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Report Highlights:

Following the GOI's recent announcement of a bonus of Rs. 500 per ton above the previously announced support price, government rice procurement has picked up. However, it still remains unclear whether the government will permit exports of non-basmati rice, which were banned effective April 1, 2008, following domestic food inflation concerns. Record government wheat procurement combined with larger carry over stocks in MY 2008/09 has resulted in a significant build up in officially-held wheat stocks. Although the government's ban on corn exports expired on October 15, 2008, export demand for Indian corn remains subdued. The government plans to launch the supply of subsidized pulses through its Public Distribution System (PDS) soon.

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

Rice production outlook improves

Most southern states received beneficial monsoon rains in recent weeks, further bolstering kharif (fall and early winter) rice production prospects and improving the rabi (winter) season rice planting outlook. Furthermore, the GOI has announced a bonus of Rs. 500 (\$10) per ton above the enhanced support price of Rs. 8,500 (\$170) per ton for common varieties and Rs. 8,800 (\$176) per ton for Grade A, providing further impetus for rabi season rice planting. The GOI's initial estimate for kharif season rice production is 83.3 million tons, compared with 82.8 million tons last year. Post continues to forecast MY 2008/09 total rice production at 97.5 million tons compared with official 2007/08 production of 96.4 million tons.

Procurement ahead of last year

Following the GOI's October 16, 2008, announcement of a bonus of Rs. 500 per ton over and above the previously announced support price, government rice procurement has picked up reaching 7.84 million tons through October compared with 7.24 million tons during the corresponding period of MY 2007/08. Most of the procurement so far has been from the major northern rice surplus states of Punjab and Haryana, where the rice harvest typically commences much earlier than in other states. Total MY 2008/09 procurement is likely to match or exceed the MY 2007/08 record procurement of 28.5 million tons. Procurement by state in MY 2007/08 is given in the following table:

India: Rice Procurement by State in MY 2007/08

State	Procurement Thousand ton
Punjab	7,907
Andhra Pradesh	7,417
Uttar Pradesh	2,891
Chhattisgarh	2,743
Orissa	2,349
Haryana	1,572
West Bengal	1,508
Tamil Nadu	968
Other	1,147
Total	28,502

Source: Ministry of Agriculture, GOI

Export restriction withdrawal still uncertain

It remains unclear whether the government will permit exports of non-basmati rice, which were banned effective April 1, 2008, following domestic food inflation concerns. The Minister for Agriculture/Food, Public Distribution and Consumer Affairs was recently quoted as saying "The question of easing the ban on non-basmati exports doesn't arise....We won't think about it as long as we have not procured enough." Until and unless the government builds up a comfortable level of rice stocks, the question of blanket export permission for non-basmati rice appears unlikely. However, there is a likelihood of the government lifting the export ban on high quality non-basmati rice, besides PUSA 1121, such as Ponni, grown in south India, which is in great demand by Indian expatriates in the Middle East and other countries. The government has also recently permitted exports of 55,000 tons of non-basmati rice to some African countries on humanitarian grounds subject to various conditions. The break up by country is: Nigeria – 15,000 tons; Senegal – 15,000 tons; Ghana – 15,000 tons; and

Cameroon – 10,000 tons. The official notification regarding this can be accessed from: <http://164.100.9.245/exim/2000/not/not08/not4808.htm>

Wheat stocks situation comfortable

A record wheat procurement of 22.6 million tons this year combined with larger carry-over stocks in MY 2008/09 has resulted in a significant build up in government wheat stocks, which on October 1, 2008, were officially placed at around 22 million tons, against the GOI's desired October 1 minimum buffer stock level of 11 million tons. Although wheat offtake from government stocks in coming months through March 2009 is likely to increase in response to high seasonal demand and the GOI's decision to sell up to six million tons of wheat in the open market at below market prices, the government will still be left with comfortable carry over stocks for MY 2008/09, which could be as high as 12 million tons. Thus, even if wheat production and procurement were to decline in 2009, the government should be able to manage its public distribution system (PDS) without wheat imports. If wheat procurement again reaches the record level of 2008, the government will face storage problems in major wheat growing states, which could prompt the government to relax export restrictions on wheat. However, wheat PS&D analysis shows that increased procurement and thus less open market supply resulting in higher prices will impact MY 2008/09 consumption, which is estimated to decline by three to five percent over the MY 2007/08 level, while stocks climb.

Corn export ban lifted

The government's ban on corn exports expired on October 15, 2008, (<http://164.100.9.245/exim/2000/not/not08/not2208.htm>), which was not further extended. However, according to trade sources, unlike last year there isn't much interest in Indian corn from importing countries as global corn prices have eased. The current price for corn in India in producing regions is around Rs. 8,600 per ton, which at the present highly depreciated exchange rate of around Rs. 50 for one U.S. dollar is around \$172 per ton. Shipment data compiled by private sources indicate that around 40,000 tons of corn is currently being loaded at two southern ports, mostly to Malaysia.

Government plans subsidized pulse distribution through the PDS

The government plans to release subsidized pulses through its PDS within the next six weeks, the Agriculture Minister recently announced in the Parliament. Under this program, each ration card holder would be entitled to buy one kilogram of pulses per month at a highly subsidized price of Rs. 10 per kilogram. At present, public sector undertakings (PSUs) such as the State Trading Corporation of India (STC), Minerals and Metals Trading Corporation (MMTC), and Project Equipment Corporation (PEC) besides the National Agricultural Cooperative Marketing Federation (NAFED) are importing and selling pulses in the domestic market. Although the government does not decide the selling price of such imported pulses, these PSUs would be entitled to a subsidy of up to 15 percent in case they are taking losses on the sales of imported pulses. According to some reports, the government is facing difficulty in launching the subsidized pulse distribution program through the PDS as most states are reluctant to take yellow peas, the cheapest pulse available in the world market and the PSUs carry the largest stocks. Most states want traditional pulses such as pigeon peas, black matpe, and moong beans under this program.