



COMMODITY OUTLOOK AND SITUATION ANALYSIS



Weekly Report 30 September– 05 October, 2019

🚩 Onion Exports Banned to Tame Prices

New Delhi: The government on Sunday banned exports of all varieties of onion in a bid to tame prices, which have doubled in the domestic retail market since July. It also imposed stock limits on onion traders to facilitate release of stocks and prevent hoarding by traders. Retail traders across the country will now be able to stock only up to 100 quintals of onion while wholesale traders will be allowed to stock up to 500 quintals. In the past, the Centre had authorised states to impose stock limits but this time it has imposed the limits on its own. The commerce and industry ministry amended the export policy of onion, making it 'prohibited' from 'free' earlier. India exported fresh and chilled onions worth

\$496.82 million in 2018-19. Exports were worth \$154.5 million in the first four months of 2019-20. "A central buffer of 56,700 million tonnes built through NAFED is being used to supply onions to Delhi at ₹23.9 per kg. While Haryana and Andhra Pradesh are also using this buffer, other states have been asked to do the same. Bangladesh, Sri Lanka and the UAE are the top three destinations for Indian onions.

"Onion prices have been on the rise especially in the last two weeks. So, the move was required. The demand for onions falls this time of the year," said an official referring to the nine-day Hindu festival of Navratri that began Sunday. A fortnight ago, the government had set the minimum export price (MEP) of onion at \$850 a tonne to curb its shipments and help bring down soaring prices in the domestic market due to floods in parts of major growing states of Maharashtra and Karnataka. The retail price of onion, a key kitchen staple, shot up to ₹70-80 per kg from ₹12-15 six months, while it climbed to ₹40-50 per kg in the wholesale market. Consumer affairs secretary Avinash K Srivastava in a letter to DGFT on Sunday asked to ban export of onions immediately "with a view to improve domestic availability and control prices". The government had also asked Safal, the fresh fruit and vegetable retailing arm of Mother Dairy, to keep the entitlement at 2 kg onion at its outlets and sell it at subsidised rate. "A downward trend in exports was already visible because of the high prices but we don't expect a major impact of the prohibition as this is a temporary, cyclical issue," said another official aware of the details.

The Measures

Limits imposed on traders to facilitate release of stocks & prevent hoarding

- **100 quintals:** Cap on retail traders
- **500 quintals:** Cap on wholesale traders
- **496.82 million:** Onion exports in 2018-19
- **\$154.5 million:** Exports in first four months of 2019-20

States told to take strict measures, including raids, to prevent hoarding

Bangladesh, Sri Lanka and the UAE are the top 3 destinations for Indian onions



Tomato vies with onion on price

Variable weather conditions give bumper price tag to Madanapalle tomato. For the first time in the history of Madanapalle tomato market in Chittoor district, considered Asia's largest, the tomato prices skyrocketed in the last three days, posting a phenomenal jump from ₹22 a kg last week to ₹48 a kg for the first grade variety on Sunday. The second grade stood at ₹28 a kg as against ₹13 last week. On an average, the daily arrival of stocks is reported at 300 to 360 tonnes. Coming to the retail and vegetable markets, the tomato prices have come to unnerve the consumers, selling at ₹60 a kg for the first variety, ₹25 for the second grade and ₹20 for the "scrap variety". Consumers, who are already burdened with onions selling at ₹60 a kg, are a worried lot with the sudden increase in tomato prices.

Advantage farmers

Former chairman of Madanapalle agriculture market and expert in tomato trading, Ratakonda Gurappa Naidu told *The Hindu* that for the first time, farmers of Madanapalle division were reaping the benefits from their fields in September. "The tomato belt from Madanapalle towards Palamaner and Punganur, Royalpadu and Kandlamadugu received scanty rainfall this season. This has proved to be a boon to farmers. The other regions of the division like Vayalpadu, Piler and Bhakarapeta received heavy rain, damaging standing crops, which in turn resulted in slump in arrivals at the market. The farmers in a radius of 20 km from Madanapalle are a happy lot with sudden spurt in prices," Mr. Naidu said. The traders at Madanapalle observed that the first variety of tomato could find good takers in cities of Chennai, Bengaluru and Hyderabad owing to poor production elsewhere in Karnataka, Telangana and other southern States, coupled with copious rains there.

Consumption

It is observed that generally, the consumption of tomato in households would plummet from September onwards. However, the dry weather which still continues has become an advantage to farmers. With the start of Purattasi month, the consumption vegetables has touched its peak in Tamil Nadu and parts of Karnataka, and this is becoming a plus point to tomato growers. Subramanyam, a farmer at Punganur, said the present boom might continue till October-end. "The present climatic conditions are good enough to reap rich

harvest for the next few weeks. The prospect of future crops from January next year would naturally depend on the groundwater table,” he said.

✚ In Delhi, onions sell at double wholesale rate

Among India’s eight largest metros, consumers in Delhi are the most short-changed by retailers of onions with margins between the wholesale and retail prices being much higher than other cities. The data also shows that a sudden increase in prices does temporarily impact a retailer’s margins, but they soon adjust, though a fall in wholesale prices is transferred to the consumers after a considerable lag. Between September 1 and September 5, the wholesale price of onions fell from Rs 20.75 to Rs 18 per kg in Delhi. During this time, the lowest price range for the month, Delhi retail prices ranged from 102% to 117% over the wholesale price.



Retail mark-up from Jan 2016 to Aug 2019 (%)			
Metro	Average	Minimum	Maximum
Delhi	167.4	76.4	245.5
Pune	125.2	14	251.4
Mumbai	112.2	39.5	231
Chennai	56.1	32.9	84.7
Kolkata	41.3	14.7	66.7
Bengaluru	36.8	18.2	56.2
Hyderabad	27.3	8.3	45.5
Ahmedabad	20.7	8.7	36.4

Source: Department of consumer affairs, GoI

Why onions are such a tearjerker for Delhi

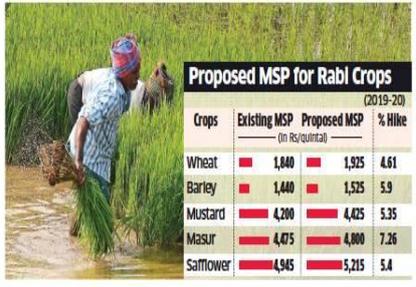
The mark-up was between 17% and 80% in Hyderabad, 20-70% in Chennai and 45-48% in Mumbai. For Ahmedabad, Kolkata, Pune and Bengaluru, it was under 30%. So what happens during a price surge? Between September 15 and 16, wholesale prices in Delhi increased by Rs 8.5 per kg. The average retail price for the first 15 days in September was Rs 40 per kg while the average retail mark-up over the wholesale price for this period was Rs 20 per kg. Because of the sudden increase in wholesale price, the retail mark-up fell to Rs 14 per kg for September 16 and 17. In two days, the increase in wholesale prices was transferred to consumers and the retail price went up to Rs 52 on September 18 from Rs 43 on September 15. For the next 13 days, the retail price averaged Rs 58 per kg, the mark-up averaging Rs 23 a kg, higher than in the period when prices were not this high.

In Mumbai, the price surge happened between September 19 and September 21, when the wholesale price increased from Rs 33.5 to Rs 44.5 per kg. For the 13 days till September 21, for which both retail and wholesale price data is available for Mumbai, the retail price averaged Rs 41 per kg while the average retail markup was Rs 11.6 per kg. For the six days since then for which data is available, the average retail price was Rs 58 per kg and the mark-up was up to an average of Rs 18.5 per kg. Similarly, in Pune, the surge happened between September 19 and September 23, when wholesale prices

reached Rs 36.33 from Rs 25 a kg. In the 19 days prior to and during the surge, the average retail price of onion was Rs 24.8 a kg and the mark-up averaged Rs 1.6 per kg. For the seven days after the surge for which data is available, the average price was up to Rs 38 a kg and the mark-up rose to an average of Rs 7.7 per kg. The other metros also exhibit a similar pattern. In Bengaluru, the wholesale price reached Rs 44 a kg on September 23 and fell to Rs 40 on September 25. The retail price was reported at Rs 48 on September 21 and hasn't fallen since. Similarly, in Chennai, the wholesale price went up to Rs 35 on September 24 and has fallen to Rs 24 since September 26. The retail price on the other hand stabilised at Rs 37, which is higher than the pre-surge days. Hyderabad and Kolkata also had similar trends. Ahmedabad is the only metro where retail mark-ups have stayed at Rs 2 per kg throughout the month even as wholesale prices have risen. Whether this is linked to the city's relatively lower consumption of onion is a moot question.

✚ Govt Proposes Up to 7% Increase in MSP for Rabi Crops

New Delhi: The agriculture ministry has proposed a 5-7% increase in minimum support price (MSP) of rabi, or winter-sown, crops to improve the lot of farmers, a development that comes ahead of the assembly election in the food bowl state of Haryana. Punjab and Haryana together contribute around 70% wheat to the central pool, which is used to run public distribution and other welfare schemes. The ministry has proposed raising of wheat procurement price by 4.6% to ₹1,925 per quintal from last year's ₹1,840. This is likely to put an additional burden of around ₹3,000 crore on the government's ₹1.84



Crops	MSP (₹/quintal)		% Hike
	Existing MSP	Proposed MSP	
Wheat	1,840	1,925	4.61
Barley	1,440	1,525	5.9
Mustard	4,200	4,425	5.35
Masur	4,475	4,800	7.26
Safflower	4,945	5,215	5.4

lakh crore food subsidy bill. The cabinet is likely to take a decision soon as the winter sowing begins from November. The ministry has proposed a 5.3% increase in the mustard MSP, which will take the existing floor price of ₹4,200 a quintal to ₹4,425, and a higher increase of 5.9% in the MSP of barley. It has proposed the highest increase of 7.26% in the MSP of masur, to ₹4,800 a quintal. The Commission for Agricultural Costs and Prices (CACP), which recommends MSP for major crops, takes into consideration the overall cost of production. Prime Minister Narendra Modi has assured farmers MSP at 150% of the input cost. "The proposals are under consultation with related ministries like food before being sent to the cabinet for approval. Normally, CACP's recommendations are accepted fully. The prices will soon be notified," said a senior agriculture department

official, who did not wish to be identified. The government has been promoting cultivation of pulses and oilseeds over foodgrains for the past few years. There has been record production of foodgrains with each successive year, leaving the government granaries overflowing. With more than 71 million tonnes of foodgrains in stock, the government aims to augment the production of edible oil to reduce the import bill, which has swelled to around ₹80,000 crore. “A significant rise is proposed in mustard and safflower to encourage farmers to shift from wheat to oilseeds. Among coarse cereals, barley too got a boost,” said another official.

✚ Help at hand for chilli growers in Andhra Pradesh

ITC teams up with govt. to form agri extension platform.

After working with tobacco farmers for years, the ITC-agri business division is now turning its attention to farmers cultivating chilli which is a major horticultural crop grown in Guntur, Prakasam, Krishna and Kurnool districts. With the ITC-ABD and Horticulture Department conceptualising setting up of an integrated agri extension platform in association with the State government, chilli farmers can now hope for better days. It is aimed at benefiting farmers in one lakh acres. The State government is entering into a Memorandum of Understanding (MoU) with ITC-ABD for the project to be taken up in the PPP mode. Minister for Agriculture K. Kanna Babu and Chief Executive ITC-ABD Sanjeev Rangrass will sign the agreement on the premises of ITC-ABD on Saturday.



Unique interventions

The platform has a set of unique physical and digital interventions to improve production. A pilot project is all set to be implemented from this year in the four districts, covering 41 villages and includes 4,000 farmers holding 10,000 acres. A call centre has been established from where farmers can get inputs on best practices, pest and diseases. Qualified agri specialists will give necessary advice to enrolled farmers to improve productivity and quality. They will also provide information related to weather, variety profile, government schemes, market price and new technologies. “Growing awareness of food safety across the world has led to consumers demanding safe food products. A.P.

is one of the largest producers of chilli in the country and we are collaborating with the Horticulture Department to improve the chilli farm value chain,” said Mr. Rangrass. Further, a ‘chilli farmer handbook,” prepared by experts from the Horticulture Department, will be released on Saturday. Farmers will get practical inputs from demo plots called ‘pradarsana kshetrams.’

✚ 20% Special Margin may Help Calm Castor seed Contract Prices

Mumbai: Castor seed contract prices on India’s top derivatives platform for trading farm output could stabilize after the bourse announced a special 20% margin from Monday to curb likely speculative shorts — positions contributing to record declines last week. The quantity of physical stock in exchange-accredited warehouses, as of September 26, is less than half the open interest (OI) across all contracts on the NCDEX, indicating that a significant number of short positions are speculative and not really in kilter with the underlying. Total physical stock — unencumbered, pledged and in process — in the warehouse was 1.4 lakh tonnes, compared with OI exceeding 3.15 lakh tonnes across all

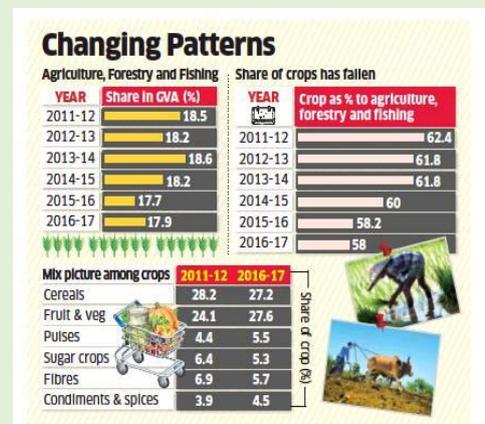


contracts, a combination of exchange and Bloomberg data show. “We hope prices would stabilise after the latest NCDEX-Sebi action,” said Abhay Udeshi, chairman, Jayant Agro Group, one of the country’s largest castor-based specialty chemicals makers. OI measures the outstanding buy sell positions of participants and gives an idea of the money flowing into the market. The margin to trade the November expiry contract was 14.11% on Friday evening. A 20% special margin on shorts takes the total in excess of 30%. Using Friday prices, margins on the biggest individual client positions of 2,975 tonnes would rise around two-and-a-half times to ₹5.26 crore from ₹2.17 crore, rough calculations show. Some NCDEX brokers had failed to pay additional mark-to-market margins after the 11.5% slump in October-December contracts over three trading sessions, compelling the exchange’s clearing house to use these traders’ collaterals to settle their payout obligations. The November contract has fallen almost 12% to ₹5,208 a quintal over three sessions through Friday. Atul Chaturvedi, president of the Solvent Extractors Association, said he was “keeping his fingers crossed” on the likely price directions of the contracts in

question. Several short positions were rolled over from the October 18 contract to November 20, which had 1,68,800 tonnes of OI on Friday. Castor oil and its derivatives are used to make paints, dyes, motor lubricants, and household items such as soap cakes and surface shiners.

✚ Agri Share in GVA Fell to 17.9% in FY17 From 18.6% in FY14

New Delhi: The share of agriculture, forestry and fishing declined to 17.9% in India's gross value added (GVA) in 2016-17 from 18.6% in 2013-14, the ministry of statistics and programme implementation (MoSPI) said in a report. "The share of this sector in overall GVA of the country is showing a declining trend except in the years 2013-14 and 2016-17," Mo-SPI said in the report on agriculture, forestry and fishing from 2011-12 to 2016-17. India's economy grew 8.2% in 2016-17. The crops sub-sector accounted for nearly 62% of the agriculture and allied sector in 2011-12, which has gradually come down to about 58% in 2016-17. Of the 12 sub-sectors of crops, the



share of cereals, oilseeds, sugar crops and fibres declined over the five year period. As per the report, India ranks first in the world in arable land (156.46 million hectare), third in production of cereals; second in groundnut, fruits, vegetables, sugarcane, tea; and first in jute. Worldwide as of 2016, the country had the largest herds of buffalo and ranked second in cattle; third in sheep; second in goat and sixth in chicken population. It is the largest producer of milk; third in production of eggs and sixth in production of meat. Among fruits, output was highest for mangoes, followed by banana. The report showed that the output of cereals was highest among all the crop-groups in 2011-12. But in 2016-17, the output of fruits and vegetables was the highest. "A move towards fruits and vegetables suggests greater diversification of diet from a cereal consuming country. High cereal consumption is a mark of poverty. However, the shelf life of fruits and vegetables is short and their wastage is not being estimated. This is key because while storage has improved, transportation and handling can be better," said former chief statistician Pronab Sen. Among cereals, jowar and bajra have lost share while paddy, maize and wheat have gained. Among states, Uttar Pradesh recorded the highest output of cereals

in all the years, although its share in all-India output has reduced marginally from 18.6% in 2011-12 to 17.9% in 2016-17. During 2011-12 to 2016-17, the output of 'fibre' group of crops reduced from about ₹82,000 crore in 2011-12 to about ₹73,000 crore in 2016-17. Kapas accounted for nearly 95% of output of 'fibre' crops. During this period, the output of cotton was lowest in 2015-16 at ₹64,000 crore, which rose marginally in 2016-17 to ₹68,000 crore.

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