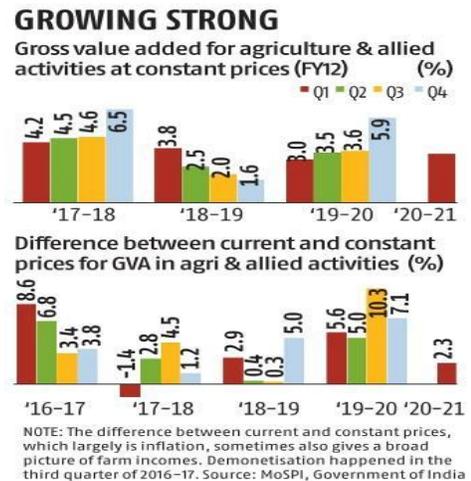


## Agriculture clocks growth rate of 3.4% in Q1 despite GDP contraction

Agriculture and allied activities were the sole bright spot amid the dismal GDP performance of other sectors, clocking a growth rate of 3.4 per cent at constant prices in the first quarter of 2020-21. Farm sector growth in the first quarter of 2019-20 was 3 per cent at constant prices. However, the growth, driven largely by a bumper rabi harvest and facilitated by relaxation in lockdown, may not have resulted in a big rise in income for a section of farmers. Evidence for this is gross value added (GVA) at current prices for agriculture and allied sectors rising 5.7 per cent in Q1 of 2020-21 against 8.6 per cent in the same quarter last year. This translates into an agricultural inflation rate of 2.3 per cent in Q1 2020-21, down from 5.6 per cent in the first quarter of last financial year. This was among the lowest increases in inflation in agriculture items in more than a year (see chart). Inflation, which is sometimes used as proxy for farmers' income, was down, according to some experts, largely due to a dip in prices of items in allied sectors, which include horticulture, livestock, fisheries, and dairy. Though prices of core crops remained largely steady during the lockdown months of April to June, mainly due to strong government procurement, prices of horticulture produce, namely vegetables, and livestock items such as eggs, meat, and milk dropped sharply at the producers' level due to disruption in supplies from mandis to consumers and unfounded rumours about the virus spreading to protein food. Perhaps this was a reason why there was a divergence between wholesale prices and consumer prices in the lockdown months and in July, after the restrictions were relaxed. India's rabi production in the 2019-20 crop year (July to June) is estimated to be around 149.60 million tonnes, 4.10 per cent more than the previous year. Of that, wheat output is estimated at a record 106.21 million tonnes, which is 2.51 per cent more than last year. This is according to the last available official estimates. "The sole positive in the economy is agriculture, which is a slight surprise because we all were expecting public administration, defence etc also to show positive growth, but that too turned negative," said Madan Sabnavis, chief economist, CARE Ratings.



He said good growth in agriculture and allied activities was largely due to the bumper rabi harvest, mainly wheat. Sabnavis said the agriculture sector would show positive growth momentum in the second quarter too, mainly on account of a good kharif harvest (a portion of which will start hitting the market in September, before the second-quarter numbers are out) and also due to good growth in allied activities.

Source: [Business standers](#), September 01, 2020 (verbatim reproduced)