



RABI SEASON WRAP-UP FY2023

**Rabi crop prospects bright amid
healthy sowing trends; agri GVA to
grow by 4% in Q4 FY2023**

FEBRUARY 2023





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Excess pan-India post-monsoon rainfall in 2022 aided in early rabi sowing

Rabi acreage rose by 3.3% to record 72.1 million hectare on Feb 3, 2023

Higher area and early sowing have brightened the rabi output prospects

GVA growth in agriculture, forestry and fishing is estimated at a healthy 4% in Q4 FY2023, auguring well for farm sentiments



- In the post-monsoon season of 2022, India recorded excess rainfall at 119% of the Long Period Average (LPA) with uneven temporal and spatial distribution. Nevertheless, the surge in rainfall during Oct 2022, amid improved fertiliser availability, aided an early ramp-up in rabi sowing.

- Reservoir levels witnessed a seasonal moderation and stood at 60% of the live capacity at full reservoir level (FRL) as on Feb 9, 2023. While this is marginally lower in YoY terms, it remains appreciably above the historical average seen in the last 10 years (50%).

- At the end of the rabi season, the total area sown stood at 72.1 million hectare as on Feb 3, 2023, which is 3.3% higher than the year-ago levels (69.8 million hectare) and 2.8% higher than the final reported area of 2021 (70.1 million hectare), exceeding ICRA's expectations of 1-2% growth.

- Rice (1.1 mn ha) and oilseeds (0.7 mn ha, led by rapeseed and mustard) accounted for 82% of the absolute YoY increase of 2.3 million hectare in total rabi acreage till Feb 3, 2023. This was followed by coarse cereals (0.2 mn ha), wheat (0.1 mn ha) and pulses (0.1 mn ha).

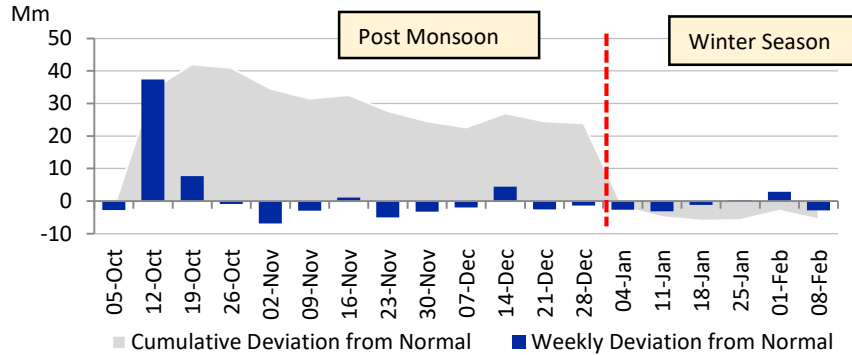
- Taking into account the higher acreage, early sowing, improved fertiliser availability and healthy reservoir storage, ICRA projects the GVA growth of agriculture, fishing and forestry at 4.0% in Q4 FY2023, similar to our expectations for Q3 FY2023.

- Of the paddy procurement target for the kharif marketing season (KMS) FY2023, 84% has been achieved by end-Jan 2023. Besides, above-MSP market prices are incentivising farmers to sell directly in the open market, thereby supporting farm cash flows and sentiments.

- In its BE for FY2024, the GoI has reduced the allocation for the MGNREGA to Rs. 0.6 trillion from Rs. 0.9 trillion in FY2023 RE. However, it has made significant allocation for the PMAY (Rs. 0.8 trillion) and the Jal Jeevan Mission (Rs. 0.7 trillion) in the FY2024 BE.

Excess rainfall in post monsoon season of 2022, with uneven temporal and spatial distribution

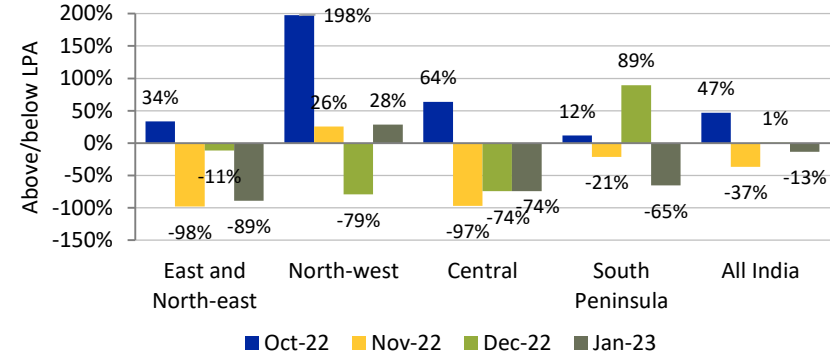
EXHIBIT: Cumulative and weekly rainfall deviation from normal



Source: IMD; CEIC; ICRA Research

- After recording above-normal rainfall at 106% of LPA in the South-west Monsoon season (Jun-Sep), India witnessed excess rainfall at 119% of LPA in the post-monsoon (North-east) season of 2022 (Oct-Dec).
- The temporal distribution of the post-monsoon rainfall was uneven. After excess rains in Oct 2022 (147% of LPA), precipitation was deficient at 63% of LPA in Nov 2022, and normal at 101% of LPA in Dec 2022.
- Subsequently, the rainfall turned deficient in the winter season so far (Jan-Feb), at 73% of LPA till Feb 9, 2023.

EXHIBIT: Region-wise and Pan-India monthly rainfall departure from normal in post-monsoon and winter season

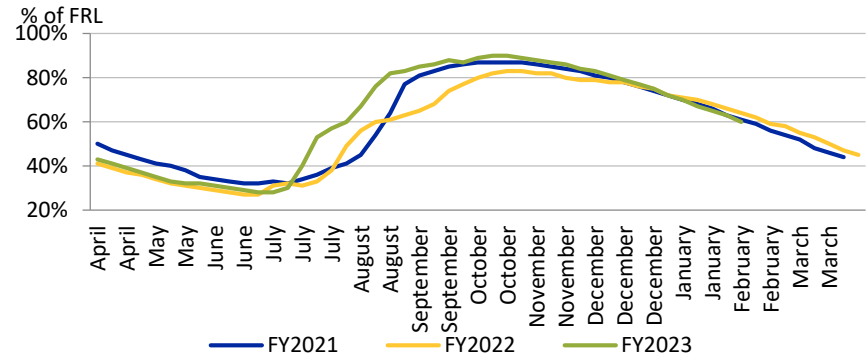


Source: IMD; CEIC; ICRA Research

- Moreover, the spatial distribution of rainfall was uneven in the post-monsoon period.
- After recording excess rainfall in all four regions in Oct 2022, three of the four (barring North-west: 126% of LPA) witnessed deficient rains in Nov 2022. Subsequently, excess rainfall in the South Peninsula (189% of LPA) region in Dec 2022 outweighed the deficient rainfall seen in other regions.
- In Jan 2023, except North-west India (128% of LPA), all other regions have witnessed deficient rainfall.

Reservoir storage mildly trails year-ago levels, but above historical average

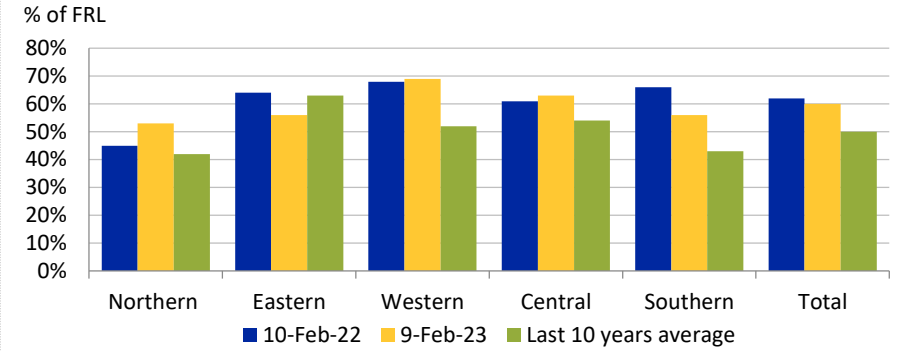
EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)



Source: Central Water Commission (CWC); CEIC; ICRA Research

- After an early replenishment during the 2022 South-west monsoon season, reservoir levels witnessed a seasonal moderation, and stood at 60% of the live capacity at FRL as on Feb 9, 2023.
- This is marginally lower than 62% recorded as on Feb 10, 2022, but is comfortably above the average historical levels of last 10 years (50%).

EXHIBIT: Region-wise reservoir storage levels

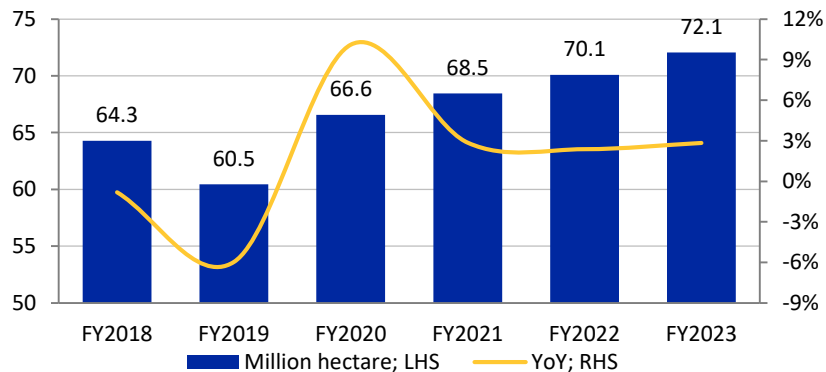


Source: CWC; CEIC; ICRA Research

- The storage was higher than the year-ago levels in three of the five regions as on Feb 9, 2023, including the northern (53% vs. 45%), western (69% vs. 68%), central (63% vs. 61%) regions.
- In contrast, the storage in the southern (56% vs. 66%) and eastern (56% vs. 64%) regions is lower vis-à-vis the year-ago levels as on Feb 9, 2023.
- Barring the East, all other regions have recorded higher reservoir storage compared to their respective historical levels.

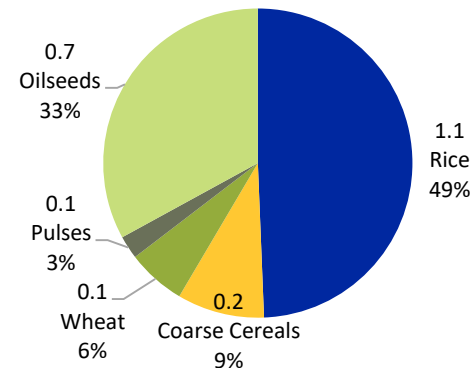
Rabi sowing up by 3.3% YoY in FY2023 season; rice and oilseeds account for bulk of increase in quantum of area sown

EXHIBIT: Annual trends in total area sown for rabi crops



Source: Ministry of Agriculture and Farmers' Welfare; CEIC; ICRA Research

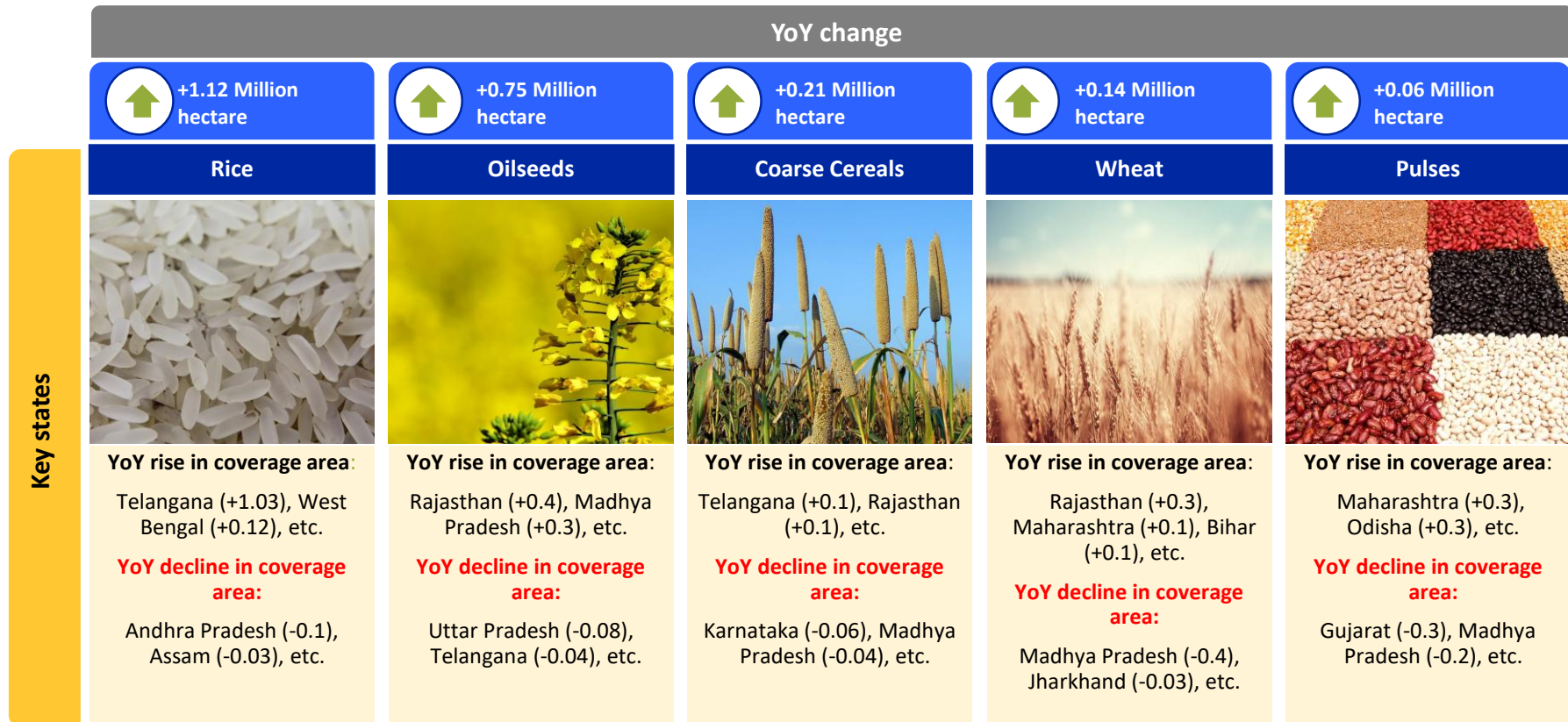
EXHIBIT: Share of major crops in absolute YoY rise in total rabi sowing as on Feb 3, 2023 (million hectare, % share in total)



Source: Ministry of Agriculture and Farmers' Welfare, ICRA Research

- The sowing of rabi crops had witnessed a robust start in the FY2023 season, supported by healthy reservoir levels following the surge in rainfall in Oct 2022, as well as the improvement in fertiliser availability.
- At the end of the season, the total area sown stood at a record 72.1 million hectare as on Feb 3, 2023, which is 3.3% higher than the year-ago levels (69.8 million hectare) and 2.8% higher than the final reported area of 2021 (70.1 million hectare). This has mildly surpassed ICRA's expectations of 1-2% rise in the total area in the current season.
- Amongst major crops, rice (1.12 million hectare) and oilseeds (0.75 million hectare, led by rapeseed and mustard) accounted for 82% of the absolute YoY increase of 2.27 million hectare in total rabi acreage. This was followed by coarse cereals (0.21 mn ha), wheat (0.14 mn ha) and pulses (0.06 mn ha).

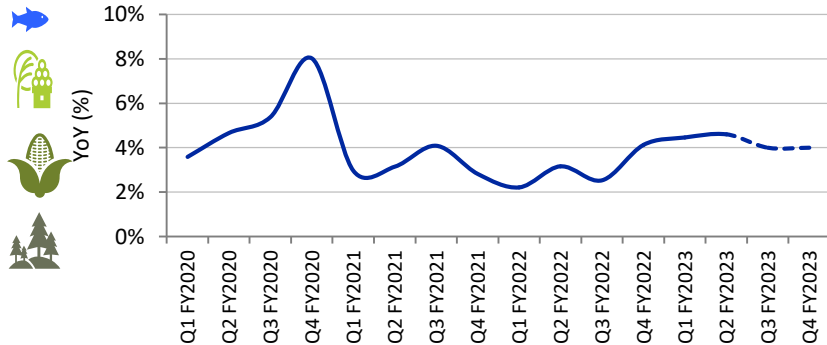
Telangana, Rajasthan, MP and Maharashtra major contributors to increase in rabi sowing



As on February 3, 2023; Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

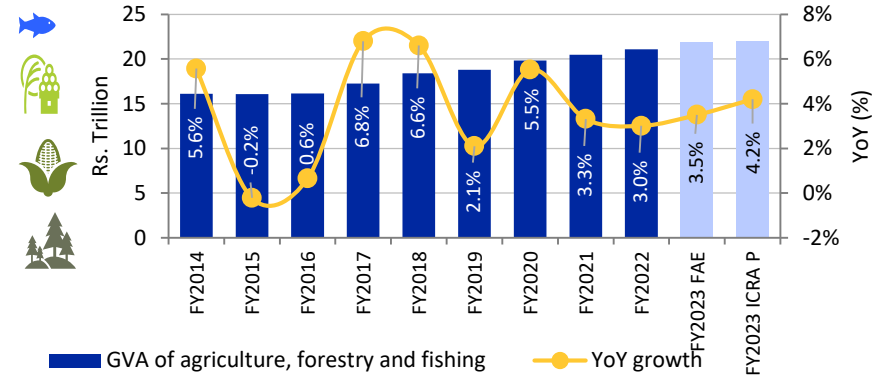
Bright rabi crop prospects suggest agri GVA growth of 4.0% in Q4 FY2023

EXHIBIT: Quarterly GVA of agriculture, forestry and fishing at 2011-12 prices



*Dotted line represents ICRA's projections; Source: National Statistical Office (NSO); ICRA Research

EXHIBIT: Annual GVA of agriculture, forestry and fishing at 2011-12 prices

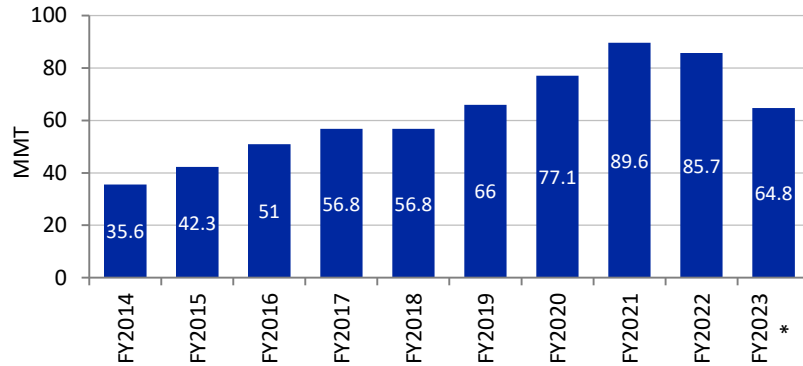


P: Projected; FAE: First Advance estimates released by the NSO; Source: NSO; ICRA Research

- The GVA of agriculture, forestry and fishing had grown by 4.5% YoY in H1 FY2023, even as the first advance estimates for kharif crop production displayed a mixed YoY trend for FY2023, as per the data released by the Ministry of Agriculture and Farmers' Welfare. The GVA of other sub-sectors such as livestock and fisheries, recorded a CAGR of 6.0% and 6.7%, respectively during FY2017-21, higher than the 2.0% growth seen in the crops sector in the period. The former two sectors are likely to have supported the combined GVA growth of agriculture, forestry and fishing in H1 FY2023.
- **Taking into account the higher acreage, early sowing, improved fertiliser availability and healthy reservoir storage, ICRA projects the GVA growth of agriculture, fishing and forestry at 4.0% in Q4 FY2023, similar to our expectations for Q3 FY2023.**
- **Overall, the GVA growth is projected to rise to 4.2% in FY2023 from 3.0% in FY2022. This is likely to be higher than NSO's expected growth of 3.5% indicated in the first advance estimates for FY2023 released in early-January 2023.**

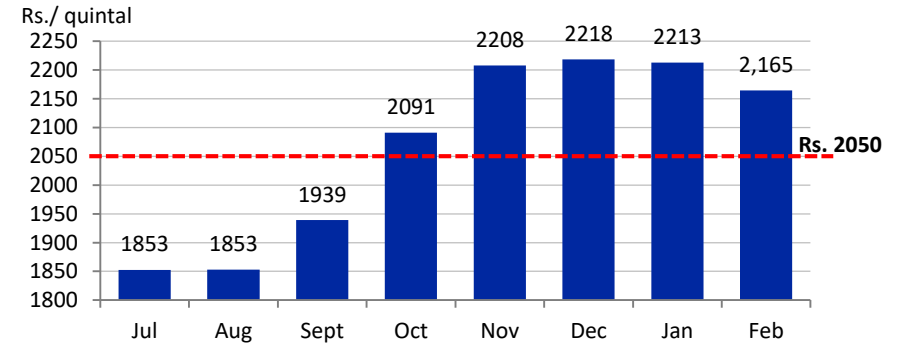
84% of paddy procurement target in KMS FY2023 achieved by end-Jan 2023; above-MSP market prices to support farm cash flows and sentiments

EXHIBIT: Annual Trends in paddy procurement in kharif marketing season



*KMS FY2023 is under progress and data is available upto Jan 31,2023; Source: FCI; ICRA Research

EXHIBIT: Monthly average mandi price vs. MSP for paddy in Jul- Jan FY2023

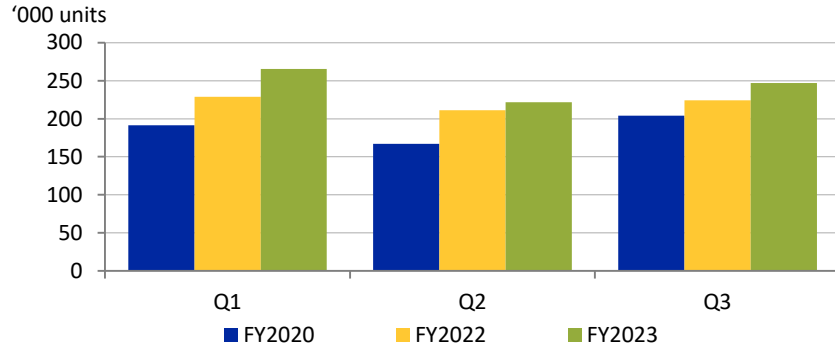


The red line represents MSP for paddy (common and Grade A); Source: CMIE; ICRA Research

- The procurement of paddy in the ongoing FY2023 kharif marketing season (KMS) stood at 64.8 million tonne as on January 31, 2023, accounting for ~84% of the target set by the Government (77.1 million tonne). States such as Punjab (28%), Chhattisgarh (14%), Telangana (10%), Uttar Pradesh (9%) and Haryana (9%) accounted for a sizeable 70% of the total paddy procurement in KMS FY2023.
- Besides, the market price for rice is trending much higher than the indicated MSP, making a lucrative option for farmers to sell directly in the open market, thereby auguring well for the overall rural farm sentiment.

Tractor sales healthy in Q3 FY2023; motorcycle wholesale volumes see deterioration in sequential terms

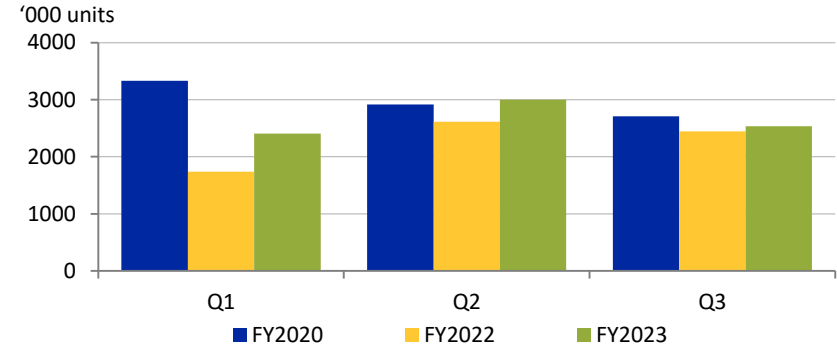
EXHIBIT: Trends in domestic tractor retail volumes



Source: CMIE; ICRA Research

- Boosted by festive season sales and a low base, domestic tractor retail volumes recorded a healthy YoY growth of 10.5% in Q3 FY2023 (-13.5% in Q3 FY2022), while also exceeding the 4.8% seen in Q2 FY2023.
- Encouragingly, such volumes in Q3 FY2023 exceeded the corresponding pre-Covid volumes of FY2020 by a considerable 21.1%.
- **Industry volumes are estimated to remain at healthy levels in FY2023 (~0-4% YoY growth led by a high base) and FY2024 (~4-6% YoY growth), aided by favourable underlying drivers for rural cash flows. However, downside risks may arise in case of crop damage or deficient rainfall.**

EXHIBIT: Trends in domestic motorcycle wholesale volumes

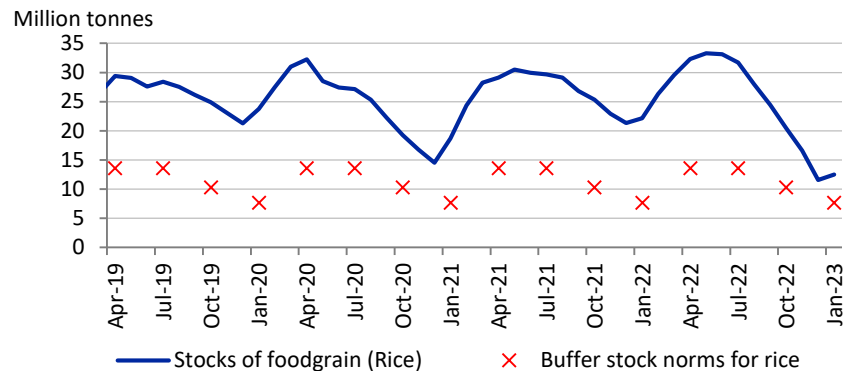


Source: SIAM; CEIC; ICRA Research

- The YoY growth in motorcycle wholesale dispatches moderated to 3.6% in Q3 FY2023 (-22.5% in Q3 FY2022) from 14.9% in Q2 FY2023 (-17.0% in Q2 FY2022), with the OEMs lowering offtake with a view to reducing channel inventory towards the end of the quarter.
- Moreover, the volumes were 6.5% lower than the pre-Covid levels of Q3 FY2020, amid elevated ownership costs and inflationary headwinds.
- **Given the healthy YoY rise in rabi sowing, we remain cautiously optimistic of buoyant demand in Q4 FY2023, although a sustained improvement in rural sentiments remains key. ICRA expects motorcycle volumes to grow by 7-9% in FY2023, aided by a low base.**

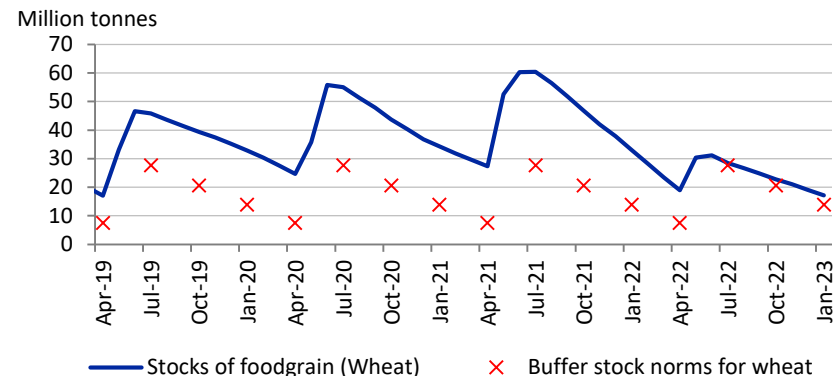
Outstanding stocks of rice and wheat below historical levels, amidst continued offtake and lower procurement

EXHIBIT: Rice stock in Central Pool and buffer stock norms (opening balance)



*FCI also provides data for unmilled paddy stock, in addition to rice stock; Source: Food Corporation of India; ICRA Research

EXHIBIT: Wheat stock in Central Pool and buffer stock norms (opening balance)

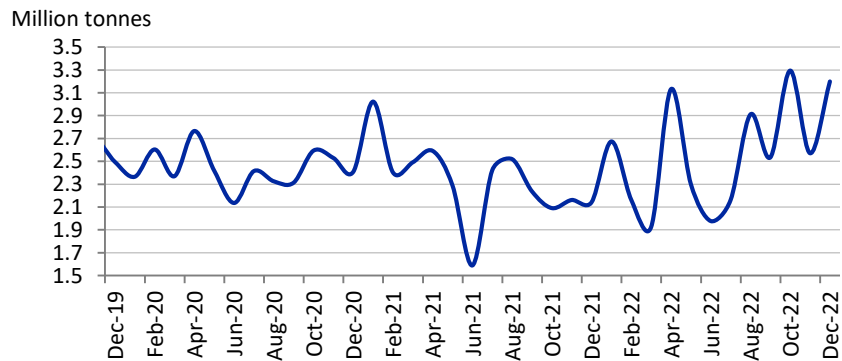


Source: Food Corporation of India; ICRA Research

- The outstanding stocks for rice, at 12.5 MMT as on Jan 1, 2023, were a substantial 43.4% lower in YoY terms, while also trailing the Jan 1, 2020 (-47.1%) and 2021 (-32.9%) levels. Moreover, the uptick in Jan 2023, relative to Dec 2022 remained lower than the typical trends seen during this period.
- With lower procurement amidst higher sale in the open market owing to elevated prices, the outstanding stocks of wheat nearly halved to 17.2 MMT as on Jan 1, 2023 from 33.0 MMT as on Jan 1, 2022. Such stocks veered closer to the required buffer norms as on Jul 1, 2022, Oct 1, 2022 and Jan 1, 2023.
- With a view to curb the rise in wheat prices, the GoI [decided to auction 3.0 MMT of wheat](#) from the Central Pool through e-auction during Jan-Mar 2023. So far (till Feb 8, 2023), the FCI has conducted one auction, offloading 2.2 MMT out of the offered 2.5 MMT as on Feb 1-2, 2023. However, wholesale wheat prices have largely remain flat after the announcement.
- With continued offtake of wheat under the National Food Security Act (NFSA) and no procurement until April, post the rabi harvest, wheat stocks are likely to decline further during Jan-Apr 2023, even as the discontinuation of the erstwhile free foodgrain scheme offers some relief for the replenishment of such stocks.

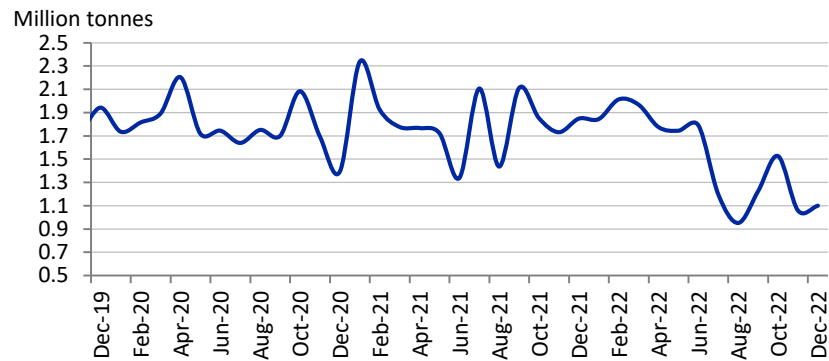
Discontinuation of PMGKAY to aid in replenishing foodgrain stocks

EXHIBIT: Monthly offtake of rice under the NFSA



Source: Department of Food & Public Distribution, GoI; ICRA Research

EXHIBIT: Monthly offtake of wheat under the NFSA

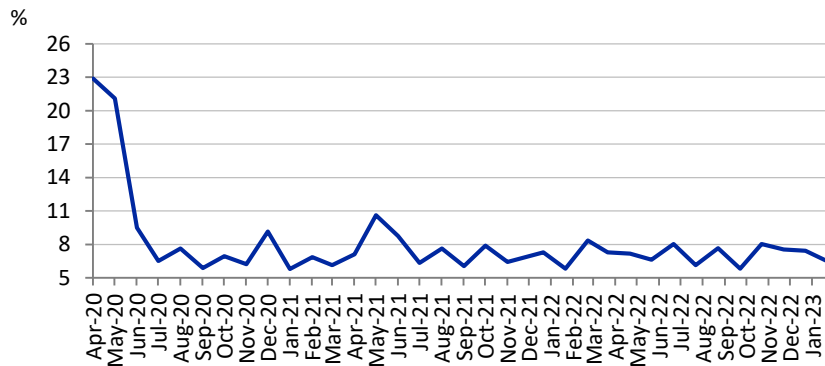


Source: Department of Food & Public Distribution, GoI; ICRA Research

- Amidst the extension of the Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) scheme until Dec 31, 2022, the monthly offtake of rice and wheat recorded a sequential uptick of ~25% and ~4%, respectively, in Dec 2022. While rice offtake exceeded the year-ago level by a substantial ~50% in Dec 2022, wheat offtake declined by ~40% during this period.
- Notably, the GoI decided to [discontinue the erstwhile PMGKAY scheme](#) from Jan 1, 2023 onwards, announcing the provision of free foodgrains under the NFSA Act (5 kg foodgrains per person to Priority Households beneficiaries and 35 kg per household to Antyodaya Anna Yojana beneficiaries) against the earlier subsidised rates (Rs. 3/2/1 per kg for rice, wheat and coarse cereals), for one year from Jan 1, 2023. This is likely to help replenish foodgrain stocks by lowering their offtake in the ongoing calendar year.

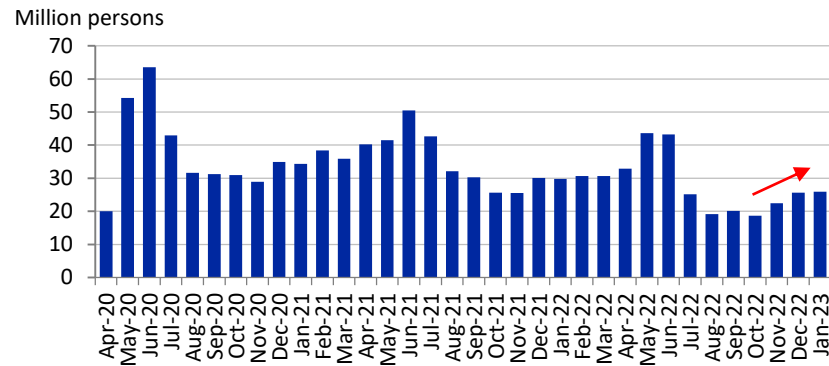
While rural unemployment remained volatile, work demand under MGNREGA trailed the year-ago levels in Jan 2023

EXHIBIT: Monthly trends in rural unemployment rate



Source: Consumer Pyramids Household Survey (CPHS); CMIE; ICRA Research

EXHIBIT: Trends in work demand generated under MGNREGA

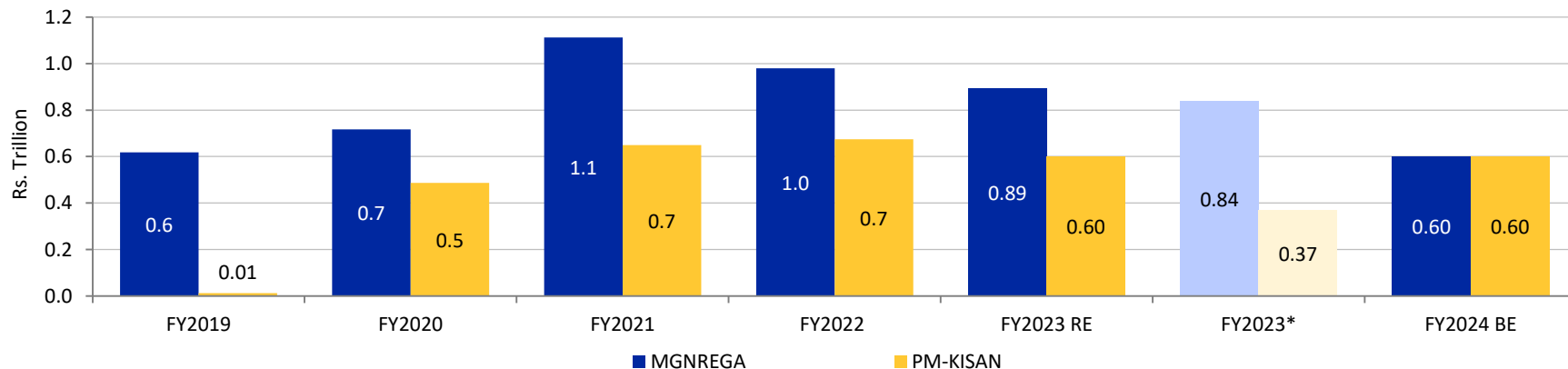


Source: Ministry of Rural Development, GoI; ICRA Research

- Rural unemployment eased to a four-month low of 6.5% in January 2023 from 7.4% in December 2022, continuing to display a volatile pattern.
- The work demand under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has remained at relatively subdued levels since August 2022. While the demand rose to a seven-month high of 25.9 million people in January 2023 from 25.6 million people in December 2022, it trailed the levels seen in January of 2021-22, indicating no significant signs of rural distress. **These trends may imply migration to urban areas and/or that households in search of work in some states may have already exhausted their allotment under the MGNREGA.**

More than 94% of MGNREGA outlay for FY2023 utilised till Jan 2023; twelfth tranche under PM Kisan disbursed to farmers in Oct 2022

EXHIBIT: Annual outlay under MGNREGA and PM-KISAN schemes



*Actual as on Feb 10, 2023; RE: Revised Estimates; BE: Budget Estimates; Source: MGNREGA; PM-KISAN Gol; ICRA Research

- The Gol revised the allocation for MGNREGA upwards to Rs. 0.9 trillion in its FY2023 RE from the budgeted level of Rs. 0.7 trillion. Out of this amount, ~94% or Rs. 0.84 trillion has been utilised till February 10, 2023.
- Additionally, the Gol disbursed the 12th instalment of the PM Kisan Samman Nidhi Yojana in October 2022, taking the amount incurred during FY2023 so far (till Feb 10, 2023) to Rs. 0.4 trillion, which is more than half of the level indicated for this fiscal in the FY2023 RE.

Allocations for rural India announced in FY2024 Union Budget

MNREGA	<ul style="list-style-type: none">▪ In its BE for FY2024, the GoI reduced the allocation for the MGNREGA to Rs. 0.6 trillion from Rs. 0.9 trillion in FY2023 RE. However, it has made significant allocation for the PMAY (Rs. 0.8 trillion) and the Jal Jeevan Mission (Rs. 0.7 trillion) in the FY2024 BE.▪ Moreover, the GoI has the option to provide additional funds for the MGNREGA, if needed, in its Supplementary Demand for Grants.
PMAY	<ul style="list-style-type: none">▪ The GoI has allocated Rs. 0.8 trillion for the Pradhan Mantri Awas Yojana (PMAY) in FY2024 BE, 3.2% higher than the FY2023 RE, to provide affordable housing for the rural sector.
PM-KISAN	<ul style="list-style-type: none">▪ An allocation of Rs. 600 billion has been made for the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-Kisan) in the FY2024 BE, in line with the revised allocation for FY2023. Continued allocation towards this scheme would support farmers' incomes.
Insurance and Irrigation	<ul style="list-style-type: none">▪ The GoI has increased the allocation for the crop insurance (+10% to Rs. 136 billion), interest subvention (+4.5% to Rs. 230 billion) and the PM Krishi Sinchai Yojana (+33.4% to Rs.108 billion) in the FY2024 BE relative to the FY2023 RE.
Farm Credit	<ul style="list-style-type: none">▪ With a continued focus on the agri economy, the GoI increased the budgetary allocation for farm credit by ~20% to Rs. 20.0 trillion in FY2024 BE from Rs. 16.5 trillion in FY2023 RE, thereby providing necessary financial support to the farmers.



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