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## **Report Name:** Grain and Feed Update - 2021

**Country:** India

**Post:** New Delhi

**Report Category:** Grain and Feed

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### **Report Highlights:**

FAS New Delhi (post) is lowering its India MY 2021/2022 (April-March) wheat production forecast to 105 million metric tons (MMT) compared to the pre-harvest forecast of 107 MMT. Post is lowering the forecast number due to early harvest reports of lower-than-expected yields in the country's central and eastern states. On April 16, 2021, the Indian Metrological Department released its first long-range forecast for the 2021 southwest monsoonal season (June-September), forecasting normal rainfall. On April 23, 2021, the Indian government announced that it will begin providing, anew, free food grains to 800 million National Food Security Act (NFSA) beneficiaries (62 percent of the population). Distribution of free grains commences in May and extends through June 2021, assisting beneficiaries experiencing economic hardship during the COVID-19 pandemic outbreak's second wave. Some 8 million metric tons of food grains are required to cover the two months of new distribution.

## GENERAL SITUATION

### Government of India to Distribute Additional Free Food Grain Through June 2021

On April 23, 2021, the Indian government announced that it will begin providing, anew, free food grains to 800 million National Food Security Act (NFSA) beneficiaries (62 percent of the population). Distribution of free grains (wheat or rice) will commence in May and extend through June 2021, assisting beneficiaries experiencing economic hardship during the COVID-19 pandemic outbreak's second wave. The government will provide each beneficiary with an additional five kilograms of wheat or rice per month over the current NFSA monthly allotment of five kilograms. In 2020, as a COVID-19 relief measure following the March national lockdown, the government provided beneficiaries with food grains from April to November.

Sources calculate that 8 million metric tons (MMT) of food grains are required to cover the two months of new distribution. The added distribution will help whittle down the government's ballooning stockpiles of wheat (27.3 MMT as of April) and rice (49.9 MMT as of April), that are otherwise set to hit record levels by June 2021. With more-than-sufficient grain stocks, the government may opt to extend the free food grain distribution program until it manages to bring the virus's second wave ravaging India under control.

### Forecast of a Normal Monsoon to Forecast MY 2021/2022 Grain Production

On April 16, 2021, the Indian Metrological Department (IMD) released its [first long-range forecast for the 2021 southwest monsoon seasonal \(June-September\) rainfall](#), predicting precipitation at 98 percent of the long-period average (LPA; 88 centimeters for the period 1961-2010) with a five-percent margin of error. The forecast suggests a maximum probability (40 percent) for normal monsoon rainfall (96-104 percent of LPA). In the last week of May, the IMD will update the 2021 monsoon forecast, factoring in updated information on extreme sea surface temperature conditions prevailing in the Pacific and Indian Ocean Dipole.

The southwest monsoon provides 70 percent of India's annual rainfall and essential soil moisture for more than 55 percent of the unirrigated total cultivable area during the *kharif* (fall harvested September-November) crop season. Normal monsoon rain is critical for the *rabi* crops planted in the winter season. It ensures adequate soil moisture at the time of planting and adequate irrigation water for 45 percent of irrigated cultivated area.

Normal monsoons have supported five back-to-back consecutive record grain harvests since the Indian crop year (ICY) 2016/2017 (July-June). The arrival of a well distributed southwest monsoon supports FAS New Delhi's MY 2021/2022 area and production forecasts for rice, corn, and other coarse grains forecasted in Post's [GAIN-INDIA \(IN2021-0040\) India Grain and Feed Annual - 2021](#).

### FY 2021/2022 Pulse Import Quotas Announced

On March 19, 2021, India's Ministry of Commerce, and Industry (MOCI) issued notification S.O. 1266 (E); authorizing imports of 150,000 metric tons (MT) of mung beans and 400,000 MT of pigeon peas in the Indian fiscal year (IFY) 2021/2022 (April-March). On March 26, 2021, the MOCI issued notification S.O. 1372 (E) restricting imports of *urad* (black gram lentil) in IFY 2021/2022 to an annual quota of 400,000 metric tons. The ministry's Director General of Foreign Trade (DGFT) will allocate the import quota to millers, refiners, and traders as per the [DGFT Public Notice No 47/2015-2020 \(March 30, 2021\)](#). The government has not yet announced the IFY 2021/2022 annual import quota for peas.

## COMMODITIES:

### WHEAT

**Table 1. India: Commodity, Wheat, PSD**

Wheat Market Year Begins India	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	29319	29313	31357	31357	0	31580
Beginning Stocks (1000 MT)	16992	16992	24700	24700	0	27300
Production (1000 MT)	103600	103600	107860	107860	0	105000
MY Imports (1000 MT)	20	26	25	25	0	25
TY Imports (1000 MT)	20	26	25	25	0	25
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	120612	120618	132585	132585	0	132325
MY Exports (1000 MT)	509	509	2200	2200	0	2000
TY Exports (1000 MT)	595	595	2700	2700	0	2000
Feed and Residual (1000 MT)	6000	6000	6500	6500	0	7000
FSI Consumption (1000 MT)	89403	89409	96585	96585	0	97000
Total Consumption (1000 MT)	95403	95409	103085	103085	0	104000
Ending Stocks (1000 MT)	24700	24700	27300	27300	0	26325
Total Distribution (1000 MT)	120612	120618	132585	132585	0	132325
Yield (MT/HA)	3.5335	3.5343	3.4397	3.4397	0	3.3249

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 2021/2022 = July 2021 - June 2022

Note: All PSD forecast revisions for MY 2021/2022 in the report reference changes from Post's previous forecast in the [GAIN-INDIA \(IN2021-0040\) India Grain and Feed Annual - 2021](#). USDA's official forecast for MY 2021/22 is forthcoming.

### PRODUCTION

**MY 2021/2022 Production Lowered:** FAS New Delhi is lowering its India MY 2021/2022 wheat production forecast to 105 million metric tons (MMT) compared to the pre-harvest forecast of 107 MMT (see, [GAIN-INDIA \(IN2021-0040\) India Grain and Feed Annual - 2021](#)). Post is lowering the forecast number due to early harvest reports of lower-than-expected yields in the country's central and eastern states. Nevertheless, India will still experience its second-highest harvest this season, following four consecutive record harvests (for marketing years 2017/2018 through 2020/2021).

The early onset of summer in 2021, with daytime temperatures ascending to summertime levels commencing the first week of March (compared to the last week of March in 2020), hastened the maturation of the wheat crop. Seed setting has been particularly affected in the central and eastern production states (i.e., Madhya Pradesh, Central/ East Uttar Pradesh, and Bihar). Early harvest reports from field sources indicate yields that are about three-to-six percent lower than last year. However, wheat yields in the fully irrigated northern states (i.e., Punjab, Haryana, and West Uttar Pradesh) are reported at around last year's level. Early planting, relatively lower temperatures due to weather disturbances in the adjoining Himalayan ranges, and sufficient supplemental irrigation is buoying wheat yields in the northern states. The near-absence of heavy rains/hailstorm during the harvest period in March/April reduced on-field harvest losses compared to what occurred during the 2020 harvest.

**Wheat Harvest Commences Last Week of March:** The Indian wheat harvest began in earnest in the last week of March and will extend through the first week of May in most states. Although the Indian government's yield assessment will not be available until the end of June, field reports indicate that production gains in the northern states will only partially offset the expected lower yields in central and eastern India compared to last year's record yield. India's wheat production is forecast to be around 105 MMT, 2 MMT lower than originally forecast due to expected lower yields. Trade sources estimate the crop in the range of 98 to 104 MMT, much lower than the Ministry of Agriculture and Farmer Welfare's [second advance estimate of 109.2 MMT](#) (pre-harvest, February 2021).

## CONSUMPTION

**Government Wheat Procurement Starts Strong:** The pace of MY 2021/2022 government wheat procurement (April-July) under the minimum support price (MSP) system started off strong at the beginning of this season (April 1, 2021). A timely harvest, relatively weak open market prices, and an anticipated bumper crop are helping with government procurement purchases. Procurement volumes in MY 2021-2022, as of April 20, 2021, are estimated at 13.7 MMT, with wheat procurement concentrated in the states of Punjab (4.93 MMT), Haryana (4.81 MMT), and Madhya Pradesh (3.17 MMT).<sup>1</sup> Procurement in Punjab and Haryana, the states with major surplus production, is in full swing now and expected to taper off around the second week of May. Government wheat procurement will continue through June in most of the other producer states but will depend on open market price movements. Except for Madhya Pradesh, it is anticipated that most states will increase the volume of wheat supplied over last year's procurement levels.

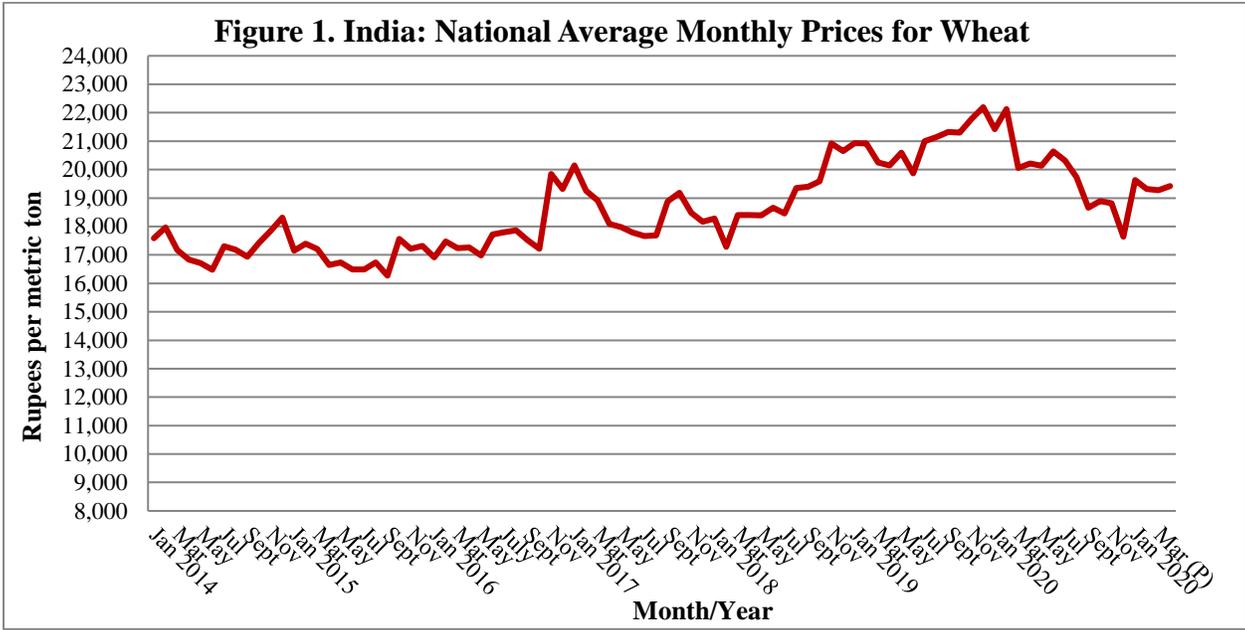
Local traders and farmers will buy and stock smaller-than-normal quantities of wheat. Market sources indicate that the lower volumes of wheat being put aside are a consequence of expected relatively weak domestic prices throughout much of MY 2021/2022, combined with speculation of increased government purchases and stocks. There are concerns that the coronavirus (COVID-19) second wave may disrupt supply-chain distribution. If this holds, then the government is likely to increase procurement to 44-45 MMT, significantly exceeding the procurement target of 42.7 MMT. An unforeseen spike in international wheat prices may, however, spark an increase in neighboring markets' demand for Indian wheat, affecting India's own domestic prices during the current procurement season.

Relatively high government opening stocks and expected stronger procurement will create more-than-sufficient government grain stocks. As indicated earlier, if the COVID-19 second wave worsens, the government will be pressured into releasing higher quantities of wheat through its food security and relief programs

**Prices Hold Firm:** Notwithstanding this year's bountiful harvest, the Indian government's MSP procurement purchases continue to support domestic market prices. Domestic prices in the major wheat producing states range from Indian rupees (INR) 18,400 (\$245) to INR 19,200 (\$246)/MT, slightly below the government's MSP of INR 19,750 (\$263) per metric ton.

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<sup>1</sup> Comparisons between this year's procurement purchases and last year's, need to account for the COVID-19 induced disruption in 2020. With the national lockdown (March 2020) procurement operations were severely affected, these were delayed and staggered over extended periods of time.



Source: [AgMarketNet](http://AgMarketNet), Ministry of Agriculture and Farmers Welfare, FAS New Delhi office research.

Wheat market prices are anticipated to hover around the government’s MSP prices through the procurement season (ending July 2021). Domestic wheat price movements after July will largely depend on the government’s wheat supply, as well as export demand based on international price movements.

**STOCKS**

**Stocks Adjusted:** Government-held [wheat stocks as of April 1, 2021](#) are estimated at 27.3 MMT (MY 2020/2021 ending stocks). Based on the forecast of lower production and steady consumption and exports, post’s MY 2021/2022 ending wheat stock estimate is lowered to 26.3 MMT, slightly lower than previous year ending stocks, but more than three and a half times the government desired April 1 stocks volume of 7.46 million metric tons.

## RICE

FAS New Delhi sees no need for changes to the USDA official MY 2020/2021 (October-September) production, supply, and demand (PSD) figures.

## CONSUMPTION

**Government Procurement Higher:** Government sources report total rice procurement under the MSP system in MY 2020/2021 (April 20, 2020) at 47.2 MMT compared to 41.8 MMT during the same period last year.

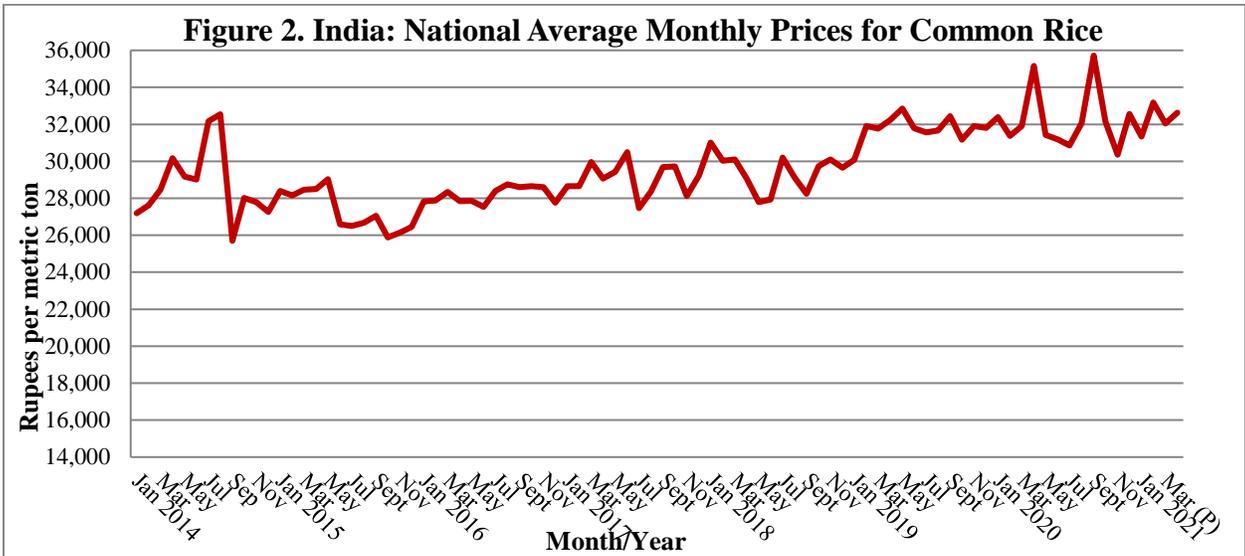
Despite record rice exports, most of India's rice producing state governments are procuring larger quantities of rice this year compared to last year. Andhra Pradesh and Chhattisgarh are the notable exceptions. With additional procurement of *rabi* and summer rice likely to continue in eastern and southern states, government rice procurement in MY 2020/2021 is likely to be around 55-56 MMT, increasing 3-4 MMT beyond last year's record 52 MMT procurement volume.

State	MY 2019/2020	MY 2019/2020	MY 2020/2021
	October-September	October 1 to April 20	
<b>Punjab</b>	10.88	10.88	13.59
<b>Telangana</b>	7.45	3.16	3.27
<b>Andhra Pradesh</b>	5.53	3.25	3.10
<b>Chhattisgarh</b>	5.22	5.19	3.98
<b>Odisha</b>	4.80	3.57	4.28
<b>Haryana</b>	4.31	4.31	3.79
<b>Uttar Pradesh</b>	3.79	3.72	4.48
<b>Tamil Nadu</b>	2.20	1.40	1.93
<b>West Bengal</b>	1.84	1.47	1.39
<b>Madhya Pradesh</b>	1.74	1.74	2.50
<b>Others</b>	<u>4.23</u>	<u>3.17</u>	<u>4.93</u>
<b>Total</b>	<b>52.00</b>	<b>41.84</b>	<b>47.22</b>

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

**Domestic Prices Stable:** Despite record domestic production volumes and strong exports, market prices remain relatively stable, fluctuating in a narrow range during most of MY 2020/21. Even with strong exports, prices are anticipated to remain steady from May onwards with the arrival of the *rabi* and summer rice.

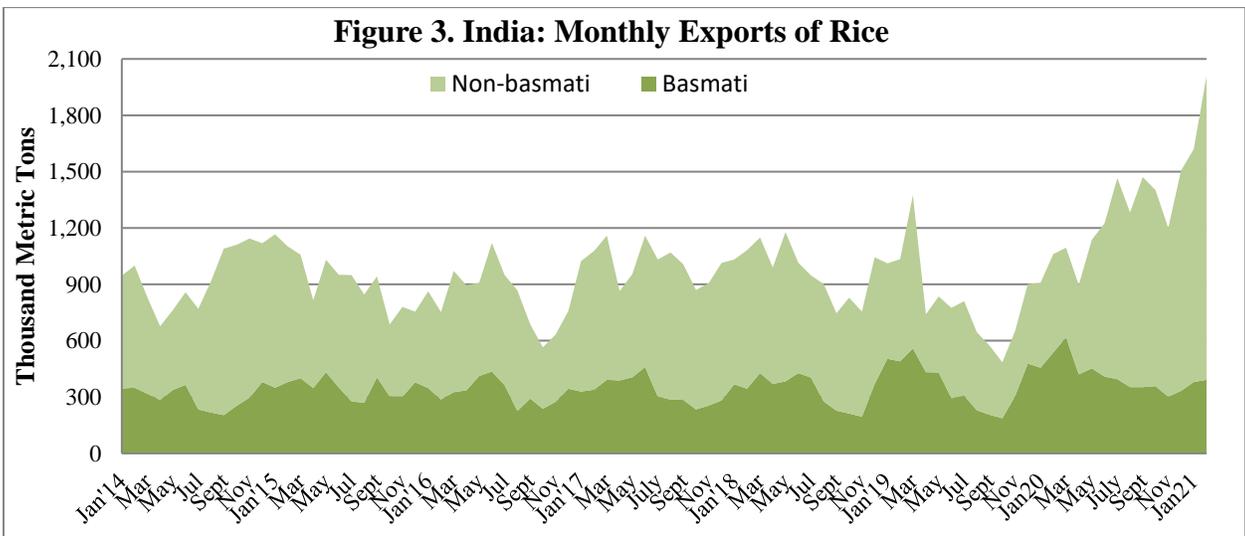
Average spot prices for common-grade coarse rice as of April 2021 ranged from INR 24,500 (\$326) to INR 35,00 (\$467)/MT in the major production states. Prices are likely to remain steady through the next couple of months (i.e., April-June 2021) on an expected good *rabi* rice harvest. Prices during the last quarter (July-September) of MY 2020/2021 will depend on export demand and international price movements assuming standard plantings under the forecasted normal 2021 monsoon.



Source: [AgMarketNet](#), Ministry of Agriculture and Farmers Welfare, FAS New Delhi office research.

**TRADE**

**Exports Continue Strong:** Indian rice exports have been robust since the beginning of 2020 grounded on strong demand for non-Basmati rice to traditional markets. India has managed to maintain uninterrupted export supplies despite COVID-19 related supply disruptions.



Note: Monthly export figures through February 2021.

Source: Ministry of Commerce, and Industry \ [Directorate General of Commercial Intelligence and Statistics \(DGCIS\)](#), FAS New Delhi office research.

Indian official preliminary statistics indicate that MY 2020/2021 rice exports from October 2020 to February 2021 are 7.7 MMT, up 3.3 MMT compared to 4.0 MMT seen during the same period last year. Monthly rice exports reached a record 2.0 MMT in February, largely on strong exports of coarse grain rice to the traditional Middle East and African markets thanks to highly competitive prices compared to other suppliers.

Trade sources report continued strong exports continuing through March and into April 2021 as the declining value of the Indian rupee bolsters Indian rice's competitive price. However, traders express concern about the likelihood that the rampaging COVID-19 second wave may lead to a supply disruption in the main rice production states. There is growing unease that the recent surge in COVID-19 cases across India will result in health-related labor shortages and logistical challenges. FAS New Delhi believes it is too early to assess the full impact of this COVID-19 second wave on the Indian rice industry's export prospects. As such, our MY 2020/2021 India rice export figure of 15.5 MMT remains unchanged, assuming that there are no major changes in international rice prices and global demand.

## **STOCKS**

Government rice stocks as of April 1, 2021, are estimated at 49.9 MMT compared to 49.2 MMT during the same period last year. This volume now is nearly four times the government's desired rice stocks volume of 13.58 MMT (11.58 buffer stocks and 2 MMT strategic reserves).

## **CORN**

FAS New Delhi sees no need for changes to the USDA official MY 2020/2021 (October-September) production, supply, and demand (PSD) figures, nor new market developments to report.

## **Attachments:**

No Attachments