

# India's wettest monsoon in 25 years could lift 2020 wheat output to record

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## Government could buy more wheat to support local prices

India's wheat production could jump to a second consecutive annual record in 2020 as the wettest monsoon in 25 years is set to help farmers in expanding the area under the winter-sown crop while also boosting yields, industry officials told Reuters.

But that higher production would add to India's already swelling inventories, potentially forcing the world's second-biggest wheat producer to ramp up procurement of the grain from farmers and provide incentives for overseas sales to support local prices. "The area under wheat and yields would rise due to good rainfall. We can certainly produce more than last year's record production," said Gyanendra Singh, director at the state-run Indian Institute of Wheat and Barley Research.

India grew 102.19 million tonnes of wheat in 2019. The country received monsoon rains during the June-September season that were 10% above average and the rainfall continued during October and November, increasing soil moisture levels required for crop sowing.

Rainfall also lifted the water level in India's key reservoirs to 86 per cent of capacity compared to 61 per cent a year ago and a 10-year average of 64 per cent, according to government data. Only one wheat crop is grown in India each year, with planting starting in late October and harvesting in March.

Farmers are inclined to expand the area under wheat as its prices are more stable than any other crop due to government buying, said Harish Galipelli, head of commodities and currencies at Inditrade Derivatives & Commodities in Mumbai.

New Delhi sets minimum support prices (MSP) for nearly two dozen crops to set a benchmark, but state agencies mainly buy rice and wheat at those prices. For 2020, India has lifted the price at which it buys locally produced new-season wheat by 4.6 per cent to ₹19,250 (\$268.22) a tonne. "After the hike in MSP, wheat planting has become even more attractive for farmers," Galipelli said.

For the time being, dealers say wheat exports from India next year would be difficult because of their comparatively high cost.

With the new MSP setting, export prices would be above \$300 a tonne on a free-on-board basis, while supplies from the competing countries are available below \$250 a tonne, said one Mumbai-based dealer with a global trading firm. "India could easily produce more than 100 million tones but could not export even 1 million tonnes unless government provides subsidy for exports," the dealer said.

India exported 226,225 tonnes wheat in the 2018/19 fiscal year that ended on March 31, compared to a record 6.5 million tonnes in 2012/13, according to government data. Higher production and negligible exports could force the government to increase procurement from farmers to ensure prices stay at or above the MSP, said Galipelli at Inditrade. Government wheat stocks stood at a record 37.4 million tonnes as of November 1, up 13 per cent from a year ago.

Source: <https://www.thehindubusinessline.com/economy/agri-business/indias-wettest-monsoon-in-25-years-could-lift-2020-wheat-output-to-record/article30114945.ece>