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Grain and Feed Update - June

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Grain and Feed

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Report Highlights:

Despite a one million decline in wheat production this year, government wheat procurement in MY 2009/10 (Apr-Mar) is likely to scale a record 24.5 million tons, which combined with carry over stocks of 13.5 million tons would take government wheat stocks to a near record level of around 36 million tons on July 1, 2009. Government rice procurement in MY 2008/09 (Oct-Sep) is also likely to reach a record of 30 million tons. However, the new government's commitment to supply 25 kilograms of wheat/rice per month to below poverty line families at a highly subsidized rate of Rs. 3 per kg and uncertainty about this year's monsoon performance might prompt the government to go slow on permitting wheat and non-basmati rice exports. Post revises the MY 2009/10 wheat exports forecast down to one million tons.

General Information:

Wheat production estimate trimmed ...

The GOI recently revised the MY 2009/10 wheat production estimate marginally downward to 77.63 million tons from the earlier estimate of 77.78 million tons, about one million tons lower than the record MY 2008/09 production of 78.57 million tons. The decline in wheat production this year is attributed to a marginal decline in planted area (estimated at 27.8 million hectares vs. 28.2 million hectares last year), above normal temperatures in February and March in major wheat growing regions, lack of winter rains, and emergence of yellow rust in some parts of Punjab.

... but procurement a record

Domestic wheat procurement by government agencies under price support operations has scaled a record 23.8 million tons through May compared with 21.5 million tons during the corresponding period of last year. With some additional procurement likely in June, MY 2009/10 procurement is likely to reach around 24.5 million tons compared with 22.7 million tons in MY 2008/09. Procurement would have been even higher had the government undertaken the minimum support price operation more forcefully, like last year, in states like Uttar Pradesh and Madhya Pradesh, where the open market prices have plummeted below the support price. Despite a lower crop, a significant increase in the support price (Rs. 10,800 = \$230 per ton) was the main reason for the record wheat procurement this year, as private trade largely stayed away from the market in the face of uncertainty posed by potential government interference in the wheat market later in the season. With a view to encourage increased private participation in wheat procurement, the government in April removed the licensing requirements, stocks limit and movement restrictions imposed on the private wheat trade since August 2006 but with no significant impact. This year's wheat procurement includes 10.7 million tons from Punjab, 6.9 million tons from Haryana, 3 million tons from Uttar Pradesh, 1.7 million tons from Madhya Pradesh, and 1.1 million tons from Rajasthan.

Export policy on hold

Although there were talks about the Indian government permitting exports of two million tons of wheat in MY 2009/10 after a new government took charge, the newly elected government has not yet made a decision regarding wheat exports. Uncertainty about this year's monsoon performance and the new government's pre-election commitment to supply 25 kilograms of wheat/rice per month to below poverty line families at highly subsidized rate of Rs. 3 per kg could be factors influencing the government's export decision. The new government is also considering enacting a National Food Security Act, which proposes guaranteeing food for all the vulnerable sections of the society through legislation, unlike the existing program-based allocation. According to the election manifesto of the Congress party, which is now heading

the government, "The Indian National Congress pledges to enact a Right to Food law that guarantees access to sufficient food for all people, particularly the most vulnerable sections of the society. The Indian National Congress pledges that every family living below the poverty line, either in rural or urban areas will be entitled, by law, to 25 kilograms of rice or wheat per month at Rs. 3 per kilogram." Even if the government permits private wheat exports, at the prevailing domestic prices, Indian wheat will remain uncompetitive in the world market without government subsidies. In the light of these developments, Post revises the MY 2009/10 wheat export forecast down to one million tons from the earlier forecast of two million tons.

Rice production estimate revised upward ...

The government's third advance estimate of crop production revised MY 2008/09 rice production upward to a record 99.37 million tons from its earlier estimate of 98.89 million tons, thus 2.7 million tons higher than the MY 2007/09 production. MY 2008/09 rice production included 85.46 million tons of kharif (fall and early winter harvested) crop and 13.91 million tons of rabi (spring harvested) crop.

... procurement also a record

Domestic rice procurement in MY 2008/09 (Oct-Sep) through May totaled a record 29.4 million tons and could reach 30 million tons for the full year, compared with 28.5 million tons in MY 2007/08. Major procuring states were Punjab (8.5 million tons), Andhra Pradesh (6.7 million tons), Uttar Pradesh (3.6 million tons), Chhattisgarh (2.6 million tons), Orissa (2.2 million tons), Haryana (1.4 million tons), West Bengal (1.2 million tons), and Tamil Nadu (1.1 million tons).

No decision on rice export ban removal

Although the government has permitted exports of one million tons of non-basmati rice to some African countries through state trading agencies such as STC, MMT, and PEC (See: <http://164.100.9.245/exim/2000/not/not08/not10408.htm>), a complete relaxation of non-basmati rice exports, has not been notified, despite the fact that government rice stocks are now comfortable. As in the case of wheat, food security concerns and uncertainty about this year's monsoon might prompt the government to continue the non-basmati rice export ban until a clearer picture about the monsoon and rice production prospects emerge by September.

Coarse grain production revised upward

The GOI's third advance estimate places MY 2008/09 total coarse grain production at 38.67 million tons, almost two million tons higher than the second advance estimate, with most of the increase in corn. The revised MY 2008/09 coarse grain production include 18.48 million tons of corn, 7.27 million tons of sorghum, 11.37 million tons of millet, and 1.55 million tons of barley.

Commodity, Corn, PSD

Corn India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
		Data			Data			Data	
Area Harvested	8,260	8,260	8,260	8,300	8,300	8,300	8,400	8,400	8,400
Beginning Stocks	260	260	260	551	500	500	856	800	800
Production	18,960	18,960	18,960	17,000	17,000	18,480	18,500	18,500	19,000
MY Imports	4	0	0	5	0	0	5	0	0
TY Imports	4	0	0	5	0	0	5	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	19,224	19,220	19,220	17,556	17,500	18,980	19,361	19,300	19,800
MY Exports	4,473	4,500	4,500	400	400	600	1,000	500	1,000
TY Exports	5,077	4,500	4,500	400	400	600	1,000	500	1,000
Feed Consumption	6,700	6,700	6,700	6,400	6,400	7,000	6,700	6,700	7,200
FSI Consumption	7,500	7,520	7,520	9,900	9,900	10,580	10,700	11,200	10,700
Total Consumption	14,200	14,220	14,220	16,300	16,300	17,580	17,400	17,900	17,900
Ending Stocks	551	500	500	856	800	800	961	900	900
Total Distribution	19,224	19,220	19,220	17,556	17,500	18,980	19,361	19,300	19,800
Yield	2.	2.	2.2954	2.	2.	2.2265	2.	2.	2.2619

Commodity, Rice Milled, PSD

Rice, Milled India	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	

	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	43,770	43,770	43,770	44,000	44,000	44,000	44,100	44,100	44,100
Beginning Stocks	11,430	11,430	11,430	13,000	13,000	13,000	17,000	17,000	17,000
Milled Production	96,690	96,690	96,690	98,900	98,900	99,370	99,500	99,500	99,500
Rough Production	145,050	145,050	145,050	148,365	148,365	149,070	149,265	149,265	149,265
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	108,120	108,120	108,120	111,900	111,900	112,370	116,500	116,500	116,500
MY Exports	4,654	4,500	4,500	2,500	2,500	2,500	4,000	4,000	3,500
TY Exports	3,383	3,300	3,300	2,500	2,500	2,500	4,000	4,000	3,500
Total Consumption	90,466	90,620	90,620	92,400	92,400	92,870	93,000	93,000	95,000
Ending Stocks	13,000	13,000	13,000	17,000	17,000	17,000	19,500	19,500	18,000
Total Distribution	108,120	108,120	108,120	111,900	111,900	112,370	116,500	116,500	116,500
Yield (Rough)	3.	3.	3.3139	3.	3.	3.388	3.	3.	3.3847

Commodity, Wheat, PSD

Wheat India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007		New Post	Market Year Begin: Apr 2008		New Post	Market Year Begin: Apr 2009		Jan
	Annual Data Displayed	Data		Annual Data Displayed	Data		Annual Data Displayed	Data	
Area Harvested	28,000	28,000	28,000	28,150	28,150	28,150	27,800	27,800	27,800
Beginning Stocks	4,500	4,500	4,500	5,800	5,800	5,800	13,910	14,000	13,500
Production	75,810	75,810	75,810	78,600	78,600	78,570	77,500	77,500	77,630
MY Imports	1,885	1,793	1,793	10	0	0	0	0	0
TY Imports	1,885	1,800	1,800	10	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	82,195	82,103	82,103	84,410	84,400	84,370	91,410	91,500	91,130
MY Exports	50	50	50	200	100	100	2,000	2,000	1,000
TY Exports	43	50	50	300	100	100	2,000	2,000	1,000
Feed Consumption	200	200	200	100	100	100	100	100	100
FSI Consumption	76,145	76,053	76,053	70,200	70,200	70,670	72,400	72,400	75,030
Total Consumption	76,345	76,253	76,253	70,300	70,300	70,770	72,500	72,500	75,130
Ending Stocks	5,800	5,800	5,800	13,910	14,000	13,500	16,910	17,000	15,000
Total Distribution	82,195	82,103	82,103	84,410	84,400	84,370	91,410	91,500	91,130
Yield	3.	3.	2.7075	3.	3.	2.7911	3.	3.	2.7924