

Agricultural Output: FY12

Agricultural production for the year FY12 has shown a mixed picture. While output levels for rice and wheat have peaked last year, there are concerns as far as pulses and oilseeds go. The impact on prices last year has also been different, not necessarily following the rules of supplies determining their direction.

Agricultural Production and Price changes (mn tonnes and %)

Product	FY11	FY12	Growth	Inflation annual average	Inflation March over March
Rice	95.98	103.4	7.7	3.0	4.7
Wheat	86.87	90.2	3.8	-1.9	-0.7
Coarse Cereals	43.68	41.91	-4.1		
Maize	21.73	21.33	-1.8	21.7	14.3
Total cereals	226.53	235.51	4.0		
Pulses	18.24	17.0	-6.8		
Tur	2.86	2.71	-5.2	-10.6	-11.4
Urad	1.76	1.81	2.8	-11.7	-12.8
Moong	1.80	1.57	-12.8	-12.8	-5.3
Gram	8.22	7.40	-10.0	29.2	41.9
Total foodgrains	244.78	252.56	3.2		
Oilseeds	32.48	30.06	-7.5		
Groundnut	8.27	6.95	-16.0	21.2	32.3
Soybean	12.74	12.24	-3.9	9.7	15.0
Mustard	8.18	6.96	-14.9	10.8	21.1
Cotton *	33.0	35.2	6.7	13.0	-35.7
Sugarcane	342.4	351.2	2.6	6.4	nil

Source: Ministry of Agriculture and Office of Economic Advisor

*: bales

The table above shows that while overall foodgrains production has peaked in FY12 crossing the 250 mn tonnes mark, there has been a disparate performance across various crops.

- Rice and wheat have peaked with new levels which will help going forward in creating the supply of foodgrains in line with the expectations of the Food Security issue. It will be important for this growth rate to be maintained going ahead as the requirement will increase progressively.

- The increase in price of rice is significant because it does reflect to an extent the impact of the increasing MSPs announced by the government which has caused prices to increase despite a very high production level.
- The relatively lower output of maize has resulted in a substantial increase in prices which is important from the point of view of the animal and poultry feed. This has kept the prices of these products high as the cost of rearing goes up.
- The pulses picture needs to be monitored since the price impact of lower output has not been felt in FY12 despite lower output of tur, moong and chana. The lower output in chana is significant as it is the largest component.
- The oilseeds picture too is not too encouraging which has gotten reflected in the higher prices of oilseeds and edible oils during the year. The decline in output of all the three major oilseeds is serious considering that it means higher imports given that we do import a large part of our edible oils requirements (close to 50-55%).

Prospects for FY13

It has been observed that the conventional link between monsoons, output and prices has been severed in the last few years. The MET department expects a normal monsoon which is a necessary condition for a good harvest. However, factors such as the MSP do impact prices of farm products. Further, trends in movement of global prices in edible oils will have an influence on movement in domestic prices of oilseeds.

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