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## India

### Grain and Feed

### Update

### 2009

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**Report Highlights:**

India's 2009 wheat planting is marginally ahead of last year with growing conditions generally favorable. A significant build-up in wheat stocks combined with likely large production and procurement in MY 2009/10 could prompt the government to remove the current export ban. Despite larger government procurement and higher stocks of rice, export restrictions are likely to continue. Indian basmati rice exports are restrained due to the Rs. 8,000 per ton export tax, which has been in place since April 29, 2008. Although the government lifted the export ban on corn in mid-October and provided some export subsidies, exports are slow as Indian corn prices remain uncompetitive in the world market.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Quarterly Report  
New Delhi [IN1]  
[IN]

### **Wheat planting marginally ahead of last year**

The peak wheat planting season is over with progressive plantings on January 8, 2009, at 27 million hectares compared to 26.6 million hectares at the same time last year. Most of the increase was in Uttar Pradesh and Bihar, whereas there has been a decline in planted area in Gujarat and Madhya Pradesh. Some additional late planting will occur in states such as Uttar Pradesh and Bihar, following the harvest of the sugarcane crop. Total wheat planted area this year is likely to match or marginally exceed last year's level of 28.15 million hectares.

Growing season weather has remained generally favorable. Although temperatures were somewhat higher than normal up to mid-December in most wheat growing regions, there has been a fall in temperatures in recent weeks, providing favorable growing conditions. However, winter rains, crucial for the non-irrigated wheat crop grown mostly in Madhya Pradesh, have been scanty which could have an adverse impact on wheat yields in this region.

### **Support price still up in the air**

Although the Commission on Agricultural Costs and Prices has reportedly recommended a support price of Rs. 10,800 (\$225) per ton for the 2009 wheat crop compared with the 2008 support price of Rs. 10,000 per ton, the government has not yet taken a final decision on the support level. Per media reports, while the Agriculture Ministry supports a higher support price, the Ministry of Finance and the Planning Commission are reportedly opposed to a significant hike in the support price because of the likely impact of such higher prices on domestic food inflation.

### **Wheat rust situation**

India has so far been free from Ug99, the dreaded wheat rust, although other types of rust (yellow, brown, and some black) commonly occur in the country. The Indian Council of Agricultural Research (ICAR), India's apex agricultural research agency, is continuously surveying and monitoring the wheat crop for the presence of various rusts, including Ug99. The ICAR, as a proactive measure, is screening newly released wheat varieties in the country as well as varieties in the pipeline against the Ug99 race of stem rust under epiphytotic conditions of disease in Kenya during the last two crop seasons and has identified some resistant Indian varieties, which include HD2781, DL782-2, H1-977, HS295, and HUW-234. However, most popular local varieties, such as PBW 343, are not resistant to Ug99. Other than these measures, the government is not taking any further precautionary measures to face the Ug99 threat. According to Dr. M.S. Swaminathan, world-renowned Indian agricultural scientist, more than three-fourths of the wheat planted in India is highly susceptible to this pathogen.

### **Stocks peak**

Following a record procurement of 22.7 million tons of wheat by government agencies in MY 2008/09 (Apr-Mar), as a result of a steep increase in the minimum support price of wheat and restrictions on private trade wheat purchases, government wheat stocks have swelled. On November 1, 2008, government stocks were close to 21 million tons compared with 9 million tons a year ago. Although the government is now making wheat available to flour millers and traders at cost plus prices through an open market sale program, the response has been lukewarm as government wheat prices are above market prices or the sales process is cumbersome. Thus, carry over wheat stocks with the government for MY 2009/10 are likely to swell to over 13 million tons, the highest since 2003, compared with 5.8 million tons in MY 2008/09. With another likely record or near record government wheat

procurement in MY 2009/10 due to possible muted private trade interest to wheat buying this year, stocks could climb to around 30 million tons by June 1. The highest June 1 stocks of 41.3 million tons were recorded in 2002.

### **Export restriction removal likely**

With a possible large build up in government wheat stocks in MY 2009/10, the government may be prompted to remove export restrictions on wheat and even make wheat available from government stocks for exports after the harvest in May. However, because of the high local support price for wheat, Indian wheat is unlikely to be competitive in the world market without an export subsidy. This year, the government had allocated two million tons of wheat for exports to needy countries at cost price, but there were no takers. During Afghanistan President Hamid Karzai's visit to New Delhi on January 12, the Indian government has offered 250,000 tons of wheat as gift to address the food crisis in Afghanistan. The shipments will be made as soon as the government of Afghanistan has worked out transportation arrangements. According to a press report, the Pakistan government has agreed to permit the transit of the wheat through Pakistan.

### **Rice procurement ahead of last year**

Rice procurement by the government this marketing year (Oct-Sep) on January 7, 2009, at 16.8 million tons, was two million tons more than procurement during the corresponding period of MY 2007/08. Procurement is ahead of last year in most states, except Haryana, reflecting higher production and a significant hike in the government support price for paddy. The GOI increased the support price for MY 2008/09 paddy (un-milled rice) by more than 20 percent to Rs. 9,000 per ton for Common varieties and Rs. 9,300 per to for Grade A varieties. Total MY 2008/09 rice procurement is likely to be an all time record of around 30 million tons. However, larger government rice procurement would result in lower availability and higher prices in the open market.

### **Export relaxation unlikely**

Despite larger government rice procurement and large carry over stocks this year, which on October 1, 2008, were 7.9 million tons compared with 5.5 million tons on October 1, 2007, the government is unlikely to relax export restrictions in the near future, because of concerns about food price inflation. India's exports of basmati rice are also suffering due to the prevailing Rs. 8,000 (\$167) per ton export tax, which has made Indian basmati rice less competitive vis-à-vis Pakistani origin, the major competitor. According to industry sources, major Indian basmati rice importing countries in the Middle East and Europe have placed significantly less orders for basmati rice this year. Based on preliminary official trade data, rice exports in CY 2008 through August were 2.8 million tons, which included 970,000 tons of basmati rice with the balance non-basmati rice. With likely lower basmati rice exports in coming months, and no non-basmati rice exports, CY 2008 rice exports are projected at around three million tons. Exports in CY 2009 will depend on if and when the government lifts the ban on rice exports. Assuming the export ban is lifted in the second half of 2009, post forecasts CY 2009 exports at 2.5 million tons.

### **Corn exports negligible**

Although the government lifted the export ban on corn in mid-October and provided an export subsidy in the form of a 5 percent duty credit scrip on the F.O.B value of exports under the Vishesh Krishi Upaj Yojana (Special Agricultural Product Scheme), there were few buyers of Indian corn, as Indian corn prices remain uncompetitive in the world market, mainly because of a higher support price of Rs. 8,400 per ton. Exports were mostly confined

to a few shipments to Malaysia, Sri Lanka, and Vietnam, totaling around 50,000 tons. Domestic corn prices are currently at around Rs. 7,900 (\$164) per ton in producing areas, somewhat below the support price, which works out at \$195 per ton F.O.B. Considering the un-competitiveness of Indian corn, Post revises India's corn exports in MY 2008/09 downward to 250,000 tons.

Table 1: Commodity, Rice, Milled, PSD

Rice, Milled India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	44,000	44,000	44,000	44,000	44,000	44,000	44,500	44,500	44,500
Beginning Stocks	10,520	10,520	10,520	11,430	11,430	11,430	13,000	13,000	13,000
Milled Production	93,350	93,350	93,350	96,430	96,430	96,430	97,500	97,500	97,500
Rough Production	140,039	140,039	140,039	144,659	144,659	144,659	146,265	146,265	146,265
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	103,870	103,870	103,870	107,860	107,860	107,860	110,500	110,500	110,500
MY Exports	5,500	5,500	5,500	4,100	4,100	4,500	2,500	2,000	2,000
TY Exports	6,301	6,000	6,301	2,950	2,800	3,000	2,300	2,000	2,500
Total Consumption	86,940	86,940	86,940	90,760	90,760	90,360	93,500	93,000	93,000
Ending Stocks	11,430	11,430	11,430	13,000	13,000	13,000	14,500	15,500	15,500
Total Distribution	103,870	103,870	103,870	107,860	107,860	107,860	110,500	110,500	110,500
Yield (Rough)	3.	3.	3.1827	3.	3.	3.2877	3.	3.	3.2869

Table 2: Commodity, Wheat, PSD

Wheat India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Apr 2006			Market Year Begin: Apr 2007			Market Year Begin: Apr 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	26,400	26,400	26,400	28,000	28,200	28,200	28,000	28,000	28,150
Beginning Stocks	2,000	2,000	2,000	4,500	4,500	4,500	6,410	5,800	5,800
Production	69,350	69,350	69,350	75,810	75,810	75,810	78,400	78,400	78,400
MY Imports	6,715	6,080	6,080	1,881	2,000	2,000	0	0	0
TY Imports	6,708	6,200	6,200	1,881	1,800	1,800	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	78,065	77,430	77,430	82,191	82,310	82,310	84,810	84,200	84,200
MY Exports	200	200	200	50	50	50	50	50	200
TY Exports	200	200	200	50	50	50	50	50	300
Feed Consumption	300	300	300	200	200	200	100	100	100
FSI Consumption	73,065	72,430	72,430	75,531	76,260	76,260	77,500	74,050	70,900
Total Consumption	73,365	72,730	72,730	75,731	76,460	76,460	77,600	74,150	71,000
Ending Stocks	4,500	4,500	4,500	6,410	5,800	5,800	7,160	10,000	13,000
Total Distribution	78,065	77,430	77,430	82,191	82,310	82,310	84,810	84,200	84,200
Yield	3.	3.	2.6269	3.	3.	2.6883	3.	3.	2.7851

Table 3: Commodity, Corn, PSD

Corn India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Nov 2006			Market Year Begin: Nov 2007			Market Year Begin: Nov 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jun
			Data			Data			Data
Area Harvested	7,800	7,800	7,800	8,300	8,300	8,300	8,300	8,300	8,400
Beginning Stocks	264	264	264	260	260	244	475	500	800
Production	15,100	15,100	15,100	19,310	19,310	18,540	18,000	17,500	17,500
MY Imports	4	0	0	5	0	0	0	0	0
TY Imports	4	0	0	5	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	15,368	15,364	15,364	19,575	19,570	18,784	18,475	18,000	18,300
MY Exports	1,208	1,100	400	2,200	2,200	3,000	250	1,000	250
TY Exports	582	400	450	2,800	2,800	3,000	250	1,000	250
Feed Consumption	6,400	6,420	6,420	6,700	6,700	6,500	6,700	6,500	6,500
FSI Consumption	7,500	7,584	8,300	10,200	10,170	8,484	10,500	10,100	10,550
Total Consumption	13,900	14,004	14,720	16,900	16,870	14,984	17,200	16,600	17,050
Ending Stocks	260	260	244	475	500	800	1,025	400	1,000
Total Distribution	15,368	15,364	15,364	19,575	19,570	18,784	18,475	18,000	18,300
Yield	2.	2.	1.9359	2.	2.	2.2337	2.	2.	2.0833