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India

Grain and Feed

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Report Highlights:

The failure of monsoon rains in several major rice growing states is likely to result in a lower 2002 rice production, currently estimated at 82 million tons.

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

Steep Fall In Rice Production Expected

The impact of drought on India's rice production is likely to be more severe than what was estimated earlier. Although the exact magnitude of the crop loss is not available yet, expert opinion ranges from 10 to 15 percent of last year's record *kharif* (fall harvested) output of around 79 million tons, which would translate to 8 to 12 million tons. Major affected states are Uttar Pradesh, Punjab, Haryana, Rajasthan, Madhya Pradesh, Karnataka, Chattisgarh, Andhra Pradesh, Himachal Pradesh, Orissa, Tamil Nadu, and Maharashtra - accounting for almost two-third of country's total rice area and production. The north eastern states like Assam and Bihar, which are also major rice growing states, experienced heavy rains and floods in July, which could also result in some crop loss. Although rains since the beginning of August in some drought affected states have helped to minimize further damage to the planted crop and have also improved prospects of rabi (winter season) rice crop, a substantial decline in rice production is likely. Post currently estimate 2002/03 rice production at 82 million tons, about 10 million tons below the record 2001/02 output of 91.6 million tons.

Rice Procurement Likely to Decline

A steep decline in rice production in major surplus states like Punjab, Haryana, Andhra Pradesh, Chattisgarh, and Uttar Pradesh combined with potential for increased private trade purchases of higher quality rice for exports (following the government's decision to restrict the subsidized sale of rice for exports) are likely to result in lower procurement of rice by the government under the price support operation and levy scheme. The likely decline in procurement is estimated to be around 4 million tons from the 2001/02 record procurement of 20.4 million tons. The government has not yet announced the support price for paddy. Although the Commission on Agricultural Costs and Prices (CACP) has recommended maintaining a status quo, higher production costs incurred by farmers due to drought might prompt the government to increase the support price. Paddy support price for MY 2001/02 was rs. 5,300 (\$108.8) per ton for common varieties and rs.5,600 (\$114.8) for Grade A.

Rice Stocks Down ...

Government-held rice stocks on August 1 were 20.1 million tons, 2.1 million tons below a year ago stocks of 22.2 million tons. Offtake of rice from government stocks has been high in recent months (averaging 2.2 million tons per month) due to larger allocation of rice for exports and for drought relief programs. At this rate of offtake, government rice stocks on October 1, 2002 are likely to be around 16 million tons compared with 21.5 million tons on October 1, 2001.

... Export Curb Likely

Reduced rice stocks combined with likely lower procurement and higher domestic offtake might prompt the government to review its subsidized rice export policy soon. Already the Food Corporation of India (FCI) has tightened the screw on exporters by issuing a notification restricting sale of subsidized rice to them for upgrading the quality of rice for exports. As a result, exporters will now have to ship out the entire quantity of rice they purchase from FCI at subsidized prices (typically 25

percent or above broken). Any additional rice required to upgrade the quality from 25 percent to better grade (5, 10 or 15 percent broken) will have to be sourced from the open market at higher prices. This is likely to affect the competitiveness of higher grade rice exported from India, but export price of low grade rice is unlikely to remain affected. Until now exporters were allowed to buy extra rice from FCI to upgrade the quality from 25 percent broken to higher grades to meet contractual requirements. They were permitted to sell the residual broken rice in the domestic market at prevailing higher prices enabling them to make additional profits. The new government policy is likely to temper India's rice export prospects. Post continue to forecast CY 2002 rice exports at 4.5 million tons although some private sources are more optimistic regarding India's rice export prospects. Preliminary government statistics place January - April rice exports at 1.15 million tons (257,000 tons basmati and 900,000 tons of non-basmati), which according to private trade sources are on the lower side.

Wheat Export Price Raised

Recently the government has raised the sales price of wheat for exports by rs. 250 (\$5.1) per metric ton to rs. 4,600 (\$94.5) for the 2002 crop and rs. 4,560 (\$93.6) for the 2001 crop, which will remain effective during October 1 to December 31, 2002. However, luster lost wheat will continue to be supplied at rs. 3,960 (\$81.3) per ton. The hike in the sales price will temper India's competitive edge on the wheat export front. Nonetheless, considering the likely steep fall in world wheat production, firm international prices, and large Indian government stocks (39.7 million tons on August 1), Indian wheat export outlook remains promising.

**Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)
(million metric tons)**

	Stocks	Procurement Cumulative	Imports	Off take *
Aug 1, 2001	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)			1.2(1.0)
June 1	41.3 (37.6)			1.5 (0.8)
Jul 1	41.1 (37.5)			
Aug 1	39.7 (38.7)	19.0 (20.6) 2/		

* Includes exports

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

2/ Cumulative procurement April 1, 2002 - August 14, 2002

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

	Stocks	Procurement Cumulative	Imports	Off take *
Aug 1, 2001	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	21.5 (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)			1.7 (0.7)
May 1	24.5 (22.9)			2.4 (0.8)
June 1	23.4 (22.9)			2.3 (0.8)
July 1	21.9 (22.7)			
Aug 1	20.1 (22.2)	20.4 (19.1) 2/		

* Includes exports

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

2/ Cumulative procurement: October 1, 2001 - August 12, 2002

Table 3: Commodity, Rice Milled, PSD

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	42,500	41,000	(1000 Hectares)
Beginning Stocks	17,716	17,716	25,051	25,051	30,000	23,000	(1000 MT)
Milled Production	84,871	84,871	91,600	91,600	80,000	82,000	(1000 MT)
Rough Production	127,319	127,319	137,414	137,414	120,012	123,012	(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	116,651	116,651	110,000	105,000	(1000 MT)
TOTAL Exports	1,685	1,685	4,400	4,400	3,900	3,500	(1000 MT)
Jan-Dec Exports	1,936	1,936	4,500	4,500	4,000	3,500	(1000 MT)
TOTAL Dom. Consumption	75,851	75,851	82,251	89,251	84,000	85,500	(1000 MT)
Ending Stocks	25,051	25,051	30,000	23,000	22,100	16,000	(1000 MT)
TOTAL DISTRIBUTION	102,587	102,587	116,651	116,651	110,000	105,000	(1000 MT)