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WEATHER

Monsoon might end 2022 with a bang! Sept rains seen good in parts of India
IMD says fresh withdrawal dates will be updated soon; last week it said withdrawal might set in by Sep 7

The southwest monsoon may exit the country this year ‘with a bang’, with most parts likely to get ‘normal’ to ‘above normal’ rainfall in September, except for East and Northeast India, particularly states like Jharkhand that will continue to remain parched. This could spell bad news for Uttar Pradesh (UP), Bihar, Jharkhand, and West Bengal, where acreage under paddy has been running less than last year till much of the peak sowing window, although there has been some catching up lately.

For the central, western, and southern parts of the country, excess rains for the fag end of the season could impact the health of standing crops. The India Meteorological Department (IMD) said due to re-emergence of active monsoon conditions, the forecast for withdrawal it issued last week stands updated. A fresh date of withdrawal will be issued later.

Releasing the monsoon forecast for September, IMD Director General Mrutyunjay Mohapatra said rainfall in September is expected to be 109 per cent of the long period average (LPA). The LPA for September is 167.9 millimetres.

“The current weak monsoon conditions prevailing over the country will get over in the next week to 10 days. From September 9, the monsoon trough will become active over most parts of the country,” Mohapatra told reporters.

He said rains in September will be ‘above normal’ over east and west UP, which might help in diluting some of the deficiencies seen in the season so far, as also over Bihar and West Bengal. In UP, the total monsoon in the first three months (June 1 to September 1) has been 44 per cent less than normal. In Bihar, it is 38 per cent less. In Jharkhand, it is 27 per cent less. In West Bengal, it is 29 per cent ‘below normal’.

“East India got less rainfall this year despite a build-up of good low pressure systems in the Bay of Bengal as troughs went from the Bay of Bengal towards Odisha and Madhya Pradesh, bypassing states like Bihar, Jharkhand, and UP,” said Mohapatra. In August, the southwest monsoon was 3.4 per cent ‘above normal’ across the country.

This meant after a weak start in June, rains have cumulatively been ‘above normal’ in July and August across India. However, in East and Northeast India, the monsoon is ‘below normal’ for the second straight month. The impact of reduced rainfall in East and Northeast India has been such that the area sown under paddy until the week ended August 26 has been around 5.99 per cent less. Until a week before, this deficit was around 8.25 per cent.

Acreage deficit in paddy vis-à-vis last year has come down from 15 per cent to 6 per cent in a fortnight. Until July 29, paddy sowing was completed in just around 58.31 per cent of the normal area, which had risen to 92.5 per cent by August 29.

Normal area is the average area covered in five years — which is 39.7 million hectares. Meanwhile, the data showed that the overall kharif coverage of all crops has also gone up during the week ended August 26 and around 104.51 million hectares of land brought under kharif crops, which is just 1.58 per cent less than the same period last year.

Source: Business Standard, Thursday, September 01, 2022

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Govt plans to revamp crop cover scheme PMFBY to woo more insurers and rationalise premium

The Pradhan Mantri Fasal Bima Yojana (PMFBY), launched in February 2016, aims to provide financial support to farmers suffering crop loss/damage arising out of natural calamities.

Amid reports of some insurance companies making profits in the government’s flagship crop cover scheme PMFBY, the Centre is planning to revamp the programme to rationalise premium rate and encourage participation of more insurers. The likely key changes to the scheme will be implemented from 2023-24 crop year (July-June) after the cabinet approval, according to sources.

The scheme was last revamped in 2020 to enable voluntary participation of farmers and make way for reporting crop loss within 72 hours of occurrence of any event. According to official sources, the need to further revamp the scheme was felt because exposure of insurance companies in the PMFBY was on declining mode. This led to lack of competition forcing the existing insurers to charge high premium rate.

As per the policy, insurance companies are empanelled for three crop years via a tender process. Around 18 insurers were empanelled for a period from 2019-20 till 2022-23. However, eight of them exited and 10 companies are participating in the scheme now.

The eight firms had exited in 2021-22 crop year, including four each from government and private sector, due to heavy losses following high claim ratio, sources said.

However in the absence of competition, insurance firms which were left in fray fixed higher premium. As a result, some companies made huge profit during the last crop year as the claims for crop losses were less.

This made few state governments believe that the PMFBY was benefiting only insurance companies and not the farmers, sources added. To tackle this problem, sources said a working group — constituted in 2021 by the agriculture ministry — examined the whole issue and submitted a detail report.

Sources said the working group has recommended two approaches for implementing the PMFBY. One is the “risk transfer approach”, being followed currently, wherein complete risk is transferred to implementing insurance companies. This will involve bearing entire claim liability by the insurance company.

Second is the “risk participation approach”, under which three alternative models are recommended to states for adoption wherein the claims as well as surplus premium amount (earned after clearing the claim) is shared between implementing states and insurer as per the mutually agreed formula.

The three models are: profit and loss sharing model; cup and cap model (60:130); and cup and cap model (80-110). Under the profit and loss sharing model, sources said a state specific risk band would be created to share the profit and loss between insurance companies and government. For instance, the band for Bihar will be different from Maharashtra.

Under the cup and cap model (60:130), the insurance companies would pay if the claims are between 60 and 130 per cent of the gross premium. Suppose the claims are below 60 per cent of the gross premium, it will be refunded by the government, and if claims are above 130 per cent of the gross premium then the government will pay claims via insurance companies.
The third model suggested is the cup and cap model (80:110) which is same as above but insurance companies would clear claims if it is between 80 and 110 per cent of the gross premium, sources said, adding that this model is currently being implemented in Maharasthra and Madhya Pradesh.

According to sources, the working group has also suggested use of latest technology like drone for quick assessment of crop loss and early payment of claims to the farmers.

According to official data, the claim ratio in 2020-21 stood at 62.3 per cent of the gross premium. The reported claims were Rs 19,022 crore, out of which 17,676 crore has been paid till date.

During the 2022-23 crop year, the claims under PMFBY were at Rs 9,867 crore, out of which Rs 8793 crore has been cleared so far, the data showed.

Source: Financial Express, Thursday, September 01, 2022
Robust agriculture growth partly due to low base effect

India’s farm growth clocked 4.5% in the April-June quarter of 2022-23 on an annual basis, official GDP data on Wednesday showed, reflecting robust expansion. However, there is more in the statistic than meets the eye.

The agricultural GDP growth rate comes on the back of good winter-sown harvests and higher food prices. But it was also driven by a favourable base, meaning the 4.5% increase was partly due to poor growth registered in the corresponding quarter of the previous year (2021-22). GDP is the most widely used measure of incomes generated in the economy.

The base effect, which was at play, is a statistical outcome that makes any economic value, such as GDP or inflation, appear high if it had been compared to a previous corresponding period when the value was too low and vice-versa. Farm growth in the April-June quarter of the previous fiscal (2021-22) was just 2.2%. The latest growth rate comes in comparison to this “low base”.

The economy as a whole grew 13.5% during April-June 2022-23, lower than expectations, according to the data.

The bright spot is that sequentially, farm growth has been above 4%. This means steady expansion of the sector for two straight quarters. In the immediately preceding quarter i.e. January-March 2021-22, farm GDP was 4.1%. Generally, for the economy as a whole to grow at 8% or so, farm growth needs to be above the 4% level.

Higher farm growth denotes better incomes for farmers. But increasing cultivation costs have dented earnings and spending by rural consumers.

“Urban demand is getting support from contact-intensive services while rural demand has not responded to robust agriculture output growth,” said Soumya Kanti Ghosh, group chief economic advisor of State Bank of India, in a research note.

Source: Hindustan Times, Thursday, September 01, 2022
Punjab: Numbering farm equipment at production stage mandatory now

Agriculture and farmers welfare minister, Punjab, Kuldeep Singh Dhaliwal said this on Thursdays after inspecting the superseeder and other agro-based machinery at the agrizone unit of GSAI Daulatpur village of Patiala

Punjab government has ordered the marking of special numbers on the subsidised agricultural machinery with laser to stop black marketing in the name of subsidy on agriculture implements. Agriculture and farmers welfare minister, Punjab, Kuldeep Singh Dhaliwal said this on Thursdays after inspecting the superseeder and other agro-based machinery at the agrizone unit of GSAI Daulatpur village of Patiala. The minister said that these numbers must be marked in a specific format as per the norms set by the government.

Interacting with the media on this occasion, Dhaliwal said that during the previous rule of governments in the state, subsidy scam of about ₹150 crore has come to the fore in distribution of agriculture machinery. The agriculture minister further said that the chief minister Bhagwant Mann led government has adopted zero tolerance towards corruption therefore the agriculture machine manufactures have been directed to mark a special number with the laser on the agricultural machinery to prevent black marketing. He said that the government provides 50 percent subsidy on agro machines which are given to farmers which help in stubble residue management. “Only those genuine farmers would be given subsidies on machines which will have laser embarked numbers on the machines,” added the agriculture minister.

Dhaliwal said that the Bhagwant Mann led Punjab government is working to stop the practice of stubble burning by providing full assistance to farmers for crop residue management. “The Punjab government has taken some strong steps so that the subsidy on crop residue management machines should reach the genuine farmers and put an end to the black marketing in the name of subsidies,” he said.

The minister further said that the Punjab government would encourage the agro industries those who follow the standards and norms set by the Punjab government and GOI while manufacturing the machines. He appealed to the agricultural implement manufacturing companies to ensure strict adherence to the standards set by the government while making agricultural implements and providing them to the farmers so that there is no problem in giving subsidies to the farmers.

Source: Hindustan Times, Friday, September 02, 2022

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India could approve sugar exports in two tranches from Oct: Report

India is set to allow sugar exports in two tranches for the next season beginning in October, as the world's biggest producer of the sweetener tries to balance the interests of farmers and consumers.

India is set to allow sugar exports in two tranches for the next season beginning in October, as the world's biggest producer of the sweetener tries to balance the interests of its farmers and consumers, government and industry officials told Reuters.

Exports by India, which has restricted shipments in the current season, could weigh on global prices, and help swell supplies across Asia.

"The government has initiated a process to allocate quotas for the next season," said Prakash Naiknavare, managing director of the National Federation of Cooperative Sugar Factories Ltd.

The export policy for the 2022/23 season starting from Oct.1 is likely to be announced in September, he said.

New Delhi could allow exports of 7 million to 8 million tonnes in the next season, said a senior government official who sought anonymity in line with official rules.

"But unlike previous years, most likely the government will this time first allow 4 million to 5 million tonnes of exports in the first tranche and the rest in the second."

India, which has been trying to rein in inflation from multi-year highs, recently banned wheat exports, curbed sugar exports and allowed duty-free imports of soyoil and sunflower oil.

In the current marketing year, India has capped sugar exports at 11.2 million tonnes, to hold down domestic prices after mills sold record volumes on the global market.

**DELICATE BALANCE**

The size of a second tranche of exports would depend on domestic production and price movement, said Rahil Shaikh, managing director of MEIR Commodities India.

"If domestic prices rally, the government would allow smaller exports in the second instalment," he said.

But even before New Delhi unveils the exports policy, a few traders signed deals to export 300,000 tonnes of raw sugar in the coming season because of higher global prices and a weak rupee currency, trade sources said.

"We are advising mills to sign the export contracts before the government announcement," said Naiknavare. "Global prices may drop once India announces the quota."

India has to allow exports as the next season's output looks set to exceed 35 million tonnes, compared to local demand of 27.5 million, said a Mumbai-based dealer with a global trading firm.

The surplus output would bring down sugar prices and limit mills' ability to pay farmers a mandatory price for cane, the dealer added.

"Exports are needed to support local prices, but excessive exports can lift the prices. The government has to maintain a delicate balance between farmers' and consumers' interests."

*Source: Business Standard, Friday, September 02, 2022*
India Meteorological Department (IMD) on Thursday predicted above normal rainfall, quantitatively more than 109 per cent of long period average (LPA) of 167.9 mm this month with most regions likely to receive excess precipitation, potentially threatening standing crops ready for harvest.

Releasing the forecast for the month and performance of monsoon during August, IMD’s Director-General M Mohapatra said: “Normal to above normal rainfall probability is high over most parts of India except many parts of north-east and some areas of east and north-west India that may experience below normal rainfall.” He said during August, the overall monsoon was 3 per cent above normal which was in line with IMD’s prediction for the month.

Below par for Jharkhand: However, except in the case of Odisha and Chhattisgarh where below normal rainfall was expected, all other States received the precipitation as per forecast, he said.

For September, the IMD forecast says Jharkhand may not get normal rainfall, but some parts of Bihar may get rains helping the State to some extent. Western Uttar Pradesh, which has been reeling with 44 per cent deficient rains, may get above normal rains this month helping farmers to save crops, but States in the eastern region are likely to be deficient. They received 44 per cent below normal rainfall in first three months.

Beneficial for rabi: Mohapatra declined to comment on the withdrawal of monsoon but indicated that there could be some delay since depression is expected during the first week, which will impact the monsoon trough. Monsoon withdrawal starts normally from Rajasthan around September and a delayed retreat may help rabi crops since soil moisture will be good for an early sowing. “This year’s monsoon has been erratic. While UP reels under deficient rainfall, eastern UP districts are flooded. As kharif crops are maturing, one only hopes that September will not receive excessive rainfall. One good news is that the water level in reservoirs is quite high and that should be good for rabi crop,” said former agriculture secretary Siraj Hussain. The government has been targeting 163.15 million tonnes (mt) of foodgrains this kharif season from an area of over 73 million hectares (mh), including 112 mt of rice from 41.31 mh.

Collateral damage: “Rajasthan has seen unusually high rain this year for which farmers were not prepared for and crops like bajra may not need rains in September. An excess rainfall this month may not augur good for moong and bajra as risk of pest will be higher,” said Rampal Jat of Kisan Mahapanchayat. The IMD’s map depicting the likely rainfall in September State-wise shows that Bundelkhand, north interior Karnataka and Marathwada regions are likely to get excess rain, while parts of eastern Rajasthan, Rayalaseema, Kutch and Konkan may also experience above normal rainfall.

“As most of the kharif crops are standing on the field at this stage to be harvested commencing October any incessant excess rainfall is bad and is expected to cause collateral damage irrespective of the region or crop reducing the yields..” said Chattanathan Devarajan, Co-founder, Arya.ag. “The sowing operations across India will benefit from the “well distributed” rains, which will also offer the economy’s general growth and the farm sector a much-needed boost. It will be the fourth year in a row with normal or above normal monsoon rainfall if the forecast comes true,” said Neeraj Kumar Jindal, Director, Safex Chemicals.

The projected heavy rains this month will adversely affect the crops. “Cotton first picking is on its way and it’s not good to have excessive rainfall. Similarly, even paddy in most of the States is in its early stages and excess showers are going to damage its flowers,” said Akhilesh Jain, Co-founder, Agritech India.

Source: The Hindu Business Line, Friday, September 02, 2022
ECONOMY

Economy grows slower than anticipated, points towards dwindling momentum

The disaggregated data shows that value added by the agriculture sector grew at a healthy 4.5 per cent in the first quarter, notwithstanding the impact of the heat wave.

On Wednesday, data released by the National Statistical Office showed that the Indian economy grew at 13.5 per cent in the first quarter of the ongoing financial year. This seemingly strong number which is driven by a favourable base effect — economic activities were severely impacted by the Delta wave of the pandemic in the first quarter of the last financial year — is, however, below expectations. In its most recent update, the Reserve Bank of India had pegged growth for the quarter at 16.2 per cent. This also implies that the central bank has been overestimating the growth momentum in the economy. It is also a sign of concern that despite a double-digit growth, gross value added (which strips away indirect taxes and subsidies) has grown by a mere 4.7 per cent over its pre-pandemic level, the first quarter of 2019-20.

The disaggregated data shows that value added by the agriculture sector grew at a healthy 4.5 per cent in the first quarter, notwithstanding the impact of the heat wave. Going forward, though, the unevenness of the monsoon could adversely impact output and as a consequence may have a bearing on rural demand. Within industry, manufacturing grew at a disappointing 4.8 per cent, and while construction activities grew at 14.7 per cent, growth over the sector’s pre-pandemic level was anemic. Across the services sector, trade, hotels, transport and communication continue to be points of concern, remaining well below their pre-pandemic level, while on the expenditure side, even as government spending was muted, both private consumption and investments registered strong growth.

As the base effect normalises in the coming quarters, GDP growth will begin to moderate. In its most recent update, the RBI had also alluded to this trend. The central bank had pegged economic growth to slow down from 16.2 per cent in the first quarter to 6.2 per cent in the second quarter, and further to around 4 per cent in the second half of the year. Now, there are considerable downside risks to even these forecasts. As central banks across much of the developed world continue to focus on tackling inflation, tightening financial conditions and weakening global demand will impact economic prospects. Exports will be impacted, notwithstanding the rupee’s decline, as demand in developed markets shrivels. Domestic private consumption is likely to remain constrained as wage growth, especially in rural areas, remains muted. Some sectors with higher capacity utilisation rates may see fresh investment, though a broad-based pick-up in the private investment cycle seems unlikely to materialise in the near term. This leaves the burden of driving growth on government, which is constrained by its finances.

Source: The Indian Express, Friday, September 02, 2022

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