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Report Highlights:

Wheat procurement is down reflecting a lower production. The government's export subsidy program combined with firm international prices have made Indian rice highly competitive.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

New Delhi [IN1], IN

Wheat Procurement Down ...

Domestic wheat procurement by government agencies touched 18.4 million tons through May compared with 19.6 million tons during the corresponding period last year. With market arrivals already tapering off, procurement during the entire marketing year is likely to be around 19.0 million tons compared with 20.6 million tons in 2001/02 (Apr-Mar), still the second largest. With the exception of Madhya Pradesh, all wheat surplus states have registered lower procurements.

Table 1: Wheat Procurement by State in Million Metric Tons

	MY 2002/03 1/	MY 2001/02	MY 2000/01
Punjab	9.86 (10.53)	10.56	9.42
Haryana	5.88 (6.37)	6.41	4.50
Uttar Pradesh	1.56 (1.63)	2.44	1.54
Rajasthan	0.46 (0.65)	0.68	0.54
Madhya Pradesh	0.40 (0.29)	0.29	0.35
Other	0.24 (0.17)	0.25	0.01
Total	18.40 (19.64)	20.63	16.36

1/ Through May 31. Figures in parentheses shows corresponding period of MY 2001/02

Generous price support increases during the past few years and the general perception among traders that large government stocks depress prices and limit profit opportunities, have limited private sector wheat purchases. Consequently, almost the entire wheat arrivals in the major surplus states of Punjab and Haryana have been procured by government agencies at the support price. However, in states like Uttar Pradesh, where government procurement machinery is weak, there was larger private trade purchases.

... Reflects Lower Production?

Although procurement is not necessarily indicative of total wheat production for the country as a whole, the significant decline in market arrivals and procurement in the major surplus states of Punjab and Haryana has made the government review its current wheat production forecast of 73.5 million tons. Last year, when production was 68.8 million tons, the government procured a record 20.6 million tons. Reflecting likely lower production in Punjab and Haryana, Post revises the wheat production estimate downward to 72 million tons.

Grain Stocks Peak

Government-held grain stocks on May 1, 2002 were a record 62.5 million tons (38.1 million tons wheat and 24.4 million tons rice) compared with 52.1 million tons a year ago (29.2 million tons wheat and 22.9 million tons rice). Because of the lower wheat procurement this year and higher offtake of wheat and rice for domestic distribution and exports in recent months, government-held stocks are unlikely to reach the previously projected 75 million tons, but are likely to be around 65 million tons (including 42 million tons of wheat) on July 1.

The implications of such large stocks are: (a) increased emphasis on wheat and rice exports; (b) record food subsidy payment obligations for the central government as large stocks, rising overheads and accompanying losses push the Food Corporation of India accounts further in the red; and (c) additional measures to stimulate domestic consumption.

Exports Surge

Since the government permitted subsidized wheat exports in October 2000, 6.5 million tons of government-held wheat were released for exports. Actual shipment through May 22, according to trade sources, were 5.1 million tons and the balance will be shipped in due course as exporters have already paid for the wheat. Typically the Food Corporation of India gives 90 days to execute an export order, failing which the performance guarantee furnished by the exporter will be invoked. This is to ensure that subsidized wheat sold for exports does not leak into the domestic channel.

On a marketing year (Apr-Mar) basis, exports were 1.4 million tons in 2000/01 and 3.1 million tons in 2001/02. Competitive pricing and better crop quality this year should result in larger wheat exports in 2002/03, forecast at 4 million tons. July/June exports were 2.4 million tons in 2000/01; 3.5 million tons (estimated) in 2001/02; and are forecast at 4 million tons for 2002/03. Major markets for Indian wheat are the Philippines, Yemen, United Arab Emirates, Bangladesh, Indonesia, South Korea, Malaysia, Vietnam, Oman, and Sri Lanka.

Rice Sales On the Rise

India has now emerged as the major low cost rice supplier in Asia. In the past, rising support prices have limited exports of non-basmati rice by boosting relative FOB values. However, the government's export subsidy program combined with firm international prices have made Indian rice highly competitive. Since the government announced the subsidized rice export program in April last year, the Food Corporation of India has allocated some 3.7 million tons of non-basmati rice for exports. Shipments during April - December 2001 were around 0.9 million tons. This would imply that Jan-May outstanding export allocations were around 2.8 million tons, which should be ultimately shipped as exporters will have to pay a penalty for non-performance. Combined with additional export allocations in coming months and normal basmati rice exports (average 600,000 tons), India's CY 2002 rice exports could well exceed 4 million tons, making India the second largest exporter of rice. Sales are destined largely for Africa, the Philippines, Indonesia, and the Middle East.

With large government stocks and competitive prices, it appears that the constraints on Indian rice exports will be logistics and execution. The approaching monsoon and increasing border tension with neighboring Pakistan may exacerbate already difficult logistical problems at Indian ports. However, until the new crop becomes available in other markets in late 2002, India has few competitors and could ship during the fall after monsoon rains subside. Exporters may also use southern ports where rainfall is not as heavy during the monsoon.

Table 2: Government Procurement, Stocks and Off take of Wheat (year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Off take *
Apr 1	21.5 (13.1)			1.0(0.4)
May 1	29.2 (21.5)			0.9(0.5)
Jun 1	37.6 (27.8)			0.8(0.5)
Jul 1	38.9 (27.8)			0.7(0.5)
Aug 1	38.7(27.6)			0.8 (0.4)
Sep 1	37.9 (27.3)			1.1 (0.4)
Oct 1	36.8 (26.8)			1.3(0.4)
Nov 1	35.8 (26.5)			1.5(0.5)
Dec 1	34.0 (26.0)			1.5 (0.8)
Jan 1, 2002	32.4(25.0)			1.9 (0.9)
Feb 1	30.2 (24.1)			1.8 (0.9)
Mar 1	28.5 (23.3)	20.6 (16.4) 1/		1.7 (1.6)
Apr 1	26.0 (21.5)			
May 1	38.1 (29.2)	18.4 (19.6) 2/		

* Includes exports

1/ Cumulative procurement : April 1, 2001 - March 31, 2002

2/ Cumulative procurement April 1, 2002 - May 31, 2002

Table 3: Government Procurement, Stocks and Off take of Rice (year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Off take *
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)			0.9(0.9)
Aug 1	22.2(13.7)			1.1(0.9)
Sep 1	21.6(13.5)	19.1 (17.3) 1/		1.5 (0.9)
Oct 1	24.8 (13.2)			1.0(0.7)
Nov 1	26.5 (18.0)			1.2(0.8)
Dec 1	25.1(19.5)			1.3(0.7)
Jan 1, 2002	25.6(20.7)			1.8 (0.9)
Feb 1	26.1 (22.4)			1.6 (0.8)
Mar 1	26.0 (23.2)			2.3(1.0)
April 1	24.9(23.2)			
May 1	24.5(22.9)	18.8 (17.2)		

* Includes exports

1/ Cumulative procurement: October 1, 2000 - September 30, 2001

2/ Cumulative procurement: October 1, 2001 - May 31, 2002

Table 4: Indicative Export Prices (FOB)/Metric Ton

Wheat	\$ 95-\$97
Rice	
White (25%)	\$133
White (15%)	\$138
White (10%)	\$143
White (05%)	\$148
Parboiled (25%)	\$140
Parboiled (5%) sortexed	\$165
Parboiled (5%) Un-sortexed	\$155

Source: A leading grain exporter

Table 5: Commodity, Wheat, PSD table

PSD Table							
Country:	India						
Commodity:	Wheat						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/2000		04/2001		04/2002	(MONTH/YEAR)
Area Harvested	27,486	27,486	25,068	25,068	26,400	26,200	(1000 Hectares)
Beginning Stocks	13,080	13,080	21,500	21,500	27,000	26,000	(1000 MT)
Production	76,369	76,369	68,763	68,763	74,000	72,000	(1000 MT)
TOTAL Mkt. Yr. Imports	60	60	100	20	100	0	(1000 MT)
Jul-Jun Imports	60	60	100	20	100	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	89,509	89,509	90,363	90,283	101,100	98,000	(1000 MT)
TOTAL Mkt. Yr. Exports	1,569	1,383	3,000	3,090	4,000	4,000	(1000 MT)
Jul-Jun Exports	2,357	2,357	3,000	3,500	4,000	4,000	(1000 MT)
Feed Dom. Consumption	500	500	500	500	600	600	(1000 MT)
TOTAL Dom. Consumption	66,440	66,626	60,363	61,193	64,100	64,500	(1000 MT)
Ending Stocks	21,500	21,500	27,000	26,000	33,000	29,500	(1000 MT)
TOTAL DISTRIBUTION	89,509	89,509	90,363	90,283	101,100	98,000	(1000 MT)

Table 6: Commodity, Rice, PSD table

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2000		10/2001		10/2002	(MONTH/YEAR)
Area Harvested	44,361	44,361	44,790	44,790	44,700	44,700	(1000 Hectares)
Beginning Stocks	17,716	17,716	24,800	24,800	29,000	27,000	(1000 MT)
Milled Production	84,871	84,871	90,000	90,000	89,000	89,000	(1000 MT)
Rough Production	127,319	127,319	135,014	135,014	133,513	133,513	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	102,587	102,587	114,800	114,800	118,000	116,000	(1000 MT)
TOTAL Exports	1,600	1,600	3,200	4,000	3,000	3,500	(1000 MT)
Jan-Dec Exports	1,700	1,900	3,300	4,200	3,000	3,000	(1000 MT)
TOTAL Dom. Consumption	76,187	76,187	82,600	83,800	84,500	84,500	(1000 MT)
Ending Stocks	24,800	24,800	29,000	27,000	30,500	28,000	(1000 MT)