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India

Grain and Feed

Monthly Lock-up Report: January 2007

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Report Highlights:
The MY 2006/07 rice production estimate is revised up to 90.5 million tons and CY 2006 rice exports are estimated at 4.0 million tons. Following the import of 5.5 million tons of wheat by the government, the wheat stocks situation is expected to improve marginally. Private imports in MY 2006/07 are estimated at 800,000 tons, taking MY 2006/07 imports to 6.3 million tons. Wheat planted area in 2007 is up and production is initially expected to be higher than last year. The level of government wheat procurement from the 2007 crop will be the most crucial factor influencing the government's position on wheat imports this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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RICE

MY 2006/07 Production Estimate Up

Post revised the MY 2006/07 (Oct-Sep) rice production estimate upward to 90.5 million tons from the earlier estimate of 89 million tons. Better than anticipated *kharif* (fall and early winter harvested) rice production in major rice growing states of Andhra Pradesh and Chattisgarh, combined with likely higher *rabi* (summer harvested) rice production in several states is responsible for the upward revision. Despite cyclonic storms and drought in some parts of the state, rice production in Andhra Pradesh is expected to match or exceed last year's near record production of 11.7 million tons. In Chattisgarh, despite the late arrival of the monsoon, production is expected to be better than last year's 5.4 million tons, perhaps a record, because of the excellent distribution of rains. Higher rice production in these two states is reflected in the larger accumulated procurement of rice so far by the government.

Procurement Marginally Lower

Overall accumulated procurement of rice by the government in MY 2006/07 through December 2006 was 400,000 tons below last year's level at 12.9 million tons, with the decline mostly confined to Punjab and Haryana. However, procurement in most other states was higher than last year. The table below shows procurement by state in MY 2006/07 through December 29, 2006, compared with last year. However, with likely higher procurement from Chattisgarh, Orissa, and Andhra Pradesh, MY 2006/07 procurement is likely to reach or surpass the MY 2005/06 level.

Rice Procurement by State for MY 2006/07 Vs. MY 2005/06 (100,000 tons)

	MY 2005/06	MY 2006/07 on 12/29/06	MY 2005/06 on 12/29/05
Andhra Pradesh	49.72	9.96	6.75
Chhattisgarh	32.65	13.25	11.30
Haryana	20.54	16.86	19.36
Kerala	0.94	0.48	0.41
Maharashtra	1.94	0.39	0.32
Orissa	17.85	3.48	0.97
Punjab	88.55	72.65	82.61
Tamil Nadu	9.26	2.23	-
Uttar Pradesh	31.51	8.30	9.99
Uttaranchal	3.36	0.57	1.04
West Bengal	12.75	-	-
Total	276.56	128.69	133.41

Source: Department of Food & Public Distribution, GOI

Stocks Higher

Government-held rice stocks on December 1, 2006 were 12.1 million tons, compared with 11.1 million tons a year ago, but significantly below the record December 1 stocks of 25.1 million tons in 2001. A record procurement of 27.7 million tons in MY 2005/06 helped to rebuild stocks, despite more distribution of rice through the public distribution system (PDS) in CY 2006, to compensate for the reduced wheat allocation.

Rice Exports Remain Strong

Indian rice, particularly parboiled rice, continues to remain competitive in the world market, resulting in larger exports. In recent months, India has been exporting around 300,000 tons of rice per month, mostly parboiled. Exporters are sourcing rice mostly from Andhra Pradesh, Chattisgarh, and Orissa and exporting mostly through the port of Kakinada in Andhra Pradesh. Indian 5% broken parboiled rice is quoted at around $265 (FOB Kakinada), which is reportedly much lower than the price quoted for Thai parboiled rice.

According to preliminary official statistics, rice exports during January through August totaled 2.9 million tons (including around 700,000 tons of basmati). Total CY 2006 exports are now estimated at 4.0 million tons, marginally higher than Post's earlier estimate of 3.8 million tons.

WHEAT

Planted Area Up

According to official reports, area planted to wheat through January 5, 2007, was 27.6 million hectares compared with 25.8 million hectares planted during the corresponding period of last year. It is expected that total MY 2007/08 (Apr-Mar) wheat planted area could reach around 28 million hectares compared with 26.7 million hectares in MY 2006/07. Most of the increase in area was at the expense of rapeseed/mustard due to lower rapeseed prices and high carry-in stocks. Although planting reports point toward the possibility of a larger wheat harvest, actual production will largely depend on the weather conditions through harvest. The cool weather since mid-December is conducive for higher yields, but the most crucial factor is the temperature in February through March. Past experience shows that higher temperature during this critical grain filling stage could adversely affect yields. Lack of winter rains also could have a negative impact on yields, particularly in the non-irrigated wheat growing regions of Madhya Pradesh. The Government forecast for 2007 wheat production is around 74 million tons, while private forecasts range from 72 to 76 million tons. Post will release the intial 2007 forecast in February.

Stocks Situation Expected to Improve

Following the arrival of around 3.0 million tons of imported wheat through November 2006, out of the total contracted quantity of 5.5 million tons by the government, wheat stocks with the government reached 5.6 million tons on December 1, 2006, compared with 7.6 million tons a year ago. With the likely arrival of the balance quantity of around 2.5 million tons of wheat through March 2007, combined with reduced allocation of wheat through the PDS, wheat stocks on April 1, 2007, are likely to be around 3.5 million tons. This compares with 2.1 million tons on April 1, 2006, but still below the government's desired minimum April 1 buffer stock level of 4 million tons. Hence, the amount of government wheat procured from the 2007 crop could be the most crucial factor influencing the government's wheat import decision this year. Although prices are expected to decline from the current high level of around rs. 10,900 ($248) per ton in Delhi following the arrival of the new crop in April, it is doubtful whether prices would drop to the government's support level of rs. 7,500 ($170.5) per ton in most surplus states. This is primarily due to the probable increase in wheat purchased by the private trade and millers. If the government fails to procure at least 12 to 13 million tons of wheat in MY 2007/08, compared with 9.2 million tons procured in MY 2006/07, imports would become necessary to meet the requirements of the PDS and to maintain the desired minimum buffer stock level.

Government Extends duty-free wheat imports through February 2007

In December, 2006, the government granted a two-month extension for duty-free wheat imports by private traders until February 28, 2007. In September, the government had cut the import duty on wheat to zero from the previous 5 percent until December 31, 2006, to increase the availability of wheat and to keep prices in check. Importers will still be allowed to import wheat at 5 percent duty till March 31, 2006, after which it will attract a 50 percent duty. The government notification regarding this is available at: www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/cs116-2k6.htm.

The government has also notified the extension of the partially relaxed phytosanitary standards for wheat beyond the December 31, 2006, deadline up to February 18, 2007. The government notification regarding this is available at: www.plantquarantineindia.org/pdffiles/Validity%20extension%20order%20of%20OGL%20dated%20291206.pdf

Despite this extension, India's phytosanitary standards are considered overly restrictive and preclude U.S. exports to India. These standards are not in line with international norms and result in a higher purchase price by Indian importers. Based on September International tenders, Indian purchase prices exceeded those by other major wheat importers purchasing similar or better quality wheat. Despite these Indian imports, domestic consumer prices for wheat and flour remain high given current international prices.

According to government sources, wheat imports on the private account through December 2006 had totaled around 750,000 tons, with some small additional imports likely through March 2007, taking total MY 2006/07 wheat imports to around 6.3 million tons. The PS&D table has been revised to reflect this change.

Table 1: Commodity, Rice, Milled PSD

PSD Table										
Country	**India**									
Commodity	**Rice, Milled**						(1000 HA) (1000 MT) (MT/HA)			
	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2004	10/2004		10/2005	10/2005		10/2006	10/2006	MM/YYYY
Area Harvested	42300	42300	42300	43400	43400	43400	44000	44000	44000	(1000 HA)
Beginning Stocks	10800	10800	10800	8500	8500	8500	10520	10520	10520	(1000 MT)
Milled Production	83130	83130	83130	91040	91040	91040	91000	89000	90500	(1000 MT)
Rough Production	124707	124707	124707	136574	136574	136574	136514	133513	135764	(1000 MT)
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666	6666	6666	6666	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**93930**	**93930**	**93930**	**99540**	**99540**	**99540**	**101520**	**99520**	**101020**	(1000 MT)
MY Exports	4687	4687	4687	3800	3800	4000	4300	4000	4300	(1000 MT)
TY Exports	4687	4687	4687	3800	3800	4000	4300	4000	4300	(1000 MT)
Total Consumption	80743	80743	80743	85220	85220	85020	87500	86000	87000	(1000 MT)
Ending Stocks	8500	8500	8500	10520	10520	10520	9720	9520	9720	(1000 MT)
Total Distribution	**93930**	**93930**	**93930**	**99540**	**99540**	**99540**	**101520**	**99520**	**101020**	(1000 MT)
Yield (Rough)	2.948156	2.948156	2.948156	3.146866	3.146866	3.146866	3.102591	3.034386	3.085545	(MT/HA)

Table 2: Commodity, Wheat, PSD

PSD Table										
Country	**India**									
Commodity	**Wheat**						(1000 HA) (1000 MT) (MT/HA)			
	2004	Revised		2005	Estimate		2006	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2004	04/2004		04/2005	04/2005		04/2006	04/2006	MM/YYYY
Area Harvested	26620	26620	26620	26500	26500	26500	25000	26700	26700	(1000 HA)
Beginning Stocks	6900	6900	6900	4100	4100	4100	2000	2000	2000	(1000 MT)
Production	72150	72150	72150	68640	68640	68640	68000	69480	69480	(1000 MT)
MY Imports	8	8	8	32	0	32	6000	4500	6300	(1000 MT)
TY Imports	14	14	14	118	100	118	6000	4400	6300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**79058**	**79058**	**79058**	**72772**	**72740**	**72772**	**76000**	**75980**	**77780**	(1000 MT)
MY Exports	2120	2120	2120	801	740	801	500	200	200	(1000 MT)
TY Exports	1605	1605	1605	369	800	369	500	200	200	(1000 MT)
Feed Consumption	500	500	500	300	300	300	300	300	300	(1000 MT)
FSI Consumption	72338	72338	72338	69671	69700	69671	72200	73480	73780	(1000 MT)
Total Consumption	72838	72838	72838	69971	70000	69971	72500	73780	74080	(1000 MT)
Ending Stocks	4100	4100	4100	2000	2000	2000	3000	2000	3500	(1000 MT)
Total Distribution	**79058**	**79058**	**79058**	**72772**	**72740**	**72772**	**76000**	**75980**	**77780**	(1000 MT)
Yield	2.710368	2.710368	2.710368	2.590189	2.590189	2.590189	2.72	2.602247	2.602247	(MT/HA)