COMMODITY OUTLOOK AND SITUATION ANALYSIS

Weekly Report 16 – 22 August 2020

Agri Picks Report: Geojit

This is no storm in a teacup. India's tea exports, already on the downhill since the start of the season, are staring at a grim future as the country is losing out to rivals due to its higher prices amid the pandemic-led disruption in global demand. The food ministry has asked sugar mills to utilise at least 85% of their existing distillery capacity to produce ethanol, it said in a notification. India on 14th August received 13.5 mm rainfall, 54% above the normal, the India Meteorological Department said. With rainfall above normal for the sixth consecutive day, overall rains this monsoon season remained higher than the normal. India's tea production surged 43.7% on month to 138.52 mln kg in June, Tea Board of India data showed. India's tea exports during Jan-May declined 26.6% on year to 74.4 mln kg. India's annual inflation rate based on the Wholesale Price Index remained in the negative territory for fourth consecutive month in July, but rose to (-)0.58% from (-)1.81% the previous month due to sharp sequential rise in food and fuel prices, data released by the commerce and industry ministry showed. With India's headline inflation based on the Consumer Price Index (Combined) jumping to 6.93% in July from 6.23% the previous month, hopes of a cut in the policy repo rate in October have been dashed. India's edible oil imports rose 13% on year to over 1.5 mln tn in July, The Solvent Extractors' Association of India said in a release. The US Department of Agriculture has cut its estimate for global wheat output in 2020-21 to 766.0 mln tn from 769.3 mln tn pegged a month ago, the agency said in its report for August. The US Department of Agriculture has pegged global oilseed production in 2020- 21 at 610.4 mln tn, compared with its estimate of 577.2 mln tn for 2019-20, and 604.2 mln tn estimated in July, primarily due to higher soybean production on the back of higher yields, the agency said in its report for August. The US Department of Agriculture has scaled up its estimate for India's cotton output in 2020-21 (Aug-Jul) to 29.7 mln bales (1 US bale = 218 kg) from 28.5 mln bales projected the previous month, the agency said in its latest report.

Agriculture Infrastructure Fund: Another major step in the right direction to get agri-markets right

On August 9, prime minister Narendra Modi launched the Rs 1 lakh crore Agriculture Infrastructure Fund (AIF) to be used over the next four years. This fund is for building post-harvest storage and processing facilities, largely anchored at the Farmer Producer Organisations (FPOs), but can also be availed by individual entrepreneurs. The point to be noted is that AIF will be used as loans to FPOs and other entrepreneurs through Primary Agriculture Credit Societies (PACS) at concessional interest rates. NABARD will steer this in association with the ministry of agriculture and farmers welfare. The implication of this for the central government budget is not going to be more than Rs 5,000 crore over four years in terms of interest subvention subsidy. What this presumes is that there is a large pent up demand for storage facilities and other post-harvest infrastructure. This is another major step in the right direction to 'get agri-markets right'. Earlier, the Modi government had issued three ordinances related to the legal framework of agri-markets with a view to bring about some degree of liberalisation. These ordinances related to the amendments in the Essential Commodities Act, allowing farmers to sell their produce outside the APMC mandi yards, and encouraging contract farming between farmers and processors, exporters, retailers, etc. It may be noted that changes in the legal framework are a necessary condition, but not a sufficient one to 'getting agri-markets right'. Creation of a post-harvest physical infrastructure is as important as the changes in the legal framework. AIF will help fill this gap. Its positive impact will be seen in due course, depending upon how fast, and how earnestly, they are implemented by various states, FPOs, and individual entrepreneurs.

Covid impact: Sluggish demand hits India's seafood exports in 2019-20

Seafood exports saw 7.39 per cent drop in quantity and 0.74 per cent in US dollar value during 2019-20. Covid-19 has taken a toll on India's seafood exports, which have witnessed a 7.39 per cent drop in quantity and 0.74 per cent in US dollar value during 2019-20. The country shipped 12,89,651 tonnes valued at ₹46,662.85 crore ($6.68 billion) against 13,92,559 tonnes worth ₹46,589.37 crore ($6.72 billion) in 2018-19. KS Srinivas, Chairman, Marine Products Export Development Authority (Mpeda), attributed the decline to sluggish demand in major export markets due to the pandemic that led to cancellation of several orders, reduced and delayed payments, slowdown of cargo movements and difficulty in getting new orders. The decline in sea catch along the west coast on account of reduced fishing days has also been a reason for the shortfall in quantity. "We missed the $7-billion target, though not by a fair distance. However, exports are now likely to witness an uptick as lockdowns have been eased globally and there is an increased sale of value added products in retail chains. Mpeda's vision is to take Indian seafood exports to ₹1 lakh crore by 2030," he said.

US, China key markets

Frozen shrimp remained the major export item in terms of quantity and value followed by frozen fish while the US and China turned out to be the major importers. Frozen shrimp, which earned ₹34,152.03 crore ($4,889.12 million), retained its position as the most significant item in the seafood export basket. The overall export of frozen shrimps during 2019-20 was pegged at 6,52,253 tonnes, fetching foreign exchange worth $4,889.12 million. The US, the largest market, imported (2,85,904 tonnes) of frozen shrimp, followed by China (1,45,710 tonnes), European Union (74,035 tonnes), Japan (38,961 tonnes), South-East Asia (34,439 tonnes), and the Middle East (32,645 tonnes). The export of Vannamei shrimp increased from 4,18,128 tonnes to 5,12,189 tonnes. The US also turned out to be the major market for Black Tiger shrimp followed by Japan and the European Union.Frozen fish, the second largest export item, fetched ₹3,610.01 crore ($513.60 million). However, the export of this variety declined by 34.11 per cent in quantity and 26.53 per cent in dollar value.

Export of frozen cuttlefish, pegged at 70,906 tonnes, showed a positive growth of 17.76 per cent in quantity, 1.71 per cent in rupee value and 1.45 per cent in dollar terms, and earned ₹2,009.79 crore ($286.40 million). China emerged as the largest seafood export destination in terms of quantity with an import of 3,29,479 tonnes worth $1,374.63 million. The European Union continued to be the third largest destination with frozen shrimp, the major item of exports. South-East Asia is the fourth largest market. However, overall exports to the countries in this region plummeted by 50 per cent in quantity, 53 per cent in rupee value and 54 per cent in dollar earnings. Japan continued to be the fifth largest importer with frozen shrimp continuing to be the major item of exports.

Options trade begins for wheat, maize, mustard; allows farmers to set their own price for crops

Along with the comprehensive agriculture market reforms undertaken via three Ordinances recently to facilitate unfettered market access for farmers, the onset of options trading in three agriculture commodities — wheat, maize and mustard — last month could potentially give another boost to price realisation by farmers. Of course, these are still very early days and the options introduced on the commodity exchange NCDEX is currently drawing minuscule volumes, compared to the total trade in the three commodities. Analysts, however, say the prospects are bright, given that the rules allow the seller (farmer) to set his own price (within a defined band) for selling the crops, with an obligation on the buyer to lift the goods (compulsory delivery). "Option trading can be an alternative to the Minimum Support Price system (that puts a burden on the exchequer and leads to maintenance of food stocks beyond even the buffer levels at a huge cost). It can be replacement of the existing marketing systems if developed properly in the long-run and Farmer Producers

Organisations (FPOs) are enabled to aggregate the crops to generate volume," said Vijay Sardana, a member of SEBI's commodity derivatives advisory committee. Under the system, when farmers are ready to sell, traders also must be made to buy on the exchange platform, Sardana said. NCDEX has applied for permission from SEBI to launch options trading in four more commodities — chana, soyabean, refined soya oil and guar gum. The options contracts have hitherto been premised on futures trading on expiry, whereas the 'options on goods' now being rolled out would be settled through physical delivery. In fact, the value of traded contracts on agri-futures has been declining in the country over the last few years, and farmers haven't benefited much from it, in the absence of ready tools at their disposal to hedge their market risks efficiently. As per the options contract — now available in wheat, maize and mustard — a seller, who wants to sell his crop on a future date on a predetermined price, can secure that price on present date by paying a small amount of premium. He can also seek a higher rate (up to a limit) from the prevailing rate on the day of trade. After a deal is executed, the buyer has to pay that secured price for the crop on delivery. If the market price is less than the secured price on the date of delivery, the buyer cannot refuse delivery, whereas the seller can quit at any time by foregoing his premium if he finds a higher price in the physical market. The options are modelled on the European system. "Since the government is spending a lot of amount on buying and selling of crops to ensure farmers get the benefit of MSPs, it may alternatively consider subsidising premium in options trading and also allow direct participation of FPOs in trading without going through brokers of the exchanges," said an official, requesting anonymity. While options will work as a price insurance for the farmers, the fiscal burden on the exchequer would be lower, he reasoned. Under a new central law on inter-state trade, farmers now have freedom to sell their produce in any market within the country, without being hamstrung by the APMCs. No state levies will be imposed on trade outside the APMC mandis and payment has to be made to the farmer within three working days. According to the new law, anyone having PAN card can trade, while the Centre reserves the right to lay down any new procedures, including mandatory prior registration. Via another Ordinance on contract farming, farmers would get share of post-contract price surge, after they sign agreements of contract farming with private players. Also, they will have the cover of minimum guaranteed price if open market/mandi rates fall drastically. The two ordinances, along with another one in the offing to give effect to the amendments proposed to the Essential Commodities Act to ease stock holding restrictions on commodities till the food processors in the value chain, will together go a long way in unshackling the entire agriculture-to-food-processing-to-retailing value-chain and giving farmers the choice to sell their produce in any market across the country, analysts feel. After deciding to fix the minimum support prices (MSPs) at 150% of the costs (A2+FL) in 2018, the Centre in the same year also launched PM-Aasha, a scheme promised to ensure farmers get to sell their produce at the benchmark rates. However, despite buying a record 5.8 million tonne of oilseeds and pulses in 2018-19 (worth Rs 27,353 crore), the scheme failed to have a major impact on mandi prices, although proponents of the scheme claim that mandi rates would have been even lower without the policy. As it could not dispose of the previous stocks as well as higher mandi rates than MSP in soyabean, the procurement in 2019-20 dropped to around 4 million tonne. While there is negligible procurement of coarse cereals as the government does not want to take the financial burden, the pressure on the Food Corporation of India, that procures paddy and wheat, has been mounting. The FCI's indebtedness to the National Small Savings Fund is set to rise to an alarming level of Rs 3.5 lakh crore in FY21 from Rs 2.5 lakh crore at the end of FY20. This will be the steepest annual spike in these loans, which are increasingly being resorted to, by the Centre to keep the food grain procurement operations going, and meet the obligation to provide highly subsidised PDS food supplies under the National Food Security Act.

Prakash Javadekar urges farmers to plant trees on agricultural land

Union environment minister Prakash Javadekar on Monday encouraged farmer to plant trees on their lands which can be sold and transported when ready. Addressing a virtual meeting with forest ministers of all states and Union territories, Javadekar said, "Farmers shouldn't fear that their land will become forest land. The land will remain theirs. They can sell the trees when needed and transport them." With the Compensatory Afforestation Fund money available with states, water and fodder augmentation projects will have to be taken up in one forest in each state; afforestation of river banks and floodplains of all major rivers will be taken up; school nurseries will be developed in 2000 schools across the country and urban forestry projects will also be taken up with private participation, he added. The Union environment ministry had released Rs 47,436 crore to 27 states for compensatory afforestation and other forest conservation work last August. "At least 80% of the compensatory afforestation funds are to be utilised only for afforestation and rest of the 20% can be utilised for capacity and infrastructure development like buildings or vehicles. The money should not be used for payment of salaries, traveling allowances and medical expenses," he said. Javadekar also asked states to come up with an outline of Project Dolphin (which was announced by PM Modi on Independence Day) within a fortnight. The project will involve long-term conservation of Gangetic dolphins and dolphins in the sea along the coasts. Sanjay Kumar, director general of forests, said there is a sub-mission on agroforestry under the ministry of agriculture which provides 50% subsidy to farmers for plantation. The environment ministry is also considering making common lands accessible to private parties with an arrangement of benefit sharing with locals. "An arrangement has to be developed which is friendly and acceptable to local people because common lands provide various benefits to locals. We have received a number of suggestions and requests on this matter. But it's a complex matter and the policy is in conceptual stage," he said. "The Environment Ministry had put out a draft Forest Policy in 2019. The policy had aimed to take us back to the 1980s when state forest departments were basically operating as commercial plantation growing agencies with no care for India's forest diversity or the relationships between communities and forests. The 2019 policy was heavily criticised by many for various reasons and it never got finalised. This new announcement by the minister reflects this draft policy and it may take us back to those years of heavily funded plantation forestry. The policy is completely unsuitable for the new ecological realities we are in today," said Manju Menon, senior fellow, Centre for Policy Research.

Govt hikes cane FRP by Rs 10 per quintal

The government on Wednesday hiked the Fair and Remunerative Price (FRP) of sugarcane to Rs 285 per quintal for the sugar season 2020-21. The decision was taken at a meeting of the Cabinet Committee on Economic Affairs chaired by Prime Minister Narendra Modi. The FRP for 2020-21 sugar season (October-September), which will be payable by sugar mills to sugarcane farmers, is Rs 10 higher than the current rate of Rs 275 per quintal. Announcing the decision, Union Minister of Information and Broadcasting Prakash Javadekar said, "The decision will benefit 1 crore farmers." The FRP has been fixed on the recommendations of the Commission for Agricultural Costs and Prices (CACP), said a statement.

India ranks first in the number of organic farmers

In our series on Atmanirbhar Bharat today, we bring you a special story on growth in organic farming in the country. India ranks first in the number of organic farmers and ninth in terms of area under organic farming. Sikkim became the first state to become fully organic and other states including Tripura and Uttarakhand have set similar targets. North East India has been traditionally following organic farming and the usage of chemicals in the region is reported to be far less than the rest of the country. The tribal and island territories are also being nurtured to continue their organic cultivation. The Government initiated Mission Organic Value Chain Development for North East Region (MOVCD) and Paramparagat Krishi Vikas Yojana (PKVY) in 2015 to encourage chemical free farming. It also aims at assisting farmers to adopt organic farming and improve remunerations due to premium prices. Agri-export Policy 2018, has also given a major thrust in the field of Organic farming in the country. The major organic exports from India have been flax seeds, sesame, soybean, tea, medicinal plants, rice and pulses. Quick and easy certification process of the Organic produce under Participatory Guarantee System (PGS) and National Program for Organic Production (NPOP) have helped poise India to be a leader in terms of Organic produce in years to come.

Kharif 2020: Good rains, distribution boost prospects; crop shifting rampant

Prospects of a bumper summer crop seem brighter as the sowing activity is fast drawing to a close in most regions of relevance in the country's agriculture map. While the monsoon rains overall have so far been marginally above normal (long period average), the distribution pattern hasn't played spoilsport either, with the key regions receiving adequate precipitation or only marginal deficiency. Some of the rain-deficient regions turned out to be amply irrigated ones, allaying the worries, if any, even further. Of course, at a granular level, the data shows a shift to certain crops like cotton, maize and groundnut, in some deficient regions. This is apparently because farmers found these crops more suitable to their soil and potentially more remunerative. Also visible is a big jump in acreage of some crops, notably cotton (Telangana) and ragi (Karnataka), in areas that witnessed an abundance of precipitation during this monsoon season. A normal monsoon with fairly good dispersion augurs well for the country's agriculture sector and the rural economy at large, at a time when the Covid-19 pandemic has brought most economic activities to a standstill and the revival seems slow and scattered. Of course, whether and how much a robust crop will translate into rural income will also be function of price. The farmers are being aided by a number of reforms aimed at improving their market access and bargaining strength. Last year, the robust seasonal monsoon rainfall led to 3.7% increase in food grains output to a record 295.7 million tonne during 2019-20 crop year (July-June). Floods occurred in many parts due to heavy rainfall in September, but these ended up aiding the rabi-grown crops creating adequate soil moisture. Punjab, which has received rainfall 13% below average so far this season, has been able to acquit itself well as it is 100% irrigated and sowing figures of key crops — paddy, cotton and maize – are at par with the year-ago level, at around 35 lakh hectares. The marginal shortfall in paddy acreage in the state has been offset with higher areas under cotton and maize, the two crops the state government has been promoting as rational alternatives for water- guzzling rice. In Gujarat, the seasonal rainfall deficit in 22 districts (other than Saurashtra and Kutch region) was 10% until August 17 which has now narrowed down to 5%. Still, 5 out of 22 districts have recorded rainfall deficit of 20% or more. This deficit has impacted cotton planting, which dropped by 13% to 22.7 lakh hectare until last week. However, 45% surplus rains in Telangana have boosted the cotton acreage in the state to a record high of 23.5 lakh hectare, up by 37% from year-ago. The overall cotton sowing across the country increased 3.2% to 125.5 lakh hectare. Groundnut sowing in Gujarat has increased by 34% to 20.5 lakh hectare against year-ago as the main growing belt of Saurashtra along with Kutch region has received 77% above normal rains, so far. The acreage under this oilseed crop is also up by 36% at 7.2 lakh hectare in Rajasthan, the second-largest producer after Gujarat. The sowing coverage under all the major kharif crops in Rajasthan such as jowar, bajra, moong and groundnut is up from year-ago levels even though 18 out of the state's 33 districts are facing rainfall deficiency of 20% or more while the state as a whole has 14% below normal monsoon since the season started from June 1. As the state is a top producer of many crops, any sowing shortfall could result in a fall in their production. Sowing area under guar, a hardy crop that does not need much rains, has slipped in Rajasthan by 11% at 23.89 lakh hectare as some of the major growing districts like Barmer, Bikaner, Ganganagar and Hanumangarh have received 24-44% lower than normal rains. "The sowing of guar can still take place if there is improvement in rains in next 10 days," said a state government official. Guar sowing in the other producing state Gujarat is up by 4% at 1.09 lakh hectare and it is only 65% of the state's normal area under the legume crop. Paddy sowing, up by 14% at 352 lakh hectare as of August 14 pan-India, is progressing well and so far covered 89% of the season's normal area. In West Bengal, the largest producer of rice, the sowing is up 11.5% at 38 lakh hectare as monsoon in the state is 1% above normal until now. Only four out of 19 districts have reported deficient rainfall (24-44% below normal) and paddy production may marginally get affected because of two major producing districts — West Medinipur and East Medinipur — have lower precipitation. In Karnataka, a leading producer of maize, ragi, jowar, tur and sugarcane, all the districts have had normal or excess rains while the state as a whole has reported 20% above normal rainfall. The on-going sowing area under maize, ragi, jowar, tur and sugarcane increased by 11.5% at 32.2 lakh hectare till last week, potentially improving yield and suggesting a bumper harvest. Normal monsoon boosted gross value added (GVA) in the farm–and-allied sector in Q4 last fiscal, as it emerged the second fastest-growing segment with 5.9%

expansion, an eight-quarter high. The farm sector has witnessed a roller-coaster ride in recent years, with GVA growth ranging from -0.2% in FY15 to 6.8% in FY17.

Turmeric selected under 'one district, one product' scheme

Turmeric has been selected under the 'one district one product' (ODOP) approach of the Central government sponsored scheme that is aimed at providing financial, technical and business support for upgrading existing micro food processing enterprises in the district. Under the Aatmanirbhar Bharat Abhiyan 2020-21, the Ministry of Food Processing Industries launched PM Formalisation of Micro Food Processing Enterprises (PM FME) scheme through which a product from each district is selected and the industries related to it were provided support for upgrade, capacity building and quality improvement for five years. While the Central government contributes 60%, the State government contributes 40% for the activities that intends to support farmer producers' organisations, self-help groups and cottage industries and processing units", an official at the Department of Agricultural Marketing said. The official said that individual micro food processing units can avail themselves of credit-linked capital subsidy for the upgrade and entrepreneurs can avail themselves of subsidy for starting new units. District Collector C. Kathiravan said turmeric has been selected under the ODOP approach and a credit-linked grant of up to Rs. 10 lakh would be given to the existing unorganised food processing units for upgrading or for new projects by self-help group, farmer producers' organisations towards capital expenditure. He said that support would be given for marketing and branding. Applications should be submitted to the district-level committee chaired by the District Collector. Further details can be had from the office of the Deputy Director of Agriculture (Agricultural Marketing) at 0424-2339889.

Source: verbatim reproduced from different sources