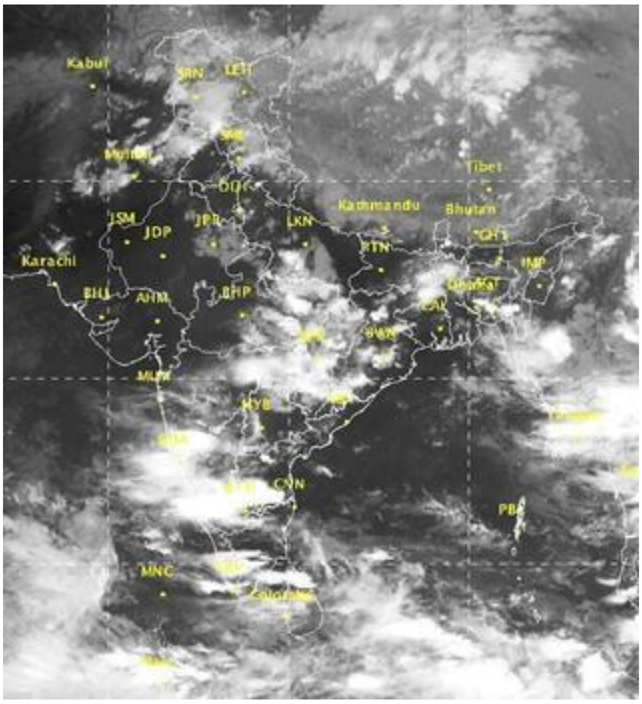
07.09.2017

THE HINDU BusinessLine

Peninsula not letting monsoon go



The monsoon is still holding on to parts of North-West India despite a pattern of reversal of winds, signalling signs of its withdrawal.

The withdrawal has been delayed by a week already, and there are forecasts suggesting stiff resistance being offered from East, Central and Peninsular India, where rain-generating circulations are expected to be active until mid-September.

Vigorous monsoon

During the 24 hours ending Wednesday morning, a number of stations over Kerala, Karnataka, Tamil Nadu and Andhra Pradesh received moderate to heavy rain. North-East India, too, witnessed sustained wet spells during this period.

The Chennai Met office said in a bulletin that the monsoon was ‘vigorous’ over Tamil Nadu, south interior Karnataka and ‘active’ over north interior Karnataka, Andhra Pradesh and Kerala.

Rainfall occurred at most places over Rayalaseema, Lakshadweep; at many places over coastal Andhra Pradesh, Kerala, Tamil Nadu, interior Karnataka; at a few places over Telangana; and at isolated places over coastal Karnataka.

Tamil Nadu & Puducherry, Rayalaseema and coastal Andhra Pradesh have received above normal showers thus far during the season. South and north interior Karnataka have returned to ‘normal’, while Kerala and Coastal Karnatak may do so soon.

But entire Uttar Pradesh and Madhya Pradesh (four Met subdivisions in all), Haryana-Chandigarh-Delhi and Vidarbha still nurse some deficit, with West Uttar Pradesh (-34 per cent) faring the worst.

The monsoon withdrawal process could bring a few rounds of interactive rain as withdrawing westerlies ram into moisture-laden easterlies from the Bay of Bengal.

However, the ongoing week ending September 11 may not yield the expected gains for Uttar Pradesh, Bihar and Madhya Pradesh, according to the US Climate Prediction Centre.

The situation could change during September 12 to 18 when excess rain is forecast for Gujarat, Konkan-Mumbai and West Madhya Pradesh in the West and Telangana, Rayalaseema and Kerala in the south.

(This article was published on September 6, 2017)

Govt no longer keen on floor prices for onion exports

Sees imports, early kharif output keeping prices cool

The government is no longer considering imposing a minimum export price (MEP) on onions. Imports contracted by private agencies will continue to flow in over the next two-three weeks keeping prices in check, following which the early kharif produce would arrive in the market.

"Prices of onions at the mandis have fallen considerably after imports have started coming in. The orders already placed would continue to flow in for the next 15-20 days preventing domestic prices from spiking. Then it will be time for the early kharif produce to come into the market, which would again put downward pressure on prices," a government official explained.

The inter-ministerial group (IMG) on onions, which has representatives from the Departments of Commerce, Agriculture and Consumer Affairs and Public Distribution has, therefore, shelved the option of imposing a MEP on onions to check exports for the time being, the official added.

Last month, Food Minister Ram Vilas Paswan had asked the Commerce & Industry Ministry to impose a MEP on onions to check spiralling prices.

The IMG had not gone ahead with the proposal and had preferred to wait and watch.

Imports

With private traders subsequently importing about 2,400 tonne of onions, mostly from Egypt, and another 9,000 tonnes on the way, the Centre believes that prices would remain in check. "Prices have gone down from the earlier highs of ₹ 22-23 per kg at the mandi level to about ₹15-16 per kg. The situation seems to be comfortable at the moment," the official said.

The Centre had imposed MEP on onions in 2014 to discourage exports and check a steep rise in prices, and had started lowering it the following year when the situation improved. The MEP was completely withdrawn in December 2015, following which exports of onions from the country increased substantially.

Exports rose 25 per cent to $472.73 million in 2015-16 compared to $376.56 million in 2014-15. In 2016-17, too, the levels reached the previous year were mostly maintained with shipments valued at $462.94 million.

(This article was published on September 6, 2017)

Apeda plans to spend ₹100 cr to set up more packhouses

In a bid to facilitate more shipments of fruits and vegetables, Apeda plans to strengthen the export infrastructure by setting up more packhouses and expanding the cold-supply chain over the next three years.

“We are going to focus heavily on creation of infrastructure, mainly setting up of packhouses for fruits and vegetables over the next three years,” said D K Singh, Chairman, Agriculture and Processed Foods Export Development Authority (Apeda).

At present there are 250 Apeda-approved packhouses and another 200 in the private sector across the country. “We expect another 200-250 to come up over the next three years. Apeda will provide an assistance of up to ₹75 lakh for each of the pack houses and will spend almost ₹100 crore towards the same,” said Singh.

Product-specific clusters

The initial focus will initially be in the 11 identified product-specific clusters being created across seven States, including Andhra, Karnataka, Kerala, Meghalaya, Telangana, Gujarat and West Bengal, Singh added.

April-July exports up

In the April-July period of the current financial year, fruit and vegetable exports saw a 7 per cent dip at ₹2,911 crore against ₹3,124 crore in the corresponding period last year. However, the overall exports of Apeda product portfolio grew 6.24 per cent in rupee terms at ₹37,013 crore for April-July period against ₹34,839 crore in corresponding last quarter.

This growth was primarily driven by almost a 25 per cent increase in basmati shipments, the largest product in the Apeda portfolio at ₹10,126 crore (₹8,139 crore in April-July 2016-17), followed by almost a flattish growth in buffalo meat at ₹7,326 crore (₹7,344 crore).

Non-basmati rice shipments registered a 10 per cent growth at ₹6,399 crore (₹5,821 crore), while guargum shipments almost doubled to ₹1,442 crore (₹751 crore) in value terms.

(This article was published on September 6, 2017)

August weather may hurt cotton output prospects in India, US

August is known to be treacherous month. It saw weather aberrations in two of the world's large producers and exporters of the natural fibre – India and the United States. While the US faced the fury of Hurricane Harvey and associated unseasonal rains, many growing regions in India faced dry conditions.

Texas, the largest cotton producer in the US, is the world's third-largest cotton supplier. The damage in the US is yet to be ascertained; but marketmen are more or less certain there will be some loss. Cotton prices received a boost last week from the likelihood of lower production.

At the same time, dry conditions resulting from deficient rains in India –covering Karnataka, Madhya Pradesh, Uttar Pradesh, Punjab and Haryana –have put crop yields at risk. This is despite a sharp expansion of cultivated area to 12.0 million hectares as of September 1, a fifth higher than the 10.2 million hectares this time last year. There is now a palpable anxiety over yields and final crop outturn.

Production estimates

It is becoming increasingly clear that the global cotton market fundamentals in 2017-18 will be impacted by the final production picture that emerges in the US and in India by early- to mid-September. The market will have to settle for some decline in crop size from earlier expectations.

The world market has seen consumption running ahead of production in the last two years, thereby helping to ease the burden of humungous stocks. By early August there was clear expectation that the world cotton production and consumption would be fairly balanced in

2017-18. This picture has the potential to change depending on the final harvest size in the US and in India.

Cotton harvest in India

Closer home, the government has fixed cotton production target at 35.5 million bales (170 kg each) for 2017-18. Indeed, by early-August, there was widespread expectation that India's cotton harvest would outperform other kharif crops and that the final outturn would be well ahead of the target, necessitating largescale institutional procurement to support growers. Now, it would be a big relief if the final production number comes close to the season's target.

To be sure, there will be no tightness in availability because of the increase in production for two years in a row. After the effects of El Nino, which affected 30-million bales in 2015-16, production improved by 10 per cent to 33.1-million bales in 2016-17; this year, it could be in the range of 34-36-million bales. The domestic user industry will have no reason to complain.

According to the International Cotton Advisory Committee, world cotton production and consumption will be more or less balanced at 25.1-million tonnes, while stocks would be stable at around 18.5-million tonnes. However, it appears that the ICAC may not have factored in potential crop losses in India and the US.

Role of China

China – arguably the world's largest producer, importer and consumer of cotton – will continue to be the joker in the pack.

Will China continue to destock or will it begin to restock is an open question. From out of its humungous reserves, the Chinese government sold about two-million tonnes in four months since May, as a result of which the reserves are drawn down to 6.3-million tonnes.

In sum, weather behavior so far and risks ahead, have the potential to disturb the earlier forecast of a fine balance between world production and consumption in 2017-18. For the commodity market, it is axiomatic that when the market fundamentals are finely balanced, even a small change in either demand or supply can have a disproportionately larger impact on prices.

Those in the cotton trade – the physical market players – mustexercise caution. Allow the market to benefit from more solid evidence of crop size in India and the US. For Indian exporters, in addition to watching the rupee which has gained strength in recent months, tracking Chinese import policy and quantum of import is critical.

Bangladesh has been India's strong partner in cotton trade; but of late, some skepticism seems to have entered the relationship. India must continue to engage with Bangladesh closely and address issues that create friction. It is important in the context of a general fall in export earnings on raw cotton to about $ 1.6 billion in 2016-17 from about $ 1.9 billion in the previous two years.

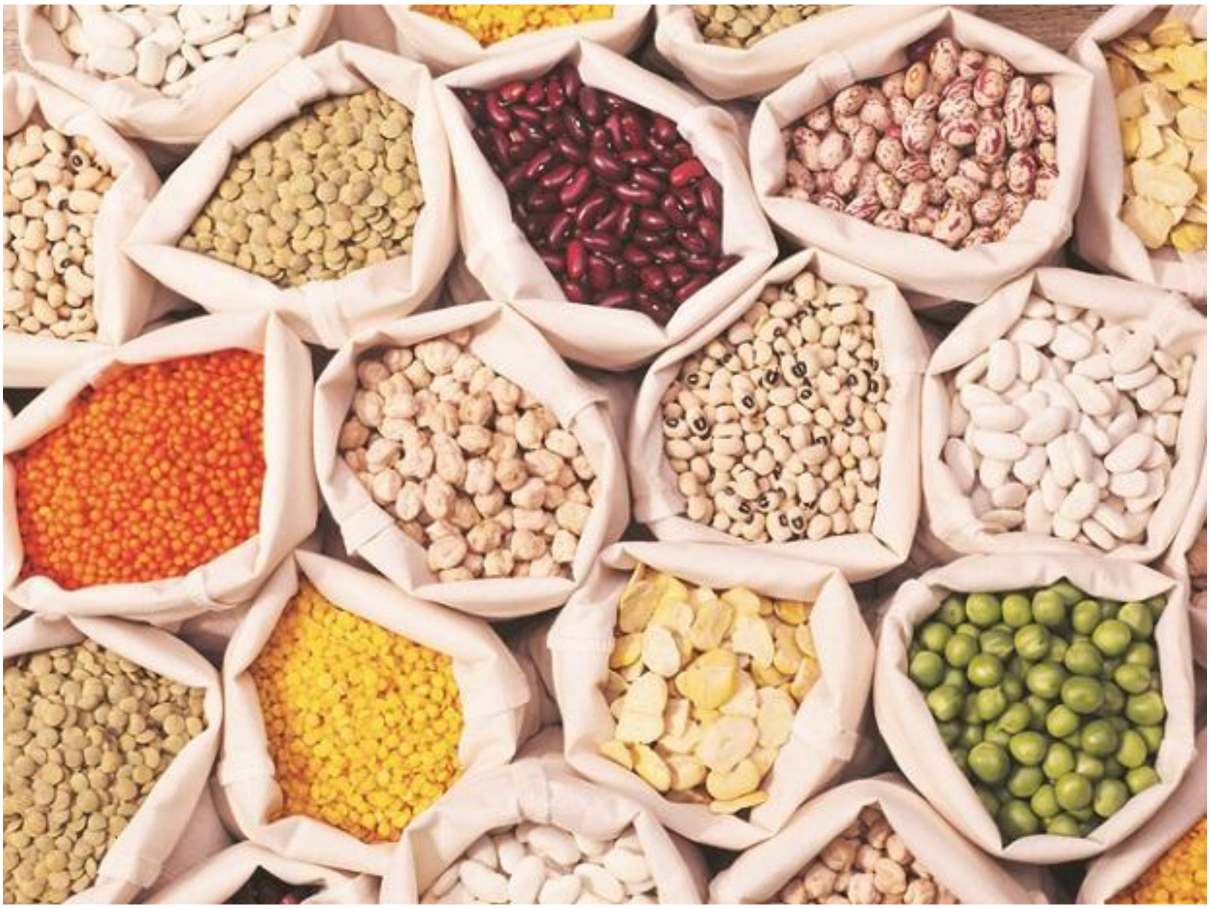
The writer is a global agribusiness and commodities market specialist. Views are personal

(This article was published on September 6, 2017)

Business Standard

Pulses farmers income fell 16% in 2016-17: Crisil study

Record output cited for decline, study urges allowing exports, calls for stronger futures market



The profit margin of pulses farmers fell 16 per cent on average in 2016-17 due to record production, says Crisil Research in its latest report titled Pulses & Rhythms: Analysing volatility and cyclicality and the cobweb phenomenon in prices.

The report says that if gram is excluded, margins have fallen by 30 per cent. While the selling price of pulses fell, the cost of cultivation continued to rise. The Crisil report says, "Cost of cultivation increased 3.7 per cent year-on-year in agriculture year (July to June) 2016-17, compared with 2.8 per cent in the previous year and hence increase in MSPs did little to stem the fall in their earnings."

Fall in farmers' income is due to a record production of 22.95 million tonnes of pulses in 2016-17, up 40 per cent over the previous year and 19 per cent higher than the previous record of 19 million tonnes in 2013-14.

According to Dharmakirti Joshi, Chief Economist, Crisil Ltd, "Addressing the pulses issue is very crucial as they account for 5 per cent of the total household expenditure on food in India and during the past 12 years, pulses have seen an average inflation of 12 per cent."

Though pulses take up a large chunk of households' food budget and are a major component in the inflation basket, the government has not been able to manage the cyclicality well so far.

Joshi says, "The pronounced cyclical patterns in pulses hurt both producers and consumers. It is time the government initiated steps to smoothen prices through a mix of effective MSP dispensation, open trade policy and well-functioning markets. Simultaneously, the crop needs to be de-risked by increasing the irrigation buffer".

Even during the record production year, that is last year, despite the fact that government had hiked MSP of the five major pulses by an average 12 per cent on-year, wholesale prices of all pulses save gram declined eight per cent. Prices even fell below the MSP for arhar (tur) and moong during the harvest season in 2017 owing to a bumper crop and cheaper imports. Between October 2016 and February 2017, modal prices of arhar and moong were trading below MSP in major APMC mandis of Karnataka, Maharashtra and Telangana.

During the past few months, the government fixed an import quota for tur, arhar/moong for AY 2017-18. However, the measure has come too late and has not helped farmers. Government sowing data as on September 1 shows area under pulses sowing has decreased from 14.30 million hectares to 13.76 million hectares.

This drop seems to indicate that farmers were not inclined to grow more pulses. However, there is still some optimism as the fall in sowing is not sharp.

India's pulses consumption has also grown with falling prices, as the commodity is largely price elastic. India's average import of pulses used to be 4 million tonnes and domestic production around 18 million tonnes. However, in 2016-17, with nearly 23 million tonnes and over 6 million tonnes of imports, India has built a huge surplus in the system. Despite creation of around 2 million tonnes of buffer stock in the year, the surplus is still high.

Crisil suggests a multi-pronged strategy to address the pulses crisis.

Taking example of gram, Crisil says not only has its price remained above MSP, it has also been a remunerative crop in general within pulses basket. What helped gram to buck the general trend? Gram (chana) has a high share of 40-45 per cent in production and over 60 per cent in export of pulses.

The report notes, "In gram's case, the cobweb phenomenon appears to be more prominent for international prices than domestic prices. Since there is no restriction on the export of gram, profitability remained higher for gram farmers as the international market was ready to absorb the supply in excess of the domestic demand."

Joshi recommends, "Flexibility in export policy in terms of permitting exports of restricted pulses in times of excess production can provide adequate cushion against supply shocks."

Pravin Dongre, Chairman, India Pulses & Grains Association (IPGA) says, "Pulses selling below MSP will also get support if exports are opened up. Such policies may also attract substantial FDI in this sector as India is the largest market for pulses. It will give a much-needed boost to the dal processing industry and returns to the farmers will certainly improve."
The large non-resident Indian population is paying huge premiums to procure processed pulses or dal in international market. Indian traders of premium pulses can gain substantially if exports are opened up.

To find a long-term solution, Crisil has recommended a four-pronged action plan.

1. Raise procurement under the MSP scheme for pulses

2. Flexibility in export policy, in terms of permitting exports of the restricted pulses in times of excess production

3. Since 82 per cent of the area under pulses is unirrigated, the government can invest more in expanding water-conservation techniques such as drip and ferti-irrigation to reduce the farmers' dependence on monsoon, and

4. Improve physical and market infrastructure by increasing storage and strengthening futures and forward markets.

READING THE PULSE

5%
Share spent on pulses, out of total household food expenditure in India

82%
unirrigated area under pulses production in India

6%
per year growth in pulses production in last 12 years

12%
average inflation in pulses prices in past 12 years

40%
higher than the previous year and 19% higher than previous record production of 19 mn tonnes in 2013-14

22.95 mt
Pulses produced in India in 2016-17

23%
Deflation in pulses so far this financial year; price decline this year steepest in 12 year

16%
Fall in profit margins per quintal for an average cultivator in 2016-17

GRAM an outlier with higher profitability, high inflation and growing exports

*Agriculture year; source: CRISIL

Huge potential for agri export from northeast: Study

Finding was part of a plan prepared by Sathguru Management Consultants, commissioned by Apeda

In the backdrop of a fall in agricultural export in recent years, the central government has a plan to raise these from the northeast region (NER) to neighbouring countries.

The eight states in this category -- Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim -- contribute three per cent of India's gross domestic product. Barely one per cent of the regions's agri output is exported, with a lack of infrastructure for long-term storage.

A plan prepared by Hyderabad-based Sathguru Management Consultants suggests the respective state governments tap the markets in Bangladesh, Nepal, Bhutan and Myanmar, besides Southeast Asia and other countries. The study was commissioned by the Centre's Agricultural and Processed Food Products Export Development Authority (Apeda).

"The NER possesses an ocean of opportunity, resources and unexplored potential when it comes to agriculture. The region possesses several comparative advantages like fertile soils, favourable climatic conditions, rich biodiversity, forest wealth, educated manpower and a geographically strategic location (for) the Southeast Asian countries and China," said the study.

Apeda data show India's agri export declined by 25 per cent from $21.5 billion in 2014-15 to $16.25 bn in 2016-17.

The NER produces huge marketable surplus in a number of perishable commodities, such as banana, pineapple, orange and tomato. For example, banana production in the region is estimated at 1.2 million tonnes a year; a fifth is consumed locally.

"A dedicated marketing and visibility campaign for products from the NER needs to be implemented, which will help in increasing the awareness in target customer segments. These could range from large to small enterprises/start-ups or directly to customers," says the study.

Further, the agricultural and horticultural produce value chains in the NER are marred by several challenges. Such as inadequacy of infrastructure, unavailability of processing industries, production and aggregation issues, etc. All these need addressing, says the study.

THE FERTILE REGION

Top 10 commodities with marketable surplus

Product	Production in NER ('000 tonnes)	Consumption (%)	Marketable surplus (%)
Rice	6755	94.6	5.4
Banana	1208	20.2	79.8
Potato	1113	82.4	17.6
Cabbage	912	25.8	74.2
Pineapple	777	5.0	95.0
Orange	590	14.7	85.3
Tomato	517	32.3	67.7
Jackfruit	493	16.7	83.3
Cauliflower	479	30.7	69.3
Brinjal	398	79.0	21.0

Source: Sathguru Analysis, ministry of statistics and programme implementation
Compiled by BS Research Bureau

Darjeeling tea to resurface after gardens reopen

As soon as the estates reopen, it will take at most five days for the gardens to initiate sales

Darjeeling tea, most famous of the Indian varieties, will be available this year, though in limited quantity, despite the prolonged shutdown in the hills owing to the Gorkhaland agitation.

After the gardens reopen, the harvest of the second flush (growing period) can be put for sale and is expected to fetch high prices in international markets.Owing to the shutdown in the Darjeeling hills since June 11, it was feared that the Muscatel flush would be unavailable.

Producers suggest the shutdown happened when harvesting of the second flush had started.

“Some plucking had happened just before the shutdown and is of extremely high quality. This produce can be demoisturised and put up for private sale,” a tea estate owner told Business Standard. This tea, which accounts for five per cent of the 2.5-million kg harvested, will be available, most likely through private sales after the gardens become operational.

Trade sources suggest this produce, although now two months old, will be in “extremely high demand from international buyers” owing to the “awfully limited supply” and fetch at least double the usual prices abroad.

“The harvest from the second flush will be of very limited quantity, but at least Darjeeling tea will not go off the shelf or auctions,” a second producer said.

As soon as the estates reopen, it will take at most five days for the gardens to initiate sales.

Although the brand equity of Darjeeling tea has taken a serious hit on account of the shutdown, with producers getting repeated enquiries from European buyers, the presence of the second flush, even in miniscule quantities, is expected to provide assurance.

Producers are estimated to have taken a hit of at least Rs 220 crore, and this would touch Rs 300 crore if the shutdown prolongs. Also, quality of the autumn flush will be hit, severely impacting its price. In turn, it makes the estates dependent on the miniscule produce from the second flush.

If a political resolution is worked out in the meeting on September 12 between the West Bengal government and the political parties enforcing the shutdown, the gardens have high chances of reopening.