



MI Prospects



Analysts Insight: The Fear Factor

Fear can be just as influential as market fundamentals when it comes to driving prices. Looking over some of the recent events that have influenced the grains and oilseeds market, fear has been a common theme. However, as the facts unfolded, how much of this fear was realised?

A classic example is the situation in Ukraine. The first wave of concern from the market came at the start of March with UK feed wheat futures increasing by over £5/t in a session - the biggest price move of the season, so far. Fear of supply issues, caused by disruption of shipments from this important grain exporter ([more here](#)), plus the potentially negative impact on spring plantings were at the forefront of concerns.

Have these fears materialised? So far, not really. Ukraine's cumulative wheat exports for the current season until end-March are estimated at 7.65Mt - the highest since 2009/10. Furthermore, there wasn't an appreciable drop in exports between February and March. The pace of maize exports has also been better compared with last year. As for spring plantings, over 90% of the country's spring cereal and pulse crops were sown by 16 April (58%, 2013). Maize and sunflower plantings are also ahead of last year's progress.

After the initial reaction at the start of March, the relative status quo in Ukraine had a limited impact on prices, but the situation remained lurking in the background. Although, recently, there has been an escalation in tensions, the market's reaction has not been as strong as at the start of March. Earlier fears may have been calmed by

the lack of disruption to trade and plantings.

Aside from Ukraine, there have **also been fears about the weather**. This is nothing new, but it's interesting to put some of these concerns in perspective.

There's been a fair amount of talk about the **slow start to US maize plantings** this year. Although planting progress is behind the 5-year average (as at 27 April), it is still ahead of last year's pace. Furthermore, as seen last year, a steep acceleration in sowing is not unusual once the weather becomes more favourable.

In February and March, hot and dry conditions in Malaysia and Indonesia provoked **fears of lower palm oil output**. This caused a price rally which was reverberated in the rest of the vegetable oil complex. In fact, Malaysian palm oil production in February was not dissimilar to a year earlier, and March's output was not only 17% higher than that in February, but 13% higher year-on-year.

An emerging concern is the steadily **increasing likelihood of an El Nino** weather event this year, which could have a negative impact on palm oil production and the Australian wheat crop. This hasn't affected prices yet, but it'll be interesting to see if fear will strike before facts become available.

Amandeep Kaur Purewal

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EU CAP vs. US Farm Bill: Which is better?

This article compares key aspects of the EU's Common Agriculture Policy (CAP) against the latest US Farm Bill, as relevant to the grains and cereals sector. Both policies will dominate agriculture and rural development policy for the EU and the US over the short-medium term, with important implications on competitiveness and world trade.

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Introduction

Even with a political agreement reached in June 2013 on the future of the CAP, the last 9 months have been spent debating the finer details and determining how the policy will be implemented at national level. This is still on-going and **each Member State has until the end of July** to formally announce how they intend to introduce a policy that gives a lot more flexibility for implementation at individual country level.

The US Farm Bill has similarly been a while in the works. The American Congress deliberated for almost 3 years the future direction of agriculture and food policy. Admittedly, **the greatest pressure to pass the bill came to avert an explosion in dairy prices**, as dairy subsidies would have reverted back to an underlying 1949 law. The so-called "dairy cliff" was expected to double the price of milk in grocery stores from the end of January 2014 if left unaddressed and would have been a political disaster in the making.

Both policies have come around **during a period of fiscal prudence and calls for budget cuts**. They have also faced pressure from the international community to reduce trade-distorting and anti-competitive practices. This article examines some of the key aspects of each policy.

Area-based payments vs. price/income protection

Europe's CAP has gradually moved away from providing support linked to production (referred to as 'coupled payments'). In its place has emerged a system dominated by area-based payments, with support linked to the area of eligible land. The latest reform will see the Basic Payment Scheme (BPS) take the place of the Single Farm Payment (SFP), but the aim of the policy remains the same: to provide income support to farms while promoting a competitive industry.

The more recent reform has, however, increased the scope for individual Member States to target support towards particular industries or groups. The policy has also moved towards **supporting the provision of public goods, particularly environmental services**, with a proportion of direct payments linked to 'greening' requirements.

The **US Farm Bill** gives grain producers a choice of programmes that they can choose to enrol in, giving either price or income protection. Under the **Price Loss Coverage (PLC) programme**, payments are made when prices fall below a pre-defined reference price. The payment rate is the difference between the reference price and the annual

national-average market price. This counter-cyclical price programme hence protects producers in a market downturn, with producers paid for 85% of their production.

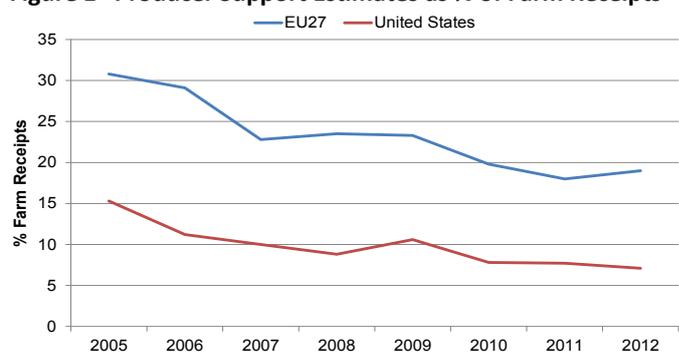
The alternative is a revenue-based programme called the **Agriculture Risk Coverage (ARC) programme**. The ARC is designed to support profit levels. Payments are made when crop profits falls below 86% of a 5-year historical (or 'benchmarked') average. The payment rate is limited to 10% of the farm's benchmark profit levels. As such, in the event of a pay-out, the producer would absorb the first 14% shortfall in earnings, with the government paying for the next 10% of the loss. Farmers can select coverage at either the county or individual farm level.

The US Farm Bill also includes the option for farmers to take out **subsidised crop insurance** to protect against losses in yield, crop revenue or whole farm revenue. There are a range of policies available, with subsidy rates set between 38-80% of the insurance premium, depending on the coverage level and other options chosen by the producer.

So which is better?

Both policies aim to support agricultural producers. **Historically, subsidies have made up a greater proportion of farm receipts in the EU than the US**. According to estimates produced by the OECD, support to farm producers in the EU made up 19% of farm receipts on average in 2012, compared to just 7% to producers in the US. However, differences in how this support is delivered will also have implications on the wider industry and on the relative competitiveness on world markets.

Figure 1 Producer Support Estimates as % of Farm Receipts



Source: OECD

Responding to the market

Through its area-based payments, the CAP provides a base income to producers. Moving away from the 1990's when it was a policy associated with 'wine lakes' and 'butter mountains', the key benefit of providing area-based payments is that it **allows farm business decisions to be guided by market signals** and consumer demand rather than public subsidies.

Arguably, the latest reform has increased the scope for individual Member States to target support to a particular commodity or group **which risks distorting market competitiveness** both within and between industries (see AHDB's impact assessment on CAP reform, available [here](#)). However, for the main, academics and organisations such as

EU CAP vs. US Farm Bill: Which is better?

the WTO consider area-based payments to be less distortive than payments linked to production or policies that support price levels.

In comparison, the US Farm Bill gives farmers the option to protect profit levels or protect price levels. Both these **reduce incentives to respond to the market** as it guarantees certain profit margins or prices for specific farm outputs. Farms could theoretically maintain production of a particular crop while the market would otherwise have encouraged them to move to an alternative.

Protection from market failure

The ability of American producers to take out supplementary insurance provides further support to the US agricultural sector, allowing producers to weather brief periods of low prices, profit margins or yields. The benefits are that this reduces short term fluctuations in the market and could be less distortive to the market than policies geared more heavily towards direct subsidies.

Although the CAP has tools available to help address circumstances in which severe market failure occurs, there is no directly comparable tool to the insurance scheme available to US producers.

Included in the CAP are safeguard clauses to allow for emergency measures against general market disturbances (such as in responding to the e-coli outbreak in 2011). In case of severe imbalance in the market, **the Commission may also authorise certain temporary measures** (such as storage, thereby reducing supply pressure on the market). However, these are largely considered to be **emergency measures**. Farmers in the EU could be more exposed to market volatility than their American counterparts.

Reducing price volatility

For individual farms, area-based payments will have **no bearing or influence on reducing volatility in prices for either inputs or outputs**. Rather, they reduce income volatility, as they guarantee minimum levels of support.

In contrast, the US Farm Bill provides much greater scope for reducing price volatility for farmers. If farms choose to opt for price protection, **pre-determined reference prices ensure a minimum price for farm output**, while still being able to benefit from any market increase. Alternatively, the option to link payments with profitability ensures a minimum gap between input prices and sales. The additional ability to take out subsidised insurance provides additional support in poor years.

Providing public goods

One of the most controversial aspects of the CAP reform has been the **inclusion of 'greening' into direct payments**. As part of the revised legislation, farmers will have to meet certain environmental requirements in order to receive the full level of support. These include **crop diversification** measures, leaving an **Ecological Focus Area** of (initially) 5% for farms with at least 15ha of arable land, and the **maintenance of permanent pasture** (although this will likely have a greater impact on livestock sectors).

Figure 2 Volatility in Nearby LIFFE Wheat



Source: AHDB/HGCA

Meeting these requirements could impose additional costs to production. Farmers who do not comply will lose their greening payments and (from 2018) face further sanctions.

Additional support for public goods is provided through the CAP's 'Rural Development' budget. Funds can be used to support farming competitiveness, the environment, and economic growth and diversification in rural areas.

The US Farm Bill does not tie-in environmental aims into farming practices in the same way as Europe's CAP. More comparable to the CAP's 'Rural Development' programme, the US Farm Bill includes headings for conservation and rural development. These headings provide support for addressing environmental welfare and for supporting the development of rural communities. **This keeps the policy voluntary**, with farmers rewarded for undertaking environmental development, rather than being coerced into good practice.

Overall comparison

It is a difficult task to try and identify which programme is better suited to the needs and challenges facing the agricultural sector. Both have their own relative advantages and disadvantages. Subsidies to producers in the EU have historically been higher than those to farmers in the US. The risk is that this has a greater distortive effect on the market, supporting producers who may otherwise have left the industry. Area-based payments are, however, considered less disruptive than payments linked to price or profit. The US Farm Bill will guarantee minimum prices or profit margins, reducing pressure on the industry to be competitive or responsive to the market.

Key Points

- Agricultural subsidies have historically made up a greater proportion of farm receipts in the EU than the US.
- Area-based payments are less market distortive than payments linked to production or policies that support price levels.
- The CAP will tie-in environment aims into farming practices while the US Farm Bill will keep rural developments as a voluntary practice.

Biscuit market defied downturn, but will growth continue?

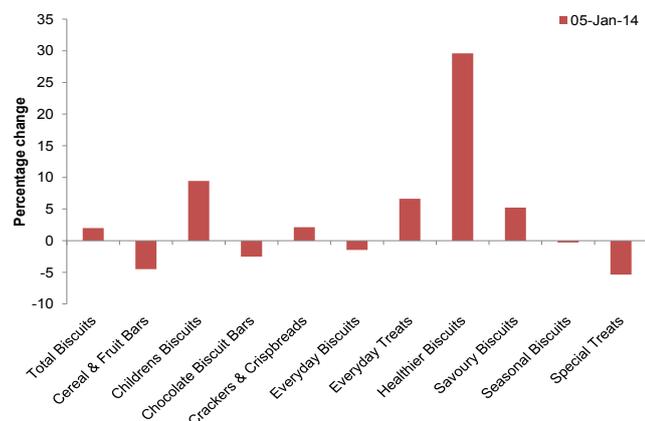
Despite the recent economic downturn, the biscuit sector has grown, especially the breakfast biscuit category. As consumer confidence and budgets increase, it will be interesting to see if the biscuit sector can maintain its recent growth.

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22 April 2014

Introduction

Biscuits are consistently being bought by almost all households in the UK, with **more buying into this category than any other snack**. Biscuits appear to have weathered the storms that affected some other categories in the face of tight consumer budgets. However, with consumer confidence increasing once more and a potential rise in budgets available for snacking, biscuits will need to maintain the market share they have accrued when faced with greater competition from other snacking options. Although price falls in some key categories may have played a part in the success of the biscuit sector, **improved health credentials and a desire for convenience have helped drive demand into the snacking market**.

Figure 1 Year-on-year percentage change in number of packs bought.



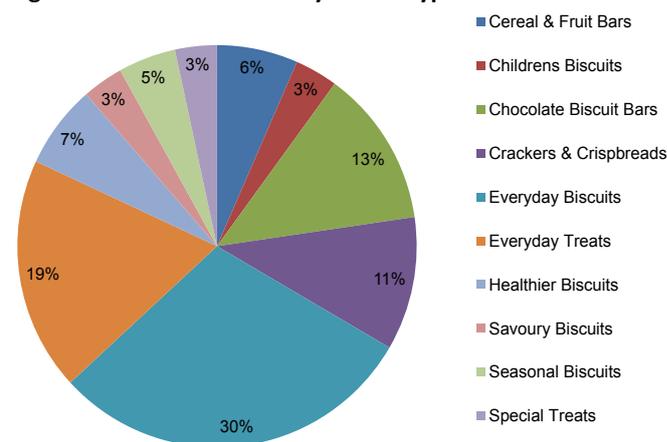
Source: Kantar Worldpanel

Market drivers

The total biscuit market grew by 3.6%, in value terms, from 2012 to 2013, with 2% more packs sold over this period, according to Kantar Worldpanel. As confectionery also achieved comparable growth over the previous year, consumer demand for sweet options appears to have strengthened during times of low consumer confidence, with consumers buying these products more frequently. Generally, consumers turn to small treats and comfort eating in times of economic uncertainty.

Many consumers are concerned with healthy snacking, yet taste is rated as the most important choice factor, even above price (Mintel). To this end, 'healthier biscuits' have made the largest percentage gains, alongside smaller growth for children's biscuits and 'everyday treats'.

Figure 2 Share of volume by biscuit type



Source: Kantar Worldpanel

Breakfast biscuits – key growth area

Sweet biscuits comprise the bulk of biscuit sales, contributing to both volume and value growth in the sector. The savoury biscuit category is smaller, but there has been steady volume and value growth. Demand has been supported by new product launches over the last few years, introducing greater variety to the sector, and allowing savoury biscuits to compete with a widening range of alternatives- from crisps to bread.

Growth in breakfast biscuits has been particularly strong, tapping into consumer demand for **convenience and portability**, a growing trend seen across food categories. Substantial and targeted advertising, along with the establishment of strong convenience credentials compared to competing breakfast alternatives, have seen breakfast biscuits become a major sub-category in recent years. While a decline in the average pack price may have contributed to some of the growth, this may be a reflection of the **increased rivalry for market share** as new products have entered the market at competitive price points.

Closing comments

Demand for both sweet and savoury biscuits has grown over the past year, a time of weak consumer confidence. **The strongest growth has been seen for products which have actively accommodated consumer desires for health and portability**, which the biscuits and savoury snacks sector appears to have been relatively successful in doing. Demand should continue to grow for categories such as, breakfast biscuits, if they continue to tap into these trends. The question is whether recent growth for biscuits came despite low consumer confidence or because of low consumer confidence. If the latter is true, the perception of biscuits as an affordable treat may result in slower growth as consumer confidence increases. However, indications that consumers will continue to exercise thrifty behaviour, even with greater budgets, suggest this may not be such an issue.

Surplus of dry bulk vessels results in plummeting freight rates for grain shipment

The world fleet of dry bulk vessels, used to transport cargoes such as grains, coal and metals, is at a record size. Despite global trade in grains forecast at a record level, a general weakness of demand for freight relative to supply is keeping freight rates low.

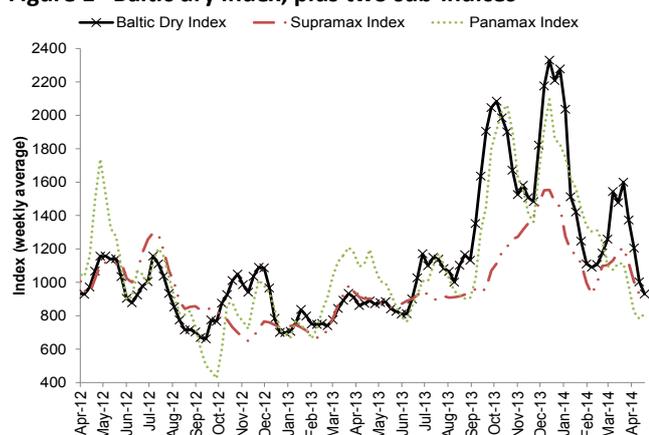
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Global freight market

The global freight market measured by the Baltic Dry Index (BDI) is currently on a weakening trend, dropping from an early 2014 high of 2113 to 970 as of 15 April (Figure 1). While current levels are up from 876 a year ago, they are still far below 2008 when the index spiked above 11,000 points.

The global fleet of dry bulk ships with a deadweight of 10KMT tonnes or more reached the 10,000 mark in January 2014 with a quarter of those delivered in the last 6 years. This has meant that supply of dry bulk capacity globally is high, putting general downward pressure on freight rates over the last few years.

Figure 1 Baltic dry index, plus two sub-indices



Source: Reuters

In late 2013 / early 2014, global freight costs were buoyed particularly by strong demand for iron ore cargoes carried in the largest 'capesize' vessels, which do not operate in the grain freight market.

The picture is more mixed for the individual indices of grain carrying sizes, with the index for the largest grain vessel size, 'panamax', down 31% on the year. In contrast, the slightly smaller 'supramax' index is 2% up. For grain shipments, this suggests that **freight rates are more competitive on the largest grain vessels than on smaller ones compared with last year**, although both sizes can be used for both longer (e.g. transatlantic) and shorter (e.g. Mediterranean) voyages.

Despite the International Grains Council (IGC) estimating that a record 290.8Mt of grain will be traded during the 2013/14 season, coal demand is relatively weak and trade in other products is sporadic.

Consequently vessel supply is generally outweighing demand keeping the overall BDI a long way off the highs recorded in 2008. Agricultural shipments are helping provide buoyancy in some parts of the global freight market, but the recent drop in agricultural trade to China has led to a further surplus of available vessels.

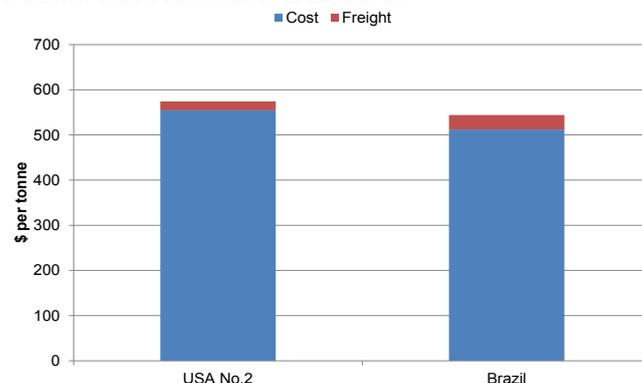
South American rates increasing relative to North

Demand for grain freight has been picking up seasonally in South America, **with high levels of shipments expected on the back of the record soyabean harvest**. However, with demand for freight weak elsewhere, vessels have been able to move into the area preventing rates from rising substantially. On top of this, slowing Chinese demand in recent months has left a number of large ships available that would otherwise have carried grain to China.

Nonetheless, rates for the transport of soyabean cargos from South American to Europe have increased relative to comparable rates from North America. **Weak demand for coal and grain shipments out of the Gulf of Mexico (relative to the supply of ships) has kept these rates depressed**, while internal logistical issues mean that demand for freight out of Canada is similarly weak.

Despite higher freight costs, Brazilian soyabeans continue to be priced at a discount to those from the US on a cost plus freight basis for delivery to Europe (Figure 2).

Figure 2 Prices for soyabeans shipped to Europe (cost + freight). week commencing 18/03/14



Source: IGC

Figure 2 also shows how **freight currently accounts for a relatively small proportion of the costs involved in importing grain**. This suggests the recent downward pressure on FOB prices, caused by strong supply of commodities, has been far more influential on the cost of importing grain than the upward pressure on freight rates, resulting from the increased demand for freight.

Strong competition among supramax and panamax vessels in South America could continue to bring down rates for the larger grain shipments in the short term, though rates from North America are also likely to remain weak.

Surplus of dry bulk vessels results in plummeting freight rates for grain shipment

Australian wheat looks better value than US wheat for China

Having cancelled a significant number of maize and soyabean cargoes, there is an ample supply of vessels available for transporting China's largest wheat imports since 1995/96 (current USDA estimate).

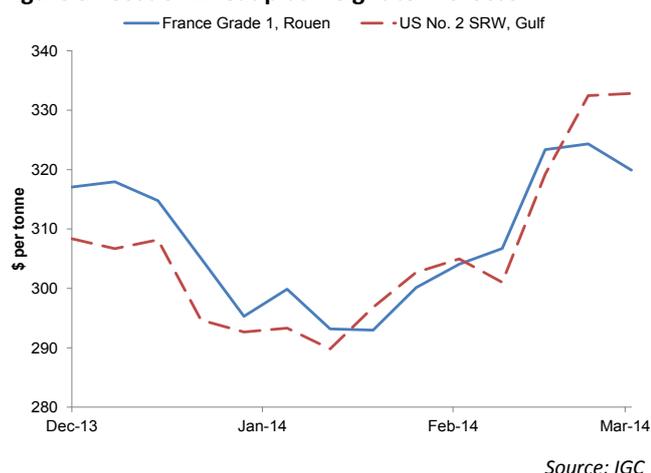
Based on current values, either the US or Australia would be likely suppliers with Australia benefitting from substantially lower freight rates. While China's import requirements into 2014/15 will depend on domestic quality and availability, with an **El Nino event looking increasingly likely**, there appear to be factors that could be far more influential on relative prices than the freight rates.

Weak European freight market despite record wheat exports

Rates for grain shipment from the EU to North Africa have been marginally higher this season than last, possibly reflecting the record amount of wheat being exported from the EU. Despite steel and fertiliser cargoes also offering support, the freight market on the northern coast of Europe, as in other areas, has not been reported as especially strong.

While general weakness in the freight market has likely helped the EU export record levels of wheat, however, again the cost of the grain has a greater influence. While wheat from the EU's largest exporter, France, has been competitive against US wheat into Morocco (Figure 3), it has struggled to compete against Black Sea origins into Egypt.

Figure 3 Cost of wheat plus freight to Morocco



Black sea freight costs still competitive

Tensions between Ukraine and Russia have **not been reflected in the freight costs of shipping from the Black Sea region**. Supplies of steel, coal and fertiliser cargoes in the Mediterranean and Black Sea for shipping are currently weak relative to the supply of ships, driving down rates for exporting grain from all parts of the region as it is currently left as the major cargo on offer.

Reports suggest that freight rates have been driven down to a level where some owners prefer to leave ships at anchor rather than take on cargoes – indicating that rates are unlikely to fall any lower unless fuel costs drop. This is despite a record Ukrainian grain export figure and vessels transferring to South America.

On a delivered (cost + freight) price basis, Black Sea origins (including Ukraine) have remained the cheapest suppliers in recent tenders by Egypt, a major wheat importer. Competition for freight in the spot market should prevent any sort of premium being built into freight rates from Ukraine. However, changes to the cost of the grain itself are likely to be the main driver of Ukrainian competitiveness going forward.

Closing comments and outlook

The record supply of dry bulk vessels combined with weakening demand for dry bulk freight over the shorter term has resulted in 12 month lows for both the panamax and supramax indices. Insufficient coal demand has offset the record levels of grain forecast to be traded this season by the IGC.

With limited offers of other cargoes, grains are currently presenting some of the best opportunities for freight operators, resulting in plenty of competition for cargoes. This should help keep freight rates down until a higher level of cargo offers materialises, although there looks to be only limited further downward movement possible.

Moving into the 2014/15 season, initial forecasts from the IGC suggest a lower total volume of grain to be traded worldwide. Reports also suggests that China does not expect any increase in total coal imports in 2014 compared with 2013, neither of which would provide upward support to freight rates. On the other hand, rates for grain delivery to China being negotiated for the July/August period are significantly higher than current quotes, suggesting there is support in the freight market in the third quarter of 2014.

Key Points

- Weakening demand for dry bulk freight globally has helped keep freight rates for grains low despite record trade this season.
- However, grain market dynamics have been more influential on delivered grain prices than freight market dynamics.
- Lower freight demand next season could result in continued low freight rates, although some uncertainty remains.

Indian Crop Update

India has been an important wheat exporter in recent seasons. This year's harvest is being affected by rain which could affect quantity and quality, particularly as storage facilities are limited. Results from the ongoing elections will be important for agricultural policy, and climate change is also a long-term challenge for the country's food production.

Sarah Nightingale, External Contributor

29 April, 2014

Introduction

India's Ministry of Agriculture forecast record foodgrain production in 2013/14 (which includes the 2014 wheat harvest), as shown in Figure 1. Since these estimates were made, much of northern India suffered from **unseasonably wet weather**, including heavy rain and hailstorms at the end of February/ early March, as the 2014 harvest of wheat, chickpeas and rapeseed began.

Figure 1 Official production estimates for India's grain, pulses and oilseeds

	2011/12	2012/13	2013/14	12/13 - 13/14 change
Rice	105.30	105.24	106.19	1%
Maize	21.76	22.26	23.29	5%
Total cereals	242.20	238.79	243.43	2%
Pulses	17.09	18.34	19.77	8%
Total foodgrains	259.29	257.13	263.20	2%
Soyabeans	12.21	14.67	12.45	-15%
Rapeseed	6.60	8.03	8.25	3%
Total oilseeds	29.80	30.94	32.98	7%

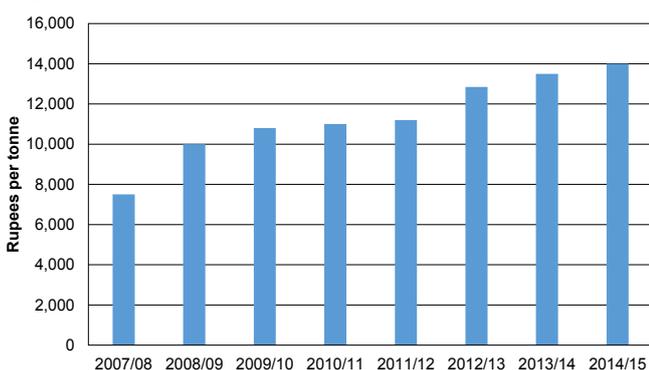
Source: Ministry of Agriculture; 2nd Advance Estimates issued on 14th February 2014

This article looks at the prospects for the 2014 wheat crop in India, as well as the outlook for final production of coarse grains, oilseeds and pulses in 2013/14 and 2014/15.

Wheat

The Indian government reported **record high wheat plantings** for 2014/15, at 31.5Mha, up from 29.7Mha last season. This increase followed high market prices achieved in 2013/14, along with a **3.7% increase in the government's Minimum Support Price (MSP)** for wheat to INR14,000 (\$231.55)/t (Figure 2).

Figure 2 Minimum support prices for wheat in India



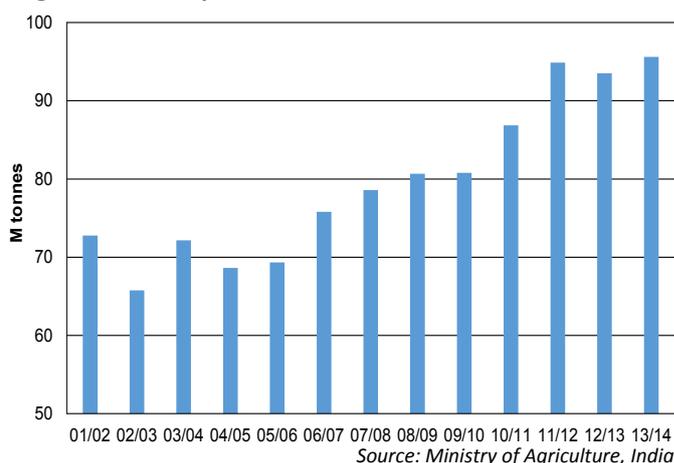
Source: Government of India

Ideal sowing conditions in November, following good late monsoon rainfall, allowed progress to be made quickly, and moist, cool conditions in November/December provided **good conditions for emergence and tillering**.

After a relatively dry spell in early February, unseasonal rain and hailstorms affected much of northern India in March, **delaying harvest in the major wheat growing states** of Punjab, Haryana and western Uttar Pradesh. While harvest in these states would normally begin in early April, reports suggest that it was delayed by 10-15 days. Relatively wet weather has persisted into April, and isolated showers were forecast for the third week of April across much of the important North West Plains Zone (Punjab, Haryana, Rajasthan and Uttar Pradesh), where around 75% of India's wheat is produced. No major concerns have been expressed about the wheat harvest in this area, but further qualitative and quantitative data will be available in May.

Wheat production was forecast at a record 95.60Mt in February, which exceeds the previous record of 94.88Mt achieved in 2011/12 (Figure 3). The government has announced it aims to procure 31Mt of wheat in 2014/15, up from 25Mt last season. This follows the introduction of the **National Food Security Act** which aims to provide up to 5kg of subsidised foodgrains (rice, wheat, millet) to about 67% of the population of India for three years after enactment. Implementation of this ambitious legislation will depend on how highly it is prioritised by India's new government, expected to form during the peak procurement month of May.

Figure 3 Wheat production in India



Source: Ministry of Agriculture, India

While India exported around 6.0Mt of wheat in 2013/14, lower international prices along with the ambitious government procurement target, mean that **exports in 2014/15 are expected to be lower**. In early April, the USDA reported that around 650kt of wheat were unsold from the government export quota of 2.0Mt opened in August 2013, despite a reduction to the export floor price for Indian wheat to \$260/t (from \$300/t) in November 2013.

Indian Crop Update

India's export policy, with regard to its decision to release wheat stockpiles, has been a **contentious subject at the World Trade Organisation**, and consequently, a further reduction of the floor price is not expected. Private export sales, however, are not affected by this floor price, and are likely to continue in 2014/15.

Coarse Grains

Total production of coarse grains for 2013/14 was forecast by the Indian government in February at 41.6Mt, up from 40.0Mt in 2012/13. The main coarse grain crops consist of maize (forecast at a record 23.3Mt), pearl millet (8.8Mt), sorghum (5.5Mt) and barley (1.9Mt). The vast majority (30.1Mt) of these crops are grown on unirrigated land during the monsoon season (*kharif* crops). However, barley, some maize and sorghum crops are grown during the *rabi* (winter) season, and are harvested in March/April/May. The prospects for the 2014/15 coarse grain crop will **very much depend on the 2014 monsoon season**.

Oilseeds

In its February estimate, the Indian government forecast production of the nine major oilseeds (groundnut, castorseed, sesame, nigerseed, rapeseed, linseed, safflower, sunflower and soyabean) at 33.0Mt for 2013/14 (Oct/Sep), up from 30.9Mt in 2012/13. Most of these are *kharif* crops and are therefore, already harvested.

Oilseed rape, however, is the most important *rabi* oilseed, sown in October/November and harvested during March/April. The government forecast an oilseed rape crop of 8.3Mt in February, but rains and hailstorms in the major producing state of Rajasthan have led to **lower trade estimates for this crop**. In its forecast on 14th March, the Central Organisation for Oil Industry and Trade (COOIT) forecast oilseed rape production for 2013/14 at 7.2Mt. The COOIT forecast production of the nine major oilseed crops at 26.7Mt, up from 24.7Mt in 2012/13.

The COOIT forecast total vegetable oil production from domestic crops at 8.5Mt for 2013/14, up from 8.0Mt in 2012/13. Despite higher production, the COOIT expects **vegetable oil imports to increase from 10.7Mt to 11.0-11.2Mt due to growing domestic demand**. With regard to oilmeals, India has traditionally been an exporter of soymeal and rapeseed meal to southeast Asian countries, but domestic demand has led to a **reduction in exports**. The Solvent Extractors' Association of India recently reported that oilmeal exports had fallen by 10% to 4.33Mt in the year to March 2014.

Due to concerns over rising palm oil imports, the Indian government has introduced a 5-year plan to increase production of edible oils. This is expected to encourage

production of the traditional oilseeds, as well as oil palm and inedible tree-borne crops such as, pongamia and jatropha. Use of wasteland for oil palm cultivation and jatropha will also be encouraged.

Pulses

In February, the government forecast a **record pulse crop of 19.8Mt**, up from 18.3Mt in 2012/13. This total consists of the *kharif* crop (6.3Mt), harvested by November 2013, and the *rabi* crop (13.5Mt). The most important *rabi* pulse crop is chickpea, and in February, the government forecast record production for this crop at 9.8Mt. The heavy rain and hailstorms, however, in late February and March may have affected chickpea crops in some areas, and thus production may be lower than previously anticipated. Trade sources suggest that **pulse imports in 2013/14 may be around 4.1Mt, down from 4.6Mt in 2012/13**.

Concluding comments

There are some concerns about the effects of rain and hailstorms on the ongoing harvest of the principal *rabi* crops of wheat, chickpeas and rapeseed. Wet weather is currently expected to continue through the harvesting season in north-west India, where appropriate storage facilities for this year's large harvest are limited. Further information on the extent of the damage will become available in May, when the Indian government is expected to issue new crop estimates.

The outlook for the 2014 *kharif* crops, including rice, maize, millet, groundnuts and soyabeans, will be dependent on the strength of the 2014 monsoon. **If an El Nino weather pattern develops**, as is currently predicted, this **could lead to a relatively weak monsoon season** in the important crop growing states of north-west India. A longer term challenge for India is **climate change**; the country was **specifically highlighted as at risk** in the recent report by the Working Group II of the UN's Intergovernmental Panel on Climate Change.

Key Points

- The official Indian foodgrain forecast in February showed record production, but recent wet weather may have had a negative impact.
- The National Food Security Act is to extend the subsidised provision of foodgrains, however, the results of the on-going general elections could affect policy.
- The treat of El Nino, and longer term climate change, presents a challenge to India's food production.