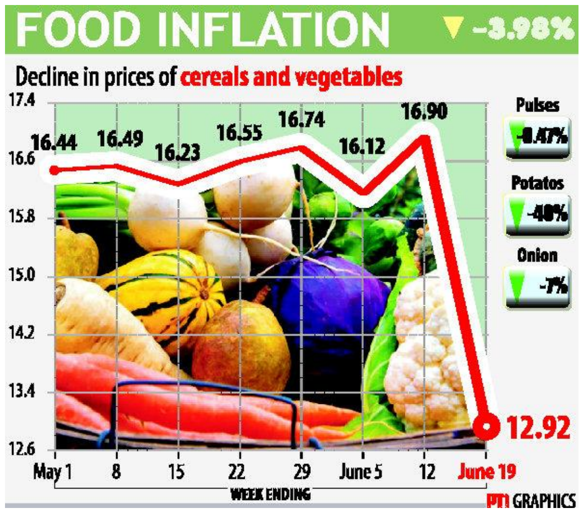
THE HINDU

Published: July 1, 2010 14:07 IST | Updated: July 1, 2010 23:27 IST New Delhi, July 1, 2010

High base effect pulls down food inflation to 12.92%



The on-paper benefit may get evened out when fuel price hike is factored into

A high base effect pulled down food inflation to 12.92 per cent for the week ended June 19 from 16.90 per cent in the previous week as the statistical anomaly translated into a sharp drop in the rate of rise in the prices of certain cereals and vegetables even as other edibles such as pulses, fruits and milk continued to remain expensive.

Although the whopping 3.98 percentage point week-on-week drop in wholesale price index-based food inflation is likely to provide some respite to the government whose prime focus of concern is now shifting to the monsoon playing truant, economic analysts fear that even the on-paper advantage of the statistical glitch may get evened out when the cascading impact of the recent hike in diesel and other fuel prices is factored into the WPI data.

Statistical glitch

In a large measure, the sharp decline in food inflation during the week was on account of the high base effect, in that the rise in prices was at such a high around the like week last year the current price spiral appears relatively lower in statistical terms.

“The significant fall in food inflation is due to the [high] base effect,” said Planning Commission Principal Advisor Pronab Sen who retired as Chief Statistician of India on Wednesday. Barring potatoes, onions and cereals such as wheat and rice, most of the other food articles items continued to rule dearer.

The effect of the high base is evident from the inflation index of each commodity. While for cereals it came down to 5.36 per cent as against 13.42 per cent a year ago, vegetables fell 1.17 per cent from a high of 25.19. In this segment, potatoes turned 39.61 per cent cheaper while onion prices were lower by 7.36 per cent.

Likewise, the rate of price rise in rice came down to 6.44 per cent from 17.22 per cent a year ago and for wheat to 4.49 per cent from 6.40 per cent.

NABARD to promote organic farming in Kerala

The National Bank for Agriculture and Rural Development (NABARD) will promote organic farming in Kerala.

According to K. C. Shashidhar, NABARD chief general manager here, the initiative will be implemented in association with banks and non-governmental organisations who will introduce over 10,000 farmers to organic farming in the first phase.

“Organic farming practices need to be encouraged using local knowledge of farmers and also they need to be integrated with the tested practices of research scientists and academia. To accomplish this, we will associate with Kerala Agricultural University,” said Shashidhar.

The project will be implemented in seven districts initially in association with the Kerala Social Services Forum, an umbrella organisation of NGOs.

As a prelude to its formal launch, NABARD will conduct a two-week training programme aimed at creating the right awareness about organic agricultural techniques, organic manures, production of bio-control agents such as organic pesticides and organic fungicides.

It will also inform the farmers about pesticide-free food production methods, post-harvest management means, food security through organic farming, seed conservation, said Mr. Shashidhar.

hindustantimes

Press Trust Of India

New Delhi, July 01, 2010

First Published: 13:51 IST(1/7/2010)

Last Updated: 13:53 IST(1/7/2010)

Food inflation falls to 12.92 pc

Food inflation fell sharply to 12.92 per cent for the week ended June 19 from 16.90 per cent in the previous week as cost of cereals and vegetables declined.

On a yearly basis, potatoes became cheaper by about 40 per cent and onion prices eased by over 7 per cent. Prices for pulses fell by 0.47 per cent on a weekly basis.

However, on an annual count, prices soared by 31.57 per cent. Overall inflation for May was 10.16 per cent, led by high food prices. Food inflation has remained above the 16 per cent level for most part of the year. Analysts expect prices to slide in the coming months following a good monsoon shower.

http://www.hindustantimes.com/StoryPage/Print/565825.aspx

Rain: 00 mm in 24hrs	Sunrise: 05:46
Humidity: 75%	Sunset: 18:39
Wind: Normal	Barometer: 1002.0

Extended Forecast for a week

Sunday	Monday	Tuesday	Wednesday	Thursday
Jul 4	Jul 5	Jul 6	Jul 7	Jul 8
34° | 28°	34° | 28°	34° | 28°	33° | 28°	33° | 28°
Rainy	Rainy	Rainy	Rainy	Rainy

express buzz

By PTI

02 Jul 2010 08:56:03 AM IST

Coffee exports jump 49% in first half of 2009

NEW DELHI: India's coffee exports surged 49 per cent in the first six months of the year to 1.53 lakh tonnes on the back of higher domestic output, according to Coffee Board data.

The country had exported 1.03 lakh tonnes in the same period last year.

Out of the total exports during January-June period of 2009, normal exports accounted for 1.29 lakh, while 24,671 tonnes were re-exports. In the year-ago period, normal exports comprised 95,061 tonnes and re-exports 8,002 tonnes.

"The shipments have risen sharply in the first half of this year on account of higher domestic output in 2009-10 crop year (October-September," a Coffee Board official said.

The country's coffee output has increased to 2.89 lakh tonnes in the current year against 2.62 lakh tonnes in the previous year.

Food inflation slips sharply to 12.92 pct

Agencies Posted online: Thu Jul 01 2010, 12:28 hrs

New Delhi : Food inflation fell sharply to 12.92 per cent for the week ended June 19 from 16.90 per cent in the previous week as cost of cereals and vegetables declined.

On a yearly basis, potatoes became cheaper by about 40 per cent and onion prices eased by over 7 per cent.

Prices for pulses fell by 0.47 per cent on a weekly basis. However, on an annual count, prices soared by 31.57 per cent.

Overall inflation for May was 10.16 per cent, led by high food prices. Food inflation has remained above the 16 per cent level for most part of the year.

Analysts expect prices to slide in the coming months following a good monsoon shower.

Indian-origin scientist creates new variety of tomatoes

Agencies Posted online: Tue Jun 29 2010, 15:10 hrs

Washington : Indian-origin scientists in the US claim to have created a new variety of tomatoes which can stay fresh for a week longer than usual, after they found a 'fountain of youth' for the delicious fruits.

A team, led by Avtar Handa of Purdue University, has in fact found that by adding a yeast gene increases production of a compound which slows ageing and delays microbial decay in tomatoes, 'The Plant Journal' reported.

"We can inhibit the ageing of plants and extend the shelf life of fruits by an additional week for tomatoes. This is basic fundamental knowledge that can be applied to other fruits," Handa said.

The organic compound spermidine is a polyamine and is found in all living cells. Polyamines' functions aren't yet fully understood.

Handa and Autar Mattoo of US Department of Agriculture had shown earlier polyamines, such as spermidine and spermine, enhance nutritional and processing quality of tomato fruits.

"At least a few hundred genes are influenced by polyamines, maybe more. We see that spermidine is important in reducing ageing. It will be interesting to discover what other roles it can have," Mattoo said.

Savithri Nambeesan, a graduate student in Handa's laboratory, introduced the yeast spermidine synthase gene, which led to increased production of spermidine in the tomatoes. Fully ripe tomatoes from those plants lasted about eight days longer before showing signs of shriveling compared with non-transgenic plants. Decay and rot symptoms associated with fungi were delayed by about three days.

"It increased the quality of the fruit. If a tomato goes to market, people won't buy it if it has started to shrivel. If we can stop that wrinkling, we can extend the market time of the fruit," Handa said.

Mattoo said the finding could have implications for areas that don't often get fresh fruit.

"Shelf life is a major problem for any produce in the world, especially in countries such as in Southeast Asia and Africa that cannot afford controlled-environment storage," Mattoo said.

Handa said tomato growers and possibly other fruit growers could use the finding soon. "We can add this gene to tomatoes or look at natural variation and select the cultivars that already have a high level of this gene's expression."

THE TIMES OF INDIA

Food inflation falls to 12.92%

PTI, Jul 1, 2010, 01.59pm IST

NEW DELHI: Food inflation fell sharply to 12.92% for the week ended June 19 from 16.90% in the previous week as cost of cereals and vegetables declined.

On a yearly basis, potatoes became cheaper by about 40% and onion prices eased by over 7%.

Prices for pulses fell by 0.47% on a weekly basis. However, on an annual count, prices soared by 31.57%.

Overall inflation for May was 10.16%, led by high food prices. Food inflation has remained above the 16% level for most part of the year.

Business Standard

Friday, Jul 02, 2010

Monsoon soaks soybean area after June lag

Reuters / New Delhi July 02, 2010, 0:12 IST

Monsoon revived in the soybean-growing central region on Thursday, after a two-week lag reduced the June rainfall to 16 per cent below normal, the second lowest in 15 years.

Heavy showers in Madhya Pradesh would accelerate soybean planting in the world’s top importer of edible oils and ease growing nervousness about monsoon rains.

The weather office reaffirmed its prediction of a normal monsoon this year, in line with several forecasts from global agencies.

“I stand by the forecast of normal monsoon. We are hopeful of a revival by July 2 or July 3,” Ajit Tyagi, director general of the India Meteorological Department (IMD) said.

The erratic behaviour of the June-September monsoon has often led to incorrect forecasts, with last year being the most recent example, when early forecasts were for normal rain but the country saw the worst drought in nearly four decades.

The shaky start to this year's rainy season heightens concerns about food inflation, which soared to nearly 17 per cent last month, having risen steadily after last year's monsoon failure.

Sluggish monsoon rain would discourage the government from lifting export curbs on wheat and rice although the country has massive stockpiles, analysts say.

"Curbs on grain exports would continue until the monsoon ends," said S Raghuraman, an analyst with the Delhi-based consulting firm Agriwatch.

IMD said adverse local weather conditions had weakened the monsoon winds, which reached the country's southern coast on May 31, a day ahead of schedule, but did not advance beyond eastern and central India since June 18.

June rainfall was below normal but still 60 per cent higher than a year ago, IMD data showed. In June 2009, rainfall was nearly half of normal, making it the driest month in 83 years.

Crop planting

The poor start of monsoon rain — the main source of water for 60 per cent of Indian farms — had slowed planting of soybeans in central India, while farmers in the grainbowl states of Punjab and Haryana may delay rice planting if rains are delayed in northern India, traders and officials said.

In the past week, rainfall was a quarter short of normal but farms in central India received good rains on Thursday.

"Monsoon has revived in Madhya Pradesh," D P Dubey, director of the regional office of IMD said.

This should help the soybean crop, industry officials said.

"Sowing will pick up now," A S Chandel, director at the Soybean Processors Association of India said.

India's food prices were up an annual 16.90 per cent in mid-June, while the overall inflation rate has risen above 10 per cent, maintaining pressure on the central bank to tighten monetary policy.

India’s inflation — which has already triggered several protests in the country — may rise further as last week the government lifted controls on petrol prices and raised the state-set rates of diesel, cooking gas and kerosene.

Samiran Chakraborty, regional head of research at Standard Chartered Bank said if rainfall remained weak in July also, it might hit economic growth.

“It is too early to revise our GDP estimates based on just June rainfall. July is the crucial month and if this deficit rainfall trend continues in July, then we may see a drought-like situation and in that case, may have to revise our GDP estimates downwards and inflation upwards,” he said.

“As of now, there is no need to do so just based on June numbers,” he said.

D Sivananda Pai, director of the National Climate Center in the western city of Pune, said the La Nina weather phenomenon was likely to develop and catalyse monsoon rains.

Last week, Australia’s weather office said the chance of a La Nina weather event developing in 2010 was now more certain.

Coffee exports jump 49% in first half of 2010

Press Trust Of India / New Delhi July 2, 2010, 0:10 IST

India’s coffee exports surged 49 per cent in the first six months of the year to 153,000 tonnes on the back of higher domestic output, according to Coffee Board data. The country had exported 103,000 tonnes in the same period last year.

Of the total exports during the January-June period of 2010, normal exports accounted for 129,000 tonnes, while 24,671 tonnes were re-exports. In the year-ago period, normal exports comprised 95,061 tonnes and re-exports 8,002 tonnes.

“The shipments have risen sharply in the first half of the year on account of higher domestic output in 2009-10 crop year (October-September),” a Coffee Board official said.

The country’s coffee output has increased to 289,000 tonnes in the current year as against 262,000 tonnes in the previous year.

In the next crop year starting October this year, coffee output is estimated to rise six per cent to 308,000 tonnes, of which 208,000 tonnes would be the Robusta variety and the remaining Arabica.

“The maximum rise in production of coffee this year is expected in Karnataka, followed by Kerala, where good rain last year helped healthy blossoming and fruit bearing,” a senior official said yesterday.

The Board is hoping the Chikmagalur, Kodagu and Hassan districts of Karnataka produce 6,000 tonnes more coffee next year at 219,000 tonnes while Kerala produces 65,775 tonnes in 2010-11

Gujarat, Andhra to get agri clinics for groundnut

Kalpesh Damor / Ahmedabad July 2, 2010, 0:06 IST

With a view to support farmers in major groundnut growing areas, the Groundnut Promotion Council under the Solvent Extractors’ Association of India (SEA) has decided to set up agri clinics for groundnut promotion in Gujarat and Andhra Pradesh.

The apex trade body has identified Junagadh in Gujarat and Adoni in Andhra Pradesh for establishment of agri clinics. Gujarat and Andhra Pradesh account for majority of groundnut production in the country and the regions selected for agri clinics are the prominent groundnut growing areas in these two states.

India’s total groundnut production in 2009-10 stood at 5.12 million tonnes, of which Gujarat accounted for 1.6 million tonnes, while Andhra Pradesh accounts for 1.03 million tonnes.

In the wake of reduction in groundnut acreage as well as production and diminishing quantity of the commodity available for crushing over the last couple of years, Bipin Patel, chairman, SEA Groundnut Promotion Council had suggested establishment of agri clinics for groundnut to help farmers.

“The managing committee of SEA accepted the suggestion and decided to set up agri clinic at Junagadh in Gujarat and Adoni in Andhra Pradesh,” said Ashok Sethia, president, SEA in a letter to the members of the association.

The proposed agri clinics would support farmers in groundnut growing areas by providing various information and services including soil testing, recommendation for seed varieties appropriate to soil and climatic condition as well as SMS services to the farmers to update them on weather conditions, advisory services of agronomist to the farmers for pre and post harvest etc.

The trade body also urged local members engaged in groundnut crushing/groundnut cake processing to come forward and involve in this project to make the agri clinics a successful model.

Based on the success achieved by these proposed agri clinics, SEA may further decide to set up more agri clinics.

Meanwhile, SEA has again requested the government to freely allow edible oil exports in both consumer pack and in bulk as conditions under which the ban was imposed no longer exists

Govt likely to withdraw export incentives for marine sector

George Joseph / Kochi July 2, 2010, 0:07 IST

The Central government may withdraw export incentives given to the marine products industry. As part of this, the Ministry of Commerce, under which the marine export industry falls, has chalked out a scheme either to withdraw the benefits fully or to reduce them in phases.

A directive from the finance ministry to various departments suggests to withdraw the additional benefits extended during the last couple of years to various export industries. The finance ministry has proposed to withdraw these benefits for those export sectors which performed better in 2009-10. Accordingly, the marine export sector falls under this category as the total export in last financial year crossed $2 billion.

The marine export sector at present enjoys a benefit of 5 per cent entitlement rate for shipment under duty drawback scheme as an incentive under Vishesh Krishi and Gram Udyog Yojana (VKGUY). The industry also gets a benefit of 8 per cent on the total value of exports under the Duty Entitlement Passbook Scheme (DEPB).

The ministry is now mulling to withdraw the incentive under VKGUY and to reduce the benefit under DEPB scheme.

India exported 663,603 tonnes of seafood, valued at Rs 9,921.46 crore in 2009-10 as against 602,835 tonnes valued at Rs 8,607.94 crore in 2008-09, recording a growth of 10.08 per cent in volume and 15.26 per cent in rupee value. Anwar Hashim, president, Seafood Exporters Association of India (SEAI) said the withdrawal of benefits would impact the sector and the marine industry of the country badly. The improvement in exports during the last couple of years might roll back this year. It is because of these incentives the industry could perform better in the last year.

Because of the latest economic turmoil in Europe, India’s exports are facing serious set back in the current year and devaluation of the euro had made the situation more worse. So currently exports to the Europe, the largest market of Indian seafoods is in rough weather. The US market is almost stagnant due to economic recession and anti-dumping duty.

EU had imported 163,666 tonnes of seafood items valued at Rs 2993.10 crore during the last financial year.

He also said that the increase in diesel prices had caused a steep rise in the cost of fishing. A fishing boat requires diesel worth Rs 60,000 on an average for each voyage, earlier. Now it has increased by Rs 5,000-7,000, making this sector on the verge of a closure. He added that because of the incentives, export houses could procure fish and shrimp at high prices. If this is withdrawn, the industry will be in deep trouble leading to serious crisis in the fishing sector.

Oilseeds farmers dismayed at growth prospects

Dilip Kumar Jha / Mumbai July 2, 2010, 0:04 IST

High carryover stock, low prices make farmers fear high output.Ramlal Dahanukar, an oilseed grower in Satara district of Maharashtra, is worried at the positive monsoon forecast for the ongoing kharif sowing season. For, it will mean more kharif output, and prepare ground for higher rabi output.

Higher output hits farmers' incomes. Reason: Farmers and stockists are holding over 15 million tonnes oilseeds from the previous season, which has led to a big fall in prices. So, high output this year will create a glut, resulting in a further fall. Many oilseed growers like Dahanukar have gone deeper into debt in the past three years as their incomes have fallen.

Dahanukar owns four acres on which he grows groundnut, soybean and other oilseeds. He is now considering a shift to more remunerative crops. Over the past three years, oilseed productivity has fallen substantially due to lower soil fertility. A dramatic fall in prices will be a further blow.

"Oilseed prices are around the minimum support price (MSP). The government increased MSP by a paltry three-five per cent, as compared to the 30-40 per cent rise in pulses for the 2010-11 season. If the market is pressured by additional output this year, many farmers will fall into debt," said Dahanukar.

According to data by the Solvent Extractors Association (SEA), the oilseed yield in India has fallen 19 per cent in the past three years, due to lower soil fertility and rain. The oilseed yield was 1,115 kg per hectare (ha) in 2007-08. It slipped to 1,026 kg per ha in 2008-09 and 903 kg per ha in 2009-10.

The area under oilseeds fell marginally to 26.9 million ha in 2009-10, after a high of 27.46 mha the previous year, from 26.7 mha the preceding year. Total oilseed production was 24.3 mt last year.Less than 25 per cent area under oilseeds is irrigated, which makes these crops vulnerable to weather risk. This has resulted in slow output growth and continuing low yields. At 900 kg per ha, Indian oilseed yields are about half the world average and less than a third of leading producers'.

“Mills will start crushing if the price recovers to the parity level. Today, mills are losing about Rs 1,000 per kg on each tonne of seed crushed. Therefore, most mills have either shut down or have reduced their capacity to the minimum. We hope mills crush all the seeds available in the market before the beginning of the next season,” said B V Mehta, executive director, SEA.

Average groundnut (in shell) prices dropped 24 per cent to Rs 21,691 per tonne in 2009 from Rs 28,534 per tonne in 2008. Rapeseed/mustard seed prices fell nine per cent to Rs 26,205 per tonne from Rs 28,873 per tonne. Sunflower seed and castor seed dropped 22 per cent and 10 per cent in 2009 to Rs 24,104 per tonne and Rs 25,343 per tonne, respectively.“If the government levies an import duty of 10-20 per cent, the edible oil price will rise (enough) to make crushing remunerative,” said Mehta.

THE HINDU Business Line

Business Daily from THE HINDU group of publications

Friday, July 02, 2010

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070252011600.htm

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Food inflation slips to 12.92% on base effect

WPI-based inflation at 10.16 per cent.

The government has been betting on a normal monsoon to cool down food prices.

Our Bureau

New Delhi, July 1

Food inflation eased to its slowest annual growth this year, mainly on account of a low base and helped by a drop in price levels of pulses, fruits and milk, Government data on Thursday showed.

The food price index increased 12.92 per cent in the year to June 19, sharply lower than the previous week's annual rise of 16.9 per cent.

The year-on-year surge in pulses slowed to 32 per cent on an annual basis from over well over 34 per cent the previous week, fruits registered a 9 per cent growth (as against 14 per cent the previous week) and milk at 16 per cent (21 per cent). Week-on-week, however, the wholesale price index for food articles inched up 0.3 per cent, driven by higher inflation in items such as potatoes and onions, indicating that food inflation is still on the boil.

Sequentially, potatoes edged up over 4 per cent and onions were up over 7 per cent.

Fuel price

The year-on-year fuel price rise during the latest reported week was marginally lower than the previous week. According to the data, the fuel price index climbed 12.9 per cent compared with last week's annual rise of 13.18 per cent.

The wholesale price index-based inflation in May had accelerated to 10.16 per cent on an annual basis, compared with 9.59 per cent in April. The data for June is expected to go up further following the Government's decision to increase fuel prices last week.

According to the data, the wholesale price index for primary articles, which includes food items, rose 0.2 per cent in the week to June 19. Year-on-year inflation in primary articles increased

14.75 per cent from a year earlier, after climbing 17.60 per cent in the week to June 12, the data showed. The fuel products index was unchanged on a sequential basis at 370.2 points.

The Government has been betting on a normal monsoon to cool down food prices. The Reserve Bank of India (RBI) has forecast headline inflation to ease to 5.5 per cent by March 2011. But RBI Governor, Mr D. Subbarao, last month said the bank would revisit that forecast at its July 27 review.

The RBI is widely expected to increase interest rates at its July 27 policy review. It raised rates by 25 basis points each in March and in April.

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070252431000.htm

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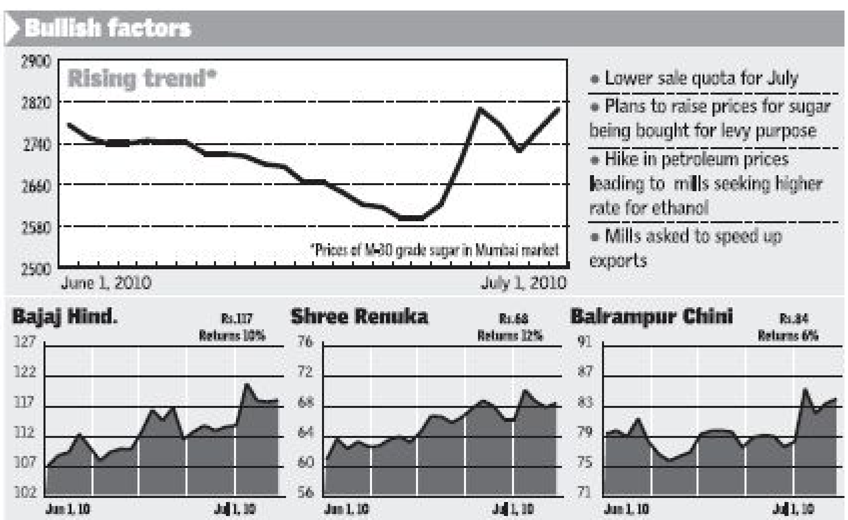
Short-term sweetener for sugar stocks

Commodity price rules at one-month high.



M.R. Subramani

Chennai, July 1

A few weeks ago, everything related to sugar looked gloomy and bearish. But such is the beauty of farm produce that things have turned around in no time. This despite projections of higher production in the next season starting October.

On Thursday, sugar prices had touched a month's high in the major markets, thanks to a few developments.

The first aspect for the turnaround has been lower allocation of the sugar sale quota by the Centre. It is the Government that stipulates how much sugar a mill can sell each month. Each mill also has to offer 20 per cent of its production for supply through the public distribution system (PDS) at a price fixed by the Centre. The price is usually lower than the production cost for the mills. For July, the allocation has been cut by 40,000 tonnes to 14.5 lakh tonnes.

This has, in fact, triggered a rise in prices. During the last weekend alone, sugar gained nearly Rs 170 a quintal.

The other aspect that will stand the mills in good stead in the long term is the Centre planning to pay a higher price for the sugar it buys from the mills for the PDS. Reports say that it could be nearly 30 per cent. This, to some extent, should help the mills' economics.

EXPORTS TO GO UP

Along with that is the development of the Centre cutting the time for export of white sugar against the import of raw sugar. The cut in time means sugar exports have necessarily to increase and this, in turn, could mean that the mills can take advantage of current steady prices in the global market.

Reports from Mumbai say that the mills are not willing to offer stocks for the domestic market.

Thailand sugarcane production is estimated to be 13 per cent lower next year. This offers good prospects for mills that have export obligations.

The Centre's decision last week allowing the petroleum companies the freedom to fix the price of petrol is a positive one for the sugar mills.

The decision has now led to a situation wherein the mills are demanding a higher payment for the ethanol they supply for the gasohol programme.

Under this programme, five per cent of ethanol will be mixed with petrol. The mills are pointing out that a higher payment will still make petrol mixed with ethanol cheaper.

Hopes of the Centre conceding their pleas are bright. Apart from this, the monsoon's behaviour has emerged as another crucial factor.

Though the Indian Meteorological Department has forecast a higher-than-normal monsoon, June has witnessed 16 per cent deficient rainfall. This has led to fears that the sugarcane crop could be affected.

Whether or not this leads to a rise in prices, it will surely cap the fall in the sugar prices. This means, sugar stocks look bullish in the near-term.

In the long term, the monsoon's behaviour, the Centre biting the bullet in raising the levy sugar price and heeding the mills' plea for higher ethanol prices hold key.

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070251010900.htm

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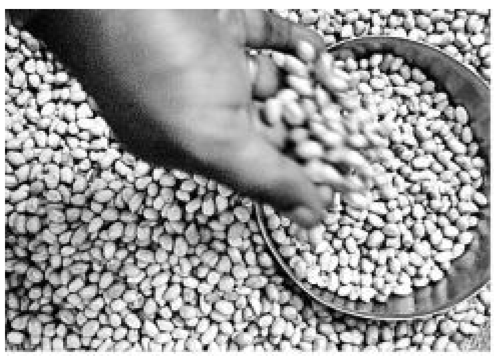
Oilseeds: Higher MSP does not guarantee better yields

G.CHANDRASHEKHAR

While MSP is necessary to provide a psychological prop to growers, it is hardly the instrument for raising production.



On June 10, the government announced, more or less ritualistically, the minimum support price for various kharif season crops. What ought to have been decided upon and announced by mid-May, well before the onset of the south-west monsoon — for that is the time farmers begin to source their inputs — came ten days after rains officially hit the Kerala coast. So much for the commitment of this government to agriculture!

Be that as it may, the MSP decided by the government for kharif 2010 crops has drawn bouquets and brickbats from various quarters. The sharp hike in MSP for pulses has attracted commendations. Of course, it an entirely different story that higher MSP has little to do with truly empowering growers or helping them realise remunerative prices. It is also no guarantee of an increase in production or yields.

Meagre hike

As for oilseeds, the Mumbai-based Solvent Extractors Association of India (SEA), an industry body representing, as the name suggests, the country's solvent extraction industry (there are about 800 solvent extraction plants across the country) has expressed disappointment with the government's decision to raise the MSP for oilseeds by what it sees as a meagre 2-9 per cent.

It compares unfavourably with pulses (15-30 per cent MSP hike) although both oilseeds and pulses are in short supply and higher MSP is necessary to encourage production, the industry body has alleged.

Price trends over the years

(MSP in Rs per quintal and production in lakh tonnes)

Oilseed	2006-07	2007-08	2008-09	2009-10	2010-11
Groundnut					
MSP	1520	1550	2000	2100	2300
Output	32.9	73.6	56.2	36.6	-
Soyabean					
MSP	1020	1050	1390	1390	1440
Output	88.5	109.7	99.0	105.4	-
Total Oilseeds	**242.9**	**297.5**	**277.2**	**254.1**	**-**

The major crops of the season are soyabean and groundnut. Terming the government move as step-motherly treatment to the oilseed sector, the SEA pointed out that oilseeds acreage and production have stagnated in the last five years and farmers have to be incentivised by way of higher MSP to grow more oilseeds.

This industry body and probably a few more may have their own logic or justification for demanding higher MP for oilseeds.

Such public statements in our country expressing sympathy for farmers are often made so as to look politically correct and expedient.

It may get some media coverage too. But trade and industry bodies that try to shoot from the farmers' shoulder seldom introspect to see whether they have done anything worthwhile to uplift farmers or agriculture.

But the question to be debated is more fundamental. Does a higher MSP guarantee higher production? Unfortunately, the answer is an emphatic NO.

Surely, farmers in India who have been short-changed for decades deserve higher prices, more remunerative prices. No one can argue against it.

But to believe and assert that MSP should be hiked year after year so as to enable farmers to produce more is nothing but naivety.

Responding to signals

As has been pointed out often, the ability of the average Indian farmer to respond to price signals is rather limited. Farming conditions in the country are onerous and risk-prone.

All these years, India as a nation has failed to build capacity among farmers to raise crop productivity and production. In other words, unlike in the western world, supply response to prices is rather limited in our country. This reality needs to sink in clearly.

Take oilseeds themselves. In four years from 2006-07 to 2009-10, for the kharif season, the MSP for groundnut in-shell has seen substantial increase. Same is the case with soyabean. The appended table shows MSP for the two major kharif season oilseed crops and the output.

One can clearly make out that there is little relationship between support price and hike on the one hand, and output on the other.

If there ever is, it would be coincidental and not causal. Indeed, ironically, production increased during years when MSP hike was nominal; and equally ironically, production declined despite sharp hike in MSP.

The support prices have had nothing to do with oilseeds production, something the industry and trade bodies must understand. Obviously, while MSP is necessary to provide a psychological prop to growers, it is hardly the instrument for raising production. Indeed, as said earlier, higher MSP does not in any way help Indian farmers.

Policy failure

Take soyabean, specifically. MSP for this oilseed has actually become irrelevant. In the last three years, bean prices have ruled well over 50 per cent of the MSP, making the very announcement of MSP laughable.

Farmers have received such attractive prices that their ability to holdback harvested produce has improved.

The inference is that high open market prices, rather than MSP, have actually boosted soyabean output. If the oilseed processing industry is genuinely serious about an increase in production, it should pay remunerative prices to growers.

Nothing prevents the industry from doing so. Such a move can result in opportunities for establishing backward linkages which the industry, in general, has failed to explore all these years.

Clearly, there has been a major policy failure in case of oilseeds, similar to pulses. The government is well aware of the structural problems that stymie production growth, but has failed to address them effectively.

Ineffective input delivery system, antiquated agronomic practices, no significant expansion in irrigation facilities and lack of rural infrastructure are some of the age-old problems crying for attention.

Far from demonstrating any commitment to addressing the structural problems, the government has taken the facile option of importing vegetable oils at low or nil duty. While the policymakers are culpable for the sorry state of affairs, the industry's locus to question the government is itself questionable.

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070251751900.htm

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Nabard to tie up with banks, NGOs to drive organic farming

To implement project in 7 districts in association with KSSF.

The programme will integrate the activities of over 10,000 farmers in the first phase.

Thiruvananthapuram, July 1

The regional office of the National Bank for Agriculture and Rural Development (Nabard) is planning to promote organic farming in the State through banks and non-governmental organisations (NGOs).

The programme will integrate the activities of over 10,000 farmers with organic farming, in the first phase, according to Mr K. C. Shashidhar, Chief General Manager, Nabard, Kerala.

NGOs MEET

A meeting of NGO stakeholders convened here has decided to publish a white paper on the potential of organic farming in Kerala.

Addressing the meeting, Mr Shashidhar said that the apex bank plans to promote organic farming through Joint Liability Groups (JLGs).

Organic farming practices need to be encouraged using local knowledge of farmers. They also need to be integrated with the tested practices of research scientists and academia. To accomplish this Nabard will associate itself with Kerala Agricultural University.

“Our mission is to develop an organic farming approach, particularly in all the watershed development areas,” Mr Shashidhar said.

“We will extend support, including capacity-building and financial assistance, for soil and water conservation measures through ongoing programmes.”

Nabard will implement the project in seven districts in Kerala initially in association with the Kerala Social Services Forum, an umbrella NGO of the State to which as many as 36 NGOs are affiliated.

TRAINING PROGRAMME

As a prelude to the formal launch of organic farming in the State through the bank, Nabard will also conduct a two-week training programme for farmers in organic farming.

The training programme is expected to create the right awareness about organic agricultural techniques, organic manures, production of bio-control agents such as organic pesticides and organic fungicides to the participants.

It will also take the participants through topics such as pesticide-free food production methods, post harvest management means, food security through organic farming and seed conservation etc.

The farmers will also be taken for exposure visits to organic farms within the state and outside.

The ‘Joint Liability Training' programme will be led by experts from agricultural fields along with Nabard district officials.

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070251691900.htm

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Pepper futures continue upward run

Kochi, July 1

Pepper futures after witnessing high volatility on Thursday and the July contract after moving up to the highest level of the day in the intra-day trading to Rs18,138, declined to end above the previous day's close.

Non-availability, coupled with reports of firmer Vietnam market, has pushed up the prices of all the contracts on the exchange. Those holding farm grade pepper were liquidating it and simultaneously buying back their sales from the exchange as processing of the farm grade pepper would involve an additional investment because of the unfavourable weather conditions.

Moisture content in pepper now after the onset of the monsoon is said to be around 13-14 per cent, as against the permissible 11-11.5 per cent, trade sources told Business Line.

In the spot market, sellers were quoting Rs 180 a kg, while the interstate dealers were offering Rs two below the July contract price. July contract on NCDEX went up by Rs 141 to close at Rs 18,040 a quintal. August and September were up by Rs 141 and Rs 76, respectively, to close at Rs 18,220 and Rs 18,350 a quintal.

Total turnover dropped by 2,149 tonnes to 13,779 tonnes. Total open interest increased by 548 tonnes indicating additional purchases. July open interest for July moved up by 86 tonnes, while that of August increased by 475 tonnes. September improved by 18 tonnes. Spot prices on tight supply and good buying support in tandem with the futures market trend, moved up by Rs100 to close at Rs 17,400 (ungarbled) and Rs 17,900 (MG 1) a quintal.

International market

In the international market, Vietnam has quoted $3,640 a tonne for 500 GL and $3,830 a tonne for 550 GL. They were not interested to sell Asta grade as conversion of heavy pepper into white was more profitable for them, market sources said. White pepper doubled washed was quoted at $5,275 a tonne.

Indonesia was not seen aggressive now. Indian parity has become $4,075-$4,100 a tonne (c&f) and remained competitive. However, as far as demand coming for MG 1 is concerned, it will depend on the behaviour of Indonesia. “We don't know whether they will undercut or not,” export sources said.

Date:02/07/2010 URL: http://www.thehindubusinessline.com/2010/07/02/stories/2010070253201700.htm

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Drop in production perks up egg price

Chennai, July 1

Poultry prices have increased consistently in the past week on account of lower production.

In Namakkal, the poultry hub of Tamil Nadu, egg prices were quoted at Rs 2.75 a piece this week against last week's Rs 2.70. The monthly average for June 2010 stands at Rs 272.56 (for 100 eggs) against Rs 244 the same period last year.

Mr R. Nallathambi, President of the Tamil Nadu Poultry Farmers' Association, told Business Line that as the poultry farmers' expenditure rise during summer, they cut down on the number of birds. This has resulted in a 5-10 per cent drop in egg production in the State.

“Prices have moved up because demand has remained constant even during summer which is usually marked by lower offtake. Once winter sets in and the austere Tamil month of Aadi commences, there will be a drop in prices as well as demand,” he added.

Another reason, the industry sources attribute to the price rise is the spiralling costs of feed materials such as maize, soyameal and fishmeal. Input costs account for about 40 per cent of the total production cost.

Meanwhile, broiler prices in Tamil Nadu have declined marginally this week to Rs 55-59 a kg from Rs 61-63 a kg last week. “Due to gap between demand and supply, broiler prices usually rise in summer months. For the past two months, there was a rise in consumption from the neighbouring Kerala as the State imposed a ban on fishing. Now that they have lifted the ban, we are experiencing a slowdown in demand,” said Mr P. Selvaraju, Chairman, Broiler Coordination Committee. Still, the prices farmers are fetching for broiler are higher than their production costs. The broiler producers too are enjoying the fruits of cut in production last year.

Date:02/07/2010 URL:
http://www.thehindubusinessline.com/2010/07/02/stories/2010070253231700.htm

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Lower arrivals hold groundnut steady

Rajkot, July 1

Groundnut oil increased for the fourth day in succession but the gains on Thursday were capped.

The price of groundnut oil 15 kg new tin increased Rs 5 from to Rs 1,285-1,290 on Thursday. The groundnut oil price has increased by Rs 35 during the last four days. Demand from branded mills was marginally lower on Thursday retail demand offered support.

Traders said: “Prices are likely to rule steady in view of the constant retail demand. It will stay around these levels for some more time.”

Arrival of groundnut has dropped during the last two months. Two months ago, groundnut arrival was about 80 thousand to 1 lakh bags (of 40 kg each). Currently, 30,000-35,000 bags are arriving. Groundnut price is stable at Rs 3,150-3,255 a quintal.

According to analysts, low stock of groundnut and a four-month gap for new arrival will offer support to the price. Our Mumbai Correspondent reports: Market players view monsoon's progress in next 10 days as crucial. In the spot market, groundnut oil was steady at Rs 775 for 10 kg owing to supply crunch. Other indigenous oils such as soya, sunflower, cotton, palmolien oil were also steady. Marginal rise in Malaysia's palm oil export in June supported the market..

Arrivals in the market are negligible. Volume is also very thin. In palmolien, only 240-250 tonnes (24 to 25 tankers – 10 tonnes each) trade took place. Refined palmolien oil was quoted at Rs 404 for 10 kg, soya refined oil Rs 425, sunflower expeller refined Rs 430, sunflower refined Rs 470. Rapeseed refined oil rose to Rs 530 and rapeseed expeller ended at Rs 500,