



Voluntary Report - public distribution

Date: 7/18/2002

GAIN Report #IN2039

India

Grain and Feed

Grain & Feed Update - July

2002

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Report Highlights:

The critical southwest monsoon has weakened considerably since early July, which could adversely affect this year's fall rice harvest prospects.

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

Wheat Production Estimate Down

The GOI recently revised the 2002 wheat production estimate downward to 71.47 million tons from its previous estimate of 73.53 million tons. Most of the decline was in Punjab and Haryana, which was reflected in the lower procurement of wheat from these states.

Lower Procurement and Higher Offtake Temper Stocks Build up

Government wheat procurement this year totaled 19 million tons, 1.6 million tons below last year's record procurement, but still the second largest. Wheat offtake from government stocks during April and May were around 2 million tons, which included 750,000 tons for exports. Offtake during the corresponding period of last year was also of the same order which included 800,000 tons for exports. Lower procurement combined with larger offtake should help contain stock build up, which on June 1 was 41.3 million tons compared with 37.6 million tons a year ago but below the earlier forecast level of 45 million tons. Unlike previous years, domestic wheat prices have already started firming up, which should result in increased offtake from government stocks by flour millers and the public distribution system. During 2001/02 (Apr-Mar) total wheat offtake from government stocks was 15.2 million tons, which included 2.74 million tons for exports, compared with 7.73 million tons in 2000/01, including 1.7 million tons of exports.

The open market price of milling quality wheat in Delhi now is around rs. 6,500 (\$133) per metric tons compared with rs. 6,000 a year ago. The Government is offering wheat for exports at rs. 4,310 (\$88.3) per ton for old wheat and rs. 4,350 (\$89.1) per ton for new wheat. Luster lost wheat is offered for exports at rs. 3,960 (\$81.1) per ton. The sales price to flour millers under the government's open market sales program ranges from rs. 6,650 (\$136.3) per ton in North India to rs. 7,350 (\$150.6) in southern India. Luster lost wheat from the 2001 harvest is offered at a discount of rs. 500 per ton.

Poor Monsoon Likely to Hamper Rice Production

Despite a good start, the critical southwest monsoon has weakened considerably over the past two to three weeks in most parts of India, which could adversely affect this year's fall rice harvest prospects. Planting has been delayed in most states and the planted crop is facing severe moisture stress. Even states like Punjab and Haryana, where the crop is almost entirely irrigated, are facing the brunt of poor rains and above normal temperatures. Even if the monsoon activity gains momentum in the coming weeks, production is unlikely to reach the forecast level of 89 million tons. Under similar weather conditions in 1995, when major rice growing regions received poor rains until mid-July (but followed by satisfactory rains later), rice production had declined by 5 million tons from the previous year's level. Considering the poor performance of the monsoon so far, post revises the 2002/03 rice production down to 86 million tons from the GOI's recently revised 2001/02 production of 91.61 million tons. If the rainfall situation does not improve in the next two weeks, losses could be much higher.

Procurement and Offtake Higher

Domestic rice procurement by government agencies during the 2001/02 marketing year (Oct-Sep) through June 2002 totaled 19.8 million tons compared with 18 million tons procured during the corresponding period of last year and 19.1 million tons procured in the entire 2000/01 marketing year. Offtake from government stocks has increased significantly in recent years due to larger export allocations. Export allocations in April and May were 580,000 tons and 854,000 tons respectively out of a total offtake of 1.65 million tons and 2.4 million tons. This has helped to contain stock build up which on June 1 was 23.4 million tons compared with 22.9 million tons a year ago and record stocks of 26.5 million tons on November 1.

Exports Hurt by Government Policy

According to trade sources, the government's decision to ban transportation of rice from FCI warehouses for export by trucks has hampered non-basmati rice exports. The movement restriction by road was imposed following the alleged diversion of the highly subsidized rice meant for exports into the domestic market by some traders. Previously, the government had permitted exporters to move rice from government warehouses by road to enable exporters to upgrade the quality at their facilities as cleaning facilities at port areas were limited. According to the trade about 300,000 tons of rice meant for export will be delayed by the government's action resulting in heavy demurrages and loss of business.

Effective August 1, the government sales price of rice for export will be hiked by rs. 150 per metric ton. The revised prices will be rs. 5,910 (\$121) per ton for white rice and rs. 6,265 per ton for parboiled rice.

In an early July rice sale, one private trading company in Delhi is reported to have sold 40,000 tons of 20 percent broken rice to West Africa at \$135 per ton (FOB) for shipment by end-July.

Table 1: 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)			1.0 (1.0)
May 1	38.1 (29.2)			1.1 (0.9)
Jun 1	41.3 (37.6)	18.9 (20.6) 2/		

* Includes exports

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

2/ Cumulative procurement April 1, 2002 - June 30, 2002

**Table 2: 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)			1.6 (0.7)
May 1	24.5(22.9)			2.4 (0.8)
Jun 1	23.4(22.9)	19.8 (18.0) 2/		

* Includes exports

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

2/ Cumulative procurement: October 1, 2001 - June 30, 2002

Table 3: Indicative Export Prices (FOB)/Metric Ton

Rice	
White (25%)	\$135
White (15%)	\$145
White (10%)	\$150
White (05%)	\$160
Parboiled (25%)	\$139
Parboiled (5%) sortexed	\$167.5
Parboiled (5%) Un-sortexed	\$160

Source: A leading rice exporter

Table 4: 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	26,200	25,680	(1000 Hectares)
Beginning Stocks	13,080	13,080	21,500	21,500	26,000	26,000	(1000 MT)
Production	76,369	76,369	68,763	68,763	72,000	71,470	(1000 MT)
TOTAL Mkt. Yr. Imports	60	60	20	20	0	0	(1000 MT)
Jul-Jun Imports	60	60	20	20	0	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	89,509	89,509	90,283	90,283	98,000	97,470	(1000 MT)
TOTAL Mkt. Yr. Exports	1,569	1,569	3,090	3,090	4,000	3,500	(1000 MT)
Jul-Jun Exports	2,357	2,357	3,500	3,500	4,000	3,500	(1000 MT)
Feed Dom. Consumption	500	500	500	500	600	600	(1000 MT)
TOTAL Dom. Consumption	66,440	66,440	61,193	61,193	64,500	64,470	(1000 MT)
Ending Stocks	21,500	21,500	26,000	26,000	29,500	29,500	(1000 MT)
TOTAL DISTRIBUTION	89,509	89,509	90,283	90,283	98,000	97,470	(1000 MT)

Table 5: Commodity, Rice Milled, 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	42,500	(1000 Hectares)
Beginning Stocks	17,716	17,716	24,800	24,800	27,000	28,100	(1000 MT)
Milled Production	84,871	84,871	90,000	91,600	89,000	86,000	(1000 MT)
Rough Production	127,319	127,319	135,014	137,414	133,513	129,013	(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	116,400	116,000	114,100	(1000 MT)
TOTAL Exports	1,600	1,600	4,000	4,500	3,500	3,000	(1000 MT)
Jan-Dec Exports	1,700	1,900	4,200	4,500	3,000	3,000	(1000 MT)
TOTAL Dom. Consumption	76,187	76,187	83,800	83,800	84,500	84,500	(1000 MT)
Ending Stocks	24,800	24,800	27,000	28,100	28,000	26,600	(1000 MT)