



# SOUTHWEST MONSOON 2024 - UPDATE

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**IMD's above-normal rainfall forecast  
in July 2024 augurs well for ramping  
up of kharif sowing**

**JULY 2024**





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*Rainfall was 11% below normal in June 2024, dampened by deficient rains in three of the four regions*

*Despite this, kharif sowing was up by 7.7% YoY as on June 21, 2024; further progress will be contingent on rainfall in July 2024, which IMD predicts to be above-normal in excess of 106% of LPA*

*ICRA expects agri-GVA growth to rise to ~3.7% in FY2025, amidst a projected uptick in H2, vis-à-vis H1*



- The Southwest Monsoon progressed unevenly in June 2024, with cumulative rainfall at pan-India level lagging the long period average (LPA) by 11% up to June 30, 2024. Rains have picked up over the past few days, with the deficit narrowing sharply vis-à-vis 19% seen up to June 26, 2024.



- The spatial distribution of rainfall was quite uneven in the just-concluded month, with deficient rainfall in the Northwest (33% below LPA), East and Northeast (-13%), and Central India (-14%) outweighing the surplus rains recorded in South Peninsula (14% above LPA).



- For July 2024, the India Meteorological Department (IMD) has predicted above-normal rainfall in excess of 106% of the LPA, which augurs well for the ramping up of kharif sowing activity and replenishing the reservoir levels, which stood at a low 20% of FRL at end-June 2024.



- Despite the uneven progress of the monsoon, kharif sowing exceeded the year-ago level by 7.7% as on June 21, 2024, with a YoY rise in all major crops, barring rice (-6.0%). The sowing of latter typically gathers pace in July, unlike cotton (+37.3%) and sugarcane (+3.0%) that are sown early.



- The minimum support prices (MSPs) for kharif crops have been raised within a wide range of 1.4% to 12.7% YoY for the 2024-25 marketing season. While this is likely to influence sowing trends, farm sentiments would take cue from a healthy progression and distribution of Monsoons.



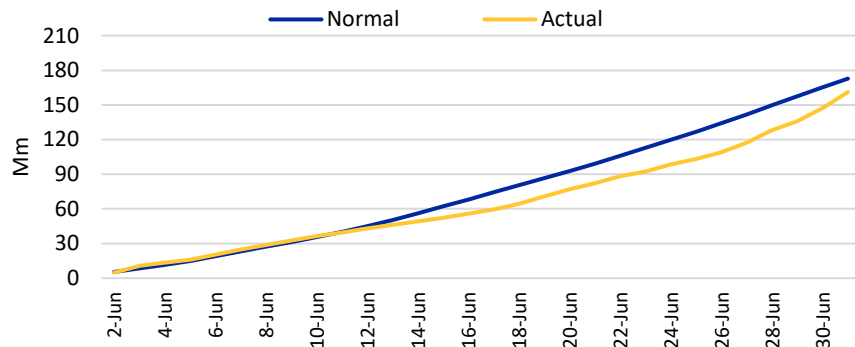
- Although the expectations of development of La Nina conditions would improve prospects for the crop output, a well-distributed rainfall remains crucial for kharif yields. ICRA expects the GVA growth of agriculture, forestry and fishing to improve to ~3.7% in FY2025 from 1.4% in FY2024.



- ICRA expects the CPI inflation to rise to 5.1% in June 2024, before temporarily softening sharply to 2.5-3.5% in July and August 2024, on a high base. Thereafter, the trends of monsoons, kharif sowing and foundations for the next rabi crop would guide the inflation outlook.

# India witnessed 11% deficit in rainfall in June 2024 despite sharp pick-up at month-end; IMD expects above-normal rainfall in July 2024

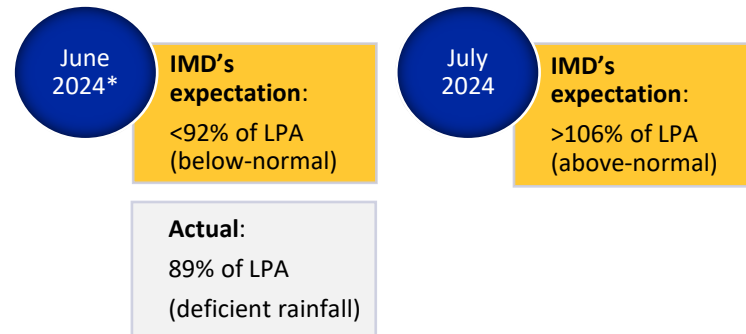
EXHIBIT: Cumulative normal vs. actual rainfall in June 2024



\*Till June 30, 2024; Source: IMD; CEIC; ICRA Research

- Despite the early onset of the Southwest Monsoon over Kerela (six days before the normal date), its progress was spatially uneven through June 2024, with rainfall picking up across all regions only in the last 3-4 days of the month. The gap between the normal and actual cumulative rainfall narrowed from 19% on June 26, 2024 to 11% on June 30, 2024.
- In mid-June, the IMD had revised its monthly forecast for June 2024 to below normal rainfall (<92% of LPA) for the country as against a normal rainfall (92-108% of LPA) predicted earlier in May 2024.

EXHIBIT: Actual vs. IMD's forecast of Monsoon rainfall in June and July 2024

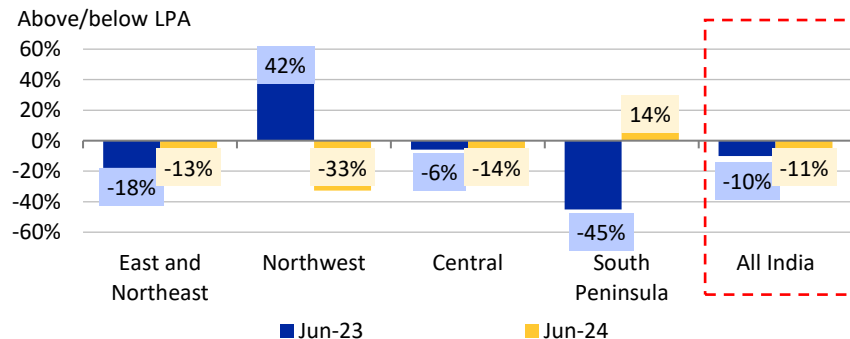


\*Based on revised forecast, the initial forecast for June 2024 was normal, Source: Indian Meteorological Department (IMD); CEIC; ICRA Research

- In June 2024, the country recorded a deficient rainfall (89% of LPA), on account of below-normal rainfall activity in 16 days of the month, during June 11-27, 2024.
- For July 2024, the IMD has projected the pan-India rainfall to be above-normal (> 106% of LPA).
- However, it expects below-normal rainfall over many parts of Northeast, Northwest, East and Southeast Peninsular India in the month.

# Spatial distribution of rainfall was highly uneven in June 2024

**EXHIBIT: Region-wise distribution of rainfall\***



\*On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; CEIC; ICRA Research

**EXHIBIT: Distribution of rainfall over 36 sub-divisions in June 2024**

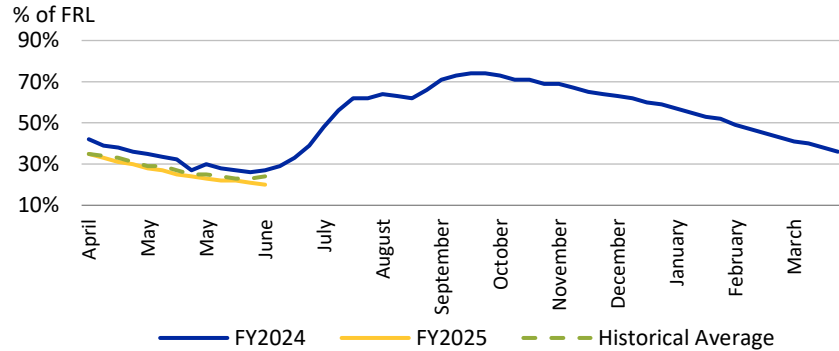
Category	% of LPA	No. of sub-divisions	Subdivisional % area of country
Large Excess	above 160	2	6%
Excess	120-159	4	6%
Normal	81-119	14	38%
Deficient	41-80	14	45%
Large Deficient	0-40	2	5%
No Rain	0	0	0%
<b>Total</b>		<b>36</b>	<b>100%</b>

Source: IMD; CEIC; ICRA Research

- In terms of the progress of the monsoon, it was relatively normal over the South Peninsula, and quite delayed over the other regions in June 2024.
- As per the IMD's classification, the region-wise rainfall distribution during the ongoing season (till June 30, 2024) has been quite uneven, with deficient rainfall in the Northwest (67% of LPA), Central (86% of LPA), and the East and Northeast (87% of LPA) regions. In contrast, the South Peninsula (114% of LPA) received excess rainfall in the month.
- The spatial distribution of rainfall over the 36 sub-divisions has been skewed during the ongoing Southwest Monsoon season so far (till June 30, 2024), with 14 subdivisions (~45% area of country) reporting deficient precipitation, and two recording large deficient rainfall. In contrast, 14 subdivisions (~38%) received normal rainfall, while large excess and excess rainfall was observed in a total of six subdivisions (~12%) up to June 30, 2024.

# All-India reservoir storage trails year-ago and historical levels; deficit may be bridged with advancement of monsoons

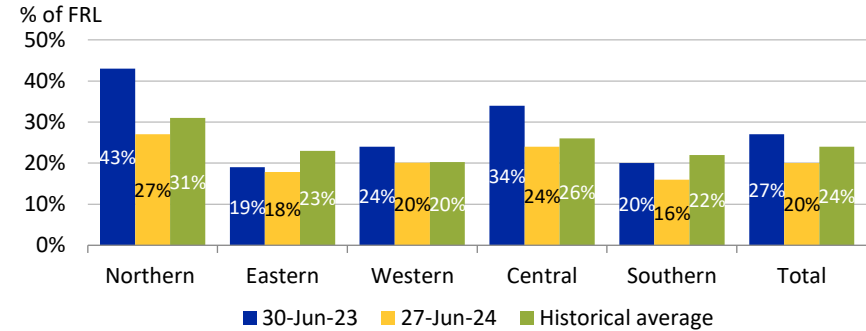
**EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)**



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

- The all-India reservoir storage levels stood at 20% of the live capacity at FRL as on June 27, 2024, well below the year-ago level of 27% of FRL. This was also lower than the historical average of the last 10 years (24% of FRL).
- The YoY deficit may be bridged with the further advancement of monsoons in the coming weeks and the likely development of La Nina conditions during the latter part of the monsoon season.

**EXHIBIT: Region-wise reservoir storage levels**

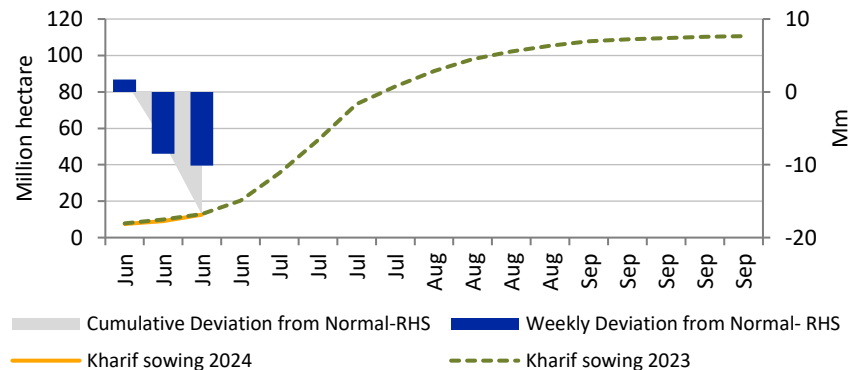


Source: CWC; CEIC; ICRA Research

- The reservoir storage in all the five-regions trailed the year-ago levels as on June 27, 2024.
- While the water storage in the western region as on June 27, 2024 is at par with the historical levels of the past decade, that in all other regions, including southern, eastern, northern and central regions trails the same by 6 pp, 5 pp, 4 pp and 2pp, respectively.
- Despite above normal rainfall in the Southern peninsula in June 2024, reservoir storage in that area trails the year-ago and historical levels.

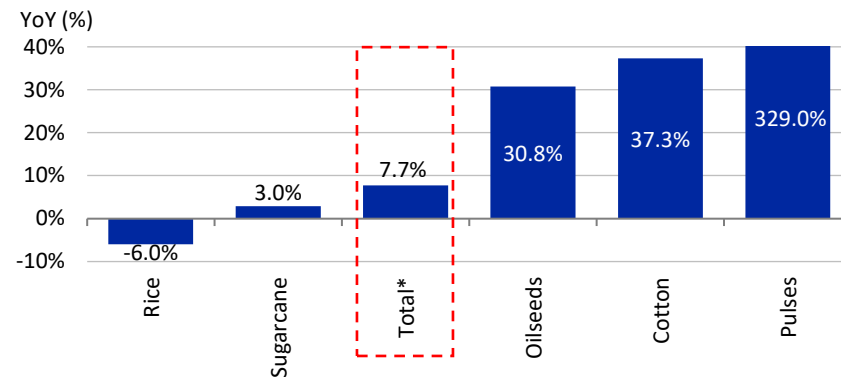
# Kharif sowing up by 7.7% YoY so far, despite deficient rainfall in ongoing monsoon season

**EXHIBIT: Kharif sowing trends and Southwest Monsoon Rainfall deviation from Normal in 2024**



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

**EXHIBIT: YoY growth in Kharif Sowing as on June 21, 2024**

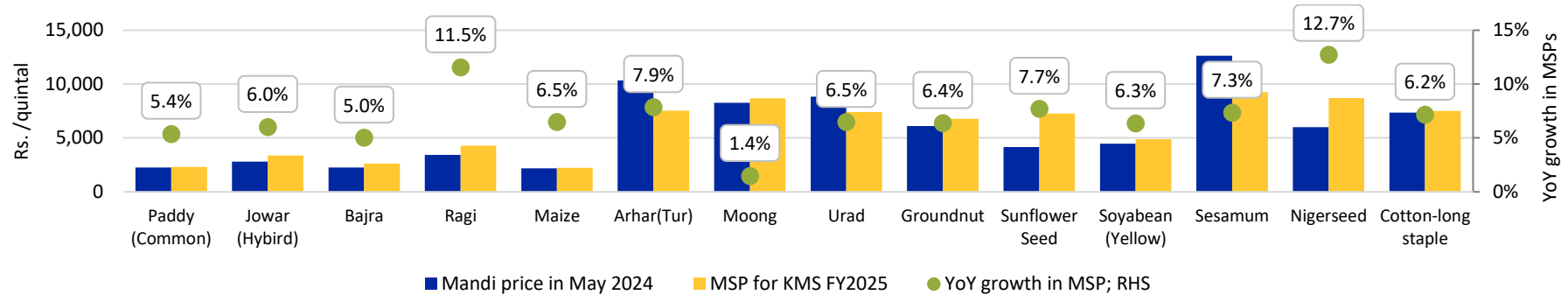


\*Including coarse cereals and jute and mesta; Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

- Kharif crops were sown on 12.6 million hectares by June 21, 2024, accounting for 11.4% of the total area covered in the 2023 season, slightly higher than the 10.6% area sown in 2023.
- Despite the uneven rainfall seen in the monsoon season so far, the cumulative sowing of kharif crops exceeded the year-ago level by 7.7% as on June 21, 2024, led by higher sowing of sugarcane (+3.0%), oilseeds (+30.8% on a small base), cotton (+37.3%), and pulses (+329.0% on an extremely small base). While the area sown for rice (-6.0%) trailed the respective year-ago levels, it typically gathers pace from July 2024 onwards, unlike sugarcane and cotton that are sown early.
- **With nearly ~50% of kharif sowing taking place in the month of July, adequate rainfall in the ongoing month across all regions will be critical over the next few weeks to accelerate the pace of sowing over majority of the country. Overall, the IMD's forecast of an above-normal monsoon in 2024, combined with development of La Nina conditions in the later part of the season is likely to improve the prospects for kharif crop output.**

# MSP hikes for kharif crops augur well, but farm sentiments to take cue from progression and distribution of monsoons

EXHIBIT: Minimum Support Prices of Kharif crops for marketing season FY2025 (absolute and YoY growth) and mandi prices

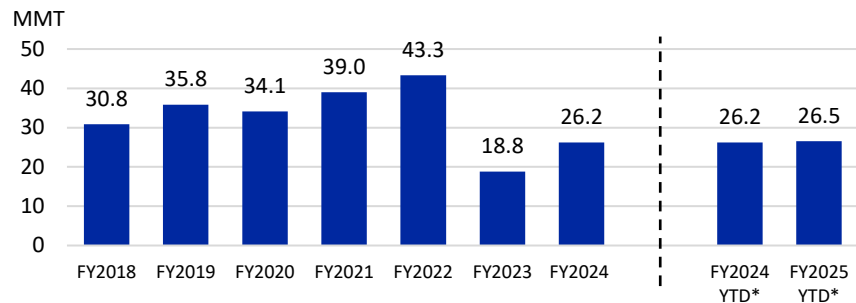


Source: Cabinet Committee on Economic Affairs; Gol; CMIE; ICRA Research

- The Cabinet Committee on Economic Affairs (CCEA) recently announced the minimum support prices (MSPs) for kharif crops for the FY2025 marketing season, with a YoY increase ranging from 1.4% to as high as 12.7%. In absolute terms, the YoY increase in MSPs also ranged widely from Rs. 117/quintal (for paddy) to Rs. 983/quintal (for nigerseed) in the KMS 2024-25.
- The highest absolute increase in MSP has been announced for nigerseed by Rs. 983/quintal implying a YoY rise of 12.7%, followed by sesamum (Rs. 632/quintal; +7.3%) and arhar/tur (Rs. 550/quintal; +7.9%). Besides, the second-highest growth in the MSP has been announced for ragi at 11.5%.
- Notably, the MSPs announced for most crops are higher when compared with their mandi prices in May 2024, except for arhar, urad and sesamum. **These are likely to influence sowing trends while concurrently exert pressure on the inflation. However, a healthy progression and distribution of monsoon would be crucial for kharif yields and farm sentiments, going forward.**

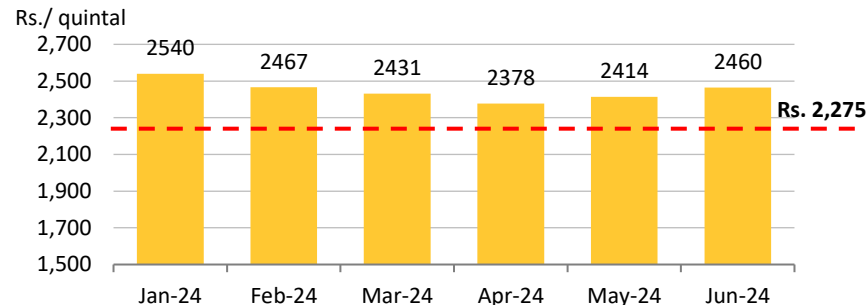
# Wheat procurement marginally higher than year ago, but trails historical levels

**EXHIBIT: Annual Trends in wheat procurement in rabi marketing season**



\*RMS 2024-25 is under progress and data is available up to May 31, 2024; Source: FCI; ICRA Research

**EXHIBIT: Monthly average mandi price vs. MSP for wheat**



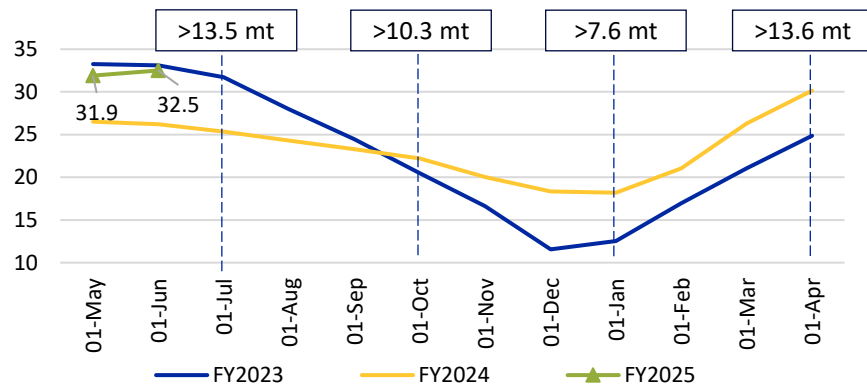
\*red line represents MSP for wheat; Source: CMIE; ICRA Research

- The procurement of wheat in the ongoing RMS 2024-25 stood at 26.5 million tonne up to May 31, 2024, marginally higher than the levels seen in the corresponding period last year (26.2 million tonne up to May 31, 2023), while trailing the target set by the GoI at 37.3 MT. ICRA anticipates procurement to be significantly lower than the levels seen during FY2018-22.
- The market price for wheat in FY2025 has trended higher than the indicated MSP (Rs. 2,275/quintal) during March-June 2024. This is likely to have encouraged farmers to sell directly in the open market, thereby auguring well for the overall rural farm sentiment.
- Notwithstanding this, aggregate farm cash flows from the rabi harvest may remain subdued, owing to decline in the output of most rabi crops estimated in the FY2024 3rd AE. **Going forward, the farm cash flows may improve in the ongoing kharif season, if the monsoon turns out to be favourable.**



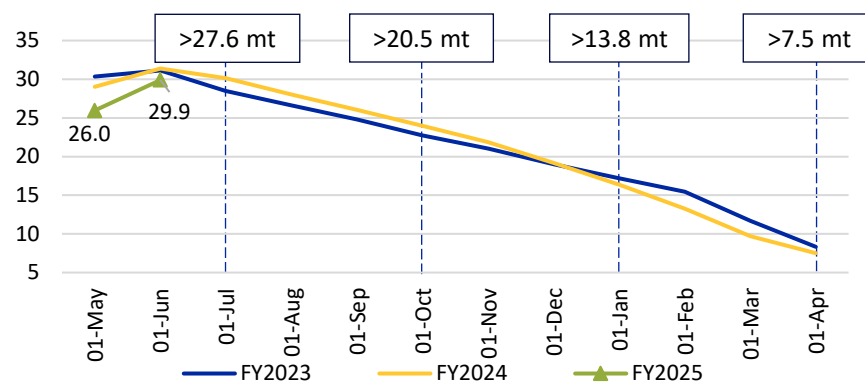
# Stocks of rice well above historical levels in early-June 2024, while those for wheat trailed the same

**EXHIBIT: Monthly stock position of rice in Central Pool and minimum buffer norms (million tonne)**



Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

**EXHIBIT: Monthly stock position of wheat in Central Pool and minimum buffer norms (million tonne)**

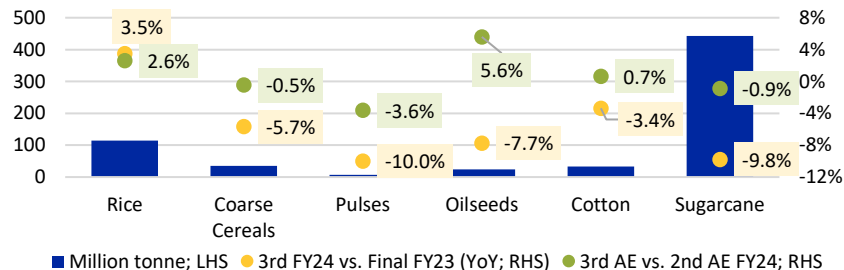


Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

- The stock of rice held by the Food Corporation of India (FCI) and state agencies stood at 32.5 MT on June 1, 2024, 24.0% higher than the year-ago levels (26.2 MT on June 1, 2023), aided by the paddy procurement during the KMS 2023-24 as well as the dip in offtake under the NFSA during February-May 2024 (-7.2% YoY). Such stocks typically peak in April-May, and the current levels are quite healthy compared to the historical levels seen during this period.
- Wheat stocks stood at 29.9 MT as on June 1, 2024, 4.7% below the year-ago level of 31.4 MT as on June 1, 2023. This was the lowest level of wheat stocks at the beginning of June in the last 16 years. Subdued wheat procurement has kept stocks lower than historical levels through the last two years.

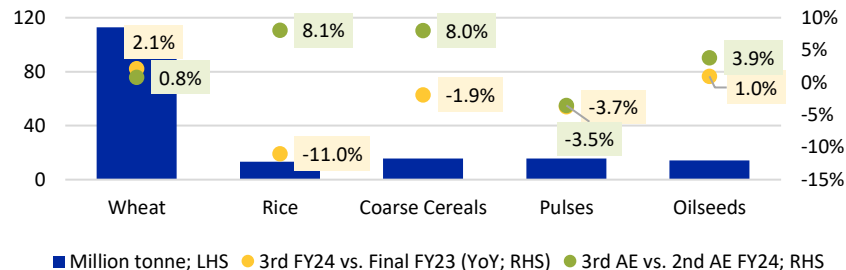
# Upward revision in rabi crop output estimates to support agri-GVA growth in Q1 FY2025, even as production of most summer crops is estimated to decline

**EXHIBIT: Production of kharif crops in 2023-24 as per third advance estimates**



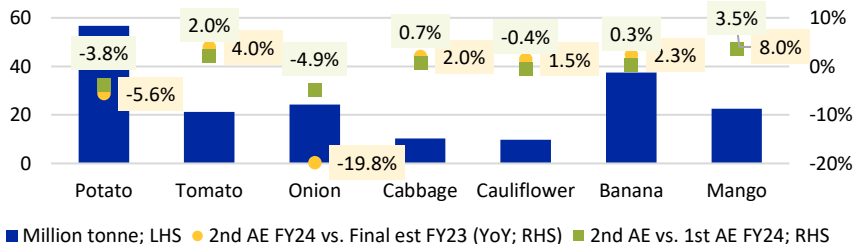
Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

**EXHIBIT: Production of rabi crops in 2023-24 as per third advance estimates**



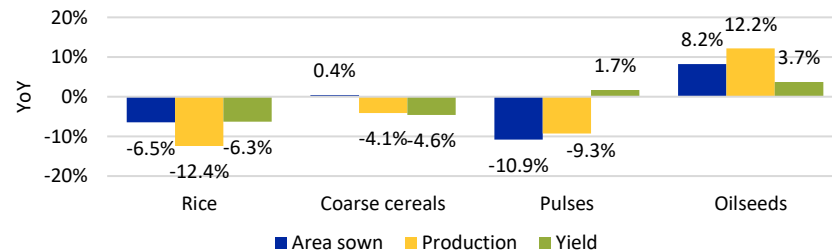
Source: Ministry of Agriculture and Farmers' Welfare, GoI; ICRA Research

**EXHIBIT: Production of horticulture crops in 2023-24 as per second advance estimates**



Source: National Horticulture Board, GoI; ICRA Research

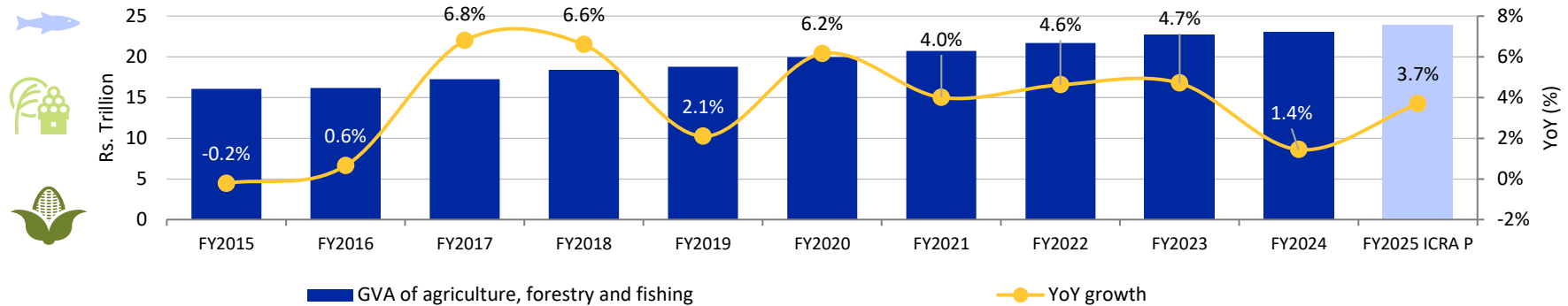
**EXHIBIT: Production of summer crops in 2023-24 as per third advance estimates**



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

# Forecast of above-normal monsoon in 2024 to augur well for agri output, rural demand in H2 FY2025

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

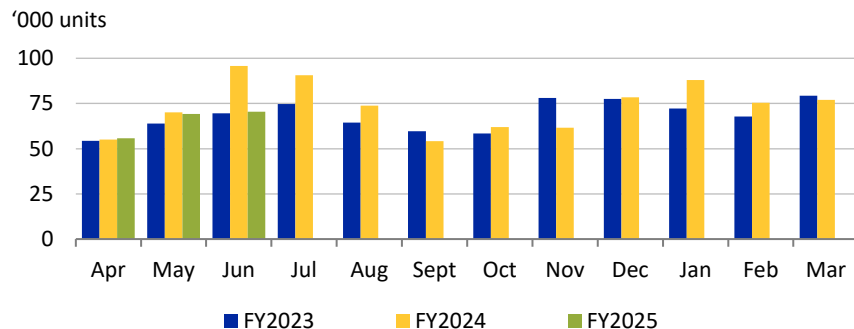


P: Projected; Source: NSO; ICRA Research

- The IMD's expectations of above normal rainfall in July 2024 augurs well to accelerate the sowing of kharif crops, although the adequacy and distribution of rainfall over the country needs to be monitored.
- ICRA remains watchful that episodes of high rainfall in the second half of the monsoon season could harm the standing kharif crops, even as healthy precipitation would help replenish reservoirs, portending well for the rabi crop.
- ICRA expects the GVA growth of agriculture, forestry and fishing to improve to 3.7% in FY2025 from 1.4% in FY2024, amid projections of an uptick in growth in H2 FY2025, owing to a favourable base (+0.5% in H2 FY2024; +2.8% in H1 FY2024). We expect rural demand to pick up in H2 FY2025, once there is some visibility around the farm cash flows from rabi procurement, monsoon volume and distribution, and outcomes for the next kharif crop.

# Motorcycle wholesale dispatches projected to grow by 7-10% in FY2025; tractor volume growth likely to be relatively modest at 1-4% YoY

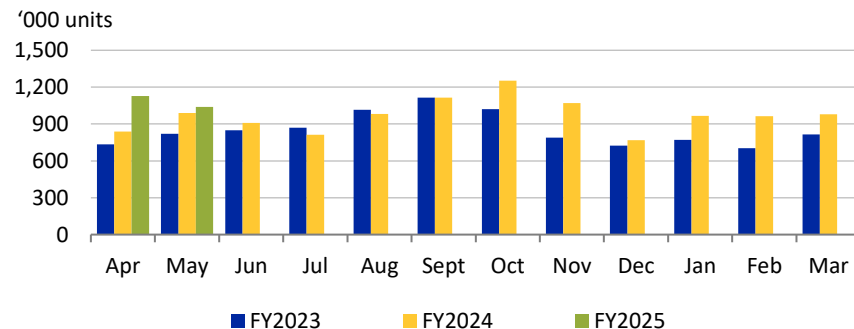
EXHIBIT: Trends in domestic tractor retail volumes



Source: CMIE; ICRA Research

- In wholesale terms, domestic tractor volumes witnessed a decline of 8.3% in FY2024 over record FY2023 levels, owing to the base effect, and weakened farm sentiments on account of an unfavourable monsoon, and low haulage activities and estimated fall in agri crop output. Thereafter, wholesale volumes have dipped by 1.4% on a YoY basis during April-May 2024. **ICRA expects industry volumes to grow at a modest pace of 1-4% in FY2025.**
- In retail terms, the domestic tractor volumes increased by 7.5% in FY2024. Thereafter, volumes recorded a contraction of 11.5% Q1 FY2025, weighed down by a sharp decline in June 2024 (-26.4% YoY).

EXHIBIT: Trends in domestic motorcycle wholesale volumes

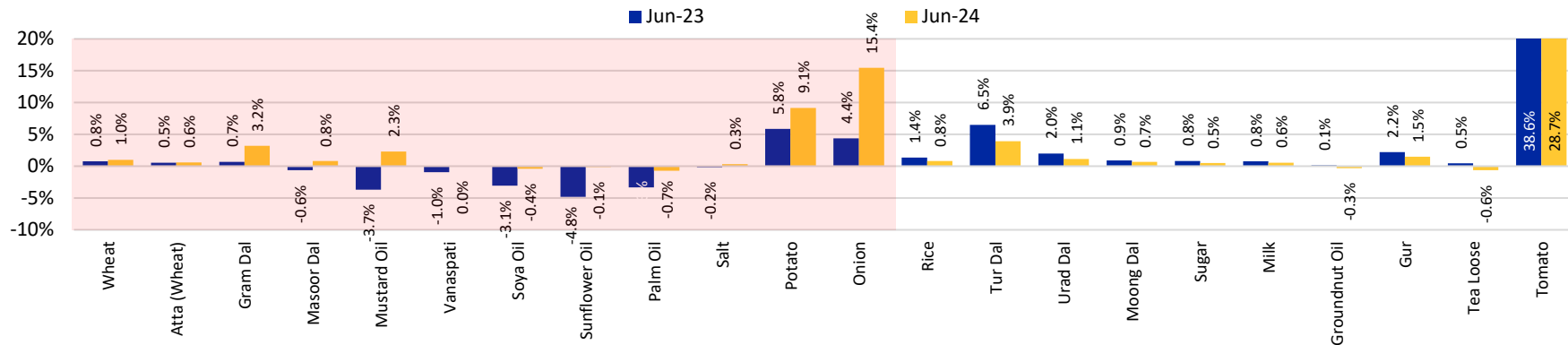


Source: CMIE; ICRA Research

- Wholesale domestic motorcycle volumes rose by 13.9% in FY2024 owing to inventory build-up and healthy demand during the festive and marriage seasons in the second half of the fiscal. Subsequently, the growth stood at 34.4% in April 2024 aided by steady demand and a latter onset of the festive season in 2024 vis-à-vis 2023, before moderating sharply to 5.0% in May 2024.
- **Despite improved volumes, concerns around a sustained demand recovery persist, amid the material rise in ownership costs. ICRA expects the domestic motorcycle volumes to grow by 7-10% YoY in FY2025 (+13.9% in FY2024).**

# Headline CPI inflation to rise to 5.1% in June 2024

EXHIBIT: MoM trends in prices of essential commodities (%)

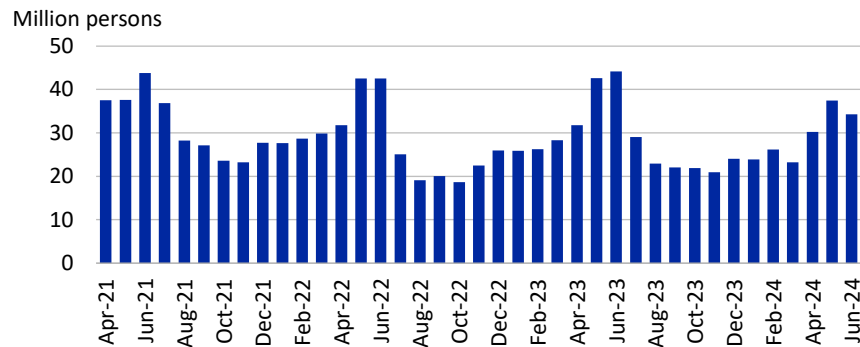


Source: DCA; ICRA Research

- The retail data released by the Department of Consumer Affairs (DCA) indicates a much sharper sequential hardening in prices of essential vegetables (potato and onion) in June 2024 vis-à-vis June 2023, stemming from lower arrivals of onion and potato amid a dip in production in 2023-24. Additionally, tomato prices saw a 28.7% MoM rise in June 2024 amid crop damage in tomato-growing states, although this was lower than the sequential increase seen in June 2023. Overall, 12 of the 22 items saw a MoM uptick in June 2024 vis-à-vis June 2023. An equal number of items saw a higher YoY print in June 2024 vis-à-vis May 2024.
- In YoY terms, the prices of several vegetables (including potato, onion, cauliflower, brinjal, okra, etc.) have risen in June 2024, compared to May 2024, suggesting that the food and beverages inflation may remain elevated in June 2024. Overall, we expect the headline CPI inflation to rise to 5.1% in June 2024.
- Thereafter, a favourable base is expected to lead to a sharp albeit temporary fall in the CPI inflation to 2.5-3.5% in July and August 2024. Going forward, the uptick in prices of pulses and vegetables need to be closely monitored, as the yearly decline in rabi production of these crops has raised concerns related to supply of these food items. Further, an adequate volume and dispersion of rainfall in the season remain key to improve the prospects for kharif crop and replenish the reservoir levels, which would be crucial to support the rabi crop, and rein in food prices.

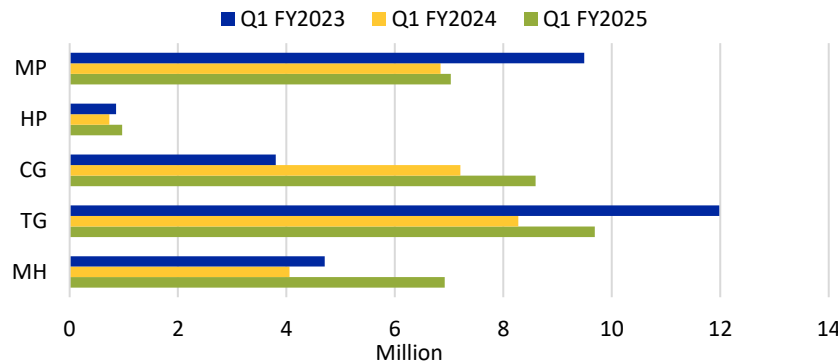
# Work demand under MGNREGS trailed year-ago levels in Q1 FY2025; any agro-climatic shocks may warrant additional spending in FY2025

**EXHIBIT: Monthly trends in work demanded under MGNREGS (excluding West Bengal)**



Source: Ministry of Rural Development, GoI; ICRA Research

**EXHIBIT: Top five-states reporting highest incremental work demand in Q1 FY2025 vis-à-vis Q1 FY2024**



Source: Ministry of Rural Development, GoI; ICRA Research

- The work demand under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), moderated to 101.9 million people in Q1 FY2025, similar to the levels of Q1 FY2022, after rising in the previous two years (Q1 FY2024: 118.5 mn people, Q1 FY2023: 116.7 mn people). Notably, the YoY growth, excluding WB, for Q1 FY2024 and Q1 FY2023 stood at 1.5% and 14.8% respectively, higher than the corresponding (-) 0.9% and 10.8% reading for all-India (including WB).
- In Q1 FY2025, Maharashtra (+2.9 mn); Telangana (+1.4 mn) and Chhattisgarh (+1.4 mn) saw the highest incremental work demanded by people vis-à-vis Q1 FY2024. Interestingly, while Tamil Nadu had availed the maximum demand in FY2024 (with a share of 15.3%), it saw a sharp reduction in Q1 FY2025, with its share in the total demand dropping to a mere 2.5% (vs. +13.6% in Q1 FY2024).
- As against the FY2025 IBE of Rs. 860 billion, nearly 28% or Rs. 236.8 billion has been spent on this scheme in Q1 FY2025. Any agro-climatic shocks may warrant additional spending under this account, which can be announced over the course of the year, as seen in previous fiscals.



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