

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Voluntary Update - January 2014

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Report Highlights:

MY 2014 wheat planting is likely to reach a new record, surpassing the previous record of 29.9 million hectares in MY 2012/13. Government parastatals assigned to export two million metric tons (MMT) of government wheat have floated tenders for 1.24 MMT to be sold by the end of December.

General Information:

Author Defined:

WHEAT

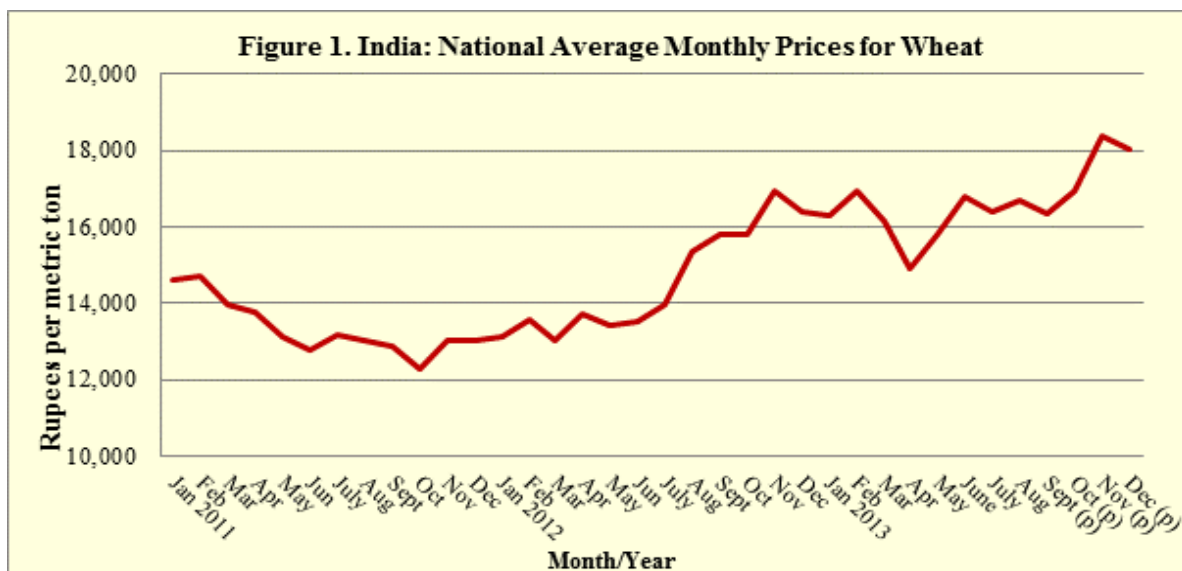
2014 Wheat Planting Surging towards Record

The Ministry of Agriculture's 2013/14 *rabi* (winter planted) crop planting report shows planting of 2014 crop wheat through December 20, 2013, at 27.4 million hectares compared to 25.3 million hectares at the same time last year. Higher planting has been reported in most states on optimal soil moisture conditions and timely harvest of the preceding *kharif* (fall harvested) crops. Wheat planting in the major growing states is almost over, except for some late planting in the states of Uttar Pradesh and Bihar through mid-January following the sugarcane harvest. Total wheat planted area in MY 2014/15 is likely to reach a new record, surpassing the previous record area of 29.9 million hectares in MY 2012/13.

Wheat planting conditions have been generally favorable throughout the major growing states with adequate soil moisture conditions and adequate irrigation water availability in the major reservoirs and irrigation systems. Most wheat growing regions have seen a decline in temperatures in the recent weeks, providing favorable early growing conditions for the crop. However, wheat production will largely depend on winter rains (December/January) and warmer temperatures during the critical grain filling and ripening stages in February and March.

Prices Soften

Domestic wheat prices softened slightly in December after gaining very strongly in October-November with the increase in off take of government wheat under open market sales.



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

Market sources report increased off take of government wheat under the open market sale scheme available to the millers in the price range of INR 15,400 (\$250) to INR 17,500 (\$285) per ton plus local taxes in various states. With "more-than-sufficient" government wheat stocks (31.1 MMT on December 1, 2013) and prospects for another bumper harvest, the government is likely to release additional wheat for sale to local millers to keep domestic prices under control.

Government Wheat Exports Steady

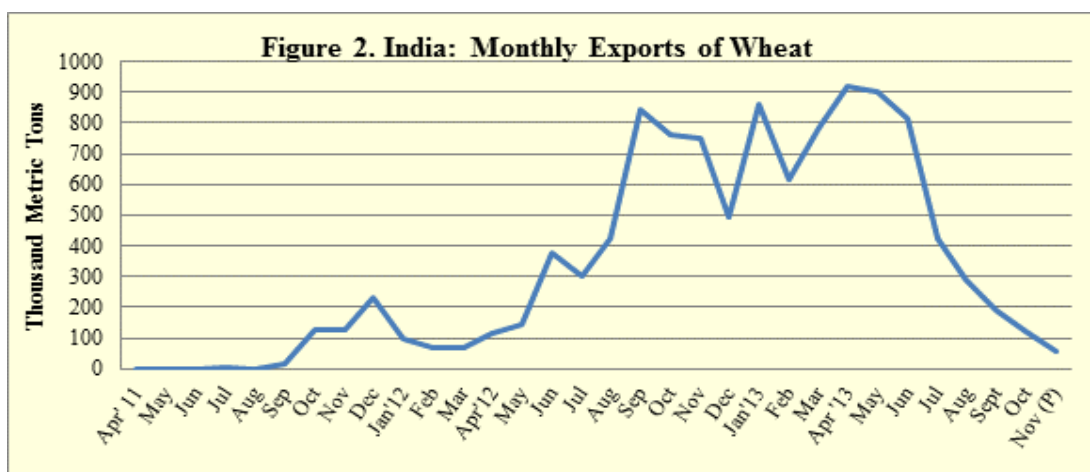
Government parastatals assigned to export wheat from government-held stocks against the two MMT export quota announced in August 2013 have to date floated tenders for about 1.24 MMT, of which about 920 thousand MT has been allocated to various private exporters.

Agency	Quantity (Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
STC	120,000	Nov 15, 2013	Nov 25-Dec 28,2013	286.20	Mundra
PEC	70,000	Nov 15, 2013	Nov 20-Dec 20, 2013	289.90	Krishnapatnam
PEC	90,000	Nov 15, 2013	Nov 20-Dec 20, 2013	284.70	Kandla
MMTC	60,000	Nov 15, 2013	Nov 22-Dec 21, 2013	285.95	Kakinada
MMTC	55,000	Dec 12, 2013	Dec 22,2013-Jan 25, 2014	283.10	Pipavav
PEC	120,000	Dec 12, 2013	Dec 23, 2013-Jan 25,2014	285.41	Kandla
PEC	35,000	Dec 12,	Dec 22,2013-Jan 25,	287.10	Vizag

		2013	2014		
PEC	70,000	Dec 16, 2013	Dec 26, 2013-Jan 31, 2014	285.50	Krishnapatnam
MMTC	100,000	Dec 23, 2013	Jan 3-Feb 4, 2014	283.11	Kakinada
STC	200,000	Dec 23, 2013	Jan 4-Feb 3, 2014	288.30	Mundra
STC	70,000	Jan 10, 2014	Jan 4-Feb 3, 2014	NA	Chennai
MMTC	60,000	Jan 14, 2014	Jan 20-Feb 24, 2014	NA	Pipavav
PEC	120,000	Jan 14, 2014	Jan 20-Feb 25, 2014	NA	Kandla
PEC	70,000	Jan 14, 2014	Jan 20-Feb 25, 2014	NA	Vizag
Total	1,240,000				
Tenders Cancelled					
PEC	40,000	Oct 4, 2013	Oct 15-Nov 15,2013	Cancelled	Kandla
STC	60,000	Oct 4, 2013	Oct 15-Nov 15,2013	Cancelled	Mundra
MMTC	50,000	Oct 4, 2013	Oct 15-Nov 15,2013	Cancelled	Mundra
<i>Note: STC- State Trading Corporation; PEC - Project Export Corporation; and MMTC - Minerals and Metal Trading Corporation</i>					

The December government wheat tenders awarded to date were allocated at prices ranging from \$283.10 to \$288.30 per ton FOB, slightly below the November high of \$289.90 per ton (see Table 1). Market sources expect export prices for government wheat to improve in coming months due to reports of lower exports from Russia and Ukraine with the onset of winter. Consequently, the parastatals are likely to tender the remaining quantity (760 thousand MT) of the two MMT quota in phases during January-February.

Provisional official trade statistics indicate that wheat exports for April to November 2013 reached 3.7 MMT.



Source: Monthly exports till October 2013 from DGCIS, GOI; November 2013 derived from wheat

shipping data compiled from Infodrive.

Shipment of government wheat started in the first week of December, and about 500,000 to 600,000 MT will be shipped through December 2013. Assuming continued firm international wheat prices, the Indian government is likely to fill the two MMT export quota by the end of March 2014. Exports of open market wheat will be very limited due to high open market prices and lack of quality supplies. Consequently, MY 2013/14 wheat exports are likely to reach 6.0 MMT.

RICE

Government Procurement Lag Behind Last Year

Government domestic rice procurement under the minimum support price (MSP) operation continues to lag behind last year's, reaching 14.3 MMT on December 24, 2013, compared to 15.1 MMT during the corresponding period in MY 2012/13.

State	MY 2011/12	MY2012/13	MY 2013/14 ¹
Punjab	7.73	8.56	8.11 (8.54)
Andhra Pradesh	7.54	6.46	1.09 (1.27)
Chhattisgarh	4.12	4.80	1.81 (1.81)
Uttar Pradesh	3.36	2.29	0.22 (0.43)
Odisha	2.87	3.61	-
West Bengal	2.04	1.77	0.07 (0.05)
Haryana	2.01	2.61	2.40 (2.58)
Tamil Nadu	1.60	0.48	0.05 (0.00)
Total ²	35.06	34.02	14.34 (15.10)

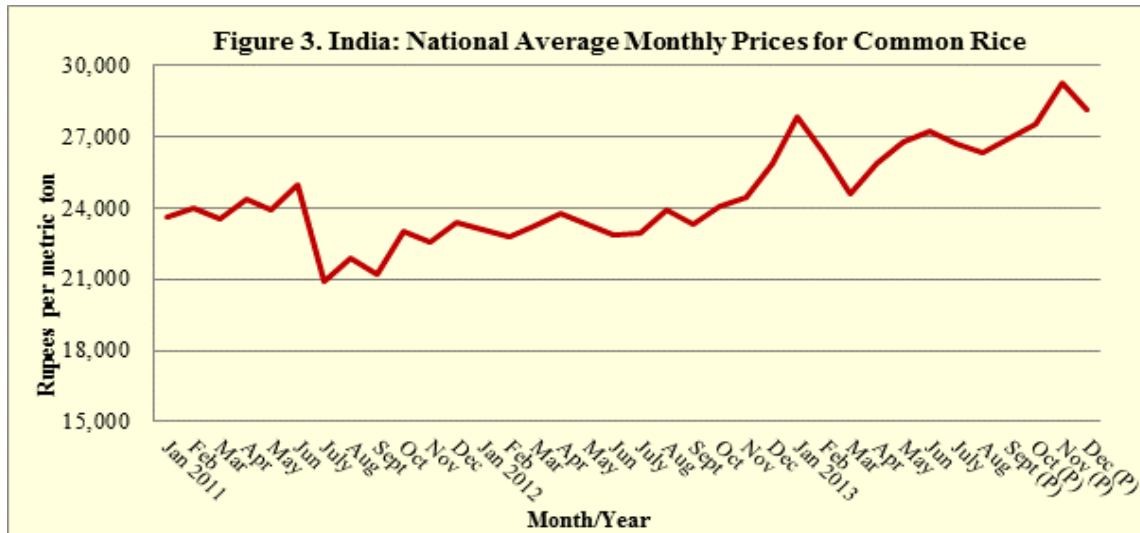
Source: Food Corporation of India, Government of India (GOI)
 Note ¹Total rice procurement as of December 24, 2013; figures in parentheses are previous year's procurement for the corresponding period.
²Include procurement in states not listed in the table.

Procurement has been lagging in most states due to forecast lower production and relatively strong open market prices (see Figures 3). Procurement in eastern and southern states was also delayed by late rains (October/November), and is likely to accelerate in January. Early procurement trends indicate that the GOI's MY 2013/14 rice procurement will likely be around 32 MMT, below last year's 34.0 MMT.

Relatively weak procurement and continued strong off take of government rice through the public distribution system have resulted in lower government stocks. Government rice stocks on December 1, 2013, were reported at 28.6 MMT compared to 30.6 MMT a year ago. Government rice stocks on January 1, 2014 are forecast at 30.0 MMT, more than double the government's desired stocks of 13.8 MMT.

Prices Ease

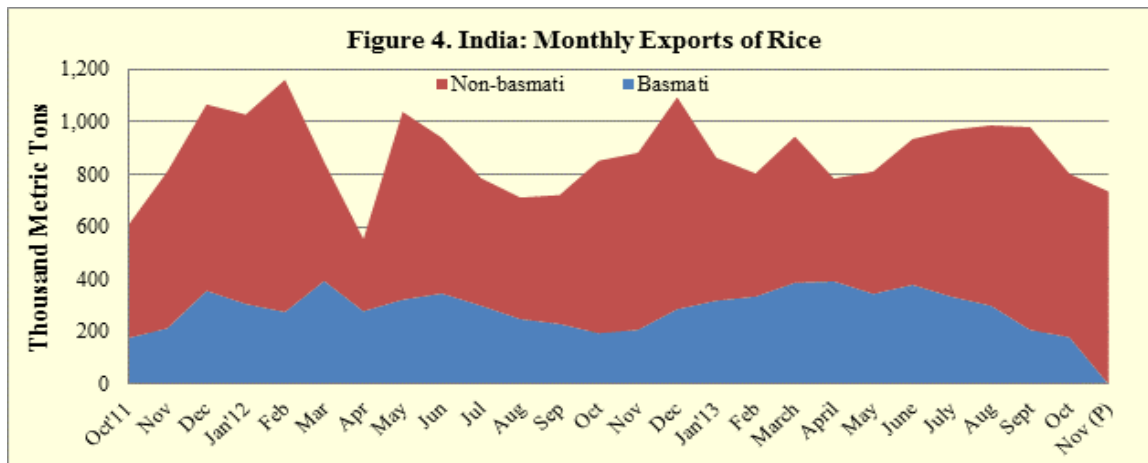
After surging strongly during September through November, domestic rice prices have eased in December with the arrival of the new crop across major states. Market sources report that weak export demand has also aided in easing domestic prices. Currently, spot market prices for common grade coarse rice range from INR 18,300 (\$298) to INR 37,700 (\$614) per ton in major producing states.



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

Exports Steady

Preliminary export figures for the first 11 months of CY 2013 indicate rice exports of 9.6 MMT compared to 9.5 MMT during the corresponding period last year, and CY 2013 exports are likely to reach 10.5 MMT.



Source: Monthly exports till October 2013 from DGCIS, GOI; November 2013 derived from wheat shipping date compiled from Infodrive, which does not break out Basmati and non-Basmati.

According to trade sources, export demand for non-Basmati rice has been steady, but exports of long grain Basmati rice to Iran have slowed down since October following the withdrawal of Iran sanctions

by the United States and five other nations. In the recent past, India has been a major exporter of the PUSA 1121 variety of Basmati rice to Iran under the India-Iran rupee payment mechanism against the oil import bill. Market sources report that exports of Basmati rice to Iran will resume shortly after Iran draws down its existing rice stocks as Indian PUSA 1121 is very price competitive vis-a-vis long grain rice from other origins. The GOI is likely to continue its current rice export policy, at least through the first half of the marketing year, but may review its stance on non-basmati rice exports if government procurement falls significantly behind or if domestic prices increase significantly. Post continues to estimate MY 2013/14 exports at 10 MMT.