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India

Grain and Feed

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Approved by:

Weyland Beeghly

U.S. Embassy, New Delhi

Prepared by:

A. Govindan

Report Highlights:

Although this year's rice crop is forecast to fall slightly below record 1999/00 production, anticipated record procurements are likely to exacerbate the Indian government's stocks problem.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

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Rice

Production Outlook Mixed

Post continues to estimate 2001/02 rice production at 88 million tons, nearly three percent above last year's crop, but 1.5 million tons below record 1999/00 output. The outlook in the major surplus-producing states of Punjab and Haryana (where the rice is mostly irrigated) is excellent despite a marginal decline in planted area. Prospects in West Bengal and Uttar Pradesh, the two largest rice growing states (but not major surplus states), are considered satisfactory, although there recently has been inadequate rainfall in a few districts of West Bengal. Andhra Pradesh, a major rice surplus state which experienced erratic rains through July, received good rains in August, improving prospects. The newly formed state of Chattisgarh (erstwhile east Madhya Pradesh) has received below normal rains for the past four weeks, stressing the crop. Floods in Orissa and floods/drought in Bihar could trim production in these areas. Adequate September and early October rainfall will be critical for Bihar, West Bengal and East Uttar Pradesh, where farmers typically grow long season varieties. Total rice production will also depend upon the summer crop (mostly irrigated), grown in West Bengal, Andhra, Tamil Nadu and Karnataka.

Bumper Crop to Boost Procurement....

Government procurement is expected to equal or exceed this year's record level of 18.6 million tons due to likely higher production and low prices. Although the government is yet to announce support prices for the 2001/02 crop, indications are that they will be at least rs.100/ton higher than last year's level (rs. 5,100/\$108.5 for common; rs. 5,400/\$114.9 for Grade A). Punjab, the major rice surplus state is demanding an increase of rs. 700/ton. Food Department officials are projecting 2001/02 procurement at 19.5 million tons.

....and Exacerbate Storage Problems

Higher procurement, combined with weak offtake of rice and wheat from government stocks, will exacerbate the storage problem. Total foodgrain stocks with the government on July 1 were 61.7 million tons, including 22.7 million tons of rice. Assuming monthly off take of about 850,000 tons in Jul-Sep, rice stocks on October 1 are forecast at 20 million tons, compared with 13.2 million a year ago, and could reach 27 million tons by October 2002.

Rice Exports Rise

According to official data, April and May rice exports were 84,000 and 98,000 tons, respectively, taking January-May 2001 exports to 675,000 tons, about the same as for the corresponding period of 2000. With continued strong African demand for Indian parboiled (fueled by a massive GOI export subsidy), and a possible revival in import demand from Bangladesh (if their crop prospects dip), CY 2001 rice exports have been revised upward to 1.5 million tons. A lack of other export markets and quality problems will, however, continue to plague exports and make the GOI export target of 3 million tons very difficult to attain. Burgeoning rice stocks would likely compel the government to step up its rice export subsidy program. Presently the GOI is

offering rice for export at rs. 5,650 (\$120)/ton for white and rs. 6,000 (\$127.7)/ton for parboiled (ex-FCI warehouse), less than 50 percent of its cost.

Basmati Rice Patent Imbroglio

The favorable ruling on a patent held by an American rice company for strains of rice which, it claims, "have characteristics similar or superior to those of good quality basmati," has stirred up the Indian rice industry and occupied Parliament for most of a day. Although some viewed it as an attempt to restrict the sale of Indian basmati rice in the US market, and even other countries, responsible Indian officials ruled out such a possibility. India annually exports around 600,000 tons of basmati, mostly to the Middle East and Europe.

Wheat

Exports Weaken....

India's wheat exports, which have totaled 2.4 million tons since November 2000, have started to taper off. July exports were 152,000 tons, slumping to around 70,000 tons in August. (Jul-Jun exports were 2.2 million). The government's export target of five million tons for 2001/02 (Apr-Mar) appears unattainable. To stimulate exports, the GOI slashed the wheat export price by rs. 100/ton to rs. 4,200 (\$89.40)/ton on August 20. The new price will remain effective through October. Lusterless wheat from Punjab/Haryana is being offered at rs. 4,150 (\$88.30)/ton. The two large wheat sales reported recently are 40,000 tons to Philippines by Cargill at \$114.60/ton (CIF) for half October, half November, delivery, and 15,000 tons to Vietnam at \$115 (CIF) for September/October shipment.

....As Slow Off take Causes Stocks to Mount

Wheat offtake from government stocks slumped to 784,000 tons in June, from 927,000 tons in May and 1 million in April. A major share was for exports and relief operations. Distribution through the Public Distribution System to various target groups (BPL, APL and Antyodaya) was roughly 300,000 tons/month. Low utilization of grain by various states under the targeted programs is a cause of concern. Although larger availability of grains in the open market at cheaper prices was partly responsible for the lower offtake, a lack of purchasing power in the economy is also believed to be responsible for the slump. Government wheat stocks reached an all-time high of 39 million tons on July 1, compared with 27.8 million a year ago.

The paradox of "mountains of grain among millions of hungry" has become a topic of debate both inside and outside of Parliament. Reports of starvation deaths in some states have provoked the Supreme Court of India to seek an explanation from the Food Ministry as to why food is not reaching the hungry while grain is rotting in government warehouses. The GOI is putting the blame on state governments for tardy implementation of schemes under which wheat and rice are supposed to be made available to states at highly subsidized rates.

The Prime Minister, in his Independence Day speech, announced two new programs which are supposed to use government owned grain to generate employment in rural areas and improve the

nutritional status of vulnerable groups. Under the first program, called the "Sampoorna Grameen Rozgar Yojana," five million tons will be made available to states to generate employment in rural areas. In the second program (National Nutrition Mission), subsidized grain will be made available to adolescent girls and expectant and nursing mothers who fall below the poverty line.

**Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)
(Million Metric Tons)**

	Stocks	Procurement Cumulative	Imports	Off take *
Jul 1, 2000	27.8(21.6)			0.5(0.6)
Aug 1	27.6 (21.0)			0.4(0.7)
Sep 1	27.3 (21.4)			0.4(0.8)
Oct 1	26.8 (20.5)			0.4(0.8)
Nov 1	26.5 (19.5)			0.5(0.9)
Dec 1	26.0 (18.4)			0.8(1.1)
Jan 1, 2001	25.0 (17.2)			0.9(1.3)
Feb 1	24.1 (15.8)			0.9 (1.4)
Mar 1	23.3 (14.4)	16.4 (14.1) 1/		1.6(1.4)
Apr 1	21.5 (13.1)			1.0(0.4)
May 1	29.2 (21.5)			0.9(0.5)
Jun 1	38.7 (27.8)			0.8(0.5)
Jul 1	38.9 (27.8)	20.6 (16.4) 2/		

*** Includes exports**

1/ Cumulative procurement : April 1, 2000 - March 31, 2001

2/ Cumulative procurement : April 1, 2001 - June 30, 2001

**Table 2: Government Procurement, Stocks and Off take of Rice (year ago)
(Million Metric Tons)**

	Stocks	Procurement Cumulative	Imports	Off take *
Jul 1, 2000	14.5 (10.7)			0.9(1.0)
Aug 1	13.7 (9.7)			0.9(1.2)
Sep 1	13.5 (8.6)			0.9 (1.0)
Oct 1	13.2 (10.6)	17.3 (11.8) 1/		0.7 (0.9)
Nov 1	18.0 (12.8)			0.8 (1.1)
Dec 1	19.5(13.4)			0.7(1.2)
Jan 1, 2001	20.7(14.7)			0.9(0.9)
Feb 1	22.4(15.4)			0.8(1.0)
Mar 1	23.2(16.0)			1.0(1.0)
Apr 1	23.2(14.9)			0.7 (0.7)
May 1	22.9(15.1)			0.8 (0.9)
Jun 1	22.9 (15.1)			0.8 (1.0)
Jul 1	22.8 (14.5)	18.6 (17.3) 2/		

* Includes exports

1/ Cumulative procurement: October 1, 1999 - September 30, 2000

2/ Cumulative procurement: October 1, 2000 - June 20, 2001

Commodity, Rice, PSD

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1999		10/2000		10/2001	(MONTH/YEAR)
Area Harvested	44,970	44,970	44,600	44,000	44,500	44,500	(1000 Hectares)
Beginning Stocks	12,000	12,000	17,716	17,716	19,666	19,166	(1000 MT)
Milled Production	89,480	89,480	86,300	85,500	87,000	88,000	(1000 MT)
Rough Production	134,233	134,233	129,463	128,263	130,513	132,013	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
TOTAL Imports	86	86	0	0	0	0	(1000 MT)
Jan-Dec Imports	86	86	0	0	0	0	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	101,566	101,566	104,016	103,216	106,666	107,166	(1000 MT)
TOTAL Exports	1,400	1,400	850	1,500	1,000	1,200	(1000 MT)
Jan-Dec Exports	1,300	1,300	800	1,500	1,000	1,200	(1000 MT)
TOTAL Dom. Consumption	82,450	82,450	83,500	82,550	85,000	84,000	(1000 MT)
Ending Stocks	17,716	17,716	19,666	19,166	20,666	21,966	(1000 MT)
TOTAL DISTRIBUTION	101,566	101,566	104,016	103,216	106,666	107,166	(1000 MT)

Commodity, Wheat, PSD

PSD Table							
Country:	India						
Commodity:	Wheat						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/99		04/00		04/01	(MONTH/YE AR)
Area Harvested	27,400	27,400	27,434	27,434	25,000	25,000	(1000 Hectares)
Beginning Stocks	9,921	9,921	13,080	13,080	21,500	21,850	(1000 MT)
Production	70,780	70,780	75,754	75,574	68,000	68,500	(1000 MT)
TOTAL Mkt. Yr. Imports	1,372	1,372	100	0	100	0	(1000 MT)
Jul-Jun Imports	1,311	1,311	100	0	100	0	(1000 MT)
Jul-Jun Import U.S.	52	52	0	0	0	0	(1000 MT)
TOTAL SUPPLY	82,073	82,073	88,934	88,654	89,600	90,350	(1000 MT)
TOTAL Mkt. Yr. Exports	200	200	1,569	1,400	3,000	2,300	(1000 MT)
Jul-Jun Exports	200	200	2,500	2,200	3,000	2,300	(1000 MT)
Feed Dom. Consumption	350	350	350	500	350	500	(1000 MT)
TOTAL Dom. Consumption	68,793	68,793	65,865	65,404	68,100	66,500	(1000 MT)
Ending Stocks	13,080	13,080	21,500	21,850	18,500	21,550	(1000 MT)
TOTAL DISTRIBUTION	82,073	82,073	88,934	88,654	89,600	90,350	(1000 MT)