

Thematic Institutional Research
Monsoon Update - 14th June, 2013: Ample annual monsoon rains witnessed....

IMD says

- Monsoon rains 35 percent above average in the week to June 12
- Monsoon rains above average over drought hit states in Southern India & Western Maharashtra
- Monsoon rains below average in corn growing Eastern state of Bihar
- June 1-13 Rainfall 65.0 mm; 28 percent above Normal

Ample annual monsoon rains witnessed....

Ample annual monsoon rains have covered half of India two days ahead of the usual date and more hefty downpours are expected next week, weather experts said on Thursday, easing concern over southwestern regions parched by drought.

The June to September monsoon is crucial for farm output and economic growth in India, where just over half of arable land is rain-fed. The farm sector makes up about 15 percent of the nearly \$2-trillion economy that is Asia's third-biggest.

In fact, monsoon rains have advanced slightly more than half of the landmass.

Rainfall in the second week of the season ending June 12 was 35 percent above average, helping early planting of a host of summer crops, including rice, oilseeds and cotton, in many parts of the country.

The monsoon arrived on schedule on the southern Kerala coast on June 1, and then spread inland faster than usual. Between the start of the season and June 13, the rains were 28 percent above average.

Adequate monsoon rain should help the economy and hold down inflation, a critical concern for India's coalition government as it readies for a round of state polls this year and a national election by May 2014. The government hopes to pass a \$24 billion welfare scheme to give cheap food to more of its poor in a special session of parliament and hefty monsoon rains will boost confidence harvests will be ample to cover the extra grains it needs.

In these initial stages of the June-September season, planting is key and the crops themselves are not greatly affected by the quantity of rain. Rainfall distribution in mid-July, after the monsoon covers the entire country, is more important for their growth.

According to P. Chengal Reddy, the chief of a farmers' body based in Hyderabad, there has been plenty of rainfall over drought areas of the southern region and even adjoining Maharashtra has received excess splash. Seven southern and western states, including Maharashtra, which were hit by drought last year need plentiful and timely rain to assist a recovery and appear to have received ample downpours early.

Rains were below average in the eastern state of Bihar in the past week, bringing some cheer to corn farmers who were struggling to store their produce due to heavy showers since the start of the monsoon season. Farmers began harvesting their winter-sown corn crop in May but storage was an issue due to bountiful rains in the state. There is fear that rains have blighted the crop. Rains in Bihar have deteriorated the quality of the crop and supplies have come down sharply. The extent of the damage could rise if the monsoon rains turn out to be excess in the next week.

Monsoon's relation with Economy and Markets

- The monsoon rains are vital for farm output and economic growth in India, the world's second-biggest producer of rice, wheat, sugar and cotton. Farm sector shares for about 15 percent of India's nearly \$2 trillion economy, Asia's third biggest.
- India is largely self-sufficient in major foodgrains such as rice and wheat, but drought can send the country to global markets. In 2009, India had to import sugar, sending global prices to record highs and pushing up inflation.
- Higher farm output would rein in food prices and help the government to take steps to cut the fiscal deficit and farm subsidies.

– A stronger economic outlook can lift sentiment in equity markets, mainly of companies selling products in rural areas, including consumer goods and automobiles.

– Monsoon rains impact demand for gold in India, the world's top consumer of the metal, as purchases get a boost when farming incomes rise amid high crop output.

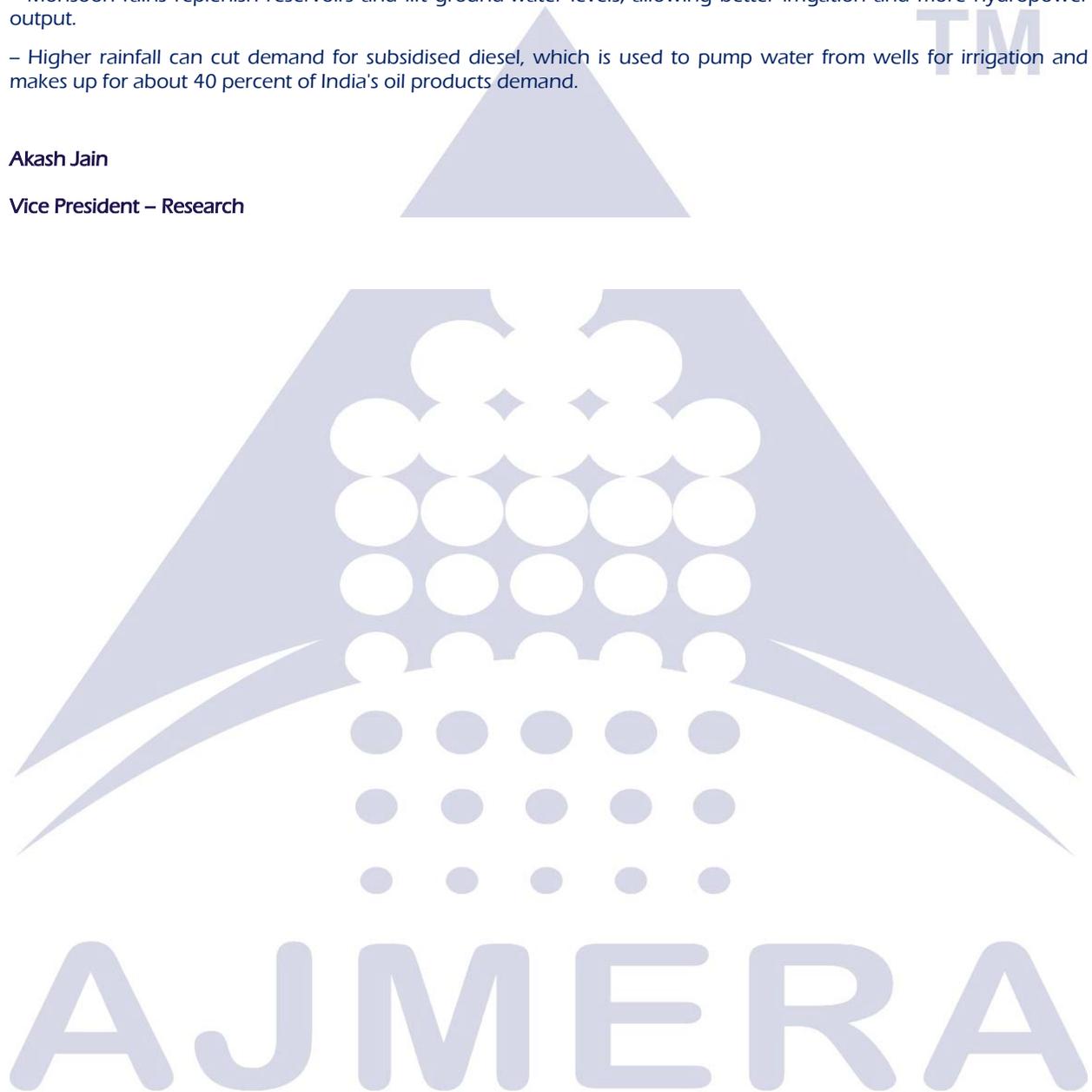
IRRIGATION, POWER

– Monsoon rains replenish reservoirs and lift ground-water levels, allowing better irrigation and more hydropower output.

– Higher rainfall can cut demand for subsidised diesel, which is used to pump water from wells for irrigation and makes up for about 40 percent of India's oil products demand.

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