

Commodity Profiles

5.34 The overall availability of most of the essential commodities including rice, sugar, tea, milk and edible oils was generally satisfactory. However, the prices continued to be under pressure for most part of the year. The stocks of rice with central agencies on November 1, 2006 were satisfactory as per the buffer stock norms. There was some concern about dwindling stocks of wheat and its impact on the prices in mid-January, 2006; however, the stocks position was addressed with imports (Table 5.12). To augment their domestic availability, edible oils and pulses, in which the country is not self-sufficient, continued to be imported.

Wheat

5.35 With adoption of modern production technology, the production of wheat – the second most important cereal in India after

rice – accelerated from 11.0 million tonnes in 1960-61 to a record 76.4 million tonnes in 1999-2000. But production has more or less plateaued since then, and is estimated at 72.5 million tonnes in 2006-07.

5.36 The decline in wheat output to 69.4 million tonnes in 2005-06 coincided with a bad international wheat year. World wheat production was estimated to be around 587 million tonnes as against a production of 628 million tonnes in 2004-05 (corresponding to India's agriculture year of 2003-04) and sharp increases in international wheat prices (Table 5.11). Wholesale price index of wheat, after increasing by 10.7 per cent between January 22, 2005 and January 21, 2006, increased by a further 11.8 per cent between January 21, 2006 and January 20, 2007 (Table 5.13).

Table 5.12 : Import of Wheat (2006-07)—Some basic estimates

	1 st Tender	2 nd Tender	3 rd Tender	4 th Tender	5 th Tender
Quantity tendered (lakh tonnes)	5	8	22	4	16.7
Supply Schedule	March-May	July-October	September-January	September-October	November-February
Rate in US\$ per tonne	179	187-198	190-205	210-215	224-270
Landed weighted average cost estimated US\$ per tonne	179	191	198	211	229
Landed cost (In Rupees/per tonne)	7,981	8,851	9,101	9,815	10,582

Table 5.13 : Wholesale price index of selected commodities (1993-94=100)

	24-Jan-04	22-Jan-05	21-Jan-06	16-Sep-06	14-Oct-06	18-Nov-06	16-Dec-06	20-Jan-07
Wheat	191.3	188.5	208.6	215.5	220.7	232.0	233.0	233.2
Gram	139.9	136.5	173.0	214.3	236.8	239.5	233.6	221.8
Arhar	178.4	169.4	172.0	181.6	185.6	182.0	180.8	186.7
Moong	187.2	191.2	240.9	303.2	323.1	311.0	305.3	303.1
Masur	252.4	237.2	241.7	251.4	254.6	249.1	250.8	251.8
Urad	213.2	222.6	327.1	391.1	451.0	426.6	424.2	403.8
Rape & Mustard Oil	197.1	174.1	157.8	161.8	162.3	164.1	174.7	169.7
Groundnut Oil	176.2	169.2	166.0	184.4	191.8	195.7	196.6	208.3
Coconut Oil	167.8	184.7	131.7	140.5	149.0	150.1	151.5	150.0
Potatoes	92.7	127.2	193.5	292.0	321.0	289.2	226.9	186.3
Onions	235.5	126.3	158.3	147.3	154.3	159.8	151.0	202.9
Tea	107.1	115.8	120.6	144.0	144.0	144.0	144.0	144.0
Sugar	124.1	162.2	166.7	168.7	166.8	164.7	161.6	155.2

5.37 Besides daily monitoring, the Government has taken several measures to stabilize the price of wheat such as (a) release of adequate quantities under targeted public distribution scheme (TPDS) and other welfare schemes, (b) augmenting domestic supplies through Open Market Sales Scheme, (c) ensuring adequate stocks in all the regions in the country together with supplementing the domestic availability with import of 55 lakh tonnes through State Trading Corporation, and (d) by permitting private trade to import at zero duty. However, higher international prices continued to push the landed cost of the imported wheat in each successive tender (Table 5.12).

5.38 With a perceived supply-demand mismatch and private trade offering prices above the minimum support price (MSP), Government procurement was lower than the target fixed for 2006-07 (rabi marketing season corresponding to agriculture year of 2005-06). Stock of wheat (with Food Corporation of India (FCI) and State agencies) at 6 million tonnes in November 2006, the latest month for which data is readily available, was lower than 10.3 million tonnes recorded in October, 2005. The upward trend in year-on-year inflation in wheat prices commenced in August 2006 (12 per cent) and reached 20 per cent in November 2006. Such inflation declined to 12 per cent in January 2007 (Figure 5.4). The domestic price of wheat has been following the trend in the international prices.

Pulses

5.39 The chronic demand-supply imbalance for most of the pulses observed over the last decade has continued. With rising incomes, domestic consumption of pulses, estimated at over 15-16 million tonnes per year, is steadily increasing. With limited price elasticity, price of pulses tend to be highly sensitive to supply-shortfalls.

5.40 Domestic production of pulses, after its peak of 14.9 million tonnes in 2003-04, declined to 13.1 million tonnes in 2004-05 and to 13.4 million tonnes in 2005-06. In the current year, production is estimated to recover to 14.5 million tonnes. International

availability of pulses is limited in quantity as well as in origin (mainly Australia, Canada, Turkey and Myanmar), During 2005-06, 1.6 million tonnes of pulses were imported as against 1.3 million tonnes in 2004-05. Imports during the current year upto January 2007 were 1.7 million tonnes as against 1.41 million tonnes in April to January 2006.

5.41 Wholesale price index of three out of the five important pulses – the two exceptions being arhar and masur – increased significantly in the last two years (Table 5.13). Year-on-year, price of gram increased by 28.2 per cent and 26.7 per cent in January 2006 and January 2007, respectively. The corresponding increase in the price of moong was 25.8 per cent and 26.0 per cent, and of urad 23.0 per cent and 46.9 per cent. WPI-based average inflation of pulses as a group (Figure 5.5) was in the range of 28-44 per cent since April 2006. The current financial year started with 36 per cent year-on-year inflation in pulses. Such inflation, after decelerating to 28 per cent in August 2006, accelerated to 44 per cent in October 2006. However, recent months have shown some declining tendencies with inflation down from 34 per cent in November 2006 to 30 per cent in January 2006.

Edible Oils

5.42 Prices of edible oils were generally stable during 2004-2006. During this period, domestic production of nine oilseeds also increased from 148.4 million tonnes in 2002-03 to 279.8 million tonnes in 2005-06. In 2006-07, production of these nine oilseeds is estimated to have declined by 18.5 per cent to 236.2 million tonnes.

5.43 Domestic consumption of edible oils is estimated at over 10 million tonnes per year, while domestic production has been hovering around 6 million tonnes. Import of edible oils (mainly soyabean and palm group of oils), which bridges the gap between domestic supply and demand, was 47.00 lakh tonnes and 42.88 lakh tonnes in 2004-05 and 2005-06, respectively. During the first six months of 2006-07, such imports were 21.58 lakh tonnes compared to 24.86 lakh tonnes in the corresponding period a year ago.

5.44 During the current year, edible oil prices, after remaining steady till around August, started hardening thereafter. Firm international prices and low domestic availability contributed to such hardening. WPI for edible oils as a sub-group (with a weight of 2.76 per cent in overall WPI), year-on-year, increased by 11.46 per cent on January 20, 2007 as against a decline of 5.73 per cent on the corresponding date of the previous year. (Figure 5.6)

5.45 Government reduced basic customs duty on crude palm group of oils by a total of 20 percentage points in two equal instalments in August 2006 and in January 2007. The duty on refined palm group of oils was reduced by 22.5 per cent. A reduction in basic customs duty of 10 percentage points was also announced for sunflower seed oil in January 2007. The impact of the duty cuts is now getting reflected on the price of imported edible oils. Groundnut oil prices, however, continue to experience upward pressures as the import option is not available and domestic production has declined considerably.

Sugar

5.46 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 production is provisionally estimated at 193 lakh tonnes in 2005-06 sugar season (October-September) as compared to 130 lakh tonnes in 2004-05 sugar season. In the the current 2006-07 sugar season, sugar production is preliminarily estimated to peak at 227 lakh tonnes, surpassing the previous record of 201 lakh tonnes in 2002-03 sugar season. Consumption is estimated at 190 lakh tonnes.

5.47 The retail price of sugar, which was in the range of Rs. 17.00 to 21.00 per Kg in January 2005 increased to Rs. 19.50 to 23.00 per kg in the month of February 2006 and further to Rs. 20.00 to 23.00 per Kg in the month of May 2006. In order to check the rising prices, the Government in July, 2006 decided to allow import of white sugar without any quantitative restrictions upto September 30,

2006 at zero rate of duty, besides disallowing exports till the end of current financial year, i.e. March 31, 2007. However, sugar exports towards discharge of export obligation against advance licenses, provided the export obligation period had not expired prior to the imposition of export restriction, were allowed. Release mechanism was also discreetly deployed to contain the price hike. Subsequently, in December, 2006, on account of fresh assessment of the sugar situation, with production estimates of 227 lakh tonnes in sugar year 2006-07, the Government decided to open sugar exports to the license holders for fulfillment of their export obligation on account of raw sugar imports in the sugar year 2003-04 and 2004-05. This was further revised in January 2007 to open up sugar exports for all. In terms of WPI, the year-on-year price of sugar declined by 0.7 per cent in December, 2006 and by 9.1 per cent as on January, 20, 2007. The year-on-year inflation was 7.0 per cent in April, 2006 (Figure 5.7).

Onion

5.48 During the initial months of the current financial year 2006-07, onion prices remained at lower levels as compared to last year. Production of onion during 2006-07 is estimated at 6.21 million tonnes which is the same as in 2005-06. Exports of all varieties of onion by NAFED and other State Trading Enterprises during 2006-07 (up to January 16, 2007) were relatively higher at 9.14 lakh tonnes as against 6.37 lakh tonnes in the corresponding period of the previous year. Prices of onion have registered increase during the latter half of January in the north zone. For example, retail prices in Delhi increased from Rs. 9 per kg on December 1, 2006 to Rs. 11 per kg on December 28, 2006 and further to Rs.17 per kg on January 18, 2007. The increased price is apparently due to higher exports of onion in the current year than in the previous one.

Potato

5.49 Production of potato during 2005-06 is estimated at 26.48 million tonnes, around the same level as in the previous year. Price of

potato registered an increase for a temporary phase during July-November, 2006. With only stored potato available, prices tend to show a general upward trend during the months of September-November. The new potato crop from Karnataka and Himachal Pradesh starts arriving from November, and such arrivals increase by the third week of November from Bihar, Uttar Pradesh, Uttaranchal, Punjab, Gujarat and Haryana. Since November, prices of potato have eased in the various markets, such as Delhi, Lucknow, Shimla, and Thiruvananthapuram. (Figure 5.8)

Tea

5.50 The retail prices and availability of tea indicated a steady trend during the current year

under review. As per DGCI&S data, exports of tea during the first five months of 2006-07 (April-September) were 899.60 lakh kg as against 764.15 lakh kg in the corresponding period a year ago.

5.51 In terms of WPI, monthly average inflation rate of tea (Figure 5.9) came down from 32.1 per cent in October 2006 to 19.4 per cent on January 20, 2007. International prices of tea have also declined since October 2006. Prices of tea (Kolkata auction) came down from US cents 184 per Kg in October 2006 to US cents 166 Kg in January 2007.