

Agriculture

Progress of the south-west monsoon

The south-west monsoon arrived four days early in Kerala this year. By May 29, it had covered Kerala, coastal Karnataka and parts of south interior Karnataka and Tamil Nadu. After this brief spell, however, there was a week-long break in its advance. But there was a recovery by the beginning of the second week of June when it advanced to hitherto untouched parts of Karnataka, Tamil Nadu and moved to north-eastern India as well. By the end of the third week of June, the monsoon covered Goa, Andhra Pradesh, Orissa, West Bengal and parts of Maharashtra, Chattisgarh and Jharkhand. When June-end approached, most parts of

the country, including northern India, were reporting monsoon rainfall.

Therefore, uncertain start and brief dry spells notwithstanding, the monsoon's progress has so far been a harbinger of hope for the country's agricultural sector. Information provided by the India Meteorological Department (IMD) shows that 29 of the total 36 agro-meteorological sub-divisions, covering a little over 70 per cent of all districts and 78 per cent of the gross cropped area, have received normal to excess rainfall. The nine sub-divisions where rainfall has remained deficient so far include Arunachal Pradesh, Assam and Meghalaya, Uttar Pradesh (east and west), Himachal Pradesh, east Madhya Pradesh

Table A.1: Deviations in the Monsoon Rainfall indices from the normal and from last year (June – July)

S.No.	Region	From Normal Rainfall	From Last Year's Rainfall
1	Eastern	9.2	14.0
2	Western	11.5	20.2
3	Northern	-11.6	-3.5
4	Southern	27.2	49.8
	All India	7.7	17.9

Source: Computed.

Notes:

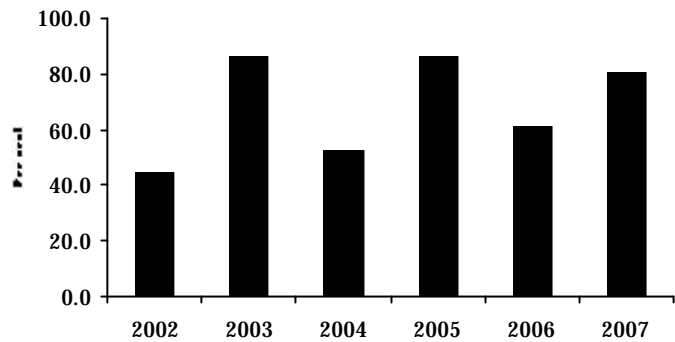
1. These are deviations in regional level rainfall indices computed on the basis of un-irrigated area under foodgrains as weights.
2. The eastern region includes – Assam, Bihar, Jharkhand, Orissa and West Bengal.
3. The western region includes – Chattisgarh, Gujarat, Madhya Pradesh, Maharashtra and Rajasthan.
4. The northern region includes - Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh and Uttaranchal.
5. The southern region includes Andhra Pradesh, Karnataka, Kerala and Tamilnadu.

and Marathwada. Acute rainfall deficiency was felt in western Uttar Pradesh (-35 per cent), eastern Madhya Pradesh (-34 per cent), Marathwada (-29 per cent), Himachal Pradesh (-29 per cent) and Assam and Meghalya (-25 per cent).

At the other extreme, Assam, Gujarat, Orissa, Rajasthan, West Bengal and some hilly pockets of Uttarkhand and Arunachal Pradesh experienced heavy rainfall. This has adversely affected standing crops, animals and property. But, barring such exceptions, the progress of monsoon rainfall has so far remained more or less satisfactory, both in the spatial and temporal sense.

At the larger regional level, excess monsoon rainfall was received in three of the four major regions of the country. These are the east (Assam, Bihar, Jharkhand, West Bengal and Orissa), west (Chhatisgarh, Gujarat, Madhya Pradesh and Maharashtra) and south (Andhra Pradesh, Karnataka, Kerala, Tamilnadu and Kerala) (Table A.1). In the northern region, which comprises Haryana, Himachal Pradesh, Jammu and

Fig.A.1: Shares of Agrometeorological Sub-divisions with normal/excess Rainfall from 2002 to 2007



Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttaranchal, monsoon rainfall remained below normal.

A comparison of the performance of precipitation during the first two months of the current year with last year's monsoon rainfall reveals that overall rainfall has been significantly more in comparison to last year (Figure A.1). At the regional level too this was true for three of the four regions - east, west and south. In the northern region, however, the performance of the monsoon

Table A.2: Output of selected crops

Crop	2004-05	2005-06	2006-07	
	Actual Output	Actual Output	Target	Actual Output (Fourth advance estimates)
Foodgrains	198.4	208.6	220.0	216.1
Rice	83.1	91.8	92.8	92.8
Wheat	68.6	69.4	75.5	74.9
Coarse cereals	33.5	34.1	36.5	34.3
Pulses	13.1	13.4	15.2	14.2
Oilseeds	24.4	28.0	29.4	23.9
Cotton*	16.4	18.5	18.5	22.7
Jute and Mesta#	10.3	10.8	11.3	11.3
Sugarcane	237.1	281.2	270.0	345.3

Source: Ministry of Agriculture, Directorate of Economics and Statistics, New Delhi

Notes:

* Million bales of 170 kg each

Million bales of 180 kg each

Table A.3: Changes in Real Prices of Primary Agricultural Articles (April - June)

S. No.	Product	Increase in 2006 over 2005 (Per cent)	Increase in 2007 over 2006 (Per cent)
	Agricultural Products	0.1	4.2
1	Food Articles	1.9	2.7
(i)	Cereals	0.9	2.1
(ii)	Pulses	29.8	-1.0
(iii)	Vegetables	-1.0	11.1
(iv)	Fruits	-8.0	1.1
(v)	Milk	0.1	1.1
(vi)	Eggs, meat and fish	5.9	3.7
2	Non-Food Articles	-4.6	8.4
(i)	Oilseeds	-10.6	22.5
(ii)	Cotton	-3.9	11.6
(iii)	Sugarcane	-3.7	-4.0

Source: Government of India, Office of Economic Advisor, Ministry of Commerce and Industry, New Delhi.

Notes: Changes in wholesale price indices of commodity groups deflated by wholesale prices index for all commodities.

rainfall has been unsatisfactory in comparison to the last year's rainfall during the same period.

Review of agricultural output in 2006-07

The Ministry of Agriculture has made an upward revision in its estimates on agricultural output for 2006-07. As per these figures, foodgrain production is now estimated at 216.1 million tonnes, which is a new record, surpassing the previous high of 213.2 million tonnes achieved during 2003-04. Notwithstanding the fact that the new level of crop output is still 3.9 million tonnes short of the targeted output, the revised estimate is 3.6 per cent higher than the previous year's output.

The estimated output of both rice (92.8 million tonnes) as well as wheat (74.9 million tonnes) marks the second highest levels achieved so far after 93.3 million tonnes for rice achieved in 2001-02 and

76.4 million tonnes for wheat harvested in 1999-2000 respectively. The 5.5 million-tonne increase in wheat production during 2006-07 is just about the size of the imports that the country made during 2006-07 to augment depleted stocks and keep the Public Distribution System ticking.

The output of pulses has also witnessed an increase of about 6 per cent over last year's production of 13.4 million tonnes. The output of coarse cereals too has experienced marginal improvement over previous year's estimates.

The impressive growth performance seen in 2006-07 was not restricted to cereals because the output of two key commercial crops (cotton and sugarcane) has also scaled new heights and exceeded the targets set for the year. The cotton crop is now estimated at a record 22.7 million bales, which is 23 per cent more than last

year's output and comes on top the 13 per cent growth recorded last year.

Likewise, sugarcane output has also set a new record of 345 million tonnes, about 23 per cent more than the previous year. It bettered the target of 270 million tonnes set for the year by 28 per cent. Among other crops, oilseeds are the only group that witnessed a fall in production - by about 15 per cent.

Outlook for 2007-08

It is clear from the above that these revisions in the projections of agricultural output are likely to enhance the overall growth performance of the agricultural sector, which had been estimated earlier at 2.7 per cent. This is comforting, as the slow progress of monsoon rainfall this year was being carefully observed by the policy makers in an effort to manage the spiralling domestic prices for agricultural commodities, which was a phenomenon in the marketplace in 2006.

The last year was characterised by high prices of many food articles - pulses, eggs, meat and fish — and to a certain extent cereals as well. Wheat was a particular problem area as its supply situation was less than comfortable. Two successive years of low output (2004-05 and 2005-06) led to the tightening of supplies of these products. High prices continued to dominate during the first three months of the present financial year. The prices of cereals, vegetables, fruits and milk among food items and oilseeds and cotton among non-food items continue to be a source of worry.

The increase in the prices of agricultural commodities due to higher food and non-food demand means higher incentives for producers. This could lead to an increase in supplies during 2007-08, provided, of course, that the rain gods are

kind and there is no shortage of inputs.

The positive outlook is further strengthened by the fact that until the end of the third week of July, the areas under cereal cultivation was higher in comparison to that allocated during the same period of last year. Reports also indicate that the area allocated to cotton and oilseeds has also increased, while pulses and sugarcane are reported to have experienced reduction. The mixed reports on crop coverage area, might, however, be caused by the delay in the onset as well as progress of the monsoon in the concerned areas. The recovery of monsoon rainfall during the remaining period, as suggested by the IMD's long-term predictions, would help in improving the acreage in these parts.

The stock of water in 78 major reservoirs increased to 72.12 BCM by the end of the third week of July, which is more than the last year's storage (50.83 BCM - 76 reservoirs) and also much higher than the decade's storage average of 37.28 BCM.

The Food and Agriculture Organisation (FAO) warned about the possibility of locust incursion sometime early July. But reports so far suggest that it has not happened. The state governments had been warned about it and they had taken necessary measures like mobilising teams, equipment and resources. It is also to be noted that no state has reported shortage of chemical / bio-pesticides. This implies that any insect/pest attack can be taken care of.

As far as the supplies of cereals during the year are concerned, the government agencies had approximately 24 million tonnes of cereals with them by the end of June. The Food Corporation of India (FCI) procured 11.1 million tonnes of wheat in the ongoing marketing sea-

son, which is approximately 2 million tonnes more than what they procured last year (9.2 million tonnes). As a consequence, the stock of wheat stood at 12.9 million tonnes and that of rice was reckoned at 11 million tonnes as against the buffer stocking norms of 17.1 million tonnes for wheat and 9.8 million tonnes for rice for July 1.

Though the actual stock of wheat is lower than the buffer-stocking norm, it is 4.7 million tonnes more than what the government agencies had with them during the

same period of last year. Further, viewing the 5.5-million tonne increase in wheat output and a million-tonne growth in rice production, it is evident that the pressure on PDS is likely to be less this year than what was the experience last year.

Therefore, after considering the rainfall outlook during the recent four-month period and the supply projections for agricultural commodities for 2007-08, the future seems to hold out positive prospects.