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## **Report Name:** Grain and Feed Update – October 2021

**Country:** India

**Post:** New Delhi

**Report Category:** Grain and Feed

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### **Report Highlights:**

On September 8, 2021, the Indian government raised the minimum support prices (MSP) for the select upcoming rabi (winter-planted) crops, including wheat. Based on the latest official estimates for government-held rice stocks, the marketing year (MY) 2020/2021 (October-September) ending stocks are raised higher to 37.1 million metric tons (MMT), with consumption lowered to 99.1 million metric tons. India's forecast rice production in MY 2021/2022 production is revised lower to 124 MMT due to unseasonal rains in October at the time of harvest, affecting yield prospects. The MY 2021/2022 wheat export forecast is raised higher to 5 MMT (including 30,000-40,000 MT of wheat products) on expected steady domestic prices and more-than-sufficient exportable surplus. MY 2021/2022 ending stocks are lowered to the 27.85 MMT level, as the government draws down on stocks to ensure sufficient supply for the domestic milling industry. FAS New Delhi reports no significant changes to the official PSD corn table.



## GENERAL INFORMATION:

**Minimum Support Price for *Rabi* Crops Raised for the Indian Crop Year (ICY) 2021/2022:** On September 8, 2021, India's Cabinet Committee on Economic Affairs (CCEA) approved the [minimum support prices \(MSP\) for select upcoming \*rabi\* \(winter-planted\) crops for ICY 2021/2022 \(July-June\)](#). The crop is harvested in the *rabi* marketing season (April-June), that falls in marketing year (MY) 2022/2023 (April-March).

The government informs that the MSP is being raised to ensure profitable prices for farmers. MSP increases are authorized higher for lentils, as well as for rapeseed, mustard seed, and chickpeas; to encourage crop diversification. The MSPs for lentils, rapeseed, and mustard seed are raised by Indian rupees (INR) 4,500 (\$53.30) per metric ton (MT). For chickpeas the MSP is raised by INR 1,300 (\$17.30)/MT, while for safflower by INR 1,140 (\$15.20)/MT, wheat by INR 400 (\$5.30)/MT, and barley by INR 350 (\$4.70) per metric ton.

The government, in paying higher absolute prices for the pulses and oilseed for the upcoming *rabi* crops, seeks to encourage farmers to expand pulses and oilseeds plantings in place of wheat (the major *rabi* cereal crop). The new MSP for wheat, however, still offers farmers higher returns of 100 percent above production costs compared to other crops. [Note, FOREX: INR 74.99 to \$1.00]. FAS New Delhi (Post) foresees that despite the MSP increases for lentils, rapeseed, and mustard seed, farmers will still favor planting wheat. The crop benefits from a high rate of return, steady yields, and stable market pricing thanks to the MSP procurement program.

**October Rains:** Following a good start in June, the 2021 southwest monsoon's rains were patchy in July and August. While the monsoon's withdrawal was delayed by one week (first week of October), parts of India received heavy, unseasonal rains in October due to local weather disturbances. This delayed wheat planting by a couple of weeks. Post anticipates that improved soil moisture content at the next planting time (November/December), along with greater irrigation water availability, mainly in the partially irrigated states of Uttar Pradesh, Rajasthan, and Madhya Pradesh, will allow farmers to plant more wheat with irrigation water.

**Government Forecasts Higher 2021/2022 *Kharif* Harvest:** On September 21, 2021, the Ministry of Agriculture and Farmers Welfare (MOAFW) released its first advance estimate of food grain production for ICY 2021/2022. It forecasts *kharif* (fall-harvested) grain production at a record busting 150.5 million metric tons (MMT), up from the record setting 149.6 MMT last year. The harvest forecast anticipates a record volume of rice on estimated higher plantings and expected good yields thanks to good crop conditions (estimates were generated the first week of September). *Kharif* crop production forecasts include:

- **Rice:** 107.04 MMT, up from last year's record 104.4 MMT, on estimated higher plantings (41.15 million hectares compared to 40 million hectares in 2020) and higher yields
- **Corn:** 21.24 MMT, down slightly from last year's 21.44 MMT, mainly due to a slightly lower plantings (7.65 million hectares compared to 7.8 million hectares in 2020).
- **Pulses:** 9.45 MMT, up from 8.69 MMT, due to higher yields thanks to favorable weather conditions.
- **Other Coarse Grains:** 12.76 MMT, down from 15 MMT due to lower plantings.

Post's mid-September field crop surveys reveal that rice production in east and north India was then progressing well under optimal growing conditions. The Indian state governments had generated their production forecasts for the central government based on September crop conditions. These led the MOAFW to forecast a record *kharif* rice production in its first advance estimate. Adverse weather in October, due to heavy rains during the harvest, may now affect *kharif* rice production yield prospects due to lodging and delays in harvesting.

## COMMODITIES:

### RICE

**Table 1. India: Commodity, Rice Milled - Production, Supply and Distribution (PSD)**

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

Rice, Milled Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>India</b>						
Area Harvested (1000 HA)	43662	43662	45000	45067	45500	45500
Beginning Stocks (1000 MT)	29500	29500	33900	33900	33500	37100
Milled Production (1000 MT)	118870	118870	122270	122270	125000	124000
Rough Production (1000 MT)	178323	178323	183423	183423	187519	186019
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	148370	148370	156170	156170	158500	161100
MY Exports (1000 MT)	12486	12486	20000	20000	18500	18500
TY Exports (1000 MT)	14560	14560	20000	20000	17500	17500
Consumption and Residual (1000 MT)	101984	101984	102670	99070	105000	104000
Ending Stocks (1000 MT)	33900	33900	33500	37100	35000	38600
Total Distribution (1000 MT)	148370	148370	156170	156170	158500	161100
Yield (Rough) (MT/HA)	4.0842	4.0842	4.0761	4.07	4.1213	4.0883

(1000 HA), (1000 MT), (MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

### PRODUCTION

FAS New Delhi forecasts India's rice (milled) production in MY 2021/2022 (October-September) coming in slightly lower at 124 MMT (but still at a record high), from 45.5 million hectares, because of losses due to untimely rains at the *kharif* rice harvest stage. The Ministry of Agriculture and Farmers' Welfare first advance estimate places *kharif* rice production at a whopping 107.04 MMT, up some 2.5 MMT from last year's record volume of 104.5 MMT, largely thanks to positive plant growth conditions throughout September.

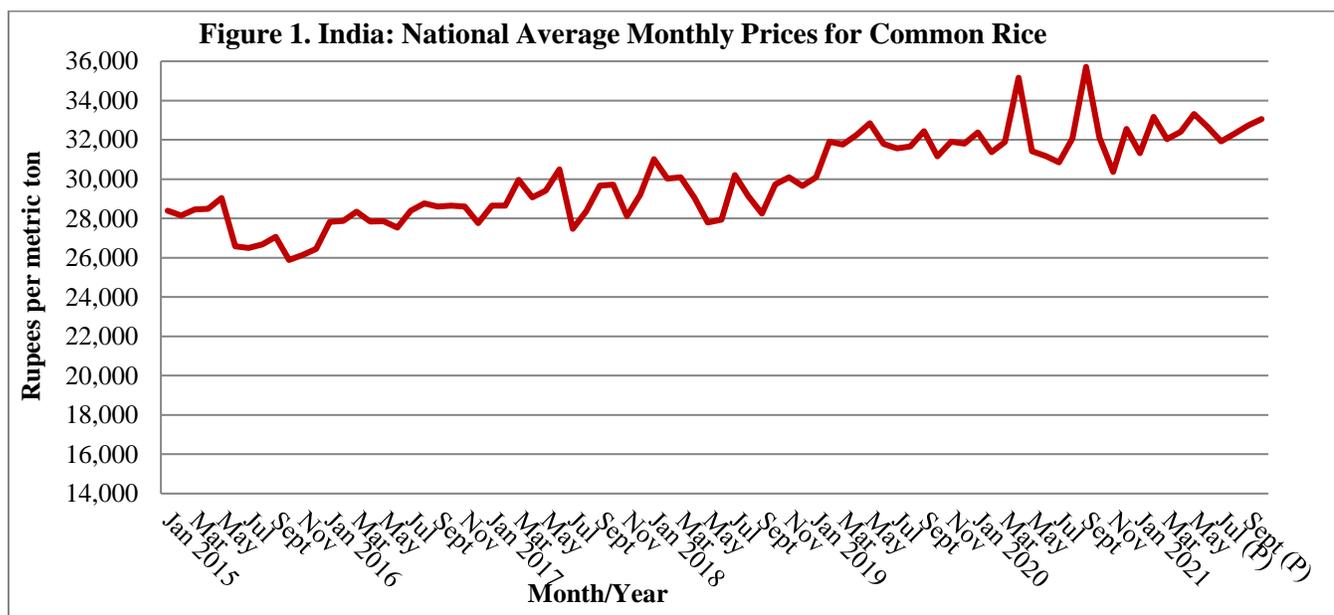
Post's mid-September field crop surveys in east and north India's major rice production states found robust crop growth and good yield prospects. Weak monsoon rains in July in eastern India affected plantings, however, in northern India and other parts of the country plantings commenced on time benefitting from adequate monsoon precipitation. Rains in August/ September have sustained excellent crop growth and tillering. The absence of any major pest and or disease outbreaks helps support higher yields compared to those of last year.

Untimely, unseasonal rains in October, heavy at times in central and north India's main production areas, as the crop has matured to the harvest stage may dampen yield prospects. Late rains are delaying the harvest by two weeks, pushing harvesting in the northern states of Punjab, Haryana, Rajasthan, and Uttar Pradesh into mid-November.

Harvest operations will kick off in the other rice production states during the first week of November, running through mid-December provided there are no further unseasonal rains or cyclones. A silver lining of sorts is that these rains will support planting and production prospects for the *rabi* (winter-planted) rice, that will benefit improved soil moisture and irrigation water availability. While there are no official surveys on the extent of crop loss due to the untimely rains, reports of crop lodging and delayed harvest may result in field harvest losses of 5-10 percent in the affected states. The ministry’s production and planting data remains subject to revisions based on the Indian states governments own crop survey work done during the harvest.

Improved production prospects for *rabi* rice may partially offset late rains induced losses to the earlier *kharif* crop. This allows Post to place India’s rice production in MY 2021/2022 at 124 MMT, that combines 106 MMT of *kharif* rice production with some 18 MMT of *rabi* rice production. Despite the possible production losses, MY 2021/2022 production will still come in about 1.4 percent above last year’s record harvest of 122.3 MMT (104.4 MMT *kharif* rice and 17.9 MMT of *rabi* rice).

**Prices Steady Awaiting Arrival of New Crop:** Domestic rice prices remain firm in October due to the delayed harvest. Strong export demand, as well as a high government MSP for un-milled paddy rice being set at INR 19,400 (\$259)/MT compared to last year’s MSP of INR 18,880 (\$252) per metric ton have also supported prices. Post anticipates that open-market prices are likely to ease as rice arrivals gain pace in most states on expected record harvest. Future domestic prices during the marketing year will depend on government releasing rice stocks under various food programs, and international price movements.



NOTE: P-Provisional.

SOURCE: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers’ Welfare, Government of India, FAS New Delhi office research.

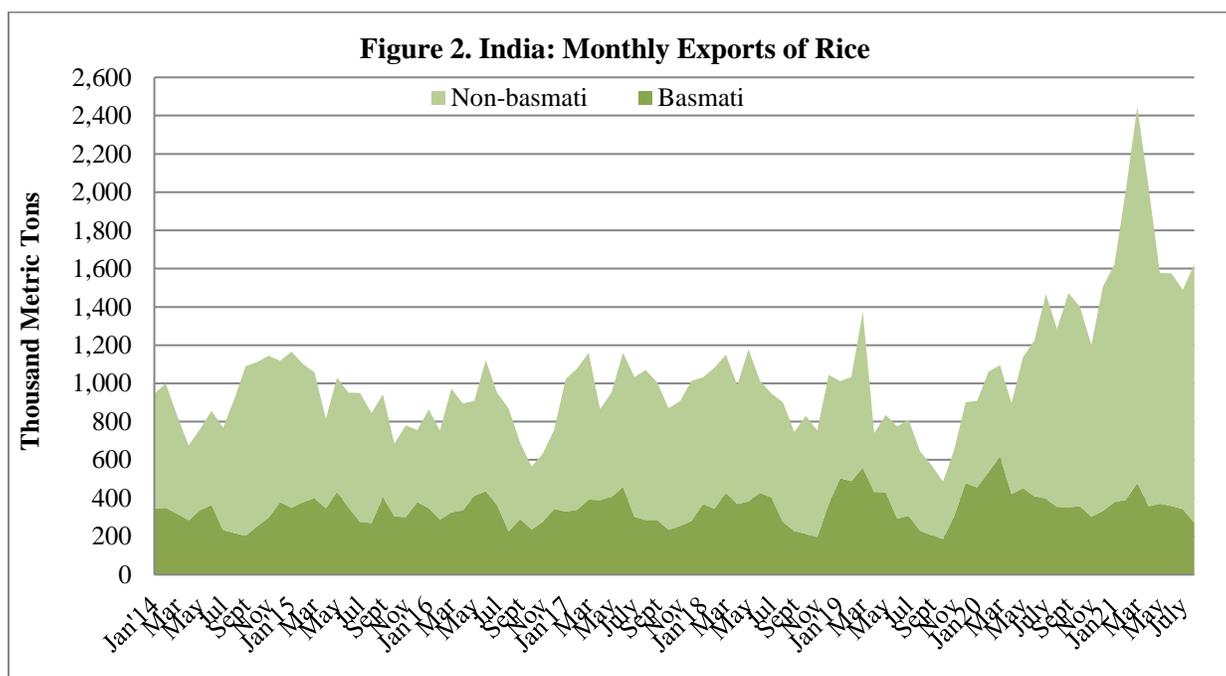
**Government Procurement Starts Weak on Delayed Harvest:** This season’s delayed rice harvest is leading to a weak start for MY 2021/2022 MSP government procurement. Total rice procurement October 1-22, 2021, stands at around 4.9 MMT, subdued from the 7.7 MMT procured during the same period last year. Most of the rice procured is coming in from the northern states of Haryana and Punjab. Post foresees the rice procurement pace picking up towards the last week of October and beginning of November for northern India, spreading

gradually to other production areas throughout mid- to late November. With an estimated record harvest, coupled with relatively weak open rice market prices due to the anticipated continued release of subsidized government-held rice under various programs, MSP procurement is likely to remain strong in MY 2021/2022. Post expects it to exceed [last year's record government procurement of 60.1 million metric tons](#).

## EXPORTS UNCHANGED

**MY 2020/2021:** Based on the latest available official trade figures, Post continues to estimate MY 2020/2021 rice exports at 20 MMT. Provisional official trade estimate indicates MY 2020/2021 rice exports through August 2021, at 18.6 MMT compared to 11.1 MMT during the corresponding period last year. Monthly rice exports since the beginning of 2021 ranged between 1.5 MMT to 2.5 MMT per month, largely on strong export demand for coarse grain non-Basmati rice to major markets on highly competitive prices. While Indian official trade estimates for September 2021 are not yet available, sources report a slight slowdown in export offtake in September and ongoing in October with port congestion challenging supply change logistics. Assuming a slight slowdown in September, MY 2020/2021 exports will reach an estimated 20 million metric tons.

**MY 2021/2022:** Assuming no significant change in the price parity for Indian rice in the international market and forecast more-than-sufficient domestic supplies, MY 2021/2022 exports are forecast unchanged at 18.5 MMT and at 17.5 MMT through the end of calendar year 2021.



SOURCE: Directorate General of Commercial Intelligence, Government of India, FAS New Delhi office research.

## ENDING STOCKS RAISED/CONSUMPTION LOWERED

**MY 2020/2021:** Based on the latest information on government-held rice stocks, Post's MY 2020/2021 ending stocks figure is raised to 37.1 MMT (34.7 MMT government stocks and 2.35 MMT private trade stocks). The MY 2020/2021 consumption estimate is lowered to 99.1 MMT, to account for the increase in ending stocks.

[Government rice stocks as of October 1, 2021](#), are estimated at 34.75 MMT (25.33 MMT rice and 14.07 MMT un-milled paddy or 9.42 MMT rice equivalent). Market sources report lower than initially expected release of rice in the last quarter (July-September) of MY 2020/2021 despite the government's release of free rice under COVID-19 relief program. Market sources report relatively lower stocks of rice with private trade estimated at 2.35 MMT, on expected continued supply of subsidized government coarse rice on more-than-sufficient government food grain stocks unlike last year wherein heavy release of free rice from government held rice stocks in the last quarter of MY 2019/2020 were retained by private trade.

**MY2021/2022:** Post's MY 2021/22 consumption forecast is also revised lower to 104 MMT based on the revised lower MY 2020/2021 consumption estimate base. Nevertheless, the forecast still suggests strong growth of over five percent from last year on expected higher offtake of rice for animal feed and ethanol use. The MY 2021/2022 ending stocks forecast is raised higher to 38.6 MMT on higher supplies and forecast consumption and exports.

## WHEAT

**Table 2. India: Commodity, Wheat - Production, Supply and Distribution**

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

Wheat Market Year Begins	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	29319	29313	31357	31357	31615	31615
Beginning Stocks (1000 MT)	16992	16992	24700	24700	27800	27800
Production (1000 MT)	103600	103600	107860	107860	109520	109520
MY Imports (1000 MT)	20	20	18	18	25	25
TY Imports (1000 MT)	20	20	18	18	25	25
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	120612	120612	132578	132578	137345	137345
MY Exports (1000 MT)	509	509	2495	2495	4000	5000
TY Exports (1000 MT)	595	595	3597	3597	4500	5000
Feed and Residual (1000 MT)	6000	6000	6500	6500	7000	7000
FSI Consumption (1000 MT)	89403	89403	95783	95783	97500	97500
Total Consumption (1000 MT)	95403	95403	102283	102283	104500	104500
Ending Stocks (1000 MT)	24700	24700	27800	27800	28845	27845
Total Distribution (1000 MT)	120612	120612	132578	132578	137345	137345
Yield (MT/HA)	3.5335	3.5343	3.4397	3.4397	3.4642	3.4642

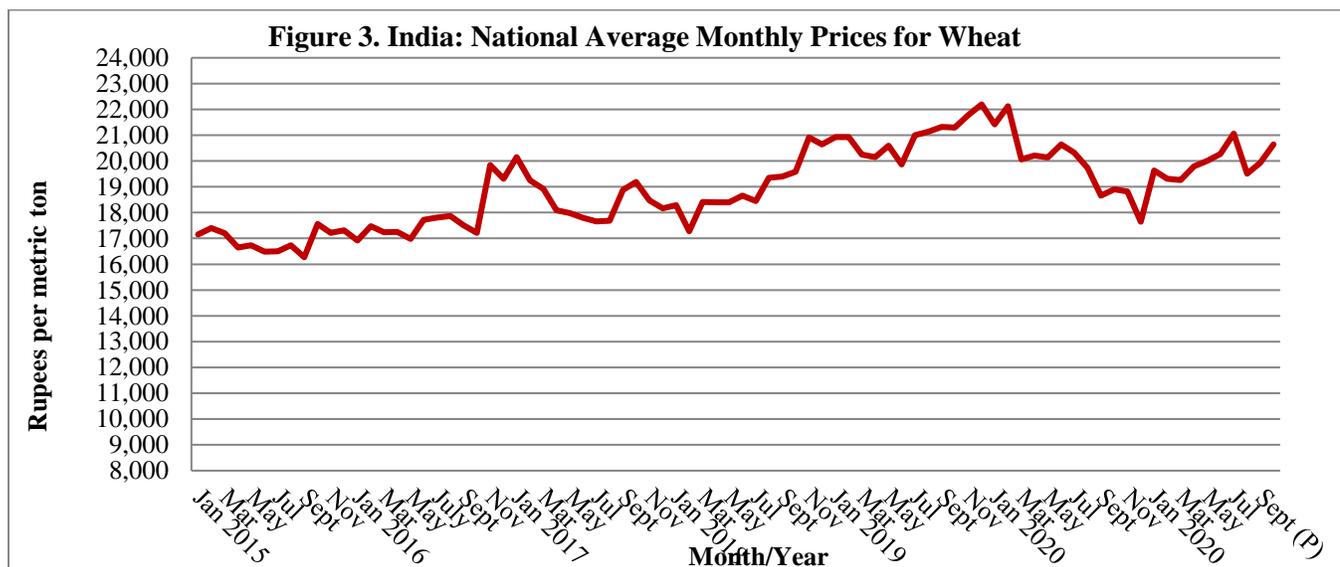
(1000 HA), (1000 MT), (MT/HA)

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

## MARKET PRICES STEADY

Post's MY 2021/2022 wheat production forecast is unchanged at a record 109.5 million metric tons. Buoyed by higher opening stocks and a record harvest, domestic prices are steady at the government's MSP of INR 19,750 (\$263)/MT (procurement season ending in July 2021). Despite a release of government subsidized wheat through COVID-19 relief programs, open market prices in September remain firm on improved export demand.



NOTE: P-Provisional.

SOURCE: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers' Welfare, Government of India, FAS New Delhi office research.

Average spot prices in the main wheat production states in the first half of October 2021 ranged from INR 18,600 (\$273) to INR 20,700 (\$288)/MT, 10-12 percent higher than last year. Sources report that prices should remain steady through the end of 2021 on the expected release of government-held stocks. Official wheat stocks on October 1, 2021, are estimated at 46.9 MMT, more than double the targeted 20.5 MMT level.

## MY 2021/2022 EXPORTS RAISED/STOCKS LOWERED

Based on reports of strong export demand, Post's MY 2021/2022 wheat export forecast is raised to 5 MMT (includes 30,000-40,000 MT of wheat products) on expected steady domestic prices and more-than-sufficient exportable surplus. MY 2021/2022 ending stocks are lowered to the 27.85 MMT level, as the government draws down on stocks to ensure sufficient supply for the domestic milling industry.

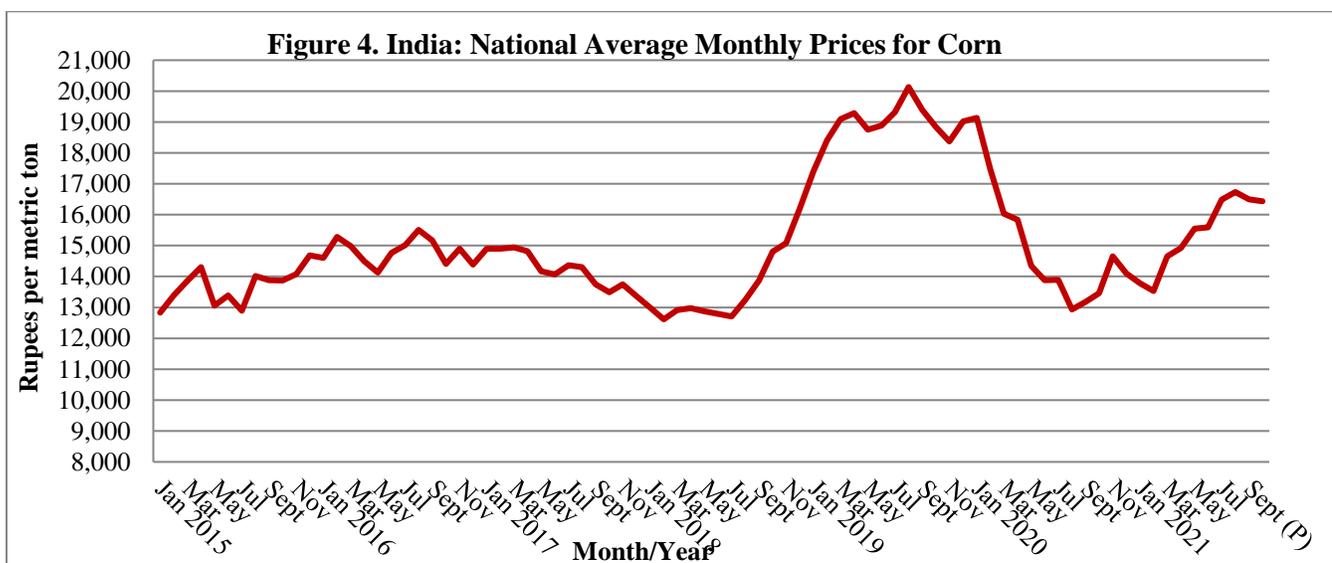
Official MY 2021/2022 trade figures for wheat exports through August 2021 at 1.99 MMT, are up significantly from 218,000 MT last year. Market sources report that 250,000-300,000 MT were shipped in September and that 700,000 to 800,000 MT will be exported in October 2021. Exports are destined for Nepal, Sri Lanka, Bangladesh, Indonesia, and Middle East and African countries. Sources inform that Indian wheat trades at \$310-\$315/MT freight-on-board (FOB), enjoying a \$15-\$20/MT advantage in these markets after accounting for the freight costs.

## CORN

FAS New Delhi reports no significant changes to the official PSD corn table.

**MY 2021/2022 Production Prospects Unchanged:** MY 2021/2022 corn production remains unchanged at 30 MMT (21 MMT of *kharif* corn and 9 MMT of *rabi* corn). Despite estimated lower corn planting in the *kharif* season (7.6 million hectares, down from last year's 7.8 million hectares), coupled with moisture stress during early growth stage due to the weak southwest monsoon in July, sufficient rains in August-September have supported the crop well. There have been some pest incidences of the Fall Army Worm (FAW) in some pockets of the country, but there are no reports of real crop damage. The crop harvest commenced the third week of October and continues through November. The southwest monsoon's delayed withdrawal, combined with improved reservoir levels in the rainfed central and southern states is favorable for the next *rabi* corn plantings. Relatively weak prices, compared to the government minimum support price, may limit planting prospects.

**Domestic Prices Weak:** Domestic prices for corn have stayed weak in MY 2020/2021, well below the government's MSP INR 18,500 (\$247)/MT on poor domestic demand, particularly from the poultry sector. Prices eased with the onset of the October 2021 crop harvest.



NOTE: P-Provisional.

SOURCE: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers' Welfare, Government of India, FAS New Delhi office research.

Wholesale prices in the major corn production states range from INR 13,150 (\$175) to 17,800 (\$237)/MT. Domestic prices should remain stable in November/December with the arrival of the new crop. Future prices will largely depend on speculation about the *rabi* corn planting/harvest and recovery in demand from the poultry sector. At these prices, Indian corn is highly competitive in neighboring export markets.

### Attachments:

No Attachments