

Volatility in Tomato Prices

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Introduction:

The tomato, a staple vegetable extensively consumed throughout India, holds significant importance in the country's agricultural sector. Nevertheless, the prices of tomatoes have experienced notable variations over time, affecting both farmers and consumers.

- ❖ In India, tomatoes rank among the most commonly consumed vegetables, boasting an annual production of approximately 20 million tonnes. However, they are highly perishable, with a limited shelf life of only a few days.
- ❖ Tomato prices are influenced by seasonal shifts, contingent on the supply-demand dynamics in different regions of the country. Nevertheless, in recent years, the prices of tomatoes have displayed remarkable instability, soaring to as high as ₹ 250 per kilogram in certain markets. This has brought about challenges for both consumers and farmers, with broader implications for food inflation and economic steadiness.

Various factors contribute to the fluctuations in tomato prices:

Supply-Demand Imbalance: The primary cause of the surge in tomato prices stems from the disparity between the quantity supplied and the demand for tomatoes.

Unfavourable Weather Conditions: In April and May, elevated temperatures and heatwaves, coupled with delayed monsoon rains in regions like southern India and Maharashtra, resulted in pest infestations and crop damage in tomato fields. This, in turn, diminished both the quality and yield of tomatoes and delayed the introduction of the new crop to the market.

Inadequate Returns for Farmers: Farmers who cultivated tomatoes in the previous season faced low prices, ranging from ₹ 6 to ₹ 11 per kilogram, between December 2022 and April 2023. This discouraged them from sowing a larger tomato crop in the current season, leading to reduced acreage and overall production.

Challenges in Transportation and Logistics: The movement of tomatoes from regions with surplus produce to those with a deficit has been hindered by insufficient

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transport and storage facilities. Additionally, escalating fuel costs and taxes have raised transportation expenses, which are ultimately passed on to consumers.

Hoarding and Speculation: Certain traders and intermediaries have capitalized on the gap between supply and demand. They have engaged in hoarding or artificially inflating tomato prices in both wholesale and retail markets. This tactic creates a perception of scarcity among consumers, prompting panic buying and further driving up prices.

Impact

Consumers: The surging prices of tomatoes have placed a heavy financial burden on consumers. They are compelled to allocate more of their budget towards this essential vegetable, potentially leading to a reduction in overall consumption. This can have adverse effects on their nutrition and well-being, particularly for the economically disadvantaged segments of society. Furthermore, given that tomatoes are a fundamental ingredient in numerous dishes and culinary traditions, their elevated prices also influence the dietary habits and preferences of consumers.

Farmers: Tomato cultivators have borne the brunt of price fluctuations, struggling to secure profitable rates for their harvests. They have additionally faced setbacks due to factors such as crop damage,

wastage, and distress sales. The inherent uncertainty and risks associated with tomato farming have eroded their income and livelihood security. This, in turn, has dissuaded them from investing in improved seeds, agricultural inputs, and advanced technologies.

Economy: The instability in tomato prices has reverberated across the broader economy, contributing to both food inflation and macroeconomic instability. Tomatoes hold significant weightage in the Consumer Price Index (CPI), a metric gauging changes in the cost of living for households. An upswing in tomato prices elevates CPI inflation, exerting an impact on the purchasing power and savings of the populace. It also exerts influence on the monetary policy decisions of the Reserve Bank of India (RBI), an institution focused on upholding both price stability and economic growth. The RBI has emphasized that the volatility in tomato prices has historically triggered spillover effects on other commodities and overall inflation levels in the nation.

Challenges:

Data Deficits: Reliable and timely information regarding tomato production, consumption, trade, prices, and stocks at various levels is lacking. This hinders effective planning, forecasting, monitoring, and intervention efforts by both government agencies and market participants.

Inefficiencies in the Market: The absence of efficient and transparent tomato markets poses difficulties for farmers to receive fair prices for their yields and for consumers to obtain quality products at reasonable rates. Multiple intermediaries in the supply chain levy high commissions and margins, resulting in information imbalances and market distortions.

Obstacles in Infrastructure: Inadequate infrastructure for the transportation, storage, processing, and marketing of tomatoes leads to significant post-harvest losses, spoilage, wastage, and adulteration. Additionally, there is a shortage of cold chain facilities, which are vital for extending the shelf life and maintaining the quality of tomatoes.

Policy Gaps: There exists a lack of coherent and consistent policies and regulations governing tomato production, trade, and price stabilization. Coordination and implementation issues persist among various ministries, departments, agencies, and stakeholders involved in the tomato sector.

Measures to Address Price Volatility:

Enhancing Data Collection and Dissemination: Improvement of data collection and dissemination systems for tomato-related metrics, utilizing advanced technologies like satellite imagery, remote sensing, artificial intelligence, and big data

analytics. This will facilitate more effective planning, forecasting, monitoring, and intervention by both government entities and market participants.

Fostering Efficient and Transparent Markets: Promotion of markets for tomatoes that are efficient and transparent, allowing farmers to receive equitable prices for their produce and ensuring consumers have access to quality products at fair prices. This can be achieved by minimizing the role of intermediaries, strengthening direct connections between farmers and consumers, encouraging online platforms and e-commerce, and ensuring adherence to quality standards.

Developing Infrastructure and Logistics: Investment in infrastructure and logistics for the transport, storage, processing, and marketing of tomatoes. This investment will help reduce post-harvest losses, spoilage, wastage, and adulteration. It involves establishing cold chain facilities, processing units, warehouses, market yards, and transportation networks, leading to value addition and increased employment opportunities within the tomato sector.

Policies and Regulations:

It is imperative to establish policies and regulations that are unified and consistent in governing tomato production, trade, and price stabilization. This can be achieved through the coordination and alignment of roles and

responsibilities among the various ministries, departments, agencies, and stakeholders engaged in the tomato sector. This may also encompass the establishment of buffer stocks, setting minimum support prices, overseeing exports and imports, offering subsidies for inputs and outputs, and implementing crop insurance initiatives.

Conclusion:

Effectively mitigating the volatility in tomato prices necessitates a collaborative and concerted endeavour involving diverse stakeholders. Through the adoption of a comprehensive approach, the agricultural sector can attain more steady and equitable tomato prices, delivering benefits to both farmers and consumers.

