

Agriculture

The current year has been a year of variegated fortunes for the agricultural sector due to changing rainfall conditions. The monsoon season began with the late arrival of rains followed by passive rainfall activity during the first three weeks of the season. This led to deficiency in the overall rainfall during the month of June, but as the season progressed spatial distribution of rainfall across different regions of the country started getting close to normal. The month of August, however, again witnessed subdued rainfall activity leading to deficiency in the rainfall particularly in northern parts of the country. But, in the month of September there was a significant recovery in monsoon rainfall and there were heavy rains in the western and southern parts of the country. In terms of

its distribution across the country extremely heavy rains in Gujarat as well as Maharashtra led to severe floods in some parts of these two states, yet at the other extreme rainfall remained largely deficient in a few states such as Jharkhand, Assam and Bihar.

At the aggregate level, however, monsoon rainfall for the country as a whole was normal this year as the actual rainfall received during June-September period of the year was 98 per cent of its long-term average (Table A.1). Further, because of the poor performance of monsoon rainfall last year in several parts of the country this year's monsoon rainfall turned out to be better. The post monsoon season also experienced somewhat similar pattern in the behaviour of rainfall. Notwithstanding

At the aggregate level, monsoon rainfall for the country as a whole was normal this year

Table A.1: Deviation of Actual Rainfall Indices from the Normal Rainfall Indices

Region	Monsoon Season (June – September)	Post Monsoon Season (October – December)
East	-14.3	41.1
West	8.9	-47.8
North	-13.4	-83.1
South	16.6	51.3
All India	- 2.4	9.8

Source: Computed.

Notes:

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

the fact that only 17 out of 36 sub-divisions witnessed excess to normal rainfall during the post monsoon season the performance in comparison to last year's rainfall was again better.

Therefore, from an overall perspective, recovery of rainfall during monsoon as well as post monsoon stages and significant improvement in the storage of water in major reservoirs of the country have provided immense support to the agricultural sector this year. This is evident from the initial estimates of crop production for the kharif season as well as outlook for the rabi season. The increased coverage of area under main crops — rice, pulses, sugarcane and jute during the kharif season and wheat, oilseeds and pulses during the rabi season have improved the prospects for growth of all major crops barring a few exceptions.

The provisional estimates for the current kharif season's output released by the Ministry of Agriculture sometime back indicate that the output of kharif rice is likely to be of the order of 73.8 million tonnes, which is 3 per cent higher than last year's output of 71.7 million tonnes. The output of kharif coarse cereals, however, is expected to be about 1 per cent below previous year's output of 26.7 million tonnes. And the output of pulses is likely to witness a marginal growth of around 0.6 per cent from 4.9 million tonnes to approximately 5 million tonnes. As a result, the overall output of kharif foodgrains is expected to witness about 1.9 per cent growth over last year's output of 103.3 million tonnes.

For oilseeds, the provisional estimates of the ministry show that production of kharif oilseeds is likely to be about 2.4

The overall output of kharif foodgrains is expected to grow by about 1.9 per cent. Last year's output was 103.3 million tonnes

Table A.2: Output of Selected Crops during 2004-05 and estimates for 2005-06

Region	Output in 2004-05	Estimated Output in 2005-06
Rice	85.3	
Kharif	71.7	73.8
Rabi	13.6	(13.3 to 14.0)
Wheat	72.0	(72.6 to 78.5)
Coarse cereals	33.9	
Kharif	26.7	26.4
Rabi	7.2	(7.1 to 7.5)
Pulses	13.4	
Kharif	4.9	5.0
Rabi	8.4	(8.4 to 9.3)
Foodgrains	204.6	
Kharif	103.3	105.3
Rabi	101.3	(101.9 to 108.5)
Oilseeds	26.1	
Kharif	14.9	14.6
Rabi	11.2	(11.5 to 13.1)
Cotton	17.0	15.9
Jute and Mesta	10.5	10.1
Sugarcane	232.3	257.7

Source: Government of India, Ministry of Agriculture and computed.

Notes: Figures in parentheses are estimates based on output equations and area and yield equations.

per cent lower than last year's output of 14.9 million tonnes. In the case cotton, the ministry's estimates have placed the output at about 15.9 million bales, which suggests a decline from last year's estimated output of 17 million bales. And, for sugarcane the estimates by the ministry suggest approximately 11 per cent increase over last year's output of 232 million tonnes.

For the rabi season our own estimates suggest that output of wheat during the current year may be in the range of 72.6 to 78.5 million tonnes and the output of rabi rice may range between 13.3 to 14 million tonnes (Table A.2). Similarly, output of coarse cereals and pulses is likely to range between 7.1 to 7.5 million tonnes and 8.4 to 9.3 million tonnes, respectively. These estimates indicate that combined kharif and rabi foodgrain output during the current year may be in the region of 207.2 million tonnes to 213.8 million tonnes.

Given these trends the output is most likely to remain below the target set for the year (215 million tonnes), but compared to last year's output the overall growth in foodgrain output is expected to be in the range of 1.3 per cent to 4.5 per cent.

Notwithstanding the varying fortunes for the agricultural sector due to changes in rainfall conditions the supply situation, particularly of cereals such as rice and wheat has remained comfortable. Poor weather conditions initially had led to apprehensions about country turning into an importer of cereals after a gap of a five to six years but satisfactory level of stocks, particularly of rice eased the situation.

There is no denying the fact that wheat stocks had fallen below their minimum buffer-stocking norm on January 1, 6 million tonnes as against the minimum norm of 8.4 million tonnes. However,

improved crop prospects during the ensuing season and about 11.2 per cent increase in the procurement of rice during the current marketing season over the same period of the previous season have helped the government in meeting its commitments. The actual stock of cereals (both wheat and rice) as on January 18, 2006 stood at 20.3 million tonnes, which is more than enough to meet the requirements of the PDS and other social welfare programmes during the remaining period of the financial year. And, the expected increase in procurement of wheat due to improved crop prospects will help in replenishing the depleted stocks of wheat in particular. As far as the supply of other commodities is concerned, inflationary pressures have remained under control due to slightly more open import regime compared to the earlier years.

Despite these pressures on stocks, questions about proper management of food economy and better targeting of food subsidies still remain highly relevant keeping in view several inefficiencies in the existing system. It is a known fact that there is large-scale leakage (diversion of foodgrains from the PDS to the open market) and there is poor targeting in terms of reaching the poorest of the poor because of near universal coverage. These concerns have time and again compelled the government to initiate some policy measures such as targeting and revision of prices of cereals supplied through the PDS particularly for the non-poor buyers. But, these steps have met with a lot of resistance due to both current political environment as well as lack of proper understanding of the scale of the problem.

The food subsidy bill has increased considerably over the years and the pressure of such a high level of food subsidy on the overall availability of resources can

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be gauged from the increasing magnitude of it vis-à-vis investments in the agricultural sector. A quick look at the ratio of food subsidy to gross fixed capital formation in the public sector in agriculture reveals that this ratio increased from 0.8 in 1991-92 to a little over 2.5 in 2003-04, two and half times increase in 12 years.

The requirements of resources for increasing investments in the agricultural sector and the two ambitious programmes launched by the last year to pro-

vide employment guarantee to the rural poor and building rural infrastructure through Bharat Nirman run into several crores of rupees. It will be an extremely difficult task to generate resources for meeting the requirements of these programmes, which are vital for improving rural areas if subsidies are not properly targeted at those who need them the most and inefficiencies in the management of our food economy are not corrected.