Business Standard

Agri commodity prices on the rise on lower output

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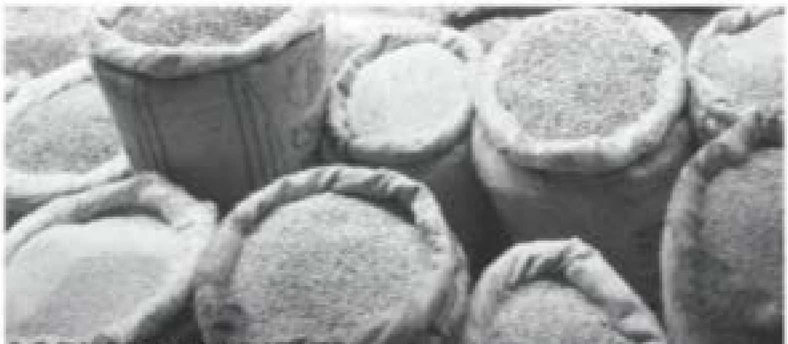
Mumbai, 24 December

The prices of all major agricultural commodities have been rising for six weeks, largely due to lower-than-expected production or higher prices of import in edible oil.

The price of crude palm oil (CPO), the supply of which is majorly dependent on import, is up 50 per cent in six months. After the Malaysian government's critical remarks on Kashmir, there was a global rally in crude edible oil prices.

Soybean and mustard prices have also rallied, following crop damage. That of *chana* (chickpea) is up 7 per cent; wheat has risen by 12 per cent. The former's price rise is due to reports of weather irregularities in some areas, seen as impacting the yield. Potato and garlic prices are rising, following that of onion. Tomato is still higher by 40 per cent, despite some moderation in recent weeks. That in potato has been sharper. All these varieties have seen crop damage.

Says Ajay Kedia, director at Kedia Commodities: "Soybean has gained 13 per cent; refined soy oil by 15 per cent. Mustard is up by 14 per cent and CPO has skyrocketed 25 per cent in three months. Many other agri crops have risen after unprecedented heavy rain in



AGRI COMMODITIES

Commodity (₹ qtl)	28-06 2019	23-12 2019	% change
Crude palm oil (Kandla)*	500	755	51.1
Chana (Delhi)	4,350	4,669	7.3
Wheat (Delhi)	2,033	2,280	12.2
Soybean oil (Indore)*	753	904	20.0
Mustard seed (Alwar)	4,083	4,823	18.1
Maize (Gulabbagh)	2,086	2,408	15.4
Garlic (Mumbai)	3,750	6,000	60.0
Onion (Mumbai)	1,400	7,000	400.0
Potato store (Mumbai)	1,550	2,800	80.6
Tomato hybrid (Mumbai)	1,200	1,800	50.0
Arhar (Tur) (Amaravati)	5,450	5,025	-7.8

*₹ per 10 kilo
Sources: NHB, Agmarknet, NCDEX

Compiled by BS Research Bureau

September-October."

Sugar prices were kept high artificially for 18-odd months, to help mills pay dues to farmers. Now, the International Sugar Organization has raised its forecast for the 2019-20 global sugar deficit to 6.12 million tonnes (mt), from the 4.76 mt forecast in September. This has resulted in global prices rising, easing the way for Indian export. The year's estimate of domestic output has been cut 20 per cent to 26-26.5 mt. If export improves, the present glut will come down.

Malini Saba, founder and chairman, Saba Industries (a global commodity firm), said "cocoa, rice, wheat, coffee, and cotton are soft markets and also the oldest commodities around us. Cocoa was a luxury and in recent times also it is grown in limited countries. A large number of people's daily routine starts with coffee and there is no way it can ever be in loss. The same goes for cotton, rice, and wheat too. So, soft commodities that are also the oldest have always had an upper hand on the market, which is developing so fast and will continue to do so."

A sugar exporter said on condition of anonymity: "Millers have signed contracts for 2 mt and another 3 mt is likely in the coming months. Thus, lower cane production, higher diversion to ethanol, and a pick-up in export should lead to lower inventory levels in India by the end of the season." This will improve the outlook for prices.

Sugar, coffee, and edible oil prices have seen a global rally of late. And, after lower estimates of the Australian wheat crop, wheat prices are also seen firming up. A JPMorgan global commodity research report says: "Looking into 2020, we see a flat to slightly positive return profile across agri commodities — with a bullish risk bias." There is a similar expectation in India. Kedia said: "Even with rabi 2019-20 mundane sowing, there still lies a threat from weather conditions. Standing crops are also under threat of a cold wave and pest attack, causing damage and ultimately leading to elevated prices in 2020."