

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

### Grain and Feed Update

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**Report Highlights:**

Although domestic production, procurement and stocks of wheat are likely to reach near record levels in MY 2010-11, prices are likely to remain firm due to the high government support price. The GOI is unlikely to permit wheat and non-basmati rice exports this year due to food price inflation concerns, despite government warehouses overflowing with newly procured wheat and rice on top of large carry over stocks from last season.

**Post:**  
New Delhi

**Commodities:**  
Wheat

Rice, Milled

**Author Defined:**

## **Wheat**

### **Production tempered by high temperature**

Despite an increase in planted area, MY 2010/11 wheat production is now expected to decline from the record MY 2009/10 level due to late season weather developments resulting in lower yields. Post currently forecasts MY 2010/11 wheat production at 79.0 million tons from 28.7 million hectares. The initial optimism regarding the 2010 wheat crop following favorable growing conditions through mid-March was tempered by a sudden significant rise in temperature, which affected proper grain development, lowering yield prospects. Also, extreme hot weather at harvest time resulted in lower-than-normal grain moisture levels, further contributing to a potential yield reduction. The impact is likely to be more pronounced in late planted wheat in Uttar Pradesh, Bihar, and parts of Punjab and Haryana. In the western states of Rajasthan and Gujarat wheat production declined mainly due to a decline in planted area. In the central state of Madhya Pradesh, where the wheat harvest typically takes place much earlier in March, the crop was unaffected by the rise in temperature, and production is expected to be a record. However, the production gain in Madhya Pradesh is unlikely to offset the likely combined decline in wheat production in other states.

### **Procurement likely to decline**

Although wheat procurement by government agencies through April 2010 is ahead of last year due to early harvesting and marketing, procurement during the full marketing year 2010/11 (Apr-Mar) is now expected to fall short of the MY 2009/10 record procurement of 25.4 million tons by 2 to 3 million tons, reflecting the production decline. Unlike previous years, market arrivals in the major surplus wheat growing states of Punjab and Haryana started to taper off by the third week of April. Although the government has not imposed any restrictions on wheat purchases by private traders and even encouraged private trade participation in wheat purchases, large government stocks and unpredictability about government market interventions through open market wheat sales have discouraged large-scale private trade wheat purchases. As wheat prices

in Uttar Pradesh, the largest wheat growing state, typically tend to be lower than the GOI support price due to poor procurement facilities, most private trade purchases have been confined to this state. In the major surplus states of Punjab and Haryana, prices typically rule higher than in other states due to effective implementation of the price support operations and higher market fees and levies charged by the state governments.

### **Stocks likely to peak ...**

Government-held wheat stocks on April 1 were officially placed at 16.1 million tons compared to 13.4 million tons on April 1, 2009, and the GOI's desired minimum buffer stock level of 4 million tons. Despite a likely decline in wheat procurement by the government this year, stocks could peak to a near record level of around 40 million tons on June 1, 2010. Government warehouses, already choking with large carry over stocks of wheat and rice from the previous year's procurement, will be under tremendous pressure, requiring large-scale open air storage under polyethylene cover (CAP storage), wherein the grain is susceptible to pest attack and the vagaries of weather. According the Chairman of the GOI's grain procurement agency, the Food Corporation of India (FCI), around five million tons of wheat procured this year will have to be stored in the open under polyethylene cover (CAP storage), in addition to the 4.1 million tons already stored in the open on April 1, 2010, mostly in Punjab and Haryana.

### **... But prices unlikely to decline**

The GOI's higher support price for wheat (Rs. 11,000 = \$247) per metric ton for this marketing year), combined with various market levies and fees levied by the major surplus states of Punjab (13.5 percent) and Haryana (10.5 percent) would keep open market prices of wheat firm despite near record production. Only in Uttar Pradesh, where the procurement machinery is weak, prices are trending below the government support price. Hence, private buying of wheat is largely confined to this state. However, once market arrivals in Uttar Pradesh dry up, open market prices will start strengthening. The only way prices can be brought down will be by selling the government procured wheat at below cost prices in the open market during the offseason, which would result in the further ballooning of government food subsidies. The government-budgeted food subsidy for IFY 2010-11 (Apr-Mar) is Rs. 556 billion (\$12.5 billion).

### **Exports Unlikely**

Despite brimming grain warehouses, the government is unlikely to permit wheat exports due to food price inflation concerns. Even if exports were allowed, Indian wheat cannot compete in the global market without large government subsidies. The recent appreciation of Indian rupee against U.S. dollar would make exports more unviable. At the current exchange rate of around Rs. 44.5 for one U.S. dollar, the FOB cost of Indian wheat would be around \$310 per ton against

the U.S. price of less than \$200 per ton and even lower for Baltic Sea origin wheat.

### **Government's Food Security Act in Limbo**

Having won the recent national election for the second time in May 2009, the Congress-led government is now embarking on fulfilling its election promise of enacting a Food Security Act, which guarantees 25 kg of wheat or rice per month to below poverty line (BPL) families at the highly subsidized rate of Rs. 3 (U.S. \$ 7) per kg. An Empowered Group of Ministers (EGoM), headed by the Finance Minister, has given the green light for the draft of the new Food Security Bill. Although full details regarding the Bill are not yet available, there are indications that the proposed Food Security Act falls short of what India's poorest need. For example, the draft bill only offers 25 kg of wheat or rice at Rs. 3 per kg to poor families instead of the 35 kg mandated by the Supreme Court during the right-to-food hearings. There is also the difficult issue of defining who is "poor". While state government data pegs the total number of poor families in India at over 100 million, the GOI estimate of the number of poor families is only 65 million.

### **Rice**

#### **Production down by 12 percent ...**

The GOI's revised rice production estimate pegs MY 2009/10 at 87.6 million tons (72.9 million tons in the fall and early winter harvested kharif season and 14.7 million tons in the spring-harvested rabi season), an 11.6 million ton drop from the record MY 2008/09 level due to poor monsoon rains last year. The MY 2010/11 production will largely depend on summer monsoon rains. Prevailing high temperatures do not augur well for rice planting, unless timely rains replenish soil moisture, particularly in non-irrigated regions.

#### **... But no corresponding decline in procurement**

Despite a significant decline in MY 2009/10 rice production, domestic rice procurement by the government has registered only a marginal decline at 25.9 million tons on April 16, compared with 26.8 million tons during the corresponding period of MY 2008/09. The decline was mainly confined to Uttar Pradesh and Andhra Pradesh, the worst drought or flood affected states last year, where procurement is down by more than one million tons in each state. However, this was largely offset by higher procurement from Punjab, Haryana, and Chhattisgarh. Going by the current trend, total MY 2009/10 procurement is likely to be around 31 million tons against the MY 2008/09 record procurement of 33.7 million tons. Higher than expected procurement is attributed to the government's remunerative support price and stock limits on traders imposed by various state governments.

#### **Stocks higher**

As in the case of wheat, rice stocks with the government also swelled to a record 26.7 million tons

on April 1, 2010, compared to 21.6 million tons a year ago and the previous record April 1 stocks of 24.9 million tons in 2002. Larger stocks are due to record procurement in MY 2008/09 and ongoing excellent procurement in MY 2009/10. This partly explains the prevailing high open market rice prices, as a major share of production was procured by the government by offering higher support price.

### **Basmati rice exports a record in CY 2009**

Although non-basmati rice exports declined sharply in CY 2009 following a government ban, basmati rice exports reached a record two million tons following increased overseas demand for India's PUSA-1121 basmati rice. Preliminary GOI data show that Iran imported close to 420,000 tons of basmati rice, mostly PUSA-1121 in CY 2009, emerging as the third largest importer of Indian basmati. Saudi Arabia continued to be the largest buyer of basmati rice at around 590,000 tons, followed by the United Arab Emirates at around 570,000 tons.

### **Non-basmati rice exports unlikely**

Despite record government rice stocks and continuing strong procurement, (mostly in Andhra Pradesh), the government is unlikely to relax export restrictions on non-basmati rice, as domestic prices continue to remain high. As in the case of wheat, rice prices in the open market are unlikely to decline in coming months due to the GOI's pro-farmer price support policy, which sets a high market clearing price for milled rice. In fact, prices are likely to move up as the government announces the support price for the MY 2010/11 crop soon, which are likely to be higher than the MY 2009/10 support price.

## **Coarse Grains**

### **Minor revisions in MY 2009/10 production**

The GOI's second estimate pegs MY 2009/10 coarse grain production at 34.3 million tons, which include 17.3 million tons of corn, 6.8 million tons of sorghum, and 8.6 million tons of millet. This is compared with the MY 2008/09 revised estimate of 40.0 million tons, which included 19.7 million tons of corn, 7.2 million tons of sorghum, and 11.4 million tons of millet. The PS&D tables have been revised to reflect the revised GOI data.

## **Pulses**

### **Production marginally up**

The GOI estimates MY 2009/10 pulse production at 14.7 million tons (4.2 million tons kharif and 10.5 million rabi) against MY 2008/09 production of 14.6 million tons (4.7 million tons kharif and

9.9 million tons rabi). Thus, a decline in kharif production last year was more than offset by a larger rabi pulse production this year, mostly due to increased planting.

### **Export ban and zero import duty on pulses to continue**

GOI's Director General of Foreign Trade recently notified that the export ban on pulses will continue until March 31, 2011 (See: <https://dgftcom.nic.in/exim/2000/not/not09/not3509.htm>)

The Central Board of Excise and Customs notified on March 31, 2010, that the zero import duty regime for pulses has been extended to March 31, 2011. (See: [www.cbec.gov.in/customs/cs-act/notifications/notfns-2k10/cs40-2k10.htm](http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k10/cs40-2k10.htm))

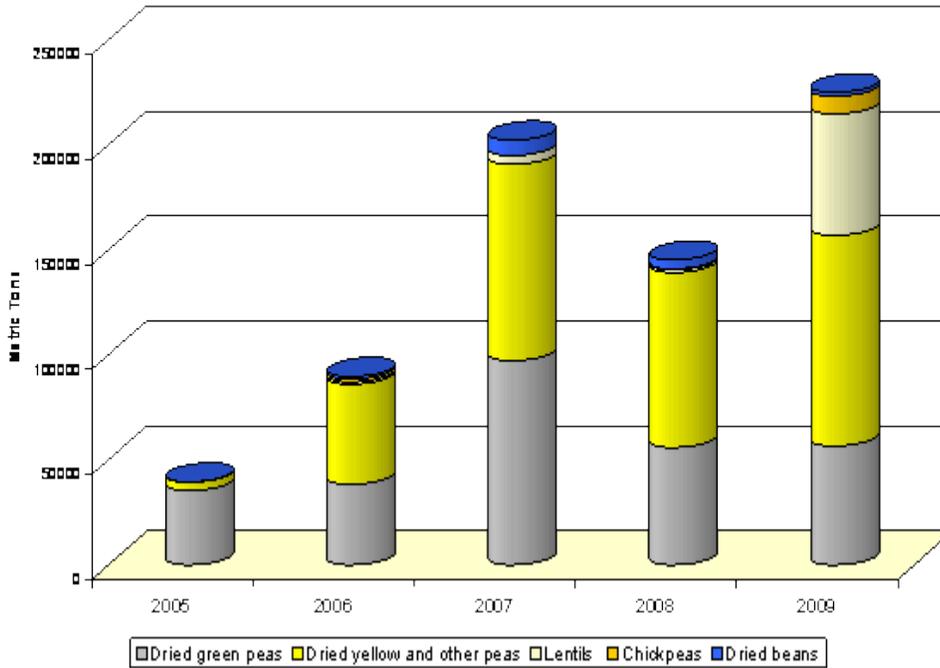
### **Import subsidy on pulses extended**

The government has reportedly decided to extend the import subsidy on pulses until September 30, 2010, in order to augment domestic supplies and ease prices. Accordingly, public sector trading companies such as the STC, MMTC, PEC, and the agricultural cooperative National Agricultural Cooperative Marketing Federation (NAFED) will continue to receive a reimbursement to cover any losses they incur in the import of pulses limited to 15 percent of the difference between imported prices and local prices.

### **CY 2009 U.S. Pulse Exports to India a New Record**

Continuing its upward trend, CY 2009 U.S. pulse exports to India reached a record 225,000 tons valued at \$104.5 million, a 63 percent increase in quantity terms and 68 percent increase in value terms. Dried peas constituted the largest share followed by lentils, chickpeas, and beans. The following graph shows the growth in pulse exports to India in recent years.

## U.S. Pulse Exports to India



**Table 1: Commodity, Wheat, PSD**

Wheat India	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	28,150	28,150	28,150	27,900	27,800	27,900		28,000	28,700
Beginning Stocks	5,800	5,800	5,800	13,510	13,500	13,430		17,000	16,100
Production	78,570	78,570	78,570	80,680	80,580	80,680		82,000	79,000
MY Imports	10	0	0	300	100	50		50	10
TY Imports	8	0	0	300	100	50		50	10
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	84,380	84,370	84,370	94,490	94,180	94,160		99,050	95,110
MY Exports	100	10	10	100	250	10		250	100
TY Exports	100	10	10	100	250	10		250	100
Feed and Residual	100	100	100	100	100	100		100	100
FSI Consumption	70,670	70,760	70,830	76,830	76,830	77,950		78,000	79,910
Total Consumption	70,770	70,860	70,930	76,930	76,930	78,050		78,100	80,010
Ending Stocks	13,510	13,500	13,430	17,460	17,000	16,100		20,700	15,000
Total Distribution	84,380	84,370	84,370	94,490	94,180	94,160		99,050	95,110

Yield	3.	3.	2.7911	3.	3.	2.8918		3.	2.7526
TS=TD			0			0			0

**Table 2: Commodity, Rice, Milled, PSD**

Rice, Milled India	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
		Data			Data			Data	
Area Harvested	45,400	45,600	45,400	41,000	41,000	41,000		45,000	45,000
Beginning Stocks	13,000	13,000	13,000	19,000	19,000	19,000		15,000	15,000
Milled Production	99,150	99,150	99,180	87,000	87,000	87,560		99,000	99,000
Rough Production	148,74 0	148,74 0	148,78 5	130,51 3	130,51 3	131,35 3		148,51 5	148,51 5
Milling Rate (.9999)	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
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	112,15 0	112,15 0	112,18 0	106,00 0	106,00 0	106,56 0		114,00 0	114,00 0
MY Exports	2,100	2,100	2,100	2,000	2,000	2,000		2,500	2,500
TY Exports	2,000	2,000	2,150	2,000	2,000	2,000		2,500	2,500
Consumption and Residual	91,050	91,050	91,080	89,000	89,000	89,560		93,500	93,500
Ending Stocks	19,000	19,000	19,000	15,000	15,000	15,000		18,000	18,000
Total Distribution	112,15 0	112,15 0	112,18 0	106,00 0	106,00 0	106,56 0		114,00 0	114,00 0
Yield (Rough)	3.	3.	3.2772	3.	3.	3.2037		3.	3.3003
TS=TD			0			0			0

**Table 3: Commodity, Corn, PSD**

Corn India	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			Market Year Begin: Nov 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
		Data			Data			Data	
Area Harvested	8,000	8,000	8,200	8,000	8,000	8,000		8,200	8,200
Beginning Stocks	551	551	551	746	800	800		750	750
Production	19,290	19,290	19,730	18,000	18,000	17,300		20,000	20,000
MY Imports	13	0	0	5	0	0		0	0
TY Imports	11	0	0	5	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	19,854	19,841	20,281	18,751	18,800	18,100		20,750	20,750
MY Exports	2,608	2,500	2,500	1,500	1,500	1,500		2,000	2,000
TY Exports	2,551	2,500	2,500	1,500	1,500	1,500		2,000	2,000
Feed and Residual	7,500	7,500	7,500	7,500	7,500	7,500		8,000	8,000

FSI Consumption	9,000	9,041	9,481	9,000	9,050	8,350		9,500	9,500
Total Consumption	16,500	16,541	16,981	16,500	16,550	15,850		17,500	17,500
Ending Stocks	746	800	800	751	750	750		1,250	1,250
Total Distribution	19,854	19,841	20,281	18,751	18,800	18,100		20,750	20,750
Yield	2.	2.	2.4061	2.	2.	2.1625		2.	2.439
TS=TD			0			0			0

**Table 4: Commodity, Sorghum, PSD**

Sorghum	India	2008			2009			2010		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			Market Year Begin: Nov 2010		
		USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
				Data			Data			Data
Area Harvested	7,700	7,700	7,700	7,000	7,000	7,000		7,500	7,500	
Beginning Stocks	183	187	183	241	247	173		122	200	
Production	7,310	7,310	7,240	6,400	6,400	6,770		7,500	7,500	
MY Imports	0	0	0	0	0	0		0	0	
TY Imports	0	0	0	0	0	0		0	0	
TY Imp. from U.S.	0	0	0	0	0	0		0	0	
Total Supply	7,493	7,497	7,423	6,641	6,647	6,943		7,622	7,700	
MY Exports	52	50	50	25	25	25		50	50	
TY Exports	54	50	50	25	25	25		50	50	
Feed and Residual	1,200	1,200	1,200	1,500	1,500	1,500		1,500	1,500	
FSI Consumption	6,000	6,000	6,000	5,000	5,000	5,218		5,800	5,800	
Total Consumption	7,200	7,200	7,200	6,500	6,500	6,718		7,300	7,300	
Ending Stocks	241	247	173	116	122	200		272	350	
Total Distribution	7,493	7,497	7,423	6,641	6,647	6,943		7,622	7,700	
Yield	1.	1.	0.9403	1.	1.	0.9671		1.	1.	
TS=TD			0			0			0	

**Table 5: Commodity, Millet, PSD**

Millet	India	2008			2009			2010		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			Market Year Begin: Nov 2010		
		USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
				Data			Data			Data
Area Harvested	10,000	10,000	10,000	8,500	8,500	8,500		9,500	9,500	
Beginning Stocks	250	250	250	290	250	280		50	70	
Production	11,340	11,340	11,370	7,600	7,600	8,590		11,000	11,000	
MY Imports	0	0	0	0	0	0		0	0	
TY Imports	0	0	0	0	0	0		0	0	
TY Imp. from U.S.	0	0	0	0	0	0		0	0	
Total Supply	11,590	11,590	11,620	7,890	7,850	8,870		11,050	11,070	
MY Exports	0	0	0	0	0	0		0	0	

TY Exports	0	0	0	0	0	0	0	0	0
Feed and Residual	1,000	1,000	1,000	500	500	500	500	500	500
FSI Consumption	10,300	10,340	10,340	7,300	7,300	8,300	10,300	10,300	10,300
Total Consumption	11,300	11,340	11,340	7,800	7,800	8,800	10,800	10,800	10,800
Ending Stocks	290	250	280	90	50	70	250	270	270
Total Distribution	11,590	11,590	11,620	7,890	7,850	8,870	11,050	11,070	11,070
Yield	1.	1.	1.137	1.	1.	1.0106	1.	1.1579	1.1579
TS=TD			0			0		0	0

**Table 6: Commodity, Barley, PSD**

Barley India	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
Area Harvested	750	750	750	780	780	780	790	790	790
Beginning Stocks	31	31	31	94	31	31	111	100	100
Production	1,230	1,200	1,200	1,540	1,540	1,690	1,550	1,600	1,600
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	1,261	1,231	1,231	1,634	1,571	1,721	1,661	1,700	1,700
MY Exports	167	200	200	100	150	150	150	150	150
TY Exports	37	200	200	100	150	150	150	150	150
Feed and Residual	100	100	100	100	100	100	100	100	100
FSI Consumption	900	900	900	1,300	1,210	1,371	1,261	1,300	1,300
Total Consumption	1,000	1,000	1,000	1,400	1,310	1,471	1,361	1,400	1,400
Ending Stocks	94	31	31	134	111	100	150	150	150
Total Distribution	1,261	1,231	1,231	1,634	1,571	1,721	1,661	1,700	1,700
Yield	2.	2.	1.6	2.	2.	2.1667	2.	2.0253	2.0253
TS=TD			0			0		0	0