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Global Agricultural Information Network

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Report Highlights:

On September 9, 2011, the Government of India (GOI) removed its export bans on wheat and non-basmati rice. Consequently, the MY 2011/12 wheat export forecast has been raised to 1.2 million tons and the MY 2011/12 rice export forecast has been raised to 4.5 million tons. Post's MY 2011/12 (October/September) rice production forecast has been raised to a near-record crop of 99 million tons on higher planted area (45.0 million hectares) and sufficient and well distributed monsoon rains.

General Information:

Government Allows Exports of Non-Basmati Rice and Wheat....

The Government of India has removed the ban on exports of non-basmati rice and wheat. On September 9, 2011, the Directorate General of Foreign Trade (DGFT) issued notifications [No. 71](#) and [No. 72](#) lifting the ban on exports of non-basmati rice and wheat, respectively, and specifying that the exports shall only be allowed from the Custom Electronic Data Interface (EDI) ports so that exports can effectively be monitored. The notification on rice also specifies that exports will be allowed from privately held stocks, but states no such condition in the case of wheat. The official notification does not specify any export conditions (quota or minimum export price). However, the government may review the policy depending on the export offtake and its impact on domestic market prices.

On September 23, 2011, the government also allowed exports of non-basmati rice by government parastatals under existing food aid programs and bilateral trade agreements between the Government of India and Government of Maldives ([Not 76](#)). Laden with abnormally high food grain stocks, the government is likely to allow exports of rice and wheat under government-to-government agreements and food aid programs (see [IN1170](#)).

... May Review Decision?

While there has been no official notification, market sources report that the Empowered Group of Ministers on Food (EGoM) decided in early September to allow exports of 2.0 million tons of non-basmati rice and wheat by the end of March 2012. The government may have decided against allowing export through quotas due to the problems encountered in disbursement of the 1.0 million non-basmati rice export quota announced on July 27, 2011.

On July 19, 2011, the DGFT announced an export quota of 1.0 million tons for non-basmati rice exporters to be allocated on first come, first served basis. On July 27, 2011, the DGFT announced the quota allocation, which was challenged in the Delhi Court on the same day resulting in a stay order preventing implementation of the quota. The government quota allocation has received severe criticism in court hearings without any decision to date. Consequently, exports of non-basmati rice were delayed more than a month after the DGFT announced the quota allocation.

Given India's high food inflation, the government is likely to monitor closely the pace of exports by the private trade and its impact on domestic prices. India continues to grapple with the problem of high food inflation, which has been hovering around double-digit levels since June 2009. Despite the promise of continued economic growth and a favorable 2011 monsoon, food inflation has not yet shown signs of abating. Wholesale price index-based food price inflation for the month of August, 2011 rose

by 9.62 percent versus 8.81 percent in July 2011, largely due to the rising prices of vegetables, fruits, egg, meat and fish, and dairy products. In recent months, prices of rice and wheat have been relatively depressed, and the government would like to keep their prices under control.

If private exports of wheat and non-basmati rice lead to domestic price increases, the government may review the new policy and impose export restrictions, including export bans. Given that government has ‘burdensome’ food grain stocks, it can contain domestic prices by releasing additional stocks in the open market. (In fact, a moderate gain in domestic open market prices may help the government liquidate some of its ‘excess’ stocks in the domestic market.) If domestic prices remain under control, the government may increase the ‘EGoM’s’ approved export quota of 2.0 million tons of wheat and non-basmati rice. Nevertheless, the government is likely to be very cautious in balancing the ‘economic’ needs of liquidating government food grain stocks while simultaneously managing food inflation.

Wheat Exports Projected Up

Post’s MY 2011/12 wheat exports have been raised to 1.2 million tons. Wheat exports are likely to be limited to neighboring markets and government-to-government exports, as Indian wheat is not very competitive in the international market. India’s long absence from the international market due to the export ban (from 2007) and uncertainty about the new export policy also affect export prospects.

Trade sources lament the fact that the government’s decision to allow wheat exports occurred during a period when India could not take advantage of high global wheat prices. International wheat prices have eased down in recent months while domestic wheat prices have remained steady due to the government’s high minimum support price of Rs. 11,700 per ton. With the government’s record procurement of wheat in MY 2011/12, there is limited availability of export-quality wheat in the open market through the end of March 2012. The government may not allow subsidized wheat exports from government-held stocks by private traders due to World Trade Organization policy and local political concerns, but some of the government wheat sold in the open market may possibly find its way to the export market.

Despite the recent weakening of the Indian rupee ^[1], local wheat prices are currently available for export in the range of \$260 to \$265 per ton FOB, Indian port. Trade sources report that at these prices Indian wheat is not very competitive in the international market. However, some private exports will happen with neighboring markets like Bangladesh, as well as exports to some middle eastern and south Asian countries on freight advantage. In addition, the government is likely to export wheat from the government stocks under government-to-government agreements (Afghanistan, Maldives, Nepal, etc). At the current price parity between wheat from India and other competing origins, Post estimates MY 2011/12 wheat exports to reach 1.2 million tons – 800,000 tons of private exports and 400,000 metric of government-to-government wheat and wheat product exports. However, improvement in the international wheat prices and/or further weakening of Indian rupee may improve the export prospects.

Rice Exports Projected Up

Following the new export policy, Post's TY 2011/12 exports have been raised to 4.5 million tons – 2.0 million tons non-basmati rice and 2.5 million tons basmati rice – as Indian rice is competitive in the international market. Post's TY 2010/11 exports have been raised higher to 3.8 million tons on stronger exports from September onwards. However, MY 2010/11 (Oct/Sept) exports have been revised lower to 2.8 million tons as there were no exports of non-basmati rice in August due to delays in the implementation of the 1.0 million ton export quota announced on July 27, 2011.

Trade sources report that Indian non-basmati rice exports are very competitive in the international market vis-à-vis other origins (Thailand). However, Indian rice will have to overcome consumer preferences for rice from other origins as well as low consumer awareness about Indian rice due to its prolonged absence from the international market (since 2007). As in the case of wheat, trade sources report that exporters will have to overcome buyer concerns about the volatility of the Indian export policy.

Currently, average quality parboiled non-basmati rice is available for export in the price range of \$460-\$480 per ton FOB, Indian port. Indian exporters are getting significant enquiries from Bangladesh, Africa, and South Asia, and about 400,000 tons has already been contracted for exports through November. However, port infrastructure problems and buyer concerns may limit India's exports of non-basmati rice through March 2011 to 1.0 to 1.2 million tons. Given the expected bumper MY 2011/12 rice production and sufficient government rice stocks, the government will likely allow exports after March 2012.

Due to the non-execution of the July 2011 export quota of 1.0 million tons, there were no exports of non-basmati rice until the September 9, 2011, announcement of free exports. Assuming carryover of export shipments for the contract delivery for the 'delayed' period in the first few months, CY 2011 exports have been revised higher to 3.8 million tons and MY 2010/11 exports have been lowered to 2.8 million tons.

Rice Outlook Improve on Good Monsoon

Post's MY 2011/12 (October/September) rice production has been raised to a near-record crop of 99 million tons on higher planted area (45.0 million hectares) and sufficient and well distributed monsoon rains during the ongoing *khariif* (fall and early harvested) crop season. Based on the provisional revised estimates from the Ministry of Agriculture, MY 2010/11 rice area has been revised lower to 42.7 million hectares.

Overall 2011 monsoon precipitation has been 4 percent higher than the long-term average, and rainfall has been relatively well distributed over the season (June to September) in the major rice growing areas

compared to last year. Cumulative monsoon rainfall during June 1 through September 21, 2011 was normal or above normal in 33 of the 36 subdivisions, with rainfall deficient only in northeastern states. (Note that northeastern states typically have much higher average rainfall than the rest of the country). Despite a dry spell from late June through mid-July, the rainfall situation improved in late July, providing favorable conditions for planting in most states. The delayed withdrawal of the monsoon rains and above normal late season rains (September) have replenished soil moisture and improved water levels in most reservoirs, which will provide favorable growing conditions for the ongoing *kharif* rice crop and favorable planting conditions for *rabi* (winter) and summer rice crops, grown mostly in eastern and southern India.

According to the government's preliminary [planting report for the week ending September 30, 2011](#), area planted to *kharif* (fall and early winter harvested) rice was over 3.3 million hectares ahead of last year. Higher coverage has been reported from the eastern states of West Bengal, Bihar, Jharkhand, Uttar Pradesh and Madhya Pradesh. Last year rice area in these states was affected by deficient rains in July and early August. On September 14 and 15, 2011, the Ministry of Agriculture organized a conference of state agricultural officials to discuss the 2011/12 *kharif* crop situation and crop plans for the *rabi* season. The ministry released the [first crop estimate for the 2011/12 season](#) optimistically estimating the *kharif* rice production at 87.1 million tons, and setting up the *rabi* rice production target of 15.0 million tons, which would take the MY 2011/12 rice production to a new record 102 million tons.

Field condition reports suggest that the rice crop is progressing well under adequate soil moisture conditions, and there have been no reports of major pest or disease infestations in the major rice growing areas. Market sources report a marginal shift in rice area to cotton in the important states of Andhra Pradesh and Punjab, where rice productivity is relatively higher than in other states. There are concerns about recent floods in some parts of Uttar Pradesh, Bihar and Orissa but it's too early to report any major damage. Assuming no major damage due to recent floods, Post forecasts MY 2011/12 rice production at 99 million tons, which includes 85 million tons of *kharif* rice and 14 million tons of *rabi* rice. If realized, this crop will be marginally lower than the MY 2008/09 record crop of 99.18 million tons.

Rice Procurement Up...

Domestic rice procurement through September 21, 2011, reached 33.7 million tons, nearly 2.6 million tons ahead of last year, and is expected to touch 34.0 million tons by the end of September, which is marginally below the MY 2008/09 record procurement of 34.1 million tons. Most of the increase occurred in the states of Andhra Pradesh, Chhattisgarh, Madhya Pradesh and Tamil Nadu, whereas the procurement in traditionally surplus states of Punjab, Haryana and Uttar Pradesh declined over last year's levels. The government's move to allow non-basmati rice exports is likely ease the pressure of government rice procurement in the upcoming MY 2011/12. However, much will depend on the overall

crop size and the export performance.

... Stocks Up

MY 2010/11 rice ending stocks have been revised higher to 23.0 million tons on higher government rice stocks due to a near record procurement. Despite higher forecast domestic consumption and exports, the bumper domestic crop is expected to further grow MY 2011/12 ending stocks to 23.5 million tons. MY 2010/11 and 2011/12 consumption estimates have been revised to reflect the changes in the other PSD estimates.

Government rice stocks, as of September 1, 2011, were estimated at 22.7 million tons, nearly 2.2 million tons higher than last year's level. Assuming normal procurement and offtake in September, official rice stocks on October 1, 2011, are estimated at 20.5 million tons, more than double the government's desired stock level of 7.2 million tons. Due to the delay in the government decision on allowing non-basmati rice exports, market sources report that the private trade is holding relatively higher rice stocks (2.5 million tons) compared to last year (2.1 million tons).

Wheat Stocks Are Also High...

Due to the record MY 2011/12 wheat procurement (see [IN1170](#)) and slower offtake in the domestic market, government-held wheat stocks have ballooned to 33.6 million tons on September 1, 2011, compared to 29.9 million tons same time last year. In the past few months, there has been very limited offtake of official wheat stocks in the open market as the open market prices of wheat (Rs. 10,000-11,500 per ton) have floated below the government's minimum support price of Rs. 11,700 per ton and much below the government's economic cost of Rs. 16,960 per ton in the recent months.

... MY 2011/12 Ending Stocks to Ease

MY 2011/12 wheat ending stocks are revised lower to 15.4 million tons on forecast tighter domestic supplies. Government wheat stock offtake is likely to improve in the coming months as market prices gain on tighter domestic supplies due to exports. Additionally, the government is likely to enhance allocation under the public distribution system and announce lower sale prices under open market sales schemes to liquidate burdensome wheat stocks before the onset of the MY 2012/12 season.

Coarse Grain Production Prospects Unchanged

Official progressive planting data shows a significant decline in area planted to sorghum and millet, while the area under corn is largely unchanged from last year's level. Overall weather conditions this year have been favorable for the planted crop, and there have not been any reports of crop damage due to adverse weather, pest and diseases. The heavy late season rains and floods may temper crop

productivity in some parts of Bihar, Jharkhand, and Orissa. However, sufficient late season monsoon rains should support planting of *rabi* sorghum and maize. Post continues to forecast 2011/12 corn production at 21.0 million tons, sorghum at 6.8 million tons and millet at 11.0 million tons.

Pulse Production Outlook Weak....

India's MY 2011/12 *kharif* pulse production (mostly pigeon peas, mung beans, black matpe) is expected to decline by nearly 0.8 to 1 million tons over 2010/11 record production (7.1 million tons) due to shifts in pulse acreage to rice, soybean, and cotton. Market sources also report some crop damage due to heavy late season (September) monsoon precipitation and floods in some producing states. However, the major share of India's pulse production is accounted by *rabi* pulse crops (chick pea, lentils, pigeon pea and dry pea). The Ministry of Agriculture has made a [contingency plan](#) to increase *rabi* pulse production area and has allocated additional funding of over Rs. 800 million (\$16.3 million) under the ongoing [National Food Security Mission](#). Favorable soil moisture conditions due to extended monsoon rains should support *rabi* pulse production. However, it will be a challenging task to raise the *rabi* pulse production higher than the last year's record *rabi* pulse production (10.97 million tons) to offset losses in current *kharif* pulse crop.

....Imports to Rebound

After growing steadily in the last few years, India's pulse imports faltered in MY 2010/11 on record domestic production. Imports in MY 2011/12 are expected to recover from last year's low due to the expected shortfall in the upcoming *kharif* pulse production and continued strong domestic demand for protein rich food products.

According to preliminary official trade data, pulse imports in MY 2010/11 (April/March) were estimated around 2.6 million tons compared to 3.5 million tons in MY 2009/10. Major suppliers were Canada (1.2 million tons), Myanmar (480,000 tons), Australia (212,000 tons), United States (203,000 tons), Tanzania (144,000 tons) and Mozambique (89,000 tons).

Interim Arrangements for Import Clearance of Pulses Extended

On September 16, 2011, the Ministry of Agriculture extended the interim arrangement for quarantine clearance for peas, lentils and chickpeas shipped from the United States from September 30, 2011 to March 31, 2012. Pulse imports from all origins to India are subject to fumigation by methyl bromide at the port of loading. However, the GOI has allowed the fumigation of pulses from United States and Canada by methyl bromide at the port of entry on an ad hoc basis (see Pulses Policy Section in IN1117).

On September 23, 2011, the Ministry of Agriculture extended the interim arrangements for the import clearance of pulses from any origin which does not meet the phytosanitary certification requirements of

freedom from weed seeds and soil until December 31, 2011. In August 2010, the GOI proposed that the phytosanitary certificate issued by the exporting country should state all the additional declarations required in the import permit, which includes declarations of freedom from weed seeds and soil matter. However, at the request of the Indian Pulse Importers Association, the GOI allowed clearance of consignments which do not fulfill the phytosanitary requirement by the head of Plant Protection and Quarantine Station after inspection that the consignment is free from weed seeds/soil on an interim basis.

The GOI is likely to continue to extend these interim arrangements as India continues to meet its growing consumption requirement through imports.

STATISTICAL TABLES

Table 1: Commodity, Rice, Milled, PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Rice, Milled India	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	41,850	41,850	44,000	42,700	44,500	45,000
Beginning Stocks	19,000	19,000	20,500	20,500	21,800	23,000
Milled Production	89,090	89,090	95,300	95,300	97,000	99,000
Rough Production	133,648	133,648	142,964	142,964	145,515	148,515
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
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	108,090	108,090	115,800	115,800	118,800	122,000
MY Exports	1,900	1,900	3,000	2,800	3,500	4,500
TY Exports	2,052	2,052	3,500	3,800	3,500	4,500
Consumption and Residual	85,690	85,690	91,000	90,000	93,000	94,000
Ending Stocks	20,500	20,500	21,800	23,000	22,300	23,500
Total Distribution	108,090	108,090	115,800	115,800	118,800	122,000

Table 2: Commodity, Wheat PSD

(Area in Thousand Hectares, Others in Thousand Metric Tons)

Wheat India	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: May 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	27,750	27,750	28,360	28,360	29,400	29,400
Beginning Stocks	13,430	13,430	16,120	16,120	15,360	15,360
Production	80,680	80,680	80,800	80,800	85,930	85,930

MY Imports	218	218	300	300	0	0
TY Imports	291	291	300	300	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	94,328	94,328	97,220	97,220	101,290	101,290
MY Exports	58	58	50	50	400	1,200
TY Exports	62	62	60	60	400	2,000
Feed and Residual	100	100	150	150	200	200
FSI Consumption	78,050	78,050	81,660	81,660	84,500	84,500
Total Consumption	78,150	78,150	81,810	81,810	84,700	84,700
Ending Stocks	16,120	16,120	15,360	15,360	16,190	15,390
Total Distribution	94,328	94,328	97,220	97,220	101,290	101,290

^[1]The value of Indian Rupee vis-a-vis US \$ declined by over 10 percent from Rs 44.5 in the beginning of September to Rs. 49 by the end of September.