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India

Grain & Feed

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Report Highlights:

Post has raised it's estimate of India's recently-harvested wheat crop to 71.5 million tons, 3 percent above the previous record (1996/97) and 8.5 percent above last year's mediocre crop. Grain quality is excellent. With the Government paying farmers \$129/ton, private traders and millers have largely withdrawn from the market. GOI stocks are expected to reach a record 22 million tons. Despite heavy stocks, some imports by southern millers should occur if international prices remain competitive. India may also export small amounts to neighboring markets if the gap between Indian and world prices narrows.

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

WHEAT

Best Crop Ever

Recent travel to major growing areas indicates that India will harvest a record wheat crop of at least 71.5 million tons, 1.5 million above our April forecast. Grain quality is excellent. Northern India enjoyed below normal temperatures and plentiful sunshine during February-March, beneficial for grain development. Water (rainfall and irrigation) was adequate during critical growth stages, and despite some temporary shortages of phosphatic fertilizer, applications were higher than a year ago. The only significant problem was weeds (mainly *phalaris* minor), which also enjoyed optimal growing conditions and proved difficult of control. (Some farmers blamed adulteration of herbicides.) Hot, dry weather at harvest minimized losses, leaving grain in good condition for storage.

Record Procurement Likely

Although the harvest typically starts from April 15 in northern India, favorable conditions advanced this year's crop by almost two weeks. As a result, wheat marketing is well ahead of last year's pace, and combined with an attractive support price of rs. 5,500 (\$129)/ton has resulted in heavy government procurements. As of April 29, procurements were 10.1 million tons compared with 4.9 million for the same period last year. Total procurement is likely to exceed 14 million tons, compared to 12.6 million last year, and previous record procurement of 12.8 million in 1993/94.

Prices in producing areas have plunged to the government support level (or lower) and there has been very little private buying in the "mandis" (grain markets). Virtually all market arrivals in north India have been purchased by the Food Corporation and state procurement agencies at the support price. Private purchases are confined to small quantities of high quality/durum wheats at prices marginally above support. In order to encourage private purchases of wheat and alleviate storage problems, the central government has advised the state governments to rescind stock limitations imposed under the 1996/97 Storage Control Order. However, given the government's large stocks, continuing intervention in the market, and liberalized wheat import regime (permitting imports by private millers), there is very little incentive for private traders or farmers to store grain.

Flour millers in deficit states are currently sourcing wheat mostly from Rajasthan and Madhya Pradesh, where quality is excellent, marketing is less regulated than in Punjab and Haryana, and marketing costs (commissions, fees, taxes and transportation) are lower, enabling them to source wheat at cheaper prices. Flour millers in south India are currently getting wheat delivered to the mill for around rs. 6,000 (\$141)/ton. Once this "cheap" source dries up, southern millers will likely again turn to imports rather than securing costlier wheat from north India or buying government supplied wheat at \$175/ton. Furthermore, as the GOI is mopping up almost the entire wheat surplus from northern states, open market prices are likely to remain firm.

Government Stocks Swell

Last year's near record wheat procurement, combined with poor off take through the Public Distribution System, caused government wheat stocks to swell to an estimated record 9.9 million tons on April 1, 1999, compared to 5.1 million a year ago and the previous April record of 8.7 million in 1995. Stocks are expected to reach a record 22.0 million tons on July 1, 1999, 7.7 million higher than the July 1 desired minimum stock level of 14.3 million tons. Although the government is trying to augment storage capacity in surplus states and move

wheat to deficit areas, most of this year's newly procured wheat will again be stored in the open under polyethylene cover (CAP storage), where the grain is somewhat more vulnerable to adverse weather and pest infestation.

Trade Implications

Record production and stocks rule out government wheat imports in 1999/00 (unless the monsoon is a disaster). As already mentioned, however, some imports by private millers are likely to occur as long as they can source wheat at lower prices from international markets.

Large-scale exports are unlikely given the high price of Indian wheat and traditional problems such as the lack of grain standards, inconsistent quality, and crowded ports. Nevertheless, it's possible that if there is upward pressure on international prices during 1999/00, small quantities of Indian wheat may find its way into nearby markets such as Pakistan or Bangladesh.

Table 1. Government Procurement, Stocks and Off take of Wheat in MMT (year ago):

	Stocks	Procurement Cumulative	Imports	Offtake
Apr 1 98	5.1 (3.2)		0.1	0.5 (0.6)
May 1 98	9.0 (4.8)		0.2	0.6 (0.9)
Jun 1 98	15.9 (11.0)		0.2	0.5 (0.5)
Jul 1 98	15.9 (11.4)		0.2	0.7 (0.5)
Aug 1 98	16.4 (9.2)		0.3	0.7 (0.5)
Sep 1 98	15.8 (8.8)		0.2	0.7 (0.6)
Oct 1 98	15.2 (8.3)		0.1	0.7 (0.5)
Nov 1 98	14.6 (8.0)		0.1	0.9 (0.5)
Dec 1 98	13.7 (7.4)			0.9 (0.7)
Jan 1 99	12.7 (6.8)			1.0 (0.7)
Feb 1 99	11.6 (6.4)			0.9 (0.8)
Mar 1 99	10.8 (6.0)	12.6 (9.3)		

Indicative Month-end Prices of Ordinary Wheat/mt:

	Mar 99	Apr 99
Delhi Wholesale Price	rs. 6,800 (\$160.0)	rs. 5,850 (\$137)
Bombay Wholesale Price	rs. 7,450 (\$175.3)	rs. 6,600 (\$155)

RICE**Production Estimate Increased**

We are raising our 1998/99 rice production estimate marginally to 83 million tons, based on improved rabi (winter crop) production. While some sources put production at 84.5 million, based on estimated rabi output of 12.3 million (vs. normal production of 10.5), officials in the Agriculture Ministry concede that actual rabi rice output is unlikely to be that high. The PS&D reflects our revision.

Table 2. Government Procurement, Stocks and Off take of Rice in MMT (year ago):

	Stocks	Procurement Cumulative	Imports	Offtake
Apr 1 98	13.0 (13.2)			0.7 (1.0)
May 1 98	12.9 (12.6)			0.9 (0.8)
Jun 1 98	12.7 (11.1)			0.9 (0.9)
Jul 1 98	12.0 (10.9)			1.0 (0.9)
Aug 1 98	11.0 (8.6)			1.0 (1.1)
Sep 1 98	10.0 (7.7)	14.3 (12.2)		1.1 (0.9)
Oct 1 98	9.0 (7.0)			1.0 (0.9)
Nov 1 98	10.7 (10.2)			1.1 (0.9)
Dec 1 98	11.2 (11.4)			1.1 (1.0)
Jan 1 99	11.7 (11.5)			1.0 (0.9)
Feb 1 99	12.1 (12.0)			1.0 (0.9)
Mar 1 99	12.0 (12.8)	9.8 (12.7)		

PSD Table							
Country:	India						
Commodity:	Wheat						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/97		04/98		04/99	(MONTH/ YEAR)
Area Harvested	25,887	25,887	26,686	26,686	26,750	26,750	(1000 Hectares)
Beginning Stocks	7,000	7,000	10,500	10,500	11,000	11,000	(1000 MT)
Production	69,350	69,350	65,907	65,907	70,000	71,500	(1000 MT)
TOTAL Mkt. Yr. Imports	2,100	2,100	1,900	1,900	500	500	(1000 MT)
Jul-Jun Imports	1,900	1,900	1,500	1,100	500	500	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	100	100	(1000 MT)
TOTAL SUPPLY	78,450	78,450	78,307	78,307	81,500	83,000	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	200	200	(1000 MT)
Jul-Jun Exports	0	0	0	0	200	200	(1000 MT)
Feed Dom. Consumption	200	200	200	200	300	300	(1000 MT)
TOTAL Dom. Consumption	67,950	67,950	67,307	67,307	69,000	70,000	(1000 MT)
Ending Stocks	10,500	10,500	11,000	11,000	12,300	12,800	(1000 MT)
TOTAL DISTRIBUTION	78,450	78,450	78,307	78,307	81,500	83,000	(1000 MT)

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1997		10/1998		10/1999	(MONTH/ YEAR)
Area Harvested	43,420	43,420	42,700	42,700	43,000	43,000	(1000 Hectares)
Beginning Stocks	9,500	9,500	10,500	10,500	9,000	10,000	(1000 MT)
Milled Production	82,300	82,300	81,000	83,000	83,000	83,000	(1000 MT)
Rough Production	123,462	123,462	121,512	124,512	124,512	124,512	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(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	91,800	91,800	91,500	93,500	92,000	93,000	(1000 MT)
TOTAL Exports	3,500	3,500	3,500	3,500	2,500	2,500	(1000 MT)
Jan-Dec Exports	5,000	5,000	2,800	2,800	2,500	2,500	(1000 MT)
TOTAL Dom. Consumption	77,800	77,800	79,000	80,000	80,000	81,000	(1000 MT)
Ending Stocks	10,500	10,500	9,000	10,000	9,500	9,500	(1000 MT)
TOTAL DISTRIBUTION	91,800	91,800	91,500	93,500	92,000	93,000	(1000 MT)