

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Grain and Feed Voluntary-June 2013

**Report Categories:**

Agriculture in the Economy

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**Report Highlights:**

MY 2013/14 wheat production estimate is lowered to 87 million metric tons (MMT) on lower than anticipated yields in major wheat growing states due to abnormal rains in February-March and on late planting. MY 2013/14 wheat exports are revised lower to 5.0 MMT on lower government wheat exports. Government procurement of wheat is significantly lower and is estimated to reach 26.0 MMT compared to 38.2 MMT last year, easing the food grain storage crisis. MY 2012/13 corn exports are estimated higher at a record 4.8 MMT, and MY 2013/14 forecast higher at 3.5 MMT.

**Author Defined:****WHEAT****Table 1. India: Commodity, Wheat, PSD**

(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Wheat India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29,070	29,070	29,860	29,860	29,400	29,400
Beginning Stocks	15,360	15,360	19,950	19,950	24,200	24,200
Production	86,870	86,870	94,880	94,880	92,000	87,000
MY Imports	17	17	10	10	10	10
TY Imports	17	17	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	102,247	102,247	114,840	114,840	116,210	111,210
MY Exports	891	891	6,500	6,500	8,000	5,000
TY Exports	1,722	1,722	8,500	7,500	8,000	5,000
Feed and Residual	3,100	3,100	3,400	3,400	3,500	3,500
FSI Consumption	78,306	78,306	80,740	80,740	83,510	83,000
Total Consumption	81,406	81,406	84,140	84,140	87,010	86,500
Ending Stocks	19,950	19,950	24,200	24,200	21,200	19,710
Total Distribution	102,247	102,247	114,840	114,840	116,210	111,210

**MY 2013/14 Production Decline ...**

Post's MY 2013/14 production estimate is revised lower to 87 million metric tons (MMT) due to lower than anticipated yields in major wheat growing states. Preliminary harvest reports from the northern states of Punjab, Haryana and Uttar Pradesh indicate 8-10 percent lower yields compared to last year due to smaller kernel size and increase in shrunken kernels (4-6%) compared to last year (1-2%).

Agricultural experts attribute the lower yield to abnormal winter rains, higher minimum day temperature and higher humidity in February-March. The factors together adversely affected tillering, and disrupted the "normal" ripening process resulting in lower grain setting (lower head size and kernel counts), smaller grain size and more shrunken kernels. The rains and high humidity also led to higher incidence of rust in north India and lodging in the early harvested wheat varieties. Consequently, MY 2013/14 production is estimated lower at 87 MMT, down over 8 percent from last year's record harvest, but still India's second largest wheat harvest.

Reports of lower wheat yields from major states have fueled speculation on the size of the Indian wheat crop, with industry estimates currently ranging from 82.0 to 90.0 MMT against the government's third advance estimate of 93.6 MMT. Relatively lower market arrivals and government procurement compared to last year have resulted in a downward bias on the production estimates of some industry sources. Some market sources report that farmers and local traders are holding this year's harvest based on last year's market price trends. Wheat prices in 2012 gained strongly from July onwards, peaking near INR 17,000 per metric ton in November 2012 (see Figure 1). Market sources expect market

arrivals to continue after government procurement ends in June as farmers will continue to bring wheat to the market in anticipation of higher prices.

### Government Procurement Falters....

Government procurement of wheat in the ongoing season has been severely curtailed by the lower wheat outturn and farmers/traders holding larger than normal wheat volumes compared to last year. Based on the last year's adverse experience of a late season rise in prices, sources report higher market purchasing by private traders and local processors compared to last year. Consequently, government wheat procurement through May 30, 2013, was estimated at 25.0 MMT, about 27 percent lower than procurement during the corresponding period last year. The government has revised the MY 2013/14 procurement target lower to 33.0 MMT against the initial target of 44.1 MMT (IN3033). However, Minister of Food K.V. Thomas stated publicly in late May that procurement would fall to 28 to 30 MMT.

**Table 2. India: Government Procurement of Wheat by State**

(Quantity in million metric tons)

State	April-March		As of May 30	
	MY 2011/12	MY 2012/13	MY 2012/13	MY 2013/14
Punjab	10.96	12.83	12.78	10.87
Haryana	6.93	8.67	8.65	5.87
Madhya Pradesh	4.97	8.49	3.07	0.68
Uttar Pradesh	3.46	5.06	7.88	6.35
Rajasthan	1.30	1.96	1.45	1.23
Total	28.34	38.15	34.33	25.00

Note: Government procurement price is INR 13,500 per metric ton, except for Madhya Pradesh and Rajasthan where the state governments give an additional bonus of INR 1,500 per metric ton.

Source: Food Corporation of India, GOI.

Procurement is almost over in northern states of Punjab and Haryana, and has started tapering off in other states. With open market prices in most states ruling above the government's procurement price, market sources expect MY 2013/14 wheat procurement to reach 26.0 MMT, well below the revised government target.

### ... Stock Situation Eases

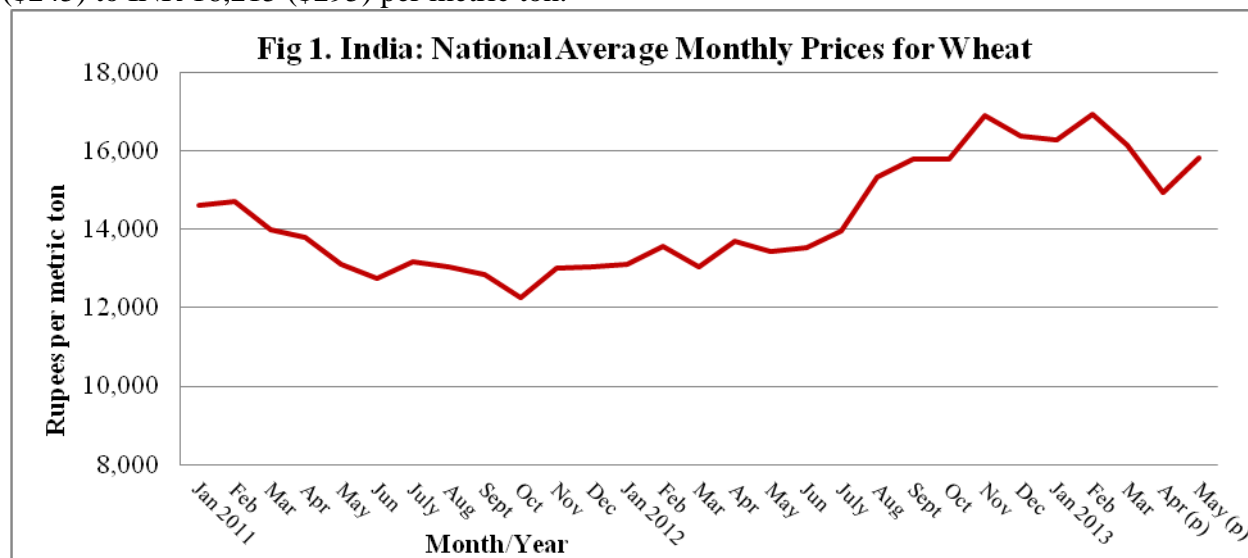
Government-held wheat stocks on May 1, 2013, were officially estimated at 42.7 MMT, nearly 12 percent higher than last year. Lower wheat procurement during the ongoing season will bring down the government-held wheat stocks on June 1, 2013, to an estimated 44.2 MMT, against last year's record stocks of 50.2 MMT on June 1, 2012, which will still be more than double the government's desired stocks of 20.1 MMT.

The lower than anticipated procurement may have eased the pressure to create additional storage space for food grains. A significant quantity of new crop as well as old crop wheat will continue to be stored in the open on plinths with polythene covers. Some sources report that the government currently holds excess wheat stocks of about 10-12 MMT, which need to be liquidated in the domestic market or

through exports before the upcoming *kharif* rice (MY 2013/14) and wheat (MY 2014/15) harvests.

### .... Prices Firm Up

Speculation on lower wheat production and relatively higher procurement by the private trade have spurred May wheat prices, with average prices in the major producing states ranging from INR 13,500 (\$245) to INR 16,215 (\$295) per metric ton.



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

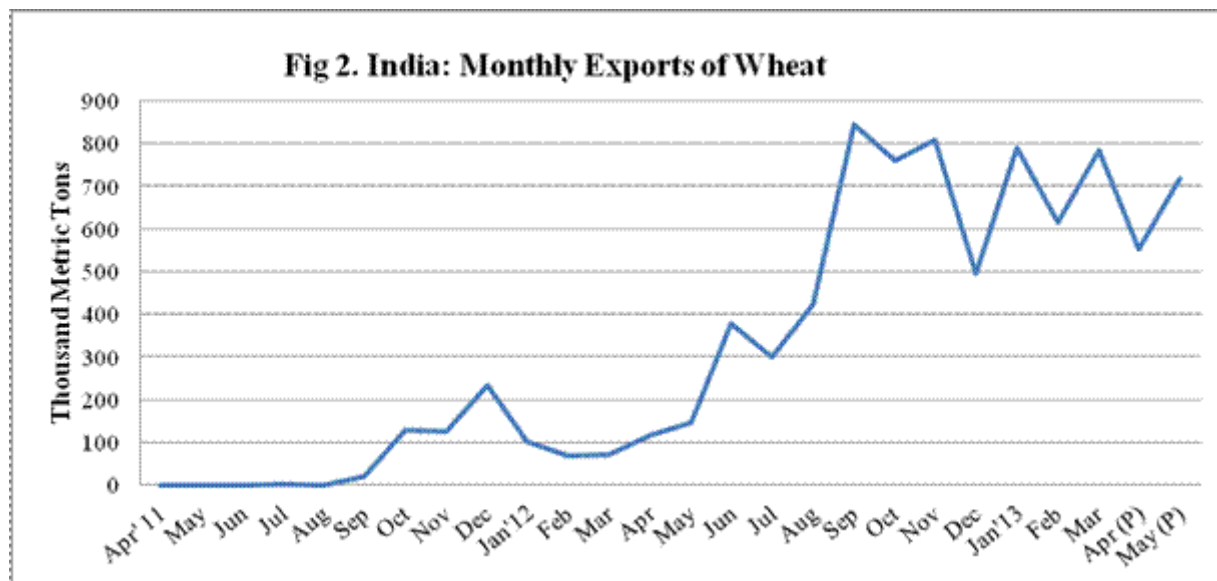
Market prices in the states which cater to private trade (Uttar Pradesh, Madhya Pradesh and Rajasthan) ranged from INR 13,665 (\$248) to INR 16,215 (\$295) per metric ton, well above the government’s procurement price. While these prices are expected to rule firm through June, some market sources expect prices to ease in July as farmers bring their harvest to market before the monsoon’s onset.

International wheat price movement may also affect domestic prices during the marketing year, as observed last year. However, due to the upcoming Parliamentary elections in 2014, the government will restrain any escalation in domestic prices by releasing additional wheat to the domestic market from government-held stocks.

### Exports Lowered

Forecast lower production, government procurement and currently weak international prices are likely to affect adversely MY 2013/14 wheat export prospects. While the government may not be under immediate pressure to liquidate government-held wheat stocks, exports of government-held wheat are likely to continue from the lower but “more-than-desired” government food grain stocks. The forecast for a normal 2013 monsoon and consequently expected bumper MY 2013/14 rice production and government procurement could push the government to offload excess wheat stocks in the export market. Consequently, Post estimates MY 2013/14 wheat exports at 5.0 MMT (3.0 MMT of government wheat and 2.0 MMT of wheat procured by private trade in the open market) compared to MY 2012/13 exports of 6.5 MMT (2.8 MMT of government wheat and 3.7 MMT of private wheat).

India's 2012/13 July-June wheat export estimate is revised lower to 7.5 MMT based on the latest monthly export statistics. Preliminary figures for wheat exports from July 2012 through May 2013 indicate sales of 7.1 MMT through May. Wheat exports in June are expected lower due to relatively firm domestic prices and weak international prices. However, exports of government wheat through the parastatals and some private-wheat to meet prior export commitments will take 2012/13 July/June exports to 7.5 MMT.



Source: Monthly exports till March 2013 from Directorate General of Commercial Intelligence (DGCIS), GOI; April and May 2013 figures are derived from shipping data compiled by Infodrive.

### Exports Through Government Parastatals Continue

Despite relatively weak international prices, exports of government wheat through parastatals have continued in recent months. Against the export quota of 4.5 MMT allocated to the parastatals in September 2012, they had allocated 4.2 MMT and shipped about 3.8 MMT by the end of May. The balance of the quota has also been tendered and will be allocated in June for shipment through July.

**Table 3. India: Government Wheat Tenders in 2013**

Agency	Quantity (Metric Tons)	Tender Close	Shipment Period	Price (US\$ per ton FOB)	Port of Loading
<b>August-December 2012</b>					
Various	2,035,000	End Dec 2012	Aug 2012-Jan 2013	296.70-328.05	Various
<b>January 2013 onwards</b>					
PEC	35,000	<a href="#">Jan 3, 2012</a>	Jan 10-Feb 10	318.00	Karaikal
PEC	100,000	<a href="#">Jan 7, 2013</a>	Jan 10-Feb 15	320.89	Krishnapatnam
STC	50,000	<a href="#">Jan 10, 2013</a>	Jan 21-Mar 5	323.50	Mundra

STC	100,000	<a href="#">Jan 10, 2013</a>	Jan 21-Mar 5	318.50	Mundra
MMTC	50,000	<a href="#">Jan 11, 2013</a>	Feb 1-Mar 5	319.45	Kakinada
MMTC	50,000	<a href="#">Jan 16, 2013</a>	Feb 1-28	309.00	Pipavav
PEC	125,000	<a href="#">Jan 17, 2013</a>	Feb 1-Mar 10	314.00	Kandla
STC	40,000	<a href="#">Jan 23, 2013</a>	Feb 1-28	314.34	Chennai
PEC	35,000	<a href="#">Feb 6, 2013</a>	Feb 11-Mar 10	312.00	Vizag
PEC	55,000	<a href="#">Feb 6, 2013</a>	Feb 11-Mar 10	312.10	Karaikal
STC	200,000	<a href="#">Feb 7, 2013</a>	Feb 18-Mar 30	310.21	Mundra
MMTC	50,000	<a href="#">Feb 14, 2013</a>	Feb 20-Mar 31	311.11	Kakinada
PEC	125,000	<a href="#">Feb 18, 2013</a>	Feb 20-Mar 31	312.20	Krishnapatnam
STC	30,000	<a href="#">Feb 25, 2013</a>	Mar 5-31	305.00	New Mangalore
MMTC	75,000	Mar 5, 2013	Mar 15-Apr 5	303.40	Kakinada
PEC	40,000	<a href="#">Mar 6, 2013</a>	Mar 15-Apr 15	303.40	Karaikal
MMTC	35,000	Mar 11, 2013	Mar 15-Apr 20	305.08	Pipavav
STC	70,000	<a href="#">Mar 12, 2013</a>	Mar 20-Apr 20	305.08	Chennai
MMTC	40,000	<a href="#">Mar 14, 2013</a>	Mar 25-Apr 20	305.08	Mormugoa
PEC	75,000	<a href="#">Mar 15, 2013</a>	Mar 25-Apr 15	305.27	Kandla
PEC	80,000	<a href="#">Mar 20, 2013</a>	Mar 25-Apr 30	306.87	Krishnapatnam
STC	155,000	<a href="#">Mar 20, 2013</a>	Apr 1-May 10	305.72	Mundra
PEC	50,000	<a href="#">Mar 25, 2013</a>	Apr 1-30	304.72	Gangavaram
PEC	55,000	<a href="#">Mar 28, 2013</a>	Apr 10-May 20	305.87	Krishnapatnam
PEC	75,000	<a href="#">Apr 2, 2013</a>	Apr 15-May 15	301.88	Kandla
STC	60,000	<a href="#">Apr 16, 2013</a>	May 10-Jun 10	302.48	Chennai

STC	100,000	<a href="#">Apr 17, 2013</a>	May 15-Jun 20	304.00	Mundra
MMTC	35,000	<a href="#">Apr 12, 2013</a>	May 5-June 5	302.03	Kakinada
STC	40,000	<a href="#">May 22, 2013</a>	June 1-25	302.50	Chennai
STC	60,000	<a href="#">May 22, 2013</a>	June 5-25	304.50	Mundra
PEC	40,000	<a href="#">May 23, 2013</a>	June 1-20	305.00	Kandla
PEC	30,000	<a href="#">May 23, 2013</a>	June 7-20	303.10	Gangavaram
PEC	40,000	<a href="#">May 23, 2013</a>	June 1-20	301.00	Krishnapatnam
MMTC	50,000	<a href="#">June 3, 2013</a>	June 5-30	na	Kakinada
PEC	90,000	<a href="#">June 19, 2013</a>	June 20-July 25	na	Kandla
STC	100,000	<a href="#">June 20, 2013</a>	June 25-July 15	na	Mundra
MMTC	100,000	<a href="#">June 21, 2013</a>	June 28-July 25	na	Pipavav
TOTAL	2,540,000				
Recent Tenders Cancelled					
STC	30,000	<a href="#">Mar 26, 2013</a>	Apr 5-30	Cancelled	New Mangalore
MMTC	65,000	<a href="#">Mar 26, 2013</a>	Apr 1-30	Cancelled	Pipavav
PEC	70,000	<a href="#">Mar 28, 2013</a>	Apr 1-30	Cancelled	Vizag
MMTC	100,000	<a href="#">Apr 3, 2013</a>	Apr 10-May 12	Cancelled	Kakinada
STC	50,000	<a href="#">Apr 4, 2013</a>	May 1-20, 2013	Cancelled	Mundra
MMTC	65,000	<a href="#">Apr 5, 2013</a>	Apr 9-May 9	Cancelled	Pipavav
MMTC	40,000	<a href="#">Apr 9, 2013</a>	Apr 20-May 20	Cancelled	Mormugoa
MMTC	100,000	<a href="#">May 21, 2013</a>	June 1-30	Cancelled	Kakinada

Note: STC- [State Trading Corporation](#); PEC - [Project Export Corporation](#); and MMTC - [Minerals and Metals Trading Corporation](#). In some tenders, quantity allocated has been lower than the quantity mentioned in the tender.

After several cases of cancellation of tenders due to lack of buyers in March/April, most May tenders have been allocated to buyers who had to cover prior export commitments. Tender allocations in May have been done in the price range of \$301.00 to \$305.00 per metric ton, significantly below the

November peak of \$328.05 per metric ton but slightly above the government floor price of \$300 per metric ton.

With the lower wheat procurement and no immediate storage crisis, the government may not be in a hurry to lower the current floor price to improve the competitiveness of government-wheat for export. However, the government may review the wheat export floor price after July, after assessing rice planting, production and procurement prospects, which will indicate the need for covered grain storage.

## CORN

**Table 4. India: Commodity, Corn, PSD**

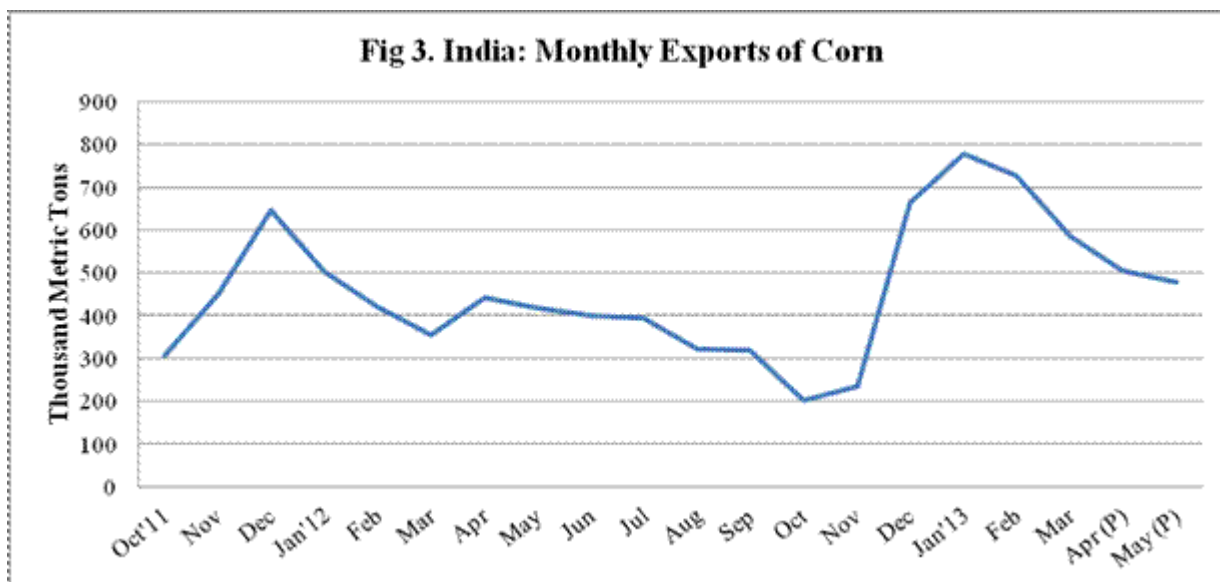
(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Corn India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Nov 2011		Market Year Begin: Nov 2012		Market Year Begin: Nov 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,800	8,800	8,930	8,930	8,900	8,900
Beginning Stocks	576	576	570	570	580	580
Production	21,760	21,760	21,500	21,500	21,500	21,500
MY Imports	3	3	10	10	10	10
TY Imports	3	3	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	22,339	22,339	22,080	22,080	22,090	22,090
MY Exports	4,569	4,569	4,000	4,800	3,000	3,500
TY Exports	4,674	4,674	4,000	4,800	3,000	3,500
Feed and Residual	8,800	8,800	9,100	8,500	9,800	9,400
FSI Consumption	8,400	8,400	8,400	8,200	8,600	8,500
Total Consumption	17,200	17,200	17,500	16,700	18,400	17,900
Ending Stocks	570	570	580	580	690	690
Total Distribution	22,339	22,339	22,080	22,080	22,090	22,090

### MY 2012/13 Exports Advance to a New Record

Relatively strong export demand and weak domestic demand fueled India's corn exports since December 2012. Consequently, MY 2012/13 corn exports are estimated higher at a record 4.8 MMT compared to last year's 4.6 MMT. MY 2013/14 exports are also forecast higher at 3.5 MMT on expected continued demand from the traditional Asian markets.





Source: Monthly exports till March 2013 refers to other cereals (mostly corn) from DGCIS, GOI; April and May 2013 figures are derived from corn shipping data compiled by Infodrive.

Preliminary official statistics for exports of other cereals (corn accounting for about 95 percent of total) for the period October 2012 to March 2013 and April-May shipping data compiled by private source show exports in the first eight months of MY 2012/13 at 4.1 MMT compared to 3.5 MMT during the same period last year. Most of the exports in the recent months have been to the traditional Asian markets of Indonesia, Vietnam, Malaysia, Taiwan and China.

Market sources report that the domestic corn prices in the major markets have gained in the last few weeks, and Indian corn is currently available for export at \$270-275 FOB level, which is not competitive in the traditional destinations compared to the corn available from other competing origins. Sources also report lack of availability of quality corn for exports due to the recent rains in eastern India. Corn exports are expected to slow down in the next four months of the marketing year assuming the current price parity of Indian corn vis-a-vis other origins remains unchanged. Consequently, MY 2013/14 corn exports are expected to reach a new record 4.8 MMT compared to the last year's record 4.6 MMT.

### **Consumption Lowered**

Post's MY 2012/13 consumption is estimated lower at 16.7 MMT compared to last year's 17.2 MMT due lower demand from the local poultry and starch industry. MY 2013/14 forecast is also revised lower to 17.9 MMT on relatively tight supplies.

The slowdown of the Indian economy since the beginning of 2013 has resulted in a recession in the poultry and starch industries, the two major users of corn. Faced with weak consumer demand and high feed costs, major poultry producers have been forced to cut production, including declaring weekly hatch holidays (no hatching operation every few weeks). The starch industry is also facing weak demand from the local textile industry.

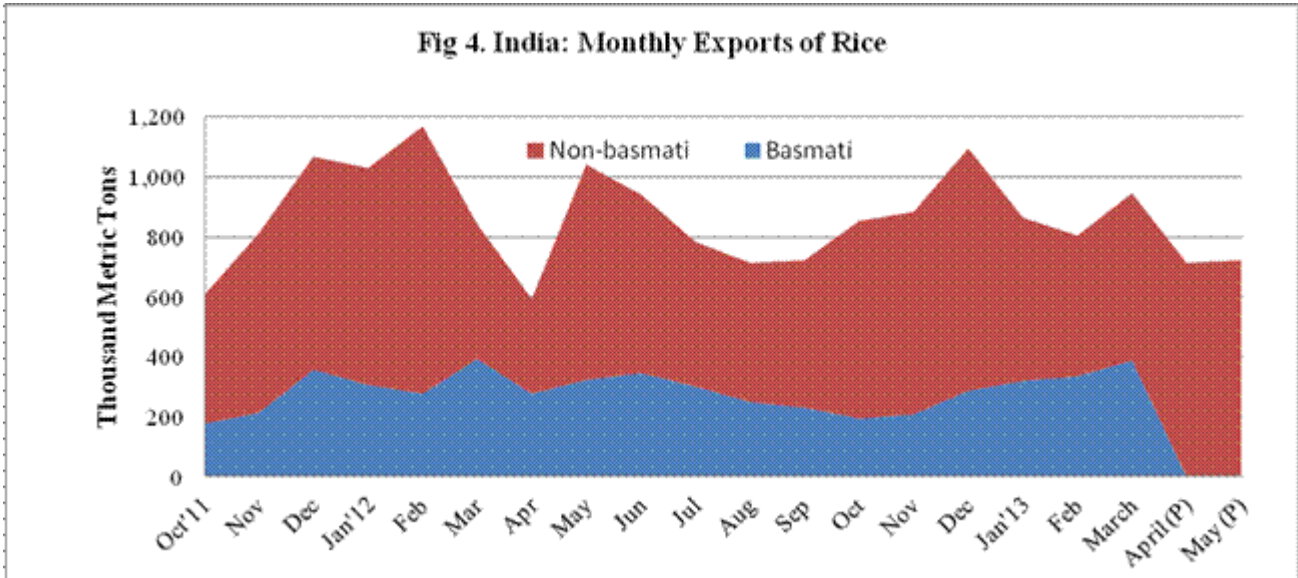
Reduced poultry production has led to higher poultry product prices and profit realization for the

producers. A forecast normal 2013 monsoon and consequent better agricultural production could help support rural demand and overall recovery in the economy. Consequently, corn consumption is forecast to recover in MY 2013/14 to 17.9 MMT, but would be lower than initially expected.

**RICE**

**Rice Exports Steady**

According to the preliminary official statistics for January-March 2013, and April and May shipping data compiled by a private source, rice exports in January-May 2013 are estimated at 4.05 MMT compared to 4.67 MMT during the corresponding period last year. Iran continues to remain the major buyer for Indian rice, mostly Basmati and long grain non-Basmati. With the forecast of a normal monsoon and consequent sufficient domestic rice production, government is unlikely to impose any export restrictions. At the current pace of monthly exports, CY 2013 exports are likely to reach 9.0 MMT.



Source: Monthly exports till March 2013 from DGCIS, GOI; April and May 2013 figures are derived from rice shipping data compiled by Infodrive, which does not a break-up for Basmati and non-Basmati.

So