



COMMODITY OUTLOOK AND SITUATION ANALYSIS



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✚ For the first time, farm sector set to grow even as GDP sees a contraction

April-June may be the first time that India's economy would contract year-on-year since the government started coming out with quarterly estimates of GDP from 1996-97. But the data for the quarter, to be released by the National



Statistical Office on August 31, could also show GDP falling for the first time in spite of agricultural production going up. The country's GDP registered an annual decline, at minus 5.2%, last in 1979-80. But that year also recorded negative growth for agricultural GDP, at minus 12.8%. Even the previous GDP contractions of 0.3% in 1972-73, 3.7% in 1965-66, and 1.2% in 1957-58 were accompanied by farm output falling by 5%, 11% and 4.5% respectively. The first quarter of 2020-21 (April-March) may turn out differently. Most investment banks and rating agencies are predicting the economy to shrink this fiscal, with the Reserve Bank of India's latest survey of professional forecasters pointing to a median estimate of minus 5.8%. The first quarter especially, which bore the brunt of lockdown-induced production disruptions, is expected to record huge de-growth based on a host of indicators. These include the index of industrial production (down 35.9% in April-June 2020 over April-June 2019), commercial vehicle sales (minus 84.8%), finished steel consumption (minus 55%) and cargo handled by major ports (minus 19.7%). India's growth fortunes have been tethered to agriculture. All years of GDP contraction, the last one in 1979-80, were farm sector-led. April-June 2020 could be the first time when the economy will shrink despite agriculture notching up decent growth. It would be historic if this extends to the rest of the fiscal. But it would not be desirable — agriculture can only support, not lead, growth. The farm sector, however, is set to post positive year-on-year growth. The first quarter agricultural GDP incorporates production from the rabi season, which ends with harvesting in April-June. The Agriculture Ministry has pegged output of wheat, chana and other rabi foodgrains this time at 151.72 million tonnes (mt), 5.6% higher than last year. While that of oilseeds (mainly mustard) fell 3.2% to 10.49 mt, most rabi horticultural crops – from onion, tomato, gourds, beans and jeera to mango, grapes and watermelon – have shown increases. Perhaps the only exception is potato. Crops, including fruits and vegetables,

account for roughly 56% of gross value added from agriculture, with the rest coming from livestock products (29%) and forestry & fisheries (15%). The entire farm sector had an estimated 14.6% share of India's GDP at constant prices in 2019-20. The crop sub-sector is likely to have grown by at least 4-5% in April-June on the back of recharged groundwater tables from very good rains and an extended winter that boosted yields. The performance of the other two sub-sectors may be mixed. Rahul Kumar, CEO of the private dairy company Lactalis India, feels milk production in the last quarter was significantly higher than a year ago. "In 2019, we had drought conditions in Maharashtra and large parts of the South until mid-July, due to which procurement prices of cow milk rose from Rs 20-21 to Rs 30-31 per litre between February and October. But as the monsoon revived and it rained well thereafter, there was improvement in fodder availability and also milk supplies from around this March," he said. According to Balram Singh Yadav, managing director of India's largest animal feed manufacturer Godrej Agrovet Ltd, production of broilers and eggs were lower by 35-40% and 15-20% respectively during April-June 2020 compared to last year. The reason was a collapse of farm-gate prices, which began from late January with rising Covid-19 cases in China and rumours linking the spread of the virus to the consumption of poultry products. Farmers were forced to cull birds, the effects of which were felt in the subsequent quarter. Fisheries production fell during April-June due to a lack of demand after the lockdown. This was compounded by labour shortage in seafood units that process harvested shrimp and fish. "Farmers left their ready-to-harvest fish in the ponds. There was hardly any harvesting until early June, and even the placement of new seedlings started after mid-July after a delay of 45-50 days," Yadav said. Meat production, too, would have taken a hit from the closure of slaughterhouses and wet markets. On the whole, the agriculture sector would have grown by a minimum 3-4% in real terms during the first quarter of 2020-21, even as overall GDP may contract by double digits. For farmers, of course, agricultural growth in nominal terms, after adding inflation, is what matters. The destruction of demand due to the closure of eateries and ban on social functions led to prices of milk and most horticultural produce crashing in April-June. Annual wholesale price index inflation during the quarter averaged 2.5% for food, and minus 3.2% for non-food agricultural products. Nominal agricultural growth, in fact, would not have been very different from real growth. Dairies are currently paying farmers Rs 18-20 per litre for cow milk. Yadav sees these prices – for India's

largest farm commodity by volume and value – affecting production from January-March 2021, or the subsequent quarter. “Supply adjustments happen with a lag. Farmers reduced broiler and egg production in April-June and prices recovered that quarter. The impact of farmers underfeeding their animals now will be felt next year, when demand would have returned. We are already seeing fish prices going up,” he said.

✚ India set to record bumper harvest as timely monsoon boosts agriculture

Covid-19 might have hit all the economic sectors badly, but luck is favouring Indian agriculture sector this year as there has been 95 per cent equal distribution of rainfall all over the country. Along with historic sowing, and timely rains agricultural experts are predicting bumper crop this year. “I, in my lifetime, have never seen so many factoring favouring agriculture,” said former director general of Indian Council for Agriculture Mangla Rai. “I do not remember ever before monsoon was so proportionately distributed, well precipitated and timely. Rains poured when it needed the most except some areas of Himachal Pradesh and Jammu & Kashmir region. But these areas are negligible. Lastly, this year sowing areas broke all records~ 1,062.93 lakh hectares,” former DG ICAR said. “There is no doubt we are getting wonderful reports of sowing from all parts of the country and if all goes well, this year will have bumper crops,” said Shiraj Hussain, former Union agriculture secretary. “Farmers got a good price for almost all crops except gram and cotton,” Hussain added. “India is blessed this year. We are expecting very good price of crops in the international market, he added. According to Agriculture Ministry, the total Kharif crops have been sown on 1,062.93 lakh hectare area against 979.15 lakh hectare during the corresponding period last year, thus increase in area coverage by 8.56 per cent. According to Hussain, rice sowing increased by 11.71per cent. Similarly, sowing of pulses increased by 6.77 per cent.



✚ Charotar village earns patent for ginger, turmeric

VADODARA/ ANAND: Innovators or institutes earning patents and intellectual property rights is common. But ever heard of an entire village securing the agri-products it grows? Charotar, the lush green belt of Central Gujarat, is home to such a village – Boriavi – where farmers have got their traditional ginger and turmeric varieties registered in



the name of the village. The traditional spices gained popularity as immunity boosters in the Covid-19 pandemic have been registered with the support of Anand Agricultural University (AAU). “We have got the ‘Boriavi’ variety of ginger and turmeric registered from The Protection of Plant Varieties and Farmers’ Rights Authority, Government of India,” said Devesh Patel, 37-year-old IT graduate and an organic farmer who exports close to six tonnes of both spices to the US and Europe. “Under The Protection of Plant Varieties and Farmers’ Rights Act (PPVFRA) which introduced intellectual property protection in Indian agriculture, farmers as a community can get their important traditional crops registered. The ownership does not lie with an individual or a private firm but it is collective ownership of the village and the farmers who grow such crops,” he said, adding that collectively the farms have also been geo-tagged. AAU’s in-charge vice-chancellor Dr RV Vyas said that Boriavi farmers have been growing ginger and turmeric having special quality traits for generations. “The varieties of the local ginger and turmeric grown in Boriavi has special quality traits for which the land races were registered by the PPVFRA, New Delhi,” he said. Close to 400 farmers in Boriavi are engaged in ginger and turmeric farming that it cultivated in nearly 80 hectares. “The ginger grown in other regions has more fibres, which often results in waste. Ours is fibre-free with unique aroma,” said Amrish Patel, who took over farming from his father Jasbhai in 1980s. The farmers are now giving a push to their local ‘Boriavi’ brand as it would also mean earning royalty. “The Boriavi turmeric has longer shelf life. It is full of aroma and is rich in oil content. Presently, we have been successful in increasing the demand in Gujarat. Once, we raise the demand internationally, it would mean generating additional income,” he said.

✚ As sowing picks up pace, onion seed prices soar in Maharashtra on acute shortage

Onion farmers in Maharashtra are facing a severe shortage of summer onion seeds. With the monsoons in full swing, sowing has picked up pace and farmers are being forced to purchase seeds at double prices due to the shortage. Packets of onion seed that were priced at Rs 1,500 per kg same time last year



are now being sold at Rs 3,000-3,500 per kg, senior officials of the state agricultural department said. The shortage is to the extent of 40-45%, officials at the National Horticulture Research and Development Foundation (NHRDF) said. For the first time, farmers ended up crowding NHRDF centres in Nashik to purchase seeds, and the help of the police had to be sought to prevent crowding, local technical officers at the NHRDF said. The NHRDF also put a cap on the sale of seeds at 2 kg. PK Gupta, acting director of the NHRDF, told FE that farmers had ended up selling onion seeds during November-December at Rs 100-120 per kg when prices were high due to short supply. They were uncertain of getting a good price later and therefore offloaded their stocks. They also planted less onion, he said. Moreover, due to the lockdown, technical officers could not reach out to the field to ensure adequate supply of seeds for this season, Gupta said. According to the data received by the NHRDF, around 35,000 hectare come under summer onion cultivation and 40% of this crop has been destroyed due to heavy rains. Gupta said when he had noticed the shortage, he alerted the Union agriculture secretary, and as a result the government issued a notification banning export of onion seeds from February. The summer onion crop has a shelf life of six months and is stored by farmers in anticipation of better prices. BP Rayate, technical officer at the NHRDF, attributed the seed shortage to unseasonal rains last year. "The seed production programme for the summer crop is usually undertaken in November or October. Last year, extended monsoons damaged nurseries. Moreover, farmers who usually store seeds for the next season were forced to go in for re-sowing operations due to this rain. More importantly, onion prices were very high during October and November last year and farmers ended up selling their stocks since they were getting good prices," he said. "Private companies account for 30-35% of the seed availability while farmers account for the remaining 70% seed supply. Of the organised sector, NHRDF accounts for 80% of the supply", Rayate said. Around 12,000 tonne of onion seeds are required every year for sowing operations. Of this, the rabi crop accounts for 7,200 tonne and the remaining 4,800 tonne is

used for the kharif crop, according to NHRDF estimates. Seed manufacturers said onion prices were Rs 70-100 per kg in November-December last and farmers planted less since prices were high. Rains during March and April this year also affected nurseries and 50% of the crop was damaged, Prabhakar Sindhe of Panchganga Seeds said. Bharat Dighole, president of the Maharashtra Rajya Kanda Utpadak Shetkari Sanghatana, urged the government to stop export of onion seeds. According to him, seed companies export onion seeds to nearly 20 countries every year, and despite the shortage this kharif season, they have decided to continue export.

✚ First Private Mandi should be established in M.P. after new Act

Bhopal: Chief Minister Shri Shivraj Singh Chouhan has said that the first private mandi of the country should be established in Madhya Pradesh after the formation of new Mandi Act by the Central Government. For this, after passing of Madhya Pradesh Krishi Upaj Mandi Act (Amendment) Bill-2020, prepared in the state, prompt implementation should be ensured in this matter.



This Act will prove beneficial for farmers and traders both, he added. Act (Amendment) Bill-2020 in a high level meeting at Mantralaya today. Minister for Agriculture Shri Kamal Patel, Minister of State for Farmers Welfare and Agriculture Development Shri Girraj Dandotiya, Chief Secretary Shri Iqbal Singh Bains, Additional Chief Secretary Shri K.K. Singh, Principal Secretary Shri Ajit Kesri and other officials were present at the meeting.

Now mandis can be established in private sector

Chief Minister Shri Chouhan said that as per the new act, any individual having necessary basic infrastructure, who is not a defaulter of any bank or financial institution will be able to set up private market yard, private market sub-yard and direct purchase centre. For this, individuals are required to obtain license from the government.

Same day payment to farmers is compulsory

Chief Minister Shri Chouhan has informed that one of the salient features of this act is that trader is required to make the payment to farmer on the same day after the purchase of crops. Only after the payment to farmer, trader will be able to transport the agriculture produce.

21 additional definitions added

Principal Secretary Shri Ajit Kesri has informed that the two definitions of the old act have been deleted from the Amended Mandi Act and 21 new definitions have been added. There were 24 definitions in the old act. Now, in place of 'Mandi Area', 'Mandi Premises' will be defined (Excluding Election Work). The power of Mandi Committees will be limited to Mandi premises only. Mandi charge will not be imposed on arrival of produce.

Key points of Madhya Pradesh Krishi Upaj Mandi Act Amendment Bill-2020

Concept of regulation of Mandi Campus in place of Mandi Area. Government Mandis/Up-Mandis, all types of Private Market Yards/Market Sub-Yards, Direct Purchase Centre and Deemed Market are included in Mandi Campus. Outside the Mandi premises, all agriculture transactions in 'Trade Area' will be conducted as per the ordinance of Government of India. Posting of Director, Agriculture Marketing and all rights pertaining to government/private/deemed mandis and licensing of traders besides regulation. Power of all mandi committees limited to the concerned mandi yard/up-mandi yard. Power for proper functioning of arrangements only in Mandi premises to Mandi committees. All power related to regulation with Director, Agriculture Marketing. All check posts outside mandi premises abolished. Jurisdiction of power of Mandi Board limited to development of mandi premises and activities related to mandi personnel. Market fees to be fixed by state government. No mandi charges on arrival of agricultural produce. Apart from Direct Purchase Centre, sale and purchase of agricultural produce in all other government/private/deemed mandis through auction only. Main provisions for private mandi trade license and registration. Arrangement of integrated license system for trade of notified agricultural produce in state. Director, Agriculture Marketing or authorized Officer/Licensing authority. Director empowered with all rights for regulation of trade and affiliated activities. Trade License-Application Charge Rs. 500, License Charge Rs. 5000, Period 10 years. Performance

Guarantee- Minimum Rs. 3 lakh or equivalent to maximum purchasing capacity of a day, whichever is more. Performance Guarantee for Fruits and Vegetables, Minimum Rs. 50 thousand or equivalent to maximum purchasing capacity of a day, whichever is more. Period of issuance of license- 7 days and period of renewal is one working day. License holder will maintain regular accounts of each transaction of sale-purchase and storage of notified agricultural produce. Same day payment against agricultural produce purchased from farmer. Madhya Pradesh Krishi Upaj Mandi (Setting up of Private Market Yard, Private Market Sub-Yard and Direct Purchase Center).

Major provisions of Rule 2020

Provision of license for setting up and running private market yard, private market sub-yard and direct purchase centre (marketing collection centre). "Private Market Sub-Yard" means warehouse, silo, cold storage or other such structure or place, which is set up, run and managed by an individual having the prescribed basic infrastructure and facilities. "Direct Purchase (Marketing Collection) Centres" means centres which will be run and managed by an individual or firm with the approval given under these rules, on the basis of mutual consent for the purchase of agricultural produce of farmers.

Licensing authority – Director, Agriculture Marketing.

License period – 20 years for private yard and private market sub-yard and 10 years for Direct Purchase (marketing collection) Centre. Fifty percent performance guarantee will be taken for Direct Purchase (Marketing Collection) Centre run by FPOs / Agriculture Cooperative Societies.

Period of disposal of license application – 30 days for Private Market Yard / Market Sub Yard.

License will be considered approved in the event of decision not being taken for license/approval/ cancellation within the stipulated period. Period of three years will be given to complete the construction work from the date of approval of license and an application with performance guarantee will have to be given to start the mandi within three years.

Period of disposal of application for license of Direct Purchase (Marketing Collection) Centre – 7 days.

The infrastructure / basic amenities required for Private Market Yard, Private Market Sub Yard and Direct Purchase (Marketing Collection) Centre will have to be built by the licensee. Price fixation process – in private market yard and private market sub yard – will be done through auction and in direct purchase (marketing collection) centre- with mutual consent of buyer-seller.

Inspection rights – The director or a subordinate officer authorized by him.

The licenses of all private direct purchase centres presently issued by the Mandi Boards / Mandi Committees shall not expire from the date of effect of these rules, instead shall be deemed to have been issued under these rules and will be renewed under the new rules. The licensee will determine and demonstrate the standard operating procedure and ensure transportation of agricultural produce only after payment to the farmer.

✚ Making palm oil attractive again

The impact of Covid-19 on cooking oils has been uneven. The demand for palm oil—used mainly in hotels, restaurants and cafes, and for confectionary, bakery items and fries—has suffered the most. In homes that can afford



‘soft oils’ like mustard, soybean and sunflower, it is not the preferred choice. Malaysia and Indonesia, the biggest suppliers of palm oil, and Indian oil sellers would like to change that. During the first half of this oil marketing year (November 2019 to April 2020), palm oil imports were 29% down over the same period the previous year. Soybean and sunflower oil imports rose 13% and 12%, respectively. The share of palm oil in imports was high, at 53%, during this period. But it was down from 64% during the year-ago period. Industry observers expect palm oil imports during the 12 months to November 2020 to contract to 7.5 million tonnes against an annual average of 9 million tonnes over the past couple of years. “I have been trading for a decade. Indian traders only ask me bhav kya hai (what’s the price)? That’s the biggest concern,” Sandeep Bhan, COO, Global Trading, Sime Darby Oils, a Malaysian company, said at

a recent online seminar. Palm oil was supplied through ration shops in the 1970s. Since then, the inexpensive oil has been perceived as 'cheap'. It is also shunned as unhealthy, because of high saturated fats, which are associated with stroke and heart disease. Palm oil is not usually seen in middle class homes. Angshu Mallick, deputy CEO of Adani Wilmar, which sells cooking oil under the Fortune brand, says only 18% of it is consumed in homes. Based on data from market research agencies, he says more than four-fifths of home consumption is in six states: Kerala, Tamil Nadu, Andhra Pradesh, Telangana, Odisha and West Bengal. Rural homes account for a little more than 70% of the household demand, and 86% of them are non-vegetarian. Even in rural areas, the oil is used by SEC 'C' and 'D' households, i.e. those with assets like a fridge, fan and colour TV, and where the chief earners are matriculates; 90% of them bought palm oil in packaged form, which, for retailers, is a hopeful sign. Mallick says there were 622 brands in April, up from 545 in April 2019. Palm oil exports are expected to bounce back when institutional demand recovers. But for it to transit from a low-margin commodity to profitable specialty oil, it needs a 'glow and lovely' image makeover. Bhan says palm oil has health benefits that need to be communicated. The Solvent Extractors' Association (SEA) had fielded a specialist in internal medicine at the online seminar, recommended by the Indonesian Embassy. She said palm oil has the right balance of saturated and unsaturated fatty acids. It has a high smoking point so it is good for frying, unlike liquid oils that needs to be hydrogenated and release unhealthy trans-fats when used for frying. According to her, palm oil is safe and nutritious. "It could be the next superfood," she asserted. The Malaysian Palm Oil Council also makes such claims. "The notion that palmolein consumption would raise blood cholesterol level and thereby increase the risk of heart disease is unfortunately not based on current evidence," it says. "The physicochemical properties of palmolein suggest that the oil has little cholesterol-raising potential." The council claims palmolein is cholesterol-free because it possesses a unique triglyceride molecule configuration. It has more of cholesterol-lowering saturated fats than those elevating it. "Palm oil is indeed good oil," says Atul Chaturvedi, president of the SEA, who retired in 2017 as the CEO of Adani Wilmar. "It's nature's gift to the mankind." "Reports of health impacts of palm oil consumption in foods are mixed," noted Sowmya Kadandale and two others in a paper published in the January 2018 online bulletin of the World Health Organisation. While some studies link it to increased risk of heart disease and higher levels

of bad cholesterol, others either show no negative effects or even favourable health outcomes. The four favourable studies out of nine that the authors analysed were supported by the palm oil industry. “The contested nature of the evidence suggests the need for independent, comprehensive studies,” the authors said. The Indian Council of Medical Research should commission a study as India wants to reduce dependence on imported palm oil by producing its own. Though oil palm cultivation in India began around 1985, progress has been slow—20 lakh hectares have been identified as suitable, but so far only 3.45 lakh hectares have been covered. The oil industry has been demanding plantation status so that land ceiling laws don’t apply and companies that are interested can buy or lease land to set up plantations. If soft oils were to replace palm oil, much more land would be needed. “It’s an incredibly efficient crop,” says the UK chapter of the World Wildlife Fund. “Globally, palm oil supplies 35% of the world’s vegetable oil demand on just 10% of the land.” If soybean and coconut oil were to be alternatives, four to 10 times more land would be needed, the Fund says. But the slash-and-burn rainforest clearing practices of the oil palm industry in Malaysia and Indonesia, the lung damaging haze episodes and the razing of habitats of endangered species like the orangutan have put palm oil in the crosshairs of environmental and wildlife activists. For these reasons, early last year the European Union excluded palm oil biofuels from renewable energy sources for transportation that would be eligible for subsidy. To avoid collateral damage, the domestic industry has adopted the Indian Palm Oil Sustainability Framework in association with an NGO. This is similar to the best practices adopted by the Roundtable on Sustainable Palm Oil (RSPO), which has oil producers, processors, traders, industrial users, banks and NGOs as members. Currently, about 15% of palm oil production meets this standard. Bhan says his company is keen to work with Indian industry and share innovations in palm oil products, processes and packaging. It could collaborate in developing a generic brand like Sime Darby Oils’ Certio, which stands for authenticity, freshness, purity, sustainability and traceability. The ‘Sunday ho ya Monday, roz khao anday’ and ‘Mutual Funds sahi hai’ are marketing campaign templates that the oil industry could adopt, says Mallick. Chaturvedi agrees on the need for prettifying palm oil’s image. But how big the advertising budget should be and what should be the contribution of the Indian, Malaysian and Indonesian palm oil sellers are issues on which there has been little talk.

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