



Weekly Report 01st ~08th October 2018



Commodity Outlook and Situation Analysis



✚ 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.

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. According to the latest estimates, sugarcane production is estimated at 383.9 million tonnes in 2018-19, about 2% more than last year. Production of rice, the main kharif crop, is likely to increase 1.8% to 99.2 million tonnes in 2018-19. Farmers, however, are likely to harvest a marginally lower volume of pulses—9.2 million tonnes in kharif 2018-19, compared to 9.34 million tonnes last year. Among non-foodgrains, production of kharif oilseeds are estimated to rise 5.7% to 22.2 million tonnes in 2018-19, from 21 million tonnes last year. Production of cotton is likely to fall by 7% from 35 million bales (one bale equals 170kg) last kharif to 32.5 million bales this year, the estimates showed.

✚ 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.

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. "Brazil and the US are likely to thresh record crops, and with output in Argentina expected to rebound, global production could expand nine percent, year-on-year," the IGC said. 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. Earlier this month, the US Department of Agriculture raised its forecast for the US corn crop with record yields seen in key production states such as Illinois, Iowa, Nebraska and Indiana. 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. Ukraine's corn crop was seen at 30 million tonnes, up from a previous forecast of 28.8 million.

60% WTO Cuts Global Trade Growth Forecast

The latest WTO report anticipates growth in merchandise trade volume of 3.9 percent in 2018, with trade expansion slowing further to 3.7 percent in 2019. The new forecast for 2018 is below the WTO's April estimate of 4.4 percent but falls within the 3.1 percent to 5.5 percent growth range indicated at that time.

"While trade growth remains strong, this downgrade reflects the heightened tensions that we are seeing between major trading partners. More than ever, it is critical for governments to work through their differences and show restraint," WTO Director General Roberto Azevedo said. "The WTO will continue to support those efforts and ensure that trade remains a driver of better living standards, growth and job creation around the globe," he said.

Rising trade tensions pose the biggest risk to the forecast of future trade expansion, while monetary policy tightening and associated financial volatility could also destabilize trade and output, according to the report. The US has for the past several months been wielding a tariff stick against economies including the European Union, Canada and China.



✚ Rain likely to hit kharif crop production in Gujarat, Maharashtra



Production of important kharif crops such as cotton, sugarcane and oilseeds is expected to go down in the Indian states of Gujarat and Maharashtra due to irregular rainfall and pest attacks. Gujarat government had reduced the production and yield of kharif crops in its advance estimates for 2018-19.

Even though, the area under cotton cultivation in Gujarat has increased to 27.09 lakh hectares in 2018-19 as compared to 26.24 lakh hectares in the previous year, the state government pegged production at 88.28 lakh bales of 170 kg each, which is low from 101.87 lakh bales in 2017.

Moreover, cotton produce is estimated to drop by 16 percent to 554 kg of lint in 2018-19 from 660 kg. It also predicted a 22 percent decline in groundnut yield to 1,836 kg per hectare from 2,360 kg per hectare. Hence, the cotton farmers are waiting for a good rainfall, which was actually lacking in September.

Vinay Kotak, director of Kotak Commodities said “If the areas do not get rainfall in next 8 to 10 days then there could be major decline in yields. However, if we get a good spell, there wouldn’t be adverse impact”.

✚ Telangana wants 25 CCI cotton purchase centres by Oct 10

India’s Telangana state government has requested the Cotton Corporation of India (CCI) to open its purchase centres in at least 25 market yards by October 10 as cotton plucking has commenced in some pockets of the state where its cultivation was taken up early and cotton is expected to arrive in the market beginning the first week of October. At a recent meeting in Hyderabad, CCI decided to open cotton procurement centres in 98 market yards and another 288 purchase centres at ginning mills, according to a report in a top South Indian English-language daily.



State marketing minister T Harish Rao asked CCI officials to open all their purchase centres by October 20. The Indian Government has fixed a minimum support price (MSP) of Rs. 5,450 per quintal for cotton this year against Rs. 4,320 last year. A large number of farmers are expected to sell their produce at the CCI purchase centres because of the rise in MSP. However, the minister suggested the farmers to maintain CCI quality norms regarding moisture content.

Rao also telephoned CCI chairman and managing director P Alli Rani and asked her to initiate steps for timely shifting of cotton bales and seed from ginning mills and also to ensure hassle-free procurement in Khammam district where ginning millers did not participate in CCI tenders.

Govt. toughens import norms for Edible Oil from Bangladesh



The government has toughened norms for the import of refined and crude edible oil from Bangladesh to prevent their illegal dumping into India. From now on, no import of crude and refined edible oil will be cleared without a 'no objection certificate' from the Directorate of Revenue Intelligence (DRI).

A DRI notification, dated September 25, stated that imports of crude and refined edible oils from Bangladesh are in contravention of the rules of origin under the South Asian Free Trade Area (SAFTA) rules and regulations. This has resulted in substantial evasion of customs duty.

“It is, therefore, requested to give necessary instruction to the field formation so that no such consignments of edible oils in the form of refined/crude imported availing SAFTA benefit should be cleared without ‘no objection’ from DRI, Kolkata,” said the notification.

Under SAFTA, Indian processors import crude and refined edible oil at ‘nil’ duty as against import duty of up to 59.4 per cent levied on their import directly from major producing countries including Malaysia, Indonesia, and Argentina. The SAFTA agreement, however, mandates 30 per cent of value-addition in imported goods, which is impossible for commodities like crude and refined edible oil.

Based on complaints filed by several industry bodies, including the Solvent Extractors’ Association (SEA), the DRI found cases of violation of the rules of origin. SEA claimed that a small quantity of refined oil used to be imported from Bangladesh and other SAFTA countries, including Sri Lanka and Nepal, but its import intensified through land route.