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India

Grain and Feed Update

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Report Highlights:

MY 2018/19 (April-March) wheat production estimate has been raised higher to 95 million metric tons (MMT) on reports of higher yield realization in northern India. On April 16, 2018, the Indian Metrological Department (IMD) released its first long-range forecast predicting normal 2018 southwest monsoon (June-September) rainfall.

Post:
New Delhi

Commodities:
Wheat
Rice, Milled
Corn

Author Defined:

IMD Forecasts Normal 2018 Monsoon...

On April 16, 2018, the [Indian Metrological Department \(IMD\) released its first long-range forecast for the 2018 southwest monsoon seasonal \(June-September\) rainfall](#), and predicted a normal 2018 monsoon. The IMD predicts rainfall during the upcoming 2018 monsoon to be about 97 percent of the long-period average (LPA; 89 centimeters for the period 1951-2000) with a five-percent margin of error. The forecast also suggests maximum probability (96 to 104 percent) for normal monsoon rainfall and low probability of deficient rainfall during the season. The IMD will issue an update in the month of June for the 2018 monsoon factoring in additional information about the extreme sea surface temperature conditions over the Pacific and Indian Ocean Dipole.

India's southwest monsoon provides over 70 percent of the country's annual rainfall and essential soil moisture for more than 55 percent of the unirrigated total cultivable area during the *kharif* (fall harvested September-November) crop season. Normal monsoon rain is also critical *rabi* crops planted in the winter season to ensure adequate soil moisture at the time of planting and adequate irrigation water for the 45 percent of irrigated cultivated area.

... Favorable Grain Production Prospects for the Upcoming Season

Back-to-back, near-normal 2016 and 2017 monsoons supported bumper harvests for most grains in the Indian crop years (ICY; July-June) 2016/17 and 2017/18. With the IMD's forecast for a normal 2018 monsoon, the Government of India (GOI) is optimistic on production prospects for the upcoming ICY 2018/19. Sources report that the Ministry of Agriculture and Farmers Welfare has set a food grain (wheat rice, coarse grains and pulses) production target of 283.7 million metric tons for the ICY 2018/19, a significant 6 MMT increase over the current record estimate of 277.5 MMT for ICY 2017/18. The GOI production target includes 113 MMT of rice (vs. record 111 MMT for ICY 2017/18), 100 MMT of wheat (vs. record 98.5 MMT in ICY 2016/17 or MY 2017/18), and 24 MMT of pulses (vs. record 23.9 MMT in ICY 2017/18)

Despite forecast normal 2018 monsoon, well distributed southwest monsoon across the monsoon period (June-September) and major states will be crucial for grain production during the upcoming crop year (July-June), which includes *kharif* crops like rice, corn, sorghum, millet, and pulses, and *rabi* crops like wheat, rice, corn, barley, and pulses. A normal and well distributed 2018 monsoon will be critical for supporting Post's MY 2018/19 planting and production forecasts for rice, corn and other coarse grains in the PSDs.

WHEAT

Table 1. India: Commodity, Wheat, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT per Hectare)						
Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2016		Apr 2017		Apr 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30418	30220	30785	30785	0	29700
Beginning Stocks	14540	14540	9800	9800	0	13230
Production	87000	87000	98510	98510	0	95000
MY Imports	5896	5896	1500	1650	0	1500
TY Imports	6147	6147	1500	1500	0	1500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	107436	107436	109810	109960	0	109730
MY Exports	516	516	500	500	0	400
TY Exports	409	409	400	400	0	400
Feed and Residual	4700	4700	5000	5000	0	5000
FSI Consumption	92420	92420	92310	91230	0	93000
Total Consumption	97120	97120	97310	96230	0	98000
Ending Stocks	9800	9800	12000	13230	0	11330
Total Distribution	107436	107436	109810	109960	0	109730
Yield	2.8601	2.8789	3.1999	3.1999	0	3.1987

Note: USDA's official forecast for MY 2018/19 is forthcoming. All PSD revisions for MY 2018/19 in the report reference changes from Post's previous forecast in the India Grain and Feed Annual (IN8027)

MY 2017/18 Production Raised

Post's MY 2018/19 wheat production estimate has been increased to 95 million metric tons (MMT) compared to the pre-harvest forecast of 94 MMT (IN8027) based on early harvest reports suggesting higher-than-expected yields in northern India.

Despite delayed planting and inadequate winter rains, field sources report that extended winter conditions (relatively cool temperature) through harvest (April) have resulted in higher yields compared to last year in the fully irrigated wheat growing states of Punjab, Haryana, and Western Uttar Pradesh. Agriculture experts reported that in addition to the prolonged cool temperatures through harvest, farmers ensured adequate soil moisture conditions through irrigation, resulting in better grain setting

and bolder grain size. Market sources also report lower incidences of disease compared to the past few years. However, yields in the relatively less irrigated wheat growing states of Rajasthan, Madhya Pradesh, and the central and eastern parts of Uttar Pradesh are reportedly lower than last year due to delayed planting and inadequate winter rains. Scattered rains in most of the wheat growing states during the first two weeks of April delayed harvest by 5-10 days in the rain affected areas, but there have not been any reports of significant crop damage.

The Indian wheat harvest began in March and is over in most states except eastern Uttar Pradesh, and Bihar. Although the GOI’s yield assessment will not be available until the end of June, field reports suggest higher yields than last year in northern states. Consequently, Post estimates MY 2018/19 wheat production higher at 95 million metric tons compared to the pre-harvest forecast of 94 MMT, but lower than last year’s record harvest of 98.5 MMT on reduced planting.

Procurement Starts Strong

Despite the delayed harvest, the GOI’s wheat procurement had picked-up strongly by the third week of April due to relatively high minimum support prices (MSP) compared to open market prices in the major producing states. Total GOI procurement of wheat through April 26, 2018, is estimated at 23.6 MMT compared to 22 MMT during the corresponding period last year.

Table 2. India: Government Procurement of Wheat by State, Quantity in MMT

State	MY 2017/18	MY 2017/18	MY 2018/19
	April-March	April 1-26	April 1-26
Punjab	11.71	9.53	9.57
Haryana	7.43	6.67	7.60
Madhya Pradesh	6.73	4.52	4.36
Uttar Pradesh	3.70	0.62	1.21
Rajasthan	1.25	0.60	0.82
Others	0.02	0.01	0.02
Total	30.83	21.95	23.58

Source: Food Corporation of India, GOI.

Wheat procurement in the major surplus states of Punjab and Haryana is currently in full-swing, but will taper off by the third week of May. Most of the wheat in these two states is likely to be procured by the government, as high local taxes preclude any significant private sales. Private trade competes with public procurement in other states during harvest, as price premiums are offered for better quality grain.

Due to recent farmer demonstrations across the country, the GOI and several state governments have been proactive in ensuring the availability of government MSP procurement in other wheat growing states. With the GOI’s higher minimum support prices (MSP) of INR 17,350 (\$267) per MT compared to last year’s MSP of INR 16,250 (\$250) per MT, and some state government announcing additional payments, farmers have been encouraged to offload larger quantities to the government procurement program. For example, the state government of Uttar Pradesh announced payments of INR 150 (\$2.3) per MT to farmers to compensate for pre-cleaning and unloading charges. The state government of Madhya Pradesh is mulling over a proposal of an INR 2,650 (\$41) per MT bonus to the farmers after the procurement period concludes. Last year, the Madhya Pradesh government gave a bonus of INR 2,000

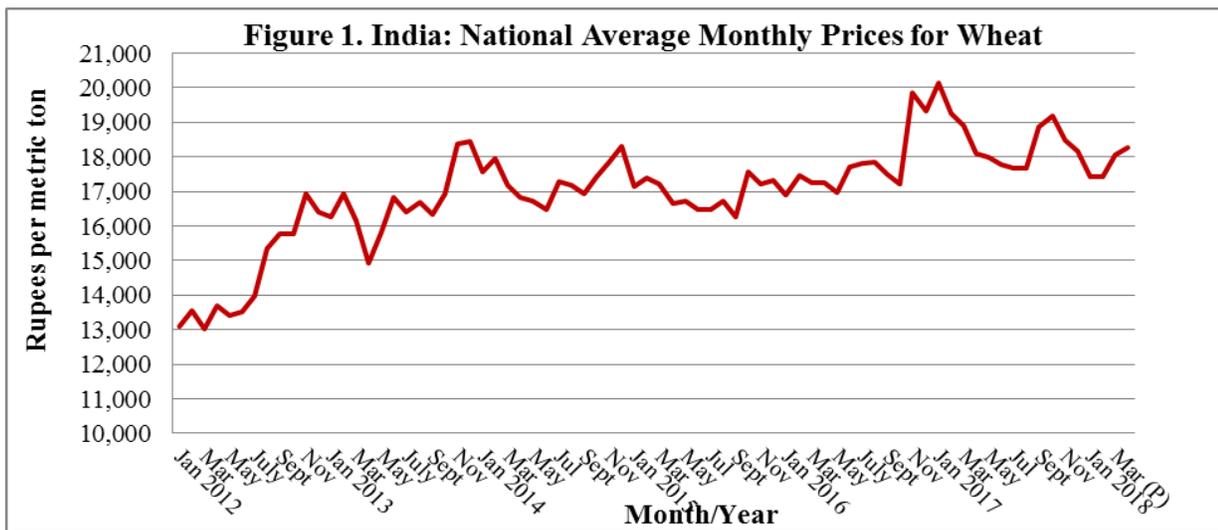
(\$31) per MT in late 2017 after the MSP procurement was over in May 2017. However, wheat procurement in Madhya Pradesh is likely to be lower than last year due to the expected smaller crop.

Procurement will continue through June in most other states except Punjab and Haryana, depending on the movement of open market prices. Most states, except Madhya Pradesh, are likely to supply larger volumes over last year’s procurement levels. Due to the relatively weak domestic prices during most of MY 2017/18, market sources expect that local traders and farmers will buy and stock smaller quantities of wheat than normal. Consequently, total GOI wheat procurement is likely to be higher than last year (30.8 MMT), and may exceed even the government procurement target of 33 MMT.

The forecast 33-34 MMT of public procurement will be sufficient to meet the requirements for the GOI’s National Food Security Act and other food security initiatives (27 MMT), leaving sufficient surplus for open-market sales to the private trade and millers. Historically, the GOI releases wheat into the open market as a means to check domestic price increases.

Prices Firm

Despite the strong harvest, GOI procurement has supported domestic market prices around the MSP in most production states. Wheat prices in major wheat surplus states currently range from INR 17,150 (\$264) to INR 17,350 (\$267), per MT.



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Market prices may ease as wheat arrivals accelerate in May and June. Future domestic wheat price movement will largely depend on the GOI’s wheat supply and import policies (particularly applied tariffs).

Stocks Raised

Based on the latest official stock estimates, Post’s MY 2017/18 ending wheat stock estimate is raised to 13.2 MMT. Government-held wheat stocks as of April 1, 2018, are estimated at 13.2 MMT (vs. 12.5

MMT estimated earlier IN7031) due to lower-than-anticipated off take of government wheat in the last quarter of MY 2017/18. Unlike last year, private stakeholders are not holding any imported or domestic wheat stocks besides the normal pipeline demand. Assuming normal offtake of government wheat under various government programs and higher sales to private millers, MY 2018/19 ending stocks are forecast higher at 11.3 MMT.

Consumption Revised

MY 2017/18 consumption is lowered to 91.2 MMT due to changes in the ending-stock estimate. Market sources report that overall consumption declined due to lower consumption in non-traditional wheat consuming south India, where wheat prices increased significantly over last year due to higher tariffs on imports and government wheat supply at actual cost (MSP plus cost of storage and transport from producing states). Last year, south India consumed significantly higher-than-normal wheat owing to availability of relatively cheaper foreign wheat due to lower international prices and zero import duties, which the GOI has since raised to 20 percent.

MY 2017/18 Imports Raised

Based on the latest official trade estimates, MY 2017/18 wheat imports have been raised marginally to 1.65 MMT. Although wheat estimates have tapered off since November 2017 when the GOI raised the import duty to 20 percent, official monthly trade statistics estimate wheat imports during April 2017 to March 2018 at 1.65 MMT. Most of the wheat coming in the last quarter of MY 2017/18 has been from Russia, Ukraine, and other Black Sea countries.

Despite improved domestic supplies, MY 2018/19 wheat imports remains unchanged at 1.5 MMT at the current 20 percent import duty as south-India based millers would like to augment supplies of higher quality wheat through imports during the second half of the marketing season. Assuming no significant change in international prices, MY 2018/19 wheat export prospects also remain unchanged as Indian wheat is significantly outpriced by other origins, even in neighboring markets Bangladesh and Sri Lanka.

RICE

No changes in the official PSD to report.

Procurement Slow Down

Despite a record harvest, government rice procurement has slowed down since January 2018 due to strong export off take of coarse rice. Total rice procurement in MY 2017/18 through April 20, 2018, was estimated at 31.8 MMT, marginally lower than 32.1 MMT procured during the corresponding period last year.

Table 3. India: Government Rice Procurement by State, Quantity in MMT

State	MY 2016/17	MY 2016/17	MY 2017/18
	October-September	Oct 1 through Apr 20	
Punjab	11.05	11.05	11.83
Andhra Pradesh	3.72	2.85	2.89
Telangana	3.60	1.20	1.32
Chhattisgarh	4.02	4.02	3.21
Odisha	3.63	2.64	2.52
Haryana	3.58	3.57	3.97
Uttar Pradesh	2.35	2.35	2.88
West Bengal	1.92	1.59	0.04
Madhya Pradesh	1.31	1.31	1.10
Tamil Nadu	1.19	0.01	0.64
Others	1.72	1.51	1.44
Total	38.11	32.10	31.81

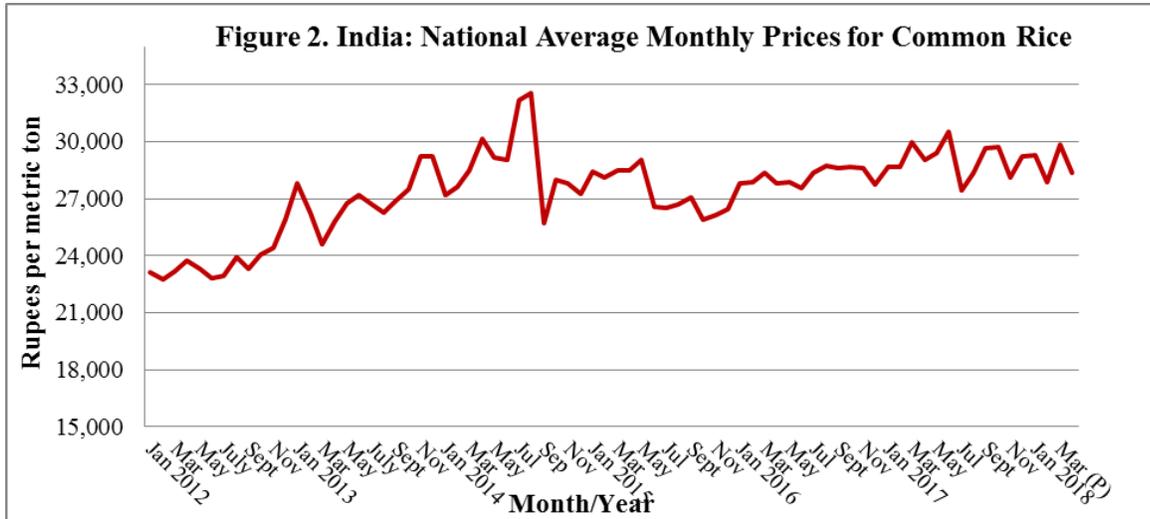
Source: Food Corporation of India, GOI

Although all major rice producing state governments procured larger quantities compared to last year, central and eastern states (Madhya Pradesh, Chhattisgarh, Odisha, and West Bengal) procured lower quantities with significant quantities of rice being exported to neighboring Bangladesh. With additional procurement of *rabi* and summer rice likely to continue in eastern and southern states, albeit less than last year, government rice procurement in MY 2017/18 is likely to be around 36-37 MMT.

Government rice stocks as of April 1, 2018, were estimated at 30 MMT compared to 29.8 MMT during the same time last year, and more than double the GOI's 13.58 MMT target for rice stocks (11.58 buffer stocks and 2 MMT strategic reserves).

Domestic Prices Firm

Despite record domestic production and strong exports, market prices have remained relatively stable with only minor fluctuations during most of MY 2017/18. However, prices started easing in April with the impending arrival of the *rabi* and summer rice.

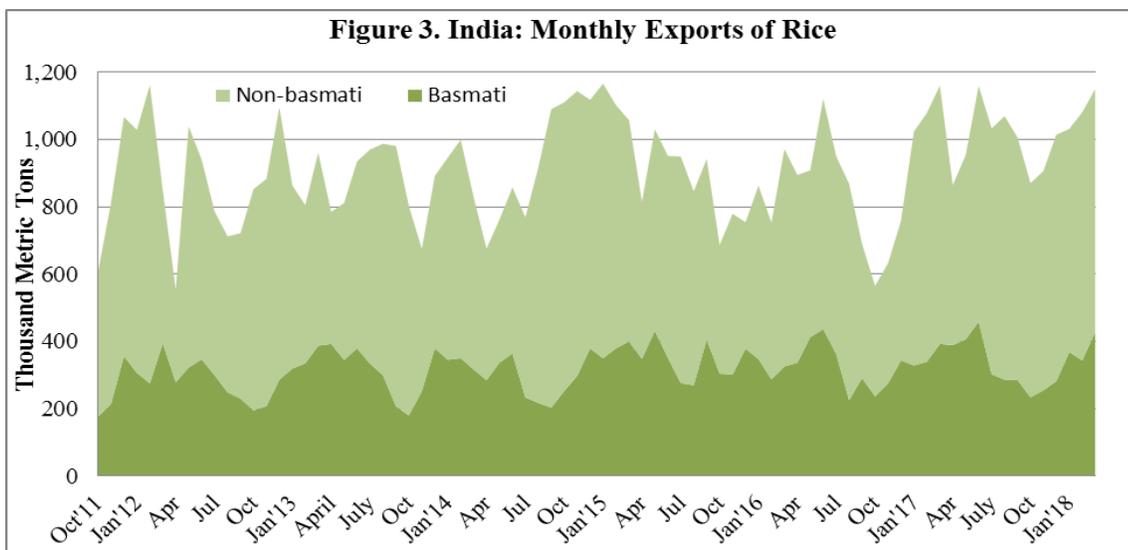


Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Currently, spot prices for common-grade coarse rice range from INR 28,200 (\$433) to INR 35,520 (\$546), per MT in major producing states. Prices are likely to remain steady through the third quarter of MY 2017/18 (Apr-Jun) with the expected higher *rabi* rice arrivals. However, prices during the last quarter of MY 2017/18 will largely depend on the progress of 2018 monsoon and the impact on MY 2018/19 rice planting.

Exports Steady

Indian rice exports have been robust since the beginning of CY 2018 on strong demand for non-Basmati rice, mainly from neighboring Bangladesh and African countries.



Source: Monthly exports through March 2018 from DGCIS, GOI

According to preliminary official statistics, rice exports from October 2017 to March 2018 were

estimated at 6.1 MMT compared to 5.3 MMT for the corresponding period last year, largely on strong demand for non-Basmati rice. Assuming no significant changes in the price parity for Indian rice during the remaining marketing year, MY 2017/18 exports are likely to reach the estimated record 13.2 MMT, nearly 12 percent higher than last year.

CORN

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

PULSES

Quantitative Restrictions on Imports of Yellow Peas

On April 25, 2018, the Directorate General of Foreign Trade under the Ministry of Commerce and Industry issued a [notification](#) that moves imports of yellow peas under ITC HS 0713 1000 from ‘free’ to ‘restricted’ category under the import policy for the period of April 1 to June 30, 2018, allowing a total of 100,000 MT of yellow peas during the period (See IN8049 for more details). The quantitative restriction on yellow peas is another action in a series of restrictive import measures, both quantitative and duty-based raising import duties, implemented by the GOI on various pulses since March 2017 (see IN7148, IN8012, and IN8020).