

Monsoon and Farm Prospects: July 2011

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Summary

While the monsoon is half way through, there has been a gentle shift of deficit rainfall to 2 more meteorological divisions in the last week of July. Parts of Rajasthan, Orissa and Haryana have now come under the deficit regions. There is also an alert on the agricultural front where the area under cultivation has been lower this year though there is still hope for improvement as the coverage so far is around 60% of normal. Concern is on coarse grains where inflation is also higher. Area under pulses has also been tardy but declining prices this year affords some element of price comfort. Oilseeds present a dualistic picture with soybean showing high acreage while groundnut is down.

Monsoon Progress

The progress of the monsoon so far has been quite satisfactory though there has been deterioration in the last week of July. Usually around 45-50% of total rainfall is received in June and July, which has been achieved this year by July 27.

In absolute terms total rainfall received is 399.1 mm which is lower than the normal of 415 mm as of July 27 by around 4%. More importantly, 28 of the 36 meteorological divisions have received excess to normal monsoon (Table 1). The 8 divisions that are in deficit are: Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Lakshadweep, Gujarat region, Saurashtra, West Rajasthan, Orissa and Haryana and Delhi. This progress has probably been the best witnessed in the last several years as the table below indicates.

Table1: Rainfall distribution by Number of Meteorological divisions

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------|------|------|------|------|------|------|
| Excess to normal | 22 | 29 | 26 | 17 | 28 | 28 |
| Deficit | 14 | 7 | 10 | 19 | 8 | 8 |
| Total | 36 | 36 | 36 | 36 | 36 | 36 |

Source: IMD

Table 2 below provides information on the progress in area under cultivation during the kharif season up to July 22. The significant highlights are:

1. Overall progress of cultivation in the kharif season is lower by 3.2% relative to last year.
2. The coverage so far is close to 60%, which means that there is still around 40% left to be brought under cultivation in the next two months
3. There is some concern in terms of progress in cultivation for the following crops where there is a possibility of slippages
 - a. Jowar, bajra, maize

- b. Tur, urad and moong
- c. Groundnut
- 4. Area under cultivation is much higher in case of sugarcane, cotton and jute.
- 5. Price inflation for coarse cereals has been high and if the present trend continues will put pressure on inflation.

There is some concern in the areas of coarse cereals and pulses, though there is still time to recoup losses.

**Table 2: Area under cultivation (July 22) and inflation June 2011
(Area in Lkh Hectares and Inflation %)**

| Crop | Normal | Coverage (%) | 2010 | 2011 | Inflation (%) |
|------------------|---------------|--------------|--------------|--------------|---------------|
| Rice | 393.6 | 39.3 | 154.2 | 154.7 | 1.9 |
| Jowar | 34.3 | 55.6 | 19.57 | 19.07 | 42.7 |
| Bajra | 92.6 | 51.4 | 55.5 | 49.9 | 7.8 |
| Maize | 69.6 | 71.7 | 55.5 | 49.9 | 31.3 |
| Coarse grains | 219.7 | 57.0 | 141.4 | 125.2 | |
| Cereals | 613.3 | 45.6 | 195.6 | 279.9 | |
| Tur | 35.4 | 45.6 | 21.8 | 16.1 | |
| Urad | 22.4 | 54.0 | 12.16 | 12.07 | -18.4 |
| Moong | 25.6 | 34.5 | 11.8 | 8.8 | -24.0 |
| Pulses | 106.5 | 42.7 | 49.6 | 45.4 | -9.7 |
| Foodgrains | 719.7 | 45.2 | 345.2 | 325.3 | |
| Groundnut | 51.5 | 52.7 | 37.8 | 27.1 | 18.2 |
| Soybean | 88.3 | 103.6 | 80.9 | 91.2 | 6.6 |
| Oilseeds | 177.2 | 73.2 | 130.5 | 129.8 | 13.2 |
| Cotton | 93.6 | 99.9 | 97.0 | 93.5 | 51.3 |
| Sugarcane | 46.0 | 112.2 | 48.9 | 51.6 | 7.2 |
| Jute/mesta | 9.2 | 96.6 | 8.1 | 8.88 | 27.2 |
| All crops | 1045.6 | 58.2 | 629.7 | 609.0 | |

Source: Ministry of Agriculture

Implications

Given the high inflation numbers during the year, the government and RBI are banking on farm output being normal. While food inflation is moving downwards, ostensibly on the advantage of a high base year effect, it is even more critical that farm output increases to avoid adverse price effects. It must be mentioned here that India's food buffer is only in rice and wheat and not in pulses, where higher production in a year only means fewer imports. Coarse cereals and pulses seem to be under pressure this year and output shortfalls will exert pressure on food inflation. The next month will be critical for agriculture.

Need to closely monitor the progress in August

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