Agricultural Output for FY15

According to the Ministry of Agriculture, the overall agricultural production for the year for some principal commodities is expected to be lower for almost all crops in FY15. The third advance estimates covers output prospects in cereals, pulses, oilseeds, cotton, sugarcane and jute. It does not cover other crops under horticulture, animal husbandry or forest products. The table below provides the estimate for the year for all commodities along with the corresponding WPI inflation numbers.

	FY14	FY15	Change	Inflation
Rice	106.65	102.54	-3.9	0.65
Wheat	95.85	90.78	-5.3	-1.19
Coarse cereals	43.29	40.42	-6.6	n.a.
Maize	24.26	22.74	-6.3	1.09
Pulses	*19.25*	*17.38*	*-9.7*	*13.2*
Tur	3.17	2.71	2.71	21.4
Gram	9.53	7.59	-20.3	3.41
Foodgrains	**265.04**	**251.12**	**-5.3**	**2.21**
Oilseeds	**32.74**	**27.38**	**-16.4**	-1.35
Soybean	11.86	10.70	-9.8	-17.1
Mustard	7.87	6.75	-14.2	7.4
Groundnut	9.71	6.64	-31.2	12.9
Cotton (mn bales)	**35.9**	**35.32**	**-1.6**	-23.7
Sugarcane	**352.14**	**356.56**	**1.2**	0.0
Jute/mesta (mn bales)	**11.69**	**11.49**	**-1.7**	14.54

Agricultural output during the year has been affected by the weather conditions in both the seasons. The erratic monsoon which came in at 88% of normal, affected the kharif crop. The rabi crop was affected by the unseasonal rains in February '15 and March '15. Hence, in the kharif season crops like rice, maize, tur, soybean and groundnut were affected while the rabi crops of wheat, chana (gram) and mustard were impacted by the unseasonal rains.

However, prices were not affected adversely for most crops and the ones which witnessed higher increase were: tur (21.4%), groundnut (12.9%) and jute (14.5%).

The CPI inflation numbers for the equivalent products were low in case of rice (2.57%), wheat (1.37%), sugar (-3.35%) but were high for maize products (6.26%), Gram (5.47%), tur (12.74%) and groundnut (12.9%).

On the whole the prices of farm products have been low with primary products witnessing an increase of just 0.08% for the year and food at 6.3%. Therefore, the conventional link between agricultural production and inflation has been severed last year. The important question here is whether or not the same will hold in case production levels this year are again lower due to the sub-normal monsoon.

It may be recollected that the advance estimates for GDP for FY15 had projected growth of 1.1% in GVA of the agriculture, forestry and fishing sector. There could be a downward revision of 0.2-0.3 basis points to 0.8% if the negative growth in rabi is factored in.

The IMD has projected that the monsoon would be 93% of normal in 2015 which though lower than that of last year is still sub-optimal. Under these conditions output of certain crops could get affected. Last year, the reason for prices to still hold despite lower output levels across various commodities was twofold: release of stocks by the FCI into the market and use of carry-over stocks of other products like oilseeds and pulses. Further, to the extent that there are global linkages, the softening of commodity prices like edible oils had a soothing effect on domestic prices.

The arrival, progress and departure of the monsoon as well as its geographical spread would be critical in determining the growth prospects of the kharif crops this year.

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Farm Output: FY15