COMMODITY OUTLOOK AND SITUATION ANALYSIS

Weekly Report 01 to 07 March, 2020

Basmati Rice, Soya Decline by up to 10%

New Delhi: Prices of basmati rice, cotton and soyabean have dropped by up to 10% in the last one month as the coronavirus outbreak curtailed overseas shipments leading to a build-up of stock. Since early February, cotton and yarn prices in the wholesale market have fallen by 7%, while basmati is cheaper by 10% and soybean by 5%, according to traders. Basmati rice and soyabean meal exporters said sales were down at a time when shipments were ex- pected to rise ahead of the Nowruz celebration, which marks the beginning of the New Year in Iran, from March 20. India's basmati rice exports to Iran have almost stopped as cargo handling at the ports was restricted because of concerns regarding virus spread, said Satish Goel of Shree Jagdamba Agrico Exports. Iran has been the largest importer of basmati rice from India in recent years, accounting for more than 30% of the total basmati rice shipped abroad. "It was the peak time for exports which has come to a standstill now. More than 60,000 tonnes of rice slated for export is lying in the ports," said Goel. Similarly, soyabean meal exporters said the development has come at a time when they were expecting a pickup in demand from Iran. "With the fall in soyabean prices by 15% in past two month we hoped to be competitive in the export market and were expecting demand from Iran's poultry and fish industry," said Davish Jain, chairman of the Soyabean Processors Association. Iran accounted for over 25% of the 1.5 to 2 million tonne of soyabean meal exported from India. Jain said that Iranian buyers were not negotiating for further deal and orders were expected to be slow. "If situation doesn't improve and there is no posi- tive signal, we can expect another 5% drop in soyabean prices from the current ₹3,900 per 100 kg," said Jain. Cotton prices have fallen 7% to ₹38,000 per candy of 356 kg in the past one month, said Mahesh Sharda, president at Indian Cotton Association. "There is no new buying by China or any other country. We will be meeting the textile secretary to understand the government's view on effect of coronavirus on industry," he said. Yarn prices, too, traded 5% to 7% lower than a month ago due to a drop in demand and fall in international cotton prices, said Rakesh Rathi, director at New Delhi-based Kamal Cotton Traders. He said cotton yarn prices were at ₹180-190 per kg for export quality 30s carded yarn.

NAFED to procure green, black gram from farmers

The National Agricultural Cooperative Marketing Federation (NAFED) will procure green gram and black gram from the farmers directly. Farmers in the district are asked to utilise the opportunity. District Collector S.A. Raman in a press release said that the federation has proposed to procure 100 metric tonnes of green gram ₹ 70.50 a kg and 200 metric tonnes of black gram ₹ 57 a kg from farmers. The release said that procurement would be done till April 18 through the Salem Regulated Market Committees and the money would be directly transferred to the farmers' savings bank accounts. Farmers could sell a maximum of 469 kg green gram a hectare and 700 kg black gram a hectare that should have fair average quality.

Commodity Picks:

Chana

Bargain buying ahead of the festive season could help prices revive this week. However, sharp gains are not expected ahead of the new crop harvest. Prices in the Delhi market are expected to recover from Rs 4,200 to Rs 4,250-Rs 4,275 per quintal.

Mustard seed

Weakness across the oil seed complex coupled with the impending harvest of the new crop which is expected to gather pace this week will weigh on prices. Mustard seed prices in Jaipur market are expected to correct from Rs 4,250 per quintal to Rs 4,175-Rs 4,200 per quintal.

Soyabean yield estimates revised to 93.06 lakh tonne

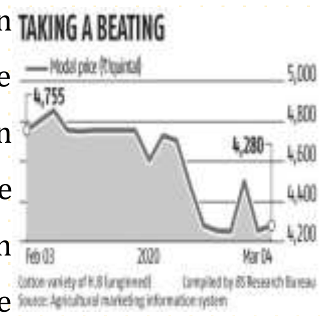
The Soybean Processors Association of India (SOPA) has revised estimates for the kharif 2019 soybean production from 89.94 lakh tonne to 93.06 lakh tonne. The revision is based on an extensive field survey conducted in Maharashtra, Madhya Pradesh and Rajasthan by two SOPA teams. The teams travelled almost 8000 km and visited every major soybean producing district in these three states, and interacted with farmers, traders, mandi officials and soya bean processors. Based on the survey, the total Kharif soybean production has been revised from 89.94 lakh tonne to 93.06 lakh

tonne. The revision is only for Maharashtra from 36.295 lakh tonne to 39.416 lakh tonne. There is no change in the crop estimates of other states. Across the country, soybean planting came down to 107.613 lakh hectare in 2019 against 108.396 lakh hectare. The estimated domestic consumption of soybean meal for feed increased from 47.5 lakh tonne to 50 lakh tonne. The estimated exports reduced from 10 lakh tonne to 7 lakh tonne, while the carry over stock estimates at the end of September 2020 has been revised to 4.76 lakh tonne. According to the survey, soybean was planted on 37.363 lakh hectare in 2019 from 36.390 lakh hectare in 2018 in Maharashtra. Accordingly, production also rose from 36. 295 lakh tonne to 39.416 lakh tonne. Productivity has gone up in the state from 944 kg per hectare to 1,055 kg per hectare. In Madhya Pradesh, one of the largest soybean growing states, the crop was planted on 51.952 lakh hectare in 2019 as compared to 54.100 lakh hectare in 2018. Production, however, remained same at 40.107 lakh tonne as productivity dropped to 772 kg per hectare from 1,075 kg per hectare. In Rajasthan, soybean production touched 6.560 lakh tonne with soybean planted on some 9.627 lakh hectare. The most-active March contract of soybean rose 2% on the National Commodity and Derivatives Exchange due to improved demand at a lower price level, analysts said.

Cotton, yarn prices fall as coronavirus brings exports to China to a halt

Cotton and yarn prices have declined by up to 10 per cent during the past one month on a domestic supply glut that emerged after exports to China came to a grinding halt. The cessation of shipments to that country was caused by the lockdown of shops and factories there, following the coronavirus outbreak. Raw (unginned) cotton in the Gondal (Gujarat) market shed almost 10 per cent to trade at Rs 4,280 a quintal on Wednesday from a level of Rs 4,755 a month ago. Cotton yarn lost 2-3 per cent over the last one month, while synthetic yarn declined by 4-5 per cent during the past one month, following a fall in crude prices. Atul Ganatra, president of Cotton Association of India, said globally cotton yarn prices have dropped to 60.50 cents on the Intercontinental Exchange on February 28 from 71.5 cents. This has also impacted exporters margins. The lockdown in China of retail shops and factories has hit

India’s cotton and yarn exports hard with shipments came to an abrupt halt. “India’s cotton and yarn exports to China have halted due to lack of orders from there. Even Indian exporters have not evinced any interest in pursuing with export orders. In case any quality or quantity issue arises after shipment, travelling to China for clearing the cargo will be difficult,” said Arun Sakseria, a city-based cotton exporter. Price of cotton and yarn is taking a beating due to poor sentiment in the market due to the outbreak of coronavirus in China and deterioration of quality in the present kapas arrivals. Looking at the decline in cotton prices, the government owned Cotton Corporation of India (CCI) has offered a discount of Rs 3,200-5,000 per candy (1 candy = 356 kg) for old stock purchased in bulk. The decline in raw material prices is likely to benefit textile mills and their profit margins may go up in the coming quarters. “Raw material costs have started moderating due to the outbreak of coronavirus which has impacted demand / production in China. Disruption in supply chain or production of polyester yarn in China is likely to provide greater export opportunities to Indian polyester manufacturers later,” said Madhu Sudhan Bhageria, chairman and managing director, Filatex India Ltd. In the Budget last month, the government had removed anti-dumping duty on purified terephthalic acid (PTA), a raw aterial for synthetic yarn. The abolition of anti-dumping duty on key raw material input PTA has changed the landscape of synthetic textile manufacturers. The Indian textile industry has been stagnating in spite of the slowdown in China. According to Icra, the coronavirus outbreak has started exerting pressure on yarn realisations, which have corrected by 2-3 per cent since the beginning of February 2020. This follows a brief recovery seen in India’s cotton yarn exports in the month of January 2020 when the exports touched an estimated 100 million kg, in line with India’s historical monthly average, following a weak performance for nine consecutive months earlier. The domestic cotton spinning industry is highly dependent on exports, particularly to China, with around 30 per cent of the cotton yarn produced in the country being exported, and China accounting for nearly one-third of the exports in recent years. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, Icra, said, “Even though domestic cotton fibre prices continue to be competitive vis-a-vis international cotton prices at present with a price spread of about 4 per cent (down from 9 per cent in Feb-20), a further correction in



international cotton prices amid demand-side uncertainties could render domestic spinners uncompetitive in the international markets, similar to the situation which was witnessed in H1 FY2020." For synthetic yarn, Raw material cost has started moderating because the outbreak of coronavirus is likely to impact demand for polyester yarn in China, which accounts for around 65 per cent of global demand. As a consequence, the price of PTA, a key raw material that accounts for more than half of the sales price of polyester yarn, is expected to be under pressure in the near term.

Throwing cold water on the farm party

The global spread of the coronavirus outbreak couldn't have come at a worse time for Indian farmers — just when they are set to harvest a bumper rabi crop on the back of higher plantings enabled by the wettest monsoon in 25 years and extended heavy rains till early-November. Rising COVID-19 infection cases, including in India, has acted as a sentiment dampener ahead of the marketing season for major rabi crops, whose mandi arrivals will pick up after Holi on March 10. The Agriculture Ministry has estimated a 9.5% jump in the total acreage under rabi field crops — especially wheat, rapeseed-mustard, chana (chickpea), masur (red lentil), matar (field pea) and maize — this time compared to in 2018-19. March is also the harvesting/marketing period for the main rabi onion, potato and garlic crops, apart from red chilli and seed spices such as jeera (cumin seed), dhaniya (coriander) and saunf (fennel). For farmers, the price outlook was generally bullish till around mid-January. Mustard in Rajasthan's Alwar mandi was quoting at an average of Rs 4,150 per quintal, as against Rs 3,800 a year ago. But the oilseed is currently trading at Rs 3,600-3,700, way below the government's minimum support price (MSP) of Rs 4,425. Chana prices at Latur in Maharashtra have, likewise, plunged to Rs 3,650 per quintal, when its MSP is at Rs 4,875. Note: Wheat, corn and soyabean prices refer to the most actively-traded futures contracts at the Chicago Board of Trade. Raw sugar, cocoa and coffee prices are for the most actively-traded futures at the Intercontinental Exchange. Skim Milk Powder price is the average for the fortnightly Global Dairy Trade auctions. Crude palm oil price is for the most actively-traded futures at the Bursa Malaysia exchange. Rice prices are export quotes for Thai white grain with 5% broken content. Rubber

INTERNATIONAL AGRI-COMMODITY PRICES

COMMODITY	UNIT	CURRENT	YEAR AGO	MID-JAN
Wheat	Cents/bushel	527.25	455.50	573.25
Corn	Cents/bushel	381.25	374.75	387.50
Rice	US $/tonne	471.00	406.00	450.00
Soyabean	Cents/bushel	903.50	916.00	928.75
Crude palm oil	Ringgit/tonne	2495.00	2150.00	2945.00
Raw sugar	Cents/pound	13.76	12.36	14.52
Cocoa	US $/tonne	2653.00	2156.00	2689.00
Coffee	Cents/pound	122.20	97.35	114.30
Skim Milk Powder	US $/tonne	2747.00	2462.00	3036.00
Cotton	Cents/pound	72.40	81.00	80.20
Rubber	US $/100kg	159.28	172.50	164.89

price is for RSS-4 grade at Bangkok. Cotton price is the average based on the Cotlook 'A' index. The link with the coronavirus is obvious in the case of mustard. Crude palm oil prices in Malaysia had started this calendar year at 3,130 ringgits ($ 765 per tonne), with global stocks that were projected to drop to their lowest since 2009-10. But as reports of the novel virus epidemic in China gathered momentum from mid-January, prices crashed to sub-2,500 ringgits ($ 600) by end-February. Lower palm prices have, in turn, pulled down the rates for soyabean and other oilseeds, including mustard. But it isn't vegetable oil alone. As the accompanying table shows, international prices of almost every agri-commodity have registered declines after mid-January, with rice and coffee being notable exceptions. Significantly, the current levels are still higher than a year ago in most commodities, barring soyabean, cotton and rubber. It reflects fundamental global supply tightness, also manifested in the UN Food and Agricultural Organisation's Food Price Index in January touching its highest since December 2014. That situation has, of course, reversed subsequently. Commodity markets have been singed no less than equities by COVID-19's rapid worldwide spread and reduced Chinese buying of everything, from palm oil and cotton to milk powder and meat. For farmers, this isn't good news. Red chilli prices at Andhra Pradesh's Guntur Mirchi Yard had ruled at Rs 13,000-19,000 per quintal before mid-January, even briefly scaling a record Rs 22,000 for the premium high-pungency "Teja" variety grades. Those have now eased to Rs 10,000-15,000, with expectations of a further fall due to shipments to China coming to a standstill. A bumper crop, in combination with Chinese imports not taking place, has led to jeera prices at Gujarat's Unjha market hovering around Rs 13,350 per quintal, down from Rs 15,750 last year at this time. After a poor kharif crop — impacted both by the monsoon's delayed onset and unseasonal rains during maturity stage — Indian farmers are well set to reap a bountiful harvest. And with both global and domestic prices recovering after a prolonged bear phase, rural incomes till recently seemed on the cusp of a turnaround. Sadly, it looks that the coronavirus has upended those hopes. Even if China were to resume buying — inevitable at some point — that may happen only after the farmer has sold.

Cooking Oil may become 10% Cheaper

New Delhi: Cooking oil is likely to become up to 10% cheaper in the next one week as global prices are falling because of coronavirus, industry executives said. Global prices have a strong bearing on the Indian market because the country imports nearly 70% of its annual consumption of 23.5 million tonnes of edible oil. "Low demand in China, which is one of the biggest consumers, has led to a fall in prices in the global market and simultaneously in the domestic market," said Angshu Mallick, deputy chief executive officer at Adani Wilmar. "We will be passing on this drop in prices to consumers, which will reflect in the sticker packs of branded cooking oils in the coming week." Mallick said consumer will pay 10% less— ₹8 a litre for palm oil and soyabean oil—and 7% less at ₹5 a litre for sunflower oil. Current wholesale prices of branded soyabean and palm oil are ₹78 a litre, while that of sunflower oil is ₹82 a litre. "With the spread of the coronavirus in other regions of the world, we can expect a further drop in prices by ₹3 a litre," said Mallick. According to Sudhakar Desai, president at Indian Vegetable Oil Producers Association, edible oil prices in international market have fallen 15-22% in the last 50 days due to poor global demand, coronavirus impact and long liquidation. Palm oil prices fell 20% and soya and sunflower oil prices fell 15% during this period. Desai said mustard oil prices have come down by 13% while rice bran oil prices have fallen 20% in the past two months.

Falling onion prices: Farmers fume; export may begin March 15

Things change in no time. A few weeks ago, skyrocketing onion prices were hogging the headlines and causing a political storm; over the weekend, farmers protesting a steep fall in prices of the vegetable brought wholesale auctions to a halt in Lasalgaon, the largest trading hub, and even threw their stocks on the streets. With farmers demanding immediate implementation of the promised lifting of ban on exports, commerce and industry minister Piyush Goyal tweeted on Monday that exports would be allowed from March 15. The government last week decided to lift nearly six-month-old ban

on export of onions as prices tended to fall sharply due to bumper rabi crop, but it remained unclear when exports would resume. Wholesale onion prices at Lasalgaon firmed up by Rs 500 per quintal last Thursday after Union minister of consumer affairs, food and public distribution Ram Vilas Paswan tweeted on the government's decision to lift the ban on onion exports. However, the prices fell by Rs 300/quintal over the weekend. Between November-January, onion prices remained at elevated levels – retail prices touched the peak levels of Rs 120/kg many times in key markets. Maharashtra State Onion Growers Farmers Association president Bharat Dighole threatened of agitation till the government actually lifted the ban on onion exports. As part of their protests, farmers blocked the Nashik-Aurangabad Highway while some threw their onion stocks on the streets in Vinchur. The farmers also resorted to rasta rokos and protests in Lasalgaon, Deole, Pimpalgaon, Yeola and Andersul in Nashik district following which onion auctions were brought to a halt, Suvarnatai Jagtap, chairperson, Lasagaon APMC told FE. On Monday, onions were auctioned at a minimum price of Rs 900/quintal, maximum of Rs 1,652 with the modal prices at Rs 1,450 at Lasalgaon. On Saturday, onion prices were at a minimum of Rs 851 per quintal, a maximum of Rs 1,982 per quintal and an average of Rs 1,750 per quintal. Market officials said that the onion prices had fallen since the notification lifting the export ban was yet to be issued by the government. Suvarna Jagtap, chairperson, Lasalgaon APMC, said that she had a talk with the local MP Bharati Pawar, who happened to be in Delhi, and met the ministry officials on the issue. "The DGFT officials have assured that a notification will be issued later this evening," Jagtap said, adding that she has discussed the issue with the farmers and has apprised them of the situation. "Hopefully, the matter should subside soon," she said.

Nashik onion growers seek relief of Rs 5/kg for 45-day period

The onion growers in Nashik are seeking a compensation of Rs 5 per kg for the period from February 1 to March 15 for the delay in the government's decision to revoke the ban on exports. Bharat Dighole, president, Maharashtra State Onion Growers' Association, pointed out that the government had already caused huge losses to farmers by banning onion exports. However, under pressure, it has finally relented, announcing to lift the ban, but delayed the exports to March 15, he said. So, the association has sought compensation from the government at Rs 5 per kg for a period of 45 days. Moreover, the government should deposit the amount directly in farmers' bank accounts, he said. The association has submitted a representation to the Nashik resident district collector. Nearly five months after prohibiting onion exports, the Union commerce ministry has stated that the curbs will be lifted from March 15. "The government will allow export of onions from March 15 in the interest of farmers. This will increase their income," commerce minister Piyush Goyal tweeted. On September 29 last year, the government had banned exports and imposed countrywide stock limits on onion to bring down prices of the key crop that had soared anomalously ahead of elections in Maharashtra and Haryana. The crackdown followed retail onion prices touching Rs 80 a kg in Delhi due to supply disruptions after floods in some states. In December last year, the prices hit Rs 160 per kg in certain parts of the country. The government's decision to lift the ban was prompted by a sharp fall in prices due to bumper rabi crop, but it remained unclear when exports would resume. Dighole of Maharashtra State Onion Growers' Association had warned of agitation till the government actually lifted the export ban. As part of their protests, farmers blocked the Nashik-Aurangabad highway while some threw their onion stocks in the streets in Vinchur. Farmer protests were also reported in Lasalgaon, Deole, Pimpalgaon, Yeola and Andersul in Nashik district following which onion auctions were brought to a halt.

Market officials said the prices had fallen since the notification lifting the export ban was yet to be issued by the government. Following the ban-lift announcement, Nashik traders have urged the ministry of consumer affairs to remove the stock limits. According to traders, at present nearly 70-80% of the onion crop is export-worthy, but stock-holding limits make exports difficult. The government has set stock limits of 250 quintal for wholesalers and 25 quintal for retailers. So, the administration has to keep a close watch on the stocks and daily sales. Demands from states such as Uttar Pradesh, Bihar, Delhi have dropped due to Holi and therefore the traders are seeking removal of stock limits to stabilise onion arrivals in the market. "Farmers are unable to store and bring onions to the market due to the restrictive stock-holding limits," Suvarna Jagtap, chairman of Lasalgaon Agricultural Produced Market Committee (APMC) said, adding this may lead to losses for both farmers and traders in the future. Lasalgaon is flooded with onion coming from the region and other parts. She said she had already alerted the state and central governments on the need to change policies. Jaydutt Holkar, former chairman, Lasalgaon APMC, said daily arrivals had crossed 20,000-25,000 quintal a day and this had led to a sharp fall in prices. He had said the committee had expressed its concerns to the Centre but there had been no response. According to market sources, the government has been struggling to dispose the imported onions to states. Of around 36,000 tonne imported onions, four states have picked up just 2,000 tonne. Traders highlighted that there was no demand for the imported crop since consumers prefer the pungency of the Indian variety. The Union government had decided to import onions from Turkey, Holland and Egypt. “We have so far imported 35,000 metric tonne of onion out of which nearly 17,000 metric tonne have been distributed,” officials said.

Oilmeal exports drop 74% in Feb on better rice realisation

The export of oilmeals during February is provisionally reported at 76,017 tonne compared to 294,510 tonne in February last year— down by 74% — by the Solvent Extractors’ Association of India (SEA). The overall export of oilmeals during April 2019 to February 2020 is reported at 2,200,690 tonne compared to 2,941,971 tonne in April 2018-February 2019, registering a decline by 25%. This is mainly due to better price realisation for oilmeals in the domestic market compared to export realisation, coupled with increased domestic consumption resulted into lower exports. The silver lining for the exports is sharp increase in export of castor meal, which is used as organic fertiliser. The exports jumped nearly 41% to 505,194 tonne from 359,351 tonne in the same period last year. During April 2019-February 2020, Vietnam imported 276,655 tonne of oilmeals (compared to 592,697 tonne) consisting of 6,417 tonne of soybean meal, 167,643 tonne of rapeseed meal and 102,595 tonne of de-oiled rice bran extraction. South Korea imported 809,733 tonne of oilmeals (compared to 699,334 tonne) consisting 51,098 tonne of soybean meal, 365,243 tonne of rapeseed meal and 393,392 tonne of castor seed meal. Thailand imported 218,320 tonne of oilmeals (compared to 298,400 tonne) consisting 197,798 tonne of rapeseed meal, 17,581 tonne of rice bran extractions and 2,905

tonne of soybean meal. The export from Kandla is reported at 754,590 tonne (34%). Mundra handled 703,303 tonne oilmeals.

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