

Imposition of stock limit on wheat premature: Traders

‘Govt could have cut import duty to boost supplies’

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THE IMPOSITION OF stock limits on wheat and commencement of open market sale of wheat by the Food Corporation of India (FCI) later this month to cool prices are likely to disrupt the trade and discourage purchase of the grain in the next season, market sources say.

Instead traders, flour millers and processors say that, instead, the government could have reduced import duty on wheat, which is currently at 40%, to boost supply.

"It's a premature step to impose stock holding limit on wheat during the procurement season as traders and stockists purchase grains keeping into consideration demand till March next year," Dharmendra Jain, president, Uttar Pradesh Roller Flour Miller Association, said.

Jain said because of substantial purchase from the farmers by traders and flour millers in the Uttar Pradesh, the biggest producer of the grain in the country, the FCI could purchase only 0.21 million tonne



UNWELCOME MOVE

■ Flour millers and traders say open market sale of wheat by FCI later this month to cool prices is likely to discourage purchase of the grain in the next season

■ As per the food ministry, traders, retailers and wholesalers have 30 days to adhere to the limits and declare the stock position on the food ministry's portal

(MT) of the grain in the state against total purchase of 26.2 MT mostly from Punjab, Haryana and Madhya Pradesh.

"With FCI commencing the open market sale of wheat at the par with the MSP of ₹2,125/quintal later this month, traders who had purchased and stored grain will incur huge losses," Jain said.

According to Rajnikant Rai, divisional chief executive, ITC agri business, the largest private buyer of wheat said that although the company has grain stock to comply with stock-holding limits of 75% of

annual processing capacity, abolition of import duties would have helped increase domestic supplies.

To cool down retail cereal inflation, which was at 12.65% for May on year, the government has decided to offload 1.5 million tonne (MT) of wheat in the open market from the FCI stock through bulk buyers through e-auction from June 28, with each bulk buyers can purchase wheat 10 -100 tonne per auction.

Earlier, the FCI had been selling wheat in the market during the January-March 'lean'

period. "Next year traders will be cautious purchasing wheat from the farmers because of the government's hurried move to impose stock-holding limit on grain," Anjani Agarwal, former president, Roller Flour Millers Federation of India, said.

The FCI had sold 3.37 MT of wheat to private bulk buyers such as flour millers and food companies during February 1-March 15 through weekly auctions. As per the recent notification on Monday, the stock holding limits till March 31, 2024 for traders or wholesalers have been fixed at 3,000 tonne each. Retailers can keep 10 tonne of wheat at each retail outlet, while big retailers 10 tonne per outlet and 3,000 tonne at all their depots.

A food ministry official said traders, retailers and wholesalers have 30 days to adhere to the prescribed limits. They have to declare the stock position on the food ministry's portal. "Mandi prices of wheat have increased by 8% in the last one month and it may be reflected in the domestic wholesale and retail prices in the coming days," Sanjeev Chopra, secretary, department of food and public distribution, had said. He said traders and farmers are holding onto the wheat stocks in anticipation of a spike in prices. Retail wheat inflation was 25.05% in January 2023.