

3rd Advance Estimates

Rabi and Kharif production

According to the 3rd advance estimates, India's foodgrains production is expected to be up by 23.8mn tonne than average production of last 5-years. However the pace of improvement has decelerated by 1.3% (314.5mn tonne) in the agriculture year 2021-22 compared with growth of 4.5% in 2020-21 (310.74mn tonne). This is led by Rabi's production declining by 0.4% in AY 2021-22 compared with an increase of 4.2% last year. Within Rabi, production of wheat (106.41 mn tonne for AY2021-22) is estimated to have registered sharp decline by 2.9% and is much lower than the target level (110 mn tonne). Lower output has been attributed to early onslaught of summer and extreme heat wave conditions. Notably, production of gram (17.4% from 7.5% last year), rapeseed and mustard (15.1% from 11.9%) and linseed (17.1% from -8.3% last year) have improved in the AY2021-22.

Production of kharif crops moderated to 2.9% (4.7% previous year) for the same time period. Rice output has moved up by 4.3% compared with a growth of 4.6% in AY2020-21. Overall production of pulses has clocked double digit growth at 11% in AY22 from 8.6% in AY21. Production of groundnut (-1.9% from +1.7% in AY21) and niger seed (-14.3% from 2.4% in AY21) declined in AY22, while that of castor seed improved marginally (-8.6% from -10.6%). *Output of cotton is also expected to fall sharply by (-) 10.5% in AY22 compared with a decline of (-) 2.3% in AY21, which has manifested itself in the higher price of cotton today.*

Fig1: Foodgrains Production over the years

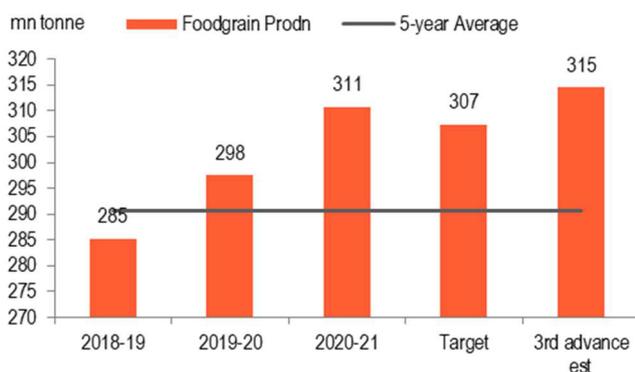
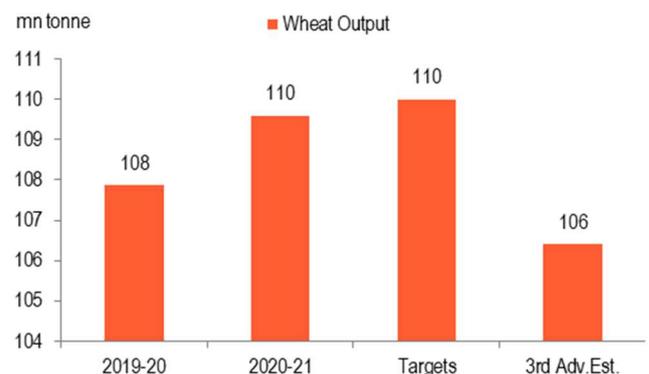


Fig2: Drop in Wheat Output



Source: Ministry of Agriculture, Bank of Baroda Note: 3rd advanc est: AE for AY2021-22

Inflation

Global food prices (FAO) had reached an-all time high in Mar'22 led by a surge in both cereal and vegetable oil prices. International price of wheat has continued to edge upwards amidst accelerated concerns due to the prevailing geopolitical tensions. The government had recently restricted exports of wheat. Global commodity prices soared on the back of global supply disruptions due to ongoing Russia-Ukraine conflict. Further, extreme heat wave conditions due to climate change has added to

farmers' woes. Wheat inflation (WPI) in India reached a 13-month high in Mar'22 at 14%. Since Apr'22, global prices have retreated from their record high levels. Even wheat prices have moderated marginally. However, the average inflation print for the last 6-months (from Nov'21 onwards) is at 11.3% compared with 0.9% for the previous 6-months.

Fig: 4: Food price Index at a record high in Mar'22



Source: FAO, Bank of Baroda Research

Outlook

According to World Bank, Russia and Ukraine account for 1/4th of global exports of wheat. The ongoing conflict has resulted in two kinds of disruptions, namely the physical impact due to blockades and the impact on global trade. There is greater downside risk in term of overall production especially in wheat due to higher input prices, particularly fertilizers. Production of maize, sunflower seed and barley are also expected to be lower. This in turn will bump the prices of animal feed (comprising of soya, maize and rapeseed) in the coming months. Against this background, risk to India's inflation remains towards the upside in the near term.

Table 1: Growth in Crop production over the years

Name of the crop	2018	2019	2020	2021*
Rice	3.3%	2.1%	4.6%	4.3%
Wheat	3.7%	4.1%	1.6%	(2.9%)
Coarse Cereals	(8.3%)	10.9%	7.5%	(1.2%)
Cereals	1.4%	4.3%	3.9%	0.5%
Pulses	(13.1%)	4.3%	8.6%	11.0%
Foodgrains	0.1%	4.3%	4.5%	1.2%
Sugarcane	6.7%	(8.6)	9.4%	6.2%
Oilseeds	0.2%	5.4	8.2%	7.1%
Cotton	(14.5%)	28.6	(2.3%)	(10.5%)

Source: Ministry of Agriculture, Bank of Baroda Research | Note: * Based on 3rd Advance Estimates

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