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Prepared By:

Approved By: Mark Wallace

Report Highlights:

On October 23, 2019, the Government of India raised the minimum support prices (MSP) for the select upcoming rabi (winter-planted) crops, including wheat. Based on the latest official rice stock estimates, MY 2018/19 rice ending stock estimate is revised higher to 29.5 MMT. MY 2018/19 rice exports are revised lower to 10.4 million metric tons (MMT) due to weak exports in the second half of the marketing year. MY 2019/20 rice exports are forecast to recover to 12 MMT on higher domestic supplies.

MSP for *Rabi* Crops, Including Wheat, Raised Further

On October 23, 2019, the [Cabinet Committee on Economic Affairs \(CCEA\) approved the increase in the MSP for the select upcoming *rabi* \(winter planted\) crops](#) for the Indian crop year 2019/20 (July-June), which is to be harvested and marketed in MY 2020/21 (April-March). The government reiterated that the increase in MSP was in line with the principle of fixing the MSPs at a level of at least 1.5 times of the all India weighted average cost of production.

An increase of INR 850 (\$12) raised the MSP for wheat per metric ton (MT) over last year to INR 19,250 (\$271) per MT, which is estimated to offer a return of 106 percent over the cost of production. The MSP for barley has also been raised by INR 850/MT to INR 15,250 (\$215) per MT. The highest increase in MSP has been recommended for lentils (INR 3,250/MT to INR 48,000 (\$676) per MT, followed by safflower (INR 2700/MT to INR 52,150 (\$735) per MT) and chickpeas (INR 2,550 per MT to INR 48,750 (\$687) per MT). However, the estimated returns above the cost of production in these crops range from 50 percent to 90 percent.

Despite the greater MSP increase for pulses (chickpeas and lentils), farmers will continue to prefer wheat to pulses and oilseeds due to an effective government MSP procurement program for wheat in most growing states. Besides, optimal soil moisture content at the time of planting (October/November) due to good late 2019 monsoon rains will also support wheat planting prospects in the partially irrigated states (Uttar Pradesh, Rajasthan and Madhya Pradesh).

The government announced that the State Governments will undertake procurement of coarse grains with the prior approval of Government and would distribute the entire procured quantity under National Food Security Act (NFSA) and subsidy will be provided only for the quantity issued under NFSA. Other government agencies like National Agricultural Marketing Federation (NAFED) and other designated agencies would continue to undertake procurement of pulses and oilseeds. The losses, if any, incurred by the nodal agencies in such operations may be fully reimbursed by government of India (GOI) as per guidelines.

Government Forecasts Lower 2019/20 *Kharif* Harvest

On September 23, 2019, the [Ministry of Agriculture and Farmers Welfare \(MoAFW\) released the First Advance Estimate of Food Grain Production for the Indian Crop Year \(ICY\) 2019/20](#) (July-June). Per the report, India's *kharif* (fall harvested) grain production is estimated at 140.6 MMT, more than one MMT lower than last year's harvest estimate (4th advance estimate), the result of a relatively weak early 2019 monsoon and erratic rainfall across the country, both of which affected planting. The crop production breaks out as follows:

- Rice at 100.35 MMT (vs. 116.42 MMT last year's record)
- Corn at 19.89 MMT (vs. 19.04 MMT last year and 20.1 MMT record in 2017/18)
- Pulses at 8.23 MMT (vs 8.59 MMT last year and record 9.58 MMT in 2016/17)
- Other coarse grains production at 12.1 MMT (vs. 12.0 MMT last year)

Market sources report that the MoAFW’s first advance estimates for rice may improve since an extended 2019 monsoon may improve yield prospects in rain-fed rice growing areas. However, relatively heavy rains during late September/October may affect the yield prospects for corn and pulses, particularly in central and western India.

Earlier, on August 19, 2019, the MoAFW released the [Fourth Advance Estimate of Food Grains for ICY 2018/19](#), raising the grain production to a near-record 284.95 MMT. The MoAFW’s latest estimates include record production for rice and wheat, and near-record production of corn and pulses. The latest fourth advance estimates for ICY 2018/19 are based on the feedback from various state governments on acreage and yield estimate surveys for the *kharif* crops and provisional estimates for acreage and yield for *rabi* crops. The MoAFW will release the final estimates for the ICY 2018/19 by February 2020. Post PSD estimates for the major grains have been revised to reflect the official production and planted area estimates.

RICE

Table 1. India: Commodity, Rice Milled, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42900	43774	44500	43791	43000	43500
Beginning Stocks	20550	20550	22600	22600	26200	29500
Milled Production	112760	112760	116420	116420	114000	115000
Rough Production	169157	169157	174647	174647	171017	172517
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	133310	133310	139020	139020	140200	144500
MY Exports	12041	12041	11800	10450	11800	12000
TY Exports	11791	11791	11800	10500	11800	12000
Consumption and Residual	98669	98669	101020	99070	102100	102500
Ending Stocks	22600	22600	26200	29500	26300	30000
Total Distribution	133310	133310	139020	139020	140200	144500
Yield (Rough)	3.9431	3.8643	3.9247	3.9882	3.9771	3.9659

MY 2019/20 Production Raised

Post forecasts MY 2019/20 rice production higher at 115 MMT from 43.5 million hectares (MHa): contributing factors included a good second half of the 2019 monsoon, and subsequent higher planting and favorable moisture conditions for the *kharif* rice; and likely higher planting and production prospects for the upcoming *rabi* (winter planted) rice crop. Based on the MoAFW's final estimates, MY 2017/18 planted area is estimated at 43.8 MHa; based on the latest official (fourth advance) estimates, MY 2018/19 production is estimated at 116.4 MMT from 43.8 million hectares.

After a weak first half (June-July) of the 2019 monsoon, rainfall picked up strongly from August onwards across the country, with cumulative rainfall recorded during August-September 2019 as the highest (130 percent of normal) since 1983. The 2019 monsoon withdrawal commenced in the second week of October in contrast to the normal time of first week of September. The Central Water Commission (CWC) estimated the overall water storage position on October 17, 2019, at 151.8 billion cubic meters (BCM), compared to 121.6 BCM at the same time last year, and significantly higher than the recent ten-year average of 122.0 BCM.

With the strong resurgence in the 2019 monsoon, rice planting picked up in August/September, with overall planting of *kharif* rice estimated at 39.3 million hectares compared to 39.6 MHa during last season. Post field travel through major rice growing states in northern and eastern India during late August through September indicated that the crop was progressing well under adequate moisture conditions. Field sources also report lower incidence of pest and diseases in the ongoing season compared to previous years. There has also been no major incidences of floods/cyclones in eastern and coastal India, so rice yields are likely to be normal in most rice growing states.

Due to the prolonged delay in the withdrawal of the 2019 monsoon, harvesting of *kharif* rice commenced in the first week of October in the northern states, about 2 weeks behind the normal schedule. The harvest will be over by the first fortnight of November in the northern states (Punjab, Haryana, Rajasthan, and Uttar Pradesh). Harvesting will commence in other states shortly and will continue through mid-December.

Based on the initial harvest reports in northern India and the current crop condition, agriculture experts suggest that rice yields are likely to be normal in most rice growing states due to favorable soil moisture conditions during critical crop growth stages. The late withdrawal of the 2019 monsoon and improved reservoirs position is likely to support rice planting in the upcoming *rabi* (winter planted) season, particularly in the southern states largely dependent on reservoir irrigation. Consequently, Post estimates MY 2019/20 rice production at 115 MMT (100 MMT *kharif* rice and 14.5 MMT *rabi* rice) from an estimated 43.5 million hectares.

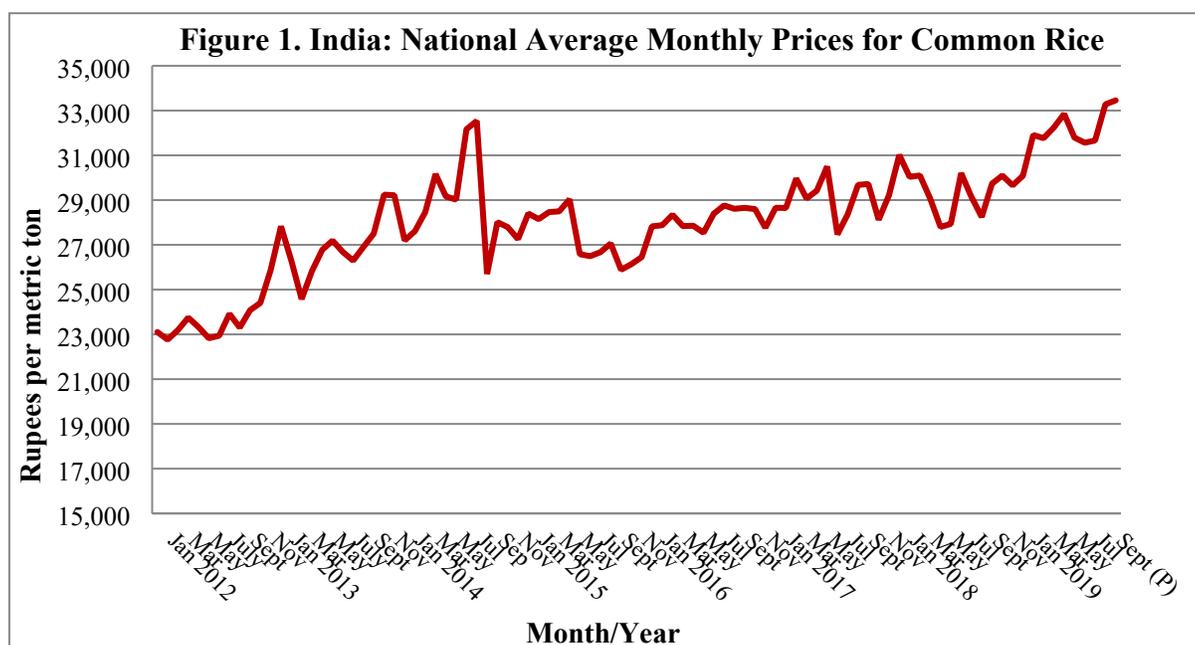
Government Procurement Strong

Despite a delayed harvest, government procurement of MY 2019/20 rice under the MSP operation through October 18, 2019 is significantly ahead at 4.6 MMT compared to 3.8 MMT during the same time last year, with most rice coming from the northern states of Haryana and Punjab. Procurement is going to

gain pace in the coming weeks in northern India and will gradually spread to other states from late November onwards. Market sources report that given the weak open market prices of rice on weak domestic and export demand, government procurement is likely to be higher than last year. Expanding government procurement operations in the eastern and southern states will largely fuel the growth in government rice procurement.

Price Firm

Despite reports of a good upcoming harvest, domestic rice prices remained firm in October due to the delayed harvest of the new crop and high government MSP for un-milled paddy rice (INR18,350/\$258 per MT vs. INR17,700/\$249 per MT last year).



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Prices are likely to remain steady due to expected stronger government rice procurement at higher MSP from most rice growing states. Future domestic prices during the marketing year will also depend on export demand and international price movements.

MY 2018/19 Ending Stocks Raised, Consumption Lowered

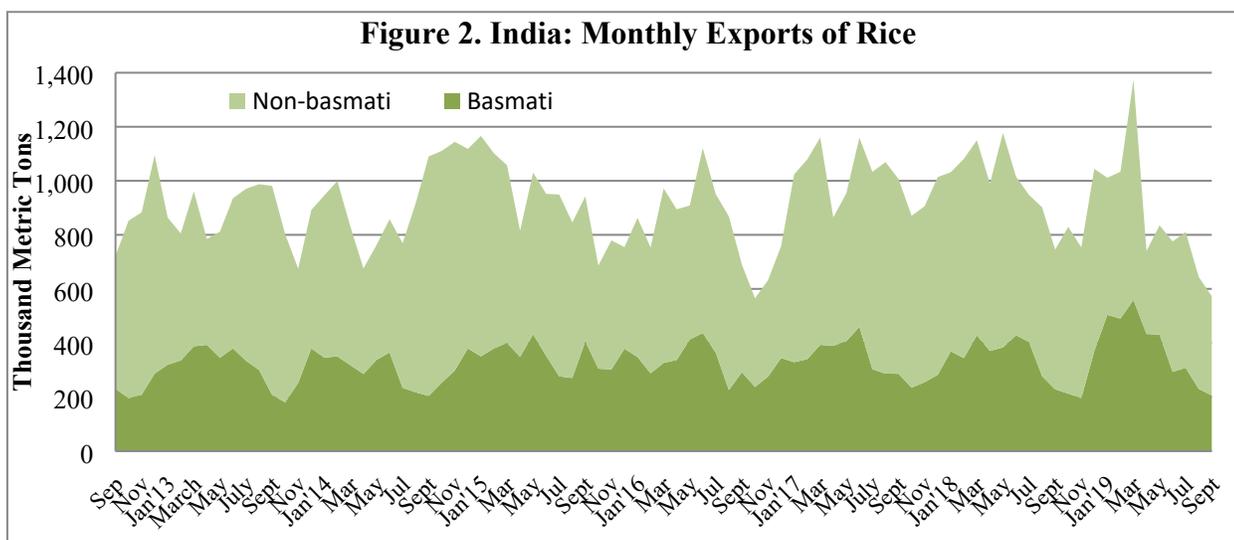
India’s MY 2018/19 ending stocks are estimated higher at 29.5 MMT, more than 30 percent higher than last year, on abnormally high government rice stocks. The Food Corporation of India estimated [government rice stocks on October 1, 2019](#) at 27.63 MMT, compared to 19.74 MMT at the same time last year largely due to record government rice procurement during MY 2018/19 (over [44.3 MMT](#) vs. 38.2 MMT last year). Weak export demand since first quarter of CY 2019 restrained rice procurement by exporters, and rice ending stocks with private trade is estimated lower at 1.87 MMT compared to 2.86 MMT last year.

Post’s MY 2019/20 forecast ending stocks have been raised to 30 MMT on higher opening stocks and expected continued steady government rice procurement under MSP.

Post’s MY 2018/19 consumption estimate is revised lower to 99.1 MMT to account for the increase in ending stocks and lower exports.

MY 2018/19 Exports Lowered

Post’s MY 2018/19 rice exports estimate is revised lower to 10.5 MMT, more than 13 percent lower than last year. Market sources report significant exports slowdown of non-Basmati (coarse grain) rice in the second half of the marketing season on weakening export competitiveness of Indian rice vis-a-vis other origins.



Source: Directorate General of Commercial Intelligence, GOI

The latest available official trade estimate indicates MY 2018/19 rice exports through September 2019 at 10.4 MMT compared to 12 MMT during the corresponding period last year. Competitive prices of rice from other origins and relatively firm value of the Indian rupee eroded the competitiveness of Indian coarse grain rice to traditional African and Middle East markets. Assuming current price parity for Indian rice vis-a-vis other origins, CY 2019 rice exports are estimated to reach 10.5 MMT.

Despite higher MSP-driven domestic prices, market sources expect that the more-than-sufficient domestic supplies and expected weak Indian rupee will support higher exports in MY 2019/20. Assuming stable international demand, MY 2019/20 rice exports are forecast to recover to 12 MMT (4.5 MMT Basmati rice and 7.5 MMT coarse grain rice).

WHEAT

Table 2. India: Commodity, Wheat, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)

Wheat Market Begin Year India	2017/2018		2018/2019		2019/2020	
	Apr 2017		Apr 2018		Apr 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30785	30785	29651	29651	29850	29140
Beginning Stocks	9914	9914	13344	13344	17106	17106
Production	98510	98510	99870	99870	102190	102190
MY Imports	1166	1166	17	17	20	20
TY Imports	863	863	18	18	20	20
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	109590	109590	113231	113231	119316	119316
MY Exports	569	569	496	496	500	500
TY Exports	517	517	494	494	500	500
Feed and Residual	5000	5000	5000	5000	6000	6000
FSI Consumption	90677	90677	90629	90629	92000	92000
Total Consumption	95677	95677	95629	95629	98000	98000
Ending Stocks	13344	13344	17106	17106	20816	20816
Total Distribution	109590	109590	113231	113231	119316	119316
Yield	3.1999	3.1999	3.3682	3.3682	3.4235	3.5069

No significant changes in the PSD to report, except for MY 2019/20 wheat area estimated at 29.14 MHA based on the latest (4th Advance) estimates.

Market Prices Firm

Despite record wheat production in MY 2019/20, domestic prices have remained firm after the procurement season finished in July with the government announcing increasing quarterly floor prices for wheat for open market sales. On April 30, 2019, the Food Corporation of India (FCI) announced the [reserve price for wheat for sale under the Open Market Sale Scheme \(OMSS\) for the first quarter of MY 2019/20](#) (April-June). The price announced is INR 20,800 (\$301), per MT, with a planned increment of INR 550 (\$8), per MT, in the subsequent three quarters (See IN9049). The market prices are likely to trend around the FCI reserve prices.

Figure 3. India: National Average Monthly Prices for Wheat



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Average spot prices in the major wheat producing states in October 2019 ranged from INR 19,400 (\$273) to INR 20,430 (\$288) per metric ton due to reports of sufficient wheat held by private trade for late season sales. While the open market prices are above the government’s MSP of INR 18,400 (\$259) per metric ton, they are still below the FCI’s reserve price of INR 21,900 (\$308) per metric tons for the 3rd quarter (October-December). Consequently, there has been relatively weak offtake of government wheat under the OMSS. Market sources report that prices are likely to improve in the next few months as the private wheat stocks exhaust, and the private millers resort to procuring wheat under the OMSS.

CORN

Table 3. India: Commodity, Corn, PSD						
(Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)						
Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9380	9472	9200	9183	9500	9500
Beginning Stocks	1337	1337	2329	2329	1059	1059
Production	28753	28753	27230	27230	29000	27500
MY Imports	28	28	500	300	500	500
TY Imports	27	27	500	300	500	500
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	30118	30118	30059	29859	30559	29059
MY Exports	1089	1089	500	500	500	500
TY Exports	1076	1076	500	500	500	500
Feed and Residual	16200	16200	17500	17300	17500	17200
FSI Consumption	10500	10500	11000	11000	11500	10800
Total Consumption	26700	26700	28500	28300	29000	28000
Ending Stocks	2329	2329	1059	1059	1059	559
Total Distribution	30118	30118	30059	29859	30559	29059
Yield	3.0654	3.0356	2.9598	2.9653	3.0526	2.8947

Production

Post estimates MY 2019/20 corn production at 28 MMT, which includes 19.5 MMT of *kharif* corn (vs. 19 MMT last year) and 8.5 MMT of *rabi* corn (vs. 8.2 MMT last year). Based on the latest official estimates (4th Advance), MY 2018/19 production is estimated at 27.2 MMT from 9.18 MHa.

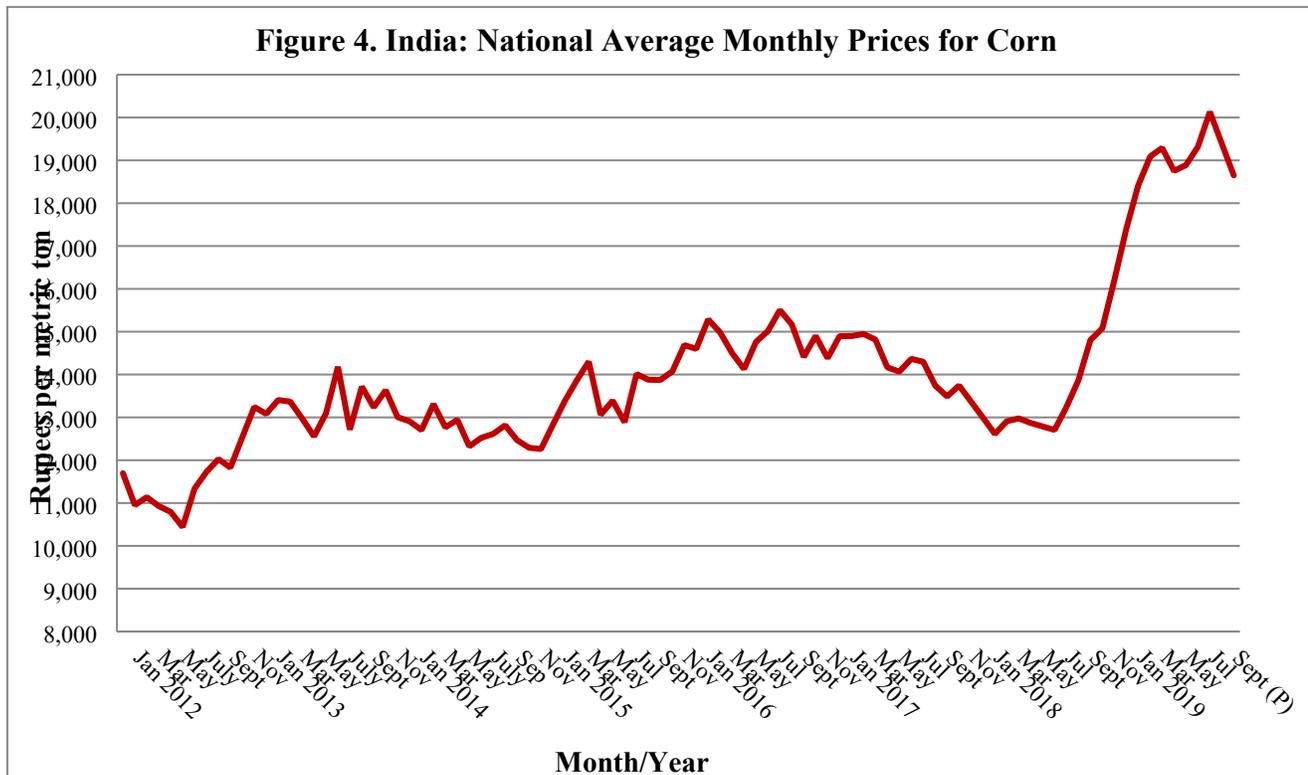
Despite estimated higher corn planting in the *kharif* season (7.8 MHa vs 7.6 MHa last year), delayed planting due to weak monsoon in June-July, coupled with heavy rains during September/early October at the crop maturity/harvest stage in some states (Karnataka, Madhya Pradesh and Rajasthan), have affected production prospects for the upcoming crop. Although incidences of the new pest Fall Army Worm (FAW) have been reported across major growing states, there have not been any reports of significant crop damage due to government-initiated early pest control measures and robust and well-distributed monsoon rains during August-September. Harvest of the new crop commenced from the third week of October and will continue through November in the major producing states.

While the *kharif* corn production prospects are affected by the 'good but erratic' performance of the 2019 monsoon, a delayed southwest monsoon withdrawal and the improved reservoir position in rain-fed central and southern states is likely to support planting of the upcoming *rabi* corn. Consequently, Post

estimates MY 2019/20 production at a near-record 28 MMT, compared to last year’s 27.2 MMT and MY 2017/18 record production of 28.8 MMT.

Domestic Prices Firm

With the onset of the new crop harvest, domestic prices have eased in October, but average prices are still above the government MSP (INR 17,600 (\$248) per MT).



Source: Agricultural Marketing Information Network, Ministry of Agriculture, GOI

Currently, wholesale prices in the major producing states are ranging from INR 15,770 (\$222) to 21,000 (\$296) per metric ton. Domestic prices should remain steady in November/December with the arrival of the new crop, and future prices will depend on speculation about domestic harvest and domestic demand. At these prices, Indian corn is priced out of the export market even to the neighboring markets, except Nepal.

Trade

Based on the latest available trade figures, Post’s MY 2018/19 corn imports are lowered to 300,000 MT.

The latest available trade estimates from Trade Data Monitor reports MY 2018/19 corn imports through July 2019 at about 150,000 MT, mostly from Ukraine. Market sources report that most of the imports during this period have been by starch manufacturers under Advance License Scheme (ALS), which allows

duty free import of corn against export commitment. Market sources report that about 50,000 MT of corn, of the [100,000 MT of feed grade corn imports allowed under the tariff rate quota \(TRQ\) scheme \(15 percent import duty\) in June 2019](#), was shipped in the month of September. Assuming some spillover of imports under the ALS and TRQ schemes, MY 2018/19 imports are unlikely to cross 300,000 MT.

On [July 9, 2019](#), the Ministry of Commerce and Industry announced an additional TRQ of 400,000 MT of feed grade corn for poultry users, which was subsequently allocated to the two government parastatals on [September 19, 2019](#). Market sources report limited interest by the local poultry feed manufacturers in the additional TRQ due to the arrival of the new crop and consequent weakening local prices. Imports under TRQ may not be viable after the 15 percent import duty at least through the *kharif* harvest/corn marketing season (October-December). Imports against the TRQ may happen in the first quarter of CY 2020 depending on the local corn prices.

Attachments:

No Attachments.