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Premium


Monsoon and food inflation: a status check

The July turnaround in rainfall has enabled a smart pick-up in kharif plantings, including of rice. But the threat from a strengthening El Nino, whose impact could extend to the rabi crop, remains.

Written by **Harish Damodaran** [Follow](#)

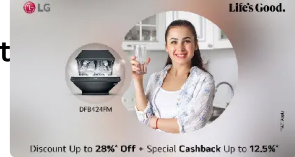
Updated: July 31, 2023 06:37 IST





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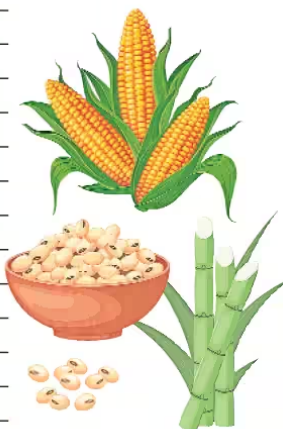
The southwest monsoon had an abysmal start, arriving seven days late on June 8. Rainfall for the country was 52.6% below the normal (long period average) during the first two weeks, with 10.1% cumulative deficiency even at the end of June. The whole of eastern and southern India (except Tamil Nadu), besides Maharashtra, hardly got any rain.

But from around the last week of June, the monsoon staged a recovery, covering the entire country by July 2 – six days before schedule. The current month so far has recorded 15.7% above normal rainfall, with the earlier cumulative deficit turning into an overall 6% surplus for June 1-July 30.

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AREA SOWN UNDER KHARIF CROPS AS ON JULY 28 (lakh hectares)

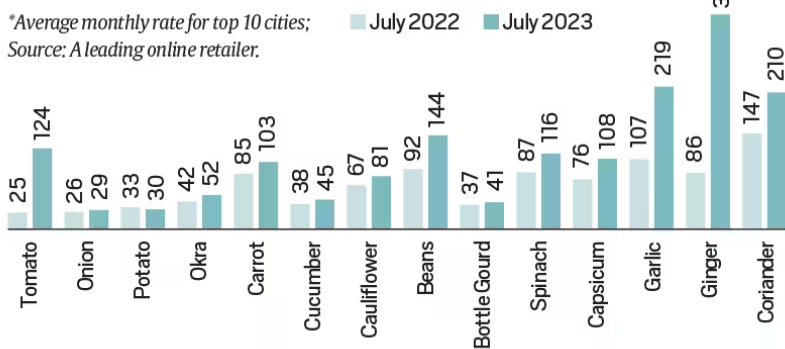
	Normal Area**	2022	2023
1. Rice	399.45	233.25	237.58
2. Maize	75.71	68.94	69.36
3. Bajra	73.24	58.08	60.60
4. Jowar	17.36	10.56	10.58
5. Ragi	10.94	3.08	2.48
6. Pulses#	139.75	109.15	96.84
(a) Arhar	46.29	37.50	31.51
(b) Urad	39.22	30.06	25.83
(c) Moong	36.56	29.78	27.64
7. Oilseeds###	186.21	167.61	171.02
(a) Soyabean	117.44	115.63	119.91
(b) Groundnut	45.04	38.59	37.58
(c) Sesamum	12.44	10.04	10.07
8. Cotton	128.67	117.91	116.75
9. Sugarcane	48.85	54.51	56.00
Total Kharif*	1091.73	832.82	830.31



*Includes other crops;
 **Five-year average total for the season; #Includes other pulses; ###Includes other oilseeds. Source: Department of Agriculture and Farmers Welfare

RETAIL PRICES OF VEGETABLES* (Rs/kg)

*Average monthly rate for top 10 cities; Source: A leading online retailer.



Impact on sowing

The monsoon’s turnaround has led to a surge in kharif crop plantings – including the area under rice that was lagging behind last year’s levels till mid-July. But the gaps have since been significantly covered, barring in pulses, while forging ahead for rice (table).

The bulk of kharif sowings happen from mid-June to mid-August. Rainfall in June-July decides how much area is covered. August-September rain matters for yields of the crops already sown. The same rain helps fill up reservoirs and ponds and recharge groundwater tables, which provide moisture for the subsequent rabi winter-spring crops.

For now, the monsoon and kharif sowings have both been good. The initial worries, over whether there would be adequate rain to enable farmers to plant, are over.

in agriculture, well begun isn't enough. In this case, the uncertainty relates to El Niño – an abnormal warming of the central and eastern Pacific Ocean waters off the coasts of Ecuador and Peru, known to suppress rainfall in India (<https://shorturl.at/fswT5>).

In June, the Oceanic Niño Index (ONI) – which measures the average sea surface temperature deviation from the normal in the east-central equatorial Pacific region – touched 0.8 degrees Celsius. This was above the El Niño threshold of 0.5 degrees.

Most global weather agencies are forecasting El Niño to not only persist, but strengthen through the 2023-24 winter. The US National Oceanic and Atmospheric Administration has predicted a 70% chance of the ONI value exceeding 1 degree Celsius during July-September, with a 52% probability of it crossing 1.5 degrees in October-December (<https://shorturl.at/ijwR3>).

Simply put, El Niño will gradually strengthen and peak during the winter months. All other things being the same, it would mean the monsoon entering a weak phase in August. If rainfall activity becomes progressively weaker, the impact can extend to the rabi season. That crop, dependent on stored rainwater, might take a bigger hit than the one already planted this kharif. Since winter rain is necessary also to sustain low temperatures, especially for wheat, it would be a double whammy.

The implications

At 71.1 million tonnes (mt) as on July 1, rice and wheat stocks in government godowns were the lowest in five years for this date. That wouldn't have mattered in a normal year, where there was some certainty about the coming crops and no major elections ahead.

While rice acreage has picked up after mid-July, it's not clear how much of that is under short-duration varieties of about 125-days seed-to-grain maturity. Had the rice belt, stretching from eastern to southern India through Chhattisgarh and Odisha, got rain on time, farmers may have planted more long-duration varieties of 150-155 days, yielding an extra 1-2 tonnes per hectare.

There are reports of Punjab and Haryana farmers also having to undertake paddy re-transplanting in large areas along the Beas, Sutlej, Ghaggar and Yamuna rivers. This followed their already-planted crop suffering inundation from excess rain and

With El Niño fears adding to the uncertainty over rice as well as wheat production – amid depleting stocks, 12.7% year-on-year retail cereal [inflation](#) in June and national elections scheduled in April-May 2024 – the [Narendra Modi](#) government clearly wants to take no chances.

Between May 2020 and now, it has banned export of wheat and all non-parboiled non-basmati rice. It has done the same for sugar, where the estimated 6.3 mt stocks with mills in end-September 2023 would be a six-year-low. While comfortable for now – like with rice and wheat – what El Niño might do to the cane to be crushed in the new sugar year from October remains to be seen.

Other crops: Pulses and Edible Oil

Among pulses, arhar (pigeon-pea) has registered the highest acreage dip. This is because of it being a 150-180 days crop grown mainly in Maharashtra, Karnataka and Telangana, which were rain-deficient during the sowing window that is generally till mid-July. Urad (black gram) area has also fallen, as farmers in Madhya Pradesh (MP), the largest producer, have chosen to plant more soyabean and maize.

At the same time, the good rain in Rajasthan is expected to deliver a bumper crop of moong (green gram). Moong, like urad, is a 65-75 days crop and cultivated even in the rabi and spring/summer seasons. Moong apart, the supply situation is comfortable in chana (chickpea) – due to government agencies procuring nearly 2.4 mt during the last marketing season (April-June), over and above opening stocks of 1.5 mt – and masoor (red lentil), which is being imported at \$650-680 or Rs 53,000-56,000 per tonne from Australia and Canada. The current landed rates in Indian ports are below the government's [minimum support price](#) of Rs 60,000/tonne for masoor.

Ample chana stocks, bumper moong production and imports of masoor (which can partially replace arhar dal, at least in restaurants and canteens) should keep a lid on pulses prices. Imports of masoor, arhar and urad also do not attract any duty.

Edible oil inflation, too, is likely to remain low. This is primarily on account of imports, projected to top 15 mt, a new all-time-high, in the current oil year ending October 2023. While international prices have gone up 10-15% in the past one

sunflower exports through Black Sea ports – sowing of kharif oilseeds has also progressed well.

Surplus monsoon rainfall in MP, Rajasthan and Gujarat should translate into excellent domestic harvests of soyabean, groundnut and sesamum this time, compensating for any import shortfalls from rising global prices.

Milk and vegetables

The most encouraging picture is probably in milk, where February-March saw unprecedented shortages. Dairies in Maharashtra then paid up to Rs 38 per litre for cow milk containing 3.5% fat and 8.5% solids-not-fat. Ex-factory prices of cow butter and skimmed milk powder (SMP) hit Rs 430-435 and Rs 315-320 per kg respectively.

From those highs, butter prices have now crashed to Rs 360-370 and SMP to Rs 260-270 levels, even as dairies are procuring milk at Rs 32-33 per litre. Supplies should further ease with buffalo calvings beginning from August. It will reflect in increased milk production, peaking during the winter and remaining high till next March-April.

High milk prices, plus improved fodder availability from both pre- and post-monsoon showers, are triggering the expected supply response from farmers at the right time. One can expect something similar in vegetables, where retail prices, not just of tomatoes, are on fire (chart). It may show up in an unacceptably high consumer price index inflation number for July.

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