Tomato Price Hike

Why in news?

Tomato prices have reached sky-high in two months and yet the inflation rate of its prices is negative.

How is tomato produced in India?

- India grows two major crops of tomato annually
    1. Kharif - comes to markets from September
    2. Rabi - hits the market between March and August annually
- Andhra Pradesh, Madhya Pradesh, Karnataka, Odisha, and Gujarat accounts for close to 50% of total production of tomato.
- The production accounts for 90% along with the states Chhattisgarh, West Bengal, Tamil Nadu, Bihar, Maharashtra, Uttar Pradesh, Haryana, and Telangana.
- In the summer, Andhra Pradesh's Madanapalle region alone accounts for tomato cultivation in the entire country.
- In 2021-22, the tomato production dropped to 20.69MT and 20.62MT in 2022-23.

What is fuelling the price rise?

- There are multiple factors for the drop in overall tomato production this year.
- The two key reasons are extreme weather conditions and low commercial realisation of the crop for farmers in the months before June.
- **Weather -** The heatwaves and high temperatures in April and May and the delayed monsoon showers in southern India and Maharashtra led to pest attacks in tomato crops.
- **Supply crunch -** Farmers sold inferior tomatoes at low prices and even some abandoned their crops between last December and April which led to supply crunch.
- **Heightening reasons -** Tamil Nadu, Gujarat, and Chhattisgarh saw a 20% drop in production, which aggravated tomato supplies in the 2022-23 crop year (July-June).
- The lean production period for tomato (July-August) has compounded the issue.
- **Crop shift -** Many tomato farmers in the Kolar district of Karnataka shifted to beans owing to the higher prices it fetched last year which reduced sizeable tomato supplies.
- **Seasonal price volatility** - The data on tomato prices of the last 5 years shows that the rates had risen every year at this time.

> *A July 2022 study by ICRIER notes how tomato prices have been following a cyclical phenomenon, with the same situation arising every alternate year. The year 2021 also saw prices drop to as low as 2-3 Rs. per kg for farmers.*

Do tomato price volatility impact CPI?

- There are concerns over the high seasonal price volatility of tomatoes and its impact on the overall Consumer Price Index (CPI).
- The contribution of TOP (tomato, onion, potato) to the overall CPI has been quite volatile, even with a low weightage of 2.20.
- In June 2022, at 8.9%, tomato had the largest contribution among 299 commodities in the CPI basket.

Why there is volatility in tomato prices?

- A NABARD study notes that tomato is the most volatile out of all the three TOP (tomato, onion, potato) agri-commodities.
- **Reasons for volatility -** Tomato is more perishable than onion and potato.
- Supply chain issues in transporting the vegetable from areas where it is grown to regions where it is not grown.
- The cyclical price drop led to a lot of farmers cultivating tomatoes in lesser land area and shifting to other crops.

Why the inflation rate of tomato is negative despite price hike?

- The inflation rate in tomato prices is negative.
- The inflation rate suggests that tomato prices are crashing despite actual soaring in prices.
- The tomato prices have been experiencing *'deflation'* since November 2022.
- **Inflation rate** - It is based on the value of an index and is calculated on a year-on-year basis in India.

How can volatility be controlled?

- **Produce -** Increase tomato yields in India (now at 25 tonnes per hectare (t/ha)) at par with the global average of 37 t/ha.
- Encouraging cultivation in structures called poly houses and greenhouses (like done in European countries) to can control pest attacks.
- **Storage and Processing -** Since tomato is highly perishable, improved value and supply chains can help with the problem.
- Increasing the processing capacity for tomatoes and building more processing units.

A 2022 study estimated that farmers' share of what consumers pay for tomatoes is only 32%.

- **Farmers' income -** Eliminating middlemen and encouraging Farmer Producers Organisations (FPOs) to sell produce directly to increase farmers' share.
- Amending rules of Agricultural Produce Market Committees (APMC) to reduce commission and other fees has also been suggested.

Quick Facts

- **CPI -** Consumer Price Index (CPI) is a comprehensive measure used for estimation of price changes in a basket of goods and services representative of consumption expenditure in an economy.
- Inflation is measured using CPI in India.
- The National Statistical Office (NSO) under Ministry of Statistics and Programme Implementation (MoSPI) releases CPI.

Tomato

- Tomato (*Lycopersicon esculentum*) is an annual or short lived perennial herb.
- The flowers are off white bearing fruits which are red or yellow in colour and is a self-pollinated crop.
- The plant is a warm season crop that cannot withstand frost and high humidity.

References

1. The Hindu - Why are tomato prices still high?
2. Vikaspedia - Tomato
3. IE - Tomato prices are sky-high and yet its inflation rate is negative
4. IE - Tomato prices are on fire and will not come down soon

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