Required Report - public distribution

Date: 7/30/2014

GAIN Report Number: IN4066

India

Grain and Feed Update

Quarterly Update August 2014

Approved By:
Jonn Slette
Prepared By:
Santosh Kumar Singh

Report Highlights:
Despite the resurging 2014 monsoon in the week ending July 25, 2014, India's overall levels of precipitation continues to be about 25 percent below normal. Marketing year (MY) 2014/15 rice production estimates are revised lower to 99.5 million metric tons (MMT) and corn production to 21.2 MMT due to dry weather during June and most of July. MY 2014/15 rice exports are revised lower to 8.0 MMT, given tight domestic supplies.

Post:
New Delhi

Author Defined

2014 Monsoon Recover after Prolonged Weak Spell…

The Indian Meteorological Department (IMD) forecast a 'below-normal' 2014 southwest monsoon with the long-range forecast update predicting the seasonal rainfall to be 93 percent of normal. The southwest monsoon arrived a week later than normal on June 6, 2014, and was slow to advance over India's southern, eastern, and northeastern states by the second week of June. The monsoon arrived in western and northern regions by July 17, about a week later than the seasonal norm (see Appendix 1). Monsoonal precipitation through July 17, 2014, was significantly below normal levels in most parts of India. Although the 2014 monsoon regained momentum during the week ending July 25, 2014, cumulative levels remain weak, at roughly 25 percent lower than the seasonal long-term average (see appendix). This marks an improvement over the previous week's 36 percent below normal, and 41 percent below normal for the week of July 9, 2014 (see IN4063). Nevertheless, only 14 of the 36 weather subdivisions have received normal levels of rainfall during the season, with the northern, western and parts of Andhra Pradesh receiving deficient rains to date. The IMD's weekly press release forecast monsoon rains to continue over most of eastern and central India, and improve over northwest regions, which is the grain belt of the country. However, the IMD further predicts that monsoonal rains will remain weak over the southern peninsula and western India over the initial two weeks of August.

.. Support *Kharif* Planting…

The relatively weak 2014 monsoon through mid-July adversely affected planting during the MY 2014/15 *kharif* season (fall/early winter harvest) for grains like rice, coarse grains (corn, sorghum, millet), and pulses (pigeon pea, mung beans, black matpe). Overall planting of *kharif* crops continue to lag behind last year, although the pace of planting has improved with the recent resurgence of the monsoon.

Table 1: India: Planting of *Kharif* Crops in Indian Crop Year (July/June) (Area in Million Hectares)				
Crop	ICY 2014/15 Progressive Planting till July 25, 2014	ICY 2013/14 Progressive Planting till July 26, 2013	ICY 2014/15 Progressive Planting till July 18, 2014	ICY 2013/14 Progressive Planting till July 19, 2013
Rice	16.57	19.64	12.74	15.49
Pulses	4.45	7.36	2.16	3.16
Coarse cereals	8.45	14.88	4.84	12.66
Oilseeds	10.79	16.72	3.81	14.98
Sugarcane	4.64	4.85	4.61	4.85
Cotton	7.62	10.51	5.60	10.06
Total	53.32	74.78	34.56	62.02
Source: Ministry of Agriculture, Government of India (GOI).				

Agricultural experts generally note that the 2014 monsoon gained strength in the nick of time and any further delay in precipitation would have hampered the planting prospects for most *kharif* crops. *Kharif* planting is likely to be over by mid-August in most areas, excepting for some rice production areas in southern India. If monsoonal precipitation is light over the next two weeks in western regions and in the southern peninsula, the prospects for coarse grains and pulses in the predominantly rainfed states of Rajasthan, Gujarat, Karnataka, Telangana, and parts of Maharashtra could be negatively affected. Further dry weather in the southern peninsula may also affect rice planting in Andhra Pradesh and Tamil Nadu, where transplanting continues through early September.

… 2014/15 Production Prospects to be Affected

2014's rainfall patterns are comparable to the monsoon seasons in 2009 and 2012, as rains during the first half of these seasons were also deficient (see Appendix 3-5). The monsoon in 2012 recovered a week earlier than 2014, and was followed by sufficient rains throughout August and September, which led to strong grain production levels in MY 2012/13. The 2009 monsoon was spotty and relatively dry throughout August and September, which adversely affected grain production in MY 2009/10.

Below-normal rains during first half of the 2014 monsoon season are likely to affect the MY 2014/15 *kharif* grain production prospects. While the recent recovery in the monsoon is likely to stem the decline in *kharif* planted area, further rains throughout August and September will be critical for achieving normal yields. September and October precipitation is also critical for replenishing the reservoirs and ground water required for irrigation during the planting of *rabi* season (winter) grains to include wheat, rice, corn, barley, sorghum, and some pulses.

RICE

Table 2. India: Commodity, Rice Milled, PSD (Area in Thousand Hectares, Quantity in Thousand Metric Tons)						
Rice, Milled **India**	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Oct 2012		**Market Year Begin: Oct 2014**		**Market Year Begin: Oct 2015**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	42,410	42,410	43,500	43,940	43,800	42,700
Beginning Stocks	25,100	25,100	25,440	25,440	25,230	25,230
Milled Production	105,240	105,240	106,290	106,290	104,000	99,500
Rough Production	157,876	157,876	159,451	159,451	156,016	149,265
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	130,340	130,340	131,730	131,730	129,230	124,730
MY Exports	10,869	10,869	10,000	10,000	9,000	8,000
TY Exports	10,480	10,480	10,000	10,000	9,000	8,000
Consumption and Residual	94,031	94,031	96,500	96,500	98,000	98,000
Ending Stocks	25,440	25,440	25,230	25,230	22,230	18,730
Total Distribution	130,340	130,340	131,730	131,730	129,230	124,730

Production Lowered

Post's MY 2014/15 rice production estimates are revised lower to 99.5 MMT from 42.7 million hectares due to deficient rainfall in the rice growing states of Punjab, Haryana, Uttar Pradesh, Bihar, Andhra Pradesh, and Assam. Although rice planting in the states of Punjab, Andhra Pradesh, Haryana, and western Uttar Pradesh is irrigated, the dry weather will deplete the ground and surface (river canal and reservoir) water required for irrigation. MY 2013/14 rice area is revised based on the latest official estimate.

Rice area planted currently lags behind 2013 by 3 million hectares, although this gap is likely to narrow as rice planting in most states will continue through mid-August. Planting of long-grain Basmati rice in Punjab, Haryana and western Uttar Pradesh, as well as some rice in coastal Andhra Pradesh and Tamil Nadu will continue through the end of August-early September. Basmati area is likely to expand this year due to relatively strong international demand and favorable farmer earnings in 2013. If rains

remain deficient in August, many of the rice farmers who lack access to irrigation are likely to shift to less irrigation-dependent crops like pulses and forages.

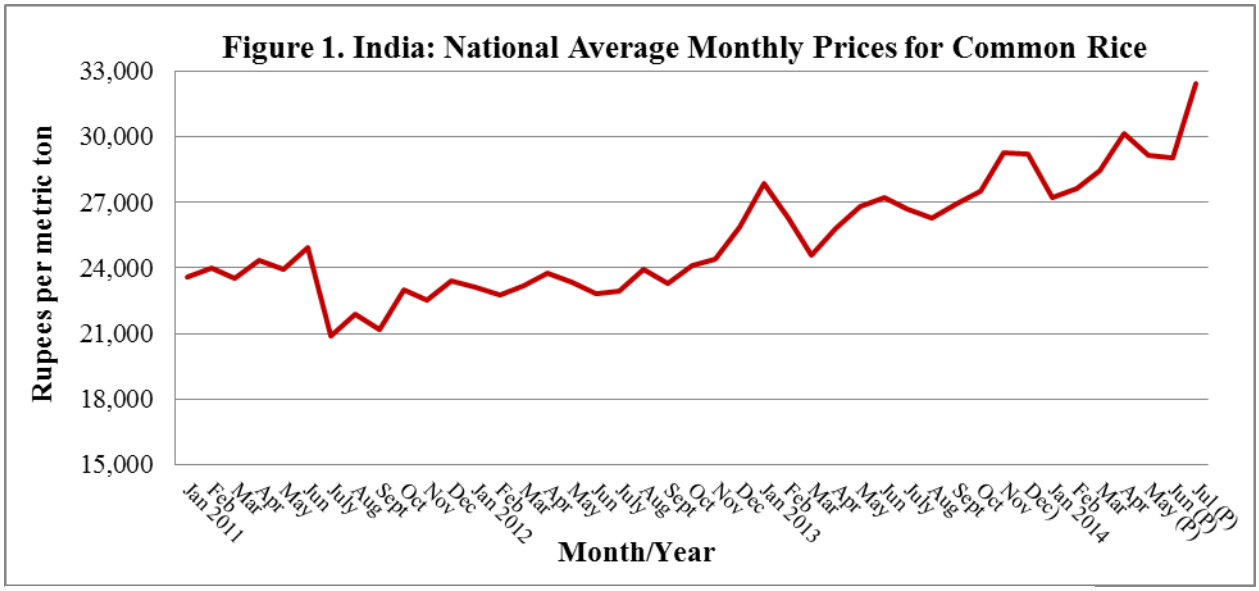
India's deficient rains and delayed planting will likely affect the productivity of *kharif* crops in most states and overall yields are expected to be lower from last year's 2.4 tons per hectare. Assuming normal rainfall levels during August and September, MY 2014/15 production is forecast to decline to at least 99.5 MMT from 42.7 million hectares, a decline from last year's record 106.3 MMT from 43.9 million hectares. Further deficient rains and/or prolonged dry spells in August and September in rice growing areas may result in a significantly lower rice harvest than the current forecast. Conversely, sufficient and well distributed rains during August and September, as well as the absence of any major cyclonic build up in September and October may improve the production prospects from the current forecast. A clearer picture for India's rice production will emerge by the end of August when the monsoon and soil moisture conditions can be better assessed.

Government Stocks Sufficient To Meet Production Decline

Government-held stocks of rice as of July 1, 2014, are officially estimated at 25.5 MMT compared to 31.5 MMT at the same time last year, but more than double the desired government July opening stocks of 11.8 MMT. Consequently, the Government of India (GOI) has sufficient stocks to augment tight market supplies as to contain any potential rice price spikes.

Prices Surge on Monsoon Concerns

An impending 'below-normal' 2014 monsoon and speculation on domestic rice production resulted in a strong surge in the domestic prices for common rice.



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

Government Release Additional PDS Rice

In an effort to contain domestic price inflation, the newly-elected National Democratic Alliance Government has already approved additional allocation of 5.0 MMT rice for distribution through the Public Distribution System (PDS) for the period July 2014 to March 2015. Media reports note that senior GOI officials have committed to releasing additional rice stocks into the market as to contain food price inflation.

Exports Lowered

Post's MY 2014/15 rice export is estimated lower at 8.0 MMT, reflecting the relatively tight domestic supplies and expected higher domestic prices. Recent surges in domestic prices vis-à-vis the current exchange rate with the U.S. dollar have affected the export competitiveness of Indian rice. This dynamic may change as international prices and exchange rates fluctuate. The GOI is unlikely to impose export restrictions on rice given current sufficient domestic supplies, as well as current production and export estimates. Concerns about food price inflation prompted the GOI to impose various restrictions on rice exports over 2007 through 2011.

CORN

Table 3. India: Commodity, Corn, PSD
(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

Corn India	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Nov 2012		**Market Year Begin: Nov 2013**		**Market Year Begin: Nov 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	8,910	8,673	9,500	9,300	9,000	8,900
Beginning Stocks	570	570	651	651	1,851	1,851
Production	22,260	22,260	24,190	24,190	22,000	21,200
MY Imports	12	12	10	10	10	10
TY Imports	9	9	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,842	22,842	24,851	24,851	23,861	23,061
MY Exports	4,691	4,691	3,500	3,500	2,500	2,500
TY Exports	4,768	4,768	3,500	3,500	2,500	2,500

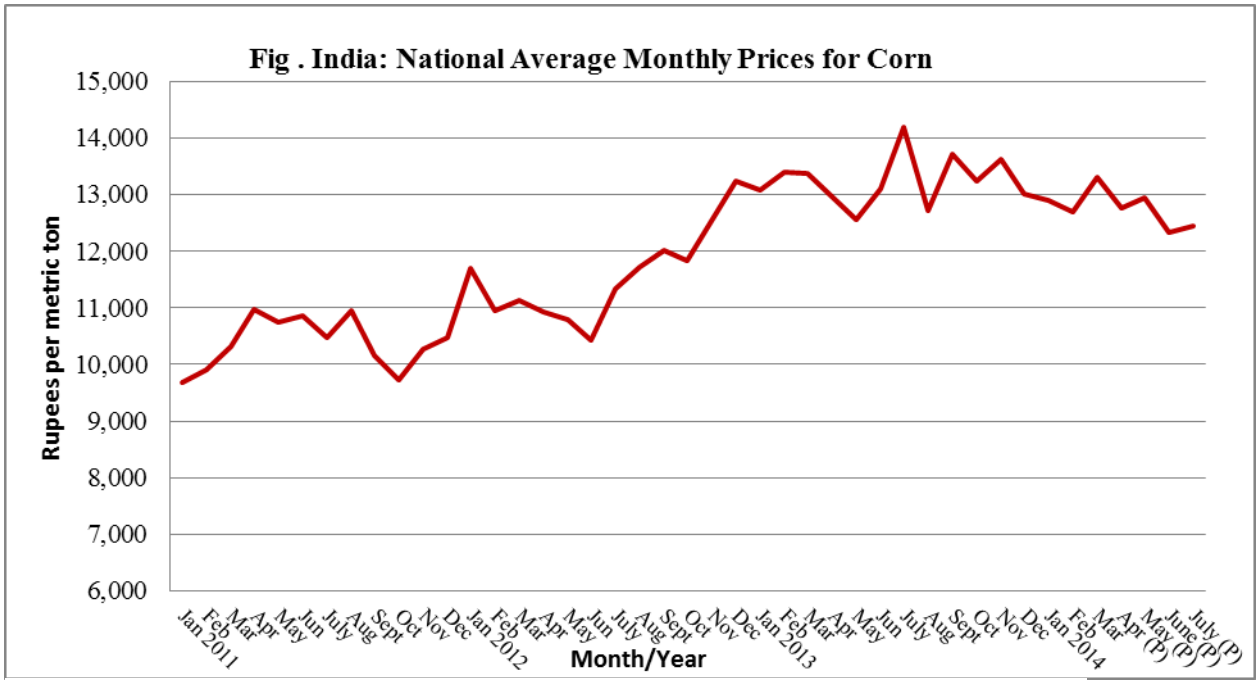
Feed and Residual	8,900	8,900	10,500	10,500	10,800	10,800
FSI Consumption	8,600	8,600	9,000	9,000	9,500	9,200
Total Consumption	17,500	17,500	19,500	19,500	20,300	20,000
Ending Stocks	651	651	1,851	1,851	1,061	561
Total Distribution	22,842	22,842	24,851	24,851	23,861	23,061

Production Lowered

MY 2014/15 corn production estimate is revised lower to 21.2 MMT due to the weak monsoon during the first half of 2014, particularly in the western states of Gujarat, Rajasthan, and Maharashtra. Recent rains are likely to support corn planting in the central and eastern states, but the monsoon continues to underperform in western states. Consequently, MY 2014/15 planting is forecast to decline to 8.9 million hectares compared to 9.3 million hectares in 2013. Assuming that August and September precipitation will be normal, corn yields can achieve normal levels in MY 2014/15, with production estimated to reach 21.2 million hectares, nearly 2 MMT lower than 2013's record levels. Should monsoonal rains be deficient in August and September, corn yields will suffer during the upcoming *kharif* harvest and corn planting prospects for the *rabi* season (planted on October-November), and winter corn (planted in January) will be negatively affected.

Prices Stable

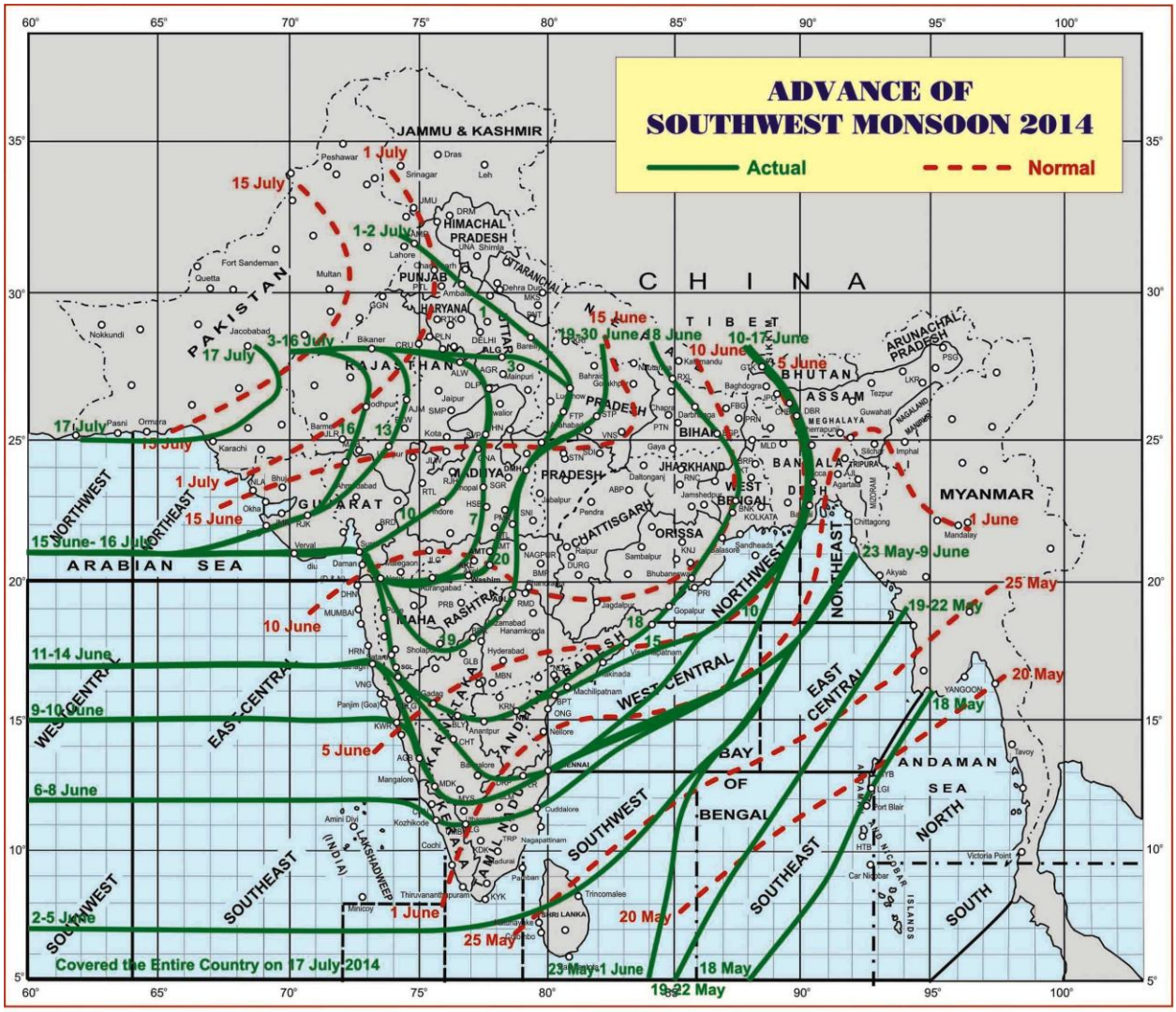
Despite continued speculation on poor 2014 monsoon, domestic corn prices remain stable due to large carryover stocks from last year's record crop.



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

Market prices in the major production states currently range from INR 12, 125 ($205) to INR 14,660 ($248) per metric ton. Prices are expected to remain stable in August, but future prices will largely depend on the outcome of the monsoon, as well as and international prices.

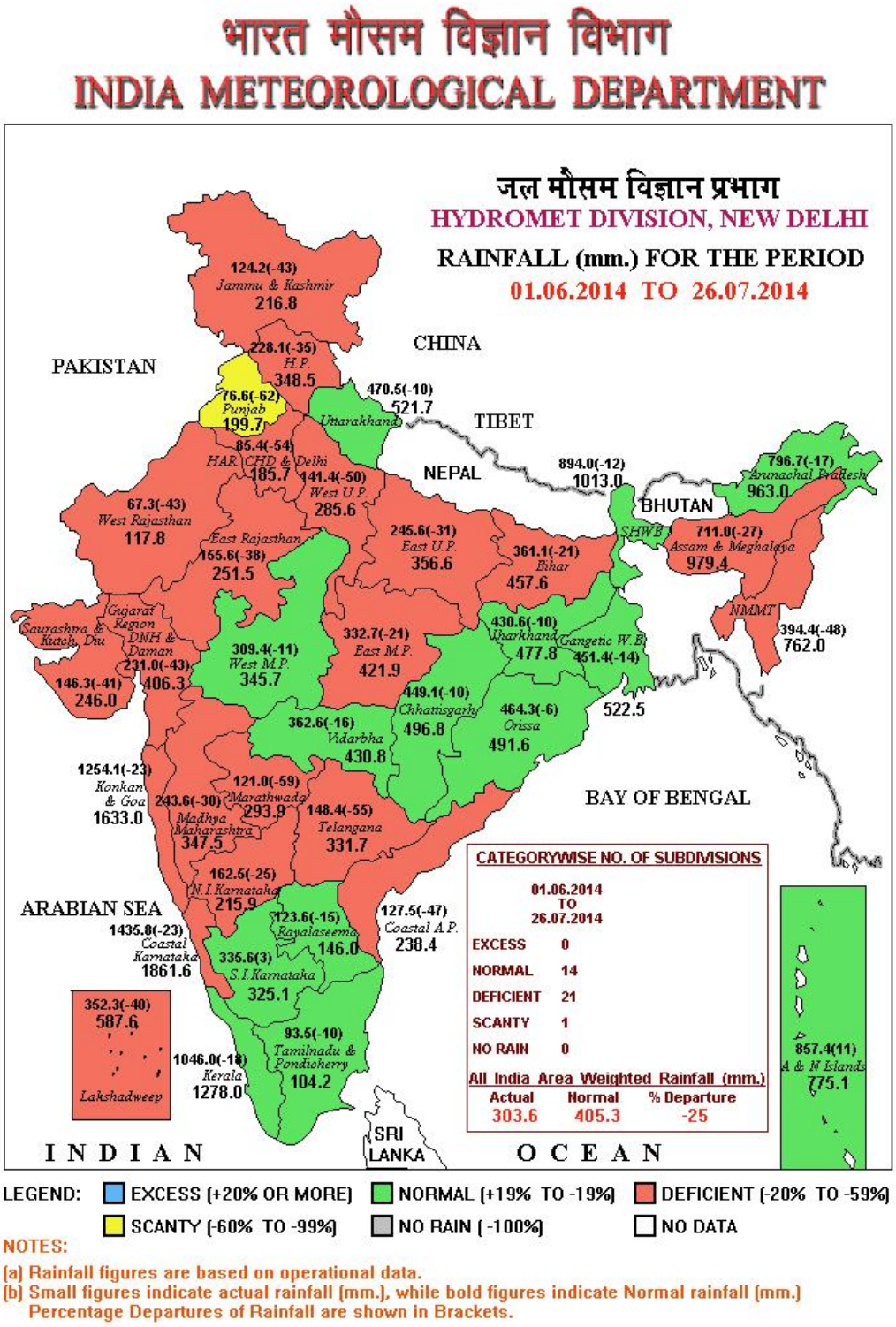
Appendix 1. India: Progress of 2014 South West Monsoon as on July 17, 2014



The Southwest Monsoon has advanced on the 17th July 2014, into remaining parts of north Arabian Sea, Saurashtra & Kutch, Gujarat region and west Rajasthan. Thus it covered the entire country.

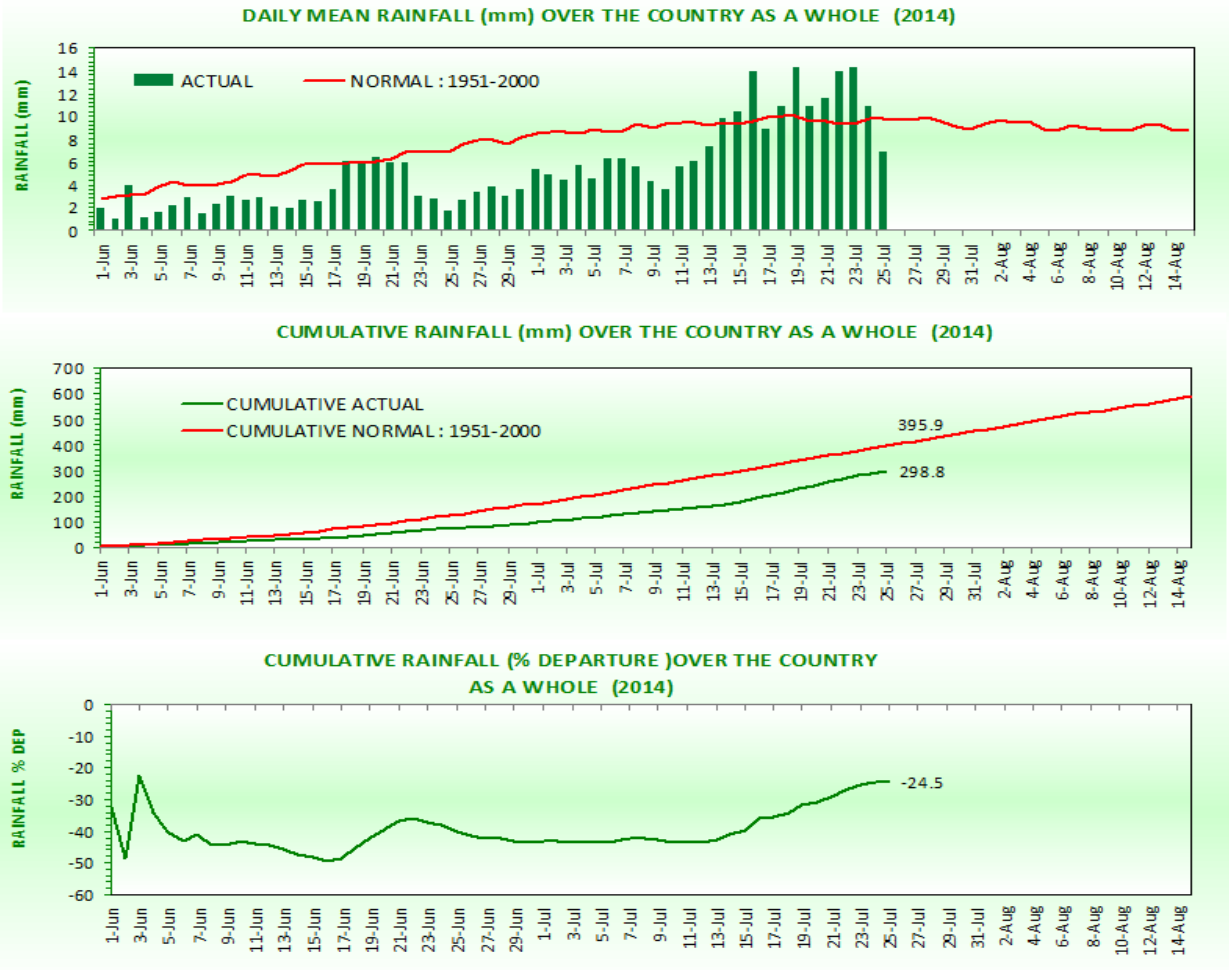
Source: [Indian Metrological Department, GOI]

Appendix 2. India: Cumulative South West Rainfall till July 26, 2014



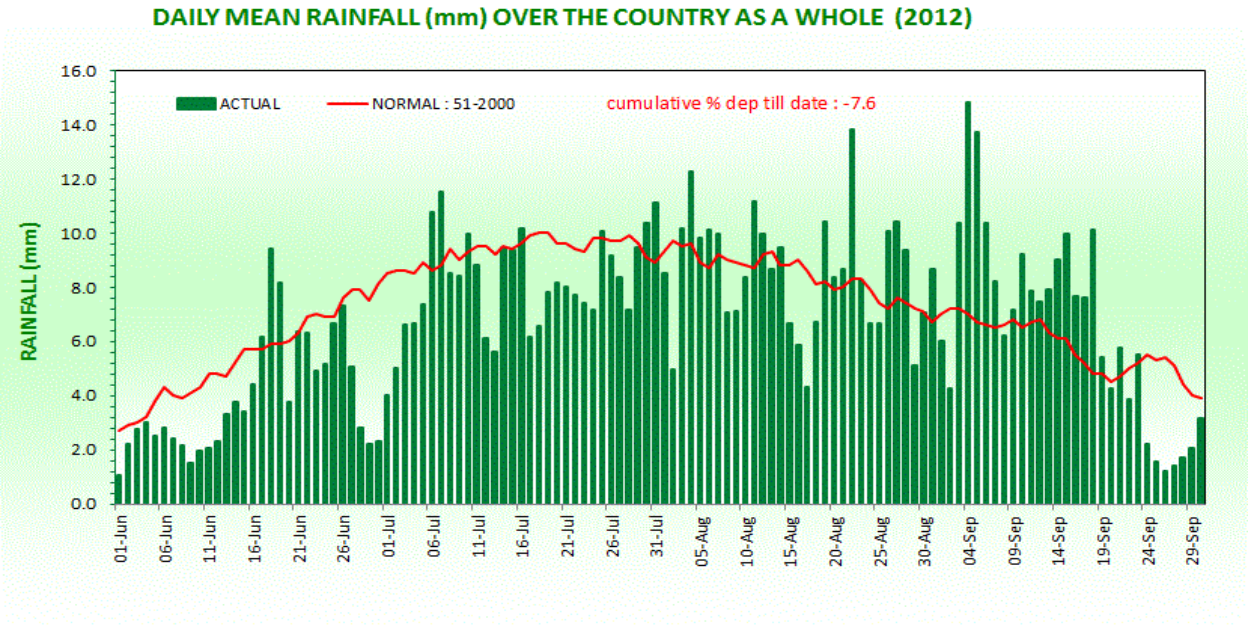
Source: [Indian Metrological Department, GOI]

Appendix 3. India: Daily Mean Rainfall over normal rainfall till July 25, 2014



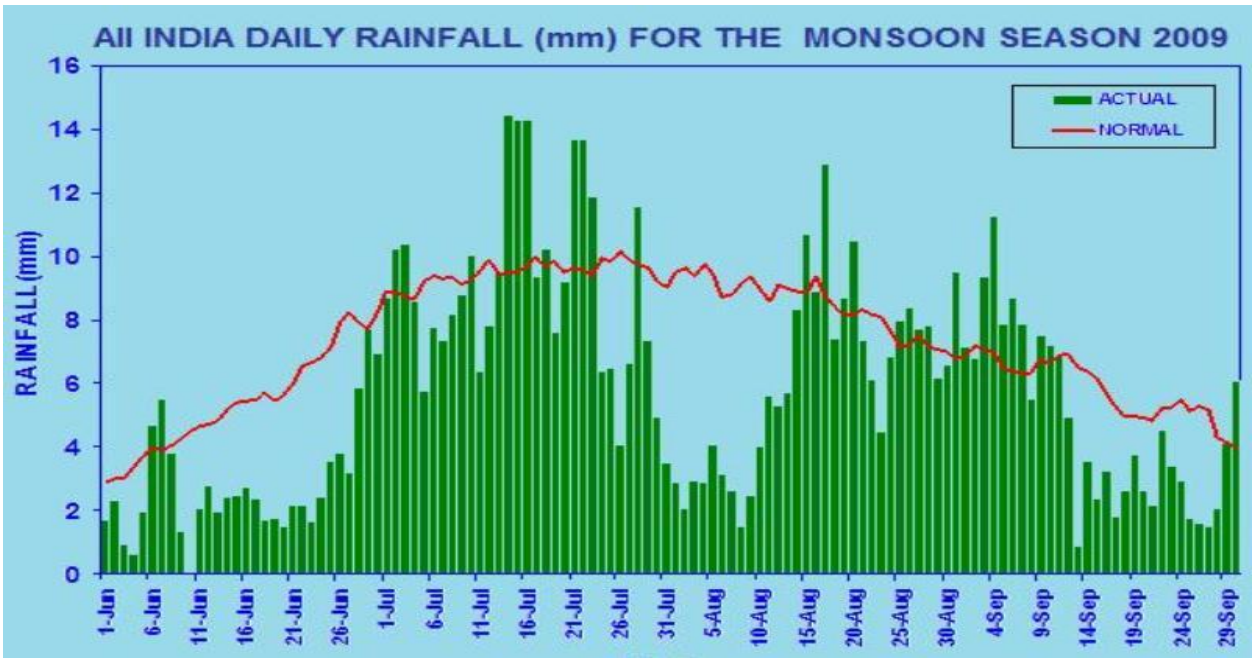
Source: [Indian Metrological Department, GOI.]

Appendix 4. India: Daily Mean Rainfall over normal rainfall in 2012



Source: Indian Metrological Department, GOI.

Appendix 5. India: Daily Mean Rainfall over normal rainfall in 2009



Source: Indian Metrological Department, GOI.