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Grain and Feed Update

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Report Highlights:

MY 2017/18 milled rice production at 107.5 million metric tons (MMT) on lower than expected planting and yield due to suboptimal weather conditions during critical growth stages in some rice growing states. MY 2017/18 rice export estimate lowered to 11.5 MMT on forecast tight supplies. MY 2017/18 wheat import estimate lowered to 3.0 MMT based on sufficient domestic supplies.

Post:
New Delhi

Commodities:
Rice, Milled
Wheat
Corn

Author Defined:

Minimum Support Prices (MSP) for Rabi Crops Raised

On October 24, 2017, local press reported that the Cabinet Committee on Economic Affairs raised the minimum support prices (MSP) for the upcoming *rabi* (winter planted) crops for the Indian crop year 2017/18 (July-June), which will be harvested and marketed in the MY 2018/19 (April-March). The MSP has been fixed based on the recommendations of the Commission for Agriculture Cost and Prices (CACAP) to ensure farmers receive sufficient profits and cover cost of production.

The MSP for wheat has been raised by INR 1,100 (\$17) per metric ton (MT) over last year to INR 17,350 (\$267) per MT. This increase has come on the back of INR 1000 (\$15.4) per MT increase last year (MY 2017/18) compared to increases of INR 500-750 (\$7.7-11.5) per MT in previous years (MY 2012/13 to MY 2016/17). The MSP for barley has been raised by INR 850/MT to 14,100/MT, chickpeas by INR 4000/MT to INR 44,000/MT and lentils by INR 3000/MT to INR 42,500/MT.

Despite the higher MSP increase for pulses (chickpea and lentils), Indian farmers prefer to produce wheat over pulses, where substitutable, given a guaranteed government procurement program for wheat. Consequently, the significant increase in MSP is likely to support higher planting of wheat for the upcoming MY 2018/19 wheat crop. However, irrigation water availability and soil moisture content at the time of planting (October to Mid-December) may affect overall planting prospects in the partially irrigated states (Uttar Pradesh, Madhya Pradesh, Rajasthan).

RICE

Table 1. India: Commodity, Rice Milled, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)						
Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43499	43499	43190	43190	44500	42700
Beginning Stocks	17800	17800	18400	18400	20550	20550
Milled Production	104408	104408	110150	110150	110000	107500
Rough Production	156628	156628	165242	165242	165017	161266
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
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	122208	122208	128550	128550	130550	128050
MY Exports	10240	10240	11000	11000	11800	11500
TY Exports	10040	10040	11200	11200	11800	11500
Consumption and Residual	93568	93568	97000	97000	98000	98000
Ending Stocks	18400	18400	20550	20550	20750	18550
Total Distribution	122208	122208	128550	128550	130550	128050
Yield (Rough)	3.6007	3.6007	3.8259	3.8259	3.7082	3.7767

Production

Post estimates MY 2017/18 milled rice production at 107.5 million metric tons (MMT) on lower than expected planting and yield due to prolonged dry conditions and floods during planting and crop growth stages in some rice growing states. (See [IN7120](#)). The [Ministry of Agriculture's latest report](#) estimates rice planting through September 29, 2017, at 37.91 million hectares, 0.33 million hectares lower than rice planting during the corresponding period last year. Less than ideal weather conditions during planting and critical crop growth stages compared to last year are likely to result in lower MY 2017/18 yield, compared to last year's record yields.

The Central Water Commission (CWC) estimated the overall water storage position on September 28, 2017 at 103.94 billion cubic meters (BCM) compared to 116.6 BCM at the same time last year and lower than the last ten year average of 119.1 BCM. The lower reservoirs position is likely to affect the rice planting in the upcoming *rabi* (winter planted) season, particularly in the southern states largely dependent on reservoir irrigation. The relatively weak reservoir water position for irrigation will affect the planting prospects for the upcoming *rabi* season rice in the eastern and southern states.

Consequently, post now estimates MY 2017/18 rice planting at 42.7 million hectares, lower than the initial forecast of 44.5 million hectares and marginally lower than last year's 42.95 million hectares. Assuming normal weather conditions during *kharif* harvest and *rabi* season, MY 2017/18 production is estimated at 107.5 MMT (94 MMT *kharif* rice and 13.5 MMT *rabi* rice), the second highest harvest

recorded.

Due to the normal withdrawal of 2017 monsoon, harvest of *kharif* rice commenced on schedule in the first week October and will be over by end-October in the northern states (Punjab, Haryana, Rajasthan, west Uttar Pradesh). Initial harvest reports suggest good yield realization, nearly same as last year's record yield. Harvesting has commenced in other states and will continue through mid-December. Agriculture experts suggest that rice yields are likely to be lower than last year in other states due to less than optimal weather conditions during various crop growth stages.

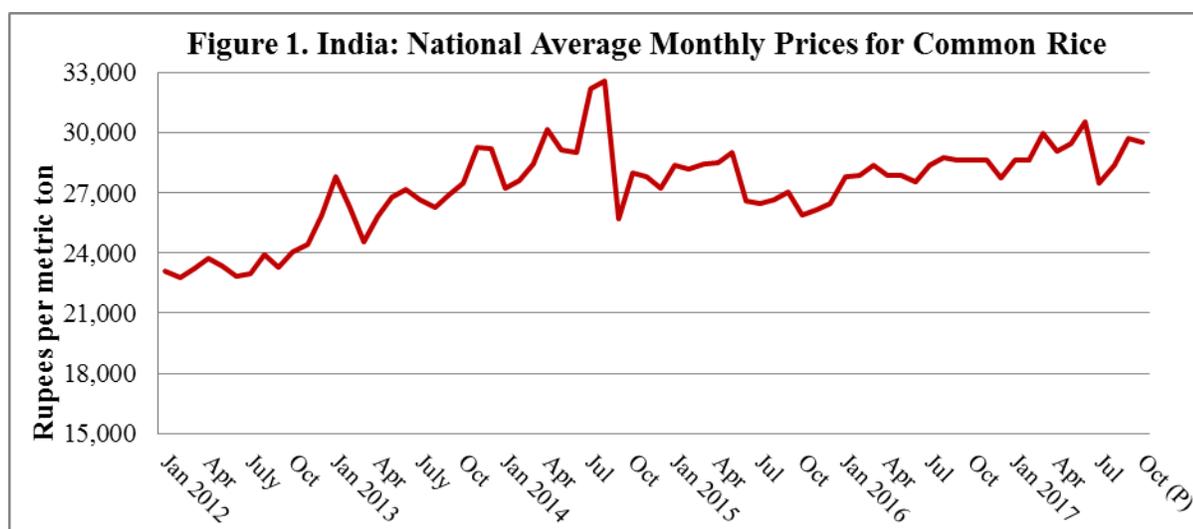
Government Procurement Begins on a Strong Note

Government procurement of MY 2017/18 rice under the minimum support price (MSP) is slightly ahead of last year on timely harvest and good yield realization in the northern states. Rice procurement through October 23, 2017, is estimated at 8.6 MMT compared to 8.3 MMT during the corresponding period of MY 2016/17. Most of the procurement is from the northern states of Punjab (5.4 MMT vs 5.4 MMT last year) and Haryana (3.1 MMT vs 2.8 MMT last year), and will gradually spread to other states from November onwards.

Based on the production and procurement estimates suggested by various states, the [government has set the MY 2017/18 kharif rice procurement target](#) of 37.5 MMT compared to MY 2016/17 *kharif* rice procurement of 34.5 MMT (initial target 33 MMT). Market sources report that government procurement is unlikely to reach the target level on expected lower procurement from eastern and southern states on expected lower yields compared to last year.

Price Ease

With the strong arrival of the near-record new crop, domestic prices have eased in October.



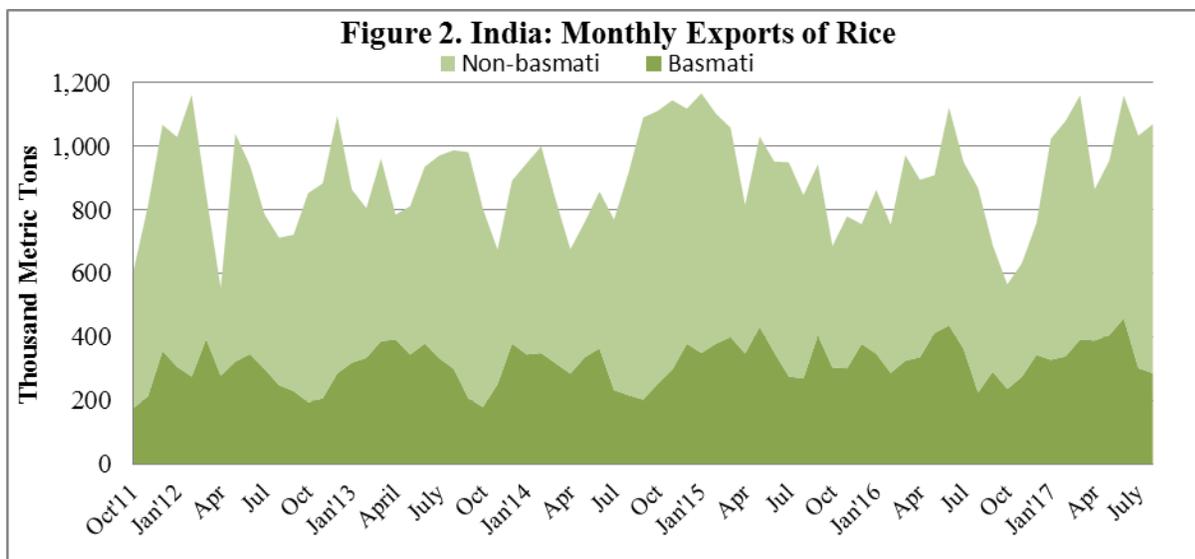
Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Prices are expected to ease further in November with the arrival of the new crop across the country.

However, domestic prices during the marketing year will also depend on the export demand and international price movement.

MY 2017/18 Exports Lowered Marginally

Post’s MY 2017/18 rice exports forecast is lowered to 11.5 MMT due to forecast tight domestic supplies, but still higher than previous year exports assuming continued strong export demand. MY 2016/17 rice exports continue to be estimated at 11 MMT on the current pace of exports.



Source: Directorate General of Commercial Intelligence, GOI

The latest available official trade estimates indicates MY 2016/17 rice exports through August 2017 at 10.3 MMT. Market sources report that an additional 700,000 MT is likely to have been exported in September 2017, mostly non-Basmati coarse rice to Bangladesh and Africa. Consequently, MY 2016/17 rice exports are estimated at 11 MMT, of which about 4 MMT is long grain Basmati rice and 7 MMT is coarse rice.

Pace of exports are likely to remain steady in the first quarter of MY 2017/18 (last quarter of CY 2017) on expected steady domestic prices and export demand. However, forecast tight domestic supplies may affect the current price parity for Indian rice vis-a-vis rice from other origins during the latter part of the marketing season. Assuming no significant changes in the export demand during MY 2017/18, MY 2017/18 rice export is forecast slightly lower than initially expected to 11.5 MMT (4 MMT Basmati and 7.5 MMT non-Basmati), second highest record exports (record MY 2014/15 exports of 12.2 MMT).

Stocks Lowered

MY 2017/18 ending stocks have been lowered to 18.6 MMT reflect the relatively tight domestic supplies.

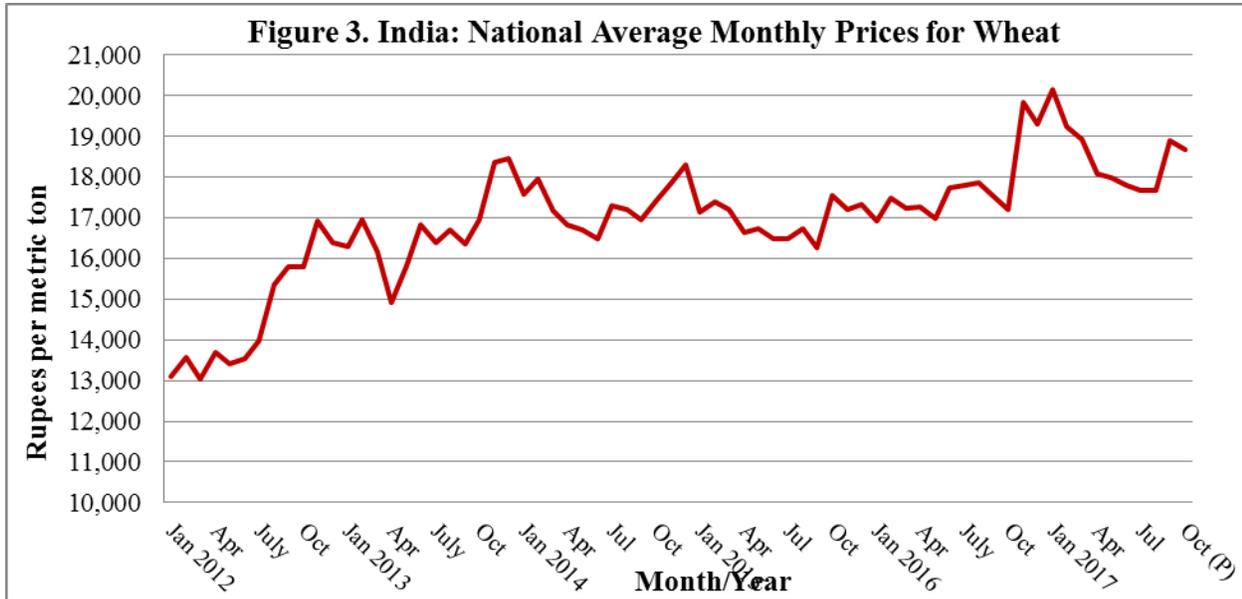
WHEAT

Table 2. India: Commodity, Wheat, PSD						
(Area in thousand hectares, Quantity in thousand metric tons, and Yield in MT/hectare)						
Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	31470	31470	30220	30418	30600	30600
Beginning Stocks	17220	17220	14540	14540	9800	9800
Production	86530	86530	87000	87000	98380	98380
MY Imports	471	471	5896	5896	3500	3000
TY Imports	301	301	6147	6147	3500	3000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	104221	104221	107436	107436	111680	111180
MY Exports	1130	1130	516	516	500	500
TY Exports	906	906	409	409	400	400
Feed and Residual	4200	4200	4700	4700	5000	5000
FSI Consumption	84351	84351	92420	92420	95000	95000
Total Consumption	88551	88551	97120	97120	100000	100000
Ending Stocks	14540	14540	9800	9800	11180	10680
Total Distribution	104221	104221	107436	107436	111680	111180
Yield	2.7496	2.7496	2.8789	2.8601	3.215	3.215

Production Unchanged

MY 2017/18 wheat production forecast is unchanged at record 98.4 MMT. See [IN7120](#) for more information on production and government procurement.

Market prices have eased in the month of October 2017 in most wheat producing states supporting the record production forecast.



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

Average spot prices in the major wheat producing states in October 2017 ranged from INR 15,670 (\$241) to 16,950 (\$261) per metric tons, around the government’s MSP of INR 16,250 (\$250) per metric tons despite the end of the marketing season (April-July). Market sources report that farmers and local traders are holding larger than normal quantities of wheat for late season sales based on the last year experience when the end season prices flared to high levels. Consequently, market prices are expected to remain steady in the MY 2017/18 on forecast sufficient supplies.

Imports Lowered

Post estimates MY 2017/18 imports lower at 3.0 MMT from on sufficient domestic supplies and consequent expected weak domestic prices.

Official trade sources estimate MY 2017/18 wheat import through August 2017 at 487,000 MT. Market sources report that additional 600-700 thousand MT of Black Sea wheat has been imported or contracted for import during September-November 2017, mainly destined for southern millers due to its freight advantage over domestic wheat shipped from inland. Import prospects have also been affected by speculation on a government proposal to raise the import duty to curb imports of cheap foreign wheat. Assuming no significant change in the import policy and current price parity for local wheat vis-a-vis foreign wheat, MY 2017/18 wheat exports are forecast to reach 3 MMT.

MY 2017/18 ending stocks have been revised lower to 10.7 MMT on forecast lower imports.

CORN

Note: No significant changes in the official PSD to report.