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## **Report Name:** Grain and Feed Update – November 2022

**Country:** India

**Post:** New Delhi

**Report Category:** Grain and Feed

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### **Report Highlights:**

On September 8, 2021, the Indian government raised its minimum support prices (MSP) for the select rabi (winter-planted) crops, including wheat. FAS New Delhi (Post) forecasts marketing year (MY) 2022/2023 (October-September) rice production at 122 million metric tons (MMT), down six percent compared to last year, due to unseasonal rains in October resulting in water lodging as the rice crop nears harvest. MY 2021/2022 rice exports are estimated higher at 22 MMT, but with stocks dropping to 34 MMT. The MY 2022/2023 rice ending stocks volume is dropped to 28 MMT, down 18 percent, on estimated lower opening stocks and weaker forecasted production. Post forecast MY 2022/2023 (April-March) wheat production remains unchanged at 99 MMT. Wheat exports will drop to 5.5 MMT (down 31.5 percent) along with ending stocks leveling off at 9 MMT (down 54 percent). Post reports no significant changes to the USDA official PSD corn table's figures reported in GAIN-INDIA |IN2022-0081| India Grain and Feed Update – October 2022.

## GENERAL INFORMATION

On October 18, 2022, India's Cabinet Committee on Economic Affairs (CCEA) approved the new [minimum support prices \(MSP\) for the select rabi \(winter-planted\) crops for the Indian crop year \(ICY\) 2022/2023 \(July-June\)](#), fixing it above last year's levels.<sup>1</sup> The upcoming rabi crop harvest is set for April-June 2023. For wheat and other crops of interest, the rabi harvest falls within the market year (MY) 2023/2024 (April-March).

The Indian government press release informs that the MSP is being raised for crops to augment returns for farmer; the central government is keen to help increase farmers' income in the lead up to the 2024 general elections. The government is authorizing increased MSP prices for lentils, rapeseed and mustard, and safflower seed, while still providing somewhat weaker incentives for wheat, chickpeas, and barley, but meant to encourage crop diversification towards pulses and oilseeds.

The MSP pricing for lentils is being raised by Indian rupees (INR) 5,000.00 (\$60.90) per metric ton (MT). For rapeseed and mustard the price is raised by INR 4,000.00 (\$48.80)/MT, while for safflower seed pricing is increased by INR 2,090.00 (\$25.50)/MT. Nonetheless, MSPs been also hiked for wheat by INR 1,100.00 (\$13.40)/MT, chickpeas by INR 1,050.00 (\$12.80)/MT, and barley by INR 1,000.00 (\$12.20)/MT, but all at slower incremental rates compared to those of the pulses and oilseeds.

The Indian government is informing that the MSP increases for the upcoming rabi crop' pulses and oilseeds are merely a continuation of official policy meant to encourage farmers to shift away from planting wheat (the major rabi cereal crop) to expanded pulses and oilseeds plantings. Despite the incentive, the revised MSP for wheat continues to offer farmers high rates of return; in the vicinity of 100 percent above production costs when compared to other crops, except for rapeseed and mustard.

FAS New Delhi (Post) finds that despite the Indian government's relatively higher MSP increases for lentils, and rabi oilseeds, farmers will nonetheless continue to favor planting wheat over other crops. Wheat crop production benefits from a high rate of return with relatively steady yields under weather extremes compared to other crops, while enjoying stable market pricing thanks to the MSP wheat procurement program. With farmers this season already obtaining high market prices, above government MSP procurement pricing offers in the previous season, it is widely anticipated that farmers will be strongly motivated in MY 2022/2023 to again plant ample amounts of wheat.

**October Rains Delay Kharif Harvest and Rabi Plantings:** The 2022 southwest monsoon (June-September) performance has been uneven, with rains followed by prolonged dry spells and varied regional performance in June to September. The [monsoon's withdrawal](#) is delayed by one week-to-10 days, leading in October to heavy, unseasonal rains throughout [most parts of India](#). These rains are causing crop damage in some Indian states, delaying the harvest of the standing *kharif* (fall harvested) crops, including paddy-rice. The October rains are now likely to delay the planting of wheat by one-to-two weeks compared to last year. However, improved soil moisture during the November to December planting period, along with substantial irrigation water availability in the partially irrigated states of Uttar Pradesh, Rajasthan, and Madhya Pradesh, will further support substantial rabi wheat plantings.

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<sup>1</sup> India's Cabinet Committee on Economic Affairs (CCEA) main function is to review economic trends on a continuous basis, as well as problems and prospects, with a view to evolving a consistent and integrated economic policy framework for the country. The CCEA is chaired by Prime Minister Narendra Modi.

## COMMODITIES

### RICE

**Table 1. India: Commodity, Rice Milled – Production, Supply and Distribution (PSD)**

India Rice, Milled Market Year Begins	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	45769	45769	46379	46379	45500	45500
Beginning Stocks (1000 MT)	33900	33900	37000	37000	35000	34000
Milled Production (1000 MT)	124370	124370	130290	130290	124000	122000
Rough Production (1000 MT)	186574	186574	195455	195455	186019	183018
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	158270	158270	167290	167290	159000	156000
MY Exports (1000 MT)	20199	20199	21500	22000	19000	19000
TY Exports (1000 MT)	21238	21238	20300	20300	19000	19000
Consumption and Residual (1000 MT)	101071	101071	110790	111290	109250	109000
Ending Stocks (1000 MT)	37000	37000	35000	34000	30750	28000
Total Distribution (1000 MT)	158270	158270	167290	167290	159000	156000
Yield (Rough) (MT/HA)	4.0764	4.0764	4.2143	4.2143	4.0883	4.0224

(1000 HA), (1000 MT), (MT/HA).

MY = Marketing Year, begins with the month listed at the top of each column.

TY = Trade Year, which for Rice, milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023.

### PRODUCTION

FAS New Delhi (Post) forecasts India's rice (milled) production in MY 2022/2023 (October-September) slightly lower at 122 million metric tons (MMT), down six percent compared to last year, coming from 45.5 million hectares. Untimely October rains, however, are further affecting yield prospects for the crop, that was already struggling with earlier uneven monsoon rains this season. October's unseasonal rains in northern India and throughout the Gangetic Plains, in the country's main rice production areas, have seen heavy downpours as the crop matures towards harvest. Increased crop lodging will now affect yield prospects.<sup>2</sup>

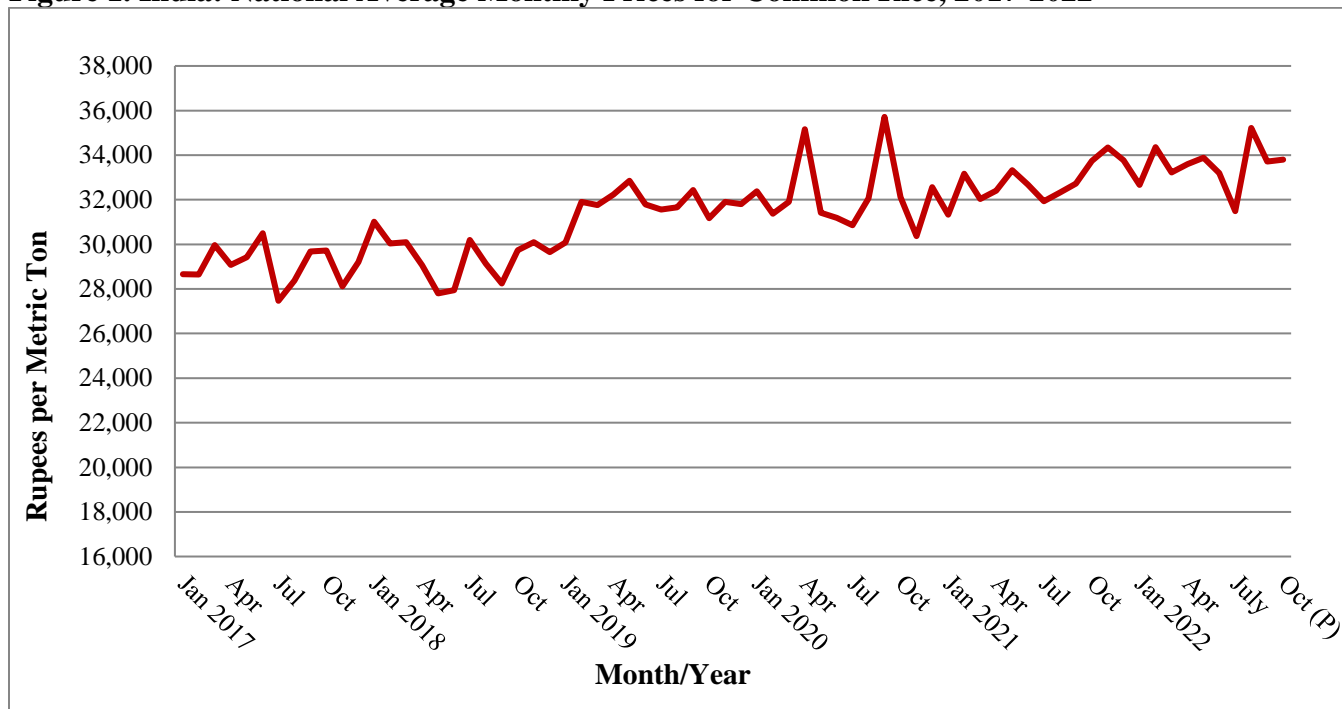
Late rains are delaying the harvest by around one week-to-10 days in the northern states of Punjab, Haryana, Rajasthan, and Uttar Pradesh, pushing harvest operations out towards October's end. Provided that there no further rains in October, harvest operations will commence in the other rice producing states the first week of November and run through mid-December.

<sup>2</sup> Most of the rice (paddy) in the surplus production states of Punjab, Haryana and West Uttar Pradesh is mechanically harvested. Crop lodging results in lower yield realization when using combine harvesters.

While there are no official surveys on the extent of crop damage resulting from the untimely rains, Post sources point to losses due to crop lodging and the delayed harvest to range about 2-5 MMT. Assuming conservative crop shortfalls, FAS New Delhi forecast's India's rice production in MY 2022/2023 at 122 MMT (with 103 MMT kharif rice and 19 MMT rabi rice) compared to last year's record harvest of 130.3 MMT (of 111.8 MMT kharif rice and 18.5 MMT of rabi rice).

**Prices Ease:** Domestic rice prices eased somewhat in September following the Indian government imposing export control measures.<sup>3</sup> Prices have steadied in October despite the delayed harvest.

**Figure 1. India: National Average Monthly Prices for Common Rice, 2017-2022**



Note: (P) Provisional.

Source: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers Welfare, FAS New Delhi office research.

Post expects domestic rice prices to strengthen in MY 2022/2023. The expected lower rice harvest, along with continued strong export demand for white, milled rice, combined with government MSP procurement of un-milled rice (paddy) will drive rice prices upwards. MSP procurement pricing for rice (paddy) is climbing to Indian rupees (INR) 20,400.00 (\$259.00) per metric ton (MT), up compared to last year's MSP of INR 19,400.00 (\$249.00)/MT. Future domestic rice prices during the marketing year will be influenced by the release of government-held stocks to the various food security programs, along with international price movements.

<sup>3</sup> On September 8, the Indian government ban exports of broken rice and imposed a 20 percent export duty on white rice, except for on basmati and par-boiled rice. (See, [India-GAIN IN2022-0081 \(Grain and Feed Update – October 2022\)](#)).

## CONSUMPTION

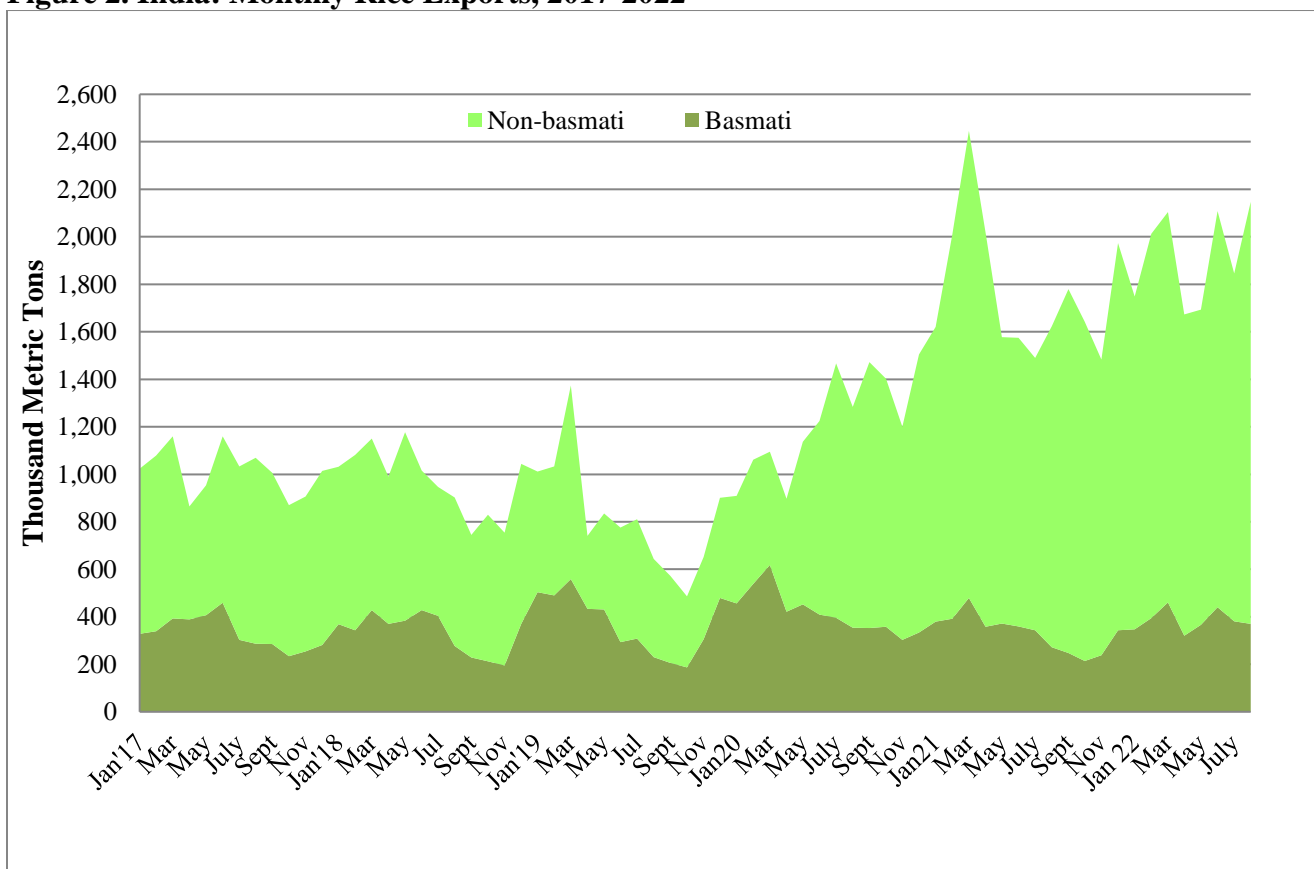
FAS New Delhi is revising upwards the MY 2021/2022 consumption estimate to 111.3 MMT, along with the MY 2022/2023 to 109 MMT. The changes are meant to account for the revised production and ending stock numbers in Post’s Production, Supply, and Distribution (PSD) table.

## TRADE - EXPORTS

**MY 2021/2022:** FAS New Delhi is revising slightly upwards the MY 2021/2022 rice export figure to 22 MMT (to a new record level) premised on the latest available official trade figures. Official trade estimates, reported through Trade Data Monitor (TDM), place MY 2021/2022 exports (through August 2022), at 20.4 MMT. The increase is attributable to strong exports of coarse grain non-basmati rice to India’s major overseas markets on highly competitive pricing.

Although official trade figures for September 2022 are not yet available, Post’s sources report a slight slowdown in export offtake due to the earlier export policy changes leading to logistical challenges at India’s ports. Assuming a lower monthly offtake of around 1.6 MMT (compared to 1.8-2.1 MMT/month over the previous three months), MY 2021/2022 exports will reach a record 22 MMT.

**Figure 2. India: Monthly Rice Exports, 2017-2022**



Source: Directorate General of Commercial Intelligence, FAS New Delhi office research.

**MY 2022/2023:** Despite the Indian government imposing a 20 percent export tax on white rice, Post's sources inform that Indian rice exports have now regained their competitiveness compared to that of rice from other origins. The easing of domestic prices, combined with the Indian rupee weakening against the U.S. dollar and higher global commodity prices are helping to offset India's 20 percent export tax.<sup>4</sup>

The Indian government [is authorizing the export of some 400,000 MT of broken rice in MY 2022/2023](#) against export contracts opened with valid letters-of-credit issued before the export ban's announcement on September 8, 2022.<sup>5</sup> Assuming the that the export ban on broken rice remains, along with the current price parity for Indian rice in the international markets hold, MY 2022/2023 rice exports will reach 19 MMT (dropping close to 14 percent compared to the previous year's volume). The fall in exports is attributable to the drop in broken rice exports (primarily to the Peoples Republic of China, for use as a livestock feed ingredient and noodles) due to the export ban.

## STOCKS

FAS New Delhi is lowering MY 2021/2022 ending stocks to 34 MMT based on the latest Indian government's rice stocks estimate. Government-held rice stocks on October 1, 2022, are estimated at 28.4 MMT, down almost 18 percent compared to the 34.8 MMT volume registered at the same time last year. Post's revised lower MY 2021/2022 ending stocks of 34 MMT, include private-held rice stocks of 5.6 MMT (more than double the amount held last year) assuming exporters/local traders are retaining higher stock volumes.

Post forecasted MY 2022/2023 lower ending stocks figure of 28 MMT is composed of 24 MMT government-held rice stocks and 4 MMT stocks held by the private trade. The forecasted drop is premised on relatively tight domestic supplies (based on production and opening stocks numbers).

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<sup>4</sup> The Indian rupee (INR) weakened against the U.S. dollar in early September 2022, dropping from around INR 78.00-79.00 to \$1.00, and in October to about INR 82.00 to \$1.00.

<sup>5</sup> Broken rice is fragmented, not defective rice, it safe for use as food and feed ingredient – there is nothing wrong with it. Broken rice are fragments of rice grains, resulting from breakage in the field, during drying, while in transport, or during milling. Mechanical separators are used to separate broken grains from whole grains and sort these by size.

## COMMODITIES

### WHEAT

**Table 2. India: Commodity, Wheat - Production, Supply and Distribution**

India Wheat Market Year Begins	2020/2021		2021/2022		2022/2023	
	Apr 2020		Apr 2021		Apr 2022	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b> (1000 HA)	31357	31357	31125	31125	30544	30470
<b>Beginning Stocks</b> (1000 MT)	24700	24700	27800	27800	19500	19500
<b>Production</b> (1000 MT)	107860	107860	109586	109586	103000	99000
<b>MY Imports</b> (1000 MT)	18	18	25	25	25	25
<b>TY Imports</b> (1000 MT)	18	18	17	17	25	25
<b>TY Imp. from U.S.</b> (1000 MT)	0	0	0	0	0	0
<b>Total Supply</b> (1000 MT)	132578	132578	137411	137411	122525	118525
<b>MY Exports</b> (1000 MT)	2561	2561	8033	8033	6500	5500
<b>TY Exports</b> (1000 MT)	3597	3597	10567	10567	4000	3000
<b>Feed and Residual</b> (1000 MT)	6500	6500	7000	7000	6500	6000
<b>FSI Consumption</b> (1000 MT)	95717	95717	102878	102878	98000	98000
<b>Total Consumption</b> (1000 MT)	102217	102217	109878	109878	104500	104000
<b>Ending Stocks</b> (1000 MT)	27800	27800	19500	19500	11525	9025
<b>Total Distribution</b> (1000 MT)	132578	132578	137411	137411	122525	118525
<b>Yield</b> (MT/HA)	3.4397	3.4397	3.5208	3.5208	3.3722	3.2491

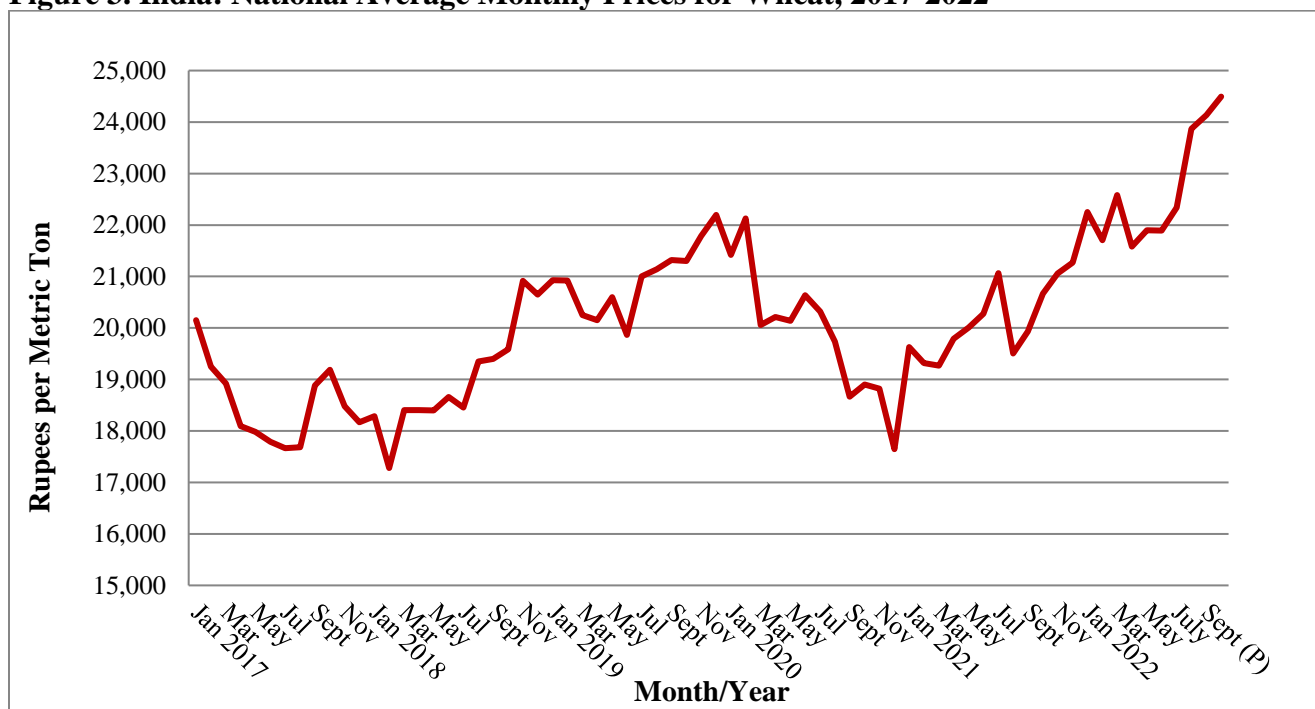
(1000 HA), (1000 MT), (MT/HA).  
 MY = Marketing Year, begins with the month listed at the top of each column.  
 TY = Trade Year, which for wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023.

### PRODUCTION

FAS New Delhi estimates India's MY 2022/2023 (April-March) wheat production unchanged at 99 MMT. Based on information being gathered from the latest market reports, and Post's trade sources, firm domestic prices suggest tight domestic supplies. Despite the Indian government imposing a wheat export ban back in May 2022, along with new export controls in August 2022, local wheat prices continue to climb upwards.

Most industry and trade sources are estimating India's MY 2022/2023 wheat harvest now falling closer to within the range of 92-98 MMT, significantly lower than the official Ministry of Agriculture and Farmers Welfare's (MOAFW) fourth advance estimate of 106.4 MMT. Government officials continue to express concerns with rising wheat prices. This price anxiety may lead the central government to recur to initiate controls to rein in prices. Post believes that the government will likely implement open market sales of wheat from its government-held wheat stocks.

**Figure 3. India: National Average Monthly Prices for Wheat, 2017-2022**



Note: (P) Provisional.

Source: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers Welfare, FAS New Delhi office research.

## CONSUMPTION

FAS New Delhi estimates MY 2022/2023 wheat feed and residual use at 6 MMT. This low volume number is attributed to decreased availability of spoiled wheat coming from government-held wheat stocks.

## TRADE - EXPORTS

**MY 2022/2023 Exports of Wheat and Wheat Products to Drop:** FAS New Delhi forecasts MY 2022/2023 exports of wheat and wheat products (primarily milled wheat flour) at about 5.5 MMT (dropping 31.5 percent compared to the previous year's volume), based on available official trade figures. The Indian government is reluctant to provide wheat and wheat products export ban exemptions to other countries; Prime Minister Narendra Damodardas Modi's administration is increasingly concerned with India's own domestic food inflation.

Official trade statistics estimate MY 2022/2023 exports of wheat and wheat products in April-August at 5.0 MMT (wheat by itself accounts for 4.4 MMT). Due to the growing concern with rising wheat prices, the Indian government is unlikely to allow for further exports of wheat and wheat products to any country in the near-term.

Assuming some spillover exports of wheat, that are exempted under the earlier notification and of wheat products this past September, MY 2022/2023 exports of wheat and wheat product should reach barely



5.5 MMT. Official trade statistics estimate wheat exports in July-August 2022, at 1.3 MMT. Wheat trade year 2022/2023 (July-June) exports are forecast lower at 3 MMT, that is, assuming the relaxation of export bans premised on a better new crop coming in MY 2023/2024.

## STOCKS

**Anticipating Stocks Numbers to Drop:** FAS New Delhi estimates MY 2022/2023 wheat ending stocks lower at 9 MMT, down about 54 percent compared to the previous year's volume of 19.5 MMT. Government-held wheat stocks are set to decline after meeting wheat disbursement requirements through the government's various national food security programs. Stock volumes will also be driven down by the government's anticipated release of government-held wheat stocks onto the open market as means for controlling escalating prices.

**Wheat Stocks Held:** Post estimates that as of October 1, 2022, wheat stocks held are at about 22.8 MMT. This volume is down over 51 percent from the 46.9 MMT held at the same time last year. Government sources estimate that once the various national food security programs' disbursement requirements have been met, government-held wheat stocks should fall to about 11.3 MMT by April 1, 2023; against the buffer stock norms of 7.5 MMT.

Media sources report Indian government officials as stating, that if warranted, the central government will release wheat for open market sales. The intent of which would be to rein in rising wheat prices through the release of excess wheat stocks above the buffer stock volume.

Assuming some offtake of government-held wheat stocks for open market sales in the coming months, FAS New Delhi forecasts MY 2022/2023 ending stocks to decline to 9 MMT. This lower volume, however, remains sufficiently above the government buffer stocks norm of 7.5 MMT.

## **COMMODITIES**

### **CORN**

#### **PRODUCTION**

FAS New Delhi reports no significant changes to the USDA official India corn PSD table's figures reported in Post's earlier [GAIN-INDIA | IN2022-0081 | India Grain and Feed Update – October 2022](#). Similarly, there have been no new, major market developments since Post's last report.

#### **Attachments:**

No Attachments