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## **India**

### **Grain and Feed**

## **Government Reshuffles Administered Grain Prices 2002**

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#### **Report Highlights:**

**Despite record (April 1) wheat stocks of 27 million tons, the GOI has announced a 1.6 percent increase in the procurement price for the 2002 crop. Although reductions in the domestic sales prices will likely spur off take, they may push the government's food subsidy beyond the budgeted \$4.35 billion (FY 2002).**

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

## Wheat Support Price Increased

Despite the recommendation of the Commission on Agricultural Costs and Prices (CACP) to maintain last year's procurement price, the government has announced a rs. 100/ton (1.6 percent) hike in the support price for the 2002 wheat crop (marketed Apr 2002/Mar 2003) to rs. 6,200 (\$127.3)/ton. Although farmers are not compelled to sell at the support level, harvest prices typically fall below the support level in the major surplus states of Punjab, Haryana and Uttar Pradesh, prompting farmers to sell their wheat to the government. Due to record government wheat stocks, uncertain policies, and low market prices (due to subsidized GOI sales), there is little incentive for traders and millers to buy and stock wheat, even though the government has removed all restrictions on storage and movement. Consequently, GOI wheat procurements this year could surpass last year's record 20.6 million tons (from a smaller crop), exacerbating an already acute storage problem, and leading to an intensification of the government's subsidized wheat export program. Table 1 shows procurements for the past few years and the major parameters affecting wheat procurement.

**Table 1: Factors Affecting Procurement**

	Wholesale Price rs./mt 1/	Govt. Stocks 2/ mmt	Support Price rs./mt	Production mmt	Procurement mmt
1991	3,200 (\$130.8)	5.7	2,150 (\$87.9)	55.1	7.75
1992	4,050 (\$132.1)	2.4	2,750 (\$89.7)	55.7	6.38
1993	3,550 (\$113.2)	3.0	3,300 (\$105.2)	57.2	12.84
1994	4,250 (\$135.4)	7.0	3,500 (\$111.5)	59.8	11.87
1995	4,300 (\$128.6)	8.7	3,600 (\$107.6)	65.8	12.33
1996	4,450 (\$125.4)	7.7	3,800 (\$107.0)	62.1	8.14
1997	6,150 (\$165.5)	3.2	4,750 (\$127.8)	69.3	9.30
1998	5,200 (\$123.6)	5.1	5,100 (\$121.2)	66.4	12.65
1999	5,850 (\$135)	9.7	5,500 (\$126.9)	70.8	14.14
2000	7,500 (\$164.5)	13.1	5,800 (\$127.2)	76.4	16.35
2001	6,370 (\$137)	21.5	6,100 (\$131.2)	68.8	20.60
2002	6,250 (\$128.3)	27.0	6,200 (\$127.3)	73.0 3/	23.00 3/

1/ March-end Delhi price for milling wheat

2/ As of April 1

3/ Forecast

**Domestic Sales Price Slashed ...**

To stimulate domestic offtake and to reduce stocks, the GOI recently slashed the sales price of wheat and rice supplied through the Public Distribution System to the above poverty line (APL) clientele by rs. 100/ton. The revised prices are rs. 5,100 (\$104.7)/ton for wheat and rs. 7,300 (\$149.9)/ton for rice. Although the monthly allocation of wheat and rice to the below poverty line (BPL) and the "poorest-of-the-poor" clientele was increased by 10 kg to 35 kg per family, sales price to this segment was unchanged (rs. 4,150/ton for wheat and rs. 5,650/ton for rice under BPL; rs. 2,000/ton and rs.3,000/ton for wheat and rice, respectively, to the poorest-of-the-poor). Although these measures should help increase domestic offtake, they will also increase the food subsidy. The government's budgeted food subsidy for FY 2002 (Apr-Mar) is rs. 212 billion (\$4.35 billion), up 20 percent from FY 2001.

**... but Export Prices Hiked**

Contrary to expectations, the government marginally increased the sales price of wheat and rice for export, citing the depreciation of the rupee against the dollar. Effective April 1, the sales price of wheat for export was set at rs. 4,310 (\$88.5)/ton against the earlier price of rs. 4,200/ton. The export sales price of rice has been established at rs. 5,760 (\$118.3)/ton for white milled, and rs. 6,115 (\$125.6)/ton for parboiled rice (delivered to port), increases of rs. 110/ton and 115/ton, respectively. The revised prices are to remain valid until June 30.

**Open Market Sales Continue**

The government has decided to continue its open market sale of wheat to flour millers, and 5 million tons have been allocated for this purpose. The sales price under this scheme ranges from rs. 6,550 (\$134.5)/ton in Punjab, to rs. 7,250 (\$148.9)/ton in Kerala. "Luster lost" wheat is available at a discount of rs. 400/ton.

**Table 2: Revised Administered Prices of Wheat and Rice**

<b>Wheat</b>	<b>rs (\$)/ton</b>	<b>Rice</b>	<b>rs. (\$)/ton</b>
Support Price	6,200 (127.3)	Support Price for Paddy Common varieties Grade A Levy Price of Rice 1/ Common varieties Grade A	5,300 (108.8) 5,600 (115.0) 9,391 (192.8) 9,891 (203.1)
Economic Cost	8,390 (172.3) 2/	Economic Cost	11,740 (241.1)
Domestic Sales Price APL BPL Poorest of the Poor Food for Work Open Market Sale 3/	5,100 (104.7) 4,150 (85.2) 2,000 (41.1) Free 6,550 (134.5) to 7,300 (149.9)	Domestic Sales Price APL BPL Poorest of the Poor Food for Work	7,300 (149.9) 5,650 (116.0) 3,000 ( 61.6) Free
Export Sales Price Wheat Wheat products	4,310 ( 88.5) 4,750 ( 97.5)	Export Sales Price White Rice Parboiled Rice	5,760 (118.3) 6,115 (125.6)
<i>Delhi wholesale price</i>	6,250 (128.3)	<i>Delhi wholesale price 4/</i>	8,500 (174.5)

Exchange rate used: rs. 48.7 = 1 US\$

1/ In Punjab

2/ Pertains to 2001/02 marketing year

3/ rs. 400/ton less for discolored wheat

4/ For *parmal* (common) varieties