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Report Highlights:

Due to likely higher rabi rice production in response to government efforts, MY 2009/10 rice production is revised marginally upward to 84.5 million tons. Larger government rice stocks and higher rice procurement from Punjab and Haryana recently prompted the government to postpone its rice import decision. There will likely be no need for large scale government rice imports in MY 2009/10, unless government procurement falls significantly below the projected level of 26 to 27 million tons, or there is another poor monsoon again next year. Despite a record wheat harvest this year and near-record October 1 government wheat stocks, domestic wheat prices have risen in recent months resulting in small imports of wheat by flour millers in south India. The decline in kharif (fall and early winter harvested) pulse production, combined with increasing demand, has caused traditional pulse prices to soar in recent months, despite large imports.

General Information:

Rice

Production forecast marginally up

Progressive planting data compiled by the Government of India (GOI) Ministry of Agriculture shows that area planted to the rabi (spring and summer harvested) rice crop is marginally ahead of last year. However, the GOI's ambitious target of increasing rabi rice area by 1.2 to 1.5 million hectares over the 2008/09 record level of 5.8 million hectares, to achieve an additional production of 3.5 to 4.0 million tons, appears very difficult due to various agro-climatic and irrigation constraints. Assuming some increase in rabi rice area in response to special GOI efforts, 2009/10 rabi rice production is forecast at 84.5 million tons (69.5 million tons kharif and 15.0 million tons rabi).

Procurement ahead of last year

Domestic rice procurement by the government under the price support operation is marginally ahead of last year at 11.8 million tons on November 26, compared with 11.0 million tons during the corresponding period of MY 2008/09. Most of the increase was in Punjab and Haryana, where the crop remained largely unaffected by the poor monsoon rains due to assured irrigation availability. However, there is likely to be a significant decline in rice procurement in states such as Uttar Pradesh and Andhra Pradesh, where the crop was hit by adverse weather conditions. In MY 2008/09, government rice procurement was at a record 33.6 million tons, with Andhra Pradesh contributing 9 million tons and Uttar Pradesh 3.7 million tons.

With a view to maximize its rice procurement, the GOI has decided to scrutinize rice/paddy purchases by the private trade. Accordingly, any firm or individual who purchases paddy or rice quantities more than 10,000 tons during MY 2009/10 is required to furnish this information to the state government. If the quantity purchased is more than 25,000 tons, the buyers will have to inform the Central government in writing. Earlier, the GOI had permitted state governments to continue to take effective de-hoarding operations under the Essential Commodities Act, 1955 by establishing stock limits/licensing requirements etc. in respect of essential commodities such as rice, paddy, pulses, sugar, and edible oils, to contain food price inflation.

GOI postpones rice import decision

Following the Group of Ministers' November 20th meeting on the subject of rice imports, the Commerce and Industry Minister announced that the GOI would not import rice for the time being as rice stocks are sufficient. The GOI has decided to review the rice import decision later, as a clearer picture regarding rice procurement should emerge by March 2010. Earlier, the Commerce Minister and the Finance Minister had discussed the possibility of importing rice on a government-to-government basis from Thailand and Vietnam, amid reports of a projected sharp decline in kharif rice production, which caused global rice prices to surge. In fact, three public sector enterprises, namely the STC, MMTC, and the PEC, had floated tenders on behalf of the GOI to import of 10,000 tons of rice each, ostensibly to test prices. However, the quotes received were high, reportedly in the range of \$372.70 to \$598.75 per ton, prompting the GOI to cancel these tenders. In view of the higher global rice prices vis-à-vis domestic prices, rice imports by private trade also appear increasingly unlikely in the near-term, despite the fact that the GOI has abolished import duty on rice up to September 30, 2010.

With government rice stocks at around 15.0 million tons on October 1, 2009, and rice procurement in MY 2009/10 likely at 26 to 27 million tons (although 6 to 7 million tons below MY 2008/09 record procurement), the government will have a total supply of 42 million tons to manage in the public distribution system (PDS) in MY 2009/10 against the normal PDS requirement of around 25 million tons. Even if the government distributes 4 to 5 million tons more rice through the PDS or through open market sale program in order to contain price increases, ending government stocks for MY 2009/10 would still be around 12 million tons, well above the desired October 1 minimum buffer stock level of 5.2 million tons. Accordingly, there will likely be no need for large scale government rice imports in MY 2009/10, unless government procurement falls significantly below the projected level, or there is another poor monsoon again next year. However, despite a stable rice supply situation with the government, domestic rice prices remain high due to a significant increase in the government support price for paddy, and the reduced open market availability of rice (with the larger government procurement purchases and the restriction on private trade purchases). If domestic prices achieve parity with international prices, there could be some private rice imports in MY 2009/10. The rice import forecasts for MY 2009/10 remains at 200,000 tons.

Basmati rice exports likely to be higher

Although the GOI has banned exports of non-basmati rice, basmati rice exports are permitted subject to a minimum export price (MEP) of \$900 per ton, inclusive of a provision of up to 12.5 percent as foreign commission, which makes the effective MEP \$788 per ton. Although there have been rumors about the GOI revising the basmati MEP upward considering the global rice prices trends and domestic rice price concerns, the most recent meeting of the empowered panel of Ministers on Food decided against the increase.

According to trade sources, India's basmati rice exports in IFY 2009/10 (Apr-Mar) could reach 2.5 million tons because of a significant increase in the production of PUSA 1121, an evolved high yielding variety of basmati rice, grown mostly in Punjab and Haryana. Although no official statistics are available, trade sources peg production of all types of basmati (traditional, Pusa, and Pusa 1121) this year at around 3.4 million tons from 1.5 million hectares, some 25 percent higher than last year, in response to higher price realization last year.

There is reported to be good demand for PUSA 1121 basmati rice from Asian countries, and in particular from Iran. Although Iran reportedly had some concerns about the quality of Indian basmati rice, particularly the PUSA 1121, clarification by India (See: www.icar.org.in/node/691) helped to remove such apprehension and exports resumed. There is also some concern among the trade that the removal of subsidy by Saudi Arabian government on rice imports would have a negative impact on Indian basmati rice exports, as Saudi Arabia is one of the largest markets for Indian basmati rice. Assuming global basmati rice demand continues to remain strong, rice exports for MY 2009/10 are revised up to 2 million tons.

Wheat

Planting conditions generally favorable

Thanks to late October and early November rains in some major wheat growing states such as Uttar Pradesh and Madhya

Pradesh, wheat planting is ahead of last year. The Government's progressive planting report shows that as of end-November, 13.7 million hectares were covered under wheat compared to 13 million hectares during the corresponding period of 2008. The GOI's timely announcement of a higher support price for wheat for MY 2010/11 (Apr-Mar) at Rs. 11,000 (\$237) per ton, Rs. 200 higher than the MY 2009/10 support price, with no change in the support price for major competing crop of rapeseed/mustard should encourage wheat planting. However, late harvesting of sugarcane following a center-state government dispute regarding effective support price for sugarcane, has reportedly delayed wheat planting in some states such as Uttar Pradesh and Punjab, which was more than offset by increased acreage in Madhya Pradesh. Because of poor soil moisture levels, wheat planting in Rajasthan is lagging. Nevertheless, total wheat planting this year is likely to match or marginally exceed last year's 27.8 million hectares. Production will largely depend on winter rains and temperature regimes during critical growth stages such as flowing and grain filling. There is a general feeling that due to climate change, the winter growing season in India is shrinking with negative repercussions on yields.

Prices surge ...

Despite a record wheat harvest this year and near record October 1 government wheat stocks (28.5 million tons), domestic wheat prices have surged in recent months, with the indicative Delhi wholesale price for milling quality wheat touching a record Rs. 14,000 (\$300) per ton. Wheat prices in southern India are even higher at Rs. 15,500 (\$335) per ton. The higher domestic price is attributed to reduced availability in the open market as the government had procured most of the marketable surplus offering higher support price and restricting private trade. The support price for the MY 2010/11 crop has increased by Rs. 200 per ton, while the government's announced intention to sell wheat in the open market at cost price is above the prevailing market prices. Prices are likely to remain firm until the next crop starts arriving in the market in April, unless the government decides to sell large quantities of wheat in the open market at lower prices to contain food inflation.

... Southern millers start importing wheat in containers

Lower global wheat prices vis-à-vis domestic prices and the current zero import duty on wheat in India has made wheat imports feasible in southern India. There were reports that some south Indian millers have already started importing small quantities of Australian wheat in containers, delivered at their mills at around \$300 per ton. However, according to trade sources, large scale wheat imports into India would become possible only if the Government restores the relaxed phytosanitary conditions announced in 2006, which were valid only through February 2007. (See: www.plantquarantineindia.org/pdf/files/wheat%20import%20relaxation%203%5b1%5d.7.2006.pdf). Per industry sources, the stringent SPS regulations, which include methyl bromide fumigation, zero tolerance for ergot and 31 quarantine weed seeds, could result in a higher risk premium for supplying wheat to India. Furthermore, apprehensions about the government re-imposing a wheat import duty and/or supplying wheat at below market prices further adds to the trades risk perception. Wheat imports for MY 2009/10 are currently forecast at 50,000 tons, mostly in the form of containers from Australia.

Wheat Support Price Up

To give a positive price signal to farmers to plant more wheat, the GOI made an early announcement of a Rs. 200 per ton increase in the support price for wheat in MY 2010/11 (Apr-Mar) at Rs. 11,000 (\$237) per ton. However, some of the

major wheat producing states such as Punjab considers this increase to be too small and have demanded for a higher support price. As in the case of rice, the government could later announce a bonus, over and above the support price, to maximize procurement, although this could result in a higher open market price.

Coarse Grains

Production down

The GOI's preliminary production estimate released on November 3 shows a significant decline in kharif coarse grain production at 22.8 million tons from 28.3 million tons in 2008 due to poor monsoon rains this summer in major growing states (See http://dacnet.nic.in/eands/Advance_Estimate/FAEP_4nov2009.pdf). This included 12.6 million tons of corn (down 1.3 million tons), 2.6 million tons of sorghum (down 0.5 million tons) and 7.6 million ton of millet (down 3.7 million tons). Progressive planting data show some increase in area planted to rabi corn but a decline in area planted to rabi sorghum. Millets are not cultivated in the rabi season. Based on the above information, corn production for MY 2009/10 is revised downward to 18.5 million tons, sorghum down to 6 million tons and millet down to 7.6 million tons from the 2008/09 revised GOI estimates (19.3 million tons of corn, 7.3 million tons of sorghum, and 11.3 million tons of millet). The PS&D tables are revised to reflect the change.

Corn exports to decline

Based on preliminary official data, corn exports in MY 2008/09 were around 2 million tons. Higher domestic prices of Indian corn vis-à-vis global prices and quality concerns due to rains and floods in major growing areas such as Karnataka and Andhra Pradesh are likely to result in a decline in India's corn exports in MY 2009/10, currently forecast at 1.2 million tons. The PS&D table reflects the revised trade data.

Pulses

Despite an increase in planted area, kharif season pulse production, which includes mostly pigeon peas, mung beans, and black mapte, declined marginally to 4.4 million tons from 4.8 million tons last year, due to poor monsoon rains. Progressive rabi pulse (mostly chickpeas, lentils, and peas) planting is marginally ahead of last year, which could result in a small increase in production, currently estimated at 10 million tons compared with 9.9 million tons in 2008/09, provided growing conditions are favorable. This would take total MY 2009/10 pulse production to 14.4 million tons against 14.7 million tons in 2008/09.

The decline in production combined with increasing demand has caused traditional pulse prices to soar in recent months, despite large imports. Based on official wholesale price index, pulse prices increased by 36 percent on a year-on-year basis for the week ending November 14, on top of a 10.5 percent increase in the previous year, contributing significantly to the overall food inflation. The indicative Delhi wholesale prices of major pulses per ton are: black matpe – Rs. 53,000 (\$1,140); pigeon pea – Rs. 57,500 (\$1,237); desi chick pea- Rs. 26,200 (\$563); mung beans – Rs. 66,500 (\$1,430); lentils – Rs. 47,000 (\$1010); yellow peas – Rs. 18,000 (\$390). Retail prices are 20 to 30 percent higher. Imported yellow peas being the lowest priced of all pulses, the GOI is encouraging people through a media campaign to use yellow split peas instead of other, costlier pulses.

Table 1: Commodity, Wheat, PSD

Wheat India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	28,000	28,000	28,000	28,150	28,150	28,150	27,800	27,800	27,800
Beginning Stocks	4,500	4,500	4,500	5,800	5,800	5,800	13,540	13,500	13,500
Production	75,810	75,810	75,810	78,600	78,570	78,570	80,580	80,580	80,580
MY Imports	1,962	1,885	1,962	10	0	0	0	0	50
TY Imports	1,885	1,885	1,885	8	0	0	0	0	50
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	82,272	82,195	82,272	84,410	84,370	84,370	94,120	94,080	94,130
MY Exports	50	50	50	100	100	100	200	200	10
TY Exports	43	43	43	100	100	100	200	200	10
Feed and Residual	200	200	200	100	100	100	100	100	100
FSI Consumption	76,222	76,145	76,222	70,670	70,670	70,670	76,780	76,780	76,020
Total Consumption	76,422	76,345	76,422	70,770	70,770	70,770	76,880	76,880	76,120
Ending Stocks	5,800	5,800	5,800	13,540	13,500	13,500	17,040	17,000	18,000
Total Distribution	82,272	82,195	82,272	84,410	84,370	84,370	94,120	94,080	94,130

Table 2: Commodity, Rice, Milled, PSD

Rice, Milled India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	43,770	43,770	43,770	44,000	44,000	44,000	38,500	38,500	38,800
Beginning Stocks	11,430	11,430	11,430	13,000	13,000	13,000	17,000	17,000	17,000
Milled Production	96,690	96,690	96,690	99,150	99,150	99,150	83,000	83,000	84,500
Rough Production	145,05 0	145,05 0	145,05 0	148,74 0	148,74 0	148,74 0	124,51 2	124,51 2	126,76 3
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0	400	200	200
TY Imports	0	0	0	200	200	200	200	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	108,12 0	108,12 0	108,12 0	112,15 0	112,15 0	112,15 0	100,40 0	100,20 0	101,70 0
MY Exports	4,654	4,654	4,654	2,000	2,000	2,000	1,500	1,500	2,000
TY Exports	3,383	3,383	3,383	2,000	2,000	2,000	1,500	1,500	2,000
Consumption and Residual	90,466	90,466	90,466	93,150	93,150	93,150	89,000	89,000	86,700
Ending Stocks	13,000	13,000	13,000	17,000	17,000	17,000	9,900	9,700	13,000
Total Distribution	108,12 0	108,12 0	108,12 0	112,15 0	112,15 0	112,15 0	100,40 0	100,20 0	101,70 0

Table 3: Commodity, Corn, PSD

Corn India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	8,260	8,260	8,260	8,300	8,300	8,300	9,250	8,400	8,400
Beginning Stocks	260	260	260	551	500	551	836	800	941
Production	18,960	18,960	18,960	18,480	18,480	19,290	18,500	19,000	18,500
MY Imports	4	0	4	5	0	0	5	0	0
TY Imports	4	0	4	5	0	0	5	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	19,224	19,220	19,224	19,036	18,980	19,841	19,341	19,800	19,441
MY Exports	4,473	4,500	4,473	600	600	2,000	1,000	1,000	1,200
TY Exports	5,077	4,500	5,077	600	600	2,000	1,000	1,000	1,200
Feed and Residual	6,700	6,700	6,700	7,000	7,000	7,500	6,700	7,200	7,500
FSI Consumption	7,500	7,520	7,500	10,600	10,580	9,400	10,700	10,700	10,000
Total Consumption	14,200	14,220	14,200	17,600	17,580	16,900	17,400	17,900	17,500
Ending Stocks	551	500	551	836	800	941	941	900	741
Total Distribution	19,224	19,220	19,224	19,036	18,980	19,841	19,341	19,800	19,441

Table 4: Commodity, Sorghum, PSD

Sorghum India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	7,930	7,930	7,930	7,500	7,500	7,700	8,800	7,700	7,800
Beginning Stocks	247	247	247	187	232	187	177	247	247
Production	7,930	7,930	7,930	7,240	7,240	7,310	8,000	7,500	6,000
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	8,177	8,177	8,177	7,427	7,472	7,497	8,177	7,747	6,247
MY Exports	90	30	90	50	25	50	25	25	25
TY Exports	91	55	91	50	25	50	25	25	25
Feed and Residual	1,500	1,500	1,500	1,200	1,200	1,200	1,500	1,500	1,500
FSI Consumption	6,400	6,415	6,400	6,000	6,000	6,000	6,500	6,000	4,600
Total Consumption	7,900	7,915	7,900	7,200	7,200	7,200	8,000	7,500	6,100
Ending Stocks	187	232	187	177	247	247	152	222	122
Total Distribution	8,177	8,177	8,177	7,427	7,472	7,497	8,177	7,747	6,247

Table 5: Commodity, Millet, PSD

Millet India	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	10,800	10,800	10,800	11,000	10,000	10,000	12,000	10,500	10,000
Beginning Stocks	240	240	240	250	250	250	250	150	250
Production	12,410	12,410	12,410	12,000	10,500	11,340	12,000	11,500	7,600
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	12,650	12,650	12,650	12,250	10,750	11,590	12,250	11,650	7,850
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed and Residual	1,000	1,000	1,000	1,100	1,000	1,000	1,200	1,200	500
FSI Consumption	11,400	11,400	11,400	10,900	9,600	10,340	10,800	10,200	7,300
Total Consumption	12,400	12,400	12,400	12,000	10,600	11,340	12,000	11,400	7,800
Ending Stocks	250	250	250	250	150	250	250	250	50
Total Distribution	12,650	12,650	12,650	12,250	10,750	11,590	12,250	11,650	7,850