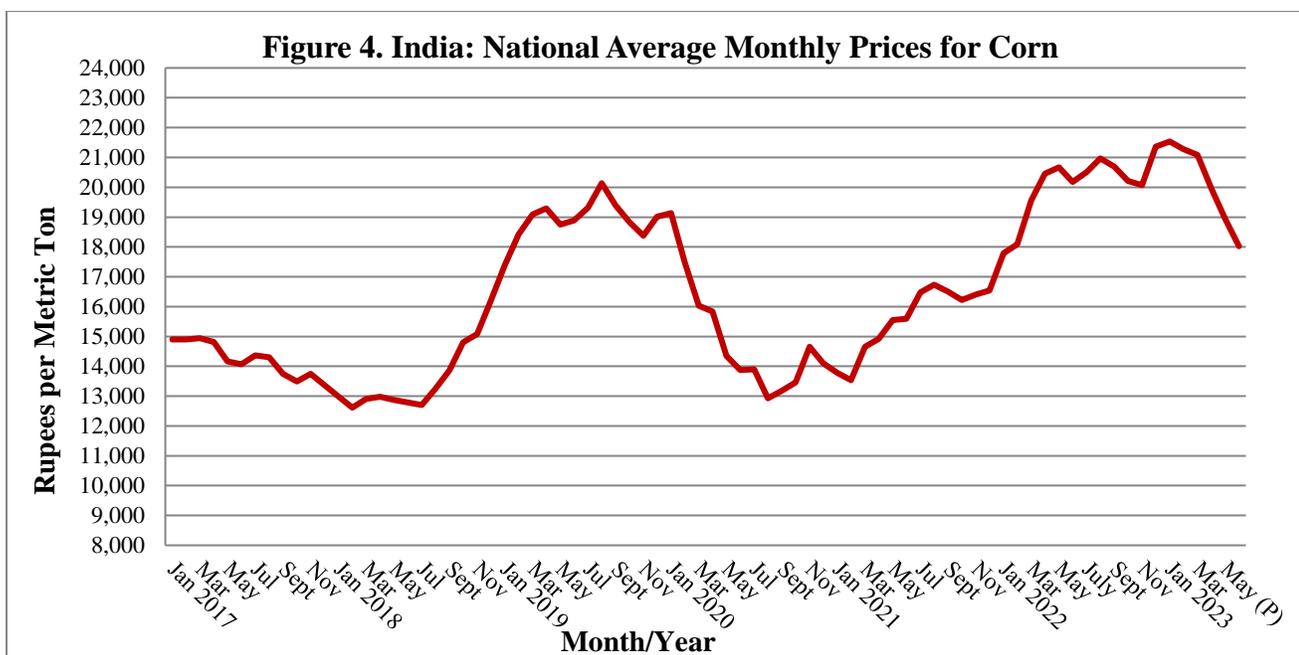
CORN

No significant change in the Official Production, Supply and Distribution table to report.

PRODUCTION

MY 2023/2024 Planting: Corn planting through June 30, 2023, fell behind last year's level due to a weak early monsoon. Planted area is estimated at 0.8 million hectares, compared to 1.1 million hectares at the same time last year. Planting is likely to recover in July on forecasted sufficient 2023 monsoon rains. Post forecasts MY 2023/2024 corn production unchanged at 34.3 MMT from 10 million hectares.

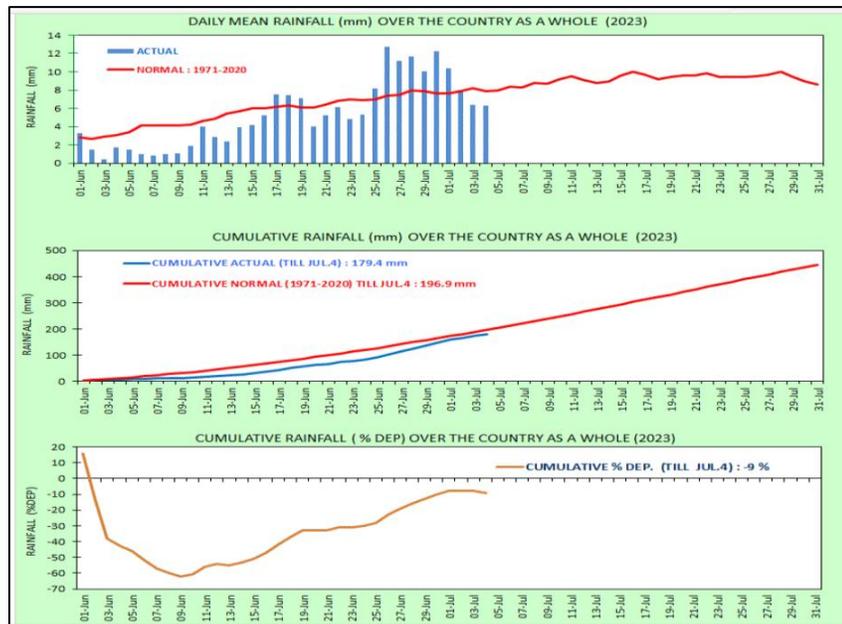
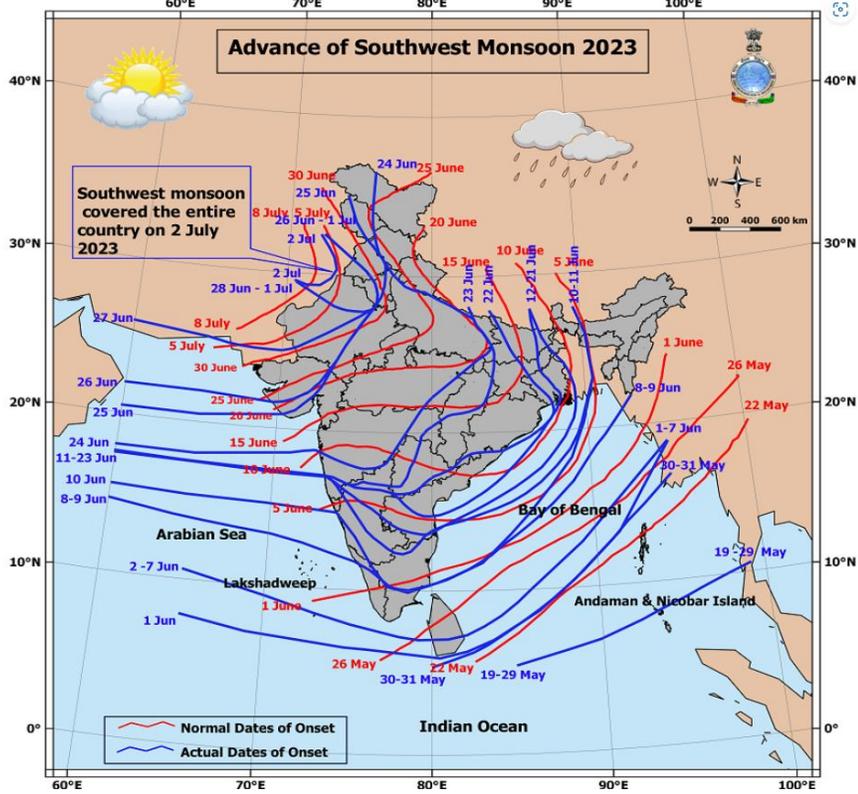
Domestic Prices Support Record MY 2022/2023 Production Estimate: Domestic prices continued to decline on reported record production of winter planted *rabi* corn and strong domestic supplies. MY 2022/2023 corn production is estimated unchanged at 36 MMT from 10.1 million hectares.



Source: Government of India, Agricultural Marketing Information Network; FAS New Delhi office research.

Average market prices in the month of June 2023, in the major corn production/consuming states ranged from INR 18,300 to 19,500 per metric tons, with average prices in June 2023 estimated to be 11 percent lower than last year's. Prices are expected to remain steady as arrivals of *rabi* corn slows down in July and demand (both domestic and export) continues to remain steady.

Appendix I: India, Progress of 2023 South West Monsoon



Source: [Indian Metrological Department, Government of India](https://www.imd.gov.in/).

Attachments:

No Attachments