GRAINY PICTURE

Several questions arise from the recent trend of wheat prices

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A few weeks back, wheat prices in Delhi's markets soared to ₹3,360 a quintal. The jump came despite the Centre pumping in large quantities of wheat through the open market sale scheme (OMSS) of the Food Corporation of India. The government recently said it was keeping a close watch on wheat prices while world markets were seen to be under pressure due to an oversupply.

In 2023-24 (FY24), the government pumped in 10 million tonnes of wheat from its inventories to cool prices. However, in November last year, only around 2.5 million tonnes was allocated for open sales, of which 900,000 tonnes have already been pumped into the market and 860,000 tonnes have been lifted at auctions, so far showing only a limited impact on prices. Trade sources say that since the first tender for open sales issued in November to the last one issued a few days back, wheat prices in the open markets have risen by ₹150 a quintal in the Delhi market.

"The prices, instead of coming down, have risen," said a large trader based in Delhi. The primary reason for the rise is that the market is hungry for wheat and there are low pipeline stocks with flour millers and biscuit-makers. "There is a lot of speculative activity, too, going on in the wheat markets, keeping prices high," he said.

Talk of speculative activity has gained ground because official estimates put wheat production in the 2023-24 crop, which ended in July, at an all-time high of 113.29 million tonnes, up 2.47 per cent from the previous year. Wheat stocks in state warehouses totalled 18.41 million tonnes at the start of this month — it was 16.35 million tonnes in January last year.

The Centre fixed a reserve price for wheat under OMSS at ₹2,325 a quintal for 'fair and average quality grain' and ₹2,300 per quintal for 'under reduced specifications grain'. However, traders say the prices fetched at the auctions are much higher than the reserve price, reflecting unsatiated demand.

"The declared stocks show that the downstream industry is well stocked. Therefore, the whole price spike is mostly sentimental, in my understanding," said a leading wheat trader.

Weather question

The sudden and sharp spike in day temperatures in many parts of North India has added another dimension to wheat markets. Any unusual rise in temperature is not good for the standing wheat crop. However, scientists say so far night-time temperatures are within the normal range, keeping the total average temperature during a full day (24 hours) around 15-16 degrees Celsius, which is ideal for the wheat crop.

"So far, the average temperature in 24 hours is around 15-16 degree Celsius even in states such as Madhya Pradesh, mainly due to the fact that the nights are cooler. Therefore, there is no reason for undue panic, the situation will change if nights start getting warmer," said a senior scientist from the Indian Institute of Wheat and Barley Research. Till yesterday wheat crop has been sown in around 32.43 million hectares which is 2.75 per cent more than the area covered last year and 3.84 per cent more than the normal acreage.

IN CENTRAL POOL

(Grain stock in million tonnes)

Crops	Buffer norms*	Jan 1, 2024	Jan 1, 2025
Rice	7.61	18.17	29.09
Wheat	13.8	16.35	18.41
Total	**21.41**	**34.52**	**47.5**
Unmilled Paddy**		33.46	31.9
Grand Total		**67.98**	**79.4**

*As on January 1 each year, **Unmilled Paddy converted into rice assuming a conversion ratio of 67 per cent.
Source: Traders and Market Players

Subsidy question

The Centre's finances in procurement and storage of wheat are getting stretched due to free distribution of the same wheat and rice to 800 million people under the extended Pradhan Mantri Gareeb Kalyan Ann Yojana, which will continue till FY29.

The latest data from the Comptroller and Auditor General of India shows that till November 2024, India had spent 74 per cent of its FY25 Budget Estimates (BE) of food subsidy pegged at ₹205,250.01 crore, which during the same period of last fiscal was 58 per cent of the BE. Assuming that the same pace of spending is maintained in the remaining months of FY25, food subsidy could overshoot its BE. A recent *Reuters* report said India could peg the food subsidy bill in FY26 at just 5 per cent more than the BE of FY25.

Rice question

Rice plays a bigger role than wheat in the subsidy dynamics. As on January 1 this year, food grain stocks, including unmilled paddy lying with millers, are estimated at 79.4 million tonnes. Of this, rice is 29.09 million tonnes and another 31.90 million tonnes of it is with the millers.

A year ago, total stocks were 67.98 million tonnes, of which rice was 18.17 million tonnes with another 33.46 million tonnes with millers. The figures assume that 67 per cent of the unmilled paddy with the millers is converted into rice.

In contrast, wheat stocks in the Central pool as on January 1 this year stood at 18.41 million tonnes, marginally higher than the 16.35 million tonnes a year ago. Buffer stocking norms for rice as on January 1 each year are 7.61 million tonnes and 13.8 million tonnes for wheat.

So, as on January 1 this year, India was holding higher food grain stocks that could also be at a greater cost to the exchequer. The Budgeted economic cost of rice in FY25 is ₹39.75 per kg, while that of wheat is ₹27.74.

Against this, the total earning from sale of food grains through the public distribution system (PDS) is zero as the grains are given free.

Trade sources say that since the first tender for open sales issued in Nov to the last one issued a few days back, wheat prices in the open markets have risen by ₹150 a quintal in most markets

PDS question

It is not that the Centre used to earn huge amounts from sale of grains through PDS as the issue price, which is the rate at which grains are sold, was for wheat had remained unchanged at ₹2 a kg, for rice at ₹3 a kg, and for coarse grains at ₹1 a kg. That said, the amount earned was not zero.

Some experts say an option could be to raise the Central Issue Price for some segments of the beneficiaries or restrict the expanse of the beneficiaries to those who truly need it. The funds thus saved could be used to expand the PDS basket to include more nutritious grains such as pulses and millets. They buttress their argument by citing that poverty in India has declined.

According to the State Bank of India (SBI), the country's poverty rate in 2022-23 was 4.5–5 per cent. Rural poverty was 7.2 per cent, down from 25.7 per cent in 2011–12. Urban poverty dropped by 4.6 per cent from a decade ago. The SBI report said the decline was due to government programmes and increased spending.

The new poverty line for rural areas is ₹1,622 and ₹1,929 for urban areas.

However, a World Bank report from October 2024 says 129 million Indians live in extreme poverty, earning less than $2.15 per day. The World Bank's poverty threshold is $6.85 a day.

NITI Aayog, the government's think tank, says India's multidimensional poverty declined from 29.17 per cent in 2013–14 to 11.28 per cent in 2022–23, and that 250 million people had moved out of poverty between 2013-14 and 2022-23.