

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

No Changes in the PSD to Report. The minimum support price (MSP) for MY 2016/17 for rice, corn and other coarse grains have been raised by 3-4 percent, and for pulses raised by 8-9 percent over last year. The 25 import duty regime on wheat has been extended from the current deadline of June 30, 2016, indefinitely till further orders from the government.

General Information:

2016 Monsoon Progress Tardy

The southwest monsoon arrived a week later than normal at the southern tip of India on June 8, 2016, and has advanced normally to cover the peninsular and eastern/north eastern region and reach north/northwest region in the last week of June. With the monsoon more than a week behind schedule across the country, the cumulative rainfall for the week ending June 22, 2016 was 18 percent below normal with about 13 of the 36 weather subdivisions receiving below-normal rains. Region wise, the cumulative rainfall in Northwest India was 8 percent below normal, east and northeast India was 29 percent below normal and central India was 37 percent below normal while south peninsula was 13 percent above normal.

... But Above Normal Rains Ahead

On June 2, 2016, the India Meteorological Department (IMD) in its long range forecast update on 2016 monsoon continues to forecast an above normal monsoon with the rainfall for the country as a whole during the season (June-September) likely to be 106 percent of the long period average (LPA). The IMD forecasts above normal rains in the coming months, with the overall precipitation likely to be 107 percent of its LPA during July, and 104 percent of LPA during August. For more information on monsoon reporting, please refer GAIN reports [IN6060](#) and [IN6087](#).

Kharif Planting Starts Slow....

With only about 44 percent of India's cropped area under assured irrigation, planting of most *kharif* (fall and early winter harvested) crops, which include rice, coarse grains, and pulses, typically follows the progress of monsoon rains through the country. With the current irrigation water resources already under stress due to two consecutive below normal monsoon in 2014 and 2015, farmers have been advised by the government to delay planting of crops. Consequently, planting of *kharif* crops has been slow during the ongoing season with the total area sown till June 24th reported at 12.5 million hectares compared to 16.4 million hectares same time last year.

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

Crop	ICY 2015/16 Progressive Planting till June 24, 2015	ICY 2016/17 Progressive Planting till June 24, 2016
Rice	2.18	1.99
Pulses	1.22	0.97
Coarse cereals	1.82	1.76
Oilseeds	2.79	0.69
Sugarcane	4.16	4.44
Cotton	3.45	1.91
Total	16.41	12.49

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

.... Likely to Recover in July

The window of opportunity for planting of most *kharif* crops extends through July while it extends through 3rd week of August for rice in some states. With the steady progress of the 2016 monsoon and forecast above normal rains in July, the pace of planting is likely to improve in the next few weeks. However, heavy rainfall can also affect the progress of planting in some areas. Sufficient and well distributed rains during July-early August will be critical for achieving Post's current planting and production forecasts for rice, corn, sorghum and millet. Monsoon performance during August-September besides being critical for *kharif* crop development and maturity also affects planting of *rabi* (winter planted) crops (wheat, pulses, corn and barley) by providing adequate soil moisture conditions at the time of planting (October-November).

Minimum Support Price for *Kharif* Crops Raised

On June 1, 2016, the government announced the minimum support price for *kharif* crops for the upcoming Indian crop year 2016/17 (July-June). While the MSPs for rice, corn and other coarse grains have been raised have been raised by 3-4 percent, MSPs for pulses have been raised significantly by 8-9 percent to encourage domestic production to control the currently high pulse prices.

Table 2. India: Minimum Support Price for Various *Kharif* Crops, 2013/14-2016/17
in Indian Rupees (INR) per metric ton

Crop	Minimum Support Price			
	MY 2013/14	MY2014/15	MY2015/16 ¹	MY2016/17 ²
Rice, Paddy (Common)	13,100	13,600	14,100	14,700
Rice, Paddy (Grade A)	13,450	14,000	14,500	15,100
Corn	13,100	13,100	13,250	13,650
Pearl Millet	12,500	12,500	12,750	13,300
Sorghum (Hybrid)	15,000	15,300	15,700	16,250
Pigeon Pea	43,000	43,500	46,250	50,500
Mung Beans	45,000	46,000	48,500	52,250
Black Matpe	43,000	43,500	46,250	50,000

Note:

1. MSP for pulses in MY 2015/16 includes a bonus of INR 2000/MT.
2. MSP for pulses in MY 2016/17 includes a bonus of INR 4,250/MT.

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

However, the new MSPs are unlikely to cause any major shift in the cropping pattern for the upcoming season, except for some marginal shift in cotton and coarse grain acreage towards pulses. Most farmers will continue to prefer rice over other crops due to the government's 'Rice and Wheat' focused food grain procurement programs and relatively stable yields and lower vulnerability to pests/diseases and climatic fluctuations compared to other crops.

WHEAT

Note: No changes in the official PSD to report.

Production Unchanged

Post continues to estimate MY 2016/17 wheat production at 88 million metric tons. Relatively lower government procurement and strong domestic prices have fueled speculation on the size of the Indian wheat crop, with the industry estimates currently ranging from 80 to 85 MMT against the government's third advance estimate of 94 MMT. Due to the rising domestic prices, market sources report that farmers and local traders are holding larger than normal share of the crop expecting further increase in prices. Meanwhile, the quality of wheat this year is reported better compared to previous years. Preliminary harvest reports from the crop cutting experiments conducted in various are likely to be available by end July, which would reflect in the government fourth advance estimate (to be released in August 2016).

With no additional field information available on current year's wheat harvest than reported in IN7062, Post continues to estimate MY 2016/17 production at 88 MMT.

Government Procurement Nearly Over...

Government procurement of wheat in the ongoing season has been severely curtailed compared to previous years on steadily rising domestic prices since the onset of harvest in March 2016.

Table 3. India: Government Procurement of Wheat by State
(Quantity in Million Metric Tons)

State	MY 2014/15	MY 2015/16	MY 2015/16	MY 2016/17
	April-March	April-March	Apr1-June 28, 2015	Apr1-Jun 28, 2016
Punjab	11.64	10.34	10.34	10.65
Haryana	6.50	6.78	6.78	6.72
Madhya Pradesh	7.09	7.31	7.31	3.99
Uttar Pradesh	0.63	2.27	2.27	0.80
Rajasthan	2.16	1.30	1.30	0.76
Others	0.01	0.09	0.09	0.01
Total	28.02	28.09	28.09	22.93

Source: Food Corporation of India, GOI.

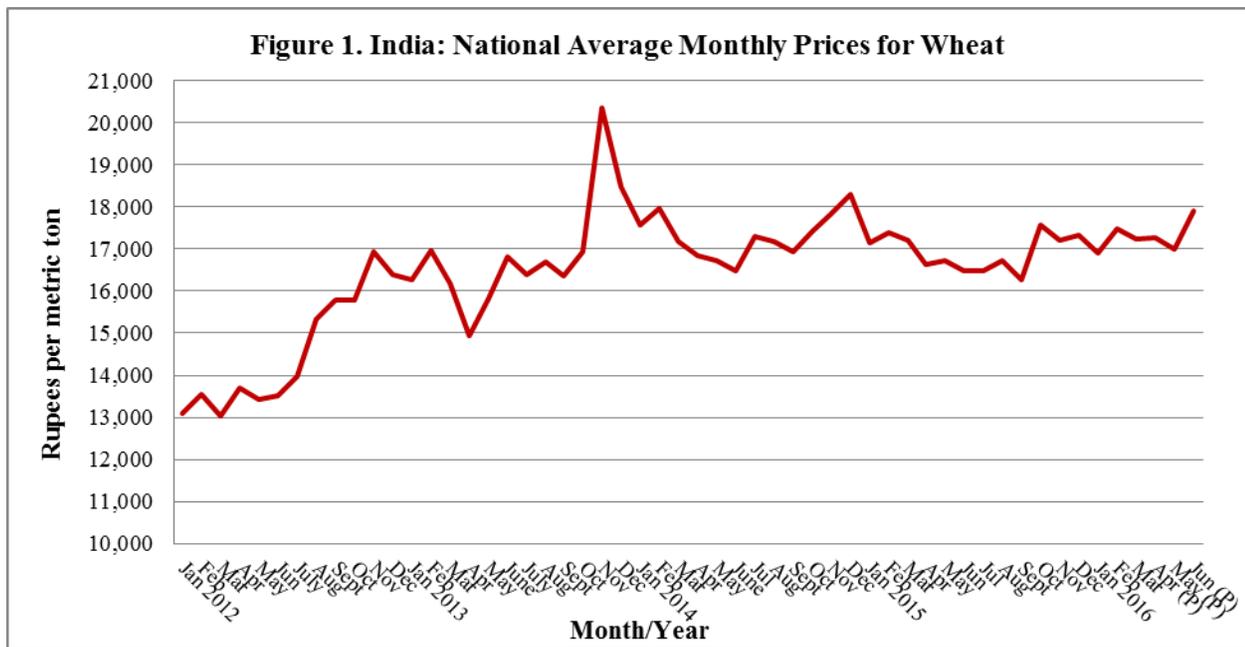
With open market prices well above the government procurement price (INR 15,250/MT), government wheat procurement is almost over in most of the wheat growing states. Total government procurement of wheat during MY 2016/17 is likely to reach 23 MMT, significantly lower than last year's procurement of 28.1 MMT and government's initial target of 30.5 MMT.

... Stocks Tight, But Sufficient

Relatively low government procurement has brought down the government held wheat stocks significantly from previous year levels. The government wheat stocks on June 1, 2016 are officially estimated at 32.6 MMT, nearly 19 percent lower than last year and about 28 percent lower than the record stocks of 50.2 MMT in June 2012. However, current wheat stocks are sufficient to meet the government's requirement for the next 10 months for the public distribution system (20 MMT) and minimum marketing buffer ending stocks (7.5 MMT) and a small surplus of 5 MMT for open market sales, if required. Besides, the government may release additional rice stocks for the public distribution system instead of wheat as government has higher rice stocks.

Prices Surge

Strong speculation on the size of current season wheat harvest has fueled domestic prices in the month of June, with the average wheat prices in most wheat producing states ranging from INR 15100 to 16,800 per metric tons well above the MSP. The government decision to indefinitely extend the 25 percent import duty on wheat from June 30, 2016 has further fueled domestic prices.



Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Market prices are likely to remain firm during July/August, but the later price movement will largely depend on government's import policy decision. Market sources also expect wheat stocks held by the private trade to be released around the harvest of upcoming *kharif* crops from September 2016 onwards.

Import Duty Extended

On June 17, 2016, the Government of India notified the 25 percent import duty on wheat has been extended beyond the earlier deadline of June 30, 2016, till further notice from the government. Thus, the 25 percent import duty will be applicable till the time government notifies any change in the duty

regime.

Market sources report that the private trade has contracted about 1.0 MMT of wheat for imports from July through October anticipating the 25 percent duty will be lowered or removed due to strong domestic prices. Most of the wheat has been contracted from Australia and France. However, actual imports against these contracts will depend on the domestic price movements and the applicable import duty during the contract delivery period. Assuming no significant change in the current forecast production, Post continues to estimate MY 2016/17 wheat imports at 2.0 MMT.

RICE

Note: No changes in the official PSD to report.

Procurement Strong...

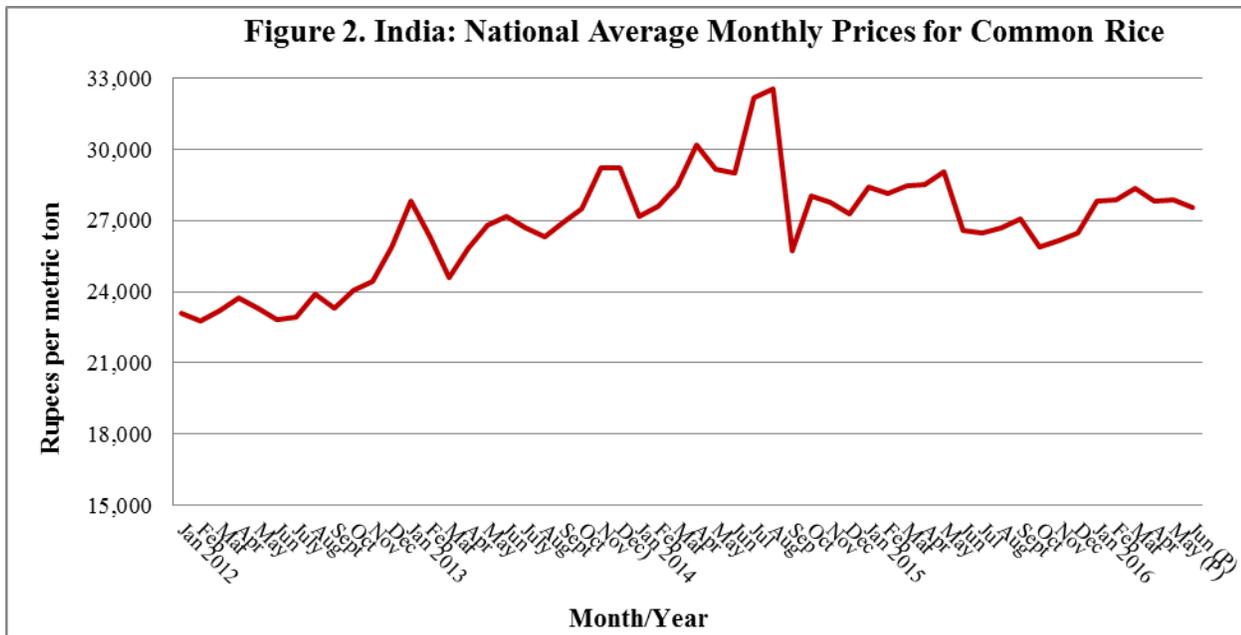
Government rice procurement in MY 2015/16 has been strongly supported by relatively steady domestic production despite below normal monsoon and weak export demand. Government rice procurement through June 28, 2016 is estimated at 34.1 MMT, nearly 12 percent higher than last year.

Table 4. India: Government Procurement of Wheat by State
(Quantity in Million Metric Tons)

State	MY2013/14	MY 2014/15	MY 2014/15	MY 2015/16
	October-September	October-September	Oct 1 thru June 28, 2015	Oct 1 thru June 28, 2016
Punjab	8.11	7.79	7.79	9.35
Andhra Pradesh	3.74	3.60	3.48	4.30
Telangana	4.35	3.50	3.33	1.58
Chattisgarh	4.29	3.42	3.35	3.44
Odisha	2.80	3.49	2.65	3.36
Haryana	2.41	2.02	2.01	2.86
Uttar Pradesh	1.13	1.70	1.68	2.91
West Bengal	1.36	2.03	1.69	1.57
Madhya Pradesh	1.05	0.81	0.81	0.85
Tamil Nadu	0.68	1.05	0.95	1.10
Others	1.94	2.77	2.75	2.74
Total	31.85	32.17	30.48	34.05

Source: Food Corporation of India, GOI.

Despite relatively lower *rabi* rice harvest, procurement is likely to continue in the southern and eastern states due to weak domestic prices (Figure 2). Consequently, total procurement is likely to reach a record 35.5 MMT (previous record 35 MMT in MY 2011/12).

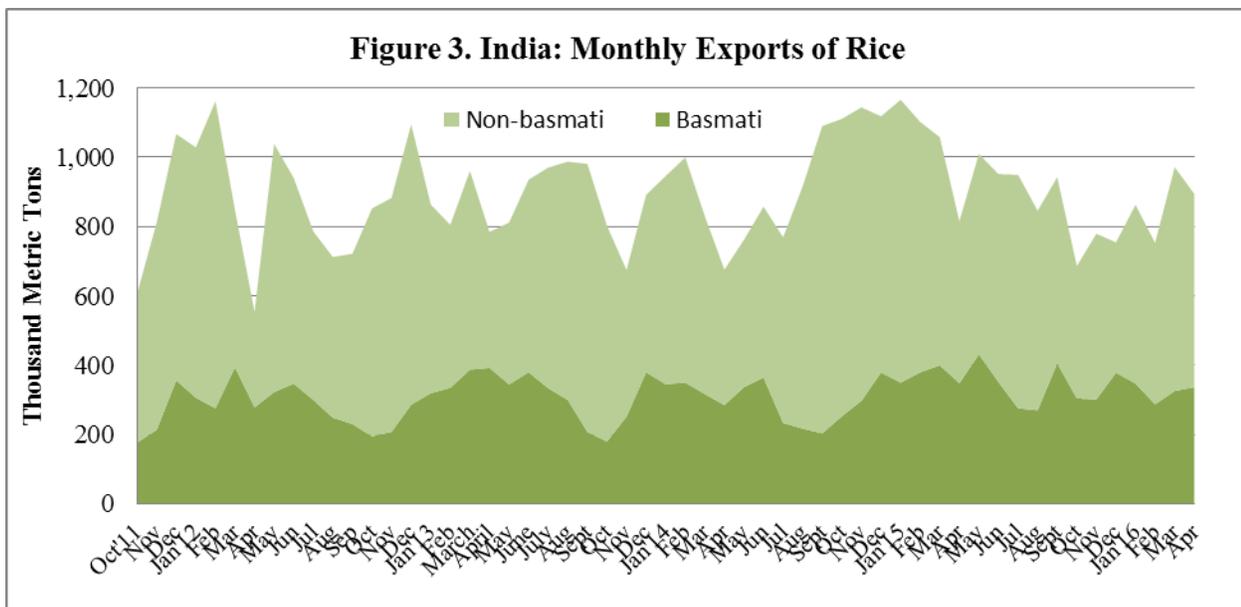


Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Riding on strong domestic procurement and relatively weaker offtake under the public distribution system, the government rice stocks on June 1, 2016, are officially estimated at 27.2 MMT compared to 22.7 MMT last year. With the forecast above normal 2016 monsoon boosting the prospects for rice harvest in MY 2016/17, government may release higher quantities of rice instead of wheat through the public distribution system. Most states also prefer rice over wheat for the public distribution system as rice is the preferred staple cereal across the country.

Rice Exports Steady But Lower Than Last Year

According to the preliminary official statistics for January-April 2016, rice exports in the first four months of CY 2016 are estimated at 3.48 MMT compared to 4.14 MMT during the corresponding period last year down 16 percent over last year.



Source: Monthly exports till April 2016 from DGCIS, GOI.

Assuming no significant change in the export demand and price parity for Indian rice vis-avis rice from competing origins, CY 2016 exports are likely to reach 9.0 MMT.

CORN

Note: No changes in the official PSD to report.