

Rain dampens farmers' returns

Despite hoping for better prices this season, growers are staring at lower margins due to unexpected downpour during the March harvest. However, the FCI has come to their rescue

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Brijwasi Meena, a farmer from Narayanpura village in Sheopur district of Madhya Pradesh, had planned to sell the excellent quality of wheat that he produced on his 20-acre farm at a good price this year, since demand had remained strong throughout FY22-23.

But his hopes were dashed by two developments. First, the government chose to release more wheat from central stocks to cool food inflation. Then, sudden untimely rains lashed most wheat-growing areas in March.

“Whoever managed to harvest his wheat crop early and save it from the rains and hailstorm is getting a premium in the market because the moisture content is lower,” Meena told *Business Standard* in a phone interview.

For those whose crop quality deteriorated due to the rains, prices have dropped below the minimum support price (MSP) or are hovering around it, he added. MSP is the price at which the government buys food grain for the central stocks. For 2023-24 season, the Centre has fixed a price of MSP of ₹2,125 per quintal.

Normal or slightly inferior quality wheat in areas around Sheopur is fetching a price of ₹2,000-2,100 per quintal. Compared to this, good quality wheat with low moisture content could fetch as much as ₹2,500 per quintal.

“The rains have dampened prices by ₹100-150 per quintal in these parts; we would have got much better returns as the crop was devel-



oping into of excellent quality,” Meena said regretfully.

In Uttar Pradesh, there is a price differential of ₹50/100 per quintal between good quality wheat and wheat of inferior quality. Similarly, in Madhya Pradesh’s Dewas mandi, this variance is of ₹300/400 a quintal, while in Bundi mandi of Rajasthan this difference is of ₹100/300 per quintal between wheat of two qualities, Rahul Chauhan, commodity analyst at iGrain India told *Business Standard*.

That perhaps sums up the entire dynamics for wheat farmers in the country this season; the harvest of an excellent crop expected to fetch good prices due to strong demand was dampened by sudden and untimely rain. According to the India Meteorological Department (IMD), in March, the rainfall across the country was almost 26 per cent above normal.

“In March, out of the 31 days, rainfall activity and thunderstorms were witnessed in 16-20 days across

the country, and there were 100 events of heavy rainfall activity in March 2023, which was just 13 in March 2022, 44 in March 2020 and 36 in March 2018,” IMD Director General DG Mrutyunjay Mohapatra had said at a virtual press conference a few weeks ago.

The reason, according to Mohapatra, were the seven western disturbances that started in March. Because of the large-scale quality drop in wheat, the role of the Central government has become critical to

ensure that farmers get adequate remuneration. It has responded by lowering the procurement quality parameters so that farmers who suffered a deterioration of wheat quality are not deprived of the MSP.

First, the Food Corporation of India, the government’s procurement agency, relaxed the quality parameters for Madhya Pradesh by allowing the procurement of wheat with a lustre-loss of up to 10 per cent without any deduction in MSP value. Lustre loss implies that the

crop loses its sheen because it has absorbed extra moisture and needs to be consumed quickly.

Thereafter, on request from other major wheat-growing states, the Centre also relaxed the quality parameters.

Officials said under the new relaxed procurement guidelines, wheat grain with lustre losses above 10 per cent would be subject to a ₹5.31 per quintal cut in value.

There are other grades of value cut depending on the extent of loss. Norms have also been relaxed for extent of damaged grains that the farmer could sell.

But, some states have gone a step forward. Haryana has decided to refund the entire amount of value cut for damaged grains to the farmers so that they can realise the full value. The objective of the relaxations, apart from ensuring the farmers don’t have to resort to distress sales, is also to build a significant buffer reserve of wheat which has dropped to multi-year lows of 8.5 million tonnes as of April 1, 2023; just a million tonnes more than the year-end norm of 7.5 million tonnes.

With the country entering an election year, the Central government would ideally like to have a sizable stock of wheat and rice in the kitty to control inflation. It has targeted to procure around 34 million tonnes of wheat in FY24. And for now, it seems it’s on track.

Arrivals have started to rise as farmers who could not harvest their fields due to rains are rushing to free them as the skies clear up over north India. Private trade data between March 16 and April 11, indicates that in the Kota mandi, around 1.1 million bags of wheat (1 bag=50 kg) have arrived, compared to 0.45 million bags in the corresponding period of last year.

Similarly, in the Indore mandi around 0.4 million bags of wheat arrived between March 16 and April 11, against 0.25 million bags in the same period last year. Global wheat markets are also much lower

than they were during the same time last year.

The Central government has all along maintained that wheat production won’t fall below the initially forecast 112 million tonnes. Production estimates by private players are much less than the government estimates, but they do show a rise in production compared to last year and very little impact of the rains.

“According to our estimate, wheat production is 13.1 per cent higher year-on-year at 109.53 million tonnes in 2022-23 crop-year against last year’s production of 96.83 million tonnes,” Tarun Satsangi, assistant general manager (Commodity Research) at Origo Commodities told *Business Standard*.

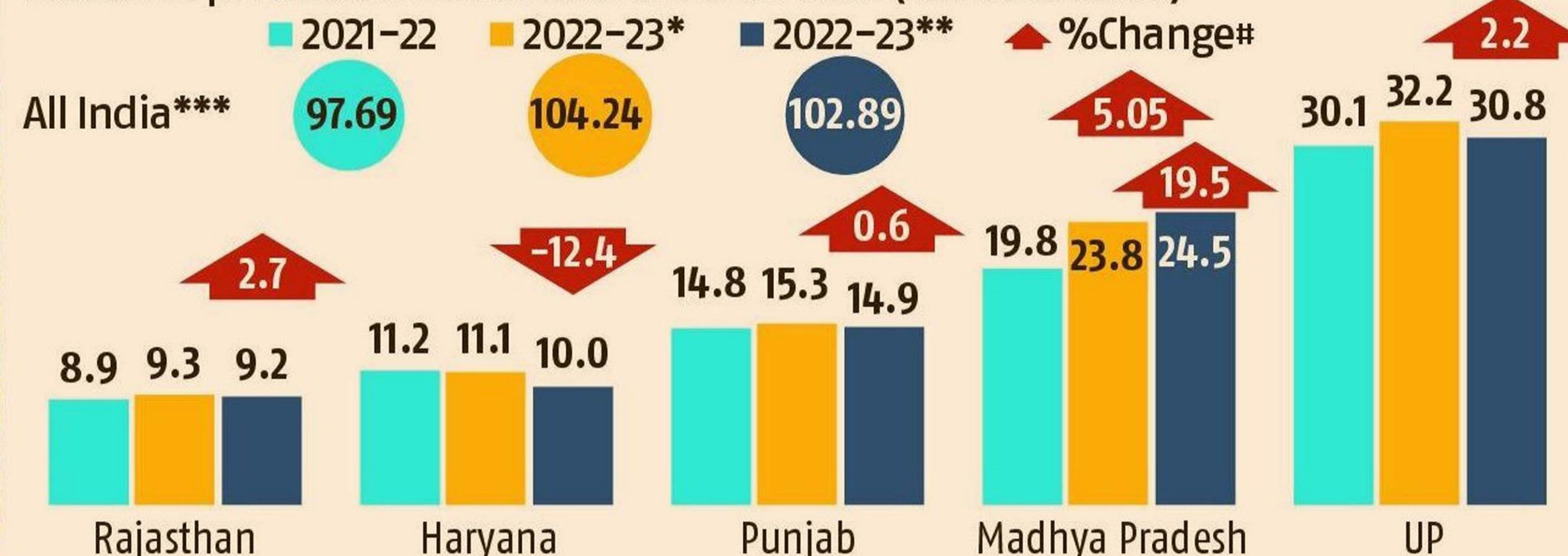
Last year, he added, was an exceptional year as the heat wave around the time the wheat crop was maturing resulted in sharply lower yield and production. This year, unseasonal rains in March have impacted the quality of wheat especially in Rajasthan, Haryana, Punjab and Uttar Pradesh to the tune of 8-10 million tonnes, but not the yields. “No doubt inferior wheat will fetch a cheaper rate but it won’t change the supply side. We have already seen a downward reaction in the prices due to higher production, and prices are already near or below MSP in key mandis, while inferior are fetching cheaper rates,” Satsangi explained.

Other private estimates project a similar picture, though different numbers. A study, commissioned by roller flour millers and conducted by Agriwatch, showed wheat production in the 2023-24 crop season was expected to be 103 million tonnes after calculating the damage caused by rain, slightly lower than the pre-rain estimate of 104 million tonnes.

For the farmers, though, these overall numbers mean little; they are ruing an opportunity lost to earn good margins for a crop that more often than not does not sell above the MSP.

GROWING PAIN

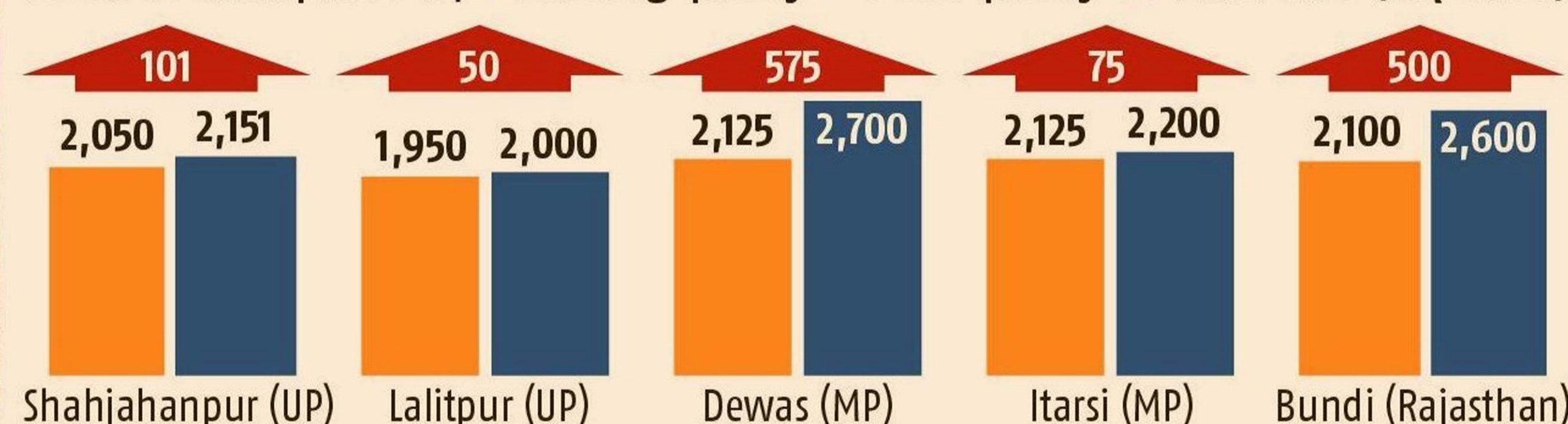
Wheat crop estimates before and after the rains (million tonnes)



NOTE: Central government has all along maintained that wheat production in Fy-24 is expected to be over 112 mn tonnes, up 3.9% from last year *estimates as on March 9, 2023 before the large-scale rains; **estimates as on April 7, 2023 after the rains; ***Total might not match as all states haven't been included.; #Change is from 2021-22 to Latest Estimate of 2022-23
Source: Agriwatch Survey for Roller Flour Millers Association

QUALITY-WISE WHEAT PRICES IN SOME MANDIS

Date: Around April 12-13; ■ Low/avg quality ■ Good quality ▲ Difference (₹/Quintal)



Source: iGrain India