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India Grain Voluntary Update - October 2017

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Report Highlights:

Post forecasts MY 2017/18 rice production lower at 107.5 MMT on lower than expected planting and yield due to prolonged dry conditions and floods during critical stages in some rice growing states. Based on the latest official estimates, MY 2017/18 wheat production estimate is further raised to 98.4 MMT (record) from 30.6 million hectares. MY 2017/18 import forecast is lowered to 3 MMT on expected weak local wheat prices.

General Information:

Normal But Patchy 2017 Monsoon…

The performance of the 2017 monsoon during the season (June-September) and across the country has been patchy with prolonged dry spells during the planting and early crop growth stages (see Appendix 1). The 2017 southwest monsoon has withdrawn from most of northwest India (parts of Punjab, Haryana, Rajasthan and Gujarat) by September, and is likely to continue to move further down through central and peninsular region in the next two weeks (see Appendix 1). According to the Indian Meteorological Department (IMD), India's cumulative precipitation from June through September 27 was 5 percent below the seasonal long-term average, considered near normal. Overall rainfall through the season has been normal and above in 30 weather subdivisions, and deficient in only 6 sub-divisions, which includes the northern states of Punjab, Haryana, and Uttar Pradesh, as well as parts of Gujarat and Maharashtra.

The Central Water Commission (CWC) monitors the 91 major reservoirs with 157.8 billion cubic meters (BCM) capacity; it estimated overall water storage position on September 21, 2017 at 96.95 BCM compared to 110.38 BCM at the same time last year, which was already lower than the last ten year average of 117.99 BCM. Expected good rains as the monsoon withdraws from central and eastern India by mid-October may improve the reservoir levels, but overall irrigation water availability for the upcoming winter planted *rabi* crops will be relatively lower than last year.

Kharif Planting Down

The patchy 2017 monsoon since late July affected planting of *kharif* (fall harvested) crops during the ongoing season compared to last year. The Ministry of Agriculture (MoA) estimates total area sown through September 22, 2017 at 105.5 million hectares compared to 106.3 million hectares last year, on lower planting of most grains.

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

Crop	ICY 2016/17 Progressive Planting till Sept 22, 2016	ICY 2017/18 Progressive Planting till Sept 22, 2017
Rice	38.18	37.67
Pulses	14.63	14.12
Coarse cereals	19.01	18.54
Oilseeds	18.95	17.29
Sugarcane	4.99	4.56
Cotton	10.26	12.17
Total	106.33	105.49

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

The prolonged dry spell during late July through early September in largely unirrigated cropland of southern and eastern India adversely affected planting prospects. However, the recovery of monsoon rains in September, particularly in central and southern states, will support the standing crop. Heavy rains or cyclones in the Bay of Bengal in October may affect the production prospects on potential crop damage to the crop at harvest stage.

Government Forecasts Lower 2017/18 *Kharif* Harvest

The Ministry of Agriculture (MoA) released the First Advance Estimate of Food Grain Production for the Indian Crop Year (ICY) 2017/18 (July-June) estimating India's *kharif* grain production at 134.7 MMT, nearly 4 MMT lower than last year, but still the second highest harvest recorded. The crop-wise breakup:

- Rice at 94.5 MMT (vs.96.4 MMT last year record)
- Corn at 18.7 MMT (vs. 19.2 MMT last year record)
- Pulses at 8.7 MMT (vs 9.4 MMT last record)
- Other coarse grains production at 12.8 MMT (vs. 13.5 MMT last year)

Market sources report that the first advance estimates may be on the higher side largely based on the provisional planting reports as the prolonged dry spell in the unirrigated areas is also likely to affect yield prospects.

RICE

Table 2. India: Commodity, Rice Milled PSD
Area in thousand hectares, Quantity in thousand metric tons, and Yield in MT per 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	42950	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	3.8473	3.8259	3.7082	3.7767

Production Lowered

Post forecasts MY 2017/18 rice production lower at 107.5 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. The Ministry of Agriculture's latest report indicates rice planting through September 22, 2017, at 37.7 million hectares, about 0.5 million hectares lower than rice planting during the corresponding period last year, but higher than the five-year historical average of 37.4 million hectares.

Relatively dry conditions during July and August delayed planting in the largely unirrigated rice growing southern and eastern states. The prolonged dry spells during August and September affected the critical vegetative growth, tillering and flowering stages, mostly in the central states of Chhattisgarh, Madhya Pradesh and parts of eastern India. The eastern part of Uttar Pradesh and northern Bihar faced severe flood conditions during August which caused damage to the standing rice crop at the early vegetative growth stage. Relatively weak reservoir water position for irrigation is also likely to affect the planting prospects for the upcoming *rabi* season rice in the eastern and southern states. However, the crop is progressing very well under adequate soil moisture conditions in the irrigated rice growing areas, particularly in the northern and eastern states.

Consequently, post estimates MY 2017/18 rice production at 107.5 MMT (94 MMT *kharif* rice and 13.5 MMT *rabi* rice) from 42.7 million hectare area, the second highest harvest recorded. However, cyclones in October and November in the eastern coast could further adversely affect the current production forecast.

Based on the MoA's 4th advance estimate, MY 2016/17 rice production is estimated at 110.2 MMT from 43.2 million hectares. Based on the latest figures from the Food Corporation of India, government rice procurement for MY 2016/17 is estimated to reach a record 38.1 MMT compared to 34.2 MMT last year; the previous record was 35 MMT in MY 2011/12.

Table 3. India: Government Procurement of Rice by State

Quantity in million metric tons

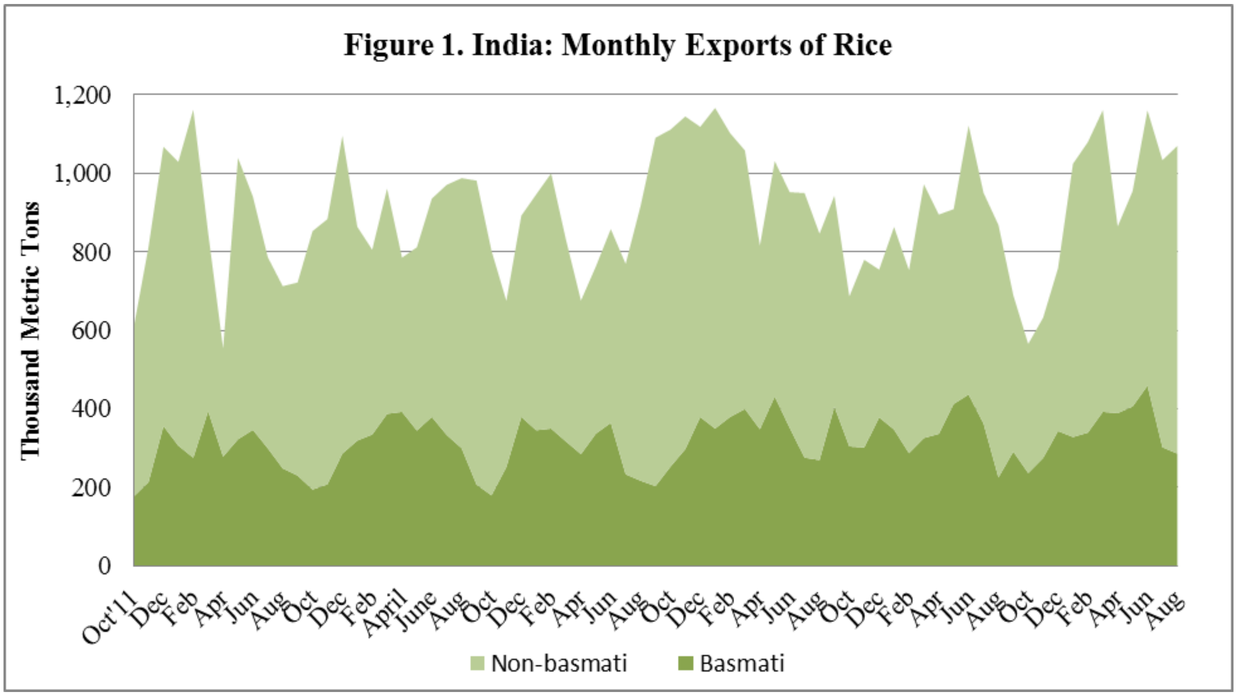
State\Period	**MY 2015/16 Oct-Sept**	**MY 2016/17 Oct-Sept (Prov)**
Punjab	9.35	11.05
Andhra Pradesh	4.34	3.72
Telangana	1.58	3.60
Chhattisgarh	3.44	4.02
Odisha	3.37	3.63
Haryana	2.86	3.58
Uttar Pradesh	2.91	2.35
West Bengal	1.57	1.92
Madhya Pradesh	0.85	1.31
Tamil Nadu	1.19	0.14
Others	2.76	2.77

Total	34.22	38.11

Source: Food Corporation of India, GOI

Trade

Based on the current pace of exports, Post continues to estimate MY 2016/17 rice exports at 11 MMT. However, MY 2017/18 rice exports forecast is lowered to 11.5 MMT due to forecast tight supplies, but still higher than previous year exports.



Source: Directorate General of Commercial Intelligence, GOI

According to the available official trade estimates, MY 2016/17 rice exports through August 2017 are estimated 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. Assuming no major changes in the international demand, MY 2017/18 rice export is forecast to increase over last year to 11.5 MMT (4 MMT Basmati and 7.5 MMT non-Basmati) at the current price parity for Indian rice vis-a-vis rice from other origins.

Ending Stocks Lowered

Due to forecast tighter domestic supplies, MY 2017/18 rice ending stocks have been revised lower to 18.6 MMT on forecast steady consumption demand for the leading staple domestic food.

WHEAT

Table 4. 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	30715	30600
Beginning Stocks	17220	17220	14540	14540	9420	9800
Production	86530	86530	87000	87000	96000	98380
MY Imports	471	471	5896	5896	4000	3000
TY Imports	301	300	6147	6147	4000	3000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	104221	104221	107436	107436	109420	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	92800	92420	94000	95000
Total Consumption	88551	88551	97500	97120	99000	100000
Ending Stocks	14540	14540	9420	9800	9920	10680
Total Distribution	104221	104221	107436	107436	109420	111180
Yield	2.7496	2.7496	2.8789	2.8601	3.1255	3.215

Production

Based on the latest official (MoA) estimates, MY 2017/18 wheat production estimate is raised to 98.4 MMT (record) from 30.6 million hectares on reports of record yield realization due to favorable weather conditions from planting through harvest. Most trade sources estimate production in the range of 92 to 98 MMT compared to their last year's crop estimate of 80-86 MMT, supporting an incremental production increase of 12-14 MMT during the current season compared to last year's weather-affected harvest.

Record production boosted the current year government wheat procurement to 30.8 MMT compared to last year's low of 22.9 MMT.

Table 5. India: Government Procurement of Wheat by State
Quantity in million metric tons

State	MY 2016/17	MY 2017/18 (Prov)
	April-March	April-March
Punjab	10.65	11.71
Haryana	6.75	7.43
Madhya Pradesh	3.99	6.73
Uttar Pradesh	0.80	3.70
Rajasthan	0.76	1.25
Others	0.01	0.02
Total	22.96	30.82

Source: Food Corporation of India, GOI.

Despite higher government procurement, market sources report that local traders in the major wheat growing states, particularly Uttar Pradesh, Madhya Pradesh and Rajasthan, are holding larger than normal quantities of wheat stocks supporting the current year's record harvest estimate. The open market prices of wheat in the major growing states continue to rule in the range of INR 15,800 to 16,200/MT in September suggesting sufficient availability of domestic wheat as local trade holds higher stocks in expectation of a late season surge in prices.

Consequently, Post has raised the MY 2017/18 wheat production to 98.4 MMT and adopted the MoA's official estimate as it reflects the market situation realistically.

Trade

Due to forecast improved domestic supplies, MY 2017/18 import estimate is revised lower to 3 MMT on expected weak local wheat prices compared to last year.

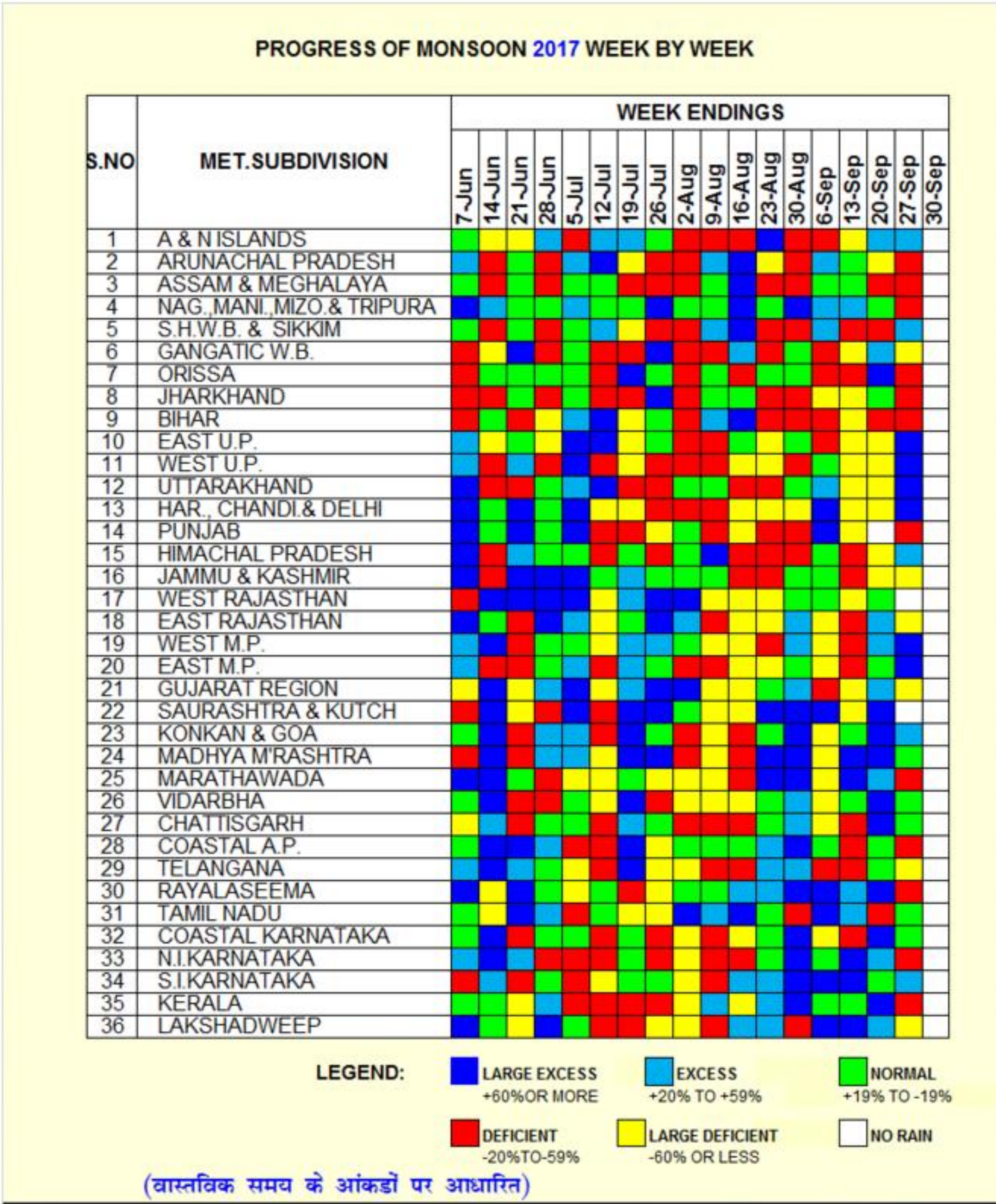
Official trade sources estimate MY 2017/18 wheat import through August 2017 at 487,000 MT, and an additional 500,000 MT Black Sea wheat has been imported or contracted for imports during September-October 2017. Market sources report that relatively firm Australian wheat prices -- compared to the local quality wheat from central India -- have halted Australian wheat imports since July. Domestic prices are likely to remain weak during the current season on sufficient supplies, and imports will be limited to cheaper Black Sea wheat mostly for southern millers due to its freight advantage over domestic wheat shipped from inland. Assuming no significant change in the current price parity for local wheat vis-a-vis foreign wheat, MY 2017/18 wheat exports are forecast to reach 3 MMT. However, planting and production prospects for the upcoming MY 2018/19 crop may affect the future domestic prices and improve import prospects from the current projected level.

Stocks/Consumption

MY 2016/17 wheat ending stocks have been raised to 9.8 MMT on estimated higher imported wheat stocks. Market sources report that about 1.7 MMT of imported wheat was held by the importers/traders at the beginning of MY 2017/18. With the government wheat stocks on April 1, 2017 reported at 8.1 MMT, MY 2016/17 ending stocks are estimated at 9.8 MMT. Consequently, MY 2016/17 wheat consumption estimate is revised marginally lower to 97.1 MMT, but still showing a robust consumption increase of 9.7 percent over previous year.

Due to the forecast record domestic production, MY 2017/18 consumption forecast is raised higher to 100 MMT, a relatively modest consumption gain of 2 percent commensurate with the increasing population growth. Ending stocks are raised marginally to 10.7 MMT.

Appendix 1:



Source: Indian Metrological Department, GOI