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India

Grain and Feed

Monthly Lock-up Report: July 2005

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Report Highlights:

Below-normal rainfall during the first three weeks of the monsoon season (Jun-Sep) has resulted in initial lower rice and coarse grains planting, which is likely to recover following recent good rains. Post revises wheat production downward to 72 million tons, reflecting lower procurement, and foresees wheat imports in MY 2005/06 to bridge the supply/demand gap.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
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Poor Monsoon Retards Grain Planting

Despite a late start and slow initial progress, the monsoon advanced swiftly over the past week to cover most parts of the country by June 27, slightly ahead of the normal date. Nonetheless, cumulative rainfall for the week ending June 22, the latest week for which official data is available, was significantly below normal, with only eight of the 36 weather subdivisions receiving normal or above-normal rainfall. The all-India area-weighted rainfall through June 22 was 49 percent below normal, which adversely impacted the planting of rice, coarse grains, and pulses. Progressive planting reports compiled by the Agriculture Ministry show that as of June 23, planting of rice, coarse grains, and pulses are lagging significantly behind last year's level. However, with the recent revival of the monsoon, planting is expected to pick up. A normal monsoon is a precondition for achieving Post's forecast level of production of rice (90 million tons), corn (14.5 million tons), and sorghum (8 million tons).

Lower Procurement Points to Smaller Wheat Production

Post revises its MY 2005/06 wheat production forecast downward to 72 million tons, based on the latest available reports from several producing states and the trend in government wheat procurement, which is highly correlated with production. With the procurement season already over, the government has procured only 14.8 million tons of wheat, the lowest level in six years, compared with 16.8 million tons in 2004 (when the production was 72 million tons). With the exception of Madhya Pradesh, there has been a significant decline in wheat procurement in most states, particularly in Uttar Pradesh and Rajasthan. Some private and government agencies are projecting production to be as low as 70 million tons, based on the lower procurement. The GOI is now estimating production at 73.5 million tons, marginally below its previous estimate of 74 million tons.

Imports Not Ruled Out

Post tentatively forecasts MY 2005/06 wheat imports at 1.5 million tons. A smaller than anticipated wheat harvest; a significant fall in government wheat procurement; a steep fall in government carry-over stocks (which dropped to a seven-year low of 4.1 million tons on April 1, 2005); increasing consumption; and the prevailing contra-seasonal high domestic prices, all point to a tighter wheat supply situation in the coming months and the possibility of imports toward the end of the current marketing year. If this year's monsoon turns out to be below-normal, the pressure on government stocks will be enormous, hastening potential imports. However, a normal monsoon this summer, and a significant resultant increase in rice and coarse grain production, could ease the situation somewhat. Although the current import duty for wheat is a prohibitive 50 percent, making private imports infeasible, domestic needs might force the government to lower or waive the duty.

Grain Exports Slowing

After heavy exports during the first quarter of CY 2005 (1.6 million tons), Indian rice exports are slowing. Current exports are mostly basmati rice to the Middle East, and some parboiled exports destined for South Africa and other African ports. Following an excellent summer rice harvest in Bangladesh, exports to Bangladesh have shrunk. With high domestic wheat prices, India's wheat exports have almost come to an end.

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

	Stocks	Procurement Cumulative	Imports	Offtake *
Apr 1, 2004	6.9 (18.6)			1.3 (1.8)
May 1	19.0 (26.0)			1.2 (2.1)
Jun 1	19.4 (26.6)			1.4 (2.7)
Jul 1	19.2 (24.2)			1.7 (2.6)
Aug 1	17.4 (22.4)			1.6 (1.9)
Sep 1	15.8 (20.7)			1.8 (2.2)
Oct 1	14.2 (18.4)			1.4 (2.0)
Nov 1	12.6 (16.4)			1.4 (1.9)
Dec 1	10.7 (14.6)			1.5 (1.8)
Jan 1, 2005	8.9 (12.7)			1.5 (1.8)
Feb 1	7.3 (11.0)			1.5 (1.8)
Mar 1	5.8 (8.6)	16.8 (15.8) 1/		1.7 (2.0)
Apr 1	4.1 (6.9)			1.7 (1.3)
May 1	14.7 (19.0)			1.8 (1.2)
Jun 1	15.4 (19.4)	14.8 (16.8) 2/		

1/ Cumulative procurement: April 1, 2004, to March 31, 2005

2/ Cumulative procurement: April 1, 2005, to June 30, 2005

* Includes exports

Note: March, April, and May offtake figures are Post estimate.

Source: Government of India

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

	Stocks	Procurement Cumulative	Imports	Offtake *
Apr 1, 2004	13.1 (17.2)			1.6 (1.7)
May 1	12.7 (15.3)			1.8 (2.5)
Jun 1	12.3 (13.2)			2.0 (2.9)
Jul 1	10.8 (11.0)			1.9 (3.3)
Aug 1	9.1 (8.1)			1.9 (1.7)
Sep 1	7.1 (7.1)	22.8 (16.4) 1/		1.9 (1.9)
Oct 1	6.1 (5.2)			1.8 (1.6)
Nov 1	11.0 (5.7)			1.7 (1.6)
Dec 1	11.1 (10.9)			1.8 (1.6)
Jan 1, 2005	12.8 (11.7)			1.6 (2.1)
Feb 1	14.2 (12.4)			
Mar 1	13.7 (13.6)			
Apr 1	13.3 (13.1)			
May 1	12.7 (12.7)			
Jun 1	11.1 (12.3)	22.7 (22.8) 2/		

1/ Cumulative procurement: October 1, 2003, to September 30, 2004

2/ Cumulative procurement: October 1, 2004, to June 20, 2005

* Includes exports

Table 3: Commodity, Wheat, PSD

PSD Table							
Country	India						
Commodity	Wheat				(1000 HA) (1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		04/2003		04/2004		04/2005	MM/YYYY
Area Harvested	24860	24860	26620	26620	26300	26300	(1000 HA)
Beginning Stocks	15700	15700	6900	6900	4100	4100	(1000 MT)
Production	65100	65100	72060	72060	73500	72000	(1000 MT)
TOTAL Mkt. Yr. Imports	8	8	20	10	20	1500	(1000 MT)
Jul-Jun Imports	8	8	20	10	20	1500	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	80808	80808	78980	78970	77620	77600	(1000 MT)
TOTAL Mkt. Yr. Exports	5650	6700	2000	1800	500	300	(1000 MT)
Jul-Jun Exports	5425	6400	1500	1400	500	200	(1000 MT)
Feed Dom. Consumption	600	600	500	500	500	500	(1000 MT)
TOTAL Dom. Consumption	68258	67208	72880	73070	73020	73300	(1000 MT)
Ending Stocks	6900	6900	4100	4100	4100	4000	(1000 MT)
TOTAL DISTRIBUTION	80808	80808	78980	78970	77620	77600	(1000 MT)