



India vulnerable to recurring food price shocks, says Das

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Reserve Bank of India (RBI) Governor Shaktikanta Das on Thursday said India remains vulnerable to "recurring and overlapping" food price shocks despite the recent moderation in inflation.

In these circumstances, monetary policy remains watchful and actively disinflationary to progressively align inflation to the target, while supporting growth, Das said at a symposium on the Indian economy organised by the Institute of Indian Economic Studies in Tokyo in Japan.

The Consumer Price Index-based retail inflation eased to a three-month low of 5.02 per cent in September on the back of softer vegetable prices, but remained above the RBI's 4 per cent target. The retail inflation was 6.83 per cent in August.

The RBI's rate-setting panel has raised the repo rate by 250 basis points cumulatively between May 2022 and February 2023 to manage inflation expectations. The central bank has kept the key rate unchanged over the last four meetings. The panel has projected inflation to average at 5.4 per cent in 2023-24, a moderation from 6.7 per cent in 2022-23.

Thanks to a confluence of factors, including to a large extent the steps taken by the RBI, the Indian economy has emerged as an epitome of stability and opportunity, Das said. "We have not only kept our house in order against large and overlapping global shocks, but also improved our macroeconomic fundamentals and buffers."

While growth remains on track, inflation is on a path of moderation, though it is still above the target. The balances sheets of banks and corporates are healthiest in a long time and with the government's push for public investment, they create favourable conditions for a sustained revival in investment, he said.

Consumer confidence, as evident from RBI surveys, was on a rising trajectory since the pandemic lows. "India's external sector inspires confidence as we are reaping export opportunities in the services sector, our current account deficit remains eminently manageable and we have bolstered our forex reserves to deal with potential eventualities," Das said.



Kharif crop prices will guide inflation fight in coming mths

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NEW DELHI, 9 NOVEMBER

The Centre recently released the first advance estimates of kharif crops that, barring tur dal, showed a dip in production due to uneven monsoon and other natural calamities including pest attacks in cotton.

The first Advance Estimates, released a few weeks back, are usually initial projections on the crop size and, more often than not, are revised as more inputs come from the fields. But, the findings have rung alarm bells in several quarters.

The Centre, along with many others, is confident that as more details come, the estimates will be revised upwards. But if the numbers stay around their projections, it could spell trouble for inflation, particularly in crops such as rice, pulses, edible oils, and cotton to some extent.

This should be of concern to the government as it enters the crucial election year. The polls in the three states of Madhya Pradesh, Rajasthan, and Chhattisgarh could also be influenced if inflation remains high.

A recent analysis by rating agency CRISIL showed that the price of an average vegetable in the market might go up in November if higher prices of onion — which accounts for around 10 per cent of the total cost of a veg thali — persist. In October, too, it said prices could not moderate by much as the price of pulses, which accounts for a 9 per cent share in the cost of a veg thali, increased 19 per cent on-year.

CRISIL's veg thali comprises root vegetables (onion, tomato, and potato), rice, dal, curd, and salad. For non-veg thali, the constituents remain the same as in veg thali, except dal is replaced by broiler chicken. The prices are on a new material basis.

An analysis by SIBR outeag, a global agritrade firm based in Dubai, shows that among major kharif crops, cotton prices are expected to remain bullish due to weak demand and new crop arrivals, though output is likely to be down this year to around 27-28 million bales, while pulses prices are projected to remain strong.

CROP NUMBERS

PRODUCTION IN 2023-24 (FIRST ESTIMATE)

CROPS	2022-23*	2023-24**	% CHANGE
Rice	110.5	106.31	-3.79
Maize	23.67	22.48	-5.03
Tur	3.31	3.42	3.32
Moong	1.71	1.4	-18.13
Urad	1.76	1.5	-14.77
Total foodgrains	155.71	148.56	-4.59
Groundnut	8.56	7.82	-8.64
Soybean	14.98	11.52	-23.10
Sugarcane	490.53	434.79	-11.36
Cotton	33.66	31.65	-5.97
Jute	8.98	9.19	2.34

*According to final estimate for 2022-23; **According to first Advance Estimate released on October 17 Source: Ministry of Agriculture

Within pulses, moong rates are expected to bounce back after a slight correction, while pigeon peas (arhar dal) rates are also likely to remain firm. Chana and urad prices, according to the weekly analysis, are likely to push up in the days to come after a brief fall. Another commodity whose prices are of interest to many is soybean, particularly in the context of Madhya Pradesh, where it is one of the main kharif crops.

The SIBR outeag analysis shows prices will remain firm despite steady crop arrivals and could reach ₹6,000 per quintal, which would be much higher than the MSP of ₹4,600 a quintal for 2023-24.

Wheat prices are expected to stay firm as there is minimal crop with the milles, though there has been a slight moderation in the past few days due to excess liquidation by the government, but the underlying sentiment remains bullish. In rice and maize, too, analysts said prices would remain firm, mirroring wheat and other cereals. In veggies, onion prices could drop from their current elevated levels and traded sideways in the days to come after the new kharif harvest starts hitting the market, the

analysis showed.

Sandeep Sahrawat, chief executive officer of Sohan Lal Commodity Management Group, said in a note that an analysis of this year's kharif crop production shows a rise in rice cultivation leading to a marginal improvement in rice output. Conversely, the production of pulses is anticipated to decline, given the unlikely significant change in the sowing area.

For oilseeds and cash crops like sugarcane, the output estimate is slightly higher than the previous year. This has influenced domestic prices, with most significant commodities experiencing an upward trend.

On paddy and maize, which accounts for more than 85 per cent of the total kharif crop production, the production of this kharif is expected to remain above average levels, according to Sahrawat. On cotton, he feels, the demand from both domestic mills and international markets is expected to remain low, mainly due to the decrease in fiber and yarn prices from the peak levels observed last year.

On the whole, the coming few months might remain challenging for a lot of commodities and their prices.



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