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Agricultural prospects for the year

The Ministry of Agriculture has projected a good farm crop for the year which bodes well for the incomes of farmers. The monsoon this year has been more than abundant and hence the news on kharif harvest was positive. The latest estimates released point to a good rabi crop too which will get reflected in the GDP growth numbers.

What does the crop scenario look like?

Crop projections for 2021-22

| Crop | Units | 2020-21 | 2021-22 | Growth | WPI inflation |
|-------------------|------------------|--------------|--------------|------------|---------------|
| Rice | Mn tonnes | 124.4 | 127.9 | 2.8 | 0.56 |
| Wheat | Mn tonnes | 109.6 | 111.3 | 1.6 | 10.4 |
| Coarse grains | Mn tonnes | 51.3 | 49.9 | -2.7 | - |
| Cereals | Mn tonnes | 285.3 | 289.1 | 1.3 | - |
| Pulses | Mn tonnes | 25.5 | 27 | 5.9 | 4.6 |
| Chana | Mn tonnes | 11.9 | 13.2 | 10.9 | 6.3 |
| Tur | Mn tonnes | 4.3 | 4 | -7.0 | 5.5 |
| Urad | Mn tonnes | 2.3 | 2.7 | 17.4 | -8.3 |
| Moong | Mn tonnes | 3.1 | 3.1 | 0.0 | -1.6 |
| Foodgrains | Mn tonnes | 310.7 | 316.1 | 1.7 | - |
| Oilseeds | Mn tonnes | 35.9 | 37.1 | 3.3 | 23.3 |
| Groundnut | Mn tonnes | 10.2 | 9.9 | -2.9 | 7.0 |
| Soybean | Mn tonnes | 12.6 | 13.1 | 4.0 | 40.3 |
| Mustard | Mn tonnes | 10.2 | 11.5 | 12.7 | 22.1 |
| Sugar cane | Mn tonnes | 397 | 414 | 4.3 | 5.5 |
| Cotton | lakh bales | 352 | 340.6 | -3.2 | 44.8 |

Source: Ministry of Agriculture, Office of Economic Advisor

Some important takeaways are:

1. Overall foodgrains production will be peaking this year helped by both improvement in rice and wheat production.
2. Coarse cereals production is expected to decline this year. Output of jowar, bajra and ragi are expected to decline while that of maize will increase. Interestingly, the WPI inflation for maize has been high at over 14.6% this year.
3. Pulses production has been robust at 5.9% growth which has kept inflation contained at around 4.6%. This inflation may hence be attributed partly to the higher MSP which was offered on pulses. Inflation for urad was negative mainly due to the higher production levels.
4. Oilseeds prices have been affected by global trends. Hence even though production was higher at 3.3% with the two major crops soybean and mustard registering high growth rates, inflation has tended to be high. Clearly the rise in international prices has contributed to this increase in prices. MSP of groundnuts has increased by 5.2% while that of soybean by 1.8%. Inflation for vegetable oils was 13.8% as of January.

5. Higher output of sugarcane has also led to higher price inflation which can be traced to the FRP/SMP being offered to farmers.
6. Cotton output is expected to decline this year which has caused prices to increase. This will be a challenge for the cotton textile industry as raw material costs would increase and in turn lower the competitiveness of our exports.

Overall output from the agriculture and allied activities sector is to increase by 3.9% this year in real terms while the same would be 9.1% in nominal terms. The higher growth in nominal terms can be attributed to higher price deflator here as WPI of food products has been up by 10.3% in January.

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