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## **Report Name:** Grain and Feed Update - 2020

**Country:** India

**Post:** New Delhi

**Report Category:** Grain and Feed

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### **Report Highlights:**

On September 21, 2020, the Government of India raised the minimum support prices (MSP) for the select upcoming rabi (winter-planted) crops, including wheat. Based on the latest trade figures, the market year 2019/2020 (October-September) rice export estimate is raised to 12.3 million metric tons (MMT), and calendar year (CY) 2020 (January-December) to 13 million metric tons. No significant changes in the wheat and corn Production, Supply and Demand (PSD) estimates to report.

## GENERAL INFORMATION

### Minimum Support Price (MSP) for *Rabi* Crops Raised for the MY 2020/2021 Season

On September 21, 2020, India's Cabinet Committee on Economic Affairs (CCEA) approved the minimum support prices ([MSP for select upcoming \*rabi\* \(winter-planted\) crops for the Indian crop year \(ICY\) 2020/2021 \(July-June\)](#)); harvesting and marketing is to occur in marketing year (MY) 2020/2021 (April-March). The Indian government announced that the MSP for the upcoming season more than a month in advance compared to previous years (last year it was announced on October 23, 2019) to reassure farmers that minimum support price procurement will continue. The government is facing criticism from the major opposition parties, specifically due to the recent approval of three major agricultural market reform bills. The opposition alleges that the government intends to dismantle the existing MSP procurement system.

An Indian government press release noted that the MSP increased as per the Swaminathan's Committee recommendation, fixing the MSPs at a level offering 50 percent higher returns over a nationwide weighted average cost of production. The highest increase in the MSP was announced for lentils Indian rupees (INR) 3,000 (\$41) per metric ton (MT), followed by chickpea and rapeseed and mustard each at INR 2250 (\$30)/MT, safflower at INR 1,120 (\$15)/MT, wheat at INR 750 (\$10)/MT, and barley at INR 500 (\$7) per metric ton. The price differential increases for the upcoming *rabi* season crop is to encourage planting of pulses and oilseeds against the major *rabi* season wheat crop, reduce import dependence, and promote crop diversification. However, the new MSP offers include estimated returns above the cost of production in the range from 50 to 106 percent, with the highest return of 106 percent for wheat. (FOREX: INR 74.56 to \$1.00).

Despite the greater MSP pulse increase (chickpeas and lentils), farmers will continue to prefer planting wheat to pulses and oilseeds due to higher returns over the cost of production, steady yield over competing crops, and relatively stable market prices due to an effective government MSP wheat procurement program in most growing states. Field sources report that optimal soil moisture content at the time of planting (i.e., November/December) due to good calendar year (CY) 2020 (January-December) monsoon rains and improved irrigation water availability in the partially irrigated states (i.e., Uttar Pradesh, Rajasthan and Madhya Pradesh) will encourage farmers to maintain consistent wheat plantings.

### Government Forecasts Higher 2020/2021 *Kharif* Harvest

On September 22, 2020, the Ministry of Agriculture and Farmers Welfare (MoAFW) released its [First Advance Estimate](#) of food grain production for ICY 2020/2021, forecasting India's *kharif* (fall-harvested) grain production at a record 144.5 million metric tons (MMT) compared to 143.4 MMT last year. The record harvest forecast is largely due to higher plantings and good expected yields thanks to excellent 2020 monsoon (see, [GAIN-INDIA \(IN2020-0140\) Record-setting Southwest Monsoon Season Ends](#)). Crop production follows:

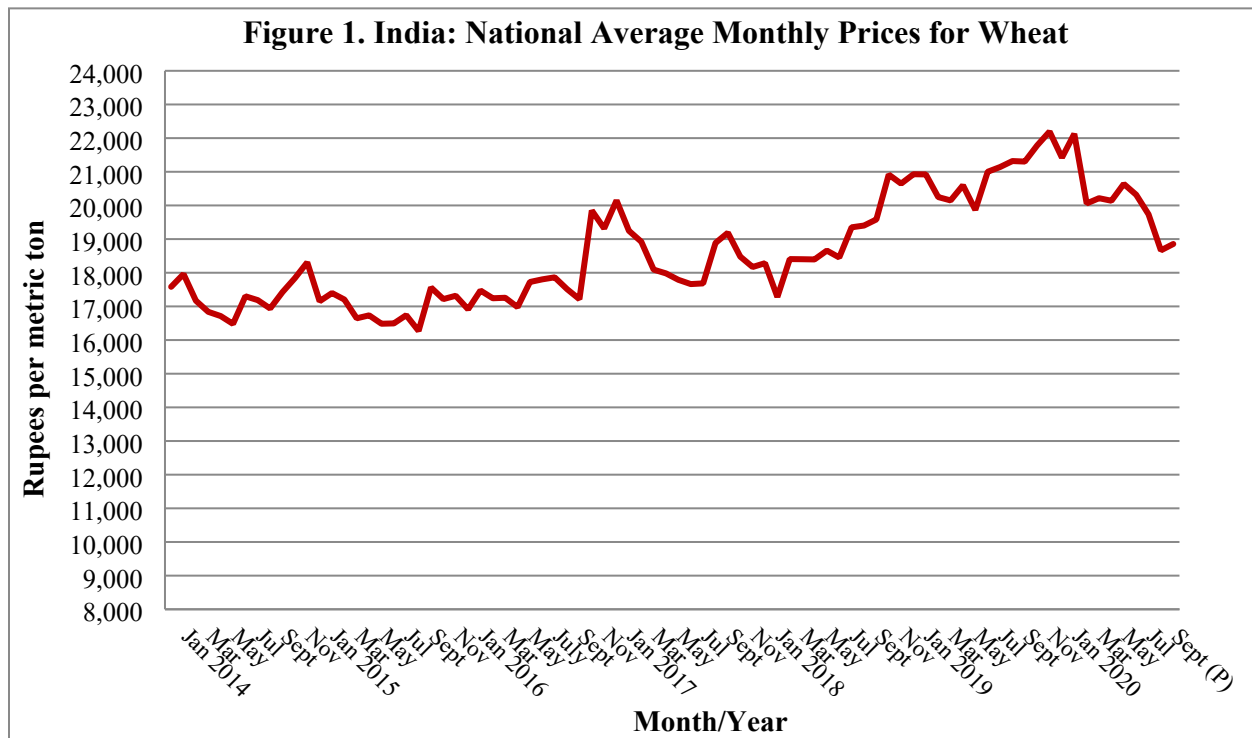
- Rice at 102.36 MMT (versus 101.98 MMT last year; 102.04 MMT record in MY 2018/2019)
- Corn at 19.88 MMT (versus 19.63 MMT last year and 20.1 MMT record in MY 2017/2018)
- Pulses at 9.31 MMT (versus 7.72 MMT last year and record 9.58 MMT in MY 2016/2017)
- Other coarse grains production at 12.96 MMT (versus 14.02 MMT last MY), lower compared to last year on lower planting.

As in the past years, the MoAFW’s first advance estimates for rice may improve as timely and extended 2020 monsoon rains should improve yield prospects in rain fed rice-growing areas. However, relatively heavy rains during late September/October in peninsular India could affect the yield prospects for the other *kharif* crops at the harvest stage. On August 19, 2020, the MoAFW released the [Fourth Advance Estimate of Food Grains for ICY 2019/2020](#), estimating record grain production of 296.7 MMT (see, [GAIN-INDIA \(IN2020-0115\) India Grain Voluntary – September 2020](#)).

## WHEAT

FAS New Delhi (Post) reports no significant changes to the production, supply, and demand (PSD) wheat table from this year’s earlier Indian Grain Voluntary-September 2020 (see, [GAIN-INDIA \(IN2020-0115\) India Grain Voluntary – September 2020](#)).

**Market Prices Weaken:** Due to the record MY 2020/2021 (April-March) wheat harvest of 107.6 MMT, domestic prices have been weakening after the Indian government’s MSP procurement season ended in July 2020. With more-than-sufficient wheat available in the open market thanks to the record harvest, as well as with additional subsidized government wheat released under the government’s novel coronavirus (COVID-19) relief programs, open market prices are hovering below the MSP of INR 19,250 (\$260) per metric tons now since September.



NOTE: P-Provisional.

SOURCE: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers’ Welfare, Government of India, FAS New Delhi office research.

Average spot prices in the major wheat producing states in October 2020 range from INR 16,400 (\$273) to INR 17,270 (\$288) per metric ton, about 12-15 percent lower than last year's level. Market sources report that prices are likely to remain weak through the end of the year, as there are sufficient private wheat stocks available, and above average government wheat stocks at 47.8 MMT on September 1, 2020 versus 41.5 MMT in the previous market year.

## CORN

FAS New Delhi reports no significant changes to the PSD corn table from this year's earlier Indian Grain Voluntary-September 2020 (see, [GAIN-INDIA \(IN2020-0115\) India Grain Voluntary – September 2020](#)).

## RICE

<b>Table 1. India: Commodity, Rice Milled, PSD</b> (Area in Thousand Hectares, Quantity in Thousand Metric Tons, Yield in MT/Hectare)						
Rice, Milled Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	44160	44160	43780	43780	44500	44500
Beginning Stocks (1000 MT)	22600	22600	29500	29500	30000	30000
Milled Production (1000 MT)	116480	116480	118426	118426	120000	120000
Rough Production (1000 MT)	174737	174737	177657	177657	180018	180018
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	139080	139080	147926	147926	150000	150000
MY Exports (1000 MT)	10420	10420	12000	12300	12500	12500
TY Exports (1000 MT)	9790	9790	12200	13000	12500	12500
Consumption and Residual (1000 MT)	99160	99160	105926	105626	106000	106000
Ending Stocks (1000 MT)	29500	29500	30000	30000	31500	31500
Total Distribution (1000 MT)	139080	139080	147926	147926	150000	150000
Yield (Rough) (MT/HA)	3.9569	3.9569	4.0579	4.0579	4.0453	4.0453

MY = Marketing Year, begins with the month listed at the top of each column  
 TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021

## PRODUCTION

FAS New Delhi reports no significant changes to India's production of rice. Post forecasts MY 2020/2021 (October-September) rice production at a record 120 MMT, from 44.5 million hectares on an excellent calendar year (CY) 2020 (January-December) monsoon that has supported higher plantings and good yields in most rice growing areas. India's Ministry of Agriculture and Farmers' Welfare estimates *khariif* rice production at 102.36 MMT from 40.1 million hectares, compared to 101.98 MMT from 39.02 million hectares last year (fourth advance estimate). The ministry's production and planting data are subject to further revisions based on crop

surveys undertaken by state governments, and past trends suggest that the final estimates have been higher than predicted in the first advance estimate.

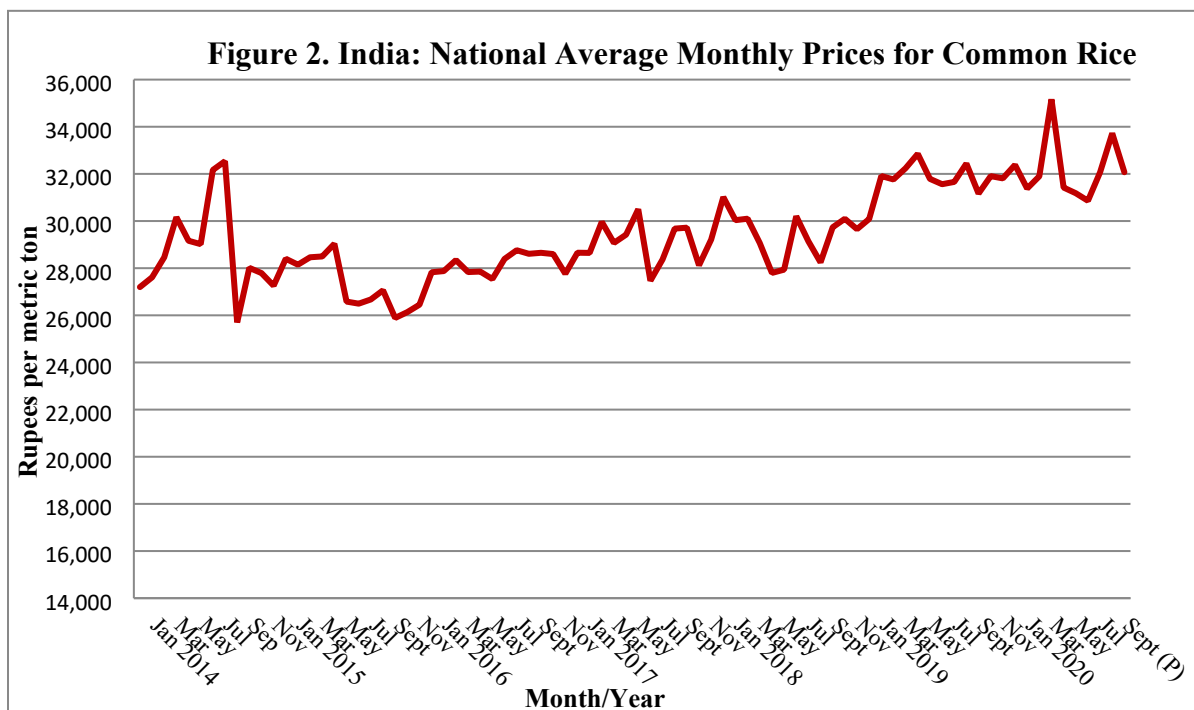
Field sources report that excellent 2020 monsoon rains coupled with no major floods, cyclones and pest and disease incidences will support good yield realization in MY 2020/2021. Due to the timely planting on normal 2020 monsoon, harvesting of *kharif* rice commenced in the third week of September, about 10-12 days early compared to the last few years. India's rice harvest is likely to be over by the end of October in the northern states (i.e., Punjab, Haryana, Rajasthan, and West Uttar Pradesh). Harvesting will also commence in other states shortly, and will continue through mid-December.

While Post could not undertake regular field trips due to COVID-19 restrictions, field sources report that the initial harvest in northern India suggests above normal rice yields. An excellent monsoon and overall favorable weather conditions coupled with no major incidences of floods, cyclones and pest and diseases in the rice growing areas should support respectable yields. Recent late rains in October in peninsular India has reportedly not caused major crop loss in the rice growing areas, and will provide favorable planting conditions for the upcoming *rabi* rice to be planted in the coastal southern and eastern India after the *kharif* rice harvest concludes in November. Post consequently estimates MY 2020/21 rice production at 120 MMT (104 MMT *kharif* rice, and 16 MMT *rabi* rice) from an estimated 44.5 million hectares

**Strong Government Procurement:** The early harvest led to strong government procurement of MY 2020/2021 rice under the MSP through October 19, 2020, estimated at over 6.0 MMT, compared to 4.8 MMT during the same period last year, with most rice coming from the northern states of Haryana and Punjab. Procurement will gain pace in the coming weeks in northern India and will gradually spread to other states from late November onward. With an estimated record harvest and relatively weak open rice market prices due to the government's release of a significant quantity of subsidized rice via COVID-19 relief programs, MSP procurement is likely to remain strong in MY 2020/21. At the current price parity of the Indian government's MSP for un-milled paddy rice compared to open-market milled rice prices, MY 2020/2021 procurement may even exceed last year's record 51.7 million metric tons.

**Prices Ease with Arrival of New Crop:** Due to the new crop's early harvest, domestic rice prices started easing this October despite high government MSP for un-milled paddy rice set at INR 18,880 (\$255)/MT versus INR 18,350 (\$247)/MT compared to last year.

While the government's rice procurement at MSP levels will bolster domestic prices, open-market prices are likely to ease further as arrivals increase in other states on expected record harvest. Future domestic prices during the marketing year will depend on government releasing rice stocks under various food programs, and international price movements.



NOTE: P-Provisional.

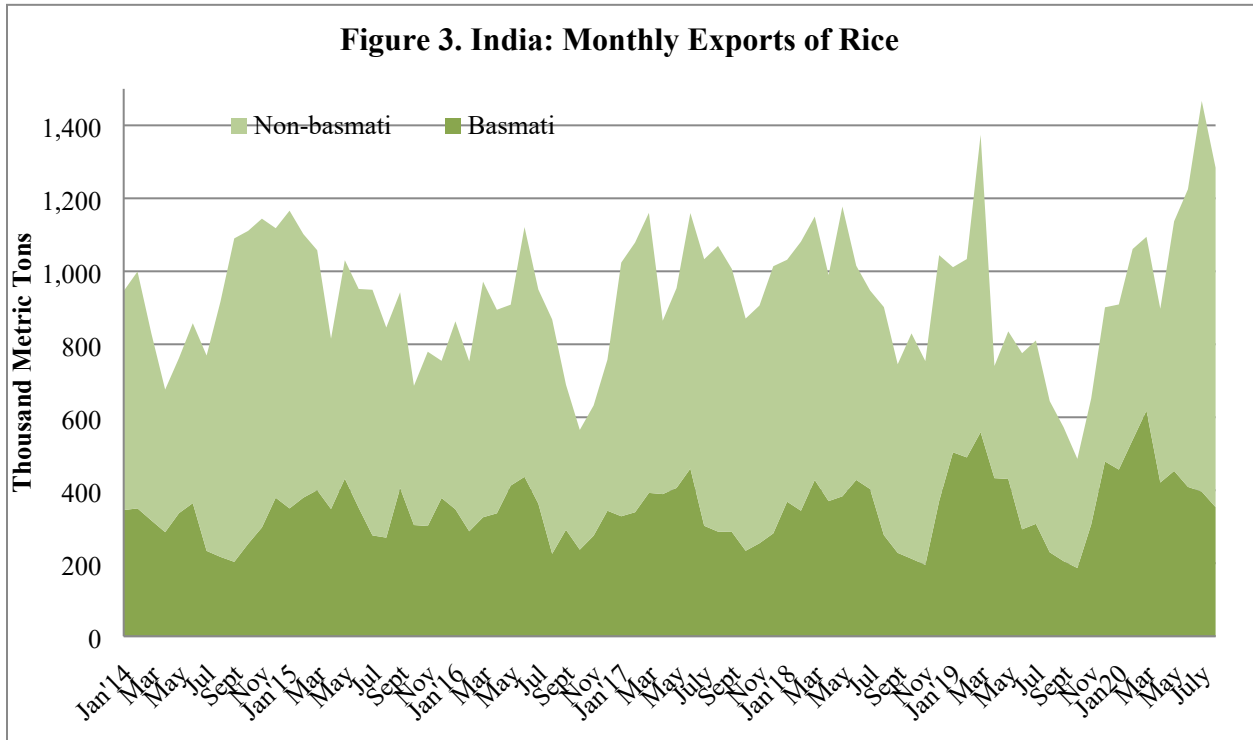
SOURCE: Agricultural Marketing Information Network, Ministry of Agriculture and Farmers' Welfare, Government of India, FAS New Delhi office research.

## TRADE

**MY 2019/20 Exports Raised:** Based on the current strong pace of monthly exports, Post's MY 2019/2020 rice exports estimate is raised to 12.3 MMT, more than an 18 percent increase over last year. Indian rice exports have recovered since December 2019, on strong export demand and competitive prices versus other competing origins, particularly for coarse grain rice.

Provisional official trade estimate indicates MY 2019/2020 rice exports through August 2020, at 11.1 MMT compared to 9.9 MMT during the corresponding period last year. Monthly rice exports during May-August 2020 have been very strong, ranging from 1.14 MMT to 1.47 MMT per month based on strong export demand for coarse grain non-Basmati rice to African markets.

While Indian official trade estimates for September 2020, are not yet available, sources report continued strong export offtakes in September and ongoing October on continued competitive prices of coarse grain non-Basmati rice to the traditional African markets. Assuming the current price parity for Indian rice to continue through end of CY 2020, MY 2019/2020 exports will reach an estimated 12.3 MMT, and CY 2020 exports will reach 13 million metric tons.



Source: Directorate General of Commercial Intelligence, Government of India, FAS New Delhi office research.

**Attachments:**

No Attachments