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Poor Monsoon Impact on Agricultural Production

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Report Highlights:
Poor monsoon rains during the first half of the monsoon season (June- September) in major rice growing regions are expected to result in a significant decline in India's MY 2009/10 rice production. This has prompted the Government of India to continue the ban on non-basmati rice and wheat exports indefinitely. Larger than normal government-held wheat and rice stocks should enable the government to cope with the production loss without resorting to imports.

General Information:

After the earlier than normal arrival on May 23, monsoon rains were deficient during the first half of June, but advanced rapidly in the second half to officially cover the entire country by July 1 (Figure 1 in the attachment). Nevertheless, rains during June 1 through July 22 were significantly below normal in the major rice growing states of Punjab, Haryana, Uttar Pradesh, Bihar, West Bengal and Assam. Other major rice growing states such as Andhra Pradesh and Chhattisgarh also experienced poor rain fall during most of June; whereas Orissa, another major rice growing state, experienced heavy rains and floods in July following poor rains in June. Rainfall deficiency in the northern Gangetic plain during June 1 to July 22 (the latest

period for which data is available) ranged from 45 percent in Assam 64 percent in Bihar. Although recent rainfall has increased in the rain-deficit states of north India, it is considered to be too late for rice planting. Figure 2 (in the attachment) shows the spatial and temporal distribution of rainfall during June 1 to July 22.

Impact on Grain Production

Poor rainfall distribution, mostly across the rice belt of northern and eastern India and some parts of south India, is likely to significantly impact India's rice production for MY 2009/10. The effects of the poor rainfall will be particularly pronounced in Bihar, East Uttar Pradesh, West Bengal and Assam, where the crop is almost entirely dependent on monsoon rains. Although rice production in the major surplus states of Punjab, Haryana, West Uttar Pradesh and Andhra Pradesh is mostly irrigated, the crop is still dependent on monsoon rains for replenishing reservoirs and ground water reserves required for irrigation and generating electricity to run tube wells.

A comparison of this year's rainfall pattern with historical data shows that the situation this year somewhat similar to 2002 when rainfall deficiency during June 1 to July 24 was 24 percent below normal (Table 1 attached). Although the rainfall situation improved during the second half of the monsoon season in 2002, crop loss was significant, with rice production declining by 20.7 million tons from the previous year's levels. Although the geographical distribution of rainfall deficiency this year is slightly different from 2002, a significant decline in rice production this year, particularly in the states of Bihar, Uttar Pradesh, West Bengal, Assam, Punjab and Haryana, appears inevitable. However, it is too early to quantify the potential production loss.

According to most recent reports, progressive rice planting is currently lagging behind last year's level by over six million hectares, which would translate into a production loss of at least 12 million tons. Lower rice yields due to late and erratic monsoon rains in several states would also result in additional production losses. As the window of opportunity for planting of rice will be over soon, farmers will start shifting to less irrigation intensive short duration pulses and coarse grains. Although the government would make all out efforts to reduce losses by providing various incentives and input subsidies to farmers, devising contingency plans to increase kharif rice production and rice production during the rabi (winter) season, an overall loss of at least 11 million tons in MY 2009/10 rice production appears likely. In a worst case scenario, the losses could be as high as 15 million tons from last year's record production of 99.15 million tons (revised). However, a clearer picture will emerge only by end-August, when the government receives detailed reports from various drought affected states.

On the positive side, there are indications that area planted to the typically long duration

basmati rice in Punjab and Haryana would increase somewhat following the recent revival of the monsoon. The decline in production of most coarse cereals and pulses would be lessened to some extent as farmers would shift from rice to short duration coarse grain and pulses, supported by the government's contingency plan.

Impact on trade

Despite a likely significant decline in rice production this year, the overall supply situation for staple grains would remain stable following record procurement of wheat (25.1 million tons) and rice (31.6 million tons) by the government from the record 2008/09 crop, resulting in a larger than normal build up of government-held stocks. Government-held grain stocks on July 1, 2009, were 52.5 million tons (19.6 million tons of rice and 32.9 million tons of wheat) which is more than adequate to meet the shortfall in production this year. Thus there won't be a need to import wheat or rice this year.

As a precautionary measure, the government has decided not to permit exports of non-basmati rice and wheat indefinitely, even on a government-to-government basis for humanitarian purposes. Although the GOI had earlier permitted exports of 900,000 tons of wheat through various public sector trading companies (http://164.100.9.245/exim/2000/not/not08/not11508.htm), this notification was rescinded through another notification issued on July 13, 2009 (http://164.100.9.245/exim/2000/not/not08/not11708.htm. It is unclear whether this ban will be applicable to the 250,000 tons of wheat India gifted to Afghanistan earlier this year as food aid but not yet shipped. As a result, India's grain exports this year are likely to be confined mostly to basmati rice, for which there are no major government restrictions, except a Minimum Export Price of $1,100 per ton. Post revises MY 2008/09, MY 2009/10 and CY 2009 and CY 2010 rice exports down to 1.5 million tons. Wheat exports in MY 2009/10 are revised down ward to 200,000 tons.

GOI Revises 2008/09 Grain Production

The GOI's Fourth Advance Estimate of 2008/09 production pegs MY 2008/09 rice production at 99.15 million tons compared to the third advance estimate of 99.37 million tons and MY 2009/10 wheat production to a record 80.58 million tons compared to the previous estimate of 77.63 million tons. For details see:
http://dacnet.nic.in/eands/Advance_Estimate/Advance_Estimate.pdf

The PS&D tables are revised to reflect the latest production estimates.

Table 2: Commodity, Wheat, PSD

Wheat India	2007 2007/2008 Market Year Begin: Apr 2007			2008 2008/2009 Market Year Begin: Apr 2008			2009 2009/2010 Market Year Begin: Apr 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jul
			Data			Data			Data
Area Harvested	28,000	28,000	28,000	28,150	28,150	28,150	27,800	27,800	27,800
Beginning Stocks	4,500	4,500	4,500	5,800	5,800	5,800	13,910	13,500	13,500
Production	75,810	75,810	75,810	78,600	78,570	78,570	77,600	77,630	80,580
MY Imports	1,885	1,793	1,885	10	0	0	0	0	0
TY Imports	1,885	1,800	1,885	10	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	82,195	82,103	82,195	84,410	84,370	84,370	91,510	91,130	94,080
MY Exports	50	50	50	200	100	100	2,000	1,000	200
TY Exports	43	50	43	300	100	100	2,000	1,000	200
Feed Consumption	200	200	200	100	100	100	100	100	100
FSI Consumption	76,145	76,053	76,145	70,200	70,670	70,670	72,400	75,030	76,780
Total Consumption	76,345	76,253	76,345	70,300	70,770	70,770	72,500	75,130	76,880
Ending Stocks	5,800	5,800	5,800	13,910	13,500	13,500	17,010	15,000	17,000
Total Distribution	82,195	82,103	82,195	84,410	84,370	84,370	91,510	91,130	94,080

Table 3: Commodity, Rice, Milled, PSD

Rice, Milled India	2007 2007/2008 Market Year Begin: Oct 2007			2008 2008/2009 Market Year Begin: Oct 2008			2009 2009/2010 Market Year Begin: Oct 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jul
			Data			Data			Data
Area Harvested	43,770	43,770	43,770	44,000	44,000	44,000	44,100	44,100	40,000
Beginning Stocks	11,430	11,430	11,430	13,000	13,000	13,000	17,000	17,000	17,000
Milled Production	96,690	96,690	96,690	99,370	99,370	99,150	99,500	99,500	88,000
Rough Production	145,050	145,050	145,050	149,070	149,070	148,740	149,265	149,265	132,013
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	108,120	108,120	108,120	112,370	112,370	112,150	116,500	116,500	105,000
MY Exports	4,654	4,500	4,654	2,500	2,500	1,500	4,000	3,500	1,500
TY Exports	3,383	3,300	3,383	2,500	2,500	1,500	4,000	3,500	1,500
Total Consumption	90,466	90,620	90,466	92,870	92,870	93,650	93,500	95,000	92,500
Ending Stocks	13,000	13,000	13,000	17,000	17,000	17,000	19,000	18,000	11,000
Total Distribution	108,120	108,120	108,120	112,370	112,370	112,150	116,500	116,500	105,000