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# India

# Grain and Feed

# August Update

# 2004

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**Report Highlights:**
MY 2004/05 rice production is revised down to 80 million tons due to drought or floods in several major rice growing areas. Coarse grain production, particularly millet, is also likely to decline sharply. Lower grain stocks and drought concerns will likely discourage the government from providing grain export subsidies.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
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## SECTION I – SITUATION AND OUTLOOK

## RICE

### Poor Monsoon Likely to Impact Rice Production

MY 2004/05 (Oct-Sep) rice production is revised down to 80 million tons from Post's earlier forecast of 90 million tons in light of the poor monsoon performance in the major growing areas of north and central India and the floods in east and northeast India (see GAIN report IN4075). If rains continue to evade the drought-affected regions in coming weeks, production could decline even more, as was the case in 2002, when production plummeted to 72.7 million tons. The government recently revised the 2003/04 rice production downward to 86.4 million tons from its previous estimate of 88 million tons, which is reflected in the PS&D table.

Although the monsoon arrived two weeks ahead of its normal schedule, its progress was slow and its coverage patchy. Rains since June 23 have been significantly below normal in the major rice growing regions of West Uttar Pradesh, Punjab, Haryana, East Madhya Pradesh, Konkan and Goa, Madhya Maharashtra, Coastal Karnataka, and Kerala. Rainfall distribution has also been erratic in the major rice growing states of Chattisgarh and Andhra Pradesh, although there was an improvement in recent weeks.

Heavy July rains caused severe floods in Assam and Bihar, two other major rice-growing states. The drought- and flood-affected regions together account for about 50 percent of the *kharif* (fall harvested) rice planted area and production. Although rice is mostly irrigated in the major surplus states of Punjab, Haryana, and West Uttar Pradesh, increased transpiration due to above-normal temperatures and reduced irrigation availability could stunt growth and reduce yields.

### Stocks Down Despite Record Government Procurement

Government-held rice stocks on July 1 are officially placed at 10.8 million tons, compared with 11.0 million tons a year ago, and are close to the government's desired minimum buffer stock level of 10 million tons. This is despite the fact that government rice procurement during the MY 2003/04 marketing year was a record 22.4 million tons. Larger offtake for domestic distribution and exports resulted in the reduction in stocks, which are likely to further decline to below the government's desired buffer stock level as of October 1 of 6.5 million tons. Procurement during MY 2003/04 was largely from Punjab (8.7 mmt), Andhra Pradesh (4.1 mmt), Uttar Pradesh (2.6 mmt), Chattisgarh (2.3 mmt), Haryana (1.3 mmt), Orissa (1.2 mmt), and West Bengal (0.9 mmt). The expected decline in rice production in major surplus states is likely to result in lower rice procurement by the government in MY 2004/05.

### Exports Down but Not Out

Post continues to estimate CY 2004 rice exports at 2.5 million tons. The ban on government allocation of subsidized rice for exports, in place since August 2003, continues, and is unlikely to be lifted in the near future because of lower government stocks and concerns about the drought and its impact on production and procurement. However, there has been an increase in private rice exports since March 2004 in response to high international prices. Shipment data show that exports from January through July 2004 have totaled around 1.3 million tons, mostly to Saudi Arabia, Nigeria, South Africa, and other African countries. An estimated 400,000 tons of rice have moved to Bangladesh by sea, road, and rail during this period, taking total Jan-Jul 2004 exports to 1.7 million tons. Despite a likely decline in production in MY 2004/05, CY 2005 exports are forecast at 2.5 million tons due to possible larger road and rail exports to Bangladesh, which was recently ravaged by severe floods that resulted in significant crop losses.

## WHEAT

### Procurement Down

Government wheat procurement in MY 2004/05 (Apr-Mar) through July 2004 totaled 16.8 million tons, significantly below the government's earlier expectations, reflecting lower production, which is currently estimated by the government at 72.7 million tons. Wheat procurement was mostly from the three surplus states of Punjab (9.2 mmt), Haryana (5.1 mmt), and Uttar Pradesh (1.7 mmt).

### Drought Impact on Wheat Production

Although it is too early to forecast the 2005 wheat production, whose planting does not begin until the fall, the prevailing severe drought conditions in the wheat belt are not conducive for normal planting. Although the wheat crop is mostly irrigated, poor rains will deplete soil moisture and reduce irrigation availability from dams and wells. Under a similar monsoon pattern in 2002, wheat production plummeted to a seven-year low of 65 million tons in 2003.

### Exports Continue

Although the government discontinued providing fresh allocations of subsidized wheat for exports in August 2003, exports continue, albeit at lower levels, mostly due to spill over from earlier contracts. According to trade sources, some quantities of highly subsidized wheat meant for the domestic public distribution system are leaking into export channels. Hoping to get an export subsidy from the government, private exporters had procured around 500,000 tons of wheat, which reportedly is now sitting near ports. Some of this wheat might get exported even without a government subsidy to countries in the Middle East and to neighboring countries like Sri Lanka, mainly because of freight advantage.

Although the government has repeatedly said that a grain export policy is in the making, and that it will likely involve limited export subsidies, nothing has been announced yet. In view of the growing drought concerns, which would necessitate large quantities of wheat for relief operations, it is unlikely that the government will encourage wheat exports, at least in the near future. However, some wheat exports to Bangladesh by road and rail might continue.

## COARSE GRAINS & PULSES

Poor rainfall in several major coarse grain growing states is likely to result in a significant decline in coarse grain production. The drought impact is likely to be more profound on millet, grown under non-irrigated conditions in the worst drought-affected states of Rajasthan and Haryana. There is likely to be some decline in the production of sorghum and corn as well. The decline in coarse grain production is likely to result in increased demand for wheat, which will be required for drought relief operations in affected states.

At this stage the impact of the drought on *kharif* pulse production (which typically accounts for about 38 percent of the total pulse production) is unclear. In case the rice and coarse grain crops fail, farmers might switch to short duration pulse crops, offsetting some of the earlier losses. However, if the rain completely fails in north, west, and central India, the *rabi* (winter season) pulse production, which includes mostly chickpeas, lentils, and peas, will be in jeopardy, necessitating larger imports in MY 2004/05.

## SECTION II - STATISTICAL TABLES

### Table 1: Commodity, Rice, PSD

| PSD Table | | | | | | | |
|---|---|---|---|---|---|---|---|
| Country: | India | | | | | | |
| Commodity: | Rice, Milled | | | | | | |
| | | 2002 | | 2003 | | 2004 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | Oct-02 | | Oct-03 | | Oct-04 | (MONTH/YEAR) |
| Area Harvested | 40,000 | 40,400 | 44,000 | 44,000 | 44,500 | 42,500 | (1000 Hectares) |
| Beginning Stocks | 24,480 | 24,480 | 11,000 | 11,000 | 10,900 | 10,900 | (1000 MT) |
| Milled Production | 72,700 | 72,700 | 86,400 | 86,400 | 90,000 | 80,000 | (1000 MT) |
| Rough Production | 109,061 | 109,061 | 129,613 | 129,613 | 135,014 | 120,012 | (1000 MT) |
| Milling Rate(.9999) | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 | (1000 MT) |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| **TOTAL SUPPLY** | 97,180 | **97,180** | 97,400 | **97,400** | 100,900 | **90,900** | (1000 MT) |
| TOTAL Exports | 5,440 | 5,440 | 2,750 | 2,750 | 2,750 | 2,750 | (1000 MT) |
| Jan-Dec Exports | 4,421 | 4,421 | 2,500 | 2,500 | 2,500 | 2,500 | (1000 MT) |
| TOTAL Dom. Consumption | 80,740 | 80,740 | 83,750 | 83,750 | 86,500 | 80,000 | (1000 MT) |
| Ending Stocks | 11,000 | 11,000 | 10,900 | 10,900 | 11,650 | 8,150 | (1000 MT) |
| **TOTAL DISTRIBUTION** | 97,180 | **97,180** | 97,400 | **97,400** | 100,900 | **90,900** | (1000 MT) |

**Table 2: Commodity, Wheat, PSD**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **PSD Table** | | | | | | | |
| **Country:** | **India** | | | | | | |
| **Commodity:** | **Wheat** | | | | | | |
| | | **2002** | | **2003** | | **2004** | UOM |
| | Old | New | Old | New | Old | New | |
| **Market Year Begin** | | **Apr-02** | | **Apr-03** | | **Apr-04** | (MONTH/YEAR) |
| Area Harvested | 25,900 | 25,900 | 25,900 | 25,900 | 27,300 | 27,300 | (1000 Hectares) |
| Beginning Stocks | 23,000 | 23,000 | 15,700 | 15,700 | 6,900 | 6,900 | (1000 MT) |
| Production | 71,810 | 71,810 | 65,100 | 65,100 | 72,000 | 72,700 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 34 | 34 | 20 | 20 | 20 | 20 | (1000 MT) |
| Jul-Jun Imports | 19 | 19 | 20 | 20 | 20 | 20 | (1000 MT) |
| Jul-Jun Import U.S. | 10 | 10 | 0 | 0 | 0 | 0 | (1000 MT) |
| **TOTAL SUPPLY** | 94,844 | **94,844** | 80,820 | **80,820** | 78,920 | **79,620** | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 5,300 | 5,300 | 5,500 | 6,700 | 1,500 | 1,500 | (1000 MT) |
| Jul-Jun Exports | 6,100 | 6,100 | 5,000 | 5,800 | 1,000 | 1,000 | (1000 MT) |
| Feed Dom. Consumption | 600 | 600 | 600 | 600 | 500 | 500 | (1000 MT) |
| TOTAL Dom. Consumption | 73,844 | 73,844 | 68,420 | 67,220 | 69,920 | 72,620 | (1000 MT) |
| Ending Stocks | 15,700 | 15,700 | 6,900 | 6,900 | 7,500 | 5,500 | (1000 MT) |
| **TOTAL DISTRIBUTION** | 94,844 | **94,844** | 80,820 | **80,820** | 78,920 | **79,620** | (1000 MT) |

**Table 3. Government Procurement, Stocks, and Offtake of Rice (a year ago)**
**(Million metric tons)**

| | Stocks | Procurement Cumulative | Imports | Offtake * |
|---|---|---|---|---|
| **Jul 1, 2003** | 11.0 (21.9) | | | 2.9 (2.1) |
| **Aug 1** | 8.1 (20.1) | | | 1.0 (2.5) |
| **Sep 1** | 7.1 (17.5) | 16.4 (21.3) **1/** | | 1.9 (1.9) |
| **Oct 1** | 5.2 (15.8) | | | 1.9 (2.0) |
| **Nov 1** | 5.7 (20.5) | | | 1.5 (1.6) |
| **Dec 1** | 10.9 (20.3) | | | 1.5 (1.8) |
| **Jan 1, 2004** | 11.7 (19.4) | | | 1.9 (1.8) |
| **Feb 1** | 12.4 (18.8) | | | 1.6 (1.6) |
| **Mar 1** | 13.6 (26.0) | | | 2.0 (2.4) |
| **Apr 1** | 13.1 (17.2) | | | 1.4 (1.6) |
| **May 1** | 12.7 (15.3) | | | 1.6 (2.4) |
| **Jun 1** | 12.3(13.2) | | | 1.5 (2.4) |
| **Jul 1** | 10.8 (11.0) | 22.4 (16.4) **2/** | | |

**1/** Cumulative procurement: October 1, 2002 to September 30, 2003
**2/** Cumulative procurement: October 1, 2003 to July 26, 2004

**Table 4: Government Procurement, Stocks, and Offtake of Wheat (a year ago)**
**(Million metric tons)**

| | Stocks | Procurement Cumulative | Imports | Offtake * |
|---|---|---|---|---|
| **Jun 1, 2003** | 26.6 (41.3) | | | 2.3 (1.6) |
| **Jul 1** | 24.2 (41.1) | | | 2.3 (1.5) |
| **Aug 1** | 22.4 (39.7) | | | 1.7 (2.4) |
| **Sep 1** | 20.7 (37.9) | | | 2.3 (2.2) |
| **Oct 1** | 18.4 (35.6) | | | 2.0 (2.3) |
| **Nov 1** | 16.4 (33.1) | | | 1.8 (1.7) |
| **Dec 1** | 14.6 (31.3) | | | 1.9 (2.4) |
| **Jan 1, 2004** | 12.7 (28.8) | | | 1.8 (2.4) |
| **Feb 1** | 11.0 (21.3) | | | 1.7 (2.7) |
| **Mar 1** | 8.6 (18.6) | 15.8 (19.0) **1/** | | 1.9 (2.9) |
| **Apr 1** | 6.9 (18.6) | | | 1.3 (1.6) |
| **May 1** | 19.0 (26.0) | | | 1.1 (1.9) |
| **Jun 1** | 19.4 (26.6) | | | |
| **Jul 1** | 19.2 (24.2) | 16.8 (15.8) **2/** | | |

* Includes exports
**1/** Cumulative procurement: April 1, 2003 to March 31, 2004
**2/** Cumulative procurement: April 1, 2004 to July 26, 2004