



WILL INDIA IMPORT WHEAT?

A drop in state procurement has fuelled the buzz about impending imports. Will that really be necessary?

SANJEEB MUKHERJEE
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During the last few weeks, the Indian wheat market has been all agog with talk of an imminent relaxation in import norms to allow the country to import the grain — after a gap of six years — to cool the prices down.

The required numbers in the buzz vary from 2 million tonnes to 4 million tonnes, depending on how one perceives the market to behave in the coming months.

At present, India, the world's second largest wheat producer, imposes an

effective import duty of around 44 per cent on the grain.

The import buzz has been triggered by a drop in state procurement, which for the third consecutive year has stayed below the official target of 30 million to 32 million tonnes.

Some traders believe that when imports begin to descend on the market, they will not only lower the prices for the domestic processing industry but also compel hoarders to liquidate their stocks.

Wheat prices in the open market are much higher than the state-mandated minimum support price, or MSP, of ₹2,275 a quintal. In fact, in some markets

of Madhya Pradesh, wheat prices were ruling closer to ₹3,000 a quintal a few weeks back.

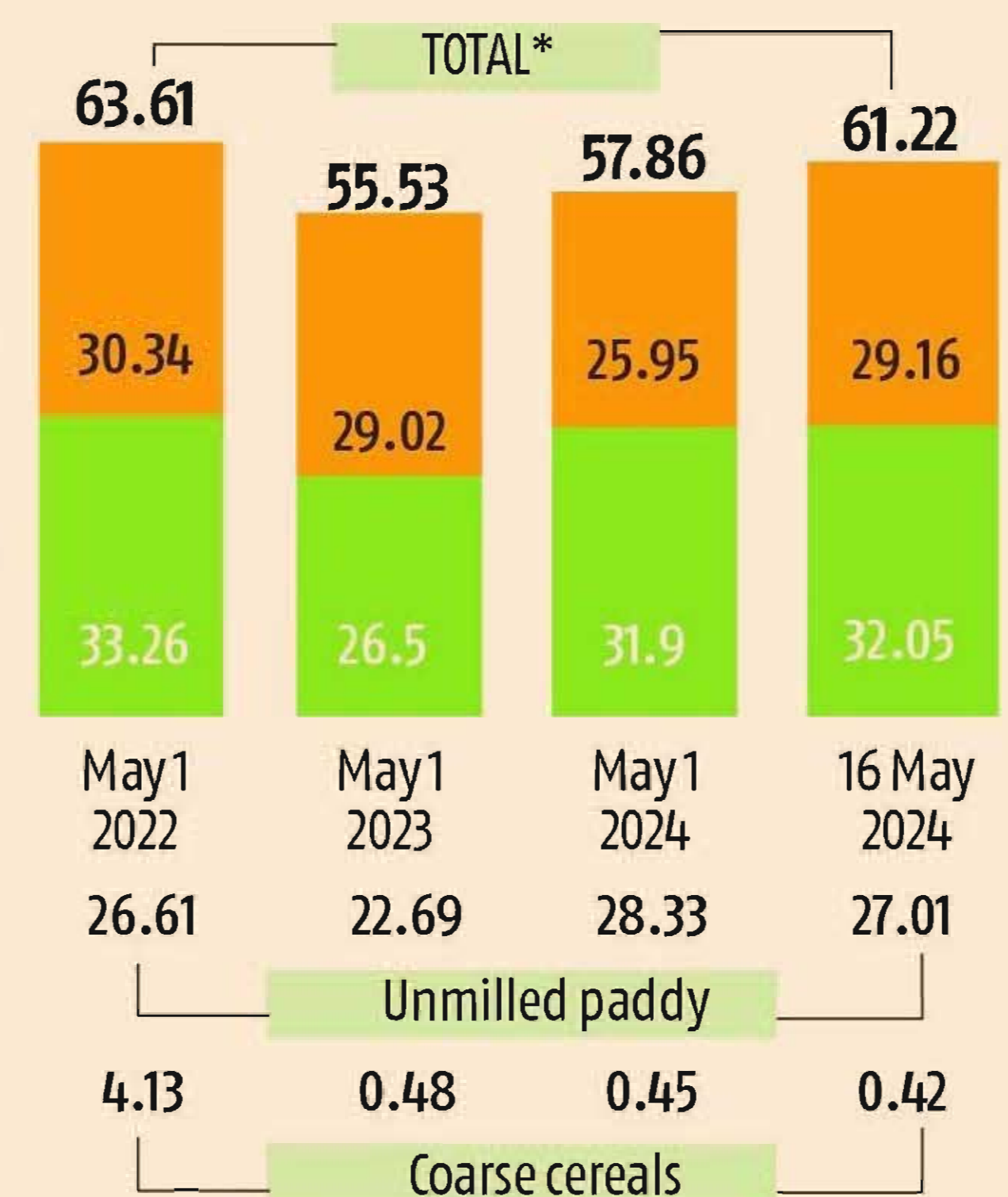
This unprecedented rise in open market rates and rumors that farmers and big traders are holding on to their wheat crop in expectation of further price increases might be forcing the government to rethink the need for imports.

Currently, wheat attracts an effective import duty of close to 44 per cent and Traders say if the import duty is reduced or abolished altogether, at least 2 million tonnes of the grain can come through the southern ports in the next few months.

The big question here is, are the imports required?

REALITY CHECK

Grain stocks in the central pool
Rice Wheat (in million tonnes)

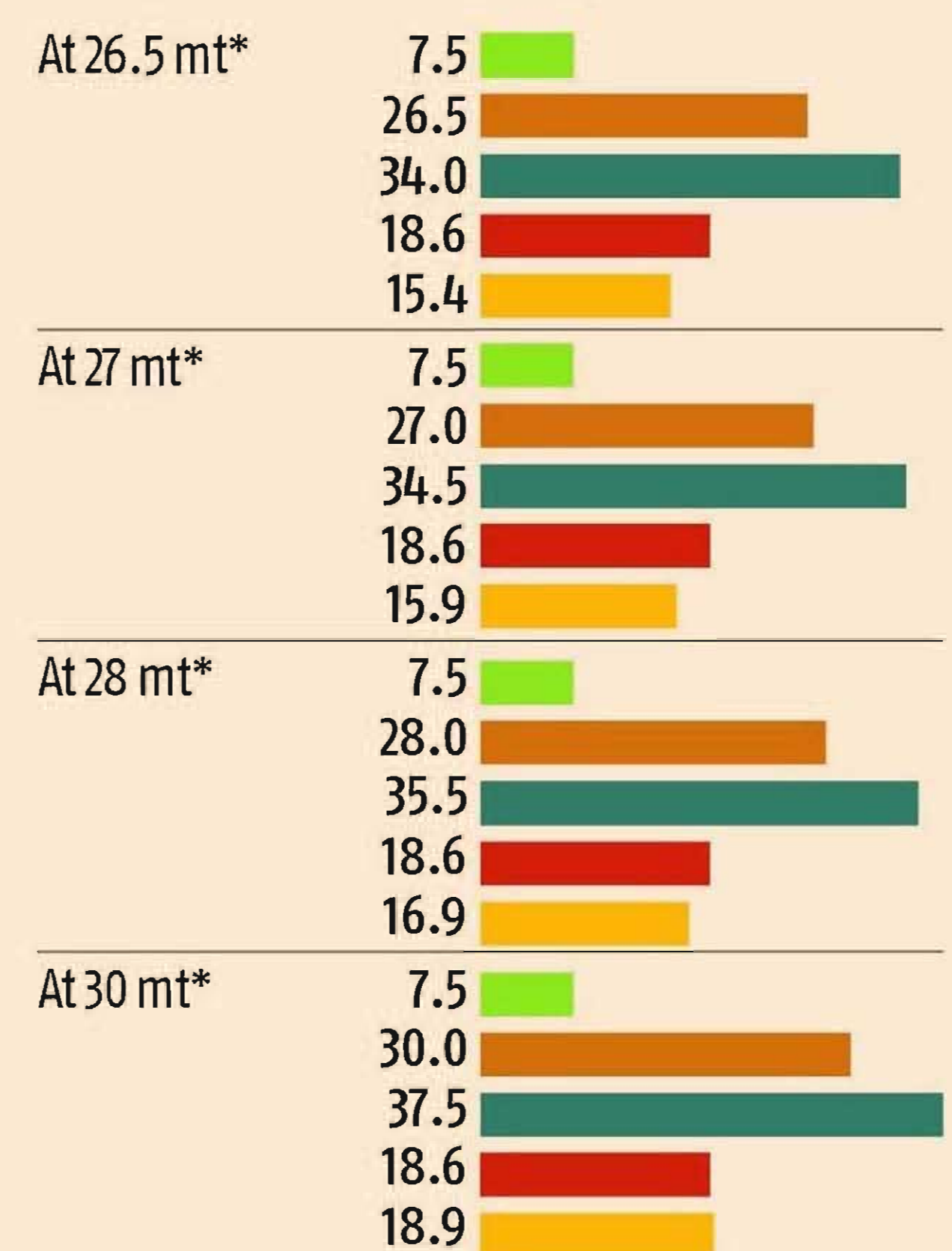


*Total does not include unmilled paddy lying with the millers which also gets added on to the main stocks and coarse cereals
Source: FCI and Traders

READING CHOICES

Possible wheat stocks scenarios

- Opening stocks
 - Procurement
 - Availability
 - Consumption for welfare schemes**
 - Available for OMSS + Closing stocks#
- (All figures in million tonnes)



* Possible scenario if wheat procurement is at....
**Includes allocation for National Food Act and other Welfare Scheme based on 2023-24 allocation levels
#A closing stock of 7.5 million tonnes wheat have to be mandatorily maintained at the end of each fiscal year
Source: Traders and market participants

No cause for panic

A section of traders says the situation does not warrant any panic reaction because the market — both for the private traders as well as in government warehouses — is better supplied as compared

to last year. Official wheat procurement in 2024-25 (FY25) is expected to be around 27-28 million; it already surpassed last year's level a few days back.

This effectively means that compared to last year, wheat purchases for the Central Pool will be higher in the current financial year.

Assuming that the official purchases are indeed 27-28 million tonnes, and if the wheat supply for the public distribution programme is maintained at 17-18 million tonnes, it would effectively mean that around 8.5 million tonnes of wheat will be available for open market operations in FY-25 (assuming 7.5 million tonnes is kept aside as the closing stock of FY25).

Last year, the government pumped in close to 10 million tonnes of wheat from its inventories to cool down prices through the Open Market Sale Scheme (OMSS) and ad-hoc allocation. This year, it would have nearly 8.5 million tonnes to intervene in the market through the above mentioned options.

This is where the need for imports might come into play: To cool down prices.

Rising supply

The second big question is whether the government will need to pump in as much wheat into the open market as it did last year.

Some traders say it won't, because unlike in FY24, private players and millers are well-supplied in the current financial year. That apart, the overall wheat production in FY25, by all estimates, is better than it was last financial year. Government estimates say the output this year is almost 2.4 million tonnes more than last year's.

Although it is difficult to get accurate wheat stocks that are being held by private players in the absence of an open declaration system, sources say private supply lines are better stocked this time than they were a year back.

"So, if imports were not needed last year and we could manage through a reduced allocation of wheat and by replacing it with rice in the PDS (public distribution system), why can't the same arrangement be continued this year as well," asks an official from a leading multinational trading firm.

That brings us to the third big ques-

tion: Will the private sector need the extra wheat in the coming few months if it is already well supplied?

The PDS question

In this equation, the casualty could be the reduced quantities of wheat in the PDS, which since FY23 has come down considerably. In FY23, India distributed around 27.44 million tonnes of wheat through the Targeted Public Distribution System (TPDS), which in FY24 came down to almost 16 million tonnes.

Other Welfare Schemes (OWS) accounted for another 1.4-1.6 million tonnes.

Therefore, the cut in monthly wheat allocated through TPDS will need to be carried forward for another year, if the government wants to salvage its inventories. The cut has been supplemented by rice, so that the total allocation under the National Food Security Act does not

undergo any change for the final beneficiary.

Among these permutations and combinations, experts say a long standing solution to India's wheat problem and bring it back into the global reckoning is by realising its full potential yield, as compared to the current low yields.

In a recent policy paper, the Trust for Advancement of Agricultural Sciences (TAAS), a think tank based in New Delhi, said for India to become a significant player in the global wheat market again, it needed to achieve a surplus that could cater to both domestic as well as international demand.

For this, the country must push up its average wheat yield from the current 3.7-3.8 tonnes per hectare to at least 5 tonnes.

Some of India's competitors in the world wheat markets, namely Mexico and China, have yields of almost 6 tonnes per hectare.

"Since the possibility of expansion of area under cultivation is limited, increasing the yield per hectare is the main option to generate a market surplus of wheat," the paper said.

The yield can be raised by arresting the losses due to weeds and pests, which in some years can drop the potential yield by 20 to 30 per cent, checking nutritional imbalance and extensive spread of varieties that can resist terminal heat.

Will policymakers follow the prescription?

TAKING STOCK

FCI sale and offtake for OMSS and PDS operations (in million tonnes)

