USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 7/31/2007

GAIN Report Number: IN7067

India

Grain and Feed

Quarterly Lock-up Report: August 2007

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Report Highlights:
The GOI recently revised its 2007 wheat production estimate upward to 74.9 million tons. Despite higher production, procurement, and carry-in stocks, the GOI has announced its intention to import five million tons of wheat in MY 2007/08 (Apr-Mar) to rebuild official stocks. However, higher international prices might keep actual imports lower. Post continues to forecast imports at 3.0 million tons. Rice growing conditions have been generally favorable although below normal rains in recent weeks are a matter of concern. Indian white rice export prices in dollar terms have strengthened in recent months making exports less competitive.

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

Table 1: Commodity, Wheat, PSD

PSD Table										
Country	**India**									
Commodity	**Wheat**						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2005	04/2005		04/2006	04/2006		04/2007	04/2007	MM/YYYY
Area Harvested	26500	26500	26500	26400	26400	26400	27600	27600	28000	(1000 HA)
Beginning Stocks	4100	4100	4100	2000	2000	2000	3500	5000	3500	(1000 MT)
Production	68640	68640	68640	69350	69350	69350	73700	73700	74890	(1000 MT)
MY Imports	32	32	32	6700	6300	6700	3000	3000	3000	(1000 MT)
TY Imports	118	118	118	6700	6300	6700	3000	3000	3000	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**72772**	**72772**	**72772**	**78050**	**77650**	**78050**	**80200**	**81700**	**81390**	(1000 MT)
MY Exports	801	801	801	200	200	200	50	50	50	(1000 MT)
TY Exports	369	369	369	200	200	200	50	50	50	(1000 MT)
Feed Consumption	300	300	300	300	300	300	200	200	200	(1000 MT)
FSI Consumption	69671	69671	69671	74050	72150	74050	75450	75450	75640	(1000 MT)
Total Consumption	69971	69971	69971	74350	72450	74350	75650	75650	75840	(1000 MT)
Ending Stocks	2000	2000	2000	3500	5000	3500	4500	6000	5500	(1000 MT)
Total Distribution	**72772**	**72772**	**72772**	**78050**	**77650**	**78050**	**80200**	**81700**	**81390**	(1000 MT)
Yield	2.590189	2.590189	2.590189	2.626894	2.626894	2.626894	2.67029	2.67029	2.674643	(MT/HA)

WHEAT

Production, Procurement, and Stocks Up …

The GOI recently revised the official 2007 wheat production estimate upward to 74.9 million tons from the earlier 73.7 million tons, based on the latest revised estimates from various state governments. The revised estimate, although 5.5 million tons above the 2006 estimate, is still below the record 2000 production of 76.4 million tons. The PS&D table is revised to reflect the latest official estimate.

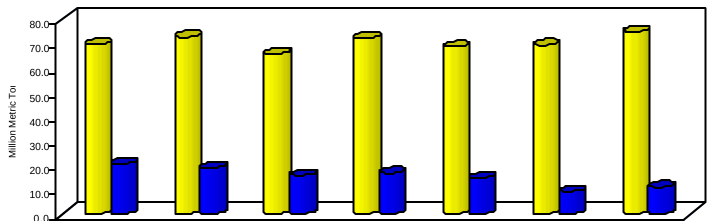
Domestic wheat procurement by the government, at the increased minimum support price of Rs. 8,500 ($210) per ton, totaled around 11.1 million tons compared with 9.2 million tons procured in MY 2006/07 (Apr-Mar) (Table 2). Procurement this marketing year, although 1.9 million tons higher than last year, falls short of the government's initial expectation of procuring 15 million tons and thereby avoiding imports. Furthermore, the current level of procurement was achieved only through measures such as informal restrictions on private trade wheat purchases, monitoring of privately held wheat stocks, and banning of futures trading in wheat. Although such measures helped to augment government purchases to some extent, they also reduced wheat availability in the free market causing a premature strengthening of wheat prices this year. Continued lower allocations of wheat through the government's public distribution system (PDS) further aggravated the price situation. The government's recent decision to import around 500,000 tons of wheat at high prices also added to bullish prices. The indicative Delhi wholesale price of milling wheat has already climbed to a seasonal record of Rs. 10,300 ($254) per ton compared with Rs. 8,650 a year ago. In non-wheat growing southern India, wheat prices are running at over Rs. 12,000 ($296) per ton.

Table 2. Wheat Procurement by State (Thousand tons)

State	MY 2006/07	Progressive Procurement as on July 20	
		MY 2006/07	MY 2007/08
Punjab	6,946	6,946	6,757
Haryana	2,229	2,229	3,346
Uttar Pradesh	49	47	529
Rajasthan	2	2	383
Madhya Pradesh	0	0	57
Other	0	0	10
Total	**9,225**	**9,223**	**11,082**

Chart 1 shows the trend in wheat procurement vs. production over the past several years.

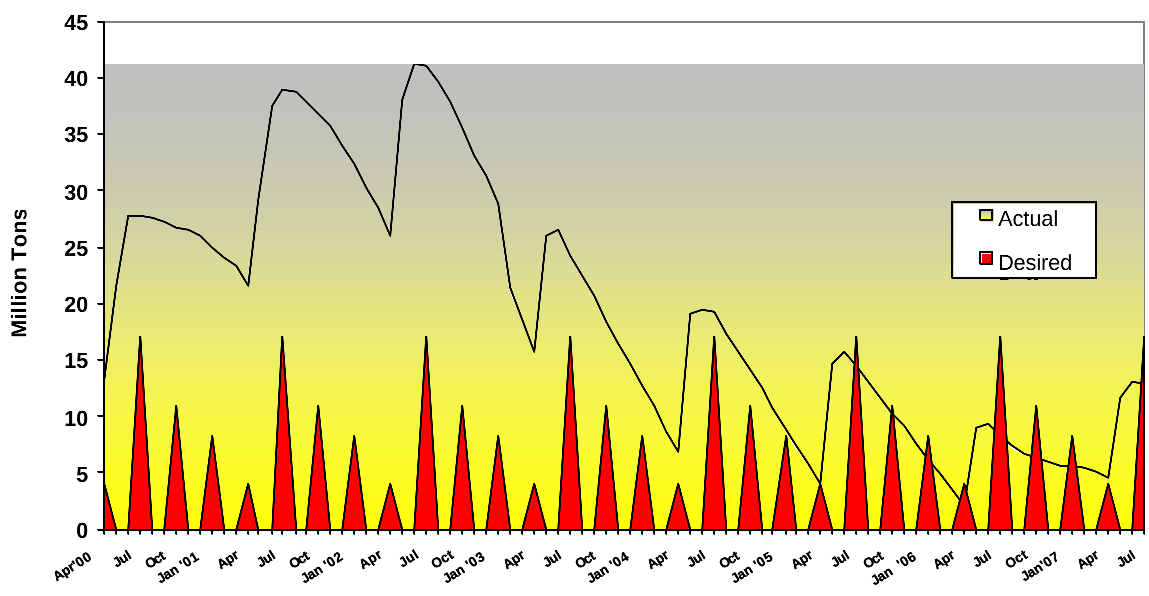
Chart 1: India: Wheat Production Vs. Procurement



	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08 (P)
Production	69.7	72.8	65.8	72.2	68.6	69.4	74.9
Procurement	20.6	19.0	15.8	16.8	14.8	9.2	11.1

Government wheat stocks on April 1, 2007, were 4.6 million tons, marginally above the desired minimum buffer stock level of 4 million tons, compared with around 2 million tons a year ago. Higher stocks were achieved as a result of imports of 5.5 million tons combined with a drastic reduction in the distribution of wheat through the PDS, which in MY 2006/07 was only 11.7 million tons, compared with 17.2 million tons in MY 2005/06. Government wheat stocks on July 1, 2007, are officially placed at 12.9 million tons, compared with 8.2 million tons on July 1, 2006, but 4.2 million tons below the desired July 1 buffer stock level of 17.1 million tons (Chart 2).

Chart 2. India: Wheat Stocks - Actual Vs. Desired Buffer



...but Imports to Continue

Despite a higher production, larger carry over stocks, and higher domestic procurement of wheat this year, the Agriculture Minister stated that the government would continue to import wheat on a regular basis even at higher prices to build strategic stocks. According to official sources, these stocks would be over and above the stipulated buffer stock level, which ranges from 4 million on April 1 to 17.1 million tons on July 1, and would be used for market intervention operations to check a domestic price rise. Although the government had plans to import 5 million tons of wheat this year, considering the higher cost of imported wheat and the improved domestic supply situation, imports are likely to be lower at around 3 million tons. The improved monsoon situation this year also should assuage import needs. However, if world prices decline significantly in coming months, the government could step up imports to build stocks. Actual imports contracted so far this year are only 511,000 tons at an average price of around $326 per ton, against the June 26, 2007, STC tender for one million tons.

Stagnant domestic production and increasing consumption seem to have eroded India's self-sufficiency in wheat. Unless a dramatic increase in wheat yield takes place, wheat imports are here to stay. Additionally, the era of large government wheat procurement, which enabled the government to meet its commitment of supplying foodgrains at subsidized prices to poorer sections of the society, and in some years export wheat at subsidized rates, seems to have ended (see Chart 1). This year's experience shows that even if the government offers a highly remunerative support price to farmers, it may not be able to garner enough wheat to meet its PDS obligations.

Table 3: Commodity, Rice, Milled, PSD

PSD Table										
Country	**India**									
Commodity	**Rice, Milled**						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	43400	43400	43400	44000	44000	44000	44000	0	44000	(1000 HA)
Beginning Stocks	8500	8500	8500	10520	10520	10520	9720	9500	10500	(1000 MT)
Milled Production	91790	91790	91790	91050	91000	92760	91500	91000	92000	(1000 MT)
Rough Production	137699	137699	137699	136589	136514	139154	137264	136514	138014	(1000 MT)
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666	6666	6666	6666	(1000 MT)
MY Imports	6	0	6	0	0	0	0	0	0	(1000 MT)
TY Imports	6	0	6	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**100296**	**100290**	**100296**	**101570**	**101520**	**103280**	**101220**	**100500**	**102500**	(1000 MT)
MY Exports	4688	4200	4688	4300	4500	4300	4100	4000	4100	(1000 MT)
TY Exports	4537	4700	4537	4300	4500	4300	4100	4000	4100	(1000 MT)
Total Consumption	85088	85570	85088	87550	87520	88480	89120	88000	89400	(1000 MT)
Ending Stocks	10520	10520	10520	9720	9500	10500	8000	8500	9000	(1000 MT)
Total Distribution	**100296**	**100290**	**100296**	**101570**	**101520**	**103280**	**101220**	**100500**	**102500**	(1000 MT)
Yield (Rough)	3.172788	3.172788	3.172788	3.104295	3.102591	3.162591	3.119636	0	3.136682	(MT/HA)

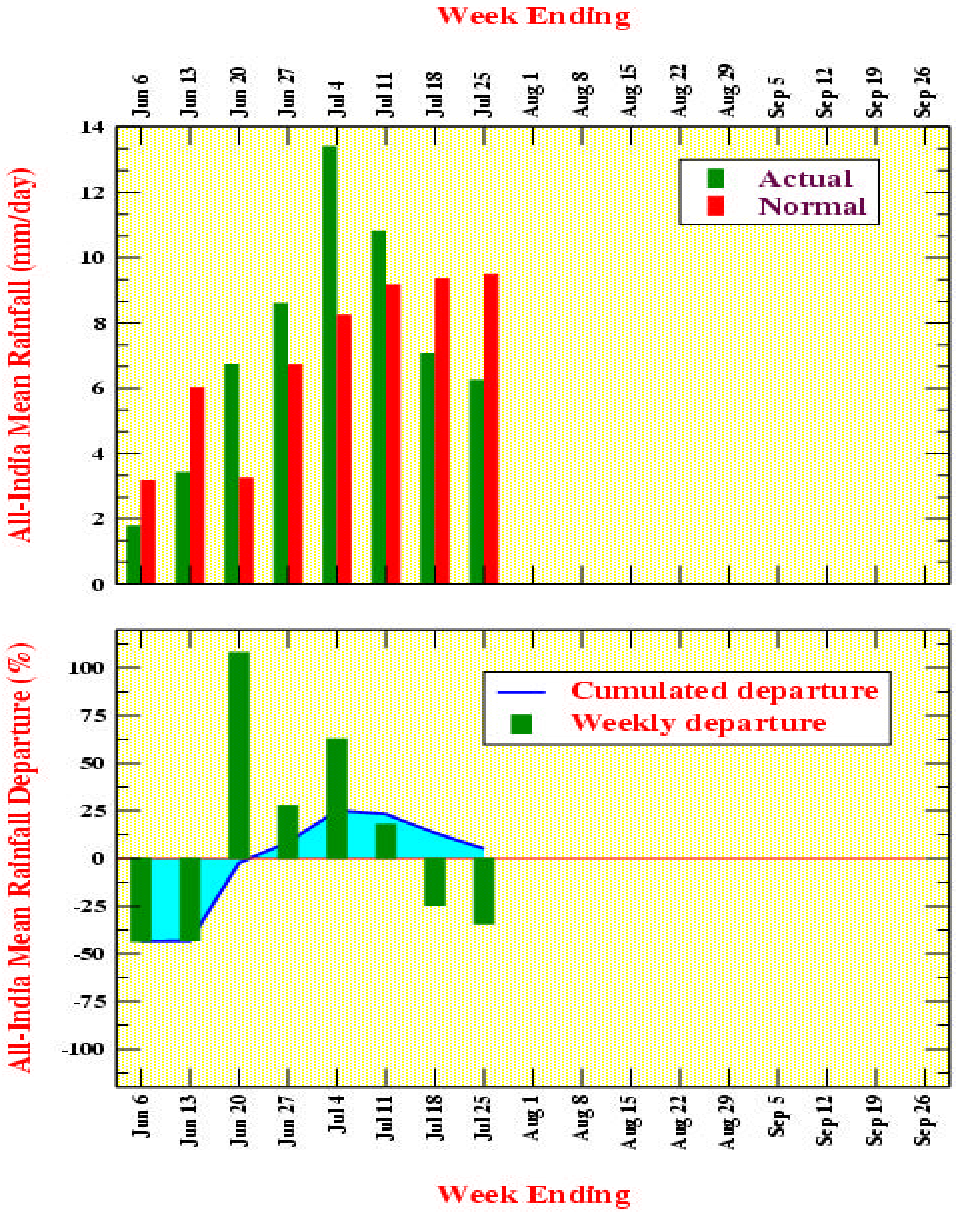
RICE

Initial growing Conditions Favorable

The southwest monsoon arrived at the southern tip of India on May 28, 2007, a little ahead of the normal date, and has subsequently advanced to cover most of India through the end of June, somewhat earlier than the normal onset. After a poor start, the monsoon gained momentum from the week ending June 20. Most rice growing regions, with the exception of West and East Uttar Pradesh, Bihar, East Madhya Pradesh, and Assam have received normal or above normal cumulative rainfall up to July 18. Excessive rains during the week of July 4 caused floods in several states such as Gujarat, Rajasthan, and Maharashtra, which, however, are not major rice growing states. However, from the week ending July 18, there has been a lull in the monsoon activity (Chart 3.), which if continued could adversely affect rice production in non-irrigated regions. The government's progressive planting data shows normal planting through mid-July.

The GOI recently revised the MY 2006/07 rice production estimate upward to 92.8 million tons from the previous estimate of 91 million tons. The PS&D table is revised to reflect the new estimate.

Chart 3. Monsoon Performance up to July 25



Source: Monsoon Online
(www.tropmet.res.in/~kolli/MOL/Monsoon/year2007/weekly_ai_2007.html)

MY 2006/07 Procurement Lagging

Rice procurement by the government in MY 2006/07 (Oct-Sep) up to July 20, 2007, at 24.7 million tons is 1.5 million tons below procurement during the corresponding period in MY 2005/06. Total MY 2006/07 rice procurement is likely to be around 26 million tons compared with 27.7 million tons last year. Most of the decline this year is in the northern states of Punjab, Uttar Pradesh, and Haryana. Procurement from Andhra Pradesh is almost one million tons higher at 5.6 million tons (Table 4).

Table 4. Rice Procurement by State (Thousand tons)

State	MY 2005/06	Progressive Procurement as on July 20	
		MY 2005/06	MY 2006/07
Punjab	8,855	8,844	7,824
Andhra Pradesh	4,972	4,591	5,567
Chattisgarh	3,265	3,138	2,784
Haryana	2,054	2,040	1,773
Uttar Pradesh	3,151	2,562	2,101
Orissa	1,785	1,611	1,936
West Bengal	1,275	1,264	608
Tamil Nadu	926	833	1,074
Other	1,373	1,276	1,032
Total	**27,656**	**26,159**	**24,699**

Stocks build up moderate

Despite consecutive record rice procurements by the government, there was no significant build up in government rice stocks, which on July 1, 2007, were around 11 million tons, unchanged from the level the previous year, and only marginally higher than July 1, 2005, stocks of 10 million tons. Stocks on October 1, 2007, the beginning of MY 2007/08, are projected at around 6 million tons. The GOI's desired minimum buffer stock level for July 1 and October are 9.8 million tons and 5.2 million tons, respectively. Larger distribution of rice through the PDS (25 million tons in IFY 2005/06 and 2006/07), apparently to offset the reduction in wheat distribution, prevented the stocks build up.

Exports waning

After heavy shipments during the first five months of CY 2007, the strengthening of Indian rupee against U.S. dollar has started catching up with India's rice exports. Reflecting the strong rupee, export prices in dollar terms strengthened to around $295 per ton for 25% broken. Most of the non-basmati exports are now moving through the port of Kakinada in Andhra Pradesh. Preliminary official data shows rice exports during January through March at around 1.4 million tons. Trade sources report exports at around 350,000 tons per month during February through May but a significant decline in exports in June. Exports are likely to remain week in the coming months until the new crop harvest starts in October.

Russia has reportedly lifted the ban on Indian rice and has started issuing quarantine import certificates from July 20, 2007, following official intervention. On June 5, 2007, Russia imposed a total ban on rice imports from India after it found pesticides and other impurities in several consignments. Russia is relatively a small market for Indian rice, importing around 40,000 tons in IFY 2005/06.

COARSE GRAINS

Production

The GOI recently revised the MY 2006/07 production estimate of various coarse grains. The revised production data along with the previous estimates in parentheses in million tons are: Corn – 14.98 (13.85); sorghum - 7.4 (7.63); millet – 10.56 (10.1); barley (MY 2007/08) – 1.31 (1.34). The PS&D tables are revised to reflect the revision.

MY 2007/08 coarse grain plantings are in full swing. While planting of millet is ahead of last year's level, corn and sorghum plantings are affected by heavy rains in some major growing states.

Bird Flu Could Affect Feed Use

On July 25, 2007, the Department of Animal Husbandry, Dairying and Fisheries issued a notification of the outbreak of Highly Pathogenic Avian Influenza (HPAI) in the village Chingmeirong in the east Imphal district of Manipur. The outbreak is reported to be localized and limited to only one unit in the state. On July 26, 2007, the GOI confirmed that the bird flu strain identified from the dead poultry samples had tested positive for H5N1 strain. The HPAI, if not contained, could impact the feed use of corn, and other feed ingredients.

Corn Use by the Starch Industry Poised to Increase

Following the rising demand from the paper, pharmacy, food, and textile industries, the starch industry in India is on an expansion path. Currently corn consumption by the starch industry is around 1.2 million tons a year. According to industry sources, the demand for starch is increasing at around 20 percent per year, which would result in corn use to increase to around 1.7 million tons after two years. Many of the large starch manufacturers are adding additional processing capacities to their existing units. Corn is not used in ethanol production in India.

Table 5: Commodity, Corn, PSD

PSD Table										
Country	India									
Commodity	Corn						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYYY
Area Harvested	7600	7600	7600	8300	8300	8300	8500	8500	8500	(1000 HA)
Beginning Stocks	271	311	271	264	325	264	214	200	214	(1000 MT)
Production	14710	14710	14710	13850	13850	14980	15500	15500	15500	(1000 MT)
MY Imports	4	4	4	0	0	0	0	0	0	(1000 MT)
TY Imports	4	4	4	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	2	2	2	0	0	0	0	0	0	(1000 MT)
Total Supply	**14985**	**15025**	**14985**	**14114**	**14175**	**15244**	**15714**	**15700**	**15714**	(1000 MT)
MY Exports	521	500	521	200	200	200	250	250	250	(1000 MT)
TY Exports	497	497	497	200	200	200	250	250	250	(1000 MT)
Feed Consumption	6000	6000	6000	6500	6500	6500	7000	7000	7000	(1000 MT)
FSI Consumption	8200	8200	8200	7200	7275	8330	8100	8050	8000	(1000 MT)
Total Consumption	14200	14200	14200	13700	13775	14830	15100	15050	15000	(1000 MT)
Ending Stocks	264	325	264	214	200	214	364	400	464	(1000 MT)
Total Distribution	**14985**	**15025**	**14985**	**14114**	**14175**	**15244**	**15714**	**15700**	**15714**	(1000 MT)
Yield	1.935526	1.935526	1.935526	1.668675	1.668675	1.804819	1.823529	1.823529	1.823529	(MT/HA)

Table 6: Commodity, Sorghum, PSD

PSD Table										
Country	**India**									
Commodity	**Sorghum**						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYYY
Area Harvested	9000	9000	9000	9100	9100	9100	9000	9000	9000	(1000 HA)
Beginning Stocks	80	80	80	145	145	145	220	220	220	(1000 MT)
Production	7630	7630	7630	7630	7720	7400	7600	7600	7600	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**7710**	**7710**	**7710**	**7775**	**7865**	**7545**	**7820**	**7820**	**7820**	(1000 MT)
MY Exports	25	25	25	25	25	25	25	25	25	(1000 MT)
TY Exports	4	25	4	25	25	25	25	25	25	(1000 MT)
Feed Consumption	1100	1100	1100	1200	1200	1200	1200	1500	1200	(1000 MT)
FSI Consumption	6440	6440	6440	6330	6420	6100	6395	6095	6395	(1000 MT)
Total Consumption	7540	7540	7540	7530	7620	7300	7595	7595	7595	(1000 MT)
Ending Stocks	145	145	145	220	220	220	200	200	200	(1000 MT)
Total Distribution	**7710**	**7710**	**7710**	**7775**	**7865**	**7545**	**7820**	**7820**	**7820**	(1000 MT)
Yield	0.847778	0.847778	0.847778	0.838462	0.848352	0.813187	0.844444	0.844444	0.844444	(MT/HA)

Table 7: Commodity, Millet, PSD

PSD Table										
Country	India									
Commodity	Millet						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYYY
Area Harvested	10500	10500	10500	9500	9500	9500	10000	10000	10000	(1000 HA)
Beginning Stocks	600	600	600	200	200	200	200	200	200	(1000 MT)
Production	10500	10500	10500	9500	9500	10560	10000	10000	10500	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**11100**	**11100**	**11100**	**9700**	**9700**	**10760**	**10200**	**10200**	**10700**	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	900	900	900	800	800	800	800	800	800	(1000 MT)
FSI Consumption	10000	10000	10000	8700	8700	9760	9400	9400	9700	(1000 MT)
Total Consumption	10900	10900	10900	9500	9500	10560	10200	10200	10500	(1000 MT)
Ending Stocks	200	200	200	200	200	200	0	0	200	(1000 MT)
Total Distribution	**11100**	**11100**	**11100**	**9700**	**9700**	**10760**	**10200**	**10200**	**10700**	(1000 MT)
Yield	1	1	1	1	1	1.111579	1	1	1.05	(MT/HA)

Table 8: Commodity, Barley, PSD

PSD Table										
Country	**India**									
Commodity	**Barley**						(1000 HA) (1000 MT) (MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2005	04/2005		04/2006	04/2006		04/2007	04/2007	MM/YYYY
Area Harvested	755	755	755	700	700	700	770	770	770	(1000 HA)
Beginning Stocks	34	44	34	34	24	34	34	24	34	(1000 MT)
Production	1200	1200	1200	1220	1220	1220	1340	1290	1310	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	**1234**	**1244**	**1234**	**1254**	**1244**	**1254**	**1374**	**1314**	**1344**	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	100	200	100	100	200	100	100	200	100	(1000 MT)
FSI Consumption	1100	1020	1100	1120	1020	1120	1240	1080	1210	(1000 MT)
Total Consumption	1200	1220	1200	1220	1220	1220	1340	1280	1310	(1000 MT)
Ending Stocks	34	24	34	34	24	34	34	34	34	(1000 MT)
Total Distribution	**1234**	**1244**	**1234**	**1254**	**1244**	**1254**	**1374**	**1314**	**1344**	(1000 MT)
Yield	1.589404	1.589404	1.589404	1.742857	1.742857	1.742857	1.74026	1.675325	1.701299	(MT/HA)