THE HINDU

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Dearth of workers and processing factories hit small scale tea farmers

The Hindu Losing charms- a group of women workers plucking tea leaves at a small scale tea plantation at Chulliyode in Nenmeni panchayat in Wayanad district. Photo: E.M.Manoj .

The dip in price of green tea leaves, dearth of workers and the lack of tea processing factories in the public sector has hit the small scale tea growers in Wayanad district.

“The spot price of the green leaves on Monday was Rs.6 per kg against Rs.14 per kg during the corresponding period last year,” Saju Ikkarakunnath, president of Wayanad Small Tea Producers Marketing and processing co-operative society at Chulliyode said.

According to the data of the All Kerala Small Tea Growers Association there are as many as 17,000 small scale farmers engaged in the tea industry in 18 panchayats of the district and nearly 12,000 workers depending on it.

K. Thankachan, general secretary, All Kerala Small Tea Growers Federation told The Hindu on Monday that as much as 1,70,000 kg of green tea leaves were being produced by the small scale farmers per day. Whereas, the seven private tea factories functioning in the district produce only 22,000 kg tea leaves per day and the remaining quantity of raw tea leaves was procured by agents from the Nilgiri district in Tamilnadu for the factories functioning there.

"We are forced to sell our produce at a throw away price to the bought leaf agents from Tamilnadu", Thankappan, a small tea scale farmer at Nenmeni said. The prevailing price in the market is not remunerative as the production cost doubled has doubled now. With the dearth of workers, increasing wages also worry us a lot. We should get a minimum Rs.10 per kg to exist in the industry Mr.Thankappan said and added that the farmers had to spend more than Rs.10 to produce 1 kg of raw tea leaf, including other expenses such as labour charge, fertilizers and pesticides.

Whereas, the average price for tea dust remains the same -- Rs.100 per kg in Kunoor's auction market in Tamilnadu for the past three years, Mr. Thankachan said. Moreover, the branded tea companies are marketing the tea dust at a rate of Rs.208 to 238 per kg after procuring the green tea leaves at an average rate of Rs.5 per kg from the farmers, he added.

"According to the estimate of the tea experts as much as a 4 kg of green tea leaves are needed to produce 1 kg of tea dust .As per the existing factors the companies can provide better prices for the farmers," Mr. Thankachan said.

Though the former Minister of State for Commerce and Industry Jairam Ramesh had declared a Rs.10 crore package for the small scale tea farmers in the district including setting up a tea factory in the cooperative sector of district last year, the government is yet to implement the package so far. The sales tax personnel of the state also trouble the farmers by imposing the 12 percent tax for their produce while they are crossing the Kerala–Tamilnadu border check posts. Hence, the farmers are demanding an exempt on sales tax for the quickly perishable green tea leaves. Published: July 19, 2010 19:14 IST | Updated: July 19, 2010 19:14 IST New Delhi, July 19, 2010

Government increases grain output estimate to 218.20 million tonnes

The government on Monday revised upward its foodgrain production estimates at 218.20 million tonnes in the 2009—10 crop year, even as it sees lower output of rice, wheat and pulses.

Although foodgrains production in the 2009—10 crop year (July—June) is anticipated to surpass the earlier estimate of 218.19 million tonnes, it is still lower than the output of 234.47 million tonnes achieved in 2008—09, it said in a statement.

The Agriculture Ministry, which forecasts foodgrains production at different stages of harvest, has lowered the production estimates for rice, wheat, pulses and oilseeds, but has augmented the projections for coarse cereals output in its fourth advance estimates of crop production for 2009—10.

As per the fourth estimates, rice production is likely to be around 89.13 million tonnes in 2009—10, lower than the earlier projection of 89.31 million tonnes and much lower than the record 99.18 million tonnes achieved in 2008—09.

The sharp fall in rice output was mainly due to the severe drought in 2009 that hit more than half the country.

Though wheat output is seen marginally down from the earlier estimate at 80.71 million tonnes, it is still higher than the previous year's record output of 80.68 million tonnes.

Pulses production is also pegged at 14.59 million tonnes, lower than the earlier forecast of 14.77 million tonnes, but higher than the previous year's 14.57 million tonnes.

Similarly, oilseeds production is likely to be 23.94 million tonnes less than the earlier projection of 25.41 million tonnes for 2009—10. This is also lower than the previous year's actual production of 27.72 million tonnes.

In contrast, coarse cereals production is likely to have improved to 23.63 million tonnes in 2009—10 from the earlier estimate of 23.20 million tonnes. Nevertheless, coarse cereals output is still lower than the production of 28.54 million tonnes in 2008—09.

Sugarcane output is likely to have slightly improved to 277.75 million, lower than the previous year's production of 285.03 million tonnes.

Among non—food crops, cotton production is seen to have risen to 24.93 million bales in 2009—10 from 22.28 million bales in 2008—09. One bale of cotton contains 170 kg.

Similarly, jute output is likely to have increased to 10.70 million bales (one bale of jute is equal to 180 kg) in 2009—10 from 9.63 million bales in the previous year.

Foodgrains are grown in both the Rabi (winter) and Kharif (summer) season in the country.

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Centre to revive eight closed fertiliser manufacturing units

The Hindu With an action plan by the Centre to revive closed fertiliser manufacturing units across the country, farmers hope the issue of urea shortage would be sorted out. File photo: K.K. Mustafah

The Union Ministry of Chemicals and Fertilisers will soon come out with an action plan to revive eight closed fertiliser manufacturing units across the country, Satish Chandra, Joint Secretary of the ministry, said here on Monday.

“We will ask some of the PSUs to take over. If it does not work, we will look at various options, including the public-private-partnership model, to revive those units,” Mr. Chandra told media persons on the sidelines of a national seminar on India 2020-Chemical Fertiliser Sector ’Government Policies, Challenges and Growth Strategies’

He said that the shortage of urea in the country would be met to some extent if the units were revived.

The eight closed fertiliser plants belong to the Fertiliser Corporation of India (FCI) and Hindustan Fertiliser Corporation (HFCL). The units are located at Gorakhpur, Sindhri, Durgapur, Barauni, Haldia, Talcher, Ramagundam and Korba.

He said that each plant has urea-producing capacity of 1.15 million tonnes annually.Elaborating on the conditions for setting up customised fertiliser plants, he said that at least 10,000 soil tests have to be completed in order to set up a single such unit.Based on the soil test and the crop that the farmer chooses to go with, the fertiliser will be selected. The Central Government also provides subsidies for setting up labs,” the bureaucrat said.The new investment policy in the fertilisers sector will be ready soon and would go to the Cabinet for approval in about two months, Mr. Chandra said.Speaking on subsidies for farmers, he said that his department is mulling over various options, including direct cash payment with the help of a smart card.“Various IT solutions and ERPs are in active consideration to capture the sale of fertilisers, based on which subsidies are given,” he said.

hindustantimes

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2009-10 foodgrain production to be 218.2 million tonnes

With record production of wheat and pulses, total foodgrain production in the country is estimated to reach 218 million tonnes in the 2009-10 crop year against a record 234.47 million tonnes in the previous year.

The agriculture ministry on Monday released the fourth advance estimates of crop productions which said total foodgrain production in 2009-10 is likely to be 218.2 million tonnes, marginally up from the third advance estimates issued in May. "The estimates cover the 2009 kharif crop that was heavily impacted by a severe drought," it said.The impact was especially severe in the case of kharif rice, groundnut and coarse cereals.

"In the subsequent rabi season, some ground was regained but the overall production was still about 16 million tonnes lower than 234.47 million tonnes achieved in 2008-09," the statement said.Incidentally, 2008-09 had been a year of record production of foodgrains following years of good weather conditions.As per the latest estimates, wheat production has reached record 80.71 million tonnes, marginally higher than the earlier best of 80.68 million tonnes achieved in

2008-09. Similarly, pulses production has reached record 14.59 million tonnes, over 14.57 million tonnes in 2008-09.Production of rice in 2009-10 stands at 89.13 million tonnes, wheat 80.71 million tonnes, coarse cereals 33.77 million tonnes, pulses 14.59 million tonnes, oilseeds 24.9 million tonnes and sugarcane 277.8 million tonnes.

"There has been minor upward revision in most crops as compared to third estimates," it added.

http://www.hindustantimes.com/StoryPage/Print/574782.aspx

Weather

Chennai - INDIA

Today's Weather

Cloudy

Tuesday, Jul 20

Max Min

33.8° | 24.2°

Rain: 00 mm in 24hrs

Humidity: 89%

Wind: Normal

Sunrise: 05:51

Sunset: 18:39

Barometer: 1005.0

Tomorrow's Forecast

Rainy

Wednesday, Jul 21

Max Min

35° | 23°

Extended Forecast for a week

Thursday	Friday	Saturday	Sunday	Monday
Jul 22	**Jul 23**	**Jul 24**	**Jul 25**	**Jul 26**
31° / 26°	29° / 26°	31° / 26°	31° / 27°	31° / 27°
Rainy	Rainy	Rainy	Rainy	Rainy

THE TIMES OF INDIA

Cocoa prices worry chocolate companies

20 Jul 2010, 0029 hrs IST,PK Krishnakumar,ET Bureau

KOCHI: Rising international cocoa prices, supply shortfall and poor quality of beans are worrying chocolate companies, the main buyers of the beans in India. With the onset of rains, the quality has dropped, prompting buyers like Cadbury and Campco to offer a lower price for beans with high water content. The prices of wet beans have fallen from '55- 56 per kg to' 42-43 per kg.

Arrivals too have dwindled, with the season reaching its fag end. “It is difficult to get good quality beans. Most of the production is confined to Idukki district in Kerala now,” says AS Bhat, MD of Campco. Dry bean prices are hovering in the range of `165-170 per kg and rising in tandem with the international prices. However, this has not prevented the chocolate companies from reducing their offtake. The consumption is projected to grow by 20%.

Globally, the International Cocoa Organisation has predicted a deficit of 69,000 tonnes for the 2009-2010 season. Ivory Coast and Ghana, the major producing countries, are expected to report a lower output this year. Ivory Coast accounts for over 40% of the production in the world.

The revised forecast puts the global production in 2009-10 at 3.59 million tonnes, which is marginally higher than previous year.

International cocoa prices have been showing a rising trend for over a year. After peaking in January at $3,650 per tonnes, the prices eased a bit, touching $3,001 per tonne in April. But the prices have been shooting up since June with the reports of a shortfall in crop in Ivory Coast. On July 13, the international price stood at $3,256 per tonne.

However, the cocoa production in India is expected to be slightly better in the coming season. Mr Venkatesh N Hubbali, director of Directorate of Cashewnut & Cocoa Development, said the production could be in the range of 13,000 tonnes. He said the production would go up in the coming years with cocoa cultivation rising in Tamil Nadu and Andhra Pradesh.

Business Standard

Tuesday, Jul 20, 2010

Grain production estimate for 2009-10 raised to 218.20 mt

BS Reporter / New Delhi July 20, 2010, 0:33 IST

The government today revised upward its estimate for foodgrain production at 218.20 million tonnes (mt) in the 2009-10 crop year. The upward revision came even as the estimates for output of rice, wheat and pulses were revised downward for the year.

Even as the foodgrain production in 2009-10 is expected to surpass its earlier estimate, it continues to be lower than the output of 234.47 mt achieved in 2008-09. The fourth advance estimates has lowered the output forecast for rice, wheat, pulses and oilseeds but had revised upwards the projection for coarse cereals.

Foodgrains are grown in both the rabi (winter) and kharif (summer) seasons.

The rice production is likely to be around 89.13 mt in 2009-10, lower than the earlier projection of 89.31 mt and much lower than the record 99.18 mt achieved in 2008-09.

The sharp fall in rice output was mainly due to the severe drought in 2009 that hit more than half the country. Though the wheat output is seen marginally down from the earlier estimate at 80.71 mt, it is still higher than the record output of 80.68 mt in the previous year.

Production of pulses is also pegged at 14.59 mt, lower than the earlier forecast of 14.77 mt, but higher than the previous year’s output of 14.57 mt.

Similarly, oilseed production for 2009-10 is likely to be 23.94 mt, lower than the earlier projection of 25.41 mt. This is also lower than the previous year’s actual production of 27.72 mt.

In contrast, the output of coarse cereals is likely to have improved to 23.63 mt in 2009-10 from the earlier estimate of 23.2 mt. Nevertheless, the output is still lower than the production of 28.54 mt in 2008-09. Coarse cereals had fared well last year as they are less dependent on monsoon rains.

The sugarcane output is likely to marginally improve to 277.75 mt, much lower than the previous year’s production of 285.03 mt.

Among non-food crops, cotton production is seen to have risen to 24.93 million bales in 2009-10 from 22.28 million bales in 2008-09. One bale of cotton contains 170 kg.

The jute output is likely to have increased to 10.70 million bales (one bale of jute is equal to 180 kg) in 2009-10 from 9.63 million bales in the previous year.

Pepper, jeera prices jump on high demand

Press Trust of India / New Delhi July 19, 2010, 17:11 IST

Black pepper and jeera prices rose by Rs 200 per 100 kg in the national capital today on increased buying by stockists as well as retailers due to high domestic demand. Fall in supplies from producing regions also supported the rise in prices.

Black pepper prices rose further by Rs 200 to settle at Rs 22,000-22,200 per 100 kg. Jeera common and jeera best quality also traded higher at Rs 14,100-14,400 and Rs 15,100-15,700 per 100 kg.

Traders said increased buying by stockists following pick up in domestic demand, pushed up pepper and jeera prices on the wholesale market here.

Following are today's quotations (per quintal):

Ajwain Rs 14,000-19,000, black pepper common Rs 21,800-22,000, betelnut (kg) Rs 85-105, cardamom brown-Jhundiwali (kg) Rs 740-750 and cardamom brown-Kanchicut (kg) Rs 825-950

Cardamom small (kg): Chitridar Rs 1,190-1,350, cardamom (colour robin) Rs 1,440-1,450, cardamom bold Rs 1,465-1,475, cardamom extra (bold) Rs 1,590-1,610 and cloves (kg) Rs 290-360

Cashew prices rise on fresh buying

Press Trust of India / New Delhi July 19, 2010, 15:48 IST

Cashew prices rose by Rs 5 per kg in the national capital today, largely on the back of fresh buying by retailers and stockists. Tight supplies from growing regions also supported the upswing in prices.

Elsewhere, dry fruit prices moved in a limited range on alternate bouts of trading and settled at last levels.

Cashew kernel No 180, No 210, No 240 and No 320 rose by Rs 5 each to conclude at at Rs 490-495, Rs 465-475, Rs 375-390 and Rs 365-375 per kg respectively.

Trade analysts said increased buying by retailers and stockists against tight supplies from Southern region mainly pushed up cashew prices.

Following are today's quotations in Rs per 40 kg:

Almond (California) new Rs 10,200 Almond (gurbandi-new) Rs 4,600-4,700 almond (girdhi) Rs 2,300-2,400 and Abjosh Afghani Rs 7,000-16,000

Almond kernel in per kg (California) Rs 350-355,almond kernel (gurbandi-new) (kg) Rs 300-375 Chilgoza raw-new (1 kg) Rs 500 Chilgoza (roasted) (1 kg) Rs 825-875 Cashew kernel 1 kg (no 180) Rs 490-495 Cashew kernel (no 210) Rs 465-475

Cashew kernel (no 240) Rs 375-390 Cashew kernel (no 320) Rs 365-375 Cashew kernel broken 2 pieces Rs 255-300 Cashew kernel broken 4 pieces Rs 240-270 Cashew kernel broken 8 pieces Rs 195-240 Copra (qtl) Rs 5,500-5,600 Coconut powder (25 kg) Rs 1,750-1,850

Dry dates red (qtl) Rs 2,800-7,000 Fig Rs 6,000-14,000 Kishmish Kandhari local Rs 7,000-7,500 Kishmish Kandhari special Rs 12,000-20,000 Kishmish Indian yellow Rs 3,700-3,900 Kishmish Indian green Rs 4,800-6,100 Pistachio Irani Rs 780-820

Pistachio Hairati Rs 1,200-1,250 Pistachio Peshawari Rs 1,350-1,380 Pistachio Dodi (roasted) 520-600 Walnut Rs 90-160 Walnut kernel (1kg) Rs 300-500

Kabli gram, gram rises on pick up in demand

Press Trust of India / New Delhi July 19, 2010, 15:39 IST

Kabli gram and gram prices rose up to Rs 400 per quintal at the wholesale pulses market today on the back of buying by stockists ahead of the festive season.

Restricted arrivals from producing regions also influenced the trading sentiment.

Traders said fresh buying by stockists and retailers against restricted arrivals from producing regions mainly led to rise in wholesale kabli gram and gram prices.

Kabli gram jumped up by Rs 400 to Rs 3,800-5,000 per quintal on hectic buying.

Gram, its dal local and best quality also saw increase in local demand and traded higher at Rs 2,275-2,300,Rs 2,500-2,525 and Rs 2,675-2,775 as compared to Saturday's close of Rs 2,200-2,275, Rs 2,475-2,500 and Rs 2,650-2,750 per quintal, respectively.

Following are today's quotations in Rs per quintal:

Urad 5,350-5,900, Urad chilka (local) 6,200-6,600, best 7,100-7,400, Dhoya 7,150-7,250, Moong 5,400-5,800, Dal moong chilka local 6,100-6,500, Moong Dhoya local 6,300-6,500 and best quality 6,700-6,900

Masoor small 3,250-3,450, bold 3,450-3,700, Dal Masoor local 4,000-4,100, best quality 4,300-4,600, Malka local 4,150-4,200, best 4,300-4,400, Moth 5,800-6,100, Arhar 4,350-4,450, dal arhar dara 5,400-5,800

Gram 2,275-2,300, gram dal (local) 2,500-2,525, best quality 2,675-2,775, besan (35 kg) Shakti bhog 1,050, Rajdhani 1,050, Rajmah chitra Pune 3,300-3,900, China 3,400- 3,900, red 3,400-3,500, kabli gram small 3,800-5,000

dabra 2,700-2,800, imported 4,500-4,900, lobia 3,700-3,800, peas white 1,850-1,950 and green 2,050-2,250

Rice association calls for lifting ban on non-basmati exports

Press Trust of India / New Delhi July 19, 2010, 17:09 IST

India could export up to 5 lakh tonnes of superior-variety non-basmati rice in the current fiscal if the Centre partially lifts the ban on shipment of the commodity, an industry body today said.

Last week, Agriculture and Food Minister Sharad Pawar had said the government will consider allowing export of some particular varieties of non-basmati rice this year.

"If the government allows the export of non-basmati superior varieties of rice like 'Sharabati' and 'Sugandha', the country can export up to 5 lakh tonnes, as there is a great global demand," Rice Exporters Association President Vijay Sethia said.

Sethia suggested that the government may fix the minimum export price (MEP) at $800-850 per tonne for shipment of superior varieties of non-basmati rice. India had banned export of non-basmati rice in April, 2008, to check inflation.

However, the government has allowed export of basmati rice by fixing the MEP at $900 per tonne.

Pawar had said the issue of allowing export of some non-basmati rice varieties will discussed in the forthcoming meeting of the Empowered Group of Ministers (EGoM) on food, headed by Finance Minister Pranab Mukherjee.

The minister had said that some states have requested the government to allow the export of a particular variety of rice produced in Kerala, as there is a high demand for the same in Gulf countries.

Sethia said the ban on the export on non-basmati rice has allowed rival Pakistan to emerge as the largest exporter of rice in the world.

"Pakistani traders has advantages, as they can offer both basmati and non-basmati varieties of rice. However, if India allows export of some non-basmati rice varieties, then it will benefit both traders and farmers," Sethia said.

According to official data, the country is estimated to have harvested 89.13 million tonnes of rice in the 2009-10 crop year (July-June), as against a record 99.18 million tonnes in the previous year.

Mustard crop likely to be lower at 5-mn tonnes in rabi season

Press Trust of India / Mumbai July 19, 2010, 15:40 IST

Mustard crop is expected to be lower at five million tonnes (as of now) this year as compared to six million tonnes last year in the rabi season due to higher Minimum Support Price (MSP) announced for crops like pulses, a top KS Oils official said.

However, a clearer picture will emerge in the first week of August, the official said.

"As of now, we have observed that mustard crop is expected to be lower at five million tonnes as compared to last year during the rabi season due to higher Minimum Support Price announced for crops like pulses...," KS Oils' Managing Director, Sanjay Agarwal, said.

KS Oils is a leading integrated edible oil company with a deep understanding of the mustard oil sector. Presently, the company's' mustard seed crushing capacity is at 4,400 tonnes per day, solvent extraction at 4,200 tonnes and refinery at 1,600 tonnes per day.

The BSE-listed company has a market share of 11 per cent in the overall mustard oil segment with a dominant 25 per cent market leadership in the branded mustard oil segment. "Presently, we are growing 30 per cent and will continue to grow in the coming days," Agarwal said.

Currently, soya seeds' MSP is at Rs 1,840 per quintal, pulses at Rs 3,000 per quintal and mustard seed price at 1,830/100 kg.

Agarwal said area under coverage dropped 5-10 per cent this year from a million hectares last year. On edible oil, he said "edible oil prices are likely to come down 5-10 per cent due to duty free imports of crude palm oil."

Edible oil price is currently $800 per tonne and soya oil $860 per tonne. "Both edible and soya oil prices can move up and down 5-10 per cent this fiscal," he said.

KS Oils imported two lakh tonnes of crude palm oil (CPO) and one lakh ton soya oil during the last fiscal at a total cost Rs 1,200 crore. "We will import little a higher this year as compared to last year," he said.

Sugar prices close lower on poor offtake

Press Trust of India / New Delhi July 19, 2010, 15:15 IST

Sugar prices closed lower by Rs 25 per quintal in the national capital today. Market analysts said increased arrivals from mills along with slackness in demand from retailers and bulk consumers, pulled down sugar prices.Sugar ready medium and second grade prices lost from Rs 2,800-2,900 and Rs 2,790-2,890 to settle at Rs 2,775-2,875 and Rs 2,765-2,865 per quintal respectively.Mill delivery medium and second grade price also slipped from Rs 2,650-2,725 and Rs 2,640-2715 to conclude at Rs 2,625-2,710 and Rs 2,615-2,700 per quintal.Among millgate section, sugar titabi dipped by Rs 20 to Rs 2,630 per quintal and Budhana traded lower at Rs 2,600 per quintal.

Following are today's rates in Rs per quintal:
Sugar ready M-30 2,775-2,875 and S-30 2,765-2,865
Mill delivery M-30 2,625-2,710 and S-30 2,615-2700
Sugar mill gate prices (excluding duty): Kinonni 2,700, Asmoli 2,695, Mawana 2,650, Titabi 2,630, Thanabhavan 2,610, Budhana 2,600 and Dorala 2,630

THE HINDU Business Line

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New policy to revive 8 public sector urea plants

Initiative to cut imports thru public-private partnership.

Hyderabad, July 19

The Union Government will soon come out with a new investment policy to revive eight urea factories in the public sector in order to make the country self-reliant in this nutrient.

Urea imports increased sharply to 6.9 million tonnes (mt) in 2007-08 and 5.66 mt in 2008-09 from 0.22 mt in 2000-01.

“The idea is to reduce dependency on imports by reviving the now defunct urea units, each with an average capacity of 1.15 million tonnes. We may expect the policy in a couple of months,” Mr Satish Chandra, Joint Secretary, Department of Fertilisers (Ministry of Chemicals and Fertilisers), said.

Talking to reporters on the sidelines of a national meet on fertilisers here on Monday, he said the opportunity to revive these units may first be given to the public sector fertiliser companies on nomination. If they were not ready for the job, they could be taken up under public-private partnership. The new promoters would have to bring in investments to acquire new technologies and machinery.

The conference on “India 2020: Chemical fertiliser sector – Government policies, challenges and growth strategies' was jointly organised by the Fertilisers Association of India and Institute of Public Enterprises.

An industry source said it would require Rs 3,000-Rs 5,000 crore to revive each of the eight units.

“The recent patterns indicate that the usage of urea has not witnessed sharp increase. This is a good sign,” he said.

The Government would extend the decontrol mechanism to urea in the phase-II of the revamp of the fertiliser pricing system (nutrient based scheme or NBS), he said, without indicating a timeline for the same.

It was in the process of formulating a pricing policy for Stage-IV of new pricing system (NPS) for urea for the intervening period from April 1, 2010 till NBS was made applicable to urea.

Ruling out reduction of the scaling down of subsidies, Mr Satish Chandra said the NBS had not resulted in sharp increase in prices of fertilisers that witnessed decontrolled in the phase-I.

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Resistance to Indian cashew at higher levels

G.K. Nair,Kochi, July 19

The Cashew market was quiet last week with a firm undertone. But resistance to the Indian prices at higher levels was visible.

Prices quoted for different grades were from $3.25 to $3.30 for W240, around $3.10 for W320, around $2.95 for W450 (f.o.b).

Indian processors do not seem to be willing to sell at lower levels even though there is reasonable buying interest at few cents below the offered levels.

Some stray business was done, trade sources said. Some processors in Vietnam are making occasional sales a few cents below India. Brazil sold a few cents higher than India. But, they may not have much to offer.

Picking up

Activity in the domestic market is picking up with prices for brokens and large wholes moving up.

“In the last few weeks, there has been a fair amount of business with all markets for July-October shipments and some business has been done for forwards as well,” Mr Pankaj N. Sampat, a Mumbai-based major dealer told Business Line.

This seems to indicate current levels are comfortable. But, neither the processors nor buyers seem to be interested to go out and take large positions.

Processors who do not have any replacement raw cashewnut (RCN) available are reluctant to sell large volume at a fixed price and are waiting to sell when prices move up.

“Buyers do want to build large positions as there is uncertainty about demand and usage in the main markets.

Prices for some other nuts have softened recently and this is adding to buyers' reluctance,” he said.

Concern over crop

RCN prices moved up with trades for Ivory Coast (IVC) between $900 and $950 (c&f) and Guinea Bissau (GB) at around $1,150 (c&f).

There is some concern about the crops in Brazil and Indonesia but “we feel that a realistic picture of prospects will be available only in September,” he said.

There is talk of higher export duty on Tanzania RCN.

For the next two-three months, market movement will depend on kernel buying interest as there is no fresh RCN to be purchased, he said.

“There is nothing on the horizon to alter prospects for market trend as regular activity will keep the market steady and if there is any need for large buying, we will see a spike in prices.

“We might see a dip in prices if there are several quiet weeks but large or sustained decline seems to be unlikely in 2010. Peak for 2010 is still to be seen,” Mr Pankaj said.

Trends for 2011

It is very difficult to judge trends for 2011 because there are so many uncertainties and variables.

The fragile financial and economic situation in developed economies is adding to the uncertainty.

Overall, “it certainly seems that a big decline in cashew price range is possible only if there is a sharp and large decline in usage in both the US and the European Union which seems unlikely or if there is a big increase in supply which could happen in the second-half of 2011, at the earliest,” he added.

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http://www.thehindubusinessline.com/2010/07/20/stories/2010072052441700.htm

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Higher Syrian quotes, export hopes lift jeera

Rajkot, July 19

Jeera price increase on the spot and futures market on hopes that demand from overseas may increase due to Syrian quoting a higher price than India.

On the National Commodity and Derivatives Exchange, jeera August contracts increased by Rs 130 to Rs 14,526 a quintal with an open interest of 12,807 lots.

Arrivals at Unja mandi were 7,000 bags of 60 kg. While trading took place for about 10,000 bags.

Price for best jeera quality increased by Rs 25 to Rs 2,500-2,700 for 20 kg, the average quality price was Rs 2,425-2,525 for 20 kg.

According to Angel Broking's commodity report, demand from the overseas as well domestic buyers is providing support to the prices.

Syrian default

Increase in the price quotes of Syrian jeera and reports of defaults in their overseas commitments led the surge in prices in the domestic market. Anticipation that the overseas orders may improve due to the defaults by Syria will keep the prices firm.

Higher quotes offered by Syria for its jeera in the international market compared with

Indian origin provided further support to the market. Syrian jeera is being offered around $3,600/tonne (Indian jeera at $3,200/tonne).

Production

Production in India is estimated higher at 2.9 million bags of 60 kg each in 2010 against 2.7 million bags in 2009.

According to the Spices Board, during April-May 2010, the country exported 8,300 tonnes worth Rs 90.61 crore of jeera against 9,400 tonnes worth Rs 102.14 crore in the same period last year.

Reuters reports: Jeera futures hit a fresh contract highs in the afternoon trade, supported by local demand, some inquires from overseas buyers and slack stocks, analysts said.

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K.S. Oils to raise palm oil cultivation by 7,000 ha

Suresh P. Iyengar,Mumbai, July 19

K.S. Oils, the Madhya Pradesh-based edible oil manufacturer, plans to undertake palm plantation in 35,000 hectares in Indonesia with an investment of Rs 850 crore over the next three years.

The company intends to invest Rs 150 crore to cover 7,000 hectares this fiscal and had invested Rs 200 crore till last fiscal.

K.S, Natural Resources, the wholly-owned Singapore subsidiary, owns 55,000 hectares and has already covered palm plantation over 1,000 hectares in Indonesia. The subsidiary also produces 500 tonnes of crude palm oil (CPO) from the 1,000 acres of palm plantation in Malaysia.

Mr Sanjay Agarwal, Managing Director, K.S. Oils, said: “We will be able to source our entire requirement of two lakh tonnes of CPO once our international plantations start yielding fruits.”

The company has imported one lakh tonnes of soya oil and two lakh tonnes of CPO cumulatively worth Rs 1,200 crore last fiscal. It expects overseas business to add Rs 700 crore to its topline in the next four years.

“International palm plantation not only secures our raw material requirement but also adds to our profitability as farming commands an EBITDA (earnings before interest, taxes, depreciation and amortisation) of 50-55 per cent,” he said.

Domestic plans

The company will invest Rs 70 crore to improve infrastructure facilities at its five plants. It has three plants in Madhya Pradesh, one each in West Bengal and Rajasthan with a cumulative mustard seed crushing capacity of 4,400 tonnes a day (tpd), solvent extraction of 4,200 tpd and refining capacity of 1,600 tpd.

K.S. Oils expects soya output this kharif season to be lower by 5-10 per cent due to farmers shifting to pulses whose minimum support prices was increased substantially.

“Though a clear picture on area under soy sowing will be available by this month end, it may fall 5-10 per cent lower than nine million hectares covered last year,” said Mr Agarwal. Output of mustard seed, a rabi crop, had fallen to five million tonnes this year compared with 6.2 million tonnes last year.

The company plans to increase its tie-up with farmers from 1,000 to 1,500 at Morena and Guna in Madya Pradesh. KS Oils provides assists these farmers by providing its expertise in growing oilseeds such as soybean and mustard.“By enhancing our association with farmers, we will be able to cover 1,000 hectares against 400 hectares done last year. The intent is to improve the yield of oilseeds as it is among the lowest. For instance, the mustard yield per hectares in India is lower at 1,000 kg a hectare compared to world average of 2,000 kg a hectare,” said Mr Agarwal.

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Global cues, local demand drive up edible oil

Mumbai, July 19

Edible oil markets continue to rise on global cues and demand from local stockists. There are signs of increased imports by Asian countries.

Futures contracts on the Bursa Malaysia Derivatives ended higher for the seventh consecutive day.

In Mumbai, groundnut oil reached a new high of Rs 840 for 10 kg, up Rs 5.

Imported edible oils such as palmolein and soya refined oil gained by Rs 2.

Cotton refined rose by Rs 2 and rapeseed oils increased by Rs 5 for 10 kg. Local retailers and stockists were active today. Approximately 1,400-1,500 tonnes of palmolein were traded. On Saturday, a trade took place in good quality groundnut oil August delivery at Rs 910 forr 10 kg, said market sources.

On the Bursa Malaysia Derivatives Exchange, August contracts closed at 2,504 Malaysian ringgit and Septemberat 2,474 ringgit a tonne.

In Mumbai, spot market rate of Soya refined oil was Rs 448, sunflower ef refined at Rs 445, sunflower refined at Rs 490, rapeseed refined oil at Rs 562 and rapeseed expeller at Rs 532, cotton refined was at Rs 467 and palmolein was at Rs 417.

Oil extraction rates were at steady level.

Our Correspondent reports from Rajkot : Groundnut oil price, on Monday, gained Rs 5 for 15 kg tin, as shortage of raw material continued in the market. According to traders, prices will remain firm for some time due to speculative demand for groundnut.

At Rajkot, groundnut oil price increased Rs 5 to Rs1,360-1,370 for 15 kg tin, while, loose tin of 10 kg gained by Rs 8 to Rs 830-832.

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AP CM to seek lower interest rate for tenant farmers

Hyderabad, July 19

The Andhra Pradesh Chief Minister, Mr K Rosaiah, has said the State will make a representation to the Centre and the RBI for new guidelines for crop loans to tenant farmers wherein they could obtain loans at 7 per cent with other benefits, including crop insurance.

He felt that the benefits of crop loans at low interest are now being cornered by the landlords instead of the actual farmers who cultivate the land. Majority are tenant farmers.

During the Southern Zone Chief Ministers' meeting on Tuesday, Mr Rosaiah plans to take up these issues along with matters relating to funding for micro small and medium enterprises (MSME).

To be chaired by the Union Finance Minister, Mr.Pranab Mukherjee, the meeting will be attended by the Chief Ministers or Finance Ministers of the Southern States of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala and Union Territories of Puducherry, Andaman and Nicobar Islands and Lakshadweep. All the CEOs and CMDs of Public Sector Banks and Financial Institutions, Reserve Bank of India Deputy Governor and NABARD Chairman are expected to attend the meeting to be held at Jubilee Hall. According to a statement from the Chief Minister's Office, the issue of loans without collateral security MSMEs will be taken up for discussion during the meeting, covering various aspects of lending, including doing away with collateral security.

Agenda for the meet includes State-wise flow of credit and credit-related parameters across different segments, financial inclusion in unbanked blocks, State-wise financial inclusion plan for 2010-12, Bank SHG linkage programme and NREGA payments.

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Demand perks up cardamom

G.K. Nair,Kochi, July 19

The cardamom market moved up last week on good demand, amid thin arrivals at auctions held in Kerala and Tamil Nadu. Individual average prices were on the rise and remained in the range of Rs 1,560 and Rs 1,580 a kg.

Upcountry buyers were actively covering whatever was available because of the delay in the arrival of the new crop, expected only from mid-August, by when harvesting would be in full swing, Mr P.C. Punnoose, General Manager, CPMC, told Business Line.

According to him, harvesting will be in full swing only after the ‘Aadi' month i.e., from August 17 onwards. The crop is comparatively better than that of last season and it is going to be late. The delayed crop on the one hand, and the beginning of the Ramzan month early this year on the other, might restrict exports for want of sufficient quantity of material and the consequent high prices, he said.Auctions had been conducted by four companies last week and this week too, a similar scenario was likely to persist. However, from next week onwards, all are expected to conduct auctions, traders in Bodinayakannur said.

Labour shortage

Meanwhile, a Cumbum-based grower, Mr T. Ashok Kumar, told Business Line that shortage of labour is affecting the harvest. About 60 per cent of the total labour force required for the plantation work is brought from Tamil Nadu. But since paddy cultivation has started there, they prefer to work in the paddy fields as it would fetch them rice instead of money, he said. According to him, if the current prices persisted, it might be difficult to achieve the 2,000 tonnes export target of the Spices Board for the current fiscal.He felt that prices should remain at around Rs 1,000 a kg, that was remunerative and, at the same time, could attract export demand.

Total arrivals during the current season stood at 9,774 tonnes. Of this, 9,569 tonnes of cardamom were sold. Arrivals and sales in the same period last season were 10,228 tonnes and 9,640 tonnes, respectively. The weighted average price as on July 18 was Rs 872.88 a kg, up from Rs 537.48 per kg same day last year.

Prices quoted for graded varieties on Monday in rupees per kg were AGEB 1,800-1,810; AGB 1,675-1,685; AGS 1,660-1,670; AGS1 1,640-1,650. Prices quoted in the open market at Bodinayakannur were AGEB 1,780-1,795 ; AGS 1,655-1,665; AGS 1,635-1,645 ; AGS 1 - 1,625-1,535 a kg. Bulk was being sold at Rs 700-1,600 a kg.

The South-West Monsoon has been active and the entire cardamom growing areas received good rains for the past four to five days. It was not incessant as it used to be at this time of the southwest monsoon season, instead it was punctuated by intermittent sunshine. Thus, it was ideal for flowering, fruit setting, etc, apart from being disease-free, Mr Ashok Kumar said.

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Pepper futures stay hot on strong demand

G.K. Nair,Kochi, July 19

Pepper futures continued to remain hot with the prices shooting up sharply for all contracts on Monday on strong domestic demand amid tight availability.

“The bull speculators are also in the driving seat now,” market sources told Business Line.

Big investors who have got spot pepper in the north Indian centres are allegedly in the current bullish game plan, they said.There is, however, good demand from the North Indian stockists.At the same time scarcity of material is also felt, they said.

Tight availability in the international market may be the reason for the prices ruling above $4,000 a tonne. However, Indian parity has crossed $4,600 a tonne and remained not competitive.

In fact, if the current trend prevailed, Indonesia and Brazil which are to come out with their new crop in the coming months, would take the advantage at the cost of India, they said. July contract which is maturing tomorrow shot up by Rs 547 to close at Rs 20,495 a quintal.

August and September increased by Rs 507 and Rs 561 a quintal respectively to close at Rs 20,690 and Rs 20,959.Total turnover increased by 12,139 tonnes to 26,025 tonnes. Total open interest went up by 803 tonnes to 20,450 tonnes.

July open interest dropped by 434 tonnes to 933 tonnes. August and September increased by 530 tonnes and 541 tonnes respectively indicating good switching over and additional buying.

Spot prices shot up on strong domestic demand amid tight supply by Rs 500 to close at 19,500 (ungarbled) and Rs 20,000 (MG-1) a quintal.

Indian parity in the international market on Monday was at $4,650 a tonne (c&f) and remained out-priced. Indonesia was said to have quoted $4,150 a tonne (fob).

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Monsoon delay pushes up soyabean oil

Indore, July 19

Soyabean oil continued to rule higher on further delay in monsoon and fears of a decline of soyabean production in the country.In local mandis, soya refined oil was quoted at Rs 442 for 10 kg, a Rs 14 jump from last week. During the weekend, it sold at Rs 428.Stockists and bear operators pushed up the prices of soya oil both in futures and spot markets.

Soya solvent quoted at Rs 415-420, soya July and August futures on the National Board of Trade closed at Rs 467 after touching a high of Rs 468.

Madhya Pradesh mandis witnessed an arrival of 80,000 bags, while in Indore the arrival was around 5,000 bags.

In the spot market, soyabean quoted at Rs 1,8801,920 a quintal, up Rs 35-40 from last week. Similarly, purchasing at plant levels also saw further rise in prices. It was quoted at Rs 1,9752,000, up Rs 25 from last week.

Traders here feel that the bullish trend in soya oil and soyabean will continue in the coming days unless the dry spell ends.

Mustard oil

Mustard oil quoted at Rs 492, while mustardseed quoted at Rs 2,2002,250 a quintal, up from the last week. Poor condition of crop in Rajasthan and lower arrivals were behind the rise.

PULSES GAIN

A bullish trend was seen in chana dal with the prices in the spot market quoting at Rs 2,6502,900 a quintal.Similarly good demand for chana (kanta) raw, chana kanta saw prices rising to Rs 2,2752,290. Kabuli chana was quoted at Rs 4,200 a quintal, while masoor and urad ruled at Rs 3,590 and Rs 5,3005,400 respectively.

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Demand let-up impacts turmeric

Erode, July 19

Finger and root varieties fetched high prices on Monday after the end of two-day sales at Regulated Marketing Society here.

The price of the finger variety increased Rs 229 a quintal on Monday, selling at Rs 14,766-15,089.

The root variety was sold at Rs 14,672–14,977, up Rs 513 than last week.

But prices did not improve at the private market.

Out of 6,500 bags that arrived at private turmeric market, Gobichettipalayam Cooperative Marketing Society and Erode Cooperative Marketing Society, only 3,200 bags were sold.

The finger variety was sold at Rs 14,600–14,800 a quintal. The root variety was sold at Rs 14,500 to Rs 14,700 a quintal.

The prices were the same as last Friday.

Commenting on the poor sales, veteran turmeric trader R.K. Viswanathan said: “The prices will rule at current levels till the weekend. If the prices in futures trading improve, spot market will witness an increase.”On the lull in demand, he said the demand for the produce from North India has decreased. After August 15, he added, the demand from North India will improve and so will sales.

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Wheat rules firm on low arrivals

Karnal, July 19

Wheat market continued to rule firm on low arrivals despite lukewarm demand at the Karnal grain market terminal.

On Monday, wheat (dara) prices quoted at Rs 1,195-1,205 a quintal. Price at retail outlets ruled between Rs 1,275-1,285 a quintal.

Mr Subhash Chand, a wheat trader, said due to uncertain weather the arrival from the Uttar Pradesh was low. Around 70 quintals wheat arrived on Monday, he said.

The consumption of tohfa variety from Uttar Pradesh that is gaining popularity is around 60-70 quintals a day in Karnal during on-season, while during off-season like now, it is around 7-10 quintals.

The reason for its popularity is better quality and pesticides and fertilisers are not used for its production.

While dara rules between Rs 1,100-1,200 a quintal, the tohfa variety rules around Rs 2,200 a quintal.

Mr Sewa Ram, a wheat trader, told Business Line that tohfa variety is coming here for last 10 years but it has picked some momentum in last 2-3 years.In Delhi, the consumption of this variety is around 70 per cent of the total consumption, he said.

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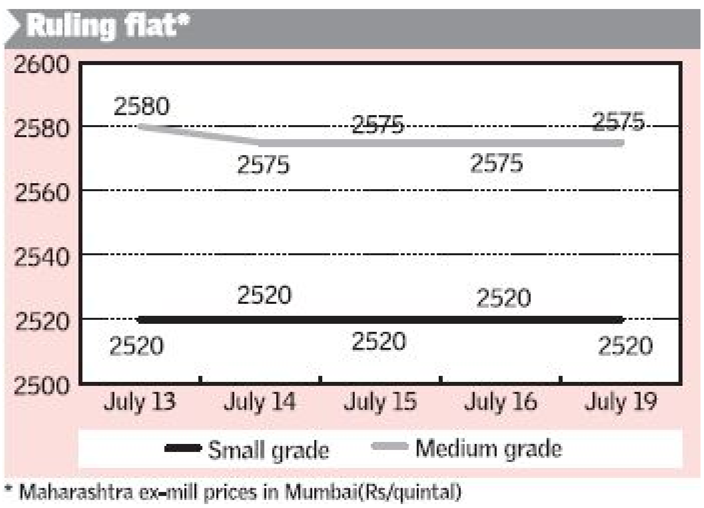
Mixed trend in sugar on lower offtake



Mumbai, July 19

Sugar price on the Vashi wholesale market witnessed a mixed trend on Monday. In the absence of local and upcountry demand, and possible decontrol of the sugar sector continued to weigh on traders' sentiment.

Spot sugar price was up Rs 10 for S-grade, whereas M-grade declined by Rs 10. A similar movement was seen in Naka and Tender delivery trade.

Inventories are on the decline over the last few days,said Mr Hemant Vora of Kavita Trading Co. On Monday, total arrivals in the Vashi market were up at 27-30 truckloads (10 tonnes each), whereas lifting was at 23-25 truckloads. According to the Bombay Sugar

Merchants' Association, spot rate was Rs 2,680/2,715 a quintal for S-grade and Rs 2,700/2,780 for M-grade. Naka delivery rate was Rs 2,6502,670 for S-grade and Rs 2,7002,730 for M-grade. Maharashtra ex-mill prices were quoted at Rs 2,5002,520 (S-grade) and Rs 2,530-2,575 for M-grade.

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Non-basmati export ban to continue

New Delhi, July 19

Even as an Empowered Group of Ministers is said to be looking into the lifting of export restrictions on certain varieties of non-basmati rice, the Commerce Secretary, Dr Rahul Khullar, said on Monday that the existing blanket ban on shipments is likely to continue till a clearer picture on the monsoon and the kharif crop emerges.

"Till we get some degree of certainty on normal monsoon and good kharif harvest, it will be prudent to continue with the ban on export of non-basmati rice," Dr Khullar told reporters here. OnFriday, the Union Agriculture Minister, Mr Sharad Pawar, had referred to lifting of ban on export of Red MattaThe Commerce Secretary said, "Let me think about how to get around this problem. There are solutions that are being conceived. At this point of time, I think nobody will willingly throw wide open the non-basmati export door."

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Wheat output estimate pruned marginally

New Delhi, July 19

The Agriculture Ministry has marginally revised downwards its estimates of the size of the 2009-10 wheat crop — from 80.98 million tonnes (mt) to 80.71 mt.

The 80.71 mt figure – according to the fourth advance estimates released by the Ministry on Monday – would still make it the country's best-ever wheat crop, beating the 80.68 mt for 2008-09.

A significant dip in procurement does not seem to have affected the estimates.

During the current marketing season, the Food Corporation of India and State agencies bought only 22.51 mt, as against the record 25.38 mt purchased out of the 2008-09 crop.

The rice production estimate has similarly been scaled down a bit from 89.31 mt in the third advance estimate of May 12 to the latest 89.13 mt. While kharif rice output is assessed higher (75.91 mt against the earlier 74.78 mt), the Rabi output has been revised from 14.53 mt to 13.22 mt.

The overall foodgrains production for 2009-10 is now placed at 218.20 mt, which is slightly more than the 218.19 mt of the third advance estimates.

SUGARCANE PRODUCTION

There has been a downward revision in production estimates of oilseeds (24.928 mt against 25.407 mt) mainly on account of soyabean (10.046 mt versus 10.54 mt) and rapeseed-mustard (6.413 mt versus 6.59 mt), even as the estimates for groundnut have been increased from 5.383 mt to 5.51 mt.

Sugarcane production has been reassessed upwards for the fourth successive time. The first advance estimate put it at 249.482 mt, which was raised to 251.268 mt in the second, 274.658 in the third and 277.750 mt in the fourth.

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Strengthening food security

B. ASHOK

Procuring most of the grain, channelling it into an ill-managed kitty and distributing it to individuals who can afford to pay market prices will reduce farmers' incentive.

Accountability must begin at the level of fair price shops.

The proposed grain subsidy (universalised public distribution system) regime overlooks issues such as sustainability, externalities and institutional lacunae. After the Government's commitment to 25 kg of rice/wheat at Rs 3 for all, much has happened.The Food Ministry is sceptical primarily because it feels that the procurement levels might not consistently match reassessed AAY (Antyodaya Anna Yojana), BPL (Below Poverty Line) and APL (Above Poverty Line) demand. The Planning Commission shares this apprehension and suggests rationalising APL retail price.

Dis-incentivising the net APL (after the enhancement of the BPL quota to 37.2 per cent) will be crucial in restricting the government grain for dependant AAY and BPL consumers.

Yet, ensuring that the grain trade caters to the upper 40 per cent of income groups is crucial for streamlining the efficacy of the subsidy. Increasing procurement to, say, 50 per cent of net grain production and dissemination into a porous and inefficient ‘supply funnel' might actually dis-incentivise farm production by inhibiting higher values the markets might offer. Here is a classic Keynes versus Hayek dilemma. Will we deny the fruits of higher productivity to the farmer by administering prices, or allow the market to offer variable prices, due to the preference for processed products, exports, etc.

Incentive system

To commit a higher than required subsidy by virtue of errors of inclusion, especially on the

APL side, is to compromise future productivity for sustaining present consumption. In other words, procuring most of the grain, channelling it into an ill-managed kitty and distributing it (with 40 per cent physical losses, approximating to Rs 20,000 crore per annum as per the Planning Commission) to individuals who can afford market grain in the first place is to reduce farmers' incentive, productivity goals and sustainability of the grain sector.

This however is not an insurmountable issue. The key to solving this dilemma is to understand the dichotomy of the incentive systems that operate in the public and private trades. The public system stores long term, comparatively inefficiently and sporadically releases stocks for mandated TPDS requirement, while the private trade stocks less and moves grain faster.In the closed grain transport model (FCI, for example), a few agents handle ‘farm to home' grain movement. The highly subsidised issue prices make the process vulnerable to corruption. Worse, the market system also gets corrupted through the leakage of cheaper grain, giving rise to a series of diseconomies, and thereby enlarging the black market.

Therefore, well-intentioned and aggressive hyper-welfarism might actually worsen the health of the grain distribution system. This clearly brings to the fore the need to design effective and sustainable institutions that will implement the objectives enshrined in the Food Security Bill.

It is not difficult to see that the primary correction required in refining the PDS is fixing the accountability and performance parameters of the retail food dispensing shop. Unless the selection and regulation of the fair price shop (FPS) are set right, the first building blocks of food security will not be laid.

Fair price shops

While the existing four lakh FPSs need to be brought formally under the panchayats, and new FPSs designated to build sufficient redundancy to give alternatives to poor consumers, there is also the need to introduce a viable cash transfer system in urban areas. In net foodgrains deficit areas as in the metros and JNNURM townships, the poor have to be brought under the smartcard-based dispensing system.There is need for a district and State food and nutrition security authority with participants from government, the market and civil society, to provide adequate oversight reporting to higher formations. While the State authority must undertake coordinated efforts such as conducting BPL census, the national authority must set norms for BPL and other categories, periodically revise BPL norms and effectively monitor and evaluate the performance of the State food security systems.

Unless panchayats know their achievement under clear parameters of foodgrain availability (quality, quantity and consumer satisfaction) corrective action cannot be expected. Using grain politics to dominate the local polity must be a strategy. Current data on malnourishment and distortions in the supply system are too undifferentiated for executive action.

Scope to alter

The foodgrain procurement projections, net grain balance studies, evaluation of export of premium categories (basmati, for example), and so on, must be left to the statutory authority. Food procurement, distribution and export/import are too complex to operate in isolation. It is time to give a scientific and statutory basis to these. A foolproof institutional design should also include the freedom to alter the procurement and distribution parameters based on data.The trouble with the current formulation is that it assumes steadily increasing production and persistent poverty. If welfare programmes such as MNREGA are effective we could see more Indians escape poverty. We must anticipate lower poverty rates and new preferences for cereal consumption, especially processed varieties. Rigid laws combined with a populist postures must not end up compromising productivity, the procurement potential and farmers' profits which cannot be made up even with cash support later. The need of the hour is to balance the Keynesian impulse with a dose of Hayek.(The author, an IAS officer, is Private Secretary to the Union Minister for Agriculture, Consumer Affairs & Food. The views are personal.)

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Farm futures

This has reference to the editorial ‘Farm futures' (Business Line, July 17). The argument that India needs delivery-based forward trading in sensitive commodities, rather than mere paper trading is flawed.It is generally perceived that speculation is unstable because of the herd tendency, selling at falling prices and buying at rising prices, thereby increasing the amplitude of volatility of spot prices. Futures trade may increase the price volatility if investors in the futures market do not have as good information as participants in the cash market. Their actions can disturb the prices in the cash market.

It has been demonstrated in western markets that the institution of futures trading has brought stability to cash prices.Available evidence suggests that in case of seasonally produced and storable commodities, futures market has helped to stabilise production, thereby reducing the variability of seasonal price fluctuations.The ability of the futures markets to reduce risks associated with price variability and stock holding through hedging is probably their most important role. Most of futures trading is paper trading, so prices tend to be very sensitive to new information.The transaction costs of futures trading are pretty low and if futures price is a true indicator of information reaching the shores of the market, then the market is the right processor of information.If the futures prices are a reflection of demand and supply conditions of the market, then they are considered to exert some influence on inventory holding.The introduction of futures market in India has helped improve the price discovery process and the price efficiency in the cash market.Manickam Ravindran,Mumbai