

## Monsoon and Agri-Update

India's annual monsoons in the ongoing season, after registering a delayed start and poor progress until mid-July, has recorded a revival since, bringing some respite to the country's agriculture sector. Crop sowing too has witnessed a steady increase with the actual area sown as a percentage of normal area sown (for the whole season) improving to 95%, though lower than that of last year (up to September 12). The ongoing pattern of rainfall indicates that the monsoons this season may see a delayed retreat.

### Uneven Progress of Monsoons

The rainfall deficit, measured in terms of percentage deviation of cumulative rainfall from the normal i.e. Long Period Average (LPA), has narrowed to (-) 11% as of 10 Sept'14 from a high (-) 44% at the start of July'14. Although, there has been an improvement in the cumulative rainfall, the distribution of the same has been rather uneven. Of the 36 meteorological sub-divisions of the country, 24 sub-divisions which constitute around 65% of the total area of the country received normal/excess rainfall. Over 30% of the country (or 12 meteorological sub-divisions) continue to be faced with deficient rainfall so far.

The regions faced with the highest deficit rainfall (as % deviation in cumulative rainfall from LPA) are

- Uttar Pradesh (nearly -50%),
- Haryana & Delhi (-55%),
- Punjab (-48%),
- Marathwada (-34%),
- Telangana (-32%) and
- the north east (between -18% to -30%).

### Increased Kharif Crop Sowing

The area of crop sown after seeing a lackluster start has witnessed a steady increase with the progress in monsoons. As of 12<sup>th</sup> Sept'14, 95% (or 999 lakh hectares) of the normal area under kharif crop has been sown. However, the area under cultivation in the ongoing crop season continues to be lower than that in the previous year. As of 12<sup>th</sup> Sept '14, sown kharif area is 3% lower than that in the corresponding period last year.

The sowing of the kharif crops registered a noticeable uptick since the last week of July'14, with area sown covering 67% of the normal area under cultivation. Prior to that the sown area was found to be significantly lagging – as of 25 July'14 the sown area was 51% of the normal sown area, which when compared with the corresponding period last year was 18% lower. The disparity in area sown was starker at the start of July'14 during which the area sown was nearly half of that in the corresponding period of the previous year.

The improvement seen in the area under cultivation is likely to continue with expectations of a delayed retreat in monsoons this season.

A year-on-year comparison of the sowing pattern of the kharif crops shows that in the ongoing season, barring cotton (an increase of 10%) there has been a drop in sown area for the other main kharif crop groups viz.

- Pulses (7%),
- Coarse cereals such as jowar, bajra & maize (10%),
- Oilseeds (9%) and
- Sugarcane (3%).

The kharif output of these crops would likely be lower in the current season.

**Table 1: All India Crop Situation**

	12-Sept-14 (lakh ha)	12-Sept-13 (lakh ha)
Rice	366.9	367.9
Pulses	99.2	106.2
Coarse Cereals	175.9	195
Oilseeds	175.3	191.6
Sugarcane	48.7	50.3
Cotton	125.3	113.5
Jute & Mesta	8.2	8.3
<b>Total</b>	<b>999.18</b>	<b>1032.88</b>

*\*Source: Ministry of Agriculture, Gov*

### **Impact on Inflation**

Although there has been an easing of inflation (WPI Inflation) in recent months (5% in Jul'14), this respite is largely believed to be temporary driven by the moderation in fuel prices. Food prices continue to remain high and are likely to pressure inflation going forward too. The sub-normal start of the monsoon season this year has pushed up prices of food articles viz. horticulture crops (fruits & vegetables), milk (partly attributed to increased cost of fodder) and spices & condiments.

Although the area sown has seen an encouraging improvement in recent weeks, the success/failure of this season's kharif crop can be gauged only with the harvest of the crop, which would be in October-November. By then a clearer picture would emerge and food prices are likely to be pressured until then.

### **Monetary Policy Outlook**

The RBI is likely to maintain its focus on containing inflation and maintain a status-quo in its next monetary policy announcement at the end of this month.

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