Wheat Price Hike – Analysis and Insights

By Siddharth Pareek

Table of Contents-

\*Introduction

\*Factors affecting Wheat prices

\*References and sources

INTRODUCTION-

Before diving right into the analysis let’s answer few questions that come to our minds when we hear a price hike news.

What causes price hike of any commodity in the first place?

A simple answer could be high demand and low supply but this is not the reason alone to blame on. Sometimes the government and their regulations too play a very crucial role. The government just banned the export of wheat to other nations to control the prices domestically.

Still we can see the price difference of wheat from what it was a month ago and what it is now.

Till when will the price hike last?

The prices will become normal when the demand and supply becomes selfsame.

Factors affecting wheat prices

Now let’s see what has caused the price hike of wheat in India as well as around the globe.

The prices of wheat in India have by 15 to 20 percent while the situation globally is much worst. Global wheat prices are 14 year high.

Some reasons for price hike of wheat in India-

1. Large Export and future export goals of India-

Prices have risen tremendously and are continuously driven by Russia’s invasion of Ukraine . Russia and Ukraine account for almost 1/3rd of the world’s wheat production. Now the world is looking at India with hopes as India is the world’s 2nd most largest producer of wheat who has also set ambitious goal’s of exporting 10 million tons of grain in 2022-2023 .Though India can do this but it can or might have adverse effects on the supplies within the country. The growing demand for export of wheat to be exported with rising global wheat prices has steeply risen the wheat prices within the country.

1. Government’s wheat procurement -

But alone the export issue is not the big elephant in the room. Government’s wheat procurement that has declined . Wheat procurement has declined by 44 percent to 162 lakh tones till .

The government official’s have said that the reason behind the fall in procurement is due to the increased crop purchase by private organization for export and relatively poor yield’s. The good side is that though there was less procurement of wheat by government but more than 14 lakh farmers have been benifited directly or indirectly due to the procurement and will continue to benefit as India has targeted to procure more than 440 lakh tonne’s of wheat in 2022-2023 marketing year.

1. Reduced yield and the scorching heat-wave-

There’s no doubt that this year’s summer is the hottest of all and it is becoming hotter every year. Rajasthan and Madhya Pradesh

are the worst hit by heat wave . And these states are among the largest producers of wheat in India. Before moving forward let’s see what is terminal heat stress on crop.

Terminal Heat Stress-

It occurs in wheat when mean temperature during grain filling stage goes above 31 Degree C.

Wheat production is affected due to terminal heat stress on the crop caused by the soaring temperature. High temperature limits the crop production. Continual heat stress on crop has affected more than a million hectares of wheat yield.

Farmers in these times –

When demand is more then the prices are more. Though some farmers lost their yield but many of them have benefited in these time’s . Mill owners , traders ,exporters etc have been procuring wheat from farmers more than MSP ,anticipating a higher price increase in prices .Even the richer farmers are themselves holding back their crops in the anticipation of prices going more high..

References and sources-

1. India’s wheat export ban by Institute of Export and International trade.

Find it here-

<https://www.export.org.uk/news/605647/India-wheat-export-ban-leads-to-price-hike-as-BOE-governor-says-food-shortages-a-major-worry.htm>

2) Atta Prices by TimesNow

Find it here-

<https://www.timesnownews.com/india/atta-prices-touch-12-year-high-as-wheat-procurement-to-touch-15-year-low-the-impact-explained-article-91473629>

3) Wheat Procurement by Business Standards

Find it here-

<https://www.business-standard.com/article/economy-policy/wheat-procurement-down-44-to-162-lakh-tonnes-till-may-1-on-higher-exports-122050201030_1.html>

4)How heat waves are affecting India’s wheat by The Federal

Find it here-

<https://thefederal.com/explainers-2/explained-how-heatwaves-are-affecting-indias-wheat-crops/>

Thank You.