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India Grain Voluntary Update- October 2018

Report Categories:
Grain and Feed
Agriculture in the News
Agricultural Situation

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Report Highlights:
Post's MY 2018/19 rice production forecast is raised marginally higher to 111 MMT on higher- than-expected planting and normal yields due to favorable growing conditions in major rice producing states. For corn production, for the first time in India, the incidence of Fall Army Worm has been reported in several states in the ongoing MY 2018/19 season.

General Information:

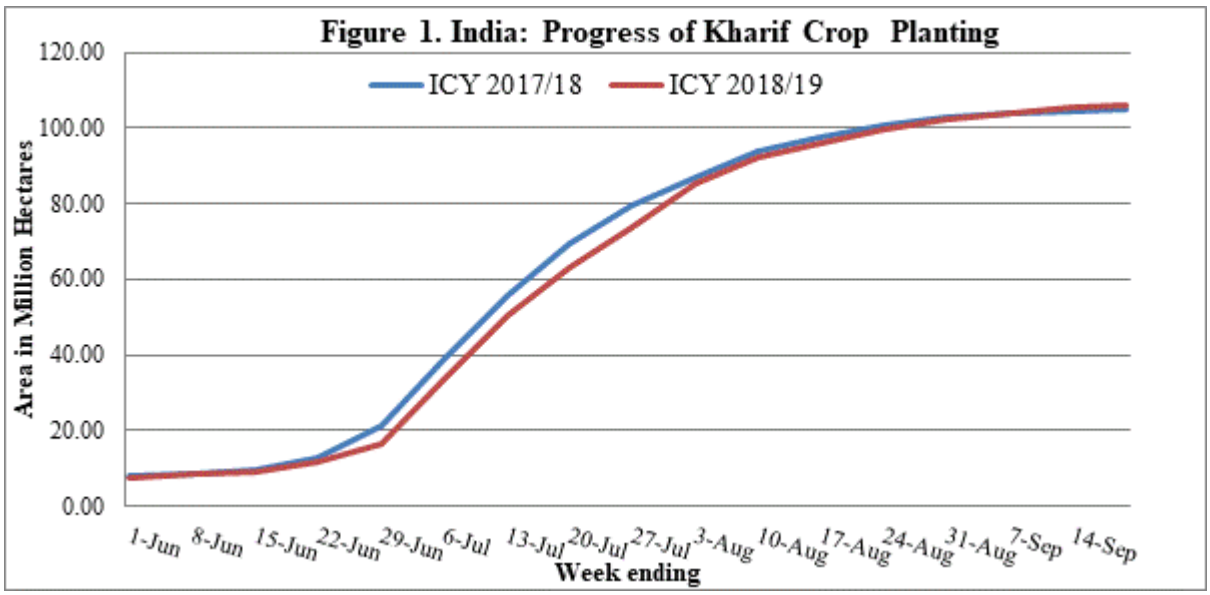
Below Normal and Erratic 2018 Monsoon…

The performance of the 2018 monsoon (June-September) across the country has been uneven and below normal levels, with prolonged dry spells and significantly reduced precipitation in eastern and northeast India (see Appendices 1-3). The 2018 southwest monsoon has begun to withdraw from northwest India (parts of Punjab, Haryana, Rajasthan, and Gujarat), nearly 2-3 weeks later than normal, and is likely to continue further down through central and the peninsular region in the next few weeks. Overall, rainfall through the season has been normal and above in 28 weather subdivisions, but deficient in the 8 agro-climatic sub-divisions, which includes eastern and northeastern states and the Gujarat in west India. According to the Indian Meteorological Department (IMD), India's cumulative rainfall through September 26, 2018 was 9 percent below the seasonal long-term average, which is considered below normal.

The Central Water Commission (CWC), which monitors the 91 major reservoirs with 161.9 billion cubic meters (BCM) capacity, estimated overall water storage levels on September 20, 2018, at 120.1 BCM, compared to 97.6 BCM at the same time last year, and higher than the last ten year average of 114.1 BCM. With the major reservoirs located in central and souther India, expected good rains as the monsoon withdraws from north India through mid-October will likely further improve the reservoir levels, thus augmenting irrigation water availability for the upcoming winter planted *rabi* crops compared to last year.

….*But Kharif* Planting Still Up…

With the overall recovery of the monsoon in August, particularly in the rice growing areas, the planting of *kharif* (fall harvested) crops recovered in August after lagging behind last year's level in June and July.



Source: MoAFW, Government of India (GOI)

The Ministry of Agriculture and Farmers Welfare (MoAFW) estimates total area sown through September 20, 2018 at 105.8 million hectares compared to 105.1 million hectares last year, reflecting higher plantings of rice, oilseeds (soybean) and sugarcane.

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

Crop	ICY 2017/18 Progressive Planting till Sept 20, 2017	ICY 2018/19 Progressive Planting till Sept 20, 2018
Rice	37.70	38.59
Pulses	13.95	13.79
Coarse cereals	18.33	17.62
Oilseeds	17.29	17.83
Sugarcane	4.99	5.19
Cotton	12.17	12.06
Total	105.14	105.78

Source: MoAFW, GOI.

Relatively weak market prices during 2017/18, coupled with a prolonged dry spell during late July through early August in the largely unirrigated cropland of eastern and peninsular India adversely affected planting prospects for most coarse grains and pulses. However, the recovery of monsoon rains from the 2nd week through the end of August supported higher planting of rice as the crop has a longer planting window (June-early September) compared to coarse grains and pulses (June-July). Field surveys and market sources report that the standing crop is progressing well with adequate soil moisture conditions in most parts of the country, except some parts of east and northeast India. In fact, recent and unexpected heavy rains in northwest India may affect the production prospects for the early-planted rice. Also, heavy rains or cyclones in the Bay of Bengal in October, when most crops are at the harvest

stage, may further affect production prospects.

Government Forecasts Higher 2018/19 *Kharif* Harvest

On September 25, 2018, MoAFW released the First Advance Estimate of Food Grain Production for the Indian Crop Year (ICY) 2018/19 (July-June). Per the report, India's *kharif* grain production is estimated at 141.6 MMT, nearly one MMT higher than last year's record harvest estimate, due to forecast record harvests for rice and corn. The crop production breaks-out as follows:

- Rice at 99.2 MMT (vs. 97.5 MMT last year's record)
- Corn at 21.5 MMT (vs. 20.2 MMT last year's record)
- Pulses at 9.2 MMT (vs 9.3 MMT last year's record)
- Other coarse grains production at 11.7 MMT (vs. 13.7 MMT last year)

Market sources report that the MoAFW's first advance estimates for record rice and corn production may be on the high side as they are largely based on the provisional planting reports. Ultimately, the patchy monsoon and prolonged dry spells in unirrigated planted areas are likely to dampen 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	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43993	43993	43916	43789	43500	44000
Beginning Stocks	18400	18400	20550	20550	22000	22000
Milled Production	109698	109698	112910	112910	110000	111000
Rough Production	164563	164563	169382	169382	165017	166517
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	128098	128098	133460	133460	132000	133000
MY Exports	11772	11772	12800	12800	13000	13000
TY Exports	12560	12560	13000	12800	13000	13000
Consumption and Residual	95776	95776	98660	98660	99000	100000
Ending Stocks	20550	20550	22000	22000	20000	20000
Total Distribution	128098	128098	133460	133460	132000	133000
Yield (Rough)	3.7407	3.7407	3.857	3.8681	3.7935	3.7845

MY 2018/19 Production Forecast Raised

India is heading towards another bumper harvest of rice crop in MY 2018/19. Post forecasts MY 2018/19 rice production slightly higher at 111 MMT as a result of higher-than-expected *kharif* rice planting and expected normal yields assuming normal weather conditions through harvest (November 2018).

The MoAFW's latest report indicates rice planting through September 20, 2018, at 38.6 million hectares, about 0.9 million hectares higher than planting during the corresponding period last year and higher than the five-year historical average of 37.6 million hectares. The northern states (Punjab, Haryana and Uttar Pradesh), peninsular states (Telangana, Karnataka, and Madhya Pradesh) and eastern state of West Bengal reported higher planting compared to last year as farmers shifted area out of cotton, coarse grains, and pulses to rice. However, some eastern and northeastern states reported lower planting due to relatively deficient monsoon rains.

Field reports suggest that the rice crop in the largely irrigated and long-grain *Basmati* growing states of north India (Punjab, Haryana and Western Uttar Pradesh) is currently doing well under adequate soil moisture conditions. MoAFW report indicate higher planting of rice in these states, with most of the acreage shifting from cotton and pulses. The relative shares of short grain coarse rice and long-grain Basmati rice are unchanged from last year's levels, but there has been relatively higher planting of the new, shorter duration and higher yielding *Basmati* variety (PUSA *Basmati* 1509) at the cost of the traditional Basmati varieties (25-30 days longer duration and 20-25 percent lower yield). Consequently, overall yield for the upcoming season is likely to be better than last year's record yield, if there are no untimely heavy rains during harvest (September end through October).

Despite the below normal 2018 monsoon in the largely unirrigated eastern and northeastern regions, the rice crop in most areas is progressing well, as the normal monsoon precipitation in the region is significantly higher than other regions (see Appendix 1). However, field sources report that the rice crop in some parts of eastern Uttar Pradesh, Bihar, and northeastern states moisture stressed. However, expected recovery in rains during October due to the retreating 2018 monsoon should help the standing crop to contain significant crop damage. Sufficient rains in August/September has supported planting and crop growth in the rice growing states of central and southern India.

Overall, the *kharif* rice crop in the major rice growing states is progressing well under adequate soil moisture conditions, with the exception of some parts of east and northeast India. Further, there have been no reports of any major incidences/outbreaks of pest and/or diseases in the rice growing belts. Relatively improved reservoir levels during the current season compared to last year will also support positive planting prospects for the upcoming *rabi* (winter planted) and summer rice crops. Consequently, Post estimates MY 2018/19 rice production higher at 111 MMT (97.5 MMT *kharif* rice and 13.5 MMT *rabi* rice) from 44 million hectares. However, extended dry spells in October in the already moisture stressed east/northeast India, as well as potential cyclones in October/November in the eastern coast, could adversely affect the harvest of *kharif* rice and negatively impact forecast production.

MY 2018/19 Consumption Raised

Due to the forecast increase in domestic supplies, the MY 2018/19 consumption forecast is raised higher to 100 MMT, a relatively modest consumption growth of 1.4 percent, commensurate with the population growth (1.2 percent per annum).

MY 2017/18 Procurement

Based on the latest figures from the Food Corporation of India, government rice procurement for MY 2017/18 is likely to reach a record 38.2 MMT, marginally higher than last year's record of 38.1 MMT.

Table 3. India: Government Procurement of Rice by State
Quantity in million metric tons

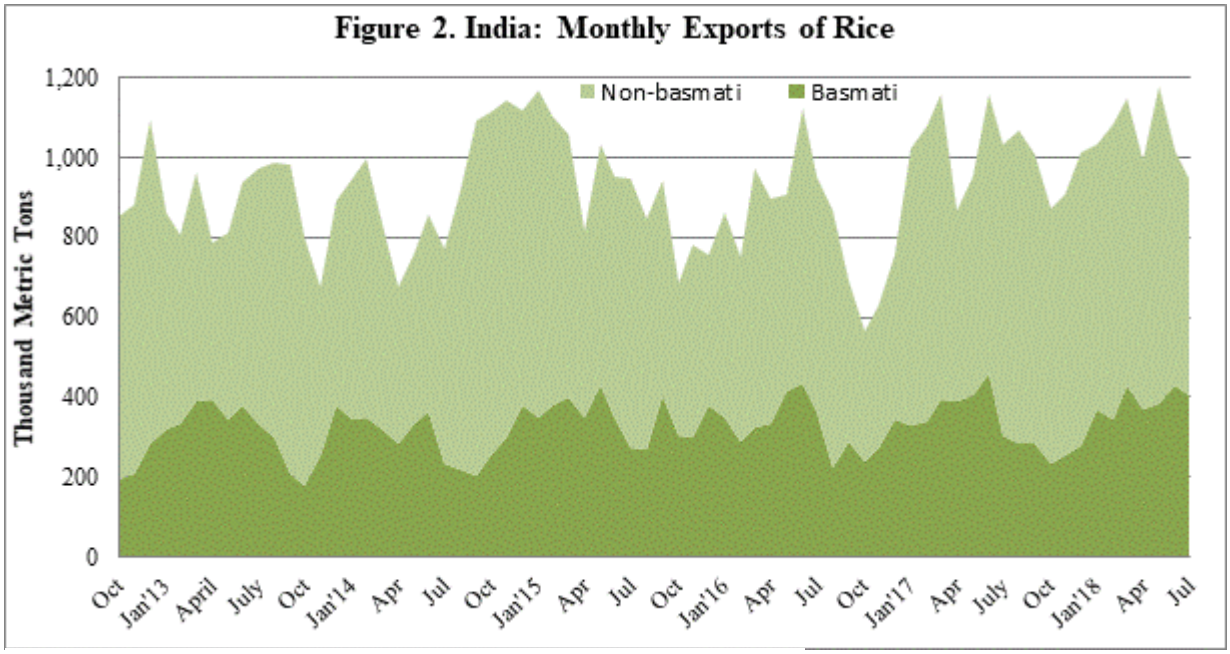
State	MY 2016/17	MY 2016/17	MY 2017/18	MY 2016/17	MY 2017/18
	October-September	Oct 1 through August 31		Oct 1 through Sept 20	
Punjab	11.05	11.05	11.83	11.05	11.83
Andhra Pradesh	3.72	3.72	3.98	3.72	3.99
Telangana	3.60	3.59	3.62	3.60	3.62
Chhattisgarh	4.02	4.02	3.26	4.02	3.26
Odisha	3.63	3.63	3.29	3.63	3.29
Haryana	3.58	3.58	3.99	3.58	3.99
Uttar Pradesh	2.35	2.35	2.88	2.35	2.88
West Bengal	1.92	1.90	0.06	1.90	1.67
Madhya Pradesh	1.31	1.31	1.10	1.31	1.10
Tamil Nadu	1.19	0.14	0.94	0.14	0.99
Others	1.72	2.76	1.54	2.76	1.54
Total	38.11	38.06	36.49	38.07	38.16

Source: Food Corporation of India, GOI

Market sources report that the late surge in procurement in September 2018 has been largely due to the delayed procurement figures provided by the state of West Bengal.

Trade

Based on the current pace of exports, the MY 2017/18 rice export estimate remains unchanged at 12.8 MMT.



Source: Directorate General of Commercial Intelligence, GOI.

According to the latest official trade estimates, MY 2017/18 rice exports through July 2018 are estimated at 10.2 MMT, compared to 9.4 MMT during the corresponding period last year. Assuming normal export offtake in the remaining two months (August-September), MY 2017/18 exports are likely to reach 12.8 MMT (4.4 MMT long grain *Basmati* rice, and 8.4 MMT is coarse grain rice).

CORN

Table 4. India: Commodity, Corn PSD Area in thousand hectares, Quantity in thousand metric tons, and Yield in MT per hectare.						
Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Nov 2016		Nov 2017		Nov 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9633	9633	9219	9470	9200	9300
Beginning Stocks	850	850	1332	1332	2602	2502
Production	25900	25900	28720	28720	26000	26000
MY Imports	79	79	50	50	500	500
TY Imports	78	78	50	50	500	500
TY Imp. from U.S.	7	7	0	0	0	0
Total Supply	26829	26829	30102	30102	29102	29002
MY Exports	597	597	800	900	500	500
TY Exports	542	542	800	900	500	500
Feed and Residual	14500	14500	16200	16200	16700	16700
FSI Consumption	10400	10400	10500	10500	11000	11000
Total Consumption	24900	24900	26700	26700	27700	27700
Ending Stocks	1332	1332	2602	2502	902	802
Total Distribution	26829	26829	30102	30102	29102	29002
Yield	2.6887	2.6887	3.1153	3.0327	2.8261	2.7957

Production

Despite the slightly higher-than-anticipated planting of *kharif* corn, Post's MY 2018/19 forecast for corn production is unchanged at 26 MMT due to expected lower yield, compared to last year due to patchy monsoon in western India, and reports Fall Army Worm (FAW; *Spodoptera frugiperda*) in corn producing states in southern India.

The government's provisional planting report for the period ending September 20, 2018, estimates the *kharif* corn planted area at 7.92 million hectares compared to 7.93 million hectares during the corresponding period last year, but higher than the five-year historical average of 7.89 million hectares. However, deficient rains during July delayed planting of corn in most of the growing states, while prolonged dry spells during critical crop growth and reproductive stages of the crop in some parts of Karnataka, Maharashtra, and Gujarat are likely to affect yield prospects.

For the first time, FAW, a major corn pest native to tropical and subtropical regions in the Americas, was detected in the Indian subcontinent during the ongoing MY 2018/19 *kharif* season. Incidence of FAW infestations to the corn crop have been reported in the southern states of Karnataka, Telangana, Andhra Pradesh, and Tamil Nadu, with some isolated incidences in Maharashtra and Orissa. The GOI, along with the governments of the affected states, have been closely monitoring the situation and suggesting various control measures. Sources report that the incidences were observed at the early vegetative growth stage, and pest control measures and rains during August/September have helped contain the pest population outbreak and potential crop damage.
The crop is currently at various stages of maturity and harvest is likely to start from the second week of October. Post will review the production situation in end-October based on the harvest reports to assess the damage, if any, due to FAW. Until then, Post continues to estimate MY 2018/19 corn production unchanged at 26 MMT.

MY 2017/18 Exports Raised

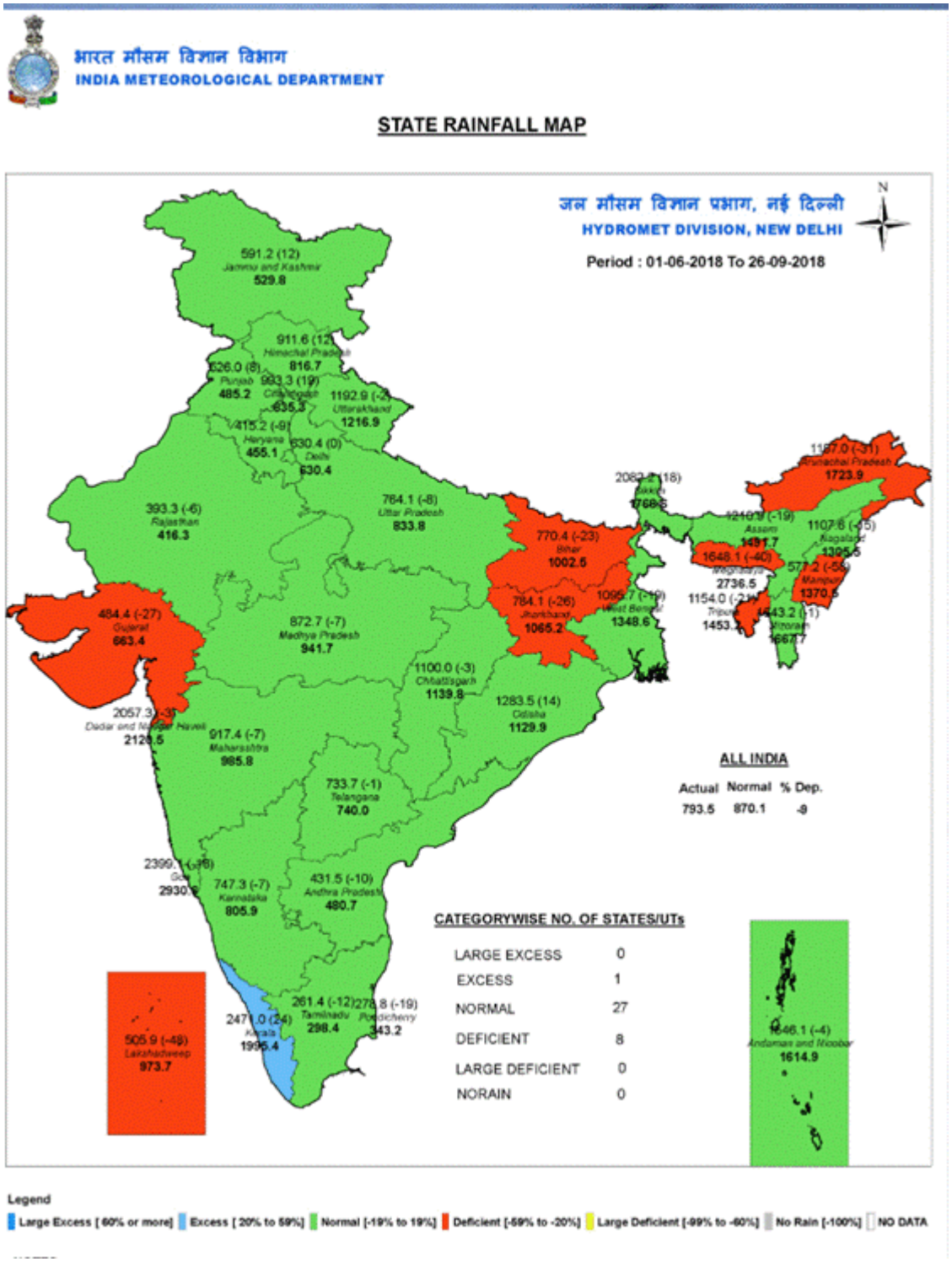
Post's MY 2017/18 corn exports are estimated marginally higher at 900,000 MT based on the latest available official export figures. According to available trade estimates from the Global Trade Atlas, MY 2017/18 corn exports through June 2018 are estimated at 742,000 MT compared to 389,000 MT during the corresponding period last year, mostly to neighboring Nepal and Bangladesh, with small quantities going to south Asia. Market sources report that exports during July 2018 were steady around 100,000 MT. With exports likely to taper down in the last quarter on rising domestic prices, MY 2017/18 exports are likely to reach 900,000 MT.

Ending stocks estimates for MY 2017/18 and 2018/19 in the PSD have been lowered to account for higher MY 2017/18 exports.

WHEAT

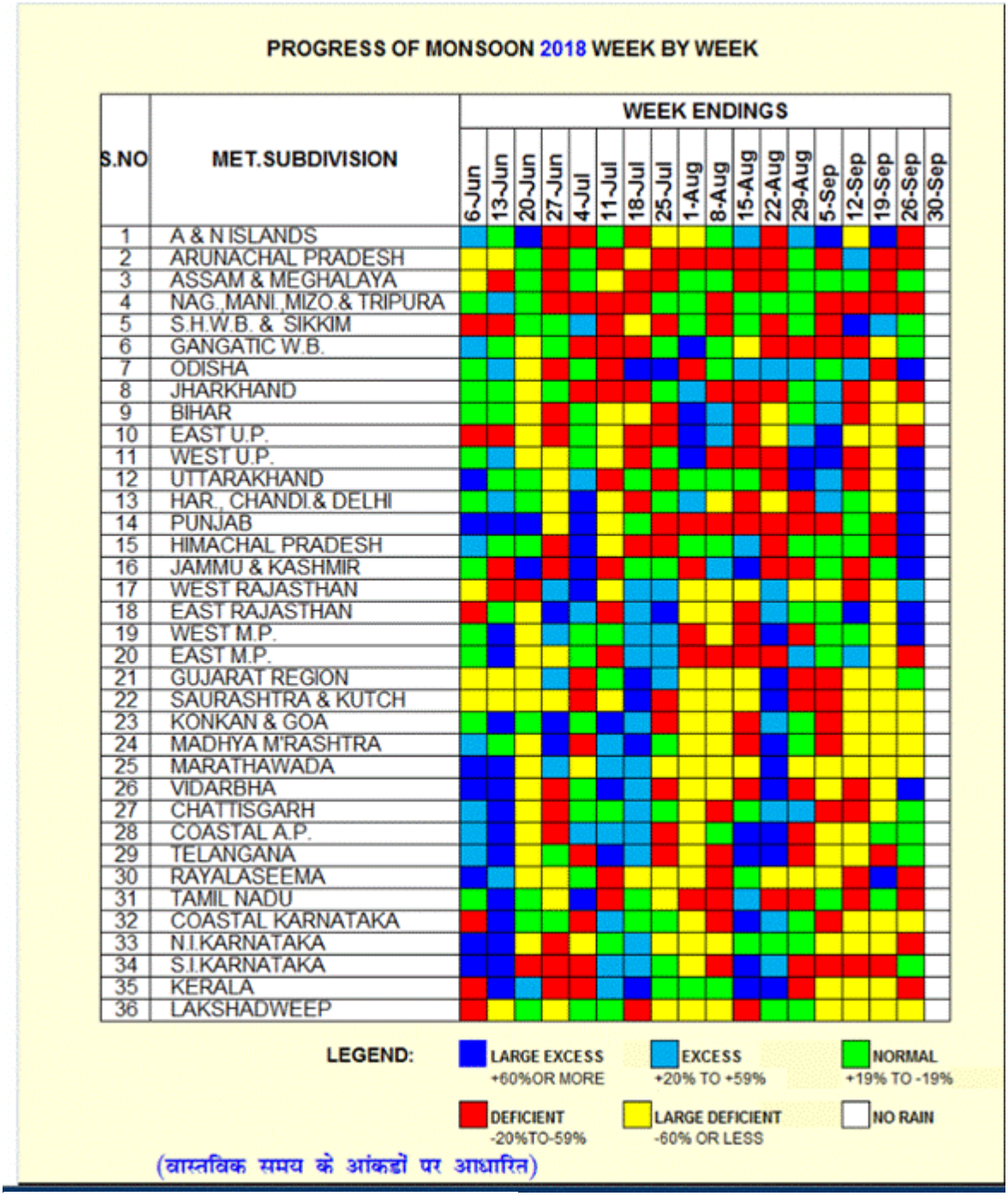
No significant market developments or changes in the PSD to report.

Appendix 1. India: Cumulative 2018 Monsoon rainfall till September 26, 2018



Source: Indian Metrological Department, GOI.

Appendix 2. India: Progress of Monsoon by Week for Major Agro climatic Zones



Source: Indian Metrological Department, GOI.

Appendix 3: India: All India Daily Average Rainfall during ongoing 2018 Monsoon