Monsoon bonanza: Good harvest likely to lift rural incomes after 3 years

Zia Haq, Hindustan Times, New Delhi  |  Updated: Aug 28, 2016 00:25 IST

A good harvest due to higher sowing of summer crops on the back of good rains could lift rural incomes after a two-year drought. (AFP File Photo)

Sowing of most summer crops has risen higher than normal on the back of good rains, latest government data show, pointing to a plentiful harvest after a devastating two-year drought.

A good harvest, key to prosperity for half of all Indians, could lift rural incomes for the first time in three years. An improvement in rural incomes is likely to provide a tailwind to the Modi government’s growth agenda by boosting spending on consumer goods.
The area under pulses is nearly 40% higher than the normal, yet another sign that India’s mostly poor farmers respond promptly to policy measures. Pulses, a scarce item, have roiled household budgets over two years because India has had to rely on costly imports.

The increase is mainly because of higher minimum support prices (MSPs) and the government’s decision to build a buffer stock. MSPs, which act as a floor price for farmers, help avoid less-profitable sales when the government builds a buffer by buying the produce.

If a better harvest puts a lid on prices, it may give the new RBI governor legroom to cut interest rates.

“But please remember that food prices may not come down because of higher output alone. Supply side constraints have to ease too,” said Akash Goel, an economist with Comtrade, a commodities firm.
### FARM CHEER

<table>
<thead>
<tr>
<th>Crop</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rice</strong></td>
<td>352.23</td>
<td>363.07</td>
</tr>
<tr>
<td><strong>Pulses</strong></td>
<td>103.85</td>
<td>139.42</td>
</tr>
<tr>
<td><strong>Coarse cereals</strong></td>
<td>172.73</td>
<td>182.99</td>
</tr>
</tbody>
</table>

#### Impact
- Rural incomes likely to rise for the first time in three years
- Higher incomes can lead to higher spends, helping buoy the economy
- Food inflation to come down, making a case for RBI to lower rates

#### Intervention Works:
Jump in pulses sowing suggests farmers have positively responded to policy measures, such as higher minimum support prices and a buffer stock

Data till August 26

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The area under rice stands at 36.3 million hectares, nearly 4% higher. Coarse cereals, an important source of rural diet, were also 3.5% higher than the normal area.

“A good harvest which looks likely this time across all major food crops does have the potential to generate more income for the farmers that will be spent partly on non-food items,” said Madan Sabnavis, the chief economist with Care Ratings, which tracks the farm economy.

Among food crops, only sugarcane area has ended up lower, which may force India to import the item for the first time in six years. Prices of the sweetener have already risen 32% in July compared to a year-ago period.

The area under cotton, another crop shriveled by drought, has also shrunk 11% at 10.2 million hectares currently.