

Rabi sowing down ~5.25%

CRISIL Impact Note | December 2018



Rain dearth, low reservoirs crop rabi sowing by 26 lakh hectare

Sowing as of December 14, which accounts for ~81% of the total sowing in rabi season, was down 5.25% on-year to 476 lakh hectare compared with 502.5 lakh hectare in the previous rabi season.

This is of concern, because the rabi crop accounts for ~40% of India's agricultural produce (based on key 14 crops which account for 97% of total agricultural produce except sugarcane and horticulture crops), in both volume and value terms.

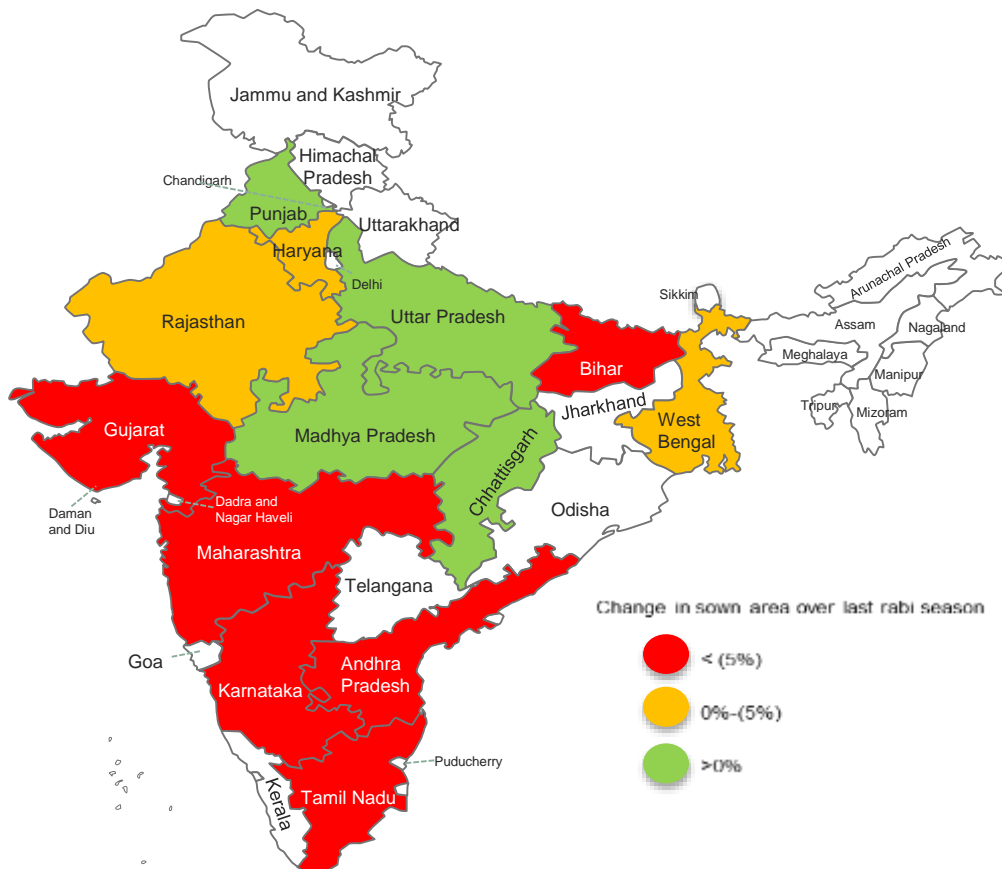
While all major crops have seen a decline in area sown, crops that account for ~5-7% of total rabi production have shown an increase and wheat that contributes over 65% to total rabi production has remained flat. Coarse cereals have seen a sharp decline of ~20.4% on-year, with the maximum shortfall being in Maharashtra and Karnataka.

Pulses sowing has dropped ~9.3% on-year, with the maximum shortfall in Maharashtra.

The area under oilseeds has fallen ~0.5%, with key states like Haryana and Karnataka logging declines.

Sowing of paddy is down ~28%. For the record, paddy contributes ~15% of total rabi production. Also, less than 15% of total paddy production is in the rabi season.

Red flags have proliferated



Note: States that are shaded accounted for ~94% of the rabi sowing as on December 14, 2018.

Source: CRISIL Research

The southwest monsoon season ended with rainfall 9.4% short of the long-period average (LPA). Though this is categorised as normal by the Indian Meteorological Department (IMD), rainfall distribution has been somewhat patchy – both across time and regions – and there are pockets of stress.

Regions like Karnataka and Gujarat were the most impacted by dry spells. The situation has worsened with a delay in the northeast monsoon, along with a deficit of 49%, as of December 12. Even though the northeast monsoon contributes less than 20% to overall rainfall, it is critical for agriculture in regions like Tamil Nadu, Pondicherry, Rayalaseema and south coastal Andhra Pradesh, and parts of Kerala.

Further, reservoir levels have been impacted due to weak monsoon in September and October. The water storage available in 91 major reservoirs of the country as of December 12 was 57% of their storage capacity, down from 65% in the week ended November 15. The reservoir levels are 6% below their LPA and around 2% lower on-year.

Predictably, lower water availability has pulled down rabi acreage in 2018.

Lower cash in the hands of farmers has also impacted rabi sowing this year. The gross value of output for 9 out of 14 key crops has seen a decline between September 1 and December 15, compared with the corresponding period last year. Even though mandi prices of major crops (11 out of 14 crops) during this period have increased, arrivals of these 14 crops have declined 17% on-year. This is despite ~1% rise in kharif production this year (according to the first advanced estimates provided by Department of Agriculture), implying farmers or middlemen are holding on to stock.

Further, the mandi prices of 9 out of 14 key crops are below their minimum support prices (MSPs). The mandi prices of tur and urad are ruling ~28% lower than their respective MSPs, while those of Bajra and maize are 21% lower.

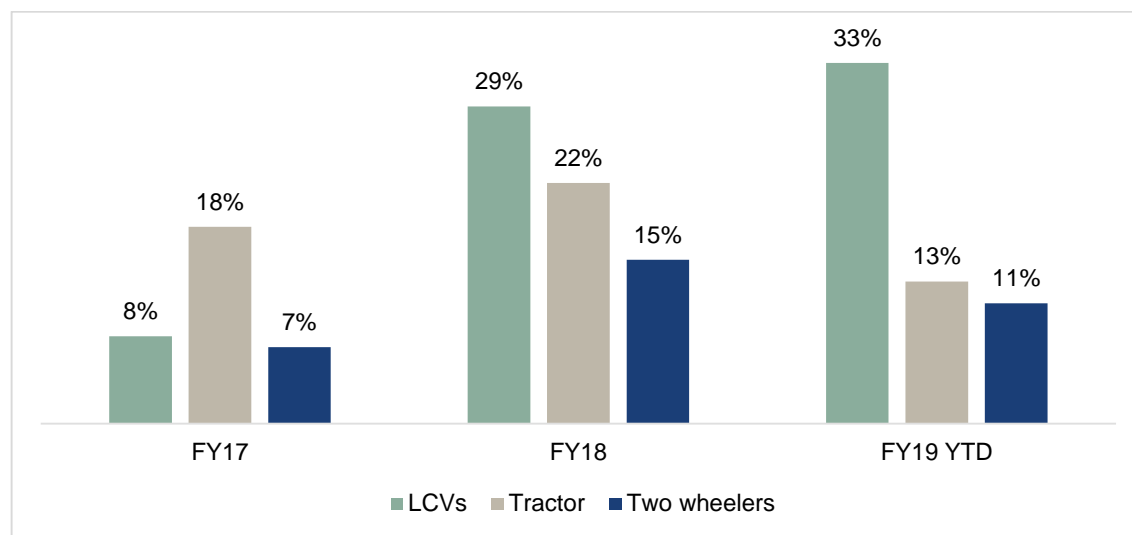
Distress in rural economy could impact growth in agri-linked sectors

Around 67% of India's population resides in rural areas and contributes ~47% to gross domestic product (GDP) and 54% to private consumption. Further, about 56% of rural households depend heavily on farms as their primary source of income.

In the last two years, given normal monsoon, the rural economy had fared well and was driving overall growth. In the automobile sector, tractors, light commercial vehicles (LCV) and two-wheelers logged healthy growth in the last two fiscals. In the FMCG sector as well, leading players have indicated that rural India is growing 25% faster than their urban counterparts.

However, with the rabi season showing clear signs of weakness, rural India's contribution has come under a cloud. Unless the sowing situation improves in the next few weeks, there could be a trickle-down effect on the sectors being driven by rural India.

Healthy growth driven by rural India



Note: These are y-o-y growth numbers. FY19 YTD numbers are from April 2018 to October 2018

Source: CRISIL Research

Key sectors linked to agriculture	Contribution of rural sector
Tractors	~75%
Two-wheelers	~45%
Passenger vehicles	~30%
FMCG	~40-45%
Consumer durables	~30-35%

Source: CRISIL Research

Analytical contacts

Hetal Gandhi

Director, CRISIL Ltd.
hetal.gandhi@crisil.com

Pushan Sharma

Manager, CRISIL Ltd.
pushan.sharma@crisil.com

Bhavika Agarwal

Research Analyst, CRISIL Ltd.
bhavika.agarwal@crisil.com

Media contacts

Saman Khan

Media Relations
CRISIL Limited
D: +91 22 3342 3895
M: +91 95940 60612
B: +91 22 3342 3000
saman.khan@crisil.com

Hiral Jani Vasani

Media Relations
CRISIL Limited
D: +91 22 3342 5916
M: +91 982003 9681
B: +91 22 3342 3000
hiral.vasani@crisil.com

Parmeshwari Bhumkar

Media Relations
CRISIL Limited
D: +91 22 3342 1812
M: +91 841184 3388
B: +91 22 3342 3000
parmeshwari.bhumkar@ext-crisil.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions, with a strong track record of growth, culture of innovation and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company covered in the Report. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval