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Grain and Feed

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Report Highlights:

A sharp decline in government rice stocks combined with a lower than anticipated 2003/04 rice production is likely to result in a significant drop in rice exports in CY 2004. Wheat exports are also likely to come under pressure due to lower government-held stocks.

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

Rice Production Higher But Not a Record

Post revises 2003/04 rice production estimate down to 89 million tons based on Indian government's scaled-down assessment of the fall-harvested crop. The government's preliminary estimates place this year's *kharif* (fall and early winter harvests) rice production at 75.1 million tons, which although significantly higher than the 2002/03 drought-reduced output of 66.5 million tons, is 4.7 million tons below the record production of 79.8 million tons the year before. Even assuming a record *rabi* (summer harvest) crop of around 14 million tons (which in the past had ranged between 10 and 13.4 million tons), total 2003/04 rice production is likely to be only 89 million tons. Despite well-distributed monsoon rains, states like Maharashtra, Andhra Pradesh, and Karnataka are complaining about inadequate rains in some regions. Serious flooding in Orissa was also a negative factor.

Paddy Procurement Price Unchanged

Government support price for paddy (un-milled rice) for the 2003/04 marketing year (Oct-Sep) remains unchanged at rs. 5,500 (\$120.6) per metric ton for common varieties and rs. 5,800 (\$127.2) per ton for Grade A. This is for the first time in several years that the GOI managed to maintain the support untouched. Farmers in the major surplus state of Punjab are protesting and demanding a higher support price.

Rice Stocks Dip ...

Following a record offtake for domestic distribution and exports during the past several months, government rice stocks dipped to 8.1 on August 1, 2003, from 20.1 million tons a year ago. With an estimated offtake of around 3.6 million tons during August -September, stocks are likely to plummet to 4.5 million tons on October 1, the lowest level since 1989, and below the desired minimum bufferstock level of 6.5 million tons.

... 2004 Exports Likely to Tumble

Post revises CY 2004 rice exports down to 2.5 million tons. Following the steep fall in rice stocks and continuing shortage of railcars, the government discontinued supplying additional rice for exports since August. However, the government agreed to honor outstanding commitments to exporters who had deposited money with the government's Food Corporation of India (FCI) or who had obtained a release order from the FCI although the payments were not made. Such quantities were estimated to be around 1 million tons. Thus, although rice exports might continue for a few more months to clear the backlog, a significant decline is likely next year, unless the government starts making fresh allocations, reportedly in December. Although government rice procurement in 2003/04 is expected to be higher than last year, currently estimated at 20 million tons, the sharp fall in stocks would make the government cautious in making fresh export allocations, that too at highly subsidized rates. Exports of basmati rice, which are not controlled by the government, however, are likely to remain strong due to likely higher production.

Wheat Stocks Also Down

Government wheat stocks also declined sharply to 22.4 million tons on August 1, 2003, compared to 41.1 million tons a year ago, following lower procurement and higher offtake for domestic distribution and for exports. Domestic wheat offtake is likely to remain strong during the lean October – March period due to reduced availability in the open market following this year's lower production. Domestic wheat prices have already strengthened with the indicative Delhi wholesale price for milling quality wheat at around rs. 7,000 (\$154) per ton compared with rs. 6,400 a year ago. April 1, 2004, stocks are projected at 8 million

tons, which although higher than the desired minimum bufferstock level of 4 million tons, will be the lowest level since 1999. The government discontinued fresh allocations of wheat for exports since August and also raised the sales price for exports for the October – December quarter by rs. 475 (\$10.3) per ton. The revised prices per metric ton are: rs. 6025 (\$131) for the 2003 crop; rs. 5,725 (\$124.5) for the 2002 crop; rs. 5,585 (\$121.4) for the 2001 and 2000 crops; rs. 5,385 (\$117.1) for the 1999 crop; and rs. 4,985 (\$108.4) for the 1998 crop. The government has agreed to honor the outstanding export commitments totaling over 3 million tons. Hence, 2003/04 (Jul-Jun) exports are likely to be around 3.5 million tons, but could decline sharply next year.

Table 1: Government Procurement, Stocks, and Offtake of Wheat (a year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Aug 1, 2002	39.7 (38.7)			2.4 (0.8)
Sep 1	37.9 (37.9)			2.2 (1.2)
Oct 1	35.6 (26.8)			2.3 (1.4)
Nov 1	33.1 (35.8)			1.7 (1.6)
Dec 1	31.3 (34.0)			2.4 (1.6)
Jan 1, 2003	28.8 (32.4)			2.4 (2.0)
Feb 1	21.3 (30.2) #			2.7 (1.9)
Mar 1	18.6 (28.5)	19.0 (20.6) 1/		2.9 (1.7)
Apr 1	15.7 (26.0)			1.6 (1.1)
May 1	26.0 (38.1)			1.9 (1.3)
Jun 1	26.6 (41.3)			2.3 (1.6)
Jul 1	24.2 (41.1)			2.3 (1.5)
Aug 1	22.4 (39.7)	15.8 (19.0) 2/		

* Includes exports

1/ Cumulative procurement: April 1, 2002 to March 31, 2003

2/ Cumulative procurement: April 1, 2003 to August 31, 2003

The sharp decline in stocks was attributed to "accounting errors"

Table 2: Government Procurement, Stocks, and Offtake of Rice (a year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Aug 1, 2002	20.1 (22.2)			2.5 (1.1)
Sep 1	17.5 (21.6)	21.3 (19.6) 1/		1.9 (1.5)
Oct 1	15.8 (21.5)			2.0 (1.1)
Nov 1	20.5 (26.5)			1.6 (1.2)
Dec 1	20.3 (25.1)			1.8 (1.3)
Jan 1, 2003	19.4 (25.6)			1.8 (1.8)
Feb 1	18.8 (26.1)			1.8 (1.6)
Mar 1	17.6 (26.0)			2.4 (2.3)
Apr 1	17.2 (24.9)			1.6 (1.7)
May 1	15.3 (24.5)			2.4 (2.4)
Jun 1	13.2 (23.4)			2.6 (2.4)
Jul 1	11.0 (21.9)			2.9 (2.1)
Aug 1	8.1 (20.1)	16.2 (20.8) 2/		

* Includes exports

1/ Cumulative procurement: October 1, 2001 to September 30, 2002

2/ Cumulative procurement: October 1, 2002 to August 31, 2003

Source: Department of Food and Public Distribution, GOI

Table 3: Commodity, Rice Milled, PSD Table

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2001		10/2002		10/2003	(MONTH/YEAR)
Area Harvested	44,600	44,600	40,000	40,000	45,000	44,000	(1000 Hectares)
Beginning Stocks	25,051	25,051	24,480	24,480	13,250	12,000	(1000 MT)
Milled Production	93,080	93,080	75,700	75,700	90,000	89,000	(1000 MT)
Rough Production	139,634	139,634	113,561	113,561	135,014	133,513	(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	118,131	118,131	100,180	100,180	103,250	101,000	(1000 MT)
TOTAL Exports	6,300	6,300	4,250	4,250	3,000	3,000	(1000 MT)
Jan-Dec Exports	6,650	6,650	4,000	4,000	3,000	2,500	(1000 MT)
TOTAL Dom. Consumption	87,351	87,351	82,680	83,930	85,250	85,000	(1000 MT)
Ending Stocks	24,480	24,480	13,250	12,000	15,000	13,000	(1000 MT)
TOTAL DISTRIBUTION	118,131	118,131	100,180	100,180	103,250	101,000	(1000 MT)