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Report Highlights:

Post revises the 2003 wheat production forecast downward to 67 million tons following post-harvest reports of lower yields in major growing states. The upward revision in the sales price of rice and wheat for exports by the government effective July 1, has made Indian exports less competitive.

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

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Wheat Production Forecast Down

Post revises 2003 (MY 2003/04) wheat production forecast downward to 67 million tons, following post-harvest reports of lower than expected wheat yields in all major wheat growing states, combined with reported lower wheat planted area in the drought affected states of Rajasthan and Madhya Pradesh (no offsetting increase in other states). A recent crop trip to Punjab, the largest wheat surplus state, indicates that wheat production in the state is likely to decline by at least one million tons from last year's 15.5 million tons, due to a 7 percent decline in wheat yield. A similar decline in yield is reported in Uttar Pradesh, the largest wheat growing state, where the wheat production is currently estimated at 23 million tons compared with last year's 25 million tons harvest. The lower yield is attributed to significantly below normal temperatures, and a lack of sunshine in January that impaired photosynthesis. The GOI's Directorate of Economics and Statistics, however, will maintain its pre-harvest forecast production level of 70.3 million tons for 2003, until firm estimates from states become available.

Wheat Procurement Falls ...

Reflecting the decline in wheat production this year, domestic procurement of wheat by government agencies is lagging behind last year's level by around 3 million tons at around 15.5 million tons through May. With market arrivals in major wheat surplus states practically complete, total MY 2003/04 (Apr-Mar) wheat procurement is unlikely to exceed 16 million tons, the lowest in four years, compared with last year's 19 million tons.

... Stocks Down

Government-held wheat stocks on April 1, 2003, the beginning of the 2003/04 marketing year, were officially placed at 15.7 million tons compared with 26 million tons a year ago, but still 4 times the minimum buffer stock norm of 4 million tons. Following further procurement of wheat in April, stocks climbed to 26 million tons on May 1, 12 million tons below the May 1, 2002, stocks of 38 million tons.

Export Outlook Bearish

The GOI recently revised the sales price of wheat for exports upward by rs. 300 - 600 ($6.50 - 13.00) per metric ton, effective July 1, 2003, for the July-September quarter, making Indian wheat less competitive in world markets. The revised sales prices for export per metric ton are: rs. 5,500 ($117) for the new crop, rs. 5,250 ($111.7) for the 2002 crop, and rs. 5,110 ($108.7) for the 2001 and 2000 crops. According to grain exporters, the Indian 2002 wheat crop is being quoted at $123 per ton (FOB), whereas the new crop will be $5-6 per ton more expensive. On April 1, 2003, wheat stocks in Punjab, where most of the exportable surplus stocks are located, were 7.3 million tons (including 4.3 million tons of the 2002 crop, 0.4 million tons of 2001 crop, and 1.5 million tons of 2000 crop, 0.8 million tons of 1999 crop, and small quantities of 4 to 5 year-old wheat). Wheat procurement this year in the state is around 9 million tons. Thus, although there is ample wheat available in the state for exports (both new crop and old crops), Post doubts that the Indian wheat at the revised higher prices will be competitive in the world market, in view of the larger wheat harvests forecast in most major wheat exporting countries. Furthermore, there is a likelihood that if the Indian monsoon fails again this year, the government would further restrict wheat exports in order to make more wheat available for domestic distribution. The continuing shortage of railcars to move wheat to ports also plagues exports. Hence, Post continues to forecast 2003/04 (Jul-Jun) exports at 3 million tons compared with 5 million tons in 2002/03.

Rice Procurement and Stocks Down

Government procurement of rice during MY 2002/03 (Oct-Sep) is currently running 3 million tons below last year's level, and total procurement this year is likely to be 4-5 million tons below last year's record 21.3 million tons, reflecting a steep decline in rice production in 2002/03. Government rice stocks on May 1 are estimated at 15.3 million tons, compared with 17.2 million tons a month ago and 24.3 million tons a year ago.

Rice Export Prices Hiked

The GOI has revised the sales price of rice for exports up by more than 10 percent for the July-September quarter, jeopardizing India's rice export prospects. The revised export prices effective July 1 are: for the 2002 crop, rs. 7,300 ($155.3) per metric ton for white rice and rs. 7,500 ($159.6) per ton for parboiled rice; for the 2001 crop, rs. 7,225 ($153.7) per ton for white rice and rs.7,425 ($158) for parboiled rice. These prices are $12-15 per ton higher than the April - June quarter prices. According to trade sources, the hike in the rice export price would raise the FOB price of 25 percent broken to around $174 per ton. Exporters said they would avoid making fresh deals in coming months and instead execute outstanding contracts for an estimated 200,000 tons, due to be shipped in May and June to places such as Africa, Bangladesh, and Indonesia. Concerns about declining rice stocks and lower rice procurement, combined with the official forecast of a below normal summer monsoon this year is making the government more cautious about making rice available for exports at subsidized prices in coming months.

Tariff Quota Procedures for Corn Imports Notified

TRQ modalities for corn were notified by the Director General of Foreign Trade (DGFT) on May 9. The GOI has designated various government entities for the allocation of the quota, who should apply to the Exim Facilitation Committee of the DGFT before June 1, 2003. The imports must be completed before March 31, 2004. Although the GOI has notified the TRQ modalities much earlier this year, the window for applying for the TRQ continues to remain limited to just three weeks. (Previously reported in GAIN Report IN 3041)

For the detailed notification see: http://dgftcom.nic.in/exim/2000/pn/pn03/pn0703.htm

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

(million metric tons)

	Stocks	Procurement Cumulative	Imports	Off take *
Apr 1, 2002	26.0 (21.5)			1.1 (1.0)
May 1	38.1 (29.2)			1.3 (1.0)
Jun 1	41.3 (37.6)			1.6 (0.8)
Jul 1	41.1 (37.5)			1.5 (0.7)
Aug 1	39.7 (38.7)			2.4 (0.8)
Sep 1	37.9 (37.9)			2.2 (1.2)
Oct 1	35.6 (36.8)			2.3 (1.4)
Nov 1	33.1 (35.8)			1.7 (1.6)
Dec 1	31.3 (34.0)			2.4 (1.6)
Jan 1, 2003	28.8 (32.4)			2.4 (2.0)
Feb 1	21.3 (30.2)#			2.7 (1.9)
Mar 1	18.6 (28.5)	19.0 (20.6) **1/**		2.9 (1.7)
Apr 1	15.7 (26.0)			
May 1	26.0 (38.1)	15.5(18.6) **2/**		

*** Includes exports**

1/ Cumulative procurement April 1, 2002 - March 31, 2003
2/ Cumulative procurement April 1, 2003 to May 28, 2003
The sharp decline in stocks is attributed to "accounting errors"

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

	Stocks	Procurement Cumulative	Imports	Off take *
Apr 1, 2002	24.9 (23.2)			1.7 (0.7)
May 1	24.5 (22.9)			2.4 (0.9)
Jun 1	23.4 (22.9)			2.4 (0.8)
Jul 1	21.9 (22.7)			2.1 (0.9)
Aug 1	20.1 (22.2)			2.5 (1.1)
Sep 1	17.5 (21.6)	21.3 (19.6) **1/**		1.9 (1.5)
Oct 1	15.8 (21.5)			2.0 (1.1)
Nov 1	20.5 (26.5)			1.6 (1.2)
Dec 1	20.3 (25.1)			1.8 (1.3)
Jan 1, 2003	19.4 (25.6)			1.8 (1.8)
Feb 1	18.8 (26.1)			1.8 (1.6)
Mar 1	17.6 (26.0)			
Apr 1	17.2 (24.9)	14.7(17.8) **2/**		
May 1	15.3 (24.5)			

*** Includes exports**

1/ Cumulative procurement: October 1, 2001 - September 30, 2002
2/ Cumulative procurement: October 1, 2002 - April 25, 2003

Table 3: Commodity, Wheat, PSD Table (metric tons)

PSD Table							
Country:	India						
Commodity:	Wheat						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/2001		04/2002		04/2003	(MONTH/YEAR)
Area Harvested	25,068	25,700	25,680	25,900	26,000	25,000	(1000 Hectares)
Beginning Stocks	21,500	21,500	23,000	23,000	16,500	16,500	(1000 MT)
Production	68,763	69,680	71,810	71,810	70,000	67,000	(1000 MT)
TOTAL Mkt. Yr. Imports	32	32	50	0	50	0	(1000 MT)
Jul-Jun Imports	33	33	50	0	50	0	(1000 MT)
Jul-Jun Import U.S.	23	23	0	0	0	0	(1000 MT)
TOTAL SUPPLY	90,295	91,212	94,860	94,810	86,550	83,500	(1000 MT)
TOTAL Mkt. Yr. Exports	3,087	3,087	5,000	5,000	3,000	3,000	(1000 MT)
Jul-Jun Exports	3,234	3,234	5,000	5,000	3,000	3,000	(1000 MT)
Feed Dom. Consumption	500	500	600	600	600	600	(1000 MT)
TOTAL Dom. Consumption	64,208	65,125	73,360	73,310	69,000	69,000	(1000 MT)
Ending Stocks	23,000	23,000	16,500	16,500	14,550	11,500	(1000 MT)
TOTAL DISTRIBUTION	90,295	91,212	94,860	94,810	86,550	83,500	(1000 MT)