

Outlook

5.67 The total foodgrains stock in the central pool of FCI was 21.7 million tonnes as on January 1, 2005, as against the buffer norm of 16.8 million tonnes. Although the stock of wheat on January 1, 2005 at 8.9 million tonnes was marginally higher than the corresponding buffer norm (8.4 million tonnes), the withdrawal of wheat from the central pool during the remaining months of the current fiscal is expected to be relatively lower as compared to last year, because of the lower offtake of foodgrains under the welfare schemes, open market sales and exports. Thus it is unlikely that the wheat stock with FCI would be reduced to levels below the buffer norm of 4 million tonnes as on April 1, 2005. The Agriculture Ministry, in its second advance estimates released on January 19, 2005, has projected a higher level of wheat production for the crop year 2004-05 at 73.03 million tonnes as compared to 72.06 million tonnes last year. This has implications for procurement of wheat, which would commence from April, 2005 onwards.

5.68 The robust procurement of rice during the KMS 2004-05, already reaching 15.70 million tonnes by January 31, 2005 (over one million tonnes higher than the corresponding period last year), has improved the stock position of rice to 12.7 million tonnes on

January 1, 2005 compared to the last year's corresponding stock level of 11.7 million tonnes, and 6 million tonnes on October 1, 2004. In the second advance estimates, the Agriculture Ministry has projected the production of rabi rice at 14.51 million tonnes, almost 1.5 million tonnes higher than last year's production. This has favourable implications for procurement of rabi rice, which would start from April, 2005. In all probability, total procurement of rice during 2004-05 would exceed last year's record level of 22.83 million tonnes. The stock position of rice in the coming months is, therefore, likely to remain comfortable.

5.69 Unfavourable monsoon at home and hardening of international prices of minerals, metals, crude oil and related products led to acceleration of WPI inflation since May 2004, which reached 8.7 per cent on August 28, 2004. However, sound macro-economic management by the Government coupled with specific monetary and fiscal measures led to continual deceleration of WPI inflation since then. The current point-to-point WPI inflation is running around 5.2 per cent compared to 5.9 per cent a year ago. In general there is a downward trend of prices particularly for the agro-based products during January-March every year due to seasonality of prices. The current year is no exception to this general trend.