



The Fertiliser Association of India

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Current News

Current news on the latest developments in fertilizer, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(The views expressed in the news items are not necessarily of FAI)

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WEATHER

India Weather Update: Heatwave to be back in parts of central, peninsular India! Rainfall likely over Northeast

Heatwave conditions will probably take place in isolated areas over Madhya Pradesh, the interior of North Karnataka, and Telangana.

The India Meteorological Department (IMD) announced in its latest weather forecast that the heatwave will be back in parts of central and peninsular India from April 2nd to April 4th. A thunderstorm activity and enhanced rainfall can carry on over the Northeast for the next four days.

Heatwave conditions will probably take place in isolated areas over Madhya Pradesh, the interior of North Karnataka, and Telangana. Odisha is expected to experience warm night conditions during the same period. It can also be there in Maharashtra and Madhya Pradesh till April 3rd.

Hot and humid weather will persist in Kerala, Rayalaseema, Puducherry, Mahe, Tamil Nadu, coastal Andhra Pradesh, and Yanam.

The Western Himalayas region is likely to be affected by Western disturbances from April 1st till the night of April 2nd and may appear on April 5th too. As a result, it will lead to moderate rainfall/snowfall with isolated thunderstorms and lightning can be seen in Himachal Pradesh, Uttarakhand, Jammu and Kashmir, Ladakh, Muzaffarabad, Gilgit and Baltistan from April 3rd and will continue till April 6th. A very light isolated rainfall will be over Chandigarh, Punjab, and Haryana starting from April 3rd and will last till April 5th.

In Lower tropospheric levels, a cyclonic circulation is found over North-south and northeast Assam. It can be seen from east Bihar to North Bengal. Under this effect, a widespread, moderate rainfall/snowfall along with isolated thunderstorms and lightning is expected to be over Assam, Meghalaya, and Arunachal Pradesh from today and will continue till April 4th. Light to moderate rainfall will take place over Mizoram, Tripura, Manipur, and Sikkim from today and will last for the next three days.

Source: Financial Express, Monday, April 01, 2024

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Water storage woes continue to rise in South

grim scenario. Five reservoirs go dry as level in 150 major reservoirs drops for 25th week in a row

India reservoir storage woes continue to mount, particularly in the South where five have gone dry and the level in another 10 is in single digits. For the 25th week in a row, the water level in the 150 major reservoirs declined. Data from the Central Water Commission (CWC) showed that the storage in the major reservoirs declined to 36 per cent of the 178.784 billion cubic metres (BCM) capacity at 64.606 BCM.

Shaky South

| States | No. of reservoirs | Capacity* | Live storage* | % of storage | Last year's storage (in %age) | % departure from 10 years average |
|-----------------|-------------------|---------------|---------------|--------------|-------------------------------|-----------------------------------|
| AP & Telangana# | 2 | 11.121 | 1.058 | 10 | 18 | -38 |
| AP | 4 | 4.670 | 0.474 | 10 | 58 | -73 |
| Telangana | 7 | 4.653 | 1.303 | 28 | 44 | -13 |
| Karnataka | 16 | 24.625 | 5.765 | 23 | 34 | -22 |
| Kerala | 6 | 3.829 | 1.716 | 45 | 42 | 2 |
| TN | 7 | 4.436 | 1.155 | 26 | 65 | -34 |
| Total | 42 | 53.334 | 11.471 | 22 | 36 | -27 |

Source: Central Water Commission; * in billion cubic metres #reservoirs common for Andhra Pradesh and Telangana

region.

The situation is turning worrisome in the southern region with the storage in the 42 reservoirs dropping to 22 per cent of the 53.334 BCM capacity at 11.471 BCM. During the same time a year ago, the level was 36 per cent of the capacity and if the last 10 years average is taken into consideration, it is 27 per cent lower (See table). Among the States, the level is 77 per cent below normal in Bihar's lone reservoir, while in Andhra Pradesh's four reservoirs it is 73 per cent lower than normal.

In Tamil Nadu, the storage is 34 per cent below normal and in Karnataka it is 22 per cent lower. In Telangana, the storage is 12 per cent lower than normal. As regards reservoirs, Yeluru (Andhra), Priyadarshini Jurala and Kaddam (both Telangana), Tattihalla (Karnataka) and Aliyar (Tamil Nadu) have gone dry. Sholayar (Tamil Nadu), Tungabhadra, Kandaleru and Nagarjuna Sagar are set to go dry anytime over the next few days, data from the bulletin showed.

El Nino impact

A major reason for the current situation is the peninsular region receiving deficient rainfall since the El Nino emerged in June 2023 with Karnataka and Andhra Pradesh being the worst hit. The scary water situation has affected various agricultural and horticultural crops from paddy to pulses to coarse cereals to tomatoes.

The India Meteorological Department (IMD) has predicted above-normal maximum temperatures in the peninsular region over the next few days. Of the 711 districts from where IMD has received data, 46 per cent of the country received deficient or no rainfall.

In the northern region, the storage was 32 per cent of the 19.663 BCM capacity at 6.290 BCM. The situation is not as bad as in the southern region as the storage was 38 per cent a year ago and the average level in the past 10 years has been 33 per cent. In addition, the region can expect water from the snow in the Himalayas from April.

10 years' average

In the 23 reservoirs in the eastern region, the storage was 47.9 per cent of the 20.430 BCM capacity at 9.702 BCM. Apart from Bihar, the level in Bengal (-28 per cent), Odisha (-1 per cent) and Nagaland (-6 per cent) is lower than normal.

In the central region, the level in the 26 major reservoirs was 44 per cent of 48.227 BCM capacity at 21.438 BCM. The level in Uttar Pradesh (-29 per cent) and Chhattisgarh (-27 per cent) was lower than normal. The level in 49 reservoirs in the western region was 42 per cent of the 37.130 BCM at 15.705 BCM. In Maharashtra, the storage was 12 per cent below normal. In all the regions barring the southern region, the storage is higher than the last 10 years average.

Source: *The Hindu Business Line*, Friday, March 29, 2024

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India accounts for 20% of upcoming regasification capacity in Asia Pacific

India, the world's fourth largest liquefied natural gas (LNG) importer, is expanding its natural gas infrastructure by adding 24 million tonnes per annum (mtpa) of capacity accounting for around 20 per cent of the total regasification capacity being added in Asia Pacific.

As per the latest annual report of the Gas Exporting Countries Forum (GECF), India will be the world's largest growth market for natural gas in the next decade with China claiming the top spot till 2030.

The GECF report pointed out that Asia-Pacific boasted of around 566 mtpa of regasification capacity in 2022, with a significant 82 per cent primarily situated within the legacy JKT (Japan, South Korea, Chinese Taipei) group, constituting 64 per cent and China with 18 per cent. The rest, comprising South and Southeast Asia, contributed to the remaining 18 per cent.

Asia Pacific

Among these, Japan leads with 210 mtpa , followed by South Korea (139 mtpa), China (100 mtpa) and India (40 mtpa).

"In 2022, construction was underway for approximately 121 mtpa of regasification capacity in Asia Pacific, with China (74 mtpa) and India (24 mtpa) taking the lead. China represents around 60 per cent of the capacity under construction, while India is responsible for roughly 20 per cent of the ongoing development of regasification infrastructure," it added.

India's gas demand is forecast to be met via expanded gas pipeline and LNG regasification capacity. Estimations indicate that Indian LNG imports could double, reaching 39 mt by 2030, and rise to 80 mt by 2040 and 105 mt by 2050.

India's capacity

"Realising such an outcome necessitates substantial investment in both supply and distribution infrastructure. By 2050, it is anticipated that India will increase its regasification capacity by 75 mtpa, reaching a total of 115 mtpa , which marks a significant rise from the existing capacity of 40 mtpa," GECF said.

India is actively targeting a 15 per cent increase in the share of natural gas in its energy mix by 2030.

However, the GECF report said that despite a robust government ambition for natural gas to reach 15 per cent, the target is "unlikely to be met".

Source: The Hindu Business Line, Monday, April 01, 2024

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Import dependence for oil rises further to 88% *Domestic production stagnant; push to gas-based economy*

For the country's energy sector, the just-concluded fiscal year 2023-24 was marked by several challenges – rising crude oil prices amid geopolitical tensions, demand and supply disruptions, and stagnant domestic production. As the year was about to draw to a close, the upcoming general elections, impelled the government to take a few steps that aren't market-friendly. First came the cut in prices of LPG (liquefied petroleum gas) cylinders and then the reduction prices of auto fuels.

Starting from the Israel-Hamas conflict and then the tensions over the Red Sea that resulted in spiraling crude prices, Indian refiners found themselves in a tough spot on several occasions. Added to this have been the output cuts announced by the Organisation of Petroleum Exporting Countries and allies. Global crude prices have remained volatile, hitting the marketing margins of the country's top oil marketing companies. After a moderation in oil prices which allowed the OMCs to earn healthy profits in the first three quarters of FY24, offsetting the losses made previous fiscal when prices skyrocketed, a recent spurt in prices (touching \$87 per barrel on Thursday) coupled with the retail fuel price cut can again pose concerns on profitability of these OMCs.

After the elections are over, the oil marketing companies may again switch back to the daily revision of auto fuel prices, analysts believe. However, rising uncertainties across the globe may keep crude oil prices volatile in the upcoming financial year as well. "Every \$1 increase in crude prices reduces marketing margins of OMCs by 30-40 paisa per litre," said an analyst who did not wish to be identified. "Because of the price reduction and in the run up to the elections, they (OMCs) may be exposed to (rising) oil prices but once elections are over, there could also be price hikes."

FY24 also saw a muted growth in the country's oil and gas production with rising dependency on imports. As a result of the growing domestic demand, the country's dependency on oil imports rose to 87.7% in the current fiscal till February against 87.2% in FY23, as per the latest data from the Petroleum Planning and Analysis Cell. The country's upstream oil companies produced 26.9 million tonnes of crude oil during the fiscal till February, up by only a marginal 0.7% from the same period last year. India's crude oil imports for the period increased to 212.8 million tonnes from 211.8 million tonnes in the same period last fiscal, the data showed.

The country's import bill, however, declined this financial year primarily on the back of healthy discounts that Russia, the top supplier, offers on its exports. This resulted in a drop of 17.6% in the import bill at \$120.8 billion during Apr-Feb. For the financial year starting April 1, analysts see crude oil prices in the range of \$75-\$95 per barrel. They also do not see any major impact on the profitability of the OMCs on the back of healthy gross refining margins. However, if crude oil prices continue to rise or remain elevated at \$87-\$90 per barrel, then under-recoveries could start again and stay through FY25 as in FY23, noted Prashant Vasisht, Senior Vice President and Co-Head, Corporate Ratings, Icra.

During the year, the government also came out with several reforms, especially targeted at increasing the share of gas to 16% in the energy mix by 2030 from the current share of around 6.7%. Turning its goal towards attaining a gas-based economy, the government came out with mandatory blending of compressed biogas in compressed natural gas and piped natural gas, increasing the city gas distribution network, and setting up of more LNG terminals among others. However, the power sector has become less enthusiastic about gas-based capacity addition, due to prohibitively high costs.

LNG (liquefied natural gas) imports rose to 27,933 MMSCM (million standard cubic meters) during the fiscal till February, up by 17.65 from last year. Domestic natural gas production stood at 33,299 MMSCM, up 6% from 31,494 MMSCM in Apr-Feb of FY23. Analysts see domestic gas production picking pace and expect around 15 MMSCM per day of new domestic natural gas production to come on-stream during FY25, as per a recent note by CareEdge. "With the rise in domestic natural gas production, India's dependency on imported LNG, which stood at 53% of total consumption in FY21, has gradually declined over the last three years and is expected to remain at around 45% by FY26," the report said.

Source: Financial Express, Monday, April 01, 2024

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Govt cuts gas prices from deepwater areas to \$9.87

FE BUREAU

New Delhi, March 31

THE GOVERNMENT ON Sunday cut the price of natural gas produced from deepwater, ultra deepwater, and high pressure-high temperature areas marginally to \$9.87 per million British thermal unit from \$9.96 per mmBtu earlier on the back of softening international gas prices.

The prices will be applicable for the six-month period starting April 1, as per notification by the Petroleum Planning and Analysis Cell.

This is the third straight bi-annual reduction in prices of gas obtained from difficult fields. Earlier, the government had cut the

price for six-month beginning October 1, 2023 by 18% to \$9.96 per mmBtu.

The price of gas used for making compressed natural gas (CNG) used in the transport segment and piped natural gas (PNG) used as a cooking fuel will however remain unchanged, as per the notification.

The government fixes the prices of domestically produced natural gas bi-annually.

These are fixed on April 1 and October 1 each year.

The Centre in April last year had changed the gas pricing formula and indexed it to 10% of the prevailing prices of Brent crude oil.

The price was, however, capped at \$6.5 per mmBtu.

Source: Financial Express, Monday, April 01, 2024

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Adani Total Gas commissions operations at phase 1 of Barsana Biogas Project

The Barsana Biogas Project has three project phases and would attain the overall capacity of 600 tons per day (TPD) of feedstock, generating over 42 TPD of Compressed BioGas (CBG) and 217 TPD of organic fertilizer upon full commissioning.

Adani TotalEnergies Biomass Limited (ATBL), a wholly-owned subsidiary of Adani Total Gas Limited (ATGL), on Sunday announced that it has commissioned operations at phase 1 of its Barsana Biogas Plant, located in the Mathura district of Uttar Pradesh. The plant is located in the premises of Shri Mataji Gaushala.

The Barsana Biogas Project has three project phases and would attain the overall capacity of 600 tons per day (TPD) of feedstock, generating over 42 TPD of Compressed BioGas (CBG) and 217 TPD of organic fertilizer upon full commissioning, the company said in a statement. The three project phases for the Barsana Biogas plant would cost in excess of Rs 200 crore.

This is ATBL's first CBG production facility. By utilizing advanced anaerobic digestion technology, the plant converts organic materials into renewable biogas, significantly reducing greenhouse gas emissions and reliance on fossil fuels.

Suresh P Manglani, ED & CEO, ATGL, said "We are excited to unveil our endeavor towards contributing in sustainable energy production. The Barsana Biogas Plant represents our Chairman Shri Gautam Adani's commitment to fully leverage renewable resources to create a cleaner, more sustainable world for our future generations. In addition to producing Compressed Bio Gas (CBG), the plant yields high-quality organic fertilizer, contributing to circular economy principles and agricultural sustainability. The setting up and initiation of CBG production fully aligns with our promoters' – Adani Group and TotalEnergies – broader sustainability goals and by investing in renewable energy like CBG. Adani Group and TotalEnergies aim to play a pivotal role in the global transition to a low-carbon economy."

Source: Financial Express, Sunday, March 31, 2024

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Climate action needs a lot more acceleration

the time is now. As various indicators spike up and weather conditions change, there is a need for concerted effort to mitigate global warming

The World Meteorological Day last fortnight (March 23) reminded us once again of the ground realities vis-à-vis global warming. One thing is abundantly clear — we have no choice but to collectively step up our efforts to mitigate climate change. Lip service and half-hearted efforts won't do. If we fail to act, then extreme weather events across geographies, far more severe than what we have already witnessed, is the prognosis. With it will come disruptions that will derail economies and millions of lives.

“State of the Global Climate 2023,” a recent report of the World Meteorological Organization (WMO), brings to the fore how these disruptive changes need to be better tracked and addressed. “It (2023) was the warmest year on record. The global average temperature in 2023 was about 1.45° C above the 1850-1900 average. Never have we been so close (albeit on a temporary basis) to the 1.5° C lower limit of the Paris Agreement on climate change,” observes Prof Celeste Saulo, Secretary General, WMO, in the report.

The fuel factor

The report highlights issues around global warming, concentration of three main GHGs (greenhouse gases) — carbon dioxide, methane and nitrous oxide, reaching a record observed high level. And extreme weather conditions continuing to lead to severe socio-economic impact. Warming of the oceans meant the global mean sea level continued to rise in 2023, with extreme weather and climate events having a major impact across continents.

Containing global warming at acceptable levels is indeed a challenge because of fossil fuel dependency being a key factor. The International Energy Agency (IEA) in its World Energy Outlook warns, “As things stand, demand for fossil fuels is set to remain far too high to keep within reach the Paris Agreement goal of 1.5°C. This risks not only worsening climate impacts after a year of record-breaking heat, but also undermining the security of the energy system, which was built for a cooler world with less extreme weather events.”

Significantly, the IEA report cautions that despite the “impressive clean energy growth based on today's policy settings, global emissions would remain high enough to push up global average temperatures by around 2.4°C this century, well above the key threshold set out in the Paris Agreement.”

In such a disruptive backdrop, clean technologies are expected to play a critical role wherein the energy system in 2030 could see ten times as many electric cars on the road worldwide than today. Solar PV will be generating more electricity than the entire US power system does currently. Renewables' share of the global electricity mix possibly nearing 50 per cent, up from around 30 per cent today and heat pumps and other electric heating systems outselling fossil fuel boilers globally and three times as much investment going into new offshore wind projects than into new coal and gas-fired power plants.

But to push the envelope even further requires much higher infusion of finance for renewables. Current flows represent only about 1 per cent of global GDP. For a 1.5°C pathway, annual climate finance investments need to grow by more than six times, reaching \$9 trillion by 2030 and a further \$10 trillion by 2050, says the WMO report on the need for climate policy initiative.

What about the ground realities in India? According to the WMO report, “Data from the Indian Meteorological Department reflects a worrying escalation in extreme weather events necessitating an urgent and collective response.” Last month several parts of the country faced a severe water crisis. Majority of the country's reservoirs have hit their lowest in the past five years potentially causing concerns for adequate drinking water supply. With at least two more months to go before the south-west monsoon sets in, the country is in for tough days ahead.

We can only hope that the rain gods will not fail us. But more than looking up at the sky for mercy, we must look towards better way to reduce carbon emissions into the atmosphere.

Source: The Hindu Business Line, Monday, April 01, 2024

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AGRICULTURE

Food subsidy for FY25 may be revised upward by over Rs 35,000-cr

FY24 requirement was Rs 8,000-cr higher than RE of Rs 2.12 trn

The government's food subsidy expenses for FY24 were around Rs 2.2 trillion, Rs 8,000 crore more than the revised estimate (RE), and the outgo for FY25 would need to be revised upward by more than Rs 35,000 crore from the budget estimate (BE), an official source told FE. The initial projection of the subsidy outgo by the ministry of food and public distribution for 2024-25 is Rs 2.42 trillion, the source said, citing the likely rise in MSPs of wheat and rice. In the interim budget for 2024-25, the government had provisioned Rs 2.05 trillion under the food subsidy head.

"The expenses under food subsidy for FY25 will be reflected in the Budget to be presented in July," the official said. Over the last two fiscal years, MSPs of paddy and wheat witnessed an increase in the range of 5-7% annually.

The FCI's economic costs for rice and wheat for 2023-24 is estimated to have increased Rs 39.18/kg and Rs 27.09/kg, from Rs 35.62/kg and Rs 24.67/kg respectively in 2021-22. The economic cost of rice and wheat for 2024-25 is estimated currently at Rs 39.75/kg and Rs 27.74/kg respectively.

For 2023-24, Rs 1.4 trillion under food subsidy has been routed through the Food Corporation of India (FCI) and the balance Rs 80,000 crore was allocated to those states that follow decentralised procurement system. The additional amount over RE was necessitated by the "free ration scheme" that did away with even the marginal payments by the beneficiary population.

The FCI itself has projected an expense of Rs 1.55 trillion under for FY25.

Currently, FCI holds rice stocks of close to 30 million tonne (MT) of rice against the buffer of 13.58 MT for April 1. The stock does not include 26.56 MT receivable from the millers.

The government has extended Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) or free ration scheme for five years till end of 2028 which would cost the exchequer around Rs 11.8 trillion due to a projected increase of 7%-8% in the MSP of the relevant crops – rice and wheat and coarse grains – , and other costs such as transportation, storage and incidentals.

Under the PMGKAY, 5 kg of rice or wheat are provided free of cost monthly to each of the 801 million beneficiaries. Before January 2023, marginal prices were paid by the beneficiaries, and the shift to a regime of completely free supply of grains raised the cost by 3-4%.

The food subsidy bill had skyrocketed in FY22-FY23 because of a scheme that doubled the subsidised food grains supplies. In addition to 5 kg of grain per head free under PMGKAY and beneficiaries under the National Food Security Act were provided foodgrains at highly subsidised rates of Rs 3/kg and Rs 2/kg for rice and wheat, respectively.

The FCI in collaboration with state agencies procures and distributes around 55 MT of wheat and rice annually under PMGKAY through 530,000 fair price shops across the country. Currently, the scheme is being implemented across all 36 states and Union Territories.

Sources said for the first time in the many years, the FCI has not availed the provision of short-term credit to meet its operational expenses in the current fiscal year, due to timely release of funds towards food subsidy expenses. The government has increased the authorized capital of the FCI by 110% to Rs 21,000 crore from Rs 10,000 crore aimed at reducing borrowing costs of the corporation.

Source: Financial Express, Monday, April 01, 2024

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Paddy acreage up 10% in summer sowing

toppers. Pulses coverage 24% higher, oilseeds acreage gains 4% despite low reservoir level in many States

The sowing of summer crops (excluding coarse cereals), which will end by May, reached 43.81 lakh hectares (lh) as on Friday, which is 11 per cent more than 39.49 lh reported in the year-ago period as the *zaid* season is progressing well despite low reservoirs level in many States.

Paddy, pulses and oilseeds all reported increase in acreage. *Zaid* crop is grown before kharif sowing and after rabi harvest.

According to weekly update available online by Agriculture Ministry, paddy sowing was up 10 per cent at 28.42 lh from 25.88 lh year-ago, while pulses areas up by 24 per cent to reach 7.72 lh from 6.25 lh and oilseeds acreage up 4 per cent at 7.67 lh against 7.36 lh. The portal did not have the acreage data of coarse cereals.

Bengal paddy area up

Higher area under summer pulses was mainly due to more coverage of urad and moong. Moong crop sowing up at 5.47 lh against 4.43 lh year-ago and urad at 2.08 lh from 1.65 lh. The key growers of summer pulses are Madhya Pradesh, Bihar, Odisha, Tamil Nadu, Uttar Pradesh and Gujarat.

Both groundnut at 3.67 lh and sesamum at 3.5 lh are higher than their year-ago levels of 3.58 lh and 3.31 lh, respectively. Sunflower acreage reported to have reached 29,000 hectares against 26,000 hectares year-ago.

The summer paddy area in West Bengal reported at 10.22 lh, up from 7.87 lh while in Tamil Nadu it reached 1.29 lh from 0.77 lh and in Telangana 5.99 lh from 4.77 lh.

Meanwhile, the cumulative rainfall in pre-monsoon season since March 1 is 10 per cent below normal at 25 mm against 27.9 mm considered normal on pan-India basis until March 29. While north-west region is deficit by 19 per cent, the central India has received 111 per cent higher precipitation than its long period average (LPA) during March 1-29. South peninsula region has received 79 per cent below normal rainfall and east and north-east India 7 per cent lower than average precipitation during March 1-29, India Meteorological Department data show.

Source: The Hindu Business Line, Saturday, March 30, 2024

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Stock limit on wheat to end tomorrow, but weekly declaration of quantity will stay

The Centre has decided not to extend stock limit on wheat after it expires on March 31 while continuing the mandatory weekly stock declaration from April 1. This will help it to keep a tab on who is buying how much. However, traders and stockists are apprehensive of re-imposition of stock limit at any time depending on the open market price.

The government has decided that traders, wholesalers and retailers including big chains and processors in all States and Union Territories shall continue to declare their stock position of wheat on the specific portal and update it on every Friday till further orders, the Food Ministry said in a statement on Friday.

The decision has been taken in order to manage the overall food security and to prevent hoarding and unscrupulous speculation, the Ministry said. The Department of Food and Public Distribution is maintaining a close watch over the stock position of wheat and rice to control prices and ensure easy availability in the country, it said.

The order for stock declaration of rice by all categories of entities is already in-place since February this year whereas the same stipulation for wheat is in place from June 12, 2023, when the stock limit on wheat was also announced. Under stock limit, every entity is prescribed how much maximum quantity one has to keep at any point of time.

“As the stock declaration has been retained, it shows that stock limit can return anytime and what will happen to the stock if we buy for the entire year. Whenever limit is imposed, we get 30 days to conform to the norm which is impossible to meet. Farmers got good price last year as there was more demand and less availability. This year may not be the same as the crop forecast by all sections indicate a bumper production,” said a Delhi-based stockist.

UP fiat to traders

Recently, Uttar Pradesh government unofficially asked big traders, processors and stockists to stay away from market until its target of procuring six million tonnes (mt) is complete. After Madhya Pradesh and Rajasthan government announced ₹125/quintal bonus over and above the MSP of ₹2,275/quintal for wheat, most of the private sector players move towards UP to buy the grain. Punjab and Haryana are not preferred destinations due to high rate of mandi fees and other cess and commission.

According to Agmarknet portal, the total mandi arrivals recorded at 27.72 mt between March 1, 2023, and March 12, 2024. Besides, the Centre had purchased 26.2 mt for the official reserves and this leaves about 37 mt which could have been directly purchased by traders/processors. As the government's production estimate was 110.55 mt for 2023-24, the market arrivals should have been 90.65 mt after assuming 18 per cent of output kept by farmers for their own use.

Source: The Hindu Business Line, Saturday, March 30, 2024

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Agri produce traders may have to pay higher farmer welfare cess in Rajasthan from April

Agricultural produce traders may have to pay higher farmers welfare cess in Rajasthan from April 1 as the State government is yet to take a decision whether to continue the concessional rates prevalent since March 2021 even as its validity expires on Sunday. Until the government decides to extend it, the rates at which the cess was collected before 2021 will be applicable, potentially doubling the cess on many agricultural and horticulture commodities from the current levels.

According to a communication received by *mandis* (market yards) from the State government on March 27, *mandis* will have to levy the Farmer Welfare Cess at the rates prevailed before March 1, 2021, as there a decision is yet to be taken whether to extend the concessional rates, a *mandi* official said.

Rajasthan had introduced farmer welfare cess in May 2020 after the Covid pandemic. However, rates were reduced in 2021.

Poll panel to clear

“We do not know what the new government will decide hence wanted a clarification as there are three days of continuous holidays. Even if the government decides, it will be late as it may have to take clearance from the Election Commission,” said the *mandi* official.

Per the May 22, 2020 notification of the State government, the rate of Farmer Welfare Cess was zero on wool, 0.50 per cent on jowar, millet, maize and Isabgol, 2 per cent on fruits and vegetables and 1 per cent on the remaining agricultural commodities.

But during last three years from 2021-22 to 2023-24, the State government issued notifications from time to time, reducing the rate of farmer welfare cess to 1 per cent on fruits and vegetables, and to 0.5 per cent on other agricultural commodities.

The State generates about ₹600 crore from *mandi* fees and about ₹300-350 crore from farmer welfare cess every year.

“Whenever there is resource constraint, governments have been diverting the money generated through either *mandi* fee or farmer welfare cess to other programmes as they have assumed that it is a revenue for the State,” said Rampal Jat, president of Jaipur-based Kisan Mahapanchayat.

He said the Rajasthan government in the past had used the collection from *mandi* fees towards clearing its share in the subsidy under the Prime Minister Fasal Bima Yojana.

Jat demanded a stop to this practice and the money generated from fess and cess from a particular *mandi* has to be spent within the complex to create infrastructure like cleaning machines and proper storage facility for the unsold crop of a farmer.

Source: The Hindu Business Line, Saturday, March 30, 2024

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Telangana to begin rabi paddy purchase from next month

Even as it struggles to complete the milling and delivery of custom-milled rice (CMR) from last year's rabi season, the Telangana Government will begin procuring rabi paddy from April 1 through over 7,000 procurement centres across the State.

The State, which procured 64.50 lakh tonnes of paddy worth ₹13,000 crore last year in the last rabi season, is expecting to procure less this year rabi season.

The production is expected to come down this year as the area fell to 51 lakh acres this year against 56.44 lakh acres last year.

Besides, a steep fall in groundwater levels over the last two months is expected to further lower the output. Farmers associations fear that the production might come down by 15-20 per cent in the season as the farmers could not water irrigate the crop at the crucial grain formation stage.

Farmers in some parts of the State had to spend a lot of money on digging borewells in a bid to save the crops.

Telangana is a major paddy grower in the country in the rabi season. Of the 54 lakh hectares of paddy area in the rabi season in 2022-23, Telangana reported about 23 lakh hectares under paddy, followed by Tamil Nadu with 12.21 lakh ha and Andhra Pradesh with 5.51 lakh hectares.

Prof. Jayashankar Telangana State Agricultural University (PJTSAU) forecast that the paddy price per quintal will be around ₹2,140-2,280 (Common) and ₹2,250-2,640 (Grade-A) at the time of harvesting (March to May 2024).

Since the demand for rabi rice from Telangana from other States has come down over the last few years, the State is finding it difficult to sell the rice from the summer season.

Rabi woes

The Union Government, which made it clear to the State that it is not going to accept the rabi rice, is allowing the State to get the rabi paddy milled and deliver it to the Food Corporation of India (FCI) after repeated requests from the State to accept the rice.

Despite getting the permissions, the State couldn't meet the delivery deadlines for the 2022-23 rice. In the last two months, the Union Government extended the deadline twice. It asked the State to complete the delivery of the rabi backlogs by May 15.

"It should complete the process before commencing the CMR delivery of the 2023-24 rabi rice," it said in a letter.

Source: The Hindu Business Line, Saturday, March 30, 2024

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Sugarcane farmers registration in Maha, Karnataka from next season

Currently, Uttar Pradesh has an online enterprise resource planning (ERP) system for managing the sugar production and supply to factories through the mobile app e-Ganna.

For realistic assessment of sugar production in advance, the food ministry will initiate online registration of sugarcane farmers in key producing states of Maharashtra and Karnataka from 2024-25 season (October-September).

Sources told FE, the state-specific portal would register farmers' details and mills who are going to buy sugarcane so that a real-time sugar output could be projected well in advance. A food ministry official said farmers' registration would help the government to estimate output and assess supplies in advance.

Currently, Uttar Pradesh has an online enterprise resource planning (ERP) system for managing the sugar production and supply to factories through the mobile app e-Ganna. The app has been created for approximately 4 million sugarcane farmers in the state. The dedicated web portal integrates over 50 sugar mills and automates the entire receipt or 'Parchi' distribution system for the farmers, according to an official. "Once we register, sugarcane farmers and mills in three key states, the advance projection of production and supplies would be more robust," the official said.

Meanwhile, according to the government assessment, current year's sugar production (2023-24 marketing year) is estimated in the range of 33 – 33.5 million tonne (MT) which includes 1.7 MT of sweetener allocated for ethanol production via sugarcane juice and B-heavy molasses. The domestic sugar consumption is estimated around 27 MT.

The sugar output for 2022-23 season at 37.3 MT, which includes diversion towards ethanol production. However earlier this month, the industry body the Indian Sugar Mills Association (ISMA) had projected the country's gross sugar production in the 2023-24 (October-September) at 34 MT, an upward revision of 3% compared to previous projection.

According to an ISMA note, sugar production till March 15, 2024 in the current sugar season reached 28.07 MT, against 28.26 MT produced last year on the corresponding date. Number of operating factories according to the trade body were 371 this year against 325 mills which operated last year, it stated.

The food ministry had directed all sugar mills and distilleries to stop using sugarcane juice for production of ethanol in order to ensure adequate supply of sweetener for domestic consumption.

Food ministry officials said they are reviewing sugar production periodically to explore the possibility of allocating additional volume of sugar for ethanol production. In the 2022-23 season, the country has achieved 12% ethanol blending in petrol, producing 5 billion litres of ethanol.

The government had earlier extended restrictions on sugar exports beyond October 31, 2023. India exported 6 MT of sugar in the last sugar season (2022-23), and a record 11 MT in the year before.

Source: Financial Express, Saturday, March 30, 2024

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Rise in temperature unlikely to impact wheat crop

The current increase in the maximum temperature is not a concern for the standing wheat crop in India as the major producing States of Punjab, Haryana, Uttar Pradesh and Rajasthan have not been affected, while the harvest in most of these areas, where the day temperature has increased, has been completed. This comes amidst the Government closely monitoring the wheat crop with record harvest being projected.

“The wheat has been harvested in those parts where the temperature crossed 41 degrees Celsius, even if the crop arrival is slow. It is the most favourable season for wheat till date, per IMD records,” said Gyanendra Singh, director of Haryana’s Karnal-based Indian Institute of Wheat and Barley Research (IIWBR) under Indian Council of Agricultural Research (ICAR).

According to Singh, there is no threat to the crop until the maximum temperature crosses 38 degrees Celsius and the minimum breaches 27 degrees Celsius.

He hopes that the wheat will be harvested by then in the entire country. In Haryana, farmers are likely to start harvesting in the first week of April and in Punjab and UP from second week of next month, official sources said.

According to India Meteorological Department (IMD) data, the maximum temperatures were in the range of 40-42 deg Celsius on March 28 at some places over west Madhya Pradesh, Vidarbha, Gujarat region, Marathwada, madhya Maharashtra and west Rajasthan. Maximum temperatures were in the range 32-35 degrees Celsius over the Indo-Gangetic plane comprising of Punjab and remaining parts of north Haryana and north Uttar Pradesh, north Bihar.

NO Major change

IMD said in a bulletin that significant change in maximum temperatures are unlikely over north-west India during next 24 hours and fall by 2-3 deg Celsius thereafter. But, gradual rise in maximum temperatures by 2-3 deg Celsius is predicted over Central India in next two days and no significant change thereafter.

Heat wave conditions are predicted in isolated pockets over Vidarbha on March 29-30 and warm night is likely to prevail in isolated pockets over Gujarat, Marathwada and Madhya Maharashtra on March 28-29.

While the Agriculture Ministry has pegged the wheat production to be 112.02 million tonnes (mt) for the 2023-24 crop year (July-June), the Food Ministry has pegged the likely procurement to be 37.29 mt in the marketing year beginning April 1.

Targetted buys

The Centre hopes to buy 13 mt of wheat from Punjab in 2024-25 against 12.11 mt bought in 2023-24. Similarly for Haryana and Madhya Pradesh, the target is to buy 8 mt, each whereas the actual procurement was 6.32 mt and 7.1 mt, respectively. The target for Rajasthan has been fixed at 2 mt whereas actual purchase was 0.44 mt in 2023.

Source: The Hindu Business Line, Friday, March 29, 2024

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For April, govt allocates higher sugar quota of 2.5 mt to mills

Ahead of the summer season and to meet the extra demand during election campaign, the Indian Government has raised the monthly sugar quota to 25 lakh tonnes (lt) for April against 23.5 lt for March and 22 lt released for February.

According to the Food Ministry's notification, some 198 mills in Maharashtra have been allotted 9.37 lt, while 119 mills in Uttar Pradesh received a quota of 7.28 lt and 71 mills in Karnataka have got 4.10 lt sugar quota for April.

"Demand for sugar is always higher in summer and festival period. These two factors are taken into account while allocating the overall monthly quota. But, this time the election campaign has already started and this is an extra demand which has also been factored in while deciding the April quota," a source said.

More allocation?

For April 2023, the government had initially released 22 lt quota and after a few days allocated additional 2 lt for the same month. So, there is also a possibility of further allocation for April 2024 over and above 25 lt, an industry official said.

In the official order issued by the Food Ministry on March 27, the Government said it has cut the allocation of some sugar mills by 25 per cent of their eligible quota after finding that these companies sold more than they were allotted in January. There are 36 sugar mills in the list whose quotas are cut while 22 mills in Maharashtra and 15 mills in Karnataka have also got lower allocation due to violation of stock.

However, an official of a leading sugar company of Uttar Pradesh, whose quota has been cut by 25 per cent, said the Government was not increasing the quota for it despite request as the mill's revenue was impacted by higher production from a year ago as well as violation of quota rules by competing mills. "It is a friendly match between government and sugar mills as at the end of the day both shake hands and both know each other's compulsion," the official quipped.

Source: The Hindu Business Line, Friday, March 29, 2024

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Cotton Corp's procurement at MSP is 32.85 lakh bales so far this season

The Cotton Corporation of India has procured about 32.85 lakh bales (of 170 kg each) of the natural fibre crop at the minimum support price (MSP), so far, in the current 2023-24 marketing season.

"Bulk of the procurement, about 24 lakh bales, has been procured from Telangana, while the rest has been purchased from other States," said Lalit Kumar Gupta, Chairman Cum Managing Director, CCI.

In Maharashtra, CCI's cotton procurement was 2.44 lakh bales till March 27, 2024 followed by 1.30 lakh bales in Andhra Pradesh and 1.27 lakh bales in Madhya Pradesh. In Gujarat, CCI's cotton procurement stood at 0.91 lakh bales, Odisha at 0.95 lakh bales and Karnataka at 0.62 lakh bales. Cotton procurement in Rajasthan stood at 0.52 lakh bales, Haryana at 0.43 lakh bales and Punjab 0.38 lakh bales.

Crop estimate hiked

Gupta said about a tenth of India's cotton crop for cotton season 2023-24 has been procured by the CCI so far. The Committee on Cotton Production and Consumption (CCPC), an apex body of stakeholders set up by the government comprising cotton textile mills, cotton growers, traders, Central Government officials, etc recently raised the crop production estimates for the current season to 323.11 lakh bales against the earlier estimates of 316.57 lakh bales made in November 2023. The revision is based on the second Advanced estimate of Ministry of Agriculture.

With the open market prices moving above the MSP levels, CCI is not getting cotton in the *mandis* at MSP any more.

"Our procurement started going down from the first week of February as the domestic prices started rising as a result of rise in prices in international market. Our last procurement was on March 4th, 2024 and now the prices are prevailing about 7-8 per cent above the MSP levels. There is no place our intervention is required and no farmer is offering any cotton at MSP as they are getting better price in the market," Gupta said.

Source: The Hindu Business Line, Friday, March 29, 2024

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Rice traders hike prices to mirror higher duty

ASHITHA SHIVAPRASAD
Bengaluru, March 28

TOP EXPORTER INDIA'S rice export prices rose this week as traders factored in higher duty on rice shipments, while demand remained lacklustre in Thailand. India's 5% broken parboiled variety was quoted at \$550-558 per tonne this week, up from last week's \$543-550. Earlier this month, prices hit a record high of \$560.

"We've had to raise prices since the government is considering the total transaction value instead of free on board (FOB) value to calculate the 20% export duty. This has pushed our export prices higher," said a New Delhi-based dealer with a global trade house.

New Delhi imposed a 20% export duty on parboiled rice exports in August 2023 to control domestic rice prices. Indian exporters have received notices from the customs department demanding payment of duty differentials on rice exported in the last 18 months, four exporters told Reuters, a rare tax demand that could cripple rice shipments from India.

Thailand's 5% broken rice prices was at \$585-590 per tonne, down from last week's \$598. Prices softened on a weaker baht and demand, said a Bangkok-based trader. — **REUTERS**

Source: Financial Express, Friday, March 29, 2024

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(Opinion)

Agriculture in Viksit Bharat: In the vision of a developed India by 2047, agriculture must also catch up with the times

Agriculture is critical for India's development as it still engages about 45.8% of working population (2022-23, PLFS data).

By Ashok Gulati

The temperatures are rising not only atmospherically but also politically. It is now confirmed that the year 2023 was the warmest year on record since 1850, according to the National Oceanic and Atmospheric Administration (NOAA). The 2023 temperatures were 1.18°C higher than the pre-industrial levels, and many scientists are predicting that 2024 could be even worse.

Against this backdrop of rising temperatures, the moot questions for us in India are: Will Indian agriculture be able to feed our growing population in the medium to long run, and will our farmers also be prosperous in Viksit Bharat@2047, an aspirational slogan given by Prime Minister Narendra Modi in his ongoing election campaign?

Although 2047 is still 23 years away, and it is very difficult to make such long-term projections, a rough idea of this can be obtained by looking at what happened since reforms began in 1991 and continued, in one way or the other, under various governments. But more interesting would be to see the growth story in the last 10 years under the Modi government and compare it with the preceding 10 years of the Manmohan Singh government. Given that the incumbent government feels very confident to come back with a thumping majority, it is likely to continue its policies of the past 10 years, or may even accelerate them to realise its aspiration of Viksit Bharat@2047.

The accompanying graphic shows the average annual growth rates (AAGRs) of overall GDP and agri-GDP (2011-12 base, revised series). While the long-term growth rate from 1991-92 to 2023-24 (second advance estimate) of overall GDP is 6.1%, for agri-GDP it is 3.3%. However, during the 10 years of the Modi government, overall GDP has grown only by 5.9% (compared to 6.8% during Singh's period) and agriculture growth has been 3.6% (compared to 3.5% during Singh's tenure). There is not much of a difference between the two governments with respect to agri-GDP growth.

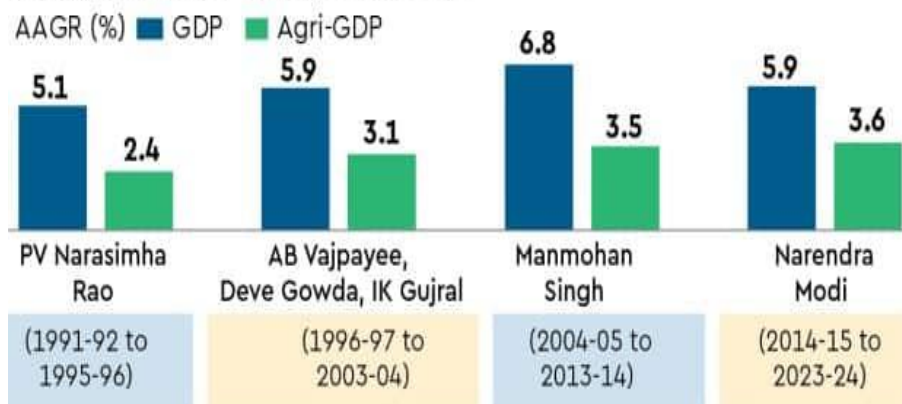
Agriculture is critical for India's development as it still engages about 45.8% of working population (2022-23, PLFS data). So, if Viksit Bharat has to be inclusive Bharat, it must develop agriculture to its full potential. The productivity needs to rise, water consumption needs to reduce, groundwater needs to be recharged, soil degradation needs to be arrested, and greenhouse gas (GHG) emissions from agriculture need to be curtailed. Business as usual, with the current set of policies, is not likely to deliver this dream of inclusive Viksit Bharat by 2047.

What we know today is that agriculture contributes roughly 18% to overall GDP but engages 45.8% of the workforce. If our growth rates of overall GDP and agri-GDP keep rising as they have during the last 20 years, or even the last 10 years, it is likely that by 2047, agriculture's share in overall GDP may drop to just 7-8% but it may still be saddled with more than 30% of the workforce. More people need to move out of agriculture to higher productivity jobs with better skills. Therefore, skill formation of rural people for a rapidly growing and urbanising India has to be a priority. Else, I am afraid, Viksit Bharat will be viksit only for the top 25% of the population, while the rest may remain stuck in the low-medium income category.

The expected overall GDP growth of 7.6% in 2023-24 is a good foundation to build on. Both the ministry of finance and the RBI feel upbeat, and expect the final numbers of this year to even be higher. It is good news and many economists feel that this can be maintained for the long run. But how many of us have noted that the agri-GDP growth rate of 2023-24 is a pitifully low level of just 0.7% (second advance estimate)? Do we want a situation where the economic conditions of the masses improve at less than 1% while overall GDP grows at 7.6%? The answer is obviously no.

Remember that agriculture growth dropped to this low level (0.7%) primarily because of unseasonal rains during the last kharif season. And there are no positive signals that the situation will improve. If there are any signals, the risks of extreme weather events are going to increase, as humanity is falling far behind in controlling global warming. Is India in general, and agriculture in particular, ready for that? Not really.

AAGR of GDP is 6.1% and AAGR of Agri-GDP is 3.3% between 1991-92 and 2023-24



Indian agriculture in Viksit Bharat cannot be on a weak and risky wicket. Two years of successive droughts can spoil the party of Viksit Bharat. Even without a drought, the RBI has been fighting almost this entire year to control food inflation. The Centre has put export controls, stocking limits on traders, suspended futures trading in many agri-commodities, and unloaded wheat and rice at prices below their economic costs. These are all signs of panic, and policy tools of 1960s, when

India was living from 'ship to mouth'. This policy toolbox cannot be carried on in Viksit Bharat.

So, what should be the agenda for agriculture in Viksit Bharat? We must rationalise food and fertiliser subsidies, and use the savings to augment agri-R&D, agri-innovation and agri-extension, recharge soil and water through check dams and watersheds, and promote water saving techniques in agriculture (drip and sprinklers, fertigation, protected cultivation, etc.). More importantly, India must move to high-value agriculture (poultry, fishery, dairy, fruits and vegetables) with a value chain approach, from plate to plough—a demand-driven system. For that we need to think of policies and institutions through which our farmers can access pan-India markets, and even export markets on a regular basis, be it through cooperatives or farmer producer organisation (FPOs) on digital commerce platforms (like eNAM or ONDC) or through contract farming with large processors, retailers, and exporters. We should also not forget to step off the brakes on futures trading. The price messenger can't be shot down in Viksit Bharat.

Ashok Gulati, Distinguished professor, ICRIER

Views are personal

Source: Financial Express, Monday, April 01, 2024

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(Opinion)

Cooperatives — answer to farmers' woes

better HARVEST. Large cooperatives for key crops encompassing production, processing and marketing can bring gains to producers, consumers

By Rajeev Bhatt and S Adikesavan

The recent protests by farmers in the vicinity of Delhi underscore a major oversight by India's agricultural economists and policymakers in creating a sustainable and effective framework to ensure fair compensation for farmers. While scientists succeeded in engendering the Green Revolution and farmers increased "output" leading to food security for the nation, the latter are ensnared in a low-income trap. This reflects agro-economics' inability to deal with the issue of "price".

Average monthly income (₹) of agricultural household

| | |
|-------------------------------------|---------------|
| Income from wages | 4,063 |
| Income from leasing out of land | 134 |
| Net receipt from crop production | 3,798 |
| Net receipt from farming of animals | 1,582 |
| Net receipt from non-farm business | 641 |
| Total Income | 10,218 |

SAS Report No: 587 (MoSPI)
favour farmers.

The NSS survey 77th round of the Situational Assessment of Agricultural Households (Report No 587) reveals a grim reality. The average monthly income per agricultural household is ₹10,218. A household consists of 4/5 persons, the per capita monthly income therefore is just ₹2,500. Of this, the net surplus from crop cultivation is 37 per cent and the highest share is wages (40 per cent) — most households earn more by labouring for others (see *table*). In response, some economists have cited a simplistic "demand-supply" theory and said that even dismantling the Minimum Support Price (MSP) system will

Leaving farmers to the vagaries of "demand-supply" will not be in their interest and not even consumers, especially because a logical outcome of this theory will be free agri imports/exports and the resultant price volatility.

Also, the assumption that farmers in sectors like dairy/poultry/fisheries (where there is no MSP) are flourishing is fallacious. The average monthly income of ₹10,218 represents households engaged in allied sectors too (Reply to Lok Sabha Unstarred Question No 741 dated February 7, 2023).

The irony of dairy farmers receiving just ₹35 for one litre of milk "poured", when one litre of bottled water itself retails for ₹20, is lost on agri-economists. There is undervaluation of labour and output in dairy too. The absence of protests does not mean that the problem can be wished away.

Solution at hand

But there is a solution with which the Centre is actively engaged — building the cooperative network. What has been missing in our agri ecosystem is a working model of mediated value chains at least in identified essential commodities — grains, pulses and, say, 'TOP' or tomato, onion potato — whereby the interests of both producers and consumers are taken care of.

For this to happen, the owner and operator of this entire value chain have to be both producers and consumers. That farmers are also consumers supports the foundation for this structure as commercial interests then converge to not protect both producers and consumers.

Among producers, the category which needs protection primarily are small and marginal farmers (owning up to 2 hectares); among consumers, it is only those whose income levels are low (who can be identified on the basis of colour-coded ration cards) who deserve essential items at "fair" rates.

A large cooperative network, that encompasses producers, processors and market players, will economise the cost of intermediation and bring gains to all. Existing cooperatives can be refashioned towards this end by enlarging their scale and scope. As for subsidising poor consumers, the government can pay the difference.

The way forward

Thankfully, such a structural solution is emerging now with a re-energised cooperative sector making its presence felt. The creation of a separate Ministry for Cooperation offers a beacon of hope.

Early signals are that the long-standing problem of finding a “fair price” is beginning to be addressed through entities like Nafed and NCCF.

Cooperation Minister Amit Shah had announced in January that the entire produce of pulses of farmers who register with Nafed and NCCF (at start of production) on their portal, will be bought at MSP.

The same can be done for oilseeds and TOP too, if infrastructure for decentralised storage can be worked out for TOP under Nafed/NCCF leadership utilising Agri Infra Fund loans. Sorting/grading, basic processing and packing can also be taken up under this.

In the backdrop of this push by the Ministry of Cooperation, a five-step strategy is suggested to increase farmers’ income without causing inflationary pressures:

Ministry of Cooperation to announce a “policy of assured procurement” at MSP of, say, 10 crops including pulses, oilseeds and TOP through Nafed/NCCF. Make this “assured procurement” applicable for all farmers who register on a procurement portal at the time of sowing itself along with land details. (Verification through digitised land records can be used to eliminate aggregators/traders from this process)

Nafed/NCCF to plan and “capture” the entire value chain of the commodities under the guaranteed MSP items from procurement to primary processing to packaging to retail sales.

Nafed/NCCF to set up retail outlets all over the country for “Bharat” brand agri commodities. These outlets will be a conduit for regular supply to consumers. Franchisee models can be worked out and bank funding may be available to entrepreneurs for setting up “Bharat” brand outlets.

Alongside, plan, procure and hold appropriate buffer stocks of pulses, oilseeds and TOP utilising shared and decentralised infrastructure which can be built by member cooperatives of Nafed/NCCF.

Agriculture, which is a State subject, to be moved to the Concurrent List so that Central Government initiatives through Nafed/NCCF do not run into legal hurdles.

The writer is a former banker with experience in agri-credit operations

Source: The Hindu Business Line, Friday, March 29, 2024

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(Opinion)

Sugar millers seek relief

Want higher MSP, prioritising of ethanol blending

By Uppal Shah

The sugar industry, a vital backbone of the agricultural sector, finds itself at a crossroads as it approaches the 2024-25 sugar season. Unfavourable weather conditions, global market fluctuations, and constrictive government policies have collectively cast a shadow over this crucial commodity. It is important to delve into the intricacies of the current sugar scenario, exploring its multifaceted challenges and potential solutions. It is the second largest agro-industry, providing livelihoods to more than 5 million farmers and their families. Beyond its primary role in sugar production, a key kitchen staple, the industry plays a vital role in the production and delivering of environmentally friendly biofuel, ethanol, to oil marketing companies. This ethanol is blended with petrol, serving as a green fuel for automobiles.

Production shortfall

The shortfall in sugar production, attributed to reduced rains in the 2023-24 season, doesn't bode well for the industry. Sugar millers, dissatisfied with the imposed restrictions on exports and ethanol production, argue that a more liberal approach could significantly boost revenue and safeguard it against future financial shocks. The government's decision to raise the Fair and Remunerative Price (FRP) by 8 per cent from October 2024 aims to support farmers, but it has raised some concerns among sugar millers, regarding their ability to pay farmers their cane price on time, repay bank loans, and keep enough in their kitty to spend on maintenance and other overhead expenses. They argue that the government should increase the Minimum Selling Price (MSP) of sugar corresponding to the increase in FRP.

The last time when the government increased sugar MSP to ₹31/kilo, the FRP in the country was ₹275 per quintal. Since then, the FRP has seen an increase of almost ₹65/quintal (including the latest increase of ₹340/quintal), whereas the MSP continues to remain static at ₹31/kilo. As the MSP is determined taking FRP and other factors into account, sugar millers are asking for an immediate increase in MSP, to mitigate the increase in the cost of production. The sugar prices in key domestic markets continue to remain soft, raising fears that sugar millers may not be able to recover the cost of sugar production, which will financially incapacitate them. The price of S-grade sugar in Kolhapur market in western India is trading at ₹34-34.40/kilo. And the price of M-grade sugar in the North in the Muzaffarnagar market is ₹37.40-37.80/kilo.

Moreover, the global sugar market continues to be volatile, led by a cocktail of factors. Both ISO and Sucden, in their latest reports, talked about tightening of global sugar supplies, which caused a rally in international sugar prices. However, Unica's latest report of a bumper Brazilian crop has put pressure on prices. With ethanol production prioritised to C Heavy molasses, sugar millers stress the need for the government to reconsider its stance, and allow additional quantities of sugar towards ethanol production in the current supply year.

The government's cautious approach raises questions about the delicate balance between economic stability and political imperatives. Striking the right chord is crucial to safeguarding the interests of both farmers and the broader economy. The upcoming monsoon will play a pivotal role in determining the success of the 2024-25 sugar season. For a good sugar season, ample and well-distributed rains are vital, which will feed the standing crops as well as the water reservoirs, especially in States which are irrigation-dependent.

The sugar industry faces a complex web of challenges. Balancing the needs of farmers, millers and the economy requires proactive measures, including reconsidering export restrictions, reassessing MSP, and prioritising the ethanol blending programme.

*The writer is Co-founder and CEO,
AgriMandi Live*

Source: The Hindu Business Line, Friday, March 29, 2024

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ECONOMY

Economy shows resilience despite external headwinds

Weak data on private consumption raises questions, MSME capex still lags

At a time when the global economy is still facing uncertainties, with growth decelerating in some of the most advanced economies, India's economy has exhibited resilience and has been able to grow at a rate much higher than market expectations. Key macro-indicators such as consumer price index (CPI) inflation, wholesale price index (WPI) inflation, trade and current account deficit (CAD) are benign, and are expected to remain range-bound in the near-term as well.

In the first three quarters of FY24, the country's gross domestic product (GDP) expanded sharply by 8.2%, with the growth in Q3 coming in at a six-quarter high of 8.4%. This is way higher than the market consensus of 6.7%. Ofcourse, the base effect helped, but largely the push to growth came from investments.

"The breakdown (of Q3 GDP data) revealed a robust manufacturing push compared to farm output, urban spending outpacing rural demand, and investment growth spurred by frontloading of central and state capital spending, along with households' capital expenditure," said Radhika Rao, senior economist, DBS Group Research.

Apart from the Centre's capital expenditure on railways, roads & highways, defence, and transfer to states, which has been ongoing, the current year has also seen a pickup in residential construction, which has been a backstop for non-corporate private capital expenditure, economists say.

Notably, the share of gross-fixed capital formation (GFCF) – a proxy for investments in the economy – is expected to rise to 34.1% in the GDP in FY24, which will be the highest in the past 11 years. In FY23, the GFCF's share in GDP was 33.3%.

Perhaps, the sharp rise of GFCF's share in the GDP, is the reason why the latter has been able to grow at around 5 percentage points (pps) higher than the private consumption growth (PFCE), as witnessed during the December quarter of FY24. Many including former chief statistician Pronab Sen have called this gap "unprecedented" and "inexplicable". Also, it is seen that while a section of Corporate India may be ramping up capacities, the MSME segment and informal economy isn't keeping pace. This causes concerns about the durability of the growth revival, if not about the quality of the data itself.

DBS' Rao says that the trend may continue in the next fiscal year as well. "FY25 is expected to mark the fourth consecutive year where the rate of investment growth outpaces consumption, revisiting the streak observed in 2004-2008," she said.

Inflationary pressures largely have remained contained, with the headline retail inflation print staying below the 6% mark in nine of the first eleven months. So far, in April-February, CPI inflation has averaged 5.4%, much lower than 6.8% average in April-February of FY23.

Core CPI inflation, which excludes food and fuel components, is currently at a 12-year low of 3.3%, but food inflation is high, and is expected to determine the trajectory of headline CPI rate going forward.

"Inflation is on the ebb; the steady decline in core inflation would have taken down headline inflation towards the target of 4% even sooner and faster, but for the repetitive incidence of short amplitude food price pressures," said RBI staff in a recent paper. "The CPI readings for January and February 2024 show that the winter easing of vegetable prices turned out to be shallow and short-lived," the staff said.

Food prices in the current fiscal year were heavily impacted by the El Nino phenomenon. According to a report by HDFC Asset Management, the El Niño that we are currently witnessing is one of the strongest on record, which has also resulted in 2023 being the hottest year. "This phenomenon is called 'Super El Nino', and is just the sixth time since measurements began in 1950," the report said.

But forecasts for the coming months suggest that its effects are slowly weakening and are expected to reverse, perhaps before the monsoon onset, leading to improved rainfall conditions for India. "Such reversal in weather patterns could bode well for consumption, as it boosts rural incomes and lowers inflation expectations," the report said.

WPI inflation has also remained starkly low this year, in the backdrop of depressed commodity prices. The manufactured products' group, within WPI, has remained in the deflation zone in all months of the current fiscal and is seen to remain low in the near-term too. Since the group reflects input price pressures, a negative print means that there is no immediate threat of pass-through to retail prices and subsequently to core CPI inflation.

Meanwhile, the country's CAD has shrunk sharply in the first three quarters of FY24, and is expected to shrink even more in the March quarter. So far, in April-December, the CAD has narrowed to 1.2% of GDP from 2.6% in the comparable period of FY23.

The moderation has been primarily aided by the record services trade surplus, which has sharply pulled down the overall trade deficit to merely \$2.7 billion in April-February FY24. For comparison, India's overall trade deficit was \$114.5 billion in April-February FY23. Economists have projected the full year's CAD to be well below 1% of the GDP.

A lower CAD also helped in controlling the depreciation of the rupee against the dollar. The rupee concluded FY24 with a 1.5% decrease against the US dollar, a significant improvement compared to the nearly 8% decline seen in FY23. Despite challenges such as rising oil prices and a stronger dollar, the local currency performed relatively well when compared to other emerging market currencies. On March 28, the rupee closed at 83.40-a-dollar.

In the next fiscal, rupee will be range bound and based on fundamentals and external forces will range between 82.50-83.50/USD, said Madan Sabnavis, chief economist, Bank of Baroda. "A lower CAD and higher FPI (foreign portfolio investments) will improve fundamentals," he said.

In FY25, economists expect consumption to pick-up from easing inflation, rate reductions to take place, improvement in sentiments, and growth in real wages. "Overall, strength in domestic demand will be crucial, including a lift in private capital spending as well as early benefits from the manufacturing push, which will help to offset exogenous headwinds," said DBS' Rao. Most economists expect FY25 GDP growth to be around 7% or slightly higher.

Source: Financial Express, Monday, April 01, 2024

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India can achieve 10% growth rate in next decade: RBI's Patra

It is possible to imagine India striking out into the next decade with a growth rate of 10 per cent, according to MD Patra, Deputy Governor, RBI. This growth rate is possible given the country's innate strengths and the energies and transformation that are driving it to overcome its challenges and achieve its aspirational goals.

"If this is achieved, India will become the second largest economy (as per OECD's December 2023 update, India will overtake the US by 2045 in PPP terms to become the world's second-largest economy) in the world not by 2045, but by 2032 and the largest economy by 2050," Patra said at the Nomura's 40th Central Bankers Seminar at Kyoto, Japan. The Deputy Governor emphasised that the Indian economy is at a sweet spot in its evolution. "Real GDP is growing at the fastest pace among major economies. Inflation is approaching its target *albeit* unevenly. The external balance sheet is stronger than ever before, underpinned by ebullient capital inflows, a modest current account deficit and large foreign exchange reserves. Fiscal consolidation is into its third consecutive year after the pandemic," he said.

'new cycle'

Patra observed that the corporate sector has deleveraged and is poised to launch a new cycle of capital investment. "The financial sector is sounder and more resilient, as it prepares for intermediating the resource requirements of a rising growth trajectory over the next few decades. "Reflecting these developments, financial markets are ignited with robust optimism even as investors are already positioning themselves to buy into the unfolding India narrative," he said.

growth trend

The Deputy Governor underscored that India's growth trend is on the cusp of a post-pandemic upshift, with early signs of it rising above 7 per cent recorded during the 2000s before Covid-19 struck.

"While private consumption typically accounts for about 60 per cent of India's GDP, it is investment and exports that provide the turning points. In the period 2021-24, the export lever has been muted by global headwinds, but public expenditure on infrastructure is taking over as the locomotive of the step-up in the growth trend. Recent surveys indicate that private investment is getting crowded in," he said.

Patra observed that country has emerged from the pandemic scarred but resilient and poised to make a tryst with its developmental ambitions by riding the thermals that these opportunities are generating. However, take-off will have to contend with the headwinds posed by several challenges. "Reaping the demographic dividend hinges on expanding the contribution of the workforce to GDP growth.

"India's per capita investment in infrastructure at US \$90.6 in constant 2015 dollars in 2020 needs to be scaled up by lifting infrastructure investment growth from around 3.5 per cent to at least 6 per cent to achieve world-class standards," the Deputy Governor said.

Source: The Hindu Business Line, Saturday, March 30, 2024

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(Opinion)

From El Niño to La Niña – Another positive for the Indian economy!

The El Niño that we are currently witnessing is one of the strongest on record, which has also resulted in 2023 being the hottest year. This phenomenon is called “Super El Niño”, and is just the sixth time since measurements began in 1950.

By HDFC Asset Management Company Limited

While El Niño conditions continue to persist in the tropical Pacific Ocean, its effects are slowly weakening and is now forecast to reverse – perhaps before the monsoon onset, leading to improved rainfall conditions for India. With Indian agriculture employing over half of the country's 1.4 billion people and contributing to ~14% of India's Gross Domestic Product (GDP), such reversal in weather pattern could bode well for consumption, as it boosts rural incomes and lowers inflation expectations.

The El Niño that we are currently witnessing is one of the strongest on record, which has also resulted in 2023 being the hottest year. This phenomenon is called “Super El Niño”, and is just the sixth time since measurements began in 1950.

Recent measurements of sea-surface temperature dropped to 1.4 degrees Celsius above average in February after peaking at 2 degrees Celsius earlier this winter. Climate prediction forecasts indicate sea-surface temperatures in the central Pacific will continue to cool over the next several weeks, with an 83% probability of the Pacific dropping below El Niño status into “Neutral Phase” – when the ocean is within 0.5 degrees C of average – in April 2024. This cooling is expected to continue, with latest forecasts indicating a probability of 75% for “La Niña” conditions by July 2024 – heart of summer.

In 2023, the monsoon was not only the weakest in five years, but was also marked by uneven distribution of rains across four months. While July and September saw overall rainfall greater than 100% of the benchmark LPA, June witnessed only 91% of benchmark LPA, and August witnessed the lowest rainfall since 1902 – only 64% of LPA.

Theoretically, El Niño is associated with weakening monsoon winds and dry weather in India, while La Niña is associated with good rainfall during the monsoon season. But as per a research paper by Centre for Climate Change Research, Indian Institute of Tropical Meteorology, Ministry of Earth Sciences (Pune), the relationship between ENSO and Indian Summer Monsoon Rainfall (ISMR), which was prominent over South India, parts of the West and North India from 1901 to 1940, weakened between 1941 and 1980. This relationship weakened further after 1980, thus certain La Niña years experiencing less than normal rainfall.

70% of India's annual precipitation is received between June and September. The La Niña period of 2019-20 to 2022-23 witnessed higher than normal rainfall, making forecasted La Niña conditions in the monsoon months a significant positive for the Indian economy. Moreover, lower water reservoir levels (Current storage as % of Full Reservoir Level for February 2024 at 43.3% vs 54.4% for February 2023) make the 2024 monsoons more crucial for Indian agriculture.

As per Ministry of Agriculture and Farmers' Welfare, Indian agriculture has been increasingly less dependent on rainfall for better crop yield due to the rise in area of land under irrigation, rising from 44% in 2000-01 to 57% in 2019-20. The low historical correlation (2009-10 to 2022-23: 0.18) between the rainfall deviation from normal and the Gross Value Added of agriculture, forestry and fishing has helped the Indian economic growth in FY2024 to remain strong, despite adverse monsoon conditions affecting agriculture, amongst other factors. As per the Minutes of the Monetary Policy Committee Meeting held between February 06 and 08, 2024, India's growth performance in FY2024 provides a strong base for the prospects for FY2025. While RBI's monetary policy actions and stance has kept core Consumer Price Index (CPI) inflation muted, food and beverages account for ~45% weight in CPI inflation. Hence, normal monsoons will be even more crucial for achieving the targeted CPI inflation of 4.5% for FY2025.

(The article is authored by HDFC Asset Management Company Limited.)

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Source: Financial Express, Friday, March 29, 2024

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At \$445 billion, FY24 goods exports a tad below FY23 level*March exports at \$40 bn*

The last-quarter spurt would see India's merchandise exports to be around \$445 billion in the financial year 2023-24, about 1.3% lower than previous year's level of \$451 billion. The new year is challenging and growth from hereon will depend on inflation-interest rate dynamics in the key markets of the US and Europe, trade experts said,

"The merchandise exports in March are expected to be around \$ 40 billion, as \$ 5-6 billion will be added to the monthly shipments number. This should take the overall exports for this year to \$440-445 billion," director general and chief executive officer of Federation of Indian Export Organisations (FIEO) Ajay Sahai said.

Before exports started looking up from October 2023 onwards, there was a 9% year-on-year decline in April-September.

Services exports are up 6.7% on year till February to \$314.8 billion. They are expected to end the year at around \$345 billion. For 2023-24 overall exports are expected to touch \$ 790 billion, up from \$ 777.6 billion last year.

The decline of 1.3% in merchandise exports compares well with the 5% decline in world trade in goods in 2023 estimated by United Nations Conference on Trade and Development (UNCTAD).

The revival in performance of good exports since December and 12% growth in February coupled with steady growth in services exports would keep the overall exports of the country in the positive zone in the financial year ending March 31.

The next year appears challenging as there has been no let up in geopolitical frictions like the crisis in the Red Sea and Ukraine war that are directly impacting trade flows. The Red Sea crisis that has seen direct attacks on merchant shipping has indeed its sixth month while the Ukraine war has completed two years.

The Red Sea crisis has impacted freight rates and duration of voyages. So far buyers have adjusted to higher costs but still the impact could come on commodities trade, Sahai said.

The freight cost of commodities trade is much higher and margins are not enough to absorb any big fluctuations. The impact of the Red Sea may still come on commodities which may see trade shifting to geographies other than Asia, Northwest Africa and Europe that have been impacted most, he added.

The Indian government is monitoring the situation arising out of the Red Sea and other geopolitical disruptions through a high-level inter-ministerial group of officials. As of now there is nothing much that can be done by the government on the Red Sea situation.

"How inflation in the key market behaves and whether rate cuts would follow. If that (rate cuts) happen it would have a much more positive impact on exports in the coming year, Sahai said.

In his remarks on Friday US Federal Reserve Chairman Jerome Powell indicated that interest rates would come down in 2024 but not before more confirmation comes on decline in inflation. This means the cuts will be in the later part of the year. Some expect the European Central Bank (ECB) to lead with the cuts, which can come as soon as June.

The US Fed started raising rates in March 2022 and the 11 increases since then have taken the benchmark rates 23-year high of 5.4%. ECB rates are at 4.5%. The increase in rates has led to compression of demand from economies that account for 33% of India's merchandise exports.

Source: Financial Express, Monday, April 01, 2024

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