Wheat Import duty increased to 40%

The government has increased the import duty on wheat to 40% from 30% in a bid to boost off take of domestically produced grain. The decision, announced on last week of April, comes in the backdrop of the government's plan of sell wheat in the open market to offload excess grain from the storage units of Food Corporation of India and state agencies. The higher duty has made import of wheat, especially of cheaper grains from Russia, unviable for flour mills. When mills purchase more from overseas, it pushes down the price that farmers get for their produce. A flour miller said, "If customs duty was not raised, the government's open sale of wheat to millers and biscuit makers could be affected." The government plans to sell 10 million tonnes of wheat and 2 million tonnes of rice in the open market. An oversupply in the domestic market due to back-to-back bumper production of foodgrains has put wheat prices under pressure in the country. This year, India is likely to produce 99.12 million tonnes of the grain. The government first imposed 10% import duty on wheat in March 2017. In November the same year, it doubled it to 20%, and then raised it to 30% in May 2018 in order to restrict imports.
NBHC releases Rabi crops estimates for the year 2018-19

National Bulk Handling Corporation (NBHC) has come out with its final report on Rabi crop estimate for the year 2018-19 where it has stated that scanty rainfall has resulted in significant fall in sowing areas of major crops in states of Gujarat, Maharashtra, West Bengal, Rajasthan, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu.

It stated in its report released on Monday that wheat production is expected to increase marginally by 0.64% over last estimate amidst reports of higher yield in Northern India but would still be lower by 4.39% over last year mainly because of drop in sowing in drought-hit Maharashtra and Gujarat, as well as West Bengal. The NBHC report added that pulses production is projected to drop further by 1.34% over last estimate mainly due to 10.85% drop in the total gram production, which constitutes about 70% of the total Rabi Pulses. Gram production is expected to decline further 0.37% over the last estimate mainly due to fall in Madhya Pradesh and drought-hit states of Maharashtra and Karnataka. Mustard production is expected improve further by 0.30% than last estimate to 8.72 million metric tonne, an overall increase of 4.78% over last year due to favourable weather condition resulting in higher yields in major producing states.

The rainfall during the June-September monsoon season in the country was ‘below normal’ and quantitatively 91 per cent of the long period average. The problem of moisture stress on the Rabi crop in the southern states was aggravated by the 43 per cent deficit winter rains. The country had over January and February got 22 per cent more than the average rainfall in 2019, with the highest quantity in these two months seen in the past five years. The rainfall was well distributed and timely, except in few areas of Gujarat, Karnataka and the north-east region. The states of Andhra Pradesh, Maharashtra, Rajasthan, Gujarat, Jharkhand, Odisha and Karnataka are severely affected by drought. Deficient northeast monsoon rains and dry conditions led to decline in sowing of Rabi crops by 4 per cent. In their first estimate, NBHC had broadly concluded that in the year 2018-19, the production of total cereal, pulses and oilseeds are expected to decline by 9.72 per cent, 10.12 per cent and 3.79 per cent over 2017-18. In the current assessment, the Pulses and oil seed have marginally pushed themselves further in the negative region with an expected decline of 1.34 per cent and 1.59 per cent over the last estimate.

For the year 2018-19, as Scanty rainfall resulted in significant fall in sowing areas of major crops in states of Gujarat, Maharashtra, West Bengal, Rajasthan, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu. Wheat production is expected to increase marginally by 0.64 per cent over last estimate amidst reports of higher yield in Northern India but would still be lower by 4.39 per cent over last year mainly because of drop in sowing in drought-hit Maharashtra and Gujarat, as well as West Bengal. Rice production is expected to fall further by 0.19 per cent over last estimate leading to overall decline of 29.04 per cent over last year due to a drop in rice cultivation in Tamil Nadu, Telangana and Andhra Pradesh. Maize and Jowar production is expected to decline further by 4.53 per cent and 0.14 per cent respectively over last estimate leading to overall fall in production by about 28.77 per cent and 43.16 per cent respectively over last year. Pulses production is projected to drop further by 1.34 per cent to 14.28 million MT than last estimate of 14.48 million MT, which is per cent lower than last year’s production of 15.89 million MT. This is mainly due to 10.85 per cent drop in the grain production, which constitutes about 70 per cent of the total Rabi Pulses. Gram production is expected to decline further 0.37 per cent over the last estimate mainly due to fall in Madhya Pradesh and drought-hit states of Maharashtra and Karnataka. Urad and Moong are also expected to decline by 0.74 per cent and 0.65 per cent respectively over the last estimate. Total oilseeds production is estimated to be 9.92 million MT, which is about 0.21 per cent lower than the last estimate mainly because of groundnut production, which has been seriously hit by adverse weather conditions, particularly in Gujarat. Groundnut, Safflower, Sunflower and Linseed production is expected to decline 5.05 per cent, 0.19 per cent, 0.18 per cent and 0.45 per cent respectively over last estimate. Mustard production is expected improve further by 0.30 per cent than last estimate to 8.72 million MT—an overall increase of 4.78 per cent over last year due to favorable weather condition resulting in higher yields in major producing states.

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Indian Sugar mills owe record $4.38 billion to cane growers

India's money-losing sugar mills have run up a record $4.38 billion in arrears to 50 million cane farmers, who have gone unpaid for their produce for more than a year, industry and government sources. Years of bumper cane harvests and record sugar production have hammered domestic prices, hitting mills' financial health to such an extent that monies owed to farmers, who form an influential voting bloc, have ballooned to an all-time high. The unpaid dues affect growers in the key cane-producing states of Uttar Pradesh, Maharashtra, Bihar, Punjab, Haryana and Karnataka. Of the $4.38 billion in unpaid dues, mills in Uttar Pradesh, India's top cane-producing state, owe 108 billion rupees ($1.56 billion), the industry and government sources said, citing their calculations based on cane prices and the volumes bought by sugar mills. In Uttar Pradesh, top producers such as Mawana Sugars Ltd, Bajaj Hindustan Sugar Ltd and Simbhaoli Sugars Ltd, as well as unlisted Modi Sugar Mills, Wave Industries and Yadu Sugar Ltd, owe the bulk of arrears to farmers, according to the industry and government sources. "Along with the fact that sugar prices are much below the cost of production, huge inventories worth 800 billion rupees are adversely affecting mills' paying capacity," said Abinash Verma, chief of the Indian Sugar Mills, the producers' body. The high inventories are keeping domestic sugar prices depressed and increased storage costs. Mills have started losing money and are finding it difficult to pay the farmers. As cane harvests jumped, domestic sugar prices fell 20 percent over the past two years, with mills often complaining about prices falling below their production costs.

India's year to year cotton export fall

The Cotton Association of India (CAI) has estimated exports for the season 2018-19 at 47 lakh bales which are lower by 22 lakh bales compared to the export of 69 lakh bales estimated during last year. The CAI has estimated cotton crop for 2018-19 at 321 lakh bales of 170 kgs each which is lower by 7 lakh bales than its previous estimate of 328 lakh bales made during last month. The CAI has reduced the crop estimate for Gujarat by 1 lakh bales, Maharashtra by 80,000 bales, Telangana by 4 lakh bales, Andhra Pradesh by 1 lakh bales and Karnataka by 75,000 bales whereas there is marginal increase of 50,000 bales in Tamil Nadu and 5,000 bales in the State of Orissa. The main reason for reduction in cotton crop during this year is the scarcity of water in some states and the fact that farmers uprooted their cotton plants in about 70-80% area without waiting for 3rd and 4th pickings. Total cotton supply projected by the CAI during the period from October 2018 to March 2019 is 290.00 lakh bales of 170 kgs each which consists of the arrival of 255.83 lakh bales upto 31st March 2019, imports of 6.17 lakh bales upto 31st March 2019 and the opening stock at the beginning of the season at 28 lakh bales.

Further, the CAI has estimated cotton consumption during the months of October 2018 to March 2019 at 158 lakh bales while the export shipment of cotton up to 31st March 2019 has been estimated at 39 lakh bales. Stock at the end of March 2019 is estimated at 93 lakh bales including 45.85 lakh bales with textile mills and remaining 47.15 lakh bales withCCI and others (MNCs, Traders, Ginners, etc.). The CAI has also projected yearly Balance Sheet for the cotton season 2018-19 wherein total cotton supply till end
of the cotton season i.e. up to September 2019 has been estimated at 376 lakh bales of 170 kgs each consisting of the Opening Stock of 28 lakh bales at the beginning of the cotton season, cotton crop for the season estimated at 321 lakh bales and imports estimated by the CAI at 27 lakh bales, which are higher by 12 lakh bales compared to the previous year’s import estimated at 15 lakh bales. The CAI has estimated domestic consumption of 316 lakh bales i.e. at the same level as estimated during the last month. The carry-over stock at the end of the season is estimated at 13 lakh bales.

Govt allows only dal millers to import pulses under quota for second year

The government has allowed only dal millers to import the annual permissible quota of pulses, a restricted commodity, for the second consecutive year. The industry expects the number of applications for procuring import licenses to increase five-eight times this year as those who imported the commodity last year booked good profits. The Union commerce ministry issued a notice regarding restricting pulses imports to processors on Tuesday, allowing import of 200,000 tonnes of tur and 150,000 tonnes each of moong, urad and yellow peas. International prices of pulses had hit rock bottom as India had put restrictions on import of pulses. This helped dal millers earn good profits on the processing of imported pulses in 2018-19, even though domestic prices were subdued.

The All India Dal Millers Association (AIDMA) had demanded that only millers be allowed to import the restricted quantities of pulses. “Multinational companies used to import and hoard pulses, which led to a speculative price rise. With dal millers importing their raw material directly, prices of pulses remained stable in the previous year,” said Suresh Agarwal, president, AIDMA.

In 2018-19, even though the government had allowed import of 800,000 tonnes of pulses, the industry estimates that about two million tonnes of pulses were imported in the country as traders got a court stay on the order of the Director General of Foreign Trade allowing only millers to import pulses. From January 2019, the commerce ministry has issued notifications in the matter which cannot be challenged in the court since the ministry has the authority to take the decision. The decision of the government to restrict pulses imports to dal millers has helped even smaller millers participate in imports, which were restricted to only MNCs and big traders.