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How a deficient monsoon impacts the economy

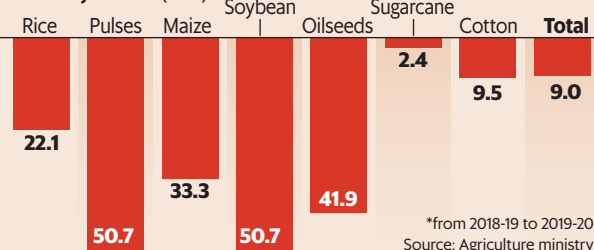
BY RASHMI SANYAL

The delayed onset of the crucial southwest monsoon, followed by its slow progress, will likely aggravate the agrarian distress in India. Rainfall during the June-September season accounts for about 70% of India's annual rainfall and is key for the country's \$2.5 trillion economy. *Mint* looks into the impact of a deficient monsoon.

Sowing trouble

The slow progress of the southwest monsoon in key growing regions has led to the decline of the sowing area of kharif crops.

Year-on-year fall* (in %)



43.2 mm

The rainfall received by the country in the first 17 days of the Jun-Sep monsoon

43

The percentage of rainfall deficiency from the normal weighted average of 76.2 mm

31

The number of meteorological sub-divisions, out of 36, where rainfall has been deficient



GRAPHIC BY PARAS JAIN/MINT; PHOTOGRAPH BY HT

1 What is the latest update on monsoon?

The southwest monsoon has started advancing to more parts of eastern India. The advance is slow and the strong winds that typically accompany the monsoon current are missing. A low pressure area is likely to form in the Bay of Bengal in 4-5 days and this may accelerate the current, according to the India Meteorological Department (IMD). Private forecaster Skymet expects rainfall in June to be about 40% below normal. Rainfall is likely to be below normal for the third year in a row, with rains seen at 93% of the long-period average, according to Skymet. IMD has forecast a better monsoon with rainfall seen at 96% of the long-period average.

2 What is the state of summer crop sowing?

As of 14 June, farmers had planted kharif crops across 8.22 million hectares, down 9% from the year-ago figure, according to agriculture ministry data. The difference can be largely attributed to the slow progress of the southwest monsoon in key regions. Rainfall has been 43% below normal so far this season. Most kharif crops, largely grown in non-irrigated regions, depend heavily on the monsoon. Paddy, the key kharif crop, has been planted across 426,000 hectares, down from 547,000 hectares a year ago. It is early yet, but the trends are concerning because most crops have a limited sowing window.

3 Will foodgrain and vegetable prices rise?

A fall in crop output doesn't mean higher prices. Farm commodity prices have declined over the past two years, largely because of successive bumper harvests. So much so that the food ministry this year proposed an extra allocation of 2kg each of rice and wheat per month under the National Food Security Plan for six months. Till a few months back, open market prices of most farm commodities were hovering below MSPs. The situation is only a little better now. There is concern over rising prices of vegetables, not so much over cereals. In May, retail inflation rose to a seven-month high of 3.05% on the back of rising vegetable prices.

REUTERS



4 How are the states responding?

The agriculture ministry has directed state governments to prepare for any eventuality. Also, there will be no help from reservoirs, which are holding only 18% of their live storage capacity as of June 13. While the Telangana government has asked farmers to defer kharif sowing, governments in Punjab and Haryana are giving financial aid to farmers for looking at alternatives to paddy sowing.

5 Will a weak monsoon hurt growth?

The share of agriculture in India's GDP has been falling, but the rural economy's buying power has never been more crucial. Automakers, already in a tight spot after regulatory and structural changes in the sector, could be the worst hit. FMCG firms such as Hindustan Unilever and Dabur, and tractor makers like M&M and Escorts rely heavily on rural areas for sales. Weak farm incomes will hurt them. This impact could also trickle down to cement and paint makers.