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Report Highlights:

On May 15, 2020, the Ministry of Agriculture and Farmers Welfare (MoAFW) raised the third advance estimates of production of grains for the Indian crop year (ICY) 2019/20 (July-June) to a record 295.7 million metric tons (MMT), with estimated record rice, wheat and corn production. MY 2020/21 wheat production was raised higher to a record 107.2 MMT on reports of higher-than-expected yields, and ending stocks were raised to a record 31.2 MMT. MY 2019/20 corn production was raised higher to a record 28.9 MMT, consumption lowered to 28 MMT, and ending stocks were increased to 2.15 MMT. No reported significant change in rice production, supply and distribution (PSD) estimates.

GENERAL SITUATION

Government Raises 2019/20 Food Grain Production Forecast to a New Record

On May 15, 2020, the Ministry of Agriculture and Farmers Welfare (MoAFW) released the Third Advance Estimates of Production of Grains for the Indian Crop Year (ICY) 2019/20 (July-June), raising the grain production estimate to a record 295.7 million metric tons (MMT) from the February 2020 [Second Advance Estimate](#) of 291.9 MMT, and more than 10 MMT higher than last year's record harvest. Sources attribute the expected record production to favorable 2019 monsoon rainfall and weather conditions during most of the crop year, particularly for the winter planted *rabi* crops (October – April).

MoAFW's ICY 2019/20 grain production estimate includes MY 2019/20 rice, coarse grains and pulse crops harvested last fall (*kharif*) and this spring (*rabi*), as well as MY 2020/21 wheat and barley crops harvested in April-May 2020. The grain production estimate includes record production of:

- Rice at 117.94 MMT (vs. 116.48 MMT in 2018/19) despite lower planting (43.6 million hectares vs. 44.2 million hectares last year) with more than two percent higher yield than last year's record yield;
- Wheat at 107.1 MMT (vs. 103.6 MMT last year MY 2019/20) on higher planting and higher yields (3.53 MT/Hectare) over last year record yield (3.37 MT/Hectare); and
- Corn at record 28.98 MMT (vs. 27.7 MMT in 2018/19 and record 28.75 MMT in 2017/18) on higher planting and record yields (3.12 MT/Hectare).

The third advance estimates are based on: (i) acreage estimates for *kharif* and provisional acreage estimates for *rabi* crops; (ii) yield estimates for the *kharif* crops based on the crop cutting survey reports from major states; and (iii) early harvest reports of the *rabi* crops. MoAFW will further revise the ICY 2019/20 estimate in August (fourth advance estimate) based on the revised data from various state governments on acreage and yields for both *kharif* and *rabi* crops; and the data will be available by February 2021, along with the second advance estimates for the upcoming ICY 2020/21.

IMD Forecasts Near-Normal 2019 Monsoon

On April 15, 2020, the Indian Metrological Department (IMD) in its [first long-range forecast, predicted that the 2020 southwest monsoon \(June-September\)](#) for all of India will be normal. IMD forecasted the 2020 monsoon to be nearly fully aligned with the long-period average (LPA; 88 centimeters for the period 1961-2010) with a model error of +/- five percent. IMD revised the [normal onset and withdrawal dates](#) based on data during the 1961-2019 and 1971-2019 periods. See [IN2020-0019](#) for more details.

IMD will issue its second long-range forecast for the 2020 monsoon by the first week of June, wherein they will also issue separate forecasts for precipitation in July-August for the country and seasonal rainfall (June-September) for India's four geographical regions. A well-distributed rainfall during the monsoon season across the country will be beneficial to the upcoming *kharif* season (fall harvested) crops. India's southwest monsoon provides over 70 percent of the country's annual rainfall and essential soil moisture for nearly 55 percent of the total cultivated area that is largely unirrigated during the *kharif* crop season. Normal and well distributed monsoon precipitation is also critical for the winter planted *rabi* crops providing adequate residual soil moisture at the time of planting and sufficient surface/ground water in the irrigated areas for both cropping seasons.

WHEAT – Production, Supply & Distribution

Table 1. India: Commodity, Wheat PSD						
Wheat	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	29651	29651	29319	29319	31050	30554
Beginning Stocks (1000 MT)	13230	13230	16992	16992	24000	24500
Production (1000 MT)	99870	99870	103600	103600	103000	107200
MY Imports (1000 MT)	17	17	20	20	25	25
TY Imports (1000 MT)	18	18	20	20	25	25
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	113117	113117	120612	120612	127025	131725
MY Exports (1000 MT)	496	496	500	500	1000	1000
TY Exports (1000 MT)	494	494	500	500	1000	1000
Feed and Residual (1000 MT)	5000	5000	6000	5500	6000	6500
FSI Consumption (1000 MT)	90629	90629	90112	90112	93000	93000
Total Consumption (1000 MT)	95629	95629	96112	95612	99000	99500
Ending Stocks (1000 MT)	16992	16992	24000	24500	27025	31225
Total Distribution (1000 MT)	113117	113117	120612	120612	127025	131725
Yield (MT/HA)	3.3682	3.3682	3.5335	3.5335	3.3172	3.5085
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries. TY 2020/2021 = July 2020 - June 2021						

MY 2020/21 Record Production Further Raised

Post's MY 2020/21 wheat production is estimated to increase at a record 107 MMT due to greater than expected yields despite unseasonal rains at the time of harvest. MY 2020/21 planted area is revised marginally lower based on the latest plating estimates from MoAFW.

Extended winter conditions with low temperatures through mid-April (vs normal of mid-March) and sufficient well-scattered rains across the wheat growing areas in January-April during the important crop growth and development stages improved yield prospects. However, a few spells of untimely rains during late March through April when crops were ready for harvest raised fears of crop damage and loss. However, FAS sources report that these untimely rains did not cause any significant crop damage although in most wheat growing states the harvest was delayed by more than two weeks. Despite this delay, sources report record yields in most wheat growing states, although there have been reports of grain quality (lustre loss) getting affected and higher than normal moisture content at the time of sale.

Despite the two-week harvest delay and the Government of India's (GOI) staggered and extended marketing arrangements due to the COVID-19 crisis, relatively strong market arrivals and government wheat

procurement during the ongoing marketing season strongly supports the forecast record wheat harvest. Most industry sources estimate the crop harvest to be between 105 to 110 MMT, compared to the government's third advance estimate of 107.1 MMT. The provisional reports from the official crop performance surveys assessing crop yields are likely to be available in June-July in the major wheat producing states and will be subsequently assimilated in the official fourth advance estimate to be released in August 2020.

COVID-19 forces Government to Stagger Market Arrivals...

The COVID-19 pandemic forced a national lockdown beginning March 25, which coincided with the wheat harvest and ongoing sales and distribution. The wheat harvest began in mid-April and was delayed by two weeks in most of the wheat growing states. The GOI and various state governments have enacted multiple social distancing controls to avoid crowding at market yards:

- State governments doubling the number of designated market yards and government procurement centers under the minimum support program (MSP).
- Ensuring social distancing by limiting market daily operations to a defined number of traders and quantity traded per day in each market yard.
- Staggering market arrivals by limiting the daily arrival quota by issuing tokens/gate pass to the farmers with a designated date/time for bringing their produce to the nearest market/government procurement center.
- Extending the MSP procurement period until June 30 in Punjab and Haryana, which typically ends in the first week of June. For other wheat producing states, the procurement period is extended until July 31, which normally concludes at the end of June.

In the past years market arrivals would peak from the third week of April and diminish in the first week of June as market yards would overflow with wheat during this period. However, due to the COVID-19 led restrictions, farmers this year have been forced to temporarily store their grains in makeshift on-farm storage facilities and bring their produce in a staggered manner. Nevertheless, market arrivals are likely to conclude in most states by end of June, with small quantities arriving through mid-July in the central and eastern regions. Market sources report that farmers and local traders are unlikely to hold significant quantities of wheat for the off-season sale (August onward) on the expectation that wheat prices are likely to remain weak through the year. The GOI may be forced to subsidize wheat sales to bring down the expected high government wheat stocks to manageable levels.

...Yet Government Procurement Remains Strong

Despite delayed harvests and staggered arrivals, government wheat procurement has been relatively strong during the current season. Total government wheat procurement through May 20, 2020 is estimated at 32 MMT compared to 32.6 MMT in 2019 during the corresponding period (last year's two week earlier procurement of 27.8 MMT on May 8, 2019).

Table 2. India: Government Wheat Procurement by State (Quantity in MMT)

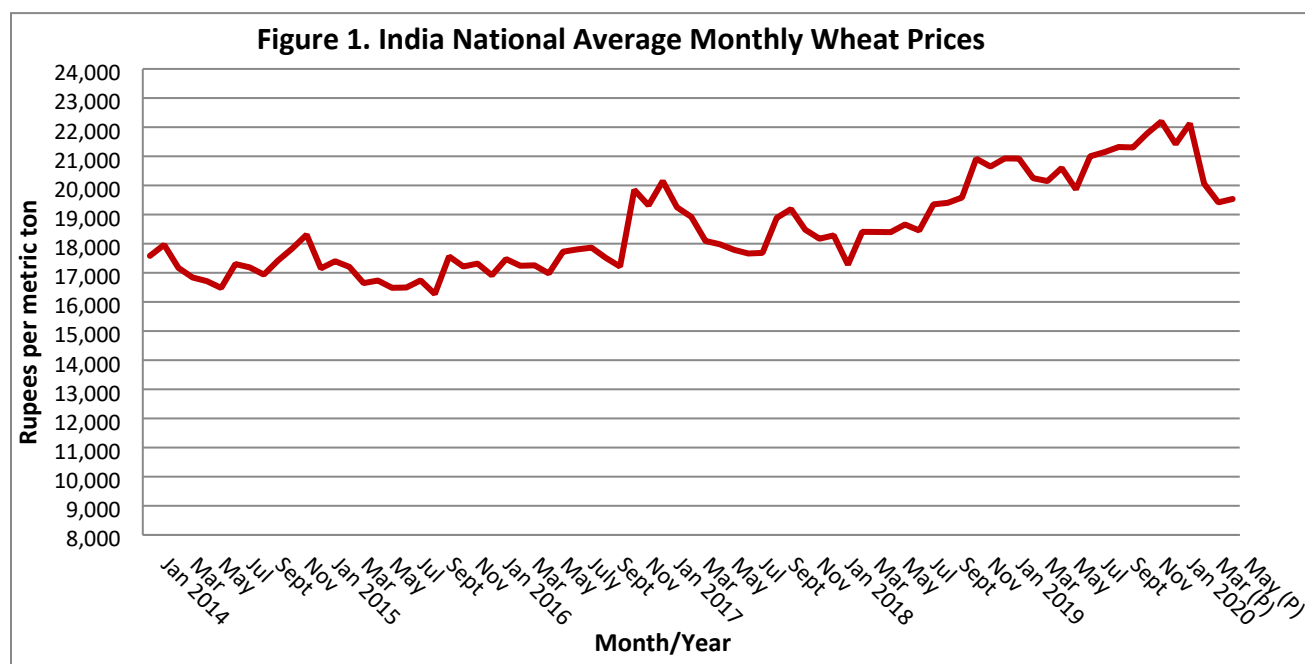
State	MY 2018/19	MY 2019/20	MY 2019/20	MY 2020/21
	April-March	April-March	April 1-May 22	April 1-May 22
Punjab	12.69	12.91	12.74	12.48
Haryana	8.78	9.32	9.32	6.92
Madhya Pradesh	7.31	6.73	6.64	9.87
Uttar Pradesh	5.29	3.70	2.74	1.77
Rajasthan	1.53	1.41	1.11	0.90
Others	0.18	0.06	0.06	0.07
Total	35.80	34.13	32.62	32.00

Source: Food Corporation of India, GOI.

Despite staggered arrivals, wheat procurement in the major surplus states has been relatively stronger than last year due to higher government minimum support prices (INR 19,250) and lower participation of the private sector due to the ongoing COVID-19 lockdown. Market sources report that at the current pace of government procurement share in the total market arrivals, wheat procurement during the current season is likely to exceed the government's procurement target of 40.7 MMT and will be significantly higher than last year's 34.1 MMT procurement.

Prices Steady at MSP

Due to ongoing government procurement operations, domestic prices have been hovering around the government's MSP rate in most major producing states, and are currently ranging from INR 18,687 (\$246) per MT) to the government's MSP rate of INR 19,250 (\$264) per MT. However, wheat prices in the non-producing states are slightly higher, accounting for transportation and other movement costs.



Source: Agricultural Marketing Information Network, MoAFW, GOI

Market prices are likely to remain steady around the MSP rate through the next few months with sufficient domestic supplies and abundant government wheat stocks. With the likelihood of government wheat stocks swelling to new record levels by the end of the procurement season, future price movements are likely to be driven by government open market sale prices to local private industry and releases of government wheat.

Government Wheat Stocks Swell

With higher than initially expected opening stocks and forecast record government procurement, government-held wheat stocks are expected to expand to 53-55 MMT by the end of July, compared to 41 MMT last year and a record 50.2 MMT in June 2012. While significant quantities of surplus rice stocks from Punjab and Haryana have been moved to grain deficient states during the lockdown period, significant quantities (15-20 MMT) of wheat will have to be stored in open air on wooden platforms with plastic covers. These stocks will be highly susceptible to damage from rain and adverse weather, pests, vermin and pilferage, especially after the onset of the 2020 monsoon beginning in July.

Making it Challenging to Manage Burgeoning Stocks

Meanwhile, the GOI has been trying to move grain from surplus states to deficit states, renting additional private warehouses along with storage space available in rice mills and other agro-processing units, and encouraging private sector investment to create additional storage infrastructure. Due to the ongoing COVID-19 crisis, the GOI is also pushing additional quantities of subsidized wheat and rice through food security and other welfare programs, which may percolate into the open market. The cost of government wheat is estimated at \$353/MT INR 26,850 (\$353) per MT, and are prohibitively high compared to current global wheat prices. Exports are not possible unless the GOI decides to subsidize wheat trade, which would draw concerns from other trading partners by violating WTO commitments. To bring down the stocks to manageable levels, the GOI may resort to subsidized grain sales under an open market sale scheme (OMSS), some of which may be exported to neighboring countries.

Given the GOI's continued reliance on utilizing the MSP program to address concerns of the farming community, particularly under the ongoing COVID-19 crisis, weak domestic market prices will push more wheat and rice into government procurement program, further pressuring the government's storage infrastructure already bursting at the seams in the near future. Under the current MSP led domestic support programs, India will be facing a growing crisis of unmanageable procurement and stocks in the upcoming years unless there are domestic crop failures, which is unlikely due to forecasted 2020 normal monsoon and rainfall.

Ending Stocks Raised

Post's MY 2019/20 ending stocks estimate is raised higher to a record 24.5 MMT based on the [official government wheat stock estimate](#) of 27.5 MMT on March 1, 2020, and normal monthly offtake in March 2020. MY 2020/21 ending stocks have also been raised higher to a record 31.2 MMT on forecasted record domestic harvest and government wheat procurement.

MY 2019/20 and 2020/21 feed and residual estimates have been adjusted marginally to account for the change in the stock estimate for MY 2019/20, and forecasted production and ending stocks for MY 2020/21, respectively.

RICE

No significant production or supply changes in the official PSD to report.

Procurement Surge to New Record

Contingent on the record harvest, MY 2019/20 government rice procurement through May 22 has surged to a record 46.2 MMT, nearly 4.8 MMT higher than procurement levels during the corresponding period last year, and higher than last year's record total procurement for the complete season.

Table 3. India: Government Rice Procurement by State.
(Quantity in MMT)

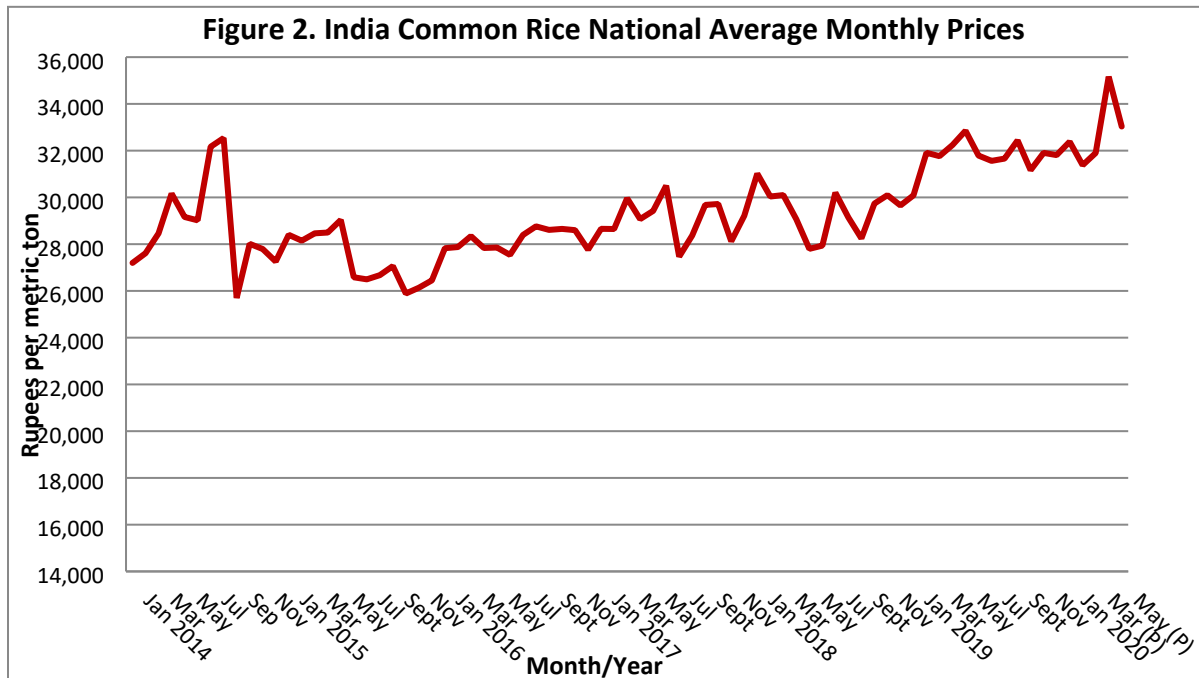
State	MY 2017/18	MY 2018/19	MY 2018/19	MY 2019/20
Period	October-September	October-September	Oct 1-May 22	Oct 1-May 22
Punjab	11.83	11.33	11.33	10.88
Telangana	3.62	5.19	4.81	6.52
Andhra Pradesh	4.00	4.81	3.91	4.56
Haryana	3.99	3.94	3.94	4.30
Chhattisgarh	3.26	3.97	4.02	3.97
Uttar Pradesh	2.88	3.23	3.23	3.79
Odisha	3.29	4.45	3.48	3.71
Madhya Pradesh	1.10	1.40	1.46	1.74
Tamil Nadu	1.01	1.29	1.16	1.56
West Bengal	1.67	1.98	1.63	1.49
Others	1.54	2.81	2.53	3.73
Total	38.18	44.40	41.51	46.26

Source: Food Corporation of India, GOI

With the exception of Punjab and Chhattisgarh, significant procurement increases in all major rice-producing states supports the estimated record rice production of 118 MMT. With additional procurement of *rabi* and summer rice likely to continue in the eastern and southern states, government rice procurement in MY 2019/20 is likely to reach a record 48.5 MMT, more than a nine percent increase over last year's procurement levels.

Firm Domestic Prices

Due to record production, domestic wholesale spot market prices have remained steady for most of MY 2019/20, except for the month of April, as the prices spiked due to the supply disruptions caused by the national lockdown due to the COVID-19 pandemic.

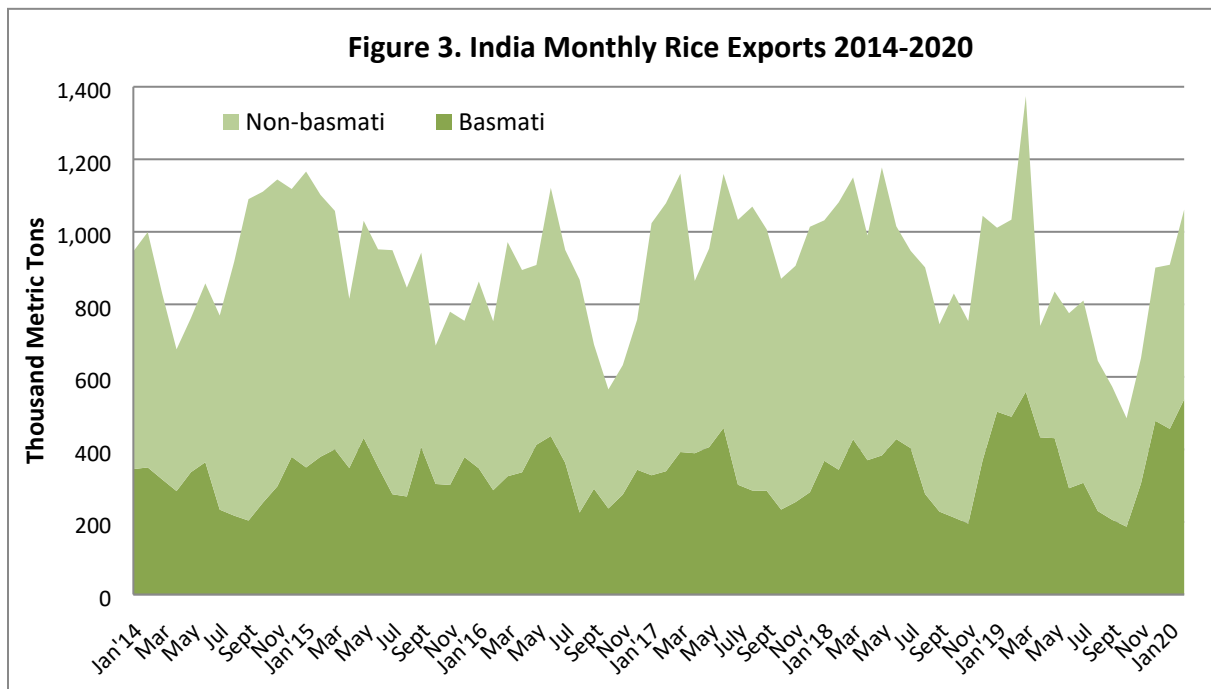


Source: Agricultural Marketing Information Network, MoAFW, GOI

With the government relaxing restrictions in the marketing, transportation and operations of processing units of essential food grains, including rice, supply chain is coming back to normal. Consequently, domestic prices fell back to pre-lockdown levels in May and may ease further with the arrival of the record *rabi* and summer rice in next few months. Current spot prices for common-grade coarse rice in major producing states range from INR 26,150 (\$344) per MT to INR 29,350 (\$386) per MT. Prices are likely to ease further with the arrival of the *rabi* and summer rice in the next few months. Domestic prices for the last quarter of MY 2019/20 will depend on export demand and international price movements, in addition to the progress of MY 2020/21 rice planting and monsoon performance.

Exports Unchanged

After posing weak sales during the second and third quarter of calendar year (CY) 2019, India's rice exports recovered from December 2019 on strong recovery of demand for non-Basmati coarse grain rice. According to preliminary official statistics, rice exports from October 2019 to February 2020 are estimated at 4.0 MMT, reduced from 4.7 MMT for the corresponding period in 2019.



Source: Monthly exports through February 2020; DGCIS, GOI

The national lockdown that began on March 25 affected April rice exports due to labor shortages at port/loading points and the unavailability of inland transport. Sources report that inland transport systems were severely affected due to the lack of clarity on interstate truck movements and a shortage of drivers/helpers due to COVID-19 concerns. However, supply chain and transport systems have improved in the latter half of April, with the GOI announcing instructions that facilitated truck movement and port operations. A lack of shipping containers due to problems in container transfer from China also impacted exports of high-value long grain basmati rice. Sources report April 2020 rice exports were approximately 450-500,000 MT, down by 55-60 percent against export demand.

Sources also report very strong export demand for Indian rice due to supply constraints from the other origins and competitive Indian rice prices. India's rice export prospects vis-à-vis domestic demand is further supported by decline in Indian Rupee value (INR 71=1 USD before the lockdown to the current level INR 76.5 = 1 USD). Given sufficient domestic supplies, the GOI is unlikely to impose any export restrictions in the near future. Consequently, MY 2019/20 rice exports are likely to reach 10.2 MMT on higher exports in the second half of the marketing year.

CORN

Table 4. India: Commodity, Corn PSD						
Corn	2018/2019		2019/2020		2020/2021	
	Nov 2018		Nov 2019		Nov 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Market Year Begins						
Area Harvested (1000 HA)	9027	9027	9100	9270	9000	9000
Beginning Stocks (1000 MT)	2329	2329	1346	1346	1346	2146
Production (1000 MT)	27715	27715	28500	28900	27500	27500
MY Imports (1000 MT)	221	221	400	400	500	500
TY Imports (1000 MT)	212	212	400	400	500	500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	30265	30265	30246	30646	29346	30146
MY Exports (1000 MT)	419	419	500	500	400	400
TY Exports (1000 MT)	482	482	500	500	400	400
Feed and Residual (1000 MT)	17300	17300	17200	16800	16900	17000
FSI Consumption (1000 MT)	11200	11200	11200	11200	11200	11200
Total Consumption (1000 MT)	28500	28500	28400	28000	28100	28200
Ending Stocks (1000 MT)	1346	1346	1346	2146	846	1546
Total Distribution (1000 MT)	30265	30265	30246	30646	29346	30146
Yield (MT/HA)	3.0702	3.0702	3.1319	3.1176	3.0556	3.0556

MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Corn begins in October for all countries. TY 2020/2021 = October 2020 - September 2021

MY 2019/20 Production Raised to New Record

Post's MY 2019/20 corn production estimate is revised higher to a record 28.9 MMT (versus previous record of 28.5 MMT in MY 2017/18) on reported higher planting (9.27 million hectares) than earlier estimated, and reports of good harvest of *rabi* corn in the eastern states. However, Post estimates MY 2019/20 production and yield slightly lower than GOI estimates as market sources indicate that the government assessments of higher production and yields are optimistic, and may be revised lower after they have the yield data from the crop cutting surveys in the winter planted *rabi* corn growing states.

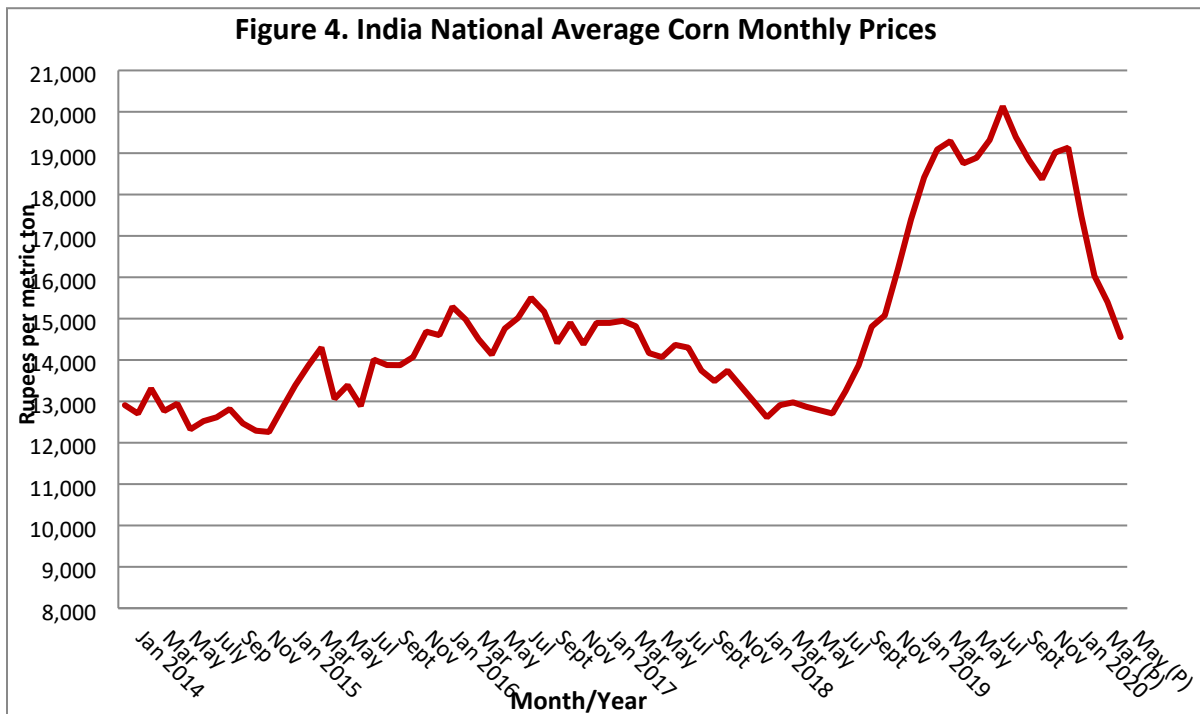
Consumption Lower on Continued Poultry Industry Crisis

Post's MY 2019/20 consumption estimate is revised lower to 28 MMT based on reports of weak poultry feed demand since January 2020, as the poultry industry was severely hit by illogical rumors that poultry products could be a vector for transmitting COVID-19. The ongoing national lockdown since March causing severe supply chain disruptions further aggravated the poultry industry situation. The prolonged crisis has caused major losses to the poultry industry, leading to most producers cutting their production capacities and feed use, which includes corn. Market sources report that it may take another six months for the poultry industry to

recover from losses incurred since the beginning of the year. Consequently, MY 2019/20 feed and residual estimate is revised lower to 16.8 MMT.

Domestic Prices Crash

The weak poultry feed demand resulted in domestic corn prices crashing since February 2020 due to the poultry industry crisis.



Source: Agricultural Marketing Information Network, MoAFW, GOI

Domestic prices are currently ranging from \$141-\$190/MT INR 10,720 (\$141) to 14,450 (\$190) per MT in major producing states, with average prices over 22 percent below last year’s level, significantly below the government’s MSP of INR 17,600 (\$232) per MT. Domestic prices are likely to remain weak for the balance-marketing year on expected weak domestic demand. Sources report that Indian corn is still not very competitive in the export market except for neighboring countries on relatively low international prices.

Ending Stocks Raised

Post’s MY 2019/20 ending stocks estimate is raised higher to 2.15 MMT to account for higher estimated production and lower consumption. MY 2020/21 forecast ending stocks are also raised higher to 1.55 MMT.

Attachments:

No Attachments