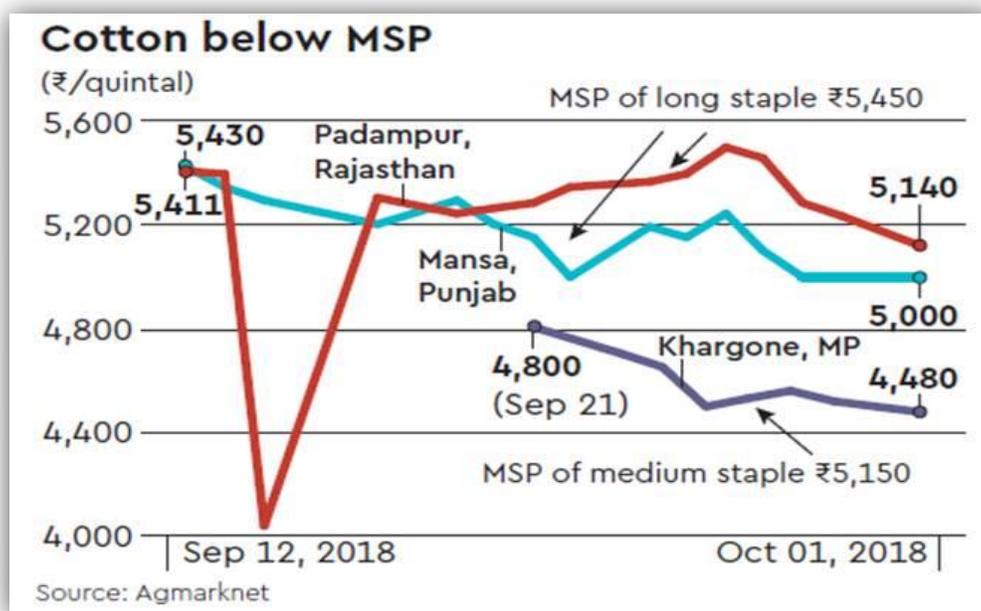




Monthly Report October 2018



Commodity Outlook and Situation Analysis



राष्ट्रीय कृषि विस्तार प्रबंध संस्थान (मैनेज)

(कृषि एवं किसान कल्याण मंत्रालय, भारत सरकार का संगठन)

NATIONAL INSTITUTE OF AGRICULTURAL EXTENSION MANAGEMENT

(An Organization of Ministry of Agriculture & Farmers Welfare, Government of India)



✚ IGC raises world Wheat output forecast by 1 MT



The International Grains Council (IGC) has increased its forecast for world wheat production in 2018/19 by 1 million tonnes to 717 million tonnes, with an upward revision for Russia largely offset by a lower projection for Australia.

The council also said an early assessment of wheat planting prospects for the 2019/20 season pointed to the first area gain in four seasons encouraged by the potential for better returns although additional rains would be beneficial in some regions. World soybean

production in 2018/19 was seen at 370 million tonnes, up from a previous forecast of 366 million and the prior season's 339 million.

The IGC has raised its forecast for world corn (maize) production in the 2018/19 season by 10 million tonnes to 1.074 billion tonnes, driven by improved crop outlooks in the United States, the European Union and Ukraine. The inter-governmental body, in a monthly update, raised its forecast for the US corn crop to 376.6 million tonnes, up from a previous forecast of 370.5 million and now above the prior season's 371.0 million. The IGC increased its forecast for the EU's corn crop to 63.1 million tonnes from a previous projection of 60.4 million largely reflecting an upward revision for Romania.

✚ World Coffee market ends 2017-18 in surplus: ICO

Production World coffee production in coffee year 2017/18 (1 October 2017 to 30 September 2018) is estimated 5.7% higher at 164.81 million bags as output of Arabica increased by 2.2% to 101.82, and Robusta grew 11.7% to 62.99 million bags, according to the September 2018 coffee report from the International Coffee Organization (ICO).



The larger supply in coffee year 2017/18 is reflected in increased shipments in August 2018, as global exports increased 6.3% to 11.1 million bags compared to August 2017. In coffee year 2017/18, world consumption is estimated 1.8% higher at 162.23 million bags, but coffee production exceeds this by 2.58 million bags. This surplus has contributed to the low prices this season.

The ICO composite indicator fell to 98.17 US cents/lb in September 2018, 4.1% lower than in August 2018, the lowest monthly average since October 2006 when it reached 95.53 US cents/lb.

✚ USDA estimates Peanut output at 4.7 MMT in 2018/19



The [USDA](#) estimates 2018/19 India Peanut production at 4.7 million metric tons, down 18 percent from last month and down 29 percent from last year. The month-to-month decrease of over 1 million tons is due to reduced area and lower yields stemming from drought conditions in the main Peanut producing area of Kutch in northwestern Gujarat.

Area harvested is estimated at 4.7 million hectares, down 6 percent from last month. Yield is estimated to reach 1.0 metric ton per hectare, down 23 percent from last year.

Gujarat accounts for 40 percent of India's total Peanut production during the kharif season. Over half of Gujarat's production is concentrated in the Kutch district. Cumulative rainfall was down 33 percent from the long-term average in the Saurashtra and Kutch districts.

There are two Peanut growing seasons in India: kharif and rabi. The kharif crop accounts for 85 percent of the total output and is typically planted in late June and harvested in October. The rabi crop is planted from late October through January and is harvested in April.

✚ Global Natural Rubber demand outpacing supply growth: ANRPC

The Global demand for Natural Rubber outstripped supply by 874,000 tonnes during the first nine months ending September 30, the Association for Natural Rubber Producing countries (ANRPC) said.

The world consumption grew 6.6%, on a year-to-year basis, to 10.653 million tonnes from January 2018 to September 2018; While, the world production recorded a slower growth at 1.5% to 9.779 million tonnes, on a year-to-year basis, according to the ANRPC's latest Natural Rubber Trends and Statistics.



The physical rubber prices remain low despite such favourable market fundamental in the Natural Rubber market. The high inventory in the Shanghai Rubber Exchange and the warehouses in Qingdao Free Trade zone and other external factors have kept the sentiments down in Natural Rubber market, the association said.

+ Kharif food output estimated at a record high



India's foodgrain production during the rain-fed kharif season is estimated at a record 141.6 million tonnes in 2018-19, raising chances that wholesale crop prices will continue to hover low ahead of crucial elections in states like Madhya Pradesh, Rajasthan and Chhattisgarh.

The first advance estimate of crop production issued by the agriculture ministry on Wednesday showed that output of foodgrains is 11.9 million tonnes higher than the average production of 129.7 million tonnes between 2012-17.

However, foodgrain production in 2018-19—which includes rice, pulses and coarse grains—is just 0.6% more than the previous record of 140.7 million tonnes in kharif 2017-18. The 2018-19 kharif season will mark the third consecutive year of record food production since 2016-17, which led to a plunge in crop prices fuelling protests by farmers across the country. Wholesale food prices declined 4.04% in August from a year earlier.

+ Rice output may hit all time high this kharif season 2018-19

Rice output in kharif 2018-19 is estimated to be a record of 99.24 million tonne in this kharif season, up from 97.5 million tonne in the previous season. The sowing area under paddy was 2.36% higher at 38.6 million hectares as of September 20 as against the year-ago period. However, a higher output means the government will have to buy more Rice from farmers. This could potentially boost up the exports.



In the year so far, the Food Corporation of India (FCI) has purchased a record of 38.16 million tonne of Rice as of September 24 in the 2017-18, the cost of which is estimated at a whopping Rs 1.13 lakh crore for 2018-19, up by more than Rs 12,000 crore over the previous year. After government estimates that Indian agriculture could be heading for bumper kharif crop harvest, experts say that it could provide a major fillip to Rice exports.

However, the development could potentially put increased pressure on the government to buy the crops at the MSPs, if market rates fall below the benchmark rates on bumper arrivals at mandis.

India's Groundnut yield likely to fall by 29 %



India's Groundnut output from summer-sown crop is likely to fall 29.2 percent from a year ago to 3.74 million tonnes as scanty rainfall hit yields in the top producing western state of Gujarat.

This year Gujarat received 28 percent lower rainfall than normal in the June-September monsoon season, according to the India Metrological Department.

In Gujarat, Groundnut output halved from a year ago to 1.6 million tonnes. The drop in output could force the world's biggest edible oil importer to raise overseas

purchases in the 2018/19 marketing year starting from Nov. 1.

The country's Palm Oil imports in 2018/19 could jump 8.7 percent from a year earlier as consumption in the world's biggest edible oil consumer will expand amid a drop in local supplies. India buys Palm Oil from Indonesia and Malaysia, with its Soyoil mainly imported from Argentina and Brazil, and purchases Sunflower oil from Ukraine.

CAI trims cotton crop estimate for 2018-19 at 348 lakh bales

In its first cotton crop estimate, Cotton Association of India (CAI) has reduced the cotton crop size for 2018-19 at 348 lakh bales (each of 170kg) from 365 lakh bales in 2017-18. The reduction in crop estimate is mainly attributed to adverse impact of drought-like situation in key growing regions of Gujarat, Maharashtra and Karnataka.

At the end of Cotton India 2018 meet in Aurangabad on Saturday, the apex cotton trade body trimmed the crop size at 348 lakh bales for 2018-19, amid fears of an impact of yield.



As per the CAI estimates cotton crop in the largest grower - Gujarat is set to decline by about 15 lakh bales from 105 lakh bales last year to about 90 lakh bales projected for 2018-19. The State faces overall rainfall deficit of about 23 per cent till October 5. Also, Maharashtra, Andhra Pradesh and Karnataka are projected to have lower crop too.

Atul Ganatra, President, CAI noted that despite almost similar cotton sowing as that of last year, cotton crop this year may be lower due to deficient rains in cotton growing States. As per the Central government data, Cotton sowing was reported at 120-64 lakh hectares for 2018-19 as against 121.72 lakh hectares in 2017-18.

✚ CCI to open 25 Cotton purchase centres by Oct 10



India's With the commencement of Cotton plucking in some parts of Telangana where its cultivation was taken up early, and with the expected arrival of Cotton to the market from October first week, the State Government has requested the Cotton Corporation of India (CCI) to open its purchase centres in at least 25 market yards by October 10.

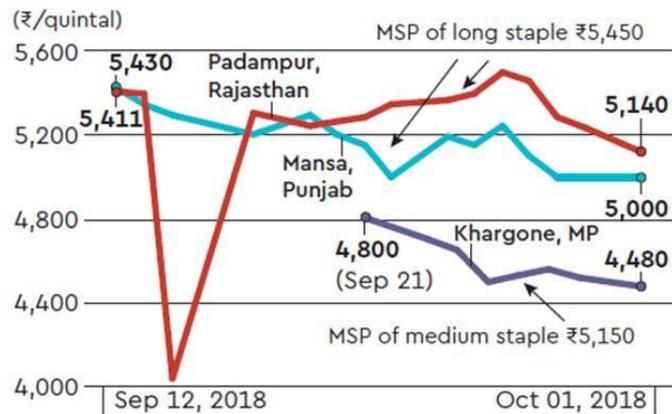
During the meeting held to review the arrangements being made for procurement of Green Gram, Black Gram,

Maize, Groundnut and Cotton this marketing season, it was decided to open Cotton procurement centres in 98 market yards by CCI and another 288 purchase centres at ginning mills. The Centre has fixed a minimum support price (MSP) of Rs. 5,450 per quintal for Cotton this year against Rs. 4,320 last year. As the minimum support price has been enhanced by over Rs. 1,100 per quintal, it is being expected that a large number of farmers would prefer sale of the fibre crop produce at Cotton Corporation of India purchase centres.

✚ Cotton prices fall 8-13% below MSP, other crops by even more

The The government may have hoped to win over farmers by announcing high minimum support prices (MSPs) for various crops and assuring farmers at least a 50% return over their A2+FL costs, but the strategy is already backfiring with prices ruling below MSPs in many cases. While prices of bajra are Rs 1,250-1,350 per quintal – the MSP is Rs 1,950 – prices of cotton have also fallen 8-13% below the MSP already. While a senior government official told FE that the Cotton Corporation of India (CCI) has set an initial target to purchase a record 10 million bales of cotton – the crop is likely to be around 33 million bales – there is little sign of this so far.

Cotton below MSP



“Arrivals usually pick up from mid-October. So procurement machinery is required to be fully geared up to intervene by then,” he said. He added, “The CCI can start procurement anytime now in various states, including Punjab. Often, the cotton arrived in mandis before October has high moisture content and the CCI is allowed to buy cotton with a maximum of 12% moisture content.”

✚ Price of pulses likely to remain under pressure for next 3-4 months



Trading at a 40 per cent discount to the central government's minimum support price (MSP), the [price of pulses](#) is likely to remain under pressure for the next three to four months, thanks to a sharp rise in availability.

Deficient rain in some major pulses' growing pockets of Maharashtra have affected the [tur](#) (red gram) and urad (black gram) crops. The kharif output is projected, by the first official estimate, at 9.22 million tonnes (mt), down from 9.34 mt in the same period last year (and total

production at 24 mt for 2018-19). Yet, availability will be up, due to around 4.5 mt of stocks with state agencies, primarily the National Agricultural Cooperative Marketing Federation of India (Nafed), and a spurt in import. Since demand is stable, the excess is likely to keep pressure on prices.

"The (central) government tried to restrict import, to stop falling prices in local [markets](#). But, the draft of the notification gave room for traders to challenge it in court and it was stayed. Now, import is coming in large quantity from [Myanmar](#) and Africa at a price much below the level in India," said Sri Prakash Goenka, director at U Goenka & Sons, a big trading house here.

✚ MSP no relief to farmers, kharif prices rule low

The government's decision to have higher minimum support price (MSP) for crops does not seem to have addressed the woes of farmers, going by prices of freshly-arrived produce in mandis in various States.

In most mandis across the country, where kharif crops have just started arriving, prices remain muted and below the floor prices announced by the Government in July. Barring cotton, the price of which is around the MSP on account of an anticipated shortfall in production, all agri commodities are lower for farmers.

"Pulses crops and coarse cereals seem to be the worst affected. Their prices are nearly 25 per cent lower than the MSPs announced by the government with much fanfare," said Santveer Singh, a farmer leader from Rajasthan and a national core committee member of Rashtriya Kisan Mazdoor Mahasangh (RKMM). What is the point in having MSP, when the governments have no plans to procure these commodities from farmers, Singh asked.

