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## Prospects of Weather and Fertilisers during *kharif* 2017

Agriculture and fertiliser use are heavily dependent on monsoon rains. Failure of monsoon rains affect crop acreage and demand for fertilisers adversely. On the other hand, good monsoon rains increase crop acreage and boost demand for fertilisers. In India, nearly 53% of the cropped area is rainfed which is solely dependent on monsoon rains. Even in irrigated areas, monsoon rains have impact on the ground water and also reservoirs which are critical for irrigation. Among four monsoon seasons, South-west monsoon (June-September) plays a crucial role in Indian agriculture. Nearly 75% of total rainfall is received from South-west monsoon. Monsoon rainfall has a direct bearing on all crops across the country.

India Meteorological Department (IMD) in its second stage forecast of South-west monsoon for 2017 projected rainfall to the tune of 98% of the Long Period Average (LPA) for the country as a whole. This year monsoon arrived in Kerala on 30<sup>th</sup> May, 2017, two days earlier than the scheduled date of arrival. Rainfall during 1<sup>st</sup> June to 28<sup>th</sup> June of South-west monsoon season 2017 was normal and was close to LPA. Actual rainfall for the country as a whole was 147.8 mm as against normal of 148 mm during the period. Rainfall during subsequent period was also quite good and widespread barring a few pockets. The cumulative rainfall during 1<sup>st</sup> June to 26<sup>th</sup> July, 2017 was 5% above the LPA. Actual rainfall was 424.2 mm as against normal of 405.6 mm

during the period. Out of 36 meteorological sub-divisions, 33 received normal to excess rains during the period. The 3 meteorological sub-divisions which received deficient rainfall during the period include Tamil Nadu & Puducherry; South interior Karnataka and Kerala. About 73% of the reported districts received normal to excess rains during the period. During remaining period of the month of July, overall rainfall activity is forecast to be normal. Further, during August 2017, according to IMD's second stage forecast, rainfall is likely to be 99% of LPA.

Due to good rains received so far, water level in major reservoirs is higher than the previous year. Central Water Commission is monitoring live storage status of 91 reservoirs of the country. The total live storage capacity of these 91 reservoirs is 157.799 BCM. The live storage available upto 27<sup>th</sup> July, 2017 was 60.906 BCM as against 58.567 BCM on the corresponding date last year. With the expectation of good rains during the remaining period of *kharif* season, live storage is expected to improve significantly during the balance period of the season.

Onset and satisfactory advance of the monsoon so far helped the progress of sowing of *kharif* crops, viz., rice, pulses, coarse cereals, oilseeds, sugarcane and cotton. Area sown under key *kharif* crops except oilseeds have been higher than the level at the same time last year. As per latest information available on sowing of *kharif* crops upto 28<sup>th</sup> July 2017, around 75% of the normal area has been sown. Area sown under all *kharif* crops taken together has been reported to be 79.13 million hectares at All India level as compared to 76.58 million hectares in the corresponding period of last year. The area under rice cultivation is 21.62 million hectares, 2.4% higher than a year ago. Planting of coarse cereals at 15.02 million hectares, increased by 3.3% over last

year. The total acreage under pulses at 11.49 million hectares also shows an increase of 6.9% over last year. However, acreage under oilseeds fell by 9.2% to 14.23 million hectares. Planting of all major oilseeds is lower in key growing states of Madhya Pradesh, Andhra Pradesh, Telengana, Karnataka, Tamil Nadu, Uttar Pradesh and Chhattisgarh. It is reported that farmers in some of these states have shifted to pulses given the low price realisation for oilseeds in the last season.

To incentivise the farmers, Government of India has approved the increase in the MSP for all *kharif* crops of 2017-18 season. MSP for paddy (common) has been fixed at Rs. 1550 per quintal, an increase of Rs.80 per quintal over the existing MSP. Similarly, MSP of *jowar*, *bajra* and maize have been increased by Rs.75, Rs.95 and Rs.60 per quintal, respectively. To encourage cultivation of pulses and oilseeds in the country, Government has announced a bonus of Rs. 200/- per quintal for *kharif* pulses, and a bonus of Rs. 100/- per quintal for oilseeds. This bonus is payable over and above the approved MSP.

Meanwhile, Government of India has implemented GST for goods and services with effect from 1<sup>st</sup> July, 2017. Prior to 1<sup>st</sup> July, 2017, the tax rate (VAT + excise duty) was 6% on fertilisers in most states except Haryana, Punjab, Kerala and

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Tamil Nadu. Government of India initially fixed GST rate at 12% for fertilisers. After representations by the FAI, the fertiliser industry and other stake-holders, Government finally reduced GST rate for fertilisers to 5% in the interests of farmers. This will reduce prices of fertilisers across the country and provide relief to the farmers. This will ensure uniform prices of fertilisers across states and thus remove inter-state distortion in prices.

Favourable factors like good weather and higher MSP encouraged demand for fertilisers. Sales report of fertilisers for first quarter of the current year, i.e., April/June 2017 is quite encouraging. All-India sale of urea at 6.3 million metric tonnes (MMT), DAP at 1.9 MMT, and MOP (for direct application) at 0.8 MMT during April-June 2017 recorded robust increase of 10.2%, 24.4% and 74.2%, respectively, over the corresponding period in the previous year. However, sale of NP/NPKs at 1.3 MMT declined by 5.9% during the

period. Sale of urea increased in most of the states except Jharkhand, Odisha, Uttarakhand, Andhra Pradesh, Karnataka, Telengana and Chhattisgarh. Sale of DAP increased in most of the states except Andhra Pradesh, Karnataka and Telengana. Sale of MOP, increased in all states except Madhya Pradesh. The prospects of crop acreage and fertiliser consumption look bright for *kharif* 2017.

Government has proposed implementation of Direct Benefit Transfer (DBT) of fertiliser subsidy across the country. Implementation of GST and DBT together may affect sale of fertilisers during initial few months. However, lower GST rate and expected sufficient residual moisture for *rabi* crops should give boost to demand for fertilisers in coming months. Production of phosphatic and potassic fertilisers may suffer due to high rate of GST on raw materials. This may result in more import of DAP and NP/NPK fertilisers. Ambiguity in amended CST Act may increase the tax incidence on natural gas and hence increase in cost of production of urea. This may increase subsidy on urea by almost Rs. 1000 crore, if suitable clarification is not issued by the Government. Notwithstanding the difficulties of the industry under GST regime, availability of fertilisers may not get affected albeit with higher imports. ■