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Report Name: India Bans Wheat Exports Due to Domestic Supply Concerns

Country: India

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Report Highlights:

On Friday, May 13, 2022, the Indian government announced a ban on wheat exports, effective immediately, citing the sudden spike in global wheat prices and the resulting food security risks to India. Exemptions have been extended to export contracts with customs' registration or an irrevocable letter of credit on or before May 13, 2022, and exports allowed by the government to other countries to meet their food security requirements based on requests from these governments. The decision to ban exports is a result of the smaller-than-expected MY 2022/2023 wheat harvest, rising food inflation, and low government wheat procurement under its Minimum Support Price program which affects the Government of India’s ability to supply wheat under its domestic food assistance/security programs.
**DISCLAIMER:** The information contained in this report is derived from India’s Directorate General of Foreign Trade (Ministry of Commerce and Industry) issued Notification No. 06/2015-2020 of May 13, 2022, and Trade Notice No. 06/2022-23 and No 07/2022-23. The U.S. Embassy in New Delhi – Foreign Agricultural Service (FAS) Office of Agricultural Affairs (OAA), USDA and/or the U.S. government make no claim of accuracy or authenticity. The Government of India (GoI) has not officially endorsed this report.

**GENERAL INFORMATION**

**Government Bans Exports of Wheat…**

On May 13, 2022, India’s Ministry of Commerce and Industry’s Directorate General of Foreign Trade (DGFT) issued notification No 06/2015-2020 prohibiting exports of all wheat (ITC HS categories 1001, 100119, 10019910, and 10019920) with immediate effect. The notification cited the spike in global wheat prices and consequent risk to food security of India, neighboring and other vulnerable countries for the export ban.

**… But Exempts Certain Exports**

The notification specifies exemptions to the ban for pending export shipments with an irrevocable letter of credit issued on or before the date of notification, and exports are also allowed with the Government of India’s (GoI) permission to other countries to meet their food security needs and based on requests from these governments.

On May 14th, DGFT issued a Trade Notice No 06/2022/2023 regarding the implementation of the export ban notification which specifies that exports of wheat on humanitarian grounds as aid/assistance on a government-to-government basis shall be allowed on case-by-case basis, with the specific approval of the competent authority. Subsequently, on May 17th, DGFT issued another Trade Notice No 07-2022/23 allowing exports of wheat consignments that have been handed over to Customs for examination or registered into their systems on or before May 13, 2022, whether tied or not to a specific L/C or other financial instrument.

**Why Ban Exports?**

As mentioned in the DGFT notification, the export ban is driven by domestic food security concerns due to a growing consensus that the wheat harvest now nearing completion will show a decline of 10-15% from the record 2021 wheat crop. And because of what has happened in the international marketplace since Russia’s invasion of Ukraine in terms of rising wheat prices and, in turn, in India in terms of the significantly lower GoI wheat procurement for domestic food security programs, the decision to prevent new export business was made.

The MY 2022/2023 wheat crop was progressing well through February 2022, raising the expectation of another record wheat harvest (110-111 million metric tons (MMT) vs. last year’s 109 MMT). However, an unprecedented spike in temperatures from mid-March coinciding with milking/seed-setting stages of the standing crop affected the grain subsequently harvested resulting in an elevated percentage of smaller, shriveled, and immature grains. In consequence,
wheat yields across major wheat growing areas are being reported at 10-15 percent lower than initially expected by farmers and other local stakeholders. While the government’s post-harvest provisional official estimates (third advance estimate) are awaited, market sources are now projecting a significantly lower crop in the range of 92 to 98 MMT.

The smaller-than-expected wheat harvest coupled with strong export demand due to recent global market developments fueled domestic wheat prices from the beginning of the marketing season in April. Market prices of wheat have been more than 10 percent higher than last year’s level and above the government’s Minimum Support Price (MSP)- INR 20,150 or $265 per MT in major wheat growing states.

Higher market prices have affected government wheat procurement under the MSP program, meant for distribution under various domestic food assistance/security programs. Government MSP wheat procurement through May 6, 2022, was estimated at 17.3 MMT, down by over 45 percent compared to wheat procurement at the same time last year. At the current pace of procurement, MY 2022/23 government wheat intake was likely to reach just 19 MMT compared to 43.3 MMT last year, and the initial government MY 2022/23 target procurement of 44 MMT. Combined with the GoI’s MY 2022/23 opening stocks (April 1, 2022) of 19 MMT, the expected procurement would have been barely enough to meet domestic food assistance program needs (28-30 MMT) and the April 1 buffer stock norm of 7.5 MMT, leaving nothing for the government to supply to local millers under the open market sale scheme (OMSS) during the year. Typically, the GoI through the Food Corporation of India supplies wheat to local millers at subsidized prices under the OMSS to ensure sufficient wheat supplies and contain inflationary pressures in the open market. [Note: The last few years, OMSS totals have ranged from 3 to 8 MMT per annum.]

In instituting this ban, the GoI seeks to augment government MSP procurement in the expectation that farmers and local traders holding surplus wheat for late season sales may liquidate some of their wheat by selling into the MSP sale program. As such, if successful, this action should increase domestic supplies and temper inflation in wheat prices for the balance of the marketing season.

**Exporters Panic**

Most trade sources and government sources initially expected MY 2022/23 wheat and wheat product exports to increase over last year’s record exports of 8.5 MMT, estimating in the range of 10-12 MMT. Since the beginning of the current marketing year April 1, market sources report that an estimated 2.2 to 2.5 MMT of wheat have been shipped till the date of the export ban, and an estimated 1.0 to 1.2 MMT of wheat is lying at or in the vicinity of ports for subsequent loading and shipment. Sources report that the government has recently allowed about 250,000 MT of wheat exports (four shiploads at various stages of loading). Further, market sources report that an estimated half of the wheat at/near ports may be eligible for export exemption under the recent trade notices. Moreover, we understand that traders are seeking exemptions for additional quantities on various grounds like advance partial payment, etc.
Exports Prospects Affected

Despite the GoI stating that the export ban has been imposed to better ensure the overall food security of the country and respond to the needs of neighboring and other vulnerable countries, the DGFT notification and trade notices have not detailed the process for seeking exemptions for wheat exports for food security purposes, nor listed eligible countries. While these details have yet to be published, most trade sources expect that India’s MY 2022/2023 exports are likely to decline significantly from the last year’s record level, forecasting shipments in the range of 5-6 MMT. Since announcing the ban with exceptions and the additional exception issued on May 17th, the reality is that India has not completely shut down exports. Indeed, it is conceivable that if MSP procurement picks up to better ensure domestic wheat requirements are met and an acceptable stock level is maintained, the GoI could demonstrate renewed flexibility in terms of exports in the months ahead.

Attachments:

No Attachments.