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Grain and Feed

Monthly Lock-up Report - September

2005

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Report Highlights:

MY 2005 rice production forecast is lowered in the light of relatively poor monsoon performance. Government rice and wheat stocks on August 1, 2005, are at their lowest levels since 1997.

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

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MY 2005 Rice Production Outlook Mixed

Post revises its MY 2005 rice production forecast downward to 86 million tons in light of the present monsoon scenario and the progressive planting report. Despite a late start and slow initial progress, the monsoon advanced swiftly during the last week of June to cover the entire country by June 30, two weeks ahead of the normal date. After two to three weeks of heavy rains in July in many parts of the country, which resulted in severe floods in parts of Gujarat, Maharashtra, and Karnataka, there has been a break in monsoon activity since the beginning of August. However, some of the earlier rain deficient rice growing regions in east India received good rains during this period.

Cumulative rainfall from June 1 to August 24, almost three-fourths of the way through the monsoon season, was below-normal in the major rice growing regions of coastal Andhra Pradesh, Bihar, Assam, and Tamil Nadu. The progressive planting report shows that planting through August has marginally exceeded last year's level. Post forecasts total area-planted to rice in 2005/06 at around 43.0 million hectares, below the February forecast of 44.5 million hectares. Crop conditions in the surplus rice growing states of Punjab and Haryana are reported to be good despite poor rains, as the crop there is mostly irrigated. Assuming a national average yield of 2 tons per hectare, production is forecast at 86 million tons. However, an early withdrawal of the monsoon from the eastern and central states like Bihar, east Uttar Pradesh, Orissa, West Bengal, and Chattisgarh, where the crop takes longer to mature and is mostly non-irrigated, would further lower production.

In early July, the Indian government revised the MY 2004/05 rice production to 85.3 million tons, down from its earlier estimate of 87.1 million tons.

Exports Surge

Post revises MY 2005 and CY 2005 rice exports upward to 4.5 million tons. According to official statistics, exports for the period January through May reached 2.5 million tons (see IN5087). Shipment data compiled from private sources show large exports in June and July, mostly to African countries and Saudi Arabia. Although rice exports to Bangladesh have declined sharply since May, a resumption in exports to Bangladesh over the coming months is likely. This follows the Bangladesh government's plan to import rice to meet likely domestic shortages. According to the reports, an Indian rice exporter made the lowest offer, at \$258.75 per ton, to supply 20,000 tons of parboiled rice against the Bangladeshi tender for 50,000 tons, although a final decision is still pending.

Stocks Plummet Despite Record Procurement

Government rice procurement in MY 2004/05 reached a record 24.2 million tons, compared with the previous record of 22.9 million tons in MY 2003/04. However, significant offtake through the public distribution system (and ostensibly some leakage into the export market) caused stocks to plummet to 7.8 million tons on August 1, 2005. Stocks are expected to further decline to around 4 million tons by October 1, 2005. This would be the lowest level since 1990, 2.1 million tons below the October 1, 2004, stocks level; and 1.2 million tons below the government's desired minimum buffer stock level.

Wheat Stocks Also Nose-Dive

Although wheat prices have stabilized in recent weeks at around rs. 7,600 (\$175) per ton (for milling wheat in Delhi), imports should not be ruled out, as government wheat stocks would be almost gone by March 31, 2006, if the current trend in wheat offtake from government stocks continues. According to official data, government wheat stocks on

August 1, 2005 were 12.7 million tons, compared with 17.4 million tons a year ago and 22.4 million tons two years ago. The monthly offtake from government stocks during the first four months of the current marketing year (Apr-Mar) averaged slightly above 1.5 million tons. During the lean marketing season (October-March), the offtake typically goes up. Even assuming no increased offtake during this period, the government carry-over stocks for MY 2006/07 are projected to plummet to less than 1 million tons, far below the desired buffer stock level of 4 million tons. It is unlikely that the government would allow this to occur. In 1997, when the April 1 wheat stocks fell to around three million tons, the government initiated imports. The need to import wheat is further supported this year by the low carry-over stocks of rice.

**Table 1: Government Procurement, Stocks, and Offtake of Wheat (year ago)
(million 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) | | | 1.4 (1.4) |
| Jul 1 | 14.0 (19.2) | | | 1.3 (1.7) |
| Aug 1 | 12.7 (17.4) | 14.8 (16.8) 2/ | | |

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

2/ Cumulative procurement: April 1, 2005, to August 29, 2005

***** Includes exports

Note: March through July offtake figures are Post estimates.

**Table 2: Government Procurement, Stocks, and Offtake of Rice (year ago)
(million 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) | | | 2.1 (2.1) |
| Feb 1 | 14.2 (12.4) | | | 1.8 (1.7) |
| Mar 1 | 13.7 (13.6) | | | 3.1(1.9) |
| Apr 1 | 13.3(13.1) | | | 1.6(1.6) |
| May 1 | 12.7(12.7) | | | 1.7(1.8) |
| Jun 1 | 11.1(12.3) | | | |
| Jul 1 | 9.7 (10.8) | | | |
| Aug 1 | 7.8 (9.1) | 24.2 (22.9) 2/ | | |

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

2/ Cumulative procurement: October 1, 2004, to August 29, 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 | 72000 | 72000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 8 | 8 | 20 | 20 | 1000 | 1500 | (1000 MT) |
| Jul-Jun Imports | 8 | 8 | 20 | 20 | 1000 | 1500 | (1000 MT) |
| Jul-Jun Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 80808 | 80808 | 78980 | 78980 | 77100 | 77600 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 5650 | 5650 | 2000 | 2000 | 500 | 500 | (1000 MT) |
| Jul-Jun Exports | 5425 | 5425 | 1500 | 1500 | 500 | 500 | (1000 MT) |
| Feed Dom. Consumption | 600 | 600 | 500 | 500 | 500 | 500 | (1000 MT) |
| TOTAL Dom. Consumption | 68258 | 68258 | 72880 | 72880 | 73000 | 74100 | (1000 MT) |
| Ending Stocks | 6900 | 6900 | 4100 | 4100 | 3600 | 3000 | (1000 MT) |
| TOTAL DISTRIBUTION | 80808 | 80808 | 78980 | 78980 | 77100 | 77600 | (1000 MT) |

Table 4: Commodity, Rice Milled, PSD

| PSD Table | | | | | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Country | India | | | | | | |
| Commodity | Rice, Milled | | | | (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 | | 10/2003 | | 10/2004 | | 10/2005 | MM/YYYY |
| Area Harvested | 42400 | 42400 | 42300 | 42300 | 42000 | 43000 | (1000 HA) |
| Beginning Stocks | 11000 | 11000 | 10800 | 10800 | 9700 | 8500 | (1000 MT) |
| Milled Production | 88280 | 88280 | 85310 | 85310 | 84500 | 86000 | (1000 MT) |
| Rough Production | 132433 | 132433 | 127978 | 127978 | 126763 | 129013 | (1000 MT) |
| MILLING RATE (.9999) | 6666 | 6666 | 6666 | 6666 | 6666 | 6666 | (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 | 99280 | 99280 | 96110 | 96110 | 94200 | 94500 | (1000 MT) |
| TOTAL Exports | 3100 | 3100 | 4250 | 4500 | 3500 | 3500 | (1000 MT) |
| Jan-Dec Exports | 3172 | 3172 | 4500 | 4500 | 3500 | 3500 | (1000 MT) |
| TOTAL Dom. Consumption | 85380 | 85380 | 82160 | 83110 | 81000 | 82500 | (1000 MT) |
| Ending Stocks | 10800 | 10800 | 9700 | 8500 | 9700 | 8500 | (1000 MT) |
| TOTAL DISTRIBUTION | 99280 | 99280 | 96110 | 96110 | 94200 | 94500 | (1000 MT) |