

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Grain and Feed Update

Quarterly Update - April 2017

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Report Highlights:

Indian wheat production in marketing year (MY) 2017/18 is forecast at a record 96.5 million metric tons (MMT). Favorable weather conditions during critical development stages will drive yields. MY 2017/18 imports are forecast lower at 4 MMT due to the expected increase in domestic production. MY 2016/17 wheat ending stocks are raised to 9.6 MMT due to unexpectedly high government stocks, coupled with lower levels of consumption at 92.8 MMT.

Post:
New Delhi

Commodities:
Wheat
Rice, Milled
Corn

Author Defined:

IMD Forecasts below-Normal 2014 Monsoon

On April 18, 2017, the [Indian Metrological Department \(IMD\) released its first long-range forecast for the 2017 southwest monsoon \(June-September\)](#) and predicted normal 2017 monsoonal conditions. Precipitation levels during India's 2017 monsoon are likely to be about 96 percent of the long-period average (LPA) (five-percent margin of error). In early June 2017, IMD will issue its second stage long-range forecast for the 2017 monsoon based on additional information about the El Nino conditions in the Pacific and Indian Ocean Dipole.

India's southwest monsoon provides 70 percent of India's annual rainfall and essential soil moisture for about 55 percent of the total cultivable area (unirrigated) during the fall-harvested *kharif* season. Normal monsoon rains also support crop production for irrigated areas (45 percent) and winter-planted *rabi* crops. Consequently, a normal and well distributed southwest monsoon is crucial for grain production during the upcoming 2017/18 crop year (July-June), which includes *kharif* crops like rice, corn, sorghum, millet, and pulses, and *rabi* crops like wheat, rice, corn, barley, and pulses. The normal 2016 monsoon created bumper harvest conditions for most grains in the Indian crop year 2016/17 (July-June). A normal 2017 monsoon will be critical for Post's MY 2017/18 area and production forecasts for rice, corn, sorghum, and millet in the PSDs.

WHEAT

Table 1. India: Commodity, Wheat, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT per Hectare)						
Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	Apr 2015		Apr 2016		Apr 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	31470	31470	30220	30410	0	31750
Beginning Stocks	17220	17220	14540	14540	0	9600
Production	86530	86530	87000	87000	0	96500
MY Imports	471	471	6000	6000	0	4000
TY Imports	300	300	6000	6000	0	4000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	104221	104221	107540	107540	0	110100
MY Exports	1130	1130	400	400	0	400
TY Exports	873	873	400	400	0	400
Feed and Residual	4200	4200	4700	4700	0	4800
FSI Consumption	84351	84351	93640	92840	0	95000
Total Consumption	88551	88551	98340	97540	0	99800
Ending Stocks	14540	14540	8800	9600	0	9900
Total Distribution	104221	104221	107540	107540	0	110100
Yield	2.7496	2.7496	2.8789	2.8609	0	3.0394

MY 2017/18 Production Raised

Post's MY 2017/18 wheat production has been raised to a record 96.5 MMT from 95 MMT (IN7031) on higher than earlier anticipated yields due to the favorable weather conditions during the late crop development (flowering, grain filling, and maturity) stages. Although relatively warm temperature conditions during the planting and vegetative growth stages (Nov-Dec) caused some concern, temperatures cooled down by the end of December. Field sources report that relatively cool temperatures and sporadic, well-spread rainfall during the first quarter of 2017 resulted in better grain filling and grain size. Market sources also report lower incidences pest and disease compared to the most recent two years. To date, there have not been reports of crop damage due to excessive rain or hail in major production states, as occurred in MY 2015/16 during the harvest stage (March-April 2015).

The wheat harvest began in March in Madhya Pradesh, during the first week of April in Punjab, Haryana, and western Uttar Pradesh, and during mid-April in the eastern states. Harvest is nearly complete in Punjab, Haryana, Madhya Pradesh, Rajasthan, Gujarat and most of Uttar Pradesh. It remains ongoing in eastern Uttar Pradesh, Bihar, and West Bengal. Although the Government of

India's (GOI) yield assessment will not be available until the end of June, field reports suggest higher yields this year. Consequently, Post has revised MY 2017/18 wheat production higher to a record 96.5 MMT due to higher yields (3.04 metric ton (MT)/hectare) than were earlier anticipated (2.99 MT/hectare). MY 2017/18 wheat production may increase by as much as 11 percent (2017/18 31.8 million hectares vs. 2016/17 30.4 million hectares) and higher yields (2017/18 3.04 MT/hectare vs. 2016/17 2.86 MT/hectare).

Procurement Starts Strong

Due to the timely harvest, the GOI's wheat procurement has started strong note, which also supports prospects for a 'record' MY 2017/18 harvest. Total GOI procurement of wheat through April 24, 2017, is estimated at 19.5 MMT compared to 17.5 MMT during the corresponding period last year. Procurement is also supported by higher minimum support prices (MSP), at INR 16,250 (\$252) per MT compared to last year's MSP of INR 15,250 (\$236) per MT.

Table 2. India: Government Procurement of Wheat by State (Quantity in MMT)

State	MY 2016/17	MY 2016/17	MY 2017/18
	April-March	April 1-24, 2016	April 1-24 2017
Punjab	10.65	7.88	8.45
Haryana	6.75	5.90	6.10
Madhya Pradesh	3.99	3.30	4.00
Uttar Pradesh	0.80	0.15	0.40
Rajasthan	0.76	0.26	0.40
Others	0.01	<u>0.01</u>	<u>0.10</u>
Total	22.96	17.50	19.45

Source: The Food Corporation of India, GOI

Wheat procurement in the major surplus states of Punjab and Haryana is currently in full-swing, but will taper off by the third week of May. Most of wheat in these two states is likely to be procured by the government, as high local taxes preclude any significant private sales. Private trade competes with public procurement in other states during harvest, as price premiums are offered for better quality grain.

The newly elected state government in Uttar Pradesh announced a bonus of INR 100 per MT to the farmers to compensate for pre-cleaning and unloading charges. Moreover, Uttar Pradesh has and asked state agencies to arrange to procure an ambitious target of 8 MMT (against the GOI's target of 4 MMT). However, relatively firm open-market prices and the lack of adequate procurement infrastructure is likely to constraint public wheat procurement in that state. Market sources report that wheat procurement in Uttar Pradesh is likely to be around 2 MMT, significantly lower than the state and GOI targets, but more than double last year's pub procurement of 800,000 MT.

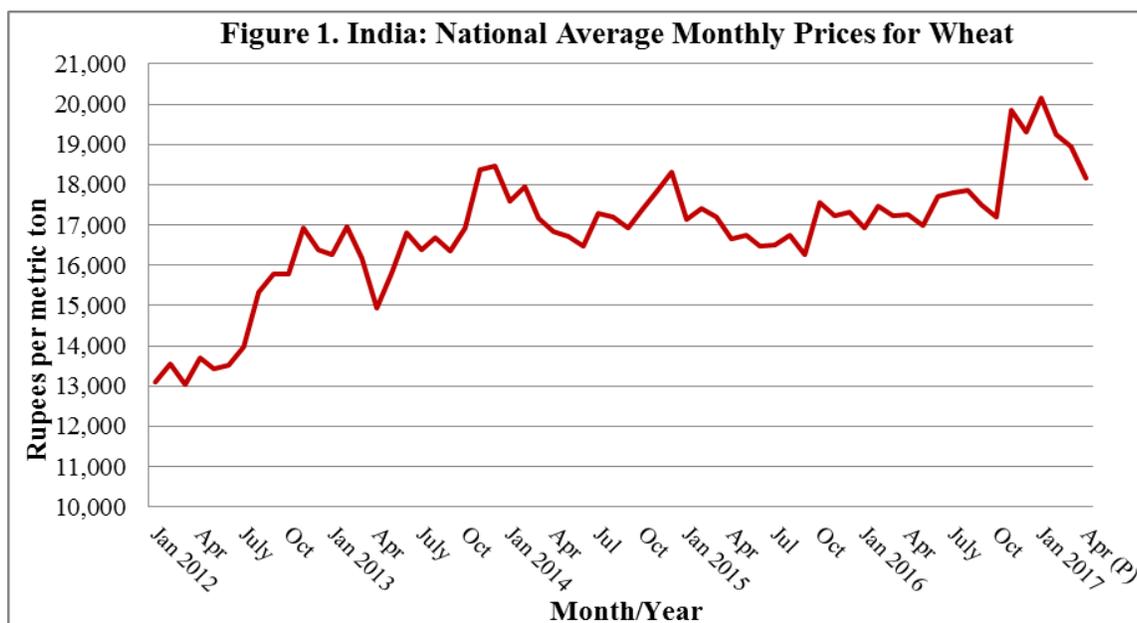
Procurement will continue through June in most other states except Punjab and Haryana, depending on the movement of open market prices. Most states are likely to supply larger volumes over last year's procurement levels. Given the relatively firm MY 2017/18 opening prices and last year's strong late-season price surge (July onwards), some market sources expect local traders and farmers will hold larger quantities of wheat in anticipation of late season sales. Consequently, total government wheat

procurement is likely to be around 30 MMT, higher than the last year procurement of 22.9 MMT, but still lower than the GOI's target of 33 MMT.

The forecast 30 MMT of public procurement will be sufficient to meet the requirements for the GOI's National Food Security Act and other food security initiatives (26-27 MMT), leaving a small surplus (3-4 MMT) for open-market sales to the private trade and millers, thereby constraining the ability of the government to make market price intervention. Historically, the GOI releases wheat into the open market to as a means to check domestic price increases. In the last five years, public wheat sales to the open market ranged from 4.2 MMT (MY 2016/17) to 7.04 MMT (MY 2015/16).

Prices Firm

Despite the strong harvest, domestic market prices continue to be relatively firm, hovering around the MSP in most production states. Wheat prices in major wheat surplus states currently range from INR 16,156 (\$250) to INR 16,732 (\$260) per MT, around the MSP of INR 16,250 (\$252 per MT).



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

Market prices are likely to ease as wheat arrivals accelerate in May and June. Future domestic wheat prices--assuming no significant changes in international prices--will largely depend on domestic production levels and the GOI's import policies (particularly applied tariffs).

Stocks Raised

Post's MY 2016/17 ending wheat stock estimate is increased to 9.6 MMT due to higher than anticipated public stocks. Government-held wheat stocks as of April 1, 2017, are estimated at 8.1 MMT (vs. 6.5 MMT estimated earlier IN7031) and are due to relatively strong new-crop procurement in March 2017 (about 0.8 MMT vs. 0.4 MMT last year). Public wheat stocks declined by more than 44 percent during the last year and stand slightly above the GOI's desired stock level of 7.5 MMT (4.5 MMT buffer and

3.0 MMT strategic reserves). Private stakeholders are held about 1.5 MMT of imported wheat stocks beyond their 'normal' pipeline stocks on April 1, 2017. Consequently, MY 2016/17 ending stocks is estimated at 9.6 MMT, about one-third lower than the MY 2015/16 ending stocks. Assuming the GOI makes an effort to augment public stocks, along with imported wheat stocks, MY 2017/18 ending stocks are forecast higher at 9.9 MMT.

Consumption Revised

MY 2016/17 consumption is lowered to 92.8 MMT due to changes in the ending-stock estimate, which is still over 10 percent higher than MY 2015/16 consumption. MY 2017/18 consumption is raised to 95 MMT due to more domestic stocks, although consumption growth will be 2.3 percent, which is more modest than last year.

Private Wheat Imports Continue...

Although to date, no official or reliable industry data are available, market sources report that private traders have imported and/or contracted about 500,000 MT to 1 MMT of wheat for imports through the first quarter of MY 2017/18 (April-June). Despite the imposition of the 10-percent import duty (IN7040) and an upcoming record domestic harvest, prospects for wheat imports remain relatively solid due to firm domestic prices and weak international prices, mostly by the millers around the coast due to high inland freight costs.

... MY 2017/18 Imports Lowered

Given improved domestic supplies on upcoming record harvest, MY 2017/18 imports forecast is lowered to 4 MMT assuming no significant changes in price parity of imported wheat and the current 10-percent tariff. Media sources report that the GOI is concerned about imports of 'lower' priced foreign wheat and are considering changes in the applied tariff as to ensure domestic market prices are closer to the MSP (\$252/MT) during the marketing season (April-June). After the harvest and marketing season is over in July, export prospects will be largely driven by competitiveness of imported wheat, international prices, exchange rates, domestic prices, and the GOI's tariff rate.

RICE

No changes of in the official PSD to report.

Procurement and Stocks Surge

Riding a record harvest, public rice procurement in MY 2016/17 through April 24, 2017, was estimated at 33.7 MMT, an increase over the 31.4 MMT procured during the corresponding period last year. All major rice producing states procured at higher levels except for the southern states of Andhra Pradesh, Telangana, and Tamil Nadu where dry conditions affected production levels.

Table 3. India: Government Rice Procurement by State, Quantity in MMT

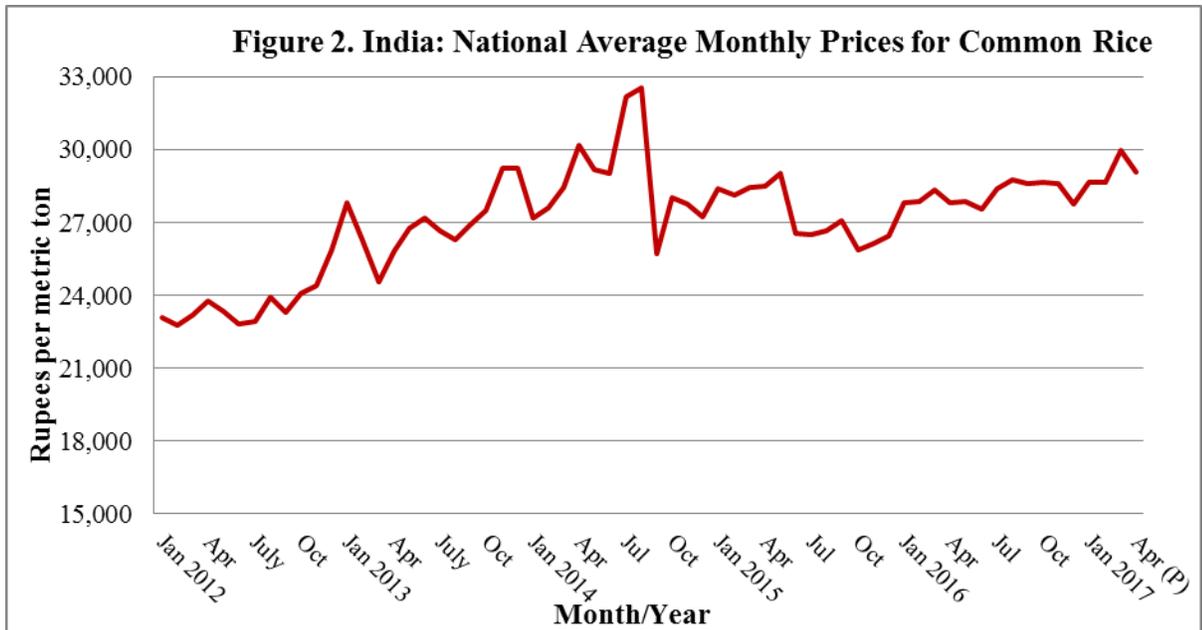
State\Period	MY 2015/16	MY 2015/16	MY 2016/17
	Oct-Sept	Oct1,2015 to Apr 24,2016	Oct1,2016 to Apr 24, 2017
Punjab	9.35	9.35	11.05
Andhra Pradesh	4.34	3.36	2.65
Telangana	1.58	1.10	1.12
Chhattisgarh	3.44	3.42	4.60
Odisha	3.37	2.67	2.70
Haryana	2.86	2.85	3.50
Uttar Pradesh	2.91	2.90	2.35
West Bengal	1.57	1.27	1.50
Madhya Pradesh	0.85	0.84	1.31
Tamil Nadu	1.19	0.90	0.14
Others	<u>2.76</u>	<u>2.74</u>	<u>2.78</u>
Total	34.22	31.40	33.70

Source: The Food Corporation of India, GOI.

With additional procurement of *rabi* and summer rice likely to continue in eastern and southern states, albeit less than last year, public rice procurement in MY 2016/17 is likely to exceed the previous record 36 MMT in MY 2009/10. Public rice stocks as of April 1, 2017, swelled to 30.5 MMT compared to 28.8 MMT same time last year, more than doubling the GOI's 13.58 MMT target for rice stocks (11.58 buffer stocks and 2 MMT strategic reserves).

Domestic Prices Firm

Despite record domestic production, market prices have ruled relatively firm in the 2nd quarter of MY 2016/17 (Jan-Mar) on strong export demand. However, prices have started easing in April with the impending arrival of the *rabi* rice.

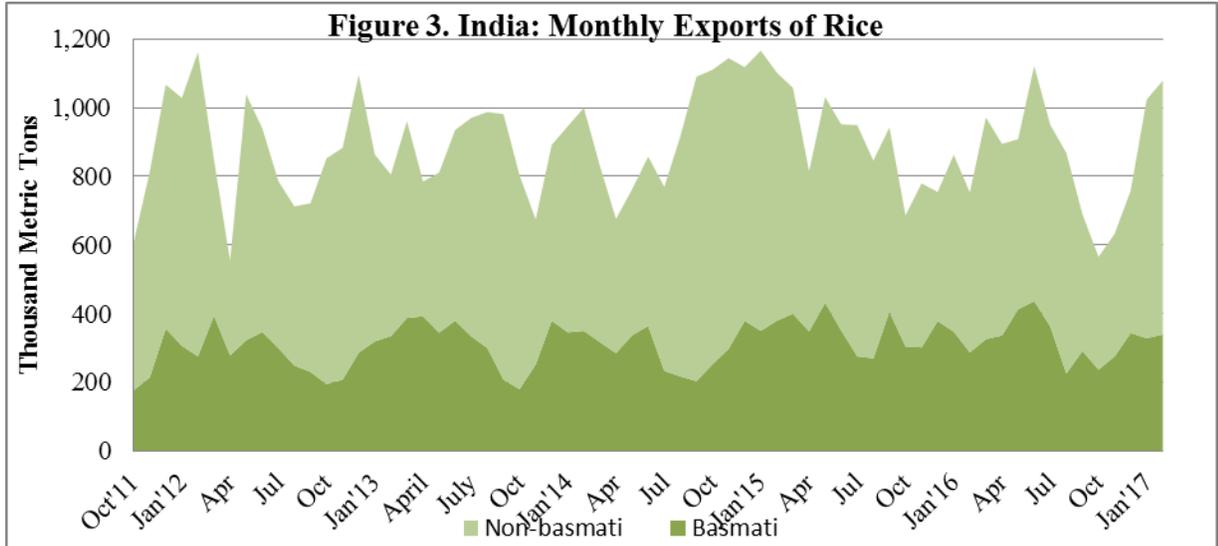


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Currently, spot prices for common-grade coarse rice range from INR 21,950 (\$340) to INR 32,200 (\$500) per MT in major producing states. Prices are likely to remain steady in through the third quarter of MY 2016/17 (Apr-Jun). However, prices during the last quarter of MY 2016/17 will largely depend on the progress of 2017 monsoon and the international prices.

Exports Steady

Indian rice exports have been robust since the beginning of CY 2017 on strong demand for non-Basmati rice, mainly from African countries and neighboring Bangladesh.



Source: Monthly exports through February 2017 from DGCIS, GOI.

According to preliminary official statistics, rice exports from October 2016 to February 2017 was estimated at 4.06 MMT compared to 3.84 MMT for the corresponding period last year, largely on strong demand for non-Basmati rice. Assuming no significant changes in the price parity for Indian rice during the remaining marketing year, MY 2016/17 exports are likely to reach 10 MMT, nearly same as last year.

CORN

No significant changes in the PSD or market development to report.