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# MONTHLY COMMODITY DIGEST

## NOVEMBER 2020

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# From MD's Desk

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Vijay Kumar
MD & CEO, NCDEX

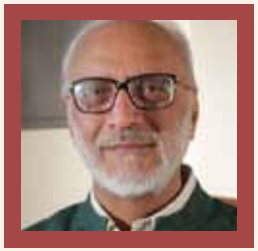
*Festivals are here, so are the hopes and happiness. Indian economy is beating all doomsday predictions to come out with flying colours. All the economic indicators are showing better than expected performance and the experts, including domestic and international agencies, have been compelled to recalibrate their predictions of GDP growth for the coming quarters. Government of India, on its part, is striving hard to support the build-up with a string of programs and stimuluses.*

*I feel happy to inform you that the participation of Farmer Producer Companies (FPCs) is also gradually increasing in the Future's segment. With the Kharif arrivals almost in their last leg, the focus is now on the sowing for Rabi. This is the best time for the Exchange along with its associates like Banks, WSPs, members etc. to push for creating awareness among farmers and FPCs about using Futures market to hedge their price risk. And incidentally, this month also marks the World Investors Week (WIW). So, let's put our efforts synchronized and focussed as the growing presence of FPCs has shown the benefits of such efforts. Our efforts, in coordination with the Central Government's push will go a long way in ensuring the empowerment and awareness among farmers about their rights in marketing the produce.*

*November 2020 has marked another historic moment in the history of farmers' empowerment with the launch of Options Familiarization Scheme by NCDEX in collaboration with the financial market regulator SEBI. This scheme gives FPCs an opportunity to participate in the Options trading with premium support. This is a historic initiative towards the development of the farm sector by ensuring a minimum price to the farmers even before their crops are sown. We believe that this initiative will help FPOs to understand benefit associated with Put Options and going forward more and more FPOs will start buying Put Options. You can read a comprehensive article on Option in Goods in this publication.*

*Apart from the regular features like News Digest and Circulars, this issue also contains fundamental reports on Soybean, Maize, Rice, Cotton, Chana and Bajra. In the FPC success story section, we have brought to you another story of farmers' wit and courage. It also contains articles on overall agri ecosystem, commodity markets and expert views on cotton and oilseeds apart from an exclusive expert view on NCDEX AGRIDEX.*

*With increasing market confidence and optimism, I wish all the readers a great time ahead with the November issue of MCD. Happy Trading.*



**Mr. Ashok Gulati**

Chair Professor for Agriculture at ICREAR

# The farmer's freedom to sell

## *On farm bills, government must get its act together, but Opposition is misguided*

The Congress is leading the charge. But its manifesto for the 2019 general election said, "Congress will repeal the Agricultural Produce Market Committee Act and make trade in agricultural produce — including exports and inter-state trade — free from all restrictions".

The passing of the farm bills in both the Houses of Parliament has sparked a major controversy in the country. The government claims that it is a historic step taken in the interest of farmers, giving them the freedom to sell their produce anywhere in the country and to any one they want. But the opposition parties described the passing of the bills as a "black day" because these pieces of legislation could destroy the existing system of minimum support price (MSP) and the APMC markets, leaving farmers at the mercy of big corporations.

Where does the truth lie? Let us dig a little deeper into the economics and politics of it.

The bills — The Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 (FPTC); The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020 (FAPAFS); and The Essential Commodities (Amendment) Bill, 2020 (ECA) — have to be seen in totality. Essentially, the FPTC breaks the monopolistic powers of the APMC markets, while FAPAFS allows contract farming, and ECA removes stocking limits on traders for a large number of commodities, with some caveats still in place.

The economic rationale of these pieces of legislation is to provide greater choice and freedom to farmers to sell their produce and to buyers to buy and store, thereby creating competition in agricultural marketing. This competition is expected to help build more efficient value chains in agriculture by reducing marketing costs, enabling better price discovery, improving price realisation for farmers and, at the same time, reducing the price paid by consumers. It will also encourage private investment in storage, thus reducing wastage and help contain seasonal price volatility. It is because of these potential benefits that I had compared these pieces of legislation to the de-licensing of industry in 1991 ('A 1991 moment for agriculture', IE, May 18). I had also suggested that for these legal changes to deliver results, we need to create Farmer Producer Organisations (FPOs) and invest in marketing infrastructure. In that context, it is good to see that Prime Minister Narendra Modi has initiated programmes for the creation of 10,000 FPOs and an Agriculture Infrastructure Fund (AIF) of Rs one lakh crore to handle post-harvest produce, anchored largely with FPOs. NABARD has been entrusted to implement this along with other agencies and state governments.

I must caution that sometimes good ideas/laws fail because of bad implementation. Just to cite an example, late Arun Jaitley had announced a scheme called TOP (tomatoes, onions and potatoes) to stabilise the prices of these farm products through processing and storage. He also allocated Rs 500 crore for it. The scheme was entrusted to the Ministry of Food Processing for implementation. But even after three years of the scheme, not even 5 per cent of the money promised has been spent. No wonder, the government is back to export bans of onions, fearing a spike in onion prices. This is contrary to the signal that the government wants to give through the farm bills that farmers have freedom to sell.

But then why is there so much opposition? The Congress is leading the charge. But its manifesto for the 2019 general election said, "Congress will repeal the Agricultural Produce Market Committee Act and make trade in agricultural produce — including exports and inter-state trade — free from all restrictions". And further: "We will establish farmers' markets with adequate infrastructure and support in large villages and small towns to enable the farmer to bring his/her produce and freely market the same" (points 11 and 12 of the manifesto under the section on 'Agriculture'). I fail to understand how this is different from what the three bills are about? I don't have any political affiliation, but all my professional life has been spent in analysing agri-policies; I have found how farmers in India have been implicitly taxed through restrictive trade and marketing policies. This is so much in contrast with China and other OECD countries that heavily subsidise their agriculture. So, the freedom to sell is the beginning towards correcting this massive distortion and that's why I welcome this move.

But the Opposition has now changed the goal post. It is asking MSP to be made legal, implying that all private players buying below this price could be jailed. That will spell disaster in the markets, and private players will shun buying. The government does not have the wherewithal to buy all the 23 commodities for which MSP is announced. Even for wheat and paddy, it cannot assure MSP throughout India. The reality, as the 70th round of NSSO on Key Indicators of Situal Agricultural Households in India shows that only six per cent of farmers gain from MSPs. Roughly the same percentage of value of agri-produce is sold at MSPs. The rest of the farming community (94 per cent) faces imperfect markets. It is time to "get agri-markets right". These farm bills are steps in that direction.

Some states fear losing revenue from mandi fees and cess. The Centre can promise them some compensation, for say 3-5 years, subject to reforms in APMC markets. Arhtias are smart. They can take on new roles of aggregation for the private sector.

The writer is Infosys Chair Professor for Agriculture at ICRIER

*This article was originally published in Indian Express on 28th September 2020*

# Commodity Market Overview

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**Mr. Ravikant Kanoongo**
MD, Hindustan Technosol Pvt. Limited

Indian Commodity Market has been showing clear signs of recovery since gradual unlocking in the economic activities followed by the path-breaking agricultural reforms announced early June. The agri-marketing reforms will provide a greater choice and freedom to farmers to sell their produce, within or outside the Agricultural Produce Market Committee-designated mandis. It will also help build more efficient value chains through enhanced investments in storages and other infrastructure that will improve the price discovery and raise farm incomes. Having said that there is still a long way to go before the market comes out of the Covid-19 pandemic period, the quarter gone by has been indicating a decent recovery in volumes and a consistency in price movement.

The recovery comes in the wake of a healthy monsoon season which ensured all-time high food grain production of 295.67 million tonne in 2019-20 crop year ending June. The second successive above-normal monsoon in the current year also augers well for the food grain output which was pegged 9% higher at 144.52 million tonne in the first advance estimate that is limited to only kharif crops. With better soil conditions and water availability, prospects of rabi season have also been buoyant enough for the country to hit a new milestone of 300-million-tonne for the country's food grain production, provided weather remains conducive for rest of the year.

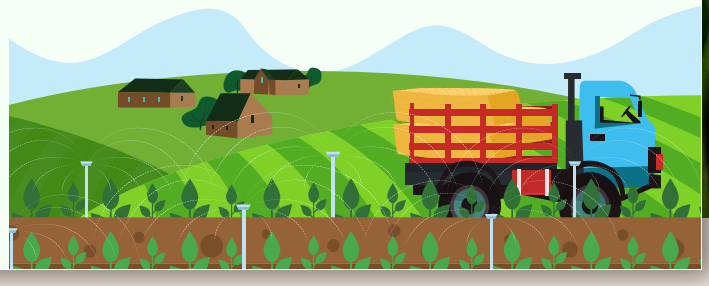
On exports front, the country witnessed a huge 43% rise at Rs. 53,627 crores during the first half of the current fiscal despite being a peak pandemic period. Exports of wheat rose 206%, non-basmati rice exports were up 105% followed by refined sugar at 104%, groundnut at 35% and basmati rice 13% during the Apr-Sep period. Spices too saw an increased demand in Covid-19 peak as the exports from India went up by 23% to $359 million in June 2020 from $292 million in the same month last year. Pepper, cardamom, ginger, turmeric, coriander, cumin, celery, fennel, fenugreek, nutmeg, spice oils and oleoresins, and mint products are the major spices shipped abroad.

While bumper production in various crops did play a role, the role of commodity exchanges like NCDEX remained critical in ensuring that the market stays agile. The farm futures bourse expanded its bouquet of products offering new innovative instruments in form of Options in Goods and NCDEX AGRIDEX to participate in the country's agricultural growth via commodity market. Options in Goods were launched in seven commodities – RM Seed, Wheat, Chana, Soy Bean, Guar Seed, Guar Gum Refined Splits and Maize -Feed/Industrial Grade.

I would like to point out that Options in Goods has a potential to be a game-changer, not only for physical market players, but also for Farmer Producer Organizations, which are going to steer the post-reforms growth in agricultural sector. The Put Option not only safeguards them against the falling prices, but also gives them the opportunity to profit from rising prices. Similarly, for traders, a Call Option works in their favour as they can get the product on the rate that they like.

However, since Options is relatively a new segment, the Exchange need to undertake awareness campaigns and capacity building programmes for FPOs and other stakeholders.

I urge NCDEX to keep offering dynamic products which will help development of the Commodity Market ecosystem.



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# Edible Oils

## Stocks relatively tight !

### Bullish Factors:

✓ Domestic edible oil production and Imports for the Nov-June period declined by 0.3% and 12% year on year respectively –outpacing the decline in edible oil demand of 6% year on year. Keeping supply tight, despite COVID related demand decline.

✓ Edible oil stocks have replenished from the low 0.72 Mln Mt levels it had dipped to on July 1st to 1.2 Mln MT as on Oct 1st Importantly India's monthly edible oil requirement is estimated at 1.9 Mln MT and the country operates normally at 30 days stock levels. In the COVID era with edible oil demand having declined in the out of home consumption sector- monthly demand can be estimated 10% lower from normal at 1.7 Mln MT. This indicates that stocks as on Oct 1st is able to cover only 21 days of demand and is relatively tight.

✓ India Southwest monsoon saw delayed withdrawal this year. Also there were farmer strikes at key soybean production state of MP in Sep against the new Farm Reforms Both these factors could reduce crushing pace , on delayed new crop arrivals and continue to keep domestic edible oil supply relatively tight into Oct. Edible oil imports in Oct 20 is estimated at 1.25 Mln MT down 6% from year ago levels- anticipating large Kharif oilseed crushing pressure- which could stand delayed.

✓ Global markets are tight. Malaysia's CPO inventory was recorded by MPOB at a tight level in September at 1.73 Mln Mt, down 30% from the same month last year at 2.45 Mln MT. Malaysia's production of CPO has been flat at 20 Mln MT, since year 2017 into 2020 and this year Indonesian production is also estimated to remain flat at 45 Mln MT. Global demand for palm oil in COVID year is estimated down 2 MLN MT- which is matched by an equivalent production decline- keeping the balance sheet relatively balanced and prone to rallies on supply disruptions. CIF India price for CPO has risen 25% from USD 595 /MT in April 2020 to USD 745/MT in Sep 2020.

✓ Soft oils CIF India price of soyoil and sunoil have risen 29% and 35% from April 2020 to USD 855 /MT and USD 1015 respectively in Sep 2020 Delays in Brazil sowing amid dry weather as 2020 experiences La Nina conditions, ( below normal monsoon in Southern Hempishere) are being reported. This has resulted in flat OND price curve for CIF India soyoil (no discount in far months) and also higher flat price of USD 880 .MT- which indicates price strength in landed price of soyoil imports could continue.

✓ Finally, India continues to trade at import disparity (local prices are below import price) in CPO and soyoil of USD 15/MT and technical correction in international prices following the sharp gains- could keep India prices relatively supported.

### Bearish Factors:

✕ The cure for high price is high price-therefore sharp rally in edible oil prices could result in demand destruction in India to be higher than the 6% decline in year on year demand- which has taken into account only the out of home consumption decline due to Covid disruptions. India Q1FY21 GDP was -24% vs. 3% last quarter and 5.2% in Q1FY20- falling income levels and high price of edible oils could result in families trimming down food budget decline of 2.5 Mln MT in 2020- the first decline since year 2016. Governments could reduce support for rising mandates of biofuels- as the oil prices are trading at sharp premiums to crude oil and would not wish to pass higher prices to consumers during Covid related slow growth phase.

### Conclusion:

India edible oil S&D remains skewed towards relatively tight stocks. Given India's edible oil import dependence, the tight global market supply for CPO and soft oils- implies supply shortages and price gains could continue to outpace demand decline related price weakness. We remain bullish on Soyoil and CPO futures.

Source: PhillipCapital India

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# Options in Goods

With introduction of the new Farmers bill 2020 we can say that the Indian agri sector can get liberalized and sort of privatized. It will bring a sea change in spot market and in agri sector in coming times. Simultaneously, commodity exchanges also going through the transition period under guidance of super active and experienced regulatory body, SEBI. Our exchanges are now also equipped with options in goods in many commodities. It should prove to be a revolutionary tool for the market when more than 10,000 Farmer Producer Organizations (FPOs) get active in this sector. eNam platform is already marking its presence in the agri market. Digitalization in India and increasing activities on internet is making farmers and market players more compatible to this dynamic platform. As per a study, Farmers are in general getting 15-20% higher prices on online trading platform and the other advantage is that they are getting instant payment.

Various Government bodies which are buying agri produce on MSP as per Government program is on risk of facing loss in procurement. Options in Goods could work as a hedging tool in such a scenario. With Options in Goods, the contracts will be completed only through compulsory delivery on the day of the settlement. The option contracts would have same quality specifications, delivery centres, final settlement price methodology, trading hours and minimum tenor as the corresponding futures contracts.

The FPOs have huge potential because they can aggregate the produce, make it into a lot and can hedge on exchange platform, and can represent many farmers in one go. At present many Kharif crops will hit the market. Prices of agri commodities are currently trading at higher side. With heavy arrivals, prices will see corrections and farmers will face loses. They are bound to sell at lower price as many of them don't have storage capacity. They can hedge their produce at present. Correction is likely to occur in oilseeds, cotton, chana, etc. in which case farmers may buy put option in the respective commodities. If prices move down they can hedge it by buying put option or if prices rise, they can receive profit on their produce and have to pay only premium to the exchange. Mexico hedges its crude oil on a regular basis to avoid the price volatility. It is the cheapest way to insure the produce in this volatile time.

# Chana

## Arrival State Wise

In the marketing year 2020-21 (Apr-Mar), total arrivals of Chana decreased 28% from the same in corresponding period a year ago.

| State-Wise (Qty in MT) | This Year 01/10/2020 and 31/10/2020 | Last Year 01/10/2019-31/10/2019 | % Change from Last Year |
|---|---|---|---|
| Madhya Pradesh | 387,159 | 612,945 | -37 |
| Maharashtra | 189,544 | 152,476 | 24 |
| Rajasthan | 144,281 | 101,324 | 42 |
| Telangana | 34,968 | 38,334 | -9 |
| Karnataka | 19,097 | 15,438 | 24 |
| Gujarat | 11,321 | 2,808 | 303 |
| Uttar Pradesh | 4,364 | 756 | 478 |
| Chattisgarh | 3,207 | 16,156 | -80 |
| India | **794,032** | **940,374** | **-16** |

Source: Agmarknet

| Marketing Year (April-March) | Production (Qty. in Lakh Tonne) |
|---|---|
| **Chana** | 113.50^ |

Note: Production figures sourced from Ministry of Agriculture
^: As per First Advance Estimate of Production for 2020-21 released on September 22, 2020

## Major Media News

**Three cheers to govt for not reducing import duty on chana**
https://www.thehindubusinessline.com/opinion/three-cheers-to-govt-for-not-reducing-import-duty-on-chana/article32956576.ece

**Centre aims to protect farmers, refuses to slash import duty on Chana**
https://smartinvestor.business-standard.com/pf/Investments-63742-Investmentsdet-Centre_aims_to_protect_farmers_refuses_to_slash_import_duty_on_chana.htm

# Bajra

## Arrival State Wise

In the current marketing year starting Oct 1, Bajra arrivals totalled 140,479 tonnes, down 52% from the same in the corresponding period a year ago.

| State-Wise (Qty in MT) | This Year | Last Year | % Change from Last Year |
|---|---|---|---|
| | 01/10/2020 and 31/10/2020 | (01/10/2019-31/10/2019 | |
| Rajasthan | 72,209 | 157,264 | -54 |
| Uttar Pradesh | 19,432 | 40,486 | -52 |
| Karnataka | 19,424 | 22,791 | -15 |
| Gujarat | 7,827 | 12,011 | -35 |
| Haryana | 6,566 | 21,920 | -70 |
| Maharashtra | 5,909 | 15,969 | -63 |
| India | 140,479 | 290,188 | -52 |

Source: Agmarknet

## Major Media News

**Madhya Pradesh: States procures over 4,000 tonne of key Kharif crops so far**

https://www.freepressjournal.in/indore/madhya-pradesh-states-procures-over-4000-tn-of-key-kharif-crops-so-far#:~:text=Madhya%20Pradesh%20has%20so%20far,the%20state%20department%20said%20today.&text=It%20raised%20the%20minimum%20support,1%2C835%20rupees%20the%20previous%20year.

**Procurement of paddy, bajra, maize at MSP**

https://indianexpress.com/article/cities/ahmedabad/gujarat-procurement-of-paddy-bajra-maize-at-msp-from-oct-16/

## Balance Sheet (India)

| Country | Attribute | 2020-21 | 2019-20 |
|---|---|---|---|
| India | Beginning Stocks | 544 | 323 |
| | Area Harvested | 8,600 | 8,980 |
| | Yield | 1.34 | 1.38 |
| | Production | 11,500 | 12,421 |
| | Total Supply | 12,044 | 12,744 |
| | FSI Consumption | 10,500 | 11,000 |
| | Feed Dom. Consumption | 1,000 | 1,200 |
| | Domestic Consumption | 11,500 | 12,200 |
| | Ending Stocks | 544 | 544 |
| World | Beginning Stocks | 544 | 323 |
| | Area Harvested | 30,562 | 30,791 |
| | Yield | 0.98 | 0.98 |
| | Production | 30,022 | 30,165 |
| | Total Supply | 30,566 | 30,488 |
| | FSI Consumption | 28,668 | 28,477 |
| | Feed Dom. Consumption | 1,354 | 1,467 |
| | Domestic Consumption | 30,022 | 29,944 |
| | Ending Stocks | 544 | 544 |

# Fundamental Report

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# Rice

## Arrival State Wise

In the current marketing season starting Oct 1, around 98 lakh tonne of Paddy (Dhan) (Basmati) arrivals reported

| State-Wise (Qty in MT) | This Year | Last Year |
|---|---|---|
| | 01/10/2020-31/10/2020 | 01/10/2019-31/10/2019 |
| Punjab | 509,886 | 473,863 |
| Haryana | 342,074 | 437,404 |
| Uttar Pradesh | 70,281 | 401,027 |
| Madhya Pradesh | 58,236 | 56,182 |
| **India** | **980,820** | **1,369,186** |

In Last Year, data collection started after 15 December

Source: Agmarknet

## Major Media News

**Pre-harvest rain likely to hit rice output in Andhra Pradesh, Telangana**

https://economictimes.indiatimes.com/news/economy/agriculture/pre-harvest-rain-likely-to-hit-rice-output-in-andhra-tgana/articleshow/78737469.cms?from=mdr

**Agricultural exports recover from Covid-induced fall**

https://www.hindustantimes.com/india-news/agri-exports-recover-from-covid-induced-fall/story-0o92Gewb1YnjUR6k6Tq9dJ.html

**Southern Railway handled 2.6 lakh tonnes of rice in October**

https://timesofindia.indiatimes.com/city/chennai/southern-railway-handled-2-6-lakh-tonnes-of-rice-in-october/articleshow/78995298.cms

**India buys more paddy rice after farmers protest new laws**

https://in.reuters.com/article/india-rice/india-buys-more-paddy-rice-after-farmers-protest-new-laws-idINKBN27I1DF

## Balance Sheet (India)

| Country | Attribute | 2020-21 | 2019-20 |
|---|---|---|---|
| India | Beginning Stocks | 30,000 | 29,500 |
| | Area Harvested | 44,500 | 43,780 |
| | Yield | 4.05 | 4.06 |
| | Production | 120,000 | 118,426 |
| | Rough Production | 180,018 | 177,657 |
| | Total Supply | 150,000 | 147,926 |
| | Exports | 12,500 | 12,000 |
| | Domestic Consumption | 106,000 | 105,926 |
| | Ending Stocks | 31,500 | 30,000 |
| World | Beginning Stocks | 177,113 | 176,580 |
| | Area Harvested | 162,336 | 160,290 |
| | Yield | 4.61 | 4.62 |
| | Production | 501,473 | 495,782 |
| | Imports | 41,850 | 40,513 |
| | Rough Production | 748,382 | 739,971 |
| | Total Supply | 720,436 | 712,875 |
| | Exports | 44,223 | 43,003 |
| | Domestic Consumption | 496,973 | 493,464 |
| | Ending Stocks | 179,146 | 177,113 |

# Soybean

## Arrival State Wise

In the current marketing season, starting Oct 1, arrivals of soybean decreased 16% from the same in the corresponding period a year ago .

| State-Wise (Qty in MT) | This Year | Last Year | % Change from Last Year |
|---|---|---|---|
| | 01/10/2020 and 31/10/2020 | 01/10/2019-31/10/2019 | |
| Madhya Pradesh | 387,159 | 612,945 | -37 |
| Maharashtra | 189,544 | 152,476 | 24 |
| Rajasthan | 144,281 | 101,324 | 42 |
| Telangana | 34,968 | 38,334 | -9 |
| Karnataka | 19,097 | 15,438 | 24 |
| Gujarat | 11,321 | 2,808 | 303 |
| Uttar Pradesh | 4,364 | 756 | 478 |
| Chattisgarh | 3,207 | 16,156 | -80 |
| India | **794,032** | **940,374** | **-16** |

Source: Agmarknet

## Major Media News

**Sharp decline in soybean production; exports take a hit**
https://www.thehindubusinessline.com/markets/commodities/sharp-decline-in-soyabean-production-exports-take-a-hit/article32956767.ece

**Soybean to trade above minimum support price in coming weeks**
https://www.moneycontrol.com/news/business/commodities/soybean-to-trade-above-minimum-support-price-in-coming-weeks-5949361.html

## Balance Sheet (India)

| Commodity | Attribute | India | World |
|---|---|---|---|
| Oilseed, Soybean | Beginning Stocks | 472 | 93,753 |
| | Area Harvested | 12,200 | 127,280 |
| | Yield | 0.92 | 2.9 |
| | Production | 11,200 | 368,469 |
| | Feed Waste Dom. Cons. | 850 | 27,101 |
| | Food Use Dom. Cons. | 550 | 21,075 |
| | Imports | 400 | 164,948 |
| | Total Supply | 12,072 | 627,170 |
| | Exports | 175 | 167,877 |
| | Domestic Consumption | 11,400 | 370,591 |
| | Ending Stocks | 497 | 88,702 |
| Meal, Soybean | Beginning Stocks | 510 | 9,901 |
| | Production | 8,000 | 253,317 |
| | Feed Waste Dom. Cons. | 5,785 | 248,300 |
| | Food Use Dom. Cons. | 300 | 731 |
| | Imports | 50 | 64,734 |
| | Total Supply | 8,560 | 1,492 |
| | Exports | 2,070 | 327,952 |
| | Domestic Consumption | 6,085 | 67,808 |
| | Industrial Dom. Cons. | | 1,492 |
| | Ending Stocks | 405 | 250,523 |
| Oil, Soybean | Beginning Stocks | 137 | 4,084 |
| | Production | 1,800 | 60,302 |
| | Feed Waste Dom. Cons. | 4,925 | 120 |
| | Food Use Dom. Cons. | | 48,187 |
| | Imports | 3,136 | 10,977 |
| | Industrial Dom. Cons. | | 10,911 |
| | Total Supply | 5,073 | 75,363 |
| | Exports | 8 | 12,080 |
| | Domestic Consumption | 4,925 | 59,218 |
| | Ending Stocks | 140 | 4,065 |

Source: USDA
(*Attribute Unit Description: Area in 1000 Ha; Yield in MT/Ha; Quantity in 1000 MT); Note-FSI: Food Seed Industry

# Maize

## Arrival State Wise

In the current marketing year starting Oct 1, total arrivals are down by 1% from the same period of last year.

| State-Wise (Qty in MT) | This Year 01/10/2020-31/10/2020 | Last Year 01/10/2019-31/10/2019 | % Change from Last Year |
|---|---|---|---|
| Madhya Pradesh | 78,302 | 65,698 | 19 |
| Karnataka | 77,683 | 56,652 | 37 |
| Telangana | 48,277 | 107,039 | -55 |
| Rajasthan | 48,274 | 18,726 | 158 |
| Maharashtra | 33,172 | 23,512 | 41 |
| Uttar Pradesh | 33,117 | 72,574 | -54 |
| Punjab | 9,292 | 693 | 1242 |
| Chattisgarh | 9,036 | 1,546 | 484 |
| Gujarat | 5,551 | 5,709 | -3 |
| Odisha | 4,246 | 2,345 | 81 |
| Haryana | 2,956 | 15 | 19740 |
| Tamil Nadu | 2,939 | 1,144 | 157 |
| **India** | **353,289** | **358,036** | **-1** |

Source: Agmarknet

## Major Media News

**Pricey affair: Why Indian farmers are 'caught in a maize'**
https://www.financialexpress.com/opinion/pricey-affair-why-indian-farmers-are-caught-in-a-maize/2117628/#:~:text=Due%20to%20unattractive%20cost%20support,under%20paddy%20is%20increasing%20rapidly.&text=Such%20is%20the%20state%20of,his%20product%20outside%20the%20mandi

**Indian maize prices look up on renewed demand from poultry sector**
https://www.moneycontrol.com/news/business/markets/indian-maize-prices-look-up-on-renewed-demand-from-poultry-sector-6059371.html

## Balance Sheet (India)

| Country | Attribute | 2020-21 | 2019-20 |
|---|---|---|---|
| India | Beginning Stocks | 1,882 | 1,346 |
| | Area Harvested | 9,200 | 9,722 |
| | Yield | 3.04 | 2.95 |
| | Production | 28,000 | 28,636 |
| | Imports | 300 | 400 |
| | Total Supply | 30,182 | 30,382 |
| | Exports | 400 | 500 |
| | FSI Consumption | 11,200 | 11,200 |
| | Feed Dom. Consumption | 17,000 | 16,800 |
| | Domestic Consumption | 28,200 | 28,000 |
| | Ending Stocks | 1,582 | 1,882 |
| World | Beginning Stocks | 304,235 | 319,810 |
| | Area Harvested | 196,730 | 193,247 |
| | Yield | 5.89 | 5.78 |
| | Production | 1,158,816 | 1,116,341 |
| | Imports | 177,807 | 167,088 |
| | Total Supply | 1,640,858 | 1,603,239 |
| | Exports | 184,466 | 170,564 |
| | FSI Consumption | 424,629 | 414,215 |
| | Feed Dom. Consumption | 731,309 | 714,225 |
| | Domestic Consumption | 1,155,938 | 1,128,440 |
| | Ending Stocks | 300,454 | 304,235 |

Source: USDA
(*Attribute Unit Description: Area in 1000 Ha; Yield in MT/Ha.; Quantity in 1000 MT); (** FSI: Food Seed Industry)

# Cotton

## Arrival State Wise

In the current marketing year starting October 1, arrivals of cotton declined 33% so far, compared with the same in the corresponding period a year ago.

| State-Wise (Qty in MT) | This Year | Last Year | % Change from Last Year |
|---|---|---|---|
| | 01/10/2020-31/10/2020 | 01/10/2019-31/10/2019 | |
| Gujarat | 108,410 | 67,162 | 61 |
| Rajasthan | 55,855 | 194,003 | -71 |
| Punjab | 52,384 | 20,976 | 150 |
| Madhya Pradesh | 28,615 | 46,912 | -39 |
| Karnataka | 23,750 | 15,246 | 56 |
| Haryana | 14,689 | 92,702 | -84 |
| Telangana | 13,278 | 15,452 | -14 |
| Andhra Pradesh | 7,458 | 8,773 | -15 |
| Uttar Pradesh | 3,468 | 1,097 | 216 |
| Maharashtra | 3,086 | 1,414 | 118 |
| Tamil Nadu | 964 | 1,562 | -38 |
| TOTAL : | 311,955 | 465,299 | -33 |

Source: Agmarknet

## Major Media News

**Cotton arrival in Punjab's mandis this season double than last season**
https://www.hindustantimes.com/cities/cotton-arrival-in-punjab-s-mandis-this-season-double-than-last-season/story-GPuqxZ6ttHCO7Xagwngj1O.html#:~:text=According%20to%20the%20Punjab%20Mandi,arrival%20was%205.71%20lakh%20quintals

**The Start of the end of cotton production**
https://www.dawn.com/news/1588016

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## Poultry back in demand as consumer's eye immunity in virus fight

Consumers who had shunned poultry products due to rumors and the scare of coronavirus from the early part of the calendar year, are now seen coming back to them to meet their nutritional requirement in the fight against the virus. As a result, the poultry sector has been witnessing an increase in demand, mainly from the home segment, over the past couple of months.

However, as supplies remain thin, the prices of poultry products such as eggs and chicken meat are ruling on the higher side. The renewed demand, coupled with higher prices and a reduced cost of production on account of lower maize prices ahead of the peak winter season, should augur well for the sector and help recover from the losses inflicted by the coronavirus scare and the lockdown.

For the poultry sector, the period between June till December is considered an off-season. Demand normally starts peeking from Christmas and New Year till June. "This seasonal demand pattern went haywire this year as the traditionally good season turned bad and the off-season has turned good. We have never seen a price rise like this in the off-season in the past 20 years," Rai added.

*Source: Business Line*

## Gujarat cotton farmers expect good exports despite low sowing

Despite low sowing of cotton in Gujarat, traders are anticipating bright export prospects this season, in the wake of subdued prices in India compared to the global market. With over 30% share in the total production of cotton in the country, Gujarat is one of the leading states in cotton trade. Sources in the cotton trade say that due to the Covid-19 pandemic, many cotton growers have diversified to groundnut and hence, sowing in the state is almost 14 to 15% lower in the current season compared to last year.

On an average India's total production is around 3.7 crore bales (170 kg per bale). Last year due to heavy procurement by CCI, the central government agency already had record stock of around 1 crore bales, which means nearly 30 per cent carry forward stock would be dumped in the market in coming days. Gujarat based ginning mills pressed around 1 crore bales last year.

This year, it would be around 80 lakh to 90 lakh due to lower sowing. Compared to last year's Rs 1,100 per 20kg MSP, the government has fixed Rs 1,155 for the current season. Despite the hike in the MSP, prices of Indian cotton are likely to remain low compared to other cotton growing countries, experts adding that it would give an edge to Indian exporters.

*Source: Financial Express*

## AP announces MSP for 24 crops

As the procurement process is set to begin in the next few weeks, the Andhra Pradesh government has announced MSP for 24 crops.

It announced an MSP of ₹1,868 (common variety) and ₹1,888 (Grade-A variety) a quintal of paddy. The MSP for cotton is put at ₹5,515 (medium staple) and ₹5,825 (long staple) a quintal.

The government had set up a ₹3,300-crore Price Stabilisation Fund to provide remunerative prices for different crops.

The MSP for chilies has been pegged at ₹7,000 and ₹6,850 a quintal for turmeric. The MSP for maize is ₹1,850, red gram ₹6,000, groundnut ₹5,275, sunflower ₹5,885 and black gram ₹6,000.

*Source: Business Line*

## Government to buy more kharif crops amid stir

The National Democratic Alliance (NDA) government has approved plans to step up procurement of kharif or summer-sown crops, especially pulses and oilseeds, at minimum support prices (MSPs), at a time when farmers are protesting against a new set of laws they fear may weaken the MSP regime and the procurement mechanism.

The Centre will launch a special procurement drive to buy nearly 1.4 million tonnes of pulses and oilseeds from Tamil Nadu, Karnataka, Maharashtra, Telangana and Haryana under its "price support scheme" at MSP prices, according to an order of the agriculture ministry.

*Source: Hindustan Times*

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## Madhya Pradesh: In relief for agricultural traders, govt reduces mandi tax

Bringing relief to thousands of agricultural traders, the Madhya Pradesh government has announced a reduction in mandi tax from the earlier 1.70 percent to 0.5 percent.

The move has brought to an end the 13-day state-wide strike called by the traders, who felt the tax was unreasonable and would have spelt the end of the mandis following the passing of the new farm laws by the Centre.

According to Gopaldas Agarwal, president of Sakal Anaj Dalhan Tilhan Vyapari Mahasangh Samiti, a state-level association of traders, the new laws allowed private mandis to operate without a licence or paying any taxes. However, the traders registered with the state government were still made to pay a tax of 1.70 per cent, making procurement more expensive and their entering the mandis redundant.

*Source: Indian Express*

## Centre to soon launch one-stop agri data infrastructure

The government will soon create a common data infrastructure of all farmers in the country, gleaning data collected for various schemes such as PM Fasal Bima Yojana (PMFBY), PM-Kisan and soil health cards, and integrating them with land records, said Ashish Bhutani, Joint Secretary at the Agriculture Ministry, on Thursday.

“This will act as a one-stop shop for data, including access to finance by farmers, start-ups and researchers for developing new apps, so that the benefits reach the grass roots,” Bhutani said while addressing a webinar on artificial intelligence (AI) and digital applications in agriculture organized by the FICCI, jointly with the German Agribusiness Alliance.

Since its launch, PMFBY has been a radical shift in the way crop insurance is implemented in the country. It is the third-biggest programme in the world after the schemes implemented in the US and China, he said. “Technology is the way forward for the implementation of the programme,” said Bhutani, who is also the CEO of PMFBY.

*Source: Business Line*

## Agricultural exports rise 43.4% to Rs 53,626.6 crore in Apr-Sept

Exports of agri-commodities rose by 43.4 percent to Rs 53,626.6 crore in the first half of the current fiscal notwithstanding the ongoing COVID-19 crisis, the union agriculture ministry said.

Farm exports stood at Rs 37,397.3 crore during the April-September period of 2019-20 fiscal, it said. In September 2020, agri exports rose by 81.7 percent to Rs 9,296 crore from Rs 5,114 crore in September 2019.

"The consistent and concerted efforts of the government to boost agricultural exports are bearing fruit as despite the on-going COVID-19 crisis, the export of essential agri commodities for the cumulative period of April-September, 2020 has increased by 43.4 percent to Rs 53,626.6 crore," the ministry said in a statement.

Positive growth was recorded in export of groundnut (35 percent), refined sugar (104 percent), wheat (206 percent), basmati rice (13 percent), and non-basmati rice (105 percent) during the April-September of this fiscal from over the year-ago, it said.

*Source: Business Today*

## Edible oil imports seen falling by 1.5 million tonnes in 2019-20 oil year

Experts from the global edible oil industry feel that India will be importing more oil next year as there are signs of pick up in the economy.

The SEA GLOBOIL webinar on ‘World Price Outlook for Vegetable Oils and Meals’, organised by Solvent Extractors’ Association (SEA) of India, discussed this point in detail as Atul Chaturvedi, President of SEA of India, wanted to know from the global experts on the outlook for edible oil in the country.

Chaturvedi said Indian import of edible oil is likely to fall by almost 1.5 million tonnes (mt) during the oil year 2019-20. (The edible oil year ranges from November to October.) The country is estimated to import around 13.5 mt during 2019-20 as against 14.9 mt in the previous year.

Source: Business Line

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## Modification in contract specifications – Maize – Feed/Industrial Grade (MAIZE) Futures Contract

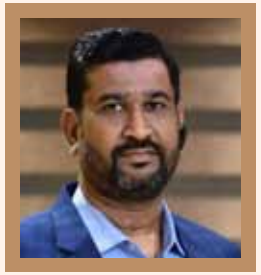
NCDEX has modified the contract specifications of Maize – Feed/Industrial Grade Futures contract expiring in the month of November 2020 and onwards with effect from November 05, 2020. Currently, Maize – Feed/Industrial Grade futures contracts expiring in the months of December 2020, January 2021 and February 2021are available for trading and would continue to be traded as per existing contract specifications. Also, Maize – Feed/Industrial Grade futures contract expiring in the month of March 2021 has been made available for trading with effect from November 02, 2020 as per the existing contract specification till November 04, 2020. The changes have been made applicable for Maize – Feed/Industrial Grade futures contracts expiring in the month of December 2020 and thereafter from the beginning of day November 05, 2020.

## Futures Contracts Launch in 29 mm Cotton and Premium / Discount for grade / delivery location difference

Trading and Clearing Members are hereby informed that January 2021, February 2021, March 2021 and April 2021 expiry futures contracts have been made available with effect from October 09, 2020 and the premium / discount for the same is Rs. 50 per bale. The Premium/Discount for variations in qualities within the acceptable limits will continue to be governed by respective product notes/circulars. In case of any contracts launched subsequently, the Premium/Discount for the same shall be announced before the launch of the contract.

## Extension of Tick by Tick Trading Market Data for Derivatives segment

The Tick by Tick trading market data for derivatives segment will be available free of cost till March 31, 2021 to provide sufficient time to the members for development or testing of their Algorithmic trading (Algo) strategies using Tick By Tick trading market data. However, the connectivity charges and standard port charges shall be applicable as prescribed. The Exchange shall review the Tick by Tick trading market data charges in due course and may revise the pricing policy accordingly which shall be communicated vide separate circular.



**Mr. Ajay Kedia**
Director -Kedia Advisory

# AGRIDEX's rally may not be done yet

AGRIDEX, India's first tradable agricultural index, which tracks 10 top-traded contracts on the country's largest farm futures platform NCDEX, has gained nearly 20 percent in 5 months since its launch on May 25. The exhilarating performance was buoyed by a rapid change in farm sector fundamentals following a phase-wise relaxations in the nation-wide lockdown imposed in March to contain the spread of Covid-19 Pandemic.

On Oct 28, AGRIDEX crossed the record 1200 mark registering almost 20 percent gains since inception as surge in consumption and stockists' demand for food coupled with unfavorable weather conditions supported rallies in agri-commodities across the globe. For Aug-Oct quarter, the Index gave a return of 13.7%, highest among all asset classes. Benchmark stock indices Nifty and Sensex rose a little over 5% during these 3 months while returns from bullion were in negative territory. In October, AGRIDEX rose 4.9%, followed by Sensex and Nifty at 4.1% and 3.5%, respectively. Gold and Silver gave a return remained between 0.5% and 1.0% during the month.

The trend is likely to continue in the coming months as well as resurgence of the Virus outbreak in major European economies as well as the US, the world's largest economy, has disrupted the supply of all types of commodities into global market from these countries. At the same time geopolitical and weather risks has encouraged many big nations to build inventories of food grains and edible oils, which makes a case for firmer tone in farm prices ahead of Diwali festival in India. As AGRIDEX tracks the spot and futures of soybean, chana, mustard seed, refined soy oil, and spices like coriander and jeera among others, expectations of bullish momentum in these constituents is likely to push the index higher. Among local factors that has potential to support prices crop damages due to delayed monsoon, locust attacks and pest infestations due to bad weather in western and southern parts of the country will also support higher farm prices helping AGRIDEX forge ahead.

Export demand for spices is already increasing and is expected to increase further due to Ramzan demand.

The low correlation with other asset classes makes AGRIDEX a perfect product to diversify the portfolio. In our analysis, we have found AGRIDEX has over 90% positive correlation with Refined Soy Oil, Mustard, and Chana in October. It means these three commodities moved almost in tandem with the index. We can see in this table Soy Oil and mustard had a high correlation with Castor, Chana, and Guar Seed. Guar Complex and Coriander also had over 90% correlation. On the other hand, Dhaniya and Cottonseed Oil Cake had a negative correlation of 72%. This means both of these commodities moved in almost opposite directions to each other.

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## AGRIDEX COMMODITY CORRELATION

| Agridex / Commodity | AGRIDEX | Castor | Chana | Dhaniya | Jeera | Cocudakl | Guarseed | Guargum | Soyabean | Soyoil | Rmseed |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Agridex | | 0.8696 | 0.9360 | 0.7957 | 0.1374 | -0.5805 | 0.8620 | 0.7028 | 0.7817 | 0.9589 | 0.9726 |
| Castor | 0.8696 | | 0.7801 | 0.8323 | 0.1906 | -0.6134 | 0.8137 | 0.6421 | 0.5688 | 0.8860 | 0.8579 |
| Chana | 0.9360 | 0.7801 | | 0.6591 | -0.1283 | -0.4982 | 0.6788 | 0.4668 | 0.7123 | 0.8546 | 0.8725 |
| Dhaniya | 0.7957 | 0.8323 | 0.6591 | | 0.4160 | -0.7274 | 0.9028 | 0.8146 | 0.3808 | 0.7838 | 0.8161 |
| Jeera | 0.1374 | 0.1906 | -0.1283 | 0.4160 | | -0.2092 | 0.4696 | 0.5750 | 0.0836 | 0.2285 | 0.1897 |
| Cocudakl | -0.5805 | -0.6134 | -0.4982 | -0.7274 | -0.2092 | | -0.7018 | -0.6621 | -0.2944 | -0.6287 | -0.6593 |
| Guarseed | 0.8620 | 0.8137 | 0.6788 | 0.9028 | 0.4696 | -0.7018 | | 0.9235 | 0.5554 | 0.8737 | 0.8933 |
| Guargum | 0.7028 | 0.6421 | 0.4668 | 0.8146 | 0.5750 | -0.6621 | 0.9235 | | 0.4152 | 0.7465 | 0.7682 |
| Soyabean | 0.7817 | 0.5688 | 0.7123 | 0.3808 | 0.0836 | -0.2944 | 0.5554 | 0.4152 | | 0.7674 | 0.7490 |
| Soyoil | 0.9589 | 0.8860 | 0.8546 | 0.7838 | 0.2285 | -0.6287 | 0.8737 | 0.7465 | 0.7674 | | 0.9543 |
| Rmseed | 0.9726 | 0.8579 | 0.8725 | 0.8161 | 0.1897 | -0.6593 | 0.8933 | 0.7682 | 0.7490 | 0.9543 | |

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## Khedut Putra FPC taking small but steady strides in Mahesana

Mahesana is a city and district, was once a part of princely state of Gaekwads of Baroda in Gujarat. Besides having one of the rare in-land Oil & Gas fields in India, the district is also one of the key castor seed producing region in Gujarat, which accounts for over 80% of India's total output. Despite relatively better economic environment in the district, castor seed farmers often struggle for right price when they take their produce in the district mandis. While access to proper market information is the key hurdle in getting competitive price, cost of holding the produce, mandi tax, and labour costs at various levels till the produce reaches the mandi further impacts their realization.

However, ever since the inception of Khedut Putra Farmer Producer Company in 2019, there was a dramatic shift for some of the farmers' fortunes. Started off with just 10 farmers, including 2 women,the farmer producer company now boasts over 300 members in a year, 10% of which are women farmers. The FPC procures about 2000 bags of castor seed from members, they store it at a godown in Dhinoj, and when they feel that the price is competitive enough, they sell it in open market. Besides, the FPC also help its members in obtaining loan against their produce.

The transformation of those 300 Mahesana castor farmers was not an accident but the concerted efforts of Girishbhai Mahsana, founder director of the FPC. The seeds of formation of the FPC were sown when Girishbhai went to Baroda to attend a family function and was introduced to Purshottam Cotton and Weaving Group, which had been successful in getting higher prices by bringing together many cotton farmers under its fold. Next day, Girishbhai visited the Group's office, learnt about its operations and came back home with a determination to replicate the story in his home district for castor farmers. What helped Girishbhai in achieving his endeavors is his decision to replace traditional marketing practices with modern markets by joining NCDEX, India's largest agricultural derivatives marketplace. It helped the FPC in getting end-to-end solutions in marketing their produce at a much higher price, Girishbhai says.

**FPO team during company's incorporation**

Now he tells others what benefits the Khedut Putra Farmer Producer Company derives by shaking hands with NCDEX's derivatives market. In its first year of operations itself, the Khedut FPC delivered 130 tonne of castor seed in month of June this year at the Exchange-accredited Ambasen LTC warehouse, about 16-18 kms away from Mahesana.

"Ever since we managed to get our farmers enrolled into NCDEX, they have managed to secure 5-6% more than the mandi prices. We did a total trade of 350 Mt on the Futures platform in 2020-21 and delivered 130 MT. We sold our produce at Rs. 4,100 per quintal on the Exchange, when mandi was offering only Rs.3,800. So, there itself we managed to earn Rs 300 per quintal more. Additionally, we saved many incidental expenses such as Rs.8 per sack as storage charge, Rs.16 per sack for loading and unloading," Girishbhai adds.

The success of the FPC is luring more and more farmers to join as members and Girishbhai is confident to take the tally into 4-digit in a year from now. The FPC is also looking to expand its scope of operations into wheat or mustard seeds or both with hand-holding with NCDEX. They are also looking to build their own warehouse of 1500-2000 tonne capacity for the farmers for safe storage of the local farmers' produce!

Seeing the how Khedut Putra FPC have benefitted from their NCDEX partnership, it is only a matter of time that more farmers join the bandwagon.

# Commodity Corner - Guar

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## State-wise Guar Seed Production (Data in Lakh Tonnes)

Marketing Year (October-September)

| State | 2018-19 | 2019-20 | 2020-21 | Y-o-Y Change (2020-21 over 2019-20) |
|---|---|---|---|---|
| Rajasthan | 10.31 | **12.85 | ^14.93 | 16% |
| Gujarat | 0.76 | **1.08 | ^0.92 | -15% |
| Haryana | 1.94 | NA | NA | |
| State Total | 13.01 | 13.93 | 15.85 | 14% |

Production data sourced from Agriculture ministry website of respective state governments.
**: Fourth Advance Estimates of Production released by the respective state governments for 2019-20.
^: First Advance Estimates of Production released by the respective state governments for 2020-21

It may be noted that the 3 states mentioned above, together accounts for more than 95% of the Guar seed produced in India

Production for 2020-21 will be revised by respective state governments as the season progresses.

## Production of Guar gum* (Data in Lakh Tonnes)

Marketing Year (November-October)

| Period | 2018-19 | 2019-20 (Estimate) | 2020-21 (Provisional) | Y-o-Y Change (2020-21 over 2019-20) |
|---|---|---|---|---|
| Production | 3.90 | 4.18 | 4.76 | 14% |

*: A Sum total of Guar seed produced by Rajasthan, Gujarat and Haryana, given in the above table has been considered as a base to calculate All-India Guar gum production.

Guar Gum availability is 30% of Guar Seed production assuming the entire production is processed.

Production for 2020-21 will be revised as the season progresses.

## Exports of Guar gum (Data in Lakh Tonnes)

Marketing Year (November-October)

| Period | 2018-19 (Revised) | 2018-19 (Nov-Aug) | 2019-20 (Nov-Aug) | Y-o-Y Change (2020-21 over 2019-20) |
|---|---|---|---|---|
| Exports | 4.96 | 4.32 | 2.29 | -47% |

Source: Ministry of Commerce

## NCDEX Offerings

### Futures Contracts

Guar Seed
Guar Gum

### Options Contracts

Guar Seed
Guar Gum

### AGRIDEX

Guar Seed (11.16%)
Guar Gum (6.45%)

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