

Commodity Profiles

5.28 The overall availability and retail prices of most of the essential commodities including rice, sugar, tea, milk and edible oils were generally satisfactory. The stocks of rice with central agencies as on 1st January 2006 were satisfactory as per the buffer stocks norms. There was some concern about dwindling stocks of wheat and its impact on the prices in mid-January, 2006. Edible oils and pulses, in which the country is not self-sufficient, continued to be imported to augment their domestic availability. Annual inflation rates for selected commodities are provided in Table 5.8.

Sugar

5.29 India is the largest consumer of sugar and the second largest producer of sugar with a share of over 15 per cent of world sugar production. Sugar industry is the second largest agro-based industry in India after textiles. The importance of sugar industry in India can be judged from the fact that about 45 million sugarcane growers and a large number of rural labourers depend on sugarcane and sugar industry for their livelihood. Sugar cultivation accounts for 3 per cent of total cultivated area and contributes 7.5 per cent of the gross value of agricultural production.

5.30 There are 571 installed sugar mills in the country with a production capacity of 19.2 million tonnes (MT) of sugar. On the back of successive good monsoons, sugar production increased rapidly from 15.5 MT in 1998-99 to 20.1 MT in 2002-03, and sugar

prices declined in 2002-03 and remained low for the major part of 2003-04 due to high stocks. The WPI for Sugar (with base 1993-94=100) at 133.1 at the beginning of April 2004 was higher than 132.3 recorded two years ago at the beginning of April 2002. Sugar industry faced a complex problem of high stocks, low prices, poor profitability, financial crunch and mounting cane price arrears.

5.31 Sugar production declined to around 14 MT in 2003-04 and 2004-05 due to droughts and pest infestation in major sugar producing states like Maharashtra, Tamil Nadu, Andhra Pradesh and Karnataka. Government also increased the statutory minimum price (SMP) of sugarcane from Rs.74.50 per quintal to Rs.79.50 per quintal for the sugar season 2005-06. International prices of sugar ruled high and increased from Rs.10, 951 per tonne on April 5, 2005 to Rs.15, 457 per tonne on December 28, 2005.

5.32 According to the fourth advance estimates of the Department of Agriculture and Co-operation, sugarcane production for 2004-05 is estimated at 232.3 MT compared to 237.3 MT in 2003-04. As per the first advance estimates, sugarcane production is expected to be 257.7 MT in 2005-06, an increase of 10.9 per cent over that in 2004-05.

5.33 On January 21, 2006, sugar group with weight of 3.93 percent in the WPI registered point-to-point annual inflation of 2.5 per cent and contributed 2 per cent to overall inflation compared to an inflation of 26.9 per cent and contribution of 15.1 per cent a year ago (Table 5.9). With higher releases of free sale quota during the lean and festival seasons,

Table 5.8 : Annual WPI Inflation-selected commodities

(per cent)

Items	Weight	26/3/2005	17/12/2005	24/12/2005	31/12/2005	7/1/2006	14/1/2006	21/1/2006
Rice	2.45	2.9	3.4	2.9	3.1	1.8	2.0	2.0
Wheat	1.38	-1.1	3.6	3.8	5.7	6.5	7.2	10.7
Jowar	0.22	9.9	3.0	2.2	2.7	4.5	5.5	6.6
Bajra	0.11	28.7	11.4	13.4	13.2	12.2	11.4	12.3
Gram	0.22	-1.1	24.3	24.1	23.1	23.0	22.8	25.1
Urad	0.10	-2.9	30.3	28.4	33.4	38.7	32.9	39.8
Moong	0.11	0.9	15.5	12.8	12.8	14.5	15.0	20.7
Potatoes	0.26	40.4	99.2	104.1	98.0	82.8	60.1	58.3
Onions	0.09	-27.7	98.8	99.8	68.3	53.6	49.5	46.2
Fish	0.50	6.6	31.8	29.0	27.3	32.9	39.6	30.3
Chillies	0.19	-24.7	-2.3	4.0	4.8	11.4	10.2	12.7

Items	Weight	Annual inflation		Contribution to inflation	
		2005-06	2004-05	2005-06	2004-05
		ALL COMMODITIES	100.00	4.5	5.4
Manufactured Products	63.75	2.8	5.4	35.2	56.5
Food Products	11.54	1.2	5.6	2.9	11.1
Sugar, Khandsari & Gur	3.93	2.5	26.9	2.0	15.1
Sugar	3.62	2.3	30.7	1.6	14.2
Khandsari	0.17	13.4	40.4	0.5	0.9
Gur	0.06	8.2	34.6	0.1	0.3

and an expected production of 17.5 MT, the prices of sugar exhibited a stable trend during 2005-06 sugar season. The increase in prices of sugar witnessed in 2004-05 has subsided in the current year, though the prices continue to rule at a higher level. The availability and prices of sugar in the current season are expected to remain at reasonable levels.

Onion

5.34 With excess rains in Maharashtra and Gujarat resulting in a decline in the storable rabi onion, the prices recorded a hardening trend in the retail market from end-August, 2005 and up to November 2005. Government took appropriate steps to contain the prices within reasonable limits. These included augmenting supplies by bringing stocks from

the neighbouring States; building a buffer stock of onions of 800 tonnes with the stocks from Rajasthan and Madhya Pradesh; making available onion for sale at subsidized rate by different State Governments; and effective monitoring of prices and availability of onion in different States. Price of onion declined after mid-November 2005 with the arrival of fresh crops in large quantities. The estimated production of onion in 2005-06 is expected to be higher at 6.03 MT compared with 5.94 MT in 2004-05 and 5.72 MT in 2003-04.

Potato

5.35 Potato is mainly a rabi crop and is grown mainly in U.P, Punjab, Haryana, West Bengal, Madhya Pradesh, Bihar, Andhra Pradesh, Tamil Nadu and Gujarat. During

State/UT	Kharif		Rabi		Total	
	Area	Production	Area	Production	Area	Production
	(000 hect.)	(000 tonnes)	(000 hect.)	(000 tonnes)	(000 hect.)	(000 tonnes)
Andhra Pradesh	-	-	2.00	20.00	2.00	20.00
Assam	-	-	83.00	680.00	83.00	680.00
Bihar	-	-	162.00	2225.00	162.00	2225.00
Gujarat	-	-	33.00	830.00	33.00	830.00
Haryana	-	-	10.25	325.00	10.25	325.00
Himachal Pradesh	8.43	75.00	4.30	92.00	12.73	167.00
Jammu & Kashmir	-	-	2.10	31.50	2.10	31.50
Karnataka	30.00	300.00	22.00	325.00	52.00	625.00
Madhya Pradesh	10.00	190.00	23.00	190.00	33.00	380.00
Maharashtra	10.00	175.00	6.00	97.00	16.00	272.00
Orissa	-	-	8.00	85.00	8.00	85.00
Punjab	-	-	85.00	1225.00	85.00	1225.00
Rajasthan	-	-	6.50	60.00	6.50	60.00
Tamil Nadu	3.00	58.50	4.00	73.50	7.00	132.00
Uttar Pradesh	-	-	385.00	8300.00	385.00	8300.00
West Bengal	-	-	350.00	7700.00	350.00	7700.00
Uttaranchal	18.00	360.00	5.00	140.00	23.00	500.00
Others	25.00	250.00	22.00	345.00	47.00	595.00
Total	104.43	1408.5	1213.15	22744	1317.58	24152.5

Source : Department of Food and Civil Supplies

2005-06, total production of potato is estimated to be 24.65 million tonnes from an area of 13.29 lakh hectares. Production of potato during 2004-05 was estimated to be 24.15 MT as compared to 23.27 MT in 2003-04. Potato production suffered in early January 2006 due to cold waves and foggy conditions in the northern parts of the country (Table 5.10).

Wheat

5.36 The retail prices of wheat remained steady during 2005-06 (up to December, 2005) except some hardening in May-June 2005 across various centres in the country. Government has taken several measures to stabilize the prices of wheat such as (a) daily monitoring, (b) release of adequate quantities under TPDS and other welfare schemes, (c) augmenting domestic supplies through Open Market Sales Scheme, and (d) ensuring adequate stocks in all the regions in the country. Government also decided to import 5 lakh tonnes of wheat as a precautionary measure. Production of wheat remained nearly stable at 72 MT during 2004-05 as in the previous year. The production targets for 2005-06 incorporate a modest increase of around 3 MT over 2004-05. Procurement of wheat during marketing season 2005-06 (April-March) at 14.8 MT was lower by 2 MT from 2004-05. Stock of wheat with FCI and other State agencies at 7.6 MT on December 1, 2005 were lower compared to December 1, 2004.

Pulses

5.37 The chronic demand-supply imbalance for most of the pulses observed over the last decade continues. Domestic consumption of pulses, estimated at over 15 MT per annum, is steadily increasing. Output of pulses, consistently lower at around 12-14 MT, in the last one decade has resulted in the shortfall being met through imports. During 2004-05, 1.3 MT of pulses were imported as against 1.7 MT a year ago. Imports during the first seven months of 2005-06 were 0.88 MT. Some increase in production of pulses during the last couple of years supplemented by imports helped in augmenting the domestic availability

and in ensuring price stability. Prices, however, have been under stress in recent months particularly for gram, urad and moong. As per the 1st advance estimates for 2005-06, the kharif pulses production is estimated to be marginally higher at 4.98 MT as compared to 4.95 MT in 2004-05. Area under pulses as well as the yield levels needs to be enhanced to address the situation of structural demand-supply imbalance.

Edible Oils

5.38 The retail prices of edible oils were generally stable during the past two years. Wholesale prices moderated with softening of international prices. In order to minimize the impact of softening of international prices on domestic industry, while reducing tariff values for crude palm oils and other palm oils, the Government rationalized the import and excise duties, the details regarding which have already been provided in para 5.27.

5.39 Domestic annual consumption of edible oils is estimated at over 12 MT, while domestic production has been hovering around 7 MT (Table 5.11). The production of oilseeds is likely to be sustained at 2003-04 level. The demand-supply imbalance for edible oils is met mainly through imports of soyabean and palm oils, which constitute nearly 40 per cent of total domestic consumption. The estimated

Table 5.11: Production of oilseeds and edible oils

(Million tonnes)

Year	Production of oilseeds	Net domestic availability of oils	Domestic consumption of edible oils
1998-99	24.8	7	9.6
1999-00	20.7	6	10.2
2000-01	18.4	5.5	9.7
2001-02	20.7	6.2	10.5
2002-03	15.1	4.7	9.1
2003-04	25.1	7.1	12.4
2004-05	24.8	7.3	11.7

Source: (i) Production of oilseeds: Ministry of Agriculture as Declared on 19-01-2005.
(ii) Net availability of edible oils: Directorate of Vanaspati, Vegetable Oils & Fat.

Table 5.12 : Present custom duty structure of crude and refined edible oils

(per cent)

	WTO binding	Current rates	
		on crude edible oils	on refined edible oils
Soyabean oil	45	45	45
Palmolein	300	80	90
Palm oil	300	80	90
Groundnut oil	300	75	85
Sunflower/			
Safflower oil	300	75	85
Coconut oil	300	75	85
Rapeseed/			
Mustard oil	75	75	75
Other oils	120/300	75	85

Source: Directorate of Sugar & Edible Oils.

imports of 4.5 MT during 2004-05 have helped in augmenting the domestic availability and keeping the prices at reasonable levels. During

the first seven months of 2005-06, imports of edible oils were 2.6 MT. The details of custom duties on crude and refined edible oils are in Table 5. 12.

II. Food Management

5.40 Procurement higher than the offtake had resulted in a buildup of excessive stocks of foodgrains during the two successive years of 2001-02 and 2002-03. There was a diminution of the problems associated with this build up of stocks during the current year. Stocks of food grains at 19 million tonnes as on the first December 2005 though lower than the stocks of 21.8 million tonnes in December 2004, were comfortable and higher than the buffer stock norms. The main reason for the decline of total stocks was due to lower stock of wheat.