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*)

Monday, April 22, 2024	
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WEATHER

Weather Update: Relief for Delhi as IMD forecasts pleasant weather with partly cloudy skies, heatwave to continue in East India

According to IMD's latest bulletin, there will be thunderstorms accompanied by light to moderate-intensity rain and gusty winds, for several areas including Delhi, Narela, Bawana, Alipur, Kanjhawala, Mundaka, Jafarpur, IGI Airport and NCR Bahadurgarh.

The Indian Meteorological Department (IMD) has forecast relief from scorching heat for several places in India. According to IMD's latest bulletin, there will be thunderstorms accompanied by light to moderate-intensity rain and gusty winds, for several areas including Delhi, Narela, Bawana, Alipur, Kanjhawala, Mundaka, Jafarpur, IGI Airport and NCR Bahadurgarh.

A similar weather condition has been foreseen of heavy to very heavy rainfall in isolated areas such as Assam, Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Odisha, Goa, and North Interior Karnataka. Additionally, hail storms have been reported in isolated areas of Marathawada and Telangana.

IMD'S Forecast and Warning:

On the contrary, heatwave conditions are expected to persist in many parts of Gangetic West Bengal over the next five days, with Odisha experiencing similar conditions today. Isolated pockets of East Uttar Pradesh and Bihar may also experience heatwave conditions during the next five days. Sub-Himalayan West Bengal and Jharkhand may see such conditions on 24th, and 25th of April.

The IMD has also predicted a cyclonic circulation over northeast Assam, another over northeast Bangladesh, and a north-south trough extending from northeast Bangladesh to the north Bay of Bengal in the lower tropospheric levels. These systems are likely to bring widespread light to moderate rainfall/snowfall accompanied by isolated thunderstorms, lightning, and gusty winds over Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Mizoram and Tripura from today and will continue till the 24th of April. Isolated to scattered rainfall is expected over the same regions from the 25th to the 27th of April.

Isolated heavy rainfall is anticipated in Arunachal Pradesh from today to 25th of April, in Assam and Meghalaya from today to the 23rd of April. Moreover, there is a chance of isolated very heavy rainfall in Arunachal Pradesh on the 23rd of April.

As per IMD, sturdy surface winds with a speed of around 20-30 km/h are probably to take over Uttar Pradesh on Monday. Furthermore, a fresh Western Disturbance can affect the Western Himalayan Region starting from the 26th of April.

Temperature Watch:

There are no relevant changes forecasted in maximum temperatures over Northwest India today, and there can be a slight increase of 2-3°C further. Similarly, no notable change is likely to occur in maximum temperatures over East India in the next 24 hours, followed by a drop of about 2°C over the next two days, and then an upsurge of 2-3°C after that.

Source: Financial Express, Monday, April 22, 2024

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ENERGY

LNG import volume up 17.5% in FY24 as consumption rises

While the fertilizer sector contributed to 32% of the total consumption, CGD entities accounted for 19% of the total natural gas consumption, followed by the power sector at 12%.

India's import of liquefied natural gas (LNG) rose in volume term by 17.5% on year to 30,917 mmscm (million standard cubic meter) in the financial year 2023-24 due to increased consumption, data from the Petroleum Planning and Analysis Cell showed.

The rise in consumption by 11.1% on year in FY24 to 66,634 mmscm was driven by use of gas by the fertilizer, power, and city gas distribution sectors.

Even as the import volume reported such increase, the country's gas import bill fell significantly by 22% to $13.3 billion in FY24 from $17.1 billion in FY23, as prices fell.

While the fertilizer sector contributed to 32% of the total consumption, CGD entities accounted for 19% of the total natural gas consumption, followed by the power sector at 12%.

In the fertilizer and other industries, natural gas is used as a feedstock and is also used as a fuel for electricity generation and heating purposes in industrial and commercial units.

Higher gas generation in the power sector was driven by higher peak thermal demand amid reduced hydro power generation. India generated 133,966.18 GWh of hydro power during April to March, a decline of 17% from 162,098.77 GWh in the same period a year ago, as per data from the Central Electricity Authority.

Moreover, the production of natural gas also grew by 5.7% on year to 36,438 mmscm in the financial year 2023-24. In March alone, the production stood at 3,138 mmscm, up 6.2% from the corresponding period a year ago.

India's consumption of LNG is expected to rise further in the coming months on the back of growing demand from the fertiliser and power industries, analysts say. Anticipated lower spot LNG prices will further add to this growth.

"In Summer 2024, imports are expected to increase by a further 3 mmscm per day compared with 2023, driven by sustained demand in the power sector and continued growth in the industrial and fertilizer sectors," S&P Global had earlier said.

The total capacity of the country's existing LNG terminals at the end of FY24 was at 47.7 million tonne per annum.

The LNG terminal at Dhamra operated at 23% capacity. Petronet LNG terminal at Dahej operated at 95.1% capacity while Shell's LNG terminal at Hazira operated at just 31.5% capacity during April-February period, according to PPAC.

Source: Financial Express, Monday, April 22, 2024

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Farm growth at 5-year high, to help ease rural pressure

Farm growth at 5-year high, to help ease rural pressure

Above normal rainfall forecast is good news for Indian agriculture, says Ramesh Chand

Puja Das & Gireesh Chandra Prasad

NEW DELHI

Agricultural output growth in FY25 is likely to come in at a five-year high of over 6%, aided by normal monsoon and a low-base effect, and may help ease demand for guaranteed rural jobs, said Niti Aayog member Ramesh Chand.

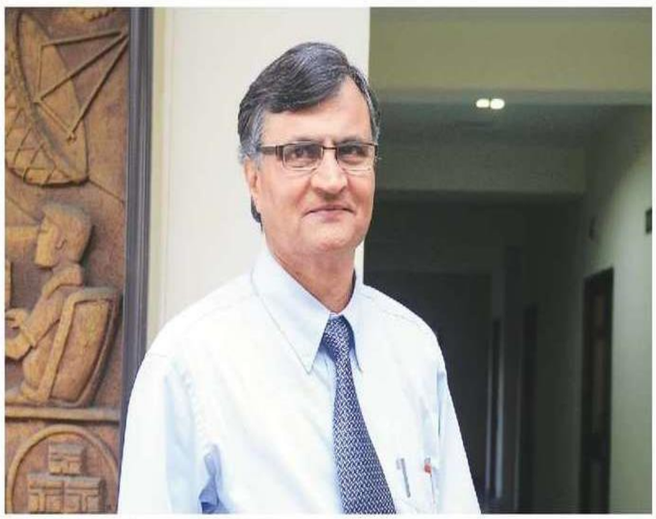
In the FY25 interim budget, the government has allocated ₹86,000 crore for the state-run rural job scheme, the same as the revised estimates for FY24.

"Monsoon is a major factor, which influences output of agriculture much more strongly for the crop sector. So, the monsoon forecast that we will have La Nina effect and rainfall will be 2% above normal is very good news for Indian agriculture. This news came when we have low growth. Production of oilseeds, rice, sugar and wheat came down last year due to erratic monsoon and patchy winter rains and a long dry spell," Chand told *Mint*.

Farm output in FY24 is estimated to have grown by a mere 0.7%, compared with an upwardly revised 4.7% growth in FY23, as per the statistics ministry's second advance estimates.

~6% agricultural output growth likely in FY25

"Taking the base effect impact and the positive effect of monsoon into consideration, past trends and past patterns suggest that we can expect more than 6% growth in agriculture this year," Chand said.



Niti Aayog member Ramesh Chand. MINT

After El Niño caused insufficient rainfall, leading to water scarcity in some regions besides droughts and prolonged dry spells across Asia, the India Meteorological Department earlier this week forecast above-normal monsoon rainfall at 106% of the long-period average (87 cm) this year. With the El Nino weather phenomenon having turned neutral, benign La Nina conditions are likely to set in by August-September, signalling relief across sectors, especially agriculture.

In FY24, agriculture and allied sectors' GVA growth was 0.7% after it contracted 0.8% in the October-December quarter—for the first time in 19 quarters. GVA growth was 1.6% in the previous quarter, and 4.7% in FY23.

In FY17, FY18 and FY20, the sector recorded growth rates of 6.8%, 6.6% and 6.2%, respectively. Chand further said that farm output growth is one of the factors affecting demand for guaranteed rural jobs under the National Rural Employment Guarantee Act (Nrega), which benefits the rural poor. Nrega demand is a result of a couple of factors—monsoon and good growth rate, Chand said.

₹86,000 cr allocated for state-run rural job scheme in FY25

"But the growth rate which is high because of good rainfall, has another positive side—it is more favourable for rain-fed crops like pulses and oilseeds. It is also favourable for millers."

Inflation is very high in pulses and vegetables while that in edible oil, it is in the negative. But overall crop sector growth in 2023-24 is negative, which is reflected in food prices. That number is not yet reported for crop and livestock separately. The overall growth rate being 0.68% in FY24 means that it is positive because of the growth rate in livestock sectors, Chand said, indicating that prices of food commodities may ease on expectations of good monsoon precipitation. "We have more area under pulses and if we have more production of pulses, we certainly can expect inflation in pulses to cool down."

This comes at a time when food inflation remains high though it eased slightly in March. Food inflation fell to 6.88% last month from 6.95% a month earlier due to the easing of prices of pulses, vegetables and milk. However, the prices of other food products like paddy, cereals, onion, potatoes, fruits and meat rose during the month.

Prices of pulses, especially tur remained high for several months due to lower production in the past two years. As per the agriculture ministry's second advance estimate, tur production is pegged at 3.33 million tonnes in 2023-24 (July-June) crop year against domestic consumption of nearly 4.3-4.4 mt.

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Source: Livemint, Monday, April 22, 2024

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Crop diversification still last on Punjab farmers' mind

Indian wheat isn't globally competitive, but the current MSP policy in Punjab forces farmers to stick to the crops that fast deplete water tables.

The furore is over the absence of legal support to minimum support price (MSP), but it's the skewed nature of these producer support prices that impedes crop diversification and leaves the average Indian farmer in the lurch.Nothing proves this more than the current post-harvest sentiment among farmers in the 'Green Revolution' states of Punjab and Haryana. MSP purchases of the new wheat crop have just had a brisk start, and is promising to be in full swing over the next few weeks. However, mustard and maize crops which, agriculture economists say, are best suited for the region, are going abegging. Market prices of the two crops are significantly below the MSP, but there's hardly any purchase of the two crops by government agencies at the support price.

"Mustard is being sold by farmers at an average price of Rs 5,000-5,400 per quintal against MSP of Rs 5,650 a quintal," an official from the management board of Punjab's Rajpura mandi, one of the biggest grain markets, told FE. He added that the situation wasn't any different for maize farmers during the last kharif season—market prices for the cereal that needs much less water than paddy and wheat, and is environmentally conducive for the region, were 10% below the MSP.While MSPs are announced for as many as 23 crops, support-price procurement is limited to just four crops—paddy, wheat, sugarcane and cotton. So, value of MSP purchases is just about 6% of the gross value added in agriculture and allied sectors. That such MSP operations are not of much help, not just to the agriculture economy, but even farmers' income, is evident from the losing share of MSP cereals in farm-sector GVA, while horticulture, poultry, fisheries and dairy sectors are growing at much faster rates.

Indian wheat isn't globally competitive, but the current MSP policy in Punjab forces farmers to stick to the crops that fast deplete water tables. Several farmers who FE spoke with at Rajpura and Karnal (Haryana) said they have no plan to increase the area for mustard or maize in the coming seasons, as wheat and paddy are lucrative.Aay Vir Jakhar, chairman, Bharat Krishak Samaj, said: "Given the way MSP is structured, it leads to biodiversity loss and monoculture. Additionally, it has become a disincentive for crop diversification." The farmers say lack of government procurement for crops such as maize, mustard and pulses discourage them from curbing cultivation of paddy and wheat, where there is assured purchase on MSP.

"Without price assurance, we would not be shifting out of growing paddy and wheat," Mandeep Singh, a farmer from Fatehgarh Sahib district, Punjab, said."Unless farmers are not assured of MSP purchase, crop diversification would not happen," Manjinder Singh, secretary, mandi committee at Khanna, which is Asia's biggest grain market in terms of daily arrivals, said. He said the government should set a benchmark purchase price for potatoes as well so that farmers are encouraged to grow it.

Pitching for crop diversification, the economic survey (2023-24) of the Punjab government had recently stated that the cropping pattern of growing water-intensive rice and wheat along with free electricity supplied to farmers has resulted in depletion of ground water levels, and the model is 'economically and ecologically unviable'.Stating that yield of cereals, pulses and oilseeds in Punjab has been higher compared to national average, the survey has noted "yields are stagnating in wheat and rice and it is another reason for crop diversification to be the way forward".

But MSP purchases for more crops is not seen as a solution by experts. Ashok Gulati, agricultural economist and former chairman, commission for agricultural costs and prices (CACP), said, "In Punjab, it's important to ensure that farmers move away from paddy and wheat. In order to do that, a lumpsum amount of Rs 25,000 to Rs 30,000 per hectare may be given to farmers who grow less water guzzling crops like pulses, oilseeds, millets and maize."Making MSP legal and forcing the private sector to buy at MSP is not practical or desirable, Gulati said: "One can make MSPs for these crops effective by asking government agencies such as Nafed to procure whenever market prices go below MSP."

Source: Financial Express, Sunday, April 21, 2024

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Farm exports flat in FY24 as rice shipments plunge

Oil meals shipments in the current fiscal rose by 7% to 1.7 billion last fiscal on year.

India's exports of agricultural and processed food products fell marginally – 0.55% on year – to $ 24.02 billion during 2023-24, primarily because rice shipments plunged amid restrictions.However, in an year when overall goods exports of the country declined 3.1% on year, shipment of meat & dairy products and fruits & vegetables witnessed double-digit growth rates.

According to the Directorate General of Commercial Intelligence and Statistics, rice exports in the last fiscal dropped 6.5% to $10.4 billion on year because of the ban on white and broken rice exports, shipment duties on parboiled rice and the ban on wheat exports imposed in May last year.Sources said that decline in the value of rice exports is attributed to decline in shipment of non-basmati rice due to several restrictions such as ban on white rice shipment and 20% export duty on part-boiled rice exports imposed last year.

However, livestock products – buffalo meat, dairy and poultry, a key item in the APEDA basket rose by close to 12% last fiscal to $ 4.5 billion compared to FY23.The exports of fresh fruits and vegetables rose by 14% in FY24 to $3.65 billion on year. The shipment of cereals preparations and processed items, rose by 9% to 2.8 billion last fiscal on year.

Oil meals shipments in the current fiscal rose by 7% to 1.7 billion last fiscal on year.The rice exports in the FY23 rose by more than 15% year-on-year to a record $ 11.1 billion from $9.6 billion in FY22. In terms of volume, rice shipment grew by 5% to a record 22.34 million tonne (MT) last fiscal. In the current fiscal, rice shipment is likely to be around 17 MT.

Meanwhile, to boost exports of Geographical Indication (GI) tagged rice varieties such as Gobindobhog, Red rice, Black rice and Kalanamak rice, the government is discussing with the stakeholders to allocates separate numbers for harmonized system (HS) codes, a numerical classification used in global trade.

The aim is to ensure that in case of a ban or restriction on exports of broken or white rice, such unique varieties are exported unhindered. Currently there are six HS codes for non-basmati rice and one for the basmati rice. The cashew exports in FY24 declined by 4.8% to 0.33 billion.

The exports of products under the APEDA basket grew by 9% to $24.1 billion in 2022-23 compared to FY22, due to a spike in shipment of rice, fruits and vegetables, livestock and dairy products.

The share of exports of products under the APEDA basket is around 51% in the total shipment of agri-produce. Rest of the agricultural products exports include marine, tobacco, coffee and tea.

Source: Financial Express, Sunday, April 21, 2024

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FCI wheat procurement drops on low arrivals in Punjab, Madhya Pradesh

Temporary setback. Farmers wait for the grain with high moisture to dry, purchases top 60 lakh tonnes

Wheat procurement by the Food Corporation of India (FCI) for the Centre's buffer stocks has dropped 37 per cent as arrivals in Punjab are only 13 per cent so far compared with the year-ago period. However, millers and traders in the State said that low arrivals were mainly due to the grains getting wet from the recent rains. Once the wheat dries up, farmers will bring it to procurement centres.

Millers are relying on higher than targetted procurement by the Punjab government and are not interested in buying much as they expect to purchase the foodgrain from the Food Corporation of India (FCI) at ₹2,300/quintal as announced, which is lower than the price they have to pay now.

The total procurement of wheat has reached 60.58 lakh tonnes (lt) until April 18 against 95.36 lt a year ago, official sources said. There is similar drop in wheat arrival which was recorded at 86.23 lt until April 18 against 130.97 lt a year ago.

to top target?

The Centre has procured 3.31 lt of wheat in Punjab against 31.68 lt a year ago whereas arrivals have been reported at 4.71 lt, down from 40.07 lt a year ago. "It looks, the production is 10-15 per cent more this year in Punjab. The crop quality is very good and once it is dried, farmers will bring the grain. There is no reason why procurement will not exceed the target of 130 lt. It may reach 132 lt," said Naresh Ghai, president of Punjab Roller Flour Millers Association.

Asked if millers plan to buy aggressively this year, Ghai said once the government completes its procurement, millers will buy if required after that. Sources said Punjab millers want to buy wheat from the FCI through the open market sale scheme (OMSS) which will be at least ₹50/quintal cheaper as they have to spend more to buy the grain from the *mandi* (agri-market yard). After paying the ₹2,280/quintal (MSP equivalent), millers will also have to bear *arathiya* (agent) commission and some other charges which will take the total cost at the mill gate to ₹2,400 per quintal.

The purchase in Madhya Pradesh has been hampered due to rains and as a result, the total procurement is now down to 24.55 lt from 27.98 lt a year ago. The government targets to buy 80 lt from MP. Wheat procurement in Haryana, where target is also 80 lt, has reached 28.73 lt, down by 18 per cent from 35.05 lt a year ago.

Bonus payment

In Rajasthan, the Centre has been able to buy 1.30 lt, which is much higher from 5,208 tonnes a year ago. However, sources said since the State is offering to pay ₹125/quintal bonus over and above the MSP, like in MP, purchases are higher. But, considering that arrival has reached 4.66 lt, the procurement should have been much higher. Last year was unusual and only 4.38 lt could be bought in the entire season, the sources said.

The Centre has bought 2.65 lt of wheat from UP so far, whereas the aim is to buy 60 lt in this season. Though it is much higher than 54,835 tonnes bought in the year-ago period and also according to the arrival volume, but holding back of the grain by the farmers could be counter productive for the government to meet the target.

Due to informal restrictions on traders and large corporates by Uttar Pradesh, farmers are forced to sell to the government at MSP whereas they think they could have realised higher prices due to a rise in demand. Wheat stock in the Union government's reserves fell to the lowest in last 16 years on April 1, putting pressure on the government to buy as much quantity as possible.

Though the official target is to buy 372.9 lakh tonnes (lt) in the marketing year that began on April 1, officials have said the "realistic" procurement might be 310-320 lt. The Agriculture Ministry has pegged wheat production at a record high of 1120.2 lt for the 2023-24 crop year (July-June).

Source: The Hindu Business Line, Saturday, April 20, 2024

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Wheat stocks hit 16-year low after record sales

Wheat stocks hit 16-year low after record sales

Reuters
feedback@livemint

Indian wheat stocks held in government warehouses dropped to their lowest level in 16 years after two straight years of reduced crop yields prompted New Delhi to sell record volumes to boost domestic supplies and bring down local prices.

Wheat reserves in state stores totalled 7.5 million metric tonnes at the start of April, down from 8.35 million tonnes a year ago, according to data compiled by the state-run Food Corporation of India. Over the past decade, wheat stocks on April 1 averaged 16.7 million tons.

"The stocks came down as we sold a record 10 million tonnes last year to stabilize prices," a senior government official said.

Despite the tight supply, New Delhi has resisted calls to encourage imports by cutting or removing the current 40% tax, or by buying directly from top suppliers such as Russia.

Instead, it has dipped into state reserves to sell wheat to bulk consumers, such as flour millers and biscuit-makers, to try to curb domestic prices that have been above the state-fixed minimum buying price since the last crop was harvested.

"Even after selling a massive quantity, we managed to ensure that the stock level didn't fall below the buffer norm. Going forward, the government is keen to ensure that wheat stocks do not fall below 10 million tonnes," the government official said.

The government has buffer and strategic reserve norms that mandate holding wheat stocks at or above 7.46 million tonnes on April 1.

Source: Livemint, Saturday, April 20, 2024

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Area under summer crops up 8% on higher paddy, pulses coverage

The area under summer crops has reached 64.47 lakh hectares (lh) as of Friday, which is 8 per cent more than 59.59 lh reported in the year-ago period as the *zaid* season sowing continues to progress well. The total normal area under zaid crops, grown before kharif sowing and after rabi harvest, is estimated at 66 lh in the season.

Progress card

(lakh hectares)

	2024	2023	% Change
Paddy	29.80	27.41	8.7
Pulses	13.12	11.96	9.7
Moong	10.36	9.42	10
Urad	2.76	2.54	8.7
Coarse Cereals	11.31	10.35	9.3
Jowar	0.37	0.16	133.1
Bajra	4.61	4.36	5.6
Maize	6.33	5.82	8.6
Oilseeds	9.65	9.18	5.1
Groundnut	4.58	4.43	3.2
Sunflower	0.33	0.29	16.0
Sesamum	4.74	4.46	6.3
All crops	**64.47**	**59.59**	**8.2**

The sowing under summer paddy has increased to 29.80 lh until April 19, which is 9 per cent more than the 27.41 lh reported in the year-ago period.

Summer pulses areas are up 10 per cent at 13.12 lh from 11.96 lh as higher urad and moong acreage has been reported this year. Moong crop sowing is up at 10.36 lh against 9.42 lh a year ago and urad rose at 2.76 lh from 2.54 lh. The key growers of summer pulses are Madhya Pradesh, Bihar, Odisha, Tamil Nadu, Uttar Pradesh and Gujarat.

Maize area up

Oilseeds acreage has been reported at 9.65 lh, up by 5 per cent from 9.18 lh. Groundnut has been sown on 4.58 lh and sesamum on 4.74 lh. Both seasmum and groundnut coverage is higher from the year-ago period. Sunflower acreage reached 33,000 hectares as against 29,000 hectares a year ago.

The acreage under summer-grown nutri cereals and maize is up 9 per cent at 11.31 lh from 10.35 lh as higher coverage of jowar, bajra and maize has been reported this year. Jowar sowing is up at 37,000 hectares against 16,000 hectares in the year-ago period while bajra acreage was reported 6 per cent higher at 4.61 lh from 4.36 lh. Maize acreage, too, is up 9 per cent at 6.33 lh from 5.82 lh.

Deficient rainfall

Meanwhile, the cumulative rainfall in pre-monsoon season since March 1 is 18 per cent below normal at 42.5 mm against 52 mm, considered normal on pan-India basis, until April 19. While North-West region has 11 per cent deficit, central India has received 89 per cent higher precipitation than its long period average (LPA) between March 1 and April 19. The southern peninsula region has received 72 per cent below normal rainfall and East and north-east India 32 per cent lower than average precipitation, India Meteorological Department data show.

Source: The Hindu Business Line, Saturday, April 20, 2024

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Bihar may rejoin PMFBY, but enrolment will have to wait

Biding time. Gujarat, which too had quit the crop cover scheme, is yet to decide

The number of States that implement the Centre's flagship crop insurance scheme PMFBY may jump to 22 as Jharkhand and Telangana are likely to start enrolment for the upcoming kharif season. While discussions with Bihar is at an advanced stage for its return, Gujarat is yet to make up its mind.

"We are hopeful of Jharkhand and Telangana to start enrolment for this kharif; Bihar may not be able to do even if it decides to rejoin as very little time is left," said an official source. Jharkhand decided to rejoin the Pradhan Mantri Fasal Bima Yojana (PMFBY) last year while Telangana conveyed its decision this February after new government was formed.

For the kharif 2024 season, enrolment under PMFBY has started only in Himachal Pradesh even as 20 days have passed. The normal enrolment for kharif starts from April 1 and ends on July 31, but the period varies from State to State and at times even from crop to crop. The premium rates need to be fixed before April 1, as per guidelines, but it is not followed by States.

"PMFBY is a non-political scheme aimed at gradual shifting towards real insurance as previously it was compensation-based models. Crop insurance will take more years to mature in India as farmers' welfare remain core to the policy making in the government and benefits for small and marginal farmers are always accorded priority," said a top official of a private insurance firm.

stakeholder talks

He also said that after West Bengal, Bihar and Andhra Pradesh introduced universal coverage, insuring all farmers by default , the Centre is also consulting with stakeholders if there is a feasibility to make PMFBY universal for small and marginal farmers, owning up to 2 hectares of land.

Andhra Pradesh, Telangana and Jharkhand had quit PMFBY in 2020 while West Bengal and Bihar exited the scheme before. Punjab never implemented the scheme as it does not see PMFBY beneficial for the farmers amid 100 per cent irrigation, mainly from groundwater.

Experts said that Gujarat's exit from the scheme points to something wrong with PMFBY as it was launched in 2016 after Narendra Modi became the Prime Minister. Unless the Centre addresses the concerns of Gujarat and ensures its return, the scheme may not be attractive, said a former top official of the Agriculture Ministry and added: "at the best it could be compulsion for a State without any viable alternative."

Source: The Hindu Business Line, Monday, April 22, 2024

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Maharashtra mills produce 109.36 lt of sugar

As the 2023-24 crushing season in Maharashtra nears the end, sugar mills in the State have crushed 1066.86 lakh tonnes(lt) of sugarcane to produce 109.36 lt of sugar. Out of 207 sugar mills operational this season, 196 mills have stopped crushing.

Last year during the same period, 211 mills had crushed 1053.91 lt of sugarcane to produce 105.23 lt of sugar. The extract percentage or sugar recovery is higher this season (10.25 per cent) compared to 10 per cent last season.

Almost all sugar mills in the sugar belt of western Maharashtra have closed operations while in the other parts of the State, mills will close operation in the next couple of days.

Industry experts said sugar production is higher than expectations. When the crushing season started, the industry anticipated less production compared to the last season.

However, favourable weather conditions and an ample supply of sugarcane enhanced prospects for the industry. Industry insiders note that the extended crushing season, spurred by unseasonal rains, has proved beneficial for Maharashtra’s sugar sector, leading to increased production and boosting the local economy.

Source: The Hindu Business Line, Saturday, April 20, 2024

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Tea exporters fear shipment delays due to Iran-Israel conflict

Concern over a possible Iran-Israel standoff has prompted many tea exporters focusing on Kochi auctions to fulfil their export commitments at the earliest.

Exporters fear that the impasse between the two countries may culminate into a full-fledged war any time and is likely to push the freight cost that would hit tea shipments badly. To overcome the situation, exporters are busy completing their shipments commitments for March and April after receiving the payments from buyers, traders said. This is evident from the strong buying demand for orthodox leaf grades, witnessing a higher sales percentage of 93 in sale 16 out of the offered quantity of 1,97,394 kg. The average price realisation was also up by ₹18 at ₹197.68 compared to ₹179.59 in the previous week.

Buyers active

Traders pointed out that tea exports had passed through difficult times in the beginning of the New Year till March in the wake of surging freight cost by over three times and it has started moderating from April. However, they are worried over the current stalemate between Iran and Israel which is likely to add up the freight cost anytime and hinder smooth dispatch of consignments to several overseas destinations. Auctioneers Forbes, Ewart & Figgis said exporters to CIS and Middle East continue to be active along with the upcountry interest in the auctions.

Dipak Shah, Chairman of South India Tea Exporters Association, said Iraq has emerged as one of the major buyers for medium quality orthodox teas from South Indian auctions and the trend is likely to continue further. The rising temperature in many production centres has hit production badly. However, the summer showers in some areas have brought relief to tea growers which would enable one round of crop to hit the auctions in a fortnight.

CTC dust market was also dearer, especially good liquoring teas in which blenders absorbed 66 per cent of the offered quantity of 7,14,554 kg.

Source: The Hindu Business Line, Saturday, April 20, 2024

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ECONOMY

India gets IMF pat for maintaining fiscal discipline in poll year

The International Monetary Fund has applauded India for maintaining fiscal discipline in an election year, saying that the Indian economy is doing well and continues to be the world's bright spot.

"At this point in time, India's economy is doing well. Growth at 6.8 per cent is very good. Inflation's coming down. We have to make sure that inflation comes down to target and it is there on a durable basis. Macro fundamentals look pretty good," Krishna Srinivasan, Director, Asia and Pacific Department, at the IMF told *PTI* in an interview.

"One thing I would say is that maintaining fiscal discipline, especially in the election year, for me, has been quite a highlight because countries do embark on fiscal adventures in the election year. This government has maintained a discipline, I think, is very important because at the end of the day, sound macro fundamentals are the basis on which countries prosper and have durable growth. So that's very important to maintain that," Srinivasan said.

What numbers say

India, he said, has successfully navigated multiple shocks over the last several years. It's emerging to be one of the fastest major economies in the world. "In fact, for this year, for 2024-25, we project growth at 6.8 per cent led by private consumption and public investment. Inflation is coming down gradually. It's now below 5 per cent," he said.

"If you look at the macro fundamentals, they're pretty solid, despite this being an election year, the government has adhered to fiscal discipline. You look at the reserve position, it's strong. If you look at overall macro fundamentals, it's pretty good," he said, adding that risks to the economy are broadly balanced. According to the Reserve Bank of India (RBI), India's forex reserves jumped by $2.98 billion to a fresh peak of $648.562 billion for the week ended April 5.

"In the short-term, an important risk is volatile commodity prices with various tensions... But going beyond the short-term, you could think in terms of weather-related shocks, fragmentation, all these are things to worry about in terms of risks to the outlook. Of course, there are also risks to the upside when I say private consumption could be stronger. The impact from capex spending in India could be stronger with more crowding in the private investment. So those are upside risks. In a nutshell, India has a sweet spot at this point in time," the IMF official said.

Source: The Hindu Business Line, Saturday, April 20, 2024

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(Opinion)

India’s trade and emerging issues

The global growth recovery is expected to be steady and resilient in the upcoming period amidst several risks emanating from rising geopolitical tensions, tight monetary conditions, supply chain disruptions, rising public debt levels, and extreme weather conditions among others.

By Chinmay Joshi

The international trade among countries and economic growth are inseparable and intertwined with each other. Historically, the importance of trade can be traced back during the times of Han dynasty in China or the Roman empire which reaped significant gains in maintaining peaceful relations among nations, attaining higher efficiency in capacity building and promoting economic development (WTO).

The global growth recovery is expected to be steady and resilient in the upcoming period amidst several risks emanating from rising geopolitical tensions in terms of wars between Russia-Ukraine in Eastern Europe and Hamas-Israel in the Persian Gulf region; tight monetary conditions as a response to elevated level of inflation; supply chain disruptions; rising public debt levels and extreme weather conditions among others. The World Economic Outlook (WEO) January Update 2024 released by the International Monetary Fund (IMF), estimated an encouraging trend in the real GDP growth to 3.1% in 2024 and 3.2% in 2025 from 3.1% in 2023. Similarly, the recently released Global Trade Outlook and Statistics (GTOS) April 2024 by the World Trade Organisation (WTO) predicted an increase in growth rate of world merchandise trade volume from -1.2% in 2023 to 2.6% and 3.3% in 2024 and 2025 respectively despite several impediments to the world trade. In this context, it is important to note that the volume of merchandise trade growth was more than twice of real GDP growth in the 1990s whereas in the early 2000s, the volume of trade growth was around 1.5 times the growth rate of real GDP. The growth in commerce and real GDP roughly recorded the same rate on an average notwithstanding several regional conflicts and economic challenges since the 2010s (GTOS, April 2004). This underscores the close association between the trade among countries and the economic growth.

In the Indian context, as per the Second Advanced Estimate (SAE), released by the National Statistical Office (NSO) of MOSPI, GoI, the Indian economy is expected to post a robust economic growth. The annual growth rate of the GDP in real terms is estimated to increase from 7.0% in 2022-23 to 7.6% in 2023-24. Similarly, the quarterly growth rates are also estimated to be at 8.2% in Q1, 8.1% in Q2 and 8.4% in Q3 of 2023-24. However, it is to be noted that, in the upcoming period, due to several exogenous and endogenous factors, the growth momentum is expected to moderate. The resolution of the recently concluded monetary policy committee (MPC) meeting of Reserve Bank of India (RBI) on April 05, 2024 also projected a moderation in real GDP growth to 7.0% in 2024-25.

The estimated GDP growth in 2023-24 is characterised by the double-digit growth in manufacturing sector (11.6% in Q3 on Y-o-Y basis) followed by the construction sector (9.5% in Q3 on Y-o-Y basis) from the supply side and robust growth in investment reflected in terms of rising Gross Fixed Capital Formation (GFCF) from 8.49% in Q1 to 11.63% in Q2 and 10.58% in Q3 of 2023-24 on the demand side. However, the growth in the consumption demand remained subdued which is reflected in terms of declining Private Final Consumption Expenditure (PFCE) to 3.51% in Q3 of 2023-24 as compared to 5.31% in Q1 of 2023-24. Additionally, despite the strong expected growth in the overall GDP, the share of PFCE as a percent of GDP declined from 61.3% in Q3 of 2022-23 to 58.6% in Q3 of 2023-24. A declining trend can also be observed in the agriculture sector which is expected to slow down from 5.2% in Q3 of 2022-23 to -0.8% in Q3 of 2023-24.

Apart from that, the net exports (NX) which is the difference between the value of total exports and the value of total imports in traditional Keynesian sense is an important component of the demand side GDP growth in India, as exports have huge potential to create employment opportunities in the country and thereby supporting the objective of economic development. As per the SAE, a positive trend can be observed in the exports on Y-o-Y basis in 2023-24 however, imports remained at the elevated levels despite the softening of international energy prices yielding a marginal gain arising out of rise in exports. Besides, the share of exports in the real GDP declined from 23.3% in Q3 of 2022-23 to 22.2% in Q3 of 2023-24. On the other hand, there has been a steady rise in the share of imports in the GDP in 2023-24 as compared to the previous year. Similarly, across quarters of 2023-24, there has been a more than proportionate rise in the share of imports in the real GDP vis-à-vis the share of exports. This suggests a greater attention is needed to be paid for promoting exports and reducing import dependence in order to offset the ill effects of high levels of imports which will be manifested in terms of rising trade and current account deficit.

Against this backdrop, it is essential to address the precarious conditions effectively and efficiently emerging out of certain parts of the world on which India is heavily dependent for its energy needs. The problems emanating from widening conflict in the middle east region encompassing surrounding regional powers have a huge potential to worsen the critical situation of India's external trade. The imminent threat will be manifested in terms of oil price shocks as a result of the highly volatile situation in the middle east region which is one of the largest sources of crude oil and other energy products for India. The crude oil prices have increased from around 75$ per barrel at the start of 2024 to around 92$ per barrel in mid-April 2024 as a result of the possibility of opening of another war front between Iran and Israel. Also, this region is particularly important in world trade as trade routes through the Red Sea and the Suez Canal handle around 15% and 12% of international trade respectively (GTOS, April 2004).

In order to boost India's exports, it is important to consider the elasticity of demand for its product abroad. There is a need to improve the quality and standard of domestic products in order to withstand the global competition. The availability of easy credit; ensuring effective marketing support for the products abroad; Production Linked Incentive (PLI) schemes in targeted sectors; signing new Free Trade Agreements (FTAs) ensuring favourable terms with various countries; negotiating effectively on the international trade platforms such as WTO and with various other trade blocs along with effective implementation of various measures announced in the new foreign trade policy will be helpful in augmenting Indian exports.

Similarly, it is also important to find alternative cheap energy sources, reduce energy dependence on imported energy products and explore new indigenous resources of energy products so that India's burgeoning import bill can be contained. This will further lead to reducing the strain on the trade deficit and consequently the current account deficit. The building up of crude oil strategic storage will certainly prove to be helpful in mitigating the risks arising out of supply chain disruptions and sudden rise in the oil prices.

The international trade and commerce face several risks arising out of geo-political challenges, increasing protectionism, inimical trade environment and policy ambiguities among others. In these pressing times, India must ensure that the negative consequences arising out of these threats are minimised in order to achieve its ambitious trade objectives.

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