ICRA

SOUTHWEST MONSOON OUTLOOK 2026

Below-normal monsoon forecast of 92% of LPA historically on lower side; El Nino poses key risks to agricultural output and food prices in FY2027

APRIL 2026

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Highlights

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IMD forecasts SW monsoon to be below normal at 92% of LPA in 2026, amid occurrence of El Nino conditions.

This would have adverse implications on agricultural outcomes, including sowing and output, and food prices. Besides, rural sentiments may be soured, if reasonable hikes in kharif MSPs are not announced.

ICRA expects downside risks to its FY2027 agri-GVA growth forecast of 3.0%, based on normal monsoon.

The IMD's first stage long range forecast (LRF) for the 2026 Southwest (SW) Monsoon season has indicated below-normal rainfall at 92% +/- 5% of Long Period Average (LPA). The mid-point estimate provided for 2026 is the lowest first LRF in at least 25 years (min/max: 93%/106% of LPA). The possibility of sub-par rainfall in 2026 coincides with likely development of El Nino conditions during the Monsoon season, which has adverse implications for agricultural output irrespective of intensity level, as per ICRA's assessment. Additionally, the below-normal monsoon is expected to weigh on kharif sowing, output and food prices, as well as limit the prospects for adequate replenishment of reservoir storage. Besides, the availability of fertilisers in the upcoming kharif season amid the ongoing West Asia conflict poses another challenge. Reasonable hikes in minimum support prices (MSPs) for kharif crops would be key to protect sentiments of farm sector, even as several headwinds are likely to sour rural sentiments. Overall, ICRA foresees downside risks to its FY2027 agri-GVA growth forecast of 3.0%, while the average CPI inflation for the fiscal is set to exceed 4.5%.

- **IMD predicts below-normal monsoon in 2026 at 92% +/-5% of LPA:** The IMD's first stage long range forecast for the 2026 Southwest Monsoon season has indicated below-normal rainfall at 92% +/-5% of the LPA. The mid-point estimate provided for 2026 is historically on the lower side, as against the early forecasted levels of 93%-106% of LPA, over the last 25 years. Besides, it stood in contrast with the above-normal rainfall seen in 2025 and 2024 at 108% of LPA each.
- **Sub-par rains to weigh on reservoir replenishment and kharif sowing, dampening prospects for agriculture output:** The below-normal Monsoon forecast does not augur well for replenishment of reservoir storage level, which currently stands at 47% of live capacity at full reservoir level (as of early-April 2026). Besides, sub-par rainfall is expected to weigh on sowing of kharif crops, and consequently, agricultural output, farm cash flows and food prices. Amid potential development of El Nino during the monsoon season, ICRA projects the CPI inflation for FY2027 to exceed 4.5%.
- **ICRA foresees downside risk to its FY2027 agri-GVA growth forecast of 3.0%:** ICRA expects rural demand to remain upbeat in Q1 FY2027, aided by the farm cash flows on account of the rabi harvest that started in March 2026. Thereafter, distribution and magnitude of SW monsoon rainfall remains key in determining agricultural outcomes over the next few quarters, although below-normal rainfall forecast would hurt rural sentiments and weaken demand outlook. Fears around the potential development of strong El Nino conditions in the latter half of the fiscal and negative implications of West Asia conflict on fertiliser prices and availability remain near-term monitorables for the outlook of agricultural sector.

IMD expects monsoon rainfall to be below-normal at 92% +/-5% of LPA in 2026, amid potential development of El Lino conditions

EXHIBIT: IMD's forecasts for Southwest Monsoon seasonal (June-September) rainfall

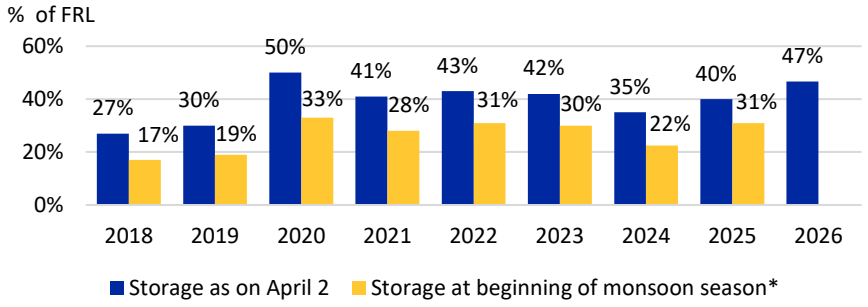
Year	IMD April Forecast	IMD June Forecast	Actual Rainfall (% of LPA)
2018	97%+/- 5% of LPA	97%+/- 4% of LPA	91%
2019	96% +/- 5% of LPA	96% +/- 4% of LPA	110%
2020	100% +/- 5% of LPA	102% +/-4% of LPA	109%
2021	98% +/- 5% of LPA	101% +/-4% of LPA	99%
2022	99% +/-5% of LPA	103% +/-4% of LPA	106%
2023	96% +/- 5% of LPA	96% +/-4% of LPA	94%
2024	106% +/-5% of LPA	106% +/-4% of LPA	108%
2025	105% +/-5% of LPA	106% +/-4% of LPA	108%
2026	92% +/-5% of LPA		

On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); LPA rainfall over country as a whole on data of 1971-2020 is 87 cm; Source: IMD; ICRA Research

- The IMD's first stage long range forecast (LRF) for the Southwest Monsoon rainfall for 2026 (June-September) has placed the volume of rainfall at 92% +/-5% of the LPA, indicating below-normal monsoon (90-95% of LPA as per IMD's classification). In 2024 and 2025, India had witnessed above normal rainfall, at 108% of LPA, in line with the IMD's forecast. The mid-point estimate for 2026 is historically on the lower side, as against the early forecasted levels of 93%-106% of LPA, over the last 25 years.
- The spatial distribution suggests that the below-normal seasonal rainfall is most likely over many parts of the country, while some areas in the Northeast, Northwest and South Peninsular India are likely to witness normal to above-normal rainfall.
- The IMD also indicated that weak La Nina conditions are transitioning to El Nino Southern Oscillation (ENSO) neutral conditions over the equatorial Pacific. Furthermore, the IMD's Monsoon Mission Climate Forecast System (MMCFS) suggests the development of El Nino conditions during the upcoming SW Monsoon season. Additionally, it has also predicted positive Indian Ocean Dipole (IOD) conditions to develop towards the end of the Monsoon season.

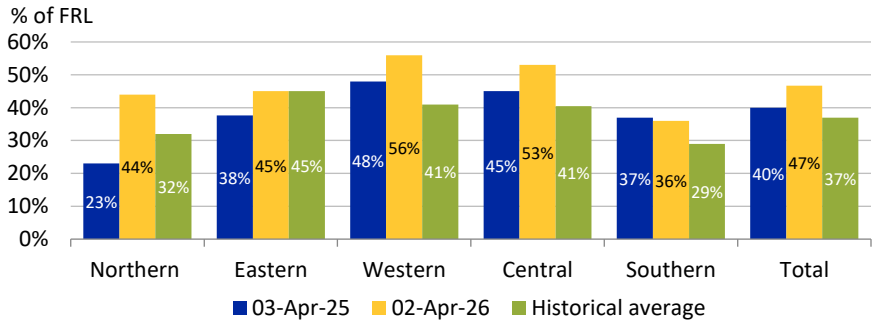
Reservoir storage remains above historical levels in early-April 2026; below-normal rains for 2026 pose downside risk to reservoir replenishment prospects

EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)



**Refers to first week of June; Note: Similar time periods have been taken for all years; Source: Central Water Commission (CWC); CEIC; ICRA Research*

EXHIBIT: Region-wise reservoir storage levels



Source: CWC; CEIC; ICRA Research

- The all-India reservoir storage stood at 47% of the live capacity at FRL as on April 2, 2026, surpassing the year-ago (40% of FRL) and historical (37% of FRL over past 10 years) levels. Further, the reservoir storage in all the regions, barring Southern India at a slightly lower (36% vs. 37%), exceeded the year-ago levels in the range of 7 pp (Eastern India) to 21 pp (Northern India) as on April 2, 2026.
- Moreover, compared to historical levels, the storage in all regions, except eastern (unchanged at 45%), exceeded their respective historical average print, led by the western (+15pp), central (+13 pp), northern (+12 pp), as well as southern (+7 pp) regions. The ample reservoir levels relative to historical trends provides some comfort in light of the feared sub-par monsoon rains.
- **Reservoir levels typically exhibit a seasonal pre-monsoon (March-May) drawdown, followed by Southwest Monsoon-led replenishment during June-September. Consequently, a below-normal rainfall expectation for the year, is likely to limit the reservoir replenishment.**

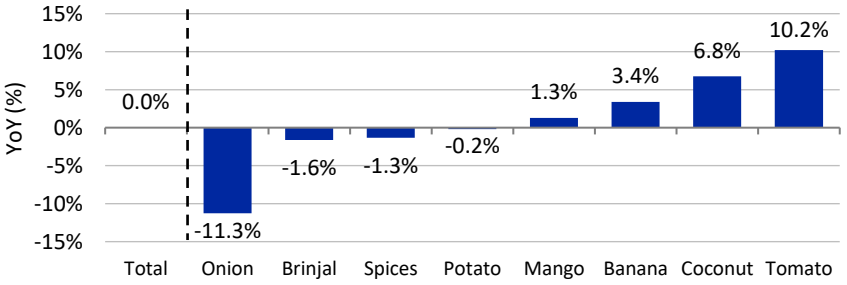
Rabi and kharif output estimated at healthy levels in 2025-26, while output of horticulture crops remained unchanged vs. year-ago levels

EXHIBIT: YoY trends in kharif and rabi production as per Second Advance Estimates (SAE) for 2025-26 vs. Final Estimate for 2024-25

	Kharif Production			Rabi Production		
Million tonne	Final Estimate 2024-25	2nd AE 2025-26	YoY (%)	Final Estimate 2024-25	2nd AE 2025-26	YoY (%)
Wheat		NA		117.9	120.2	1.9%
Rice	122.8	123.9	0.9%	16.1	16.7	3.7%
Coarse Cereals	39.0	42.6	9.3%	19.9	21.3	7.5%
Pulses	7.7	7.6	-1.4%	15.2	16.2	6.6%
Oilseeds	28.0	26.5	-5.3%	13.6	14.5	6.0%
Cotton*	29.7	29.1	-2.1%		NA	
Sugarcane	454.6	500.2	10.0%		NA	

**Million bales of 170 kg each; Source: Ministry of Agriculture and Farmers Welfare, ICRA Research*

EXHIBIT: YoY trends in output of eight major horticulture crops as per First Advance Estimates (FAE) for 2025-26 vs. Final Estimate for 2024-25

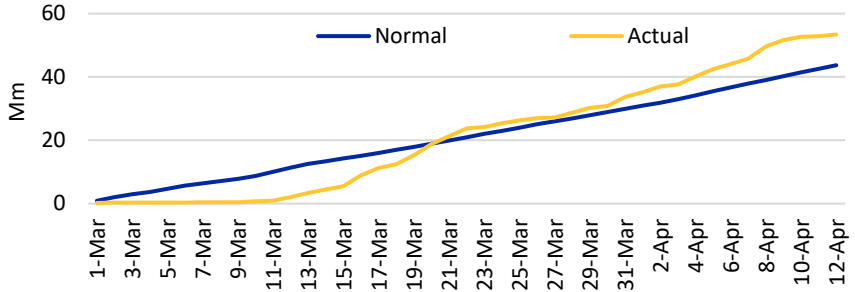


Source: Ministry of Agriculture and Farmers Welfare; ICRA Research

- As per the second advance estimates of crop production, the output of all major rabi crops is estimated to rise in 2025-26 compared to the final estimates of 2024-25, with the output of oilseeds, coarse cereals, pulses and rice projected to show strong YoY growth of 4-7%. As regards kharif output, the production of such crops, apart from pulses (-1.4%) and oilseeds (-5.3%), is also expected to record a YoY uptick during this period, with a particularly sharp rise seen in coarse cereals (+9.3% YoY vs. +9.6% in 2024-25). **Overall, while crop output is estimated to be broadly healthy in 2025-26, the emergence of El Nino conditions and the implication of the same for the Monsoon season in CY2026, will be crucial in determining agricultural outcomes and rural demand through FY2027.**
- Additionally, as per the FAE for 2025-26, the output of horticulture crops is estimated to have remained unchanged relative to the final estimates for 2024-25. The output of fruits inched up by 0.9%, led by mango (+1.3%), papaya (+1.0%), guava (+0.8%), etc. However, the output of spices (-1.3%) and vegetables (-0.8%) witnessed a dip, with the latter stemming from onion (-11.3% in 2025-26 vs. +26.8% in 2024-25) and potato (-0.2% vs. +2.7%), even as the tomato production witnessed a turnaround (+10.2% vs. -3.4%) during the period.

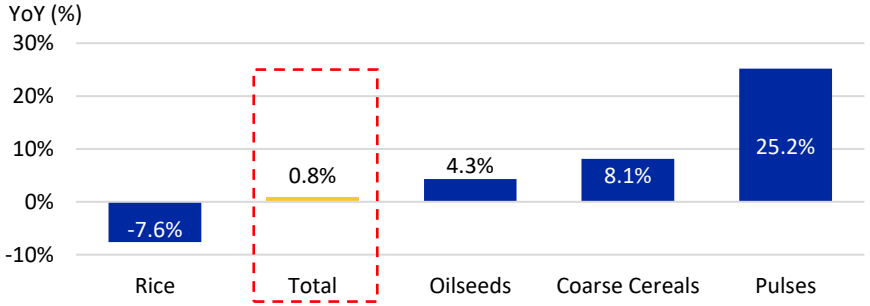
India has received excess pre-monsoon rainfall so far; summer acreage mildly up on a YoY basis

EXHIBIT: Cumulative normal vs. actual rainfall in pre-monsoon season



Note: On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; CEIC; ICRA Research

EXHIBIT: Area coverage under Summer/Zaid crops as on April 3, 2026

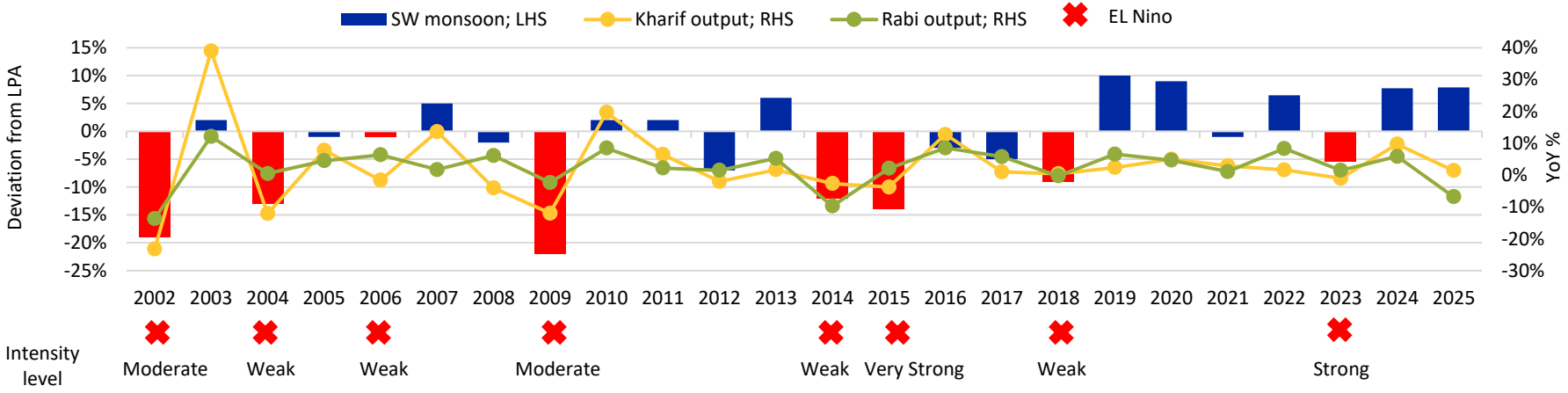


Zaid crop is grown before kharif sowing season and after harvesting of rabi crops; Source: Ministry of Agriculture and Farmers' Welfare; CEIC; ICRA Research

- India has received excess rainfall at 122% of LPA up to April 12, 2026 in the ongoing pre-monsoon season so far (March-May), even as the first half of March 2026 witnessed deficient precipitation. Additionally, spatial distribution has been largely concentrated towards surplus rains, particularly in the Central India (151% of LPA), East and North-east India (140% of LPA), and Southern Peninsula (111% of LPA), while the rainfall was normal in North-west (103% of LPA) India.
- Supported by adequate and higher-than-historical reservoir levels, the area covered under summer crops has risen by 0.8% on a YoY basis to 5.8 million hectare as on April 3, 2026, equivalent to 77% of the normal area (similar to last year). While the sowing of oilseeds, coarse cereals and pulses recorded YoY expansion as on April 3, 2026, rice acreage was 7.6% lower in this period. With the share of rice standing at ~52%, the YoY growth in total summer acreage so far was contained at sub-1%, despite increase in the area sown for other crops.

El Nino to adversely impact monsoons irrespective of intensity level, posing risks to crop output

EXHIBIT: Vulnerability of Monsoon during El Nino years, and consequent impact on kharif and rabi production

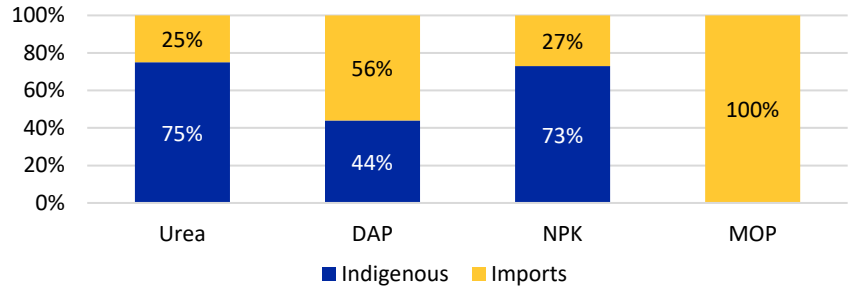


For 2025-26, we have taken YoY growth rates of 2nd AE for kharif and rabi crop output over actual estimates for 2024-25; Source: IMD; CMIE; ICRA Research

- Over the last 24 years, India has witnessed El Nino conditions in eight years (2002, 2004, 2006, 2009, 2014, 2015, 2018 and 2023) with varied intensity levels.
- The deficit in South-west monsoon rainfall vis-à-vis the LPA ranged between 1% to as high as 22%, which resulted in a YoY decline in the kharif output (foodgrains + oilseeds) in the El Nino years in the range of 1.6% (2006) to 23.3% (2002). Moreover, rabi output (foodgrains + oilseeds) contracted in four of such eight years, including in 2002 (-13.7%), 2009 (-2.3%), 2014 (-9.7%) and 2018 (-0.3%).
- **The global meteorological agencies have predicted a potentially strong El Nino development during June-August 2026, with probability of such occurrence as high as 62%. Regardless of intensity level, the materialisation of El Nino could weigh on the rainfall during Southwest Monsoon season in India, posing risks to crop yields and output, even as the ample reservoir levels would provide some insurance against a delayed onset to the monsoon.**

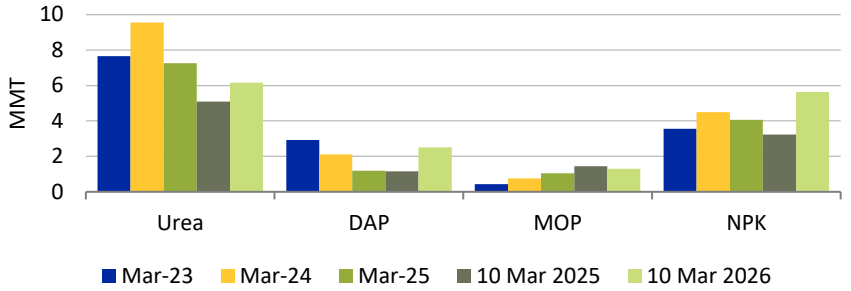
West Asia conflict could result in fertiliser availability and affordability challenges

EXHIBIT: India's import dependence for various categories of fertilisers (as per data for H1 FY2026)



Source: Department of Fertilisers, ICRA Research

EXHIBIT: Trend in fertiliser stock availability in India

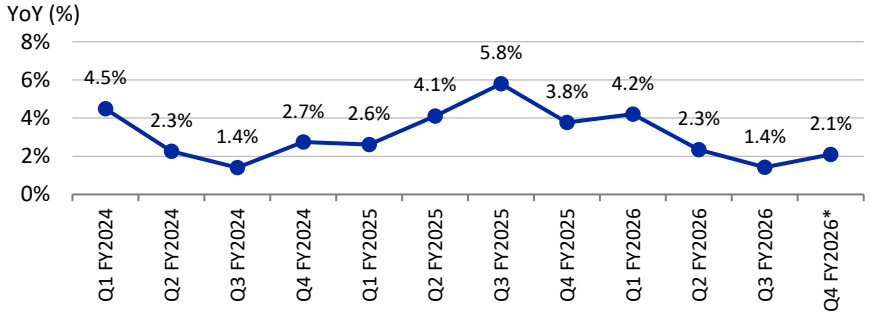


Source: DoF, ICRA Research

- India relies heavily on imports of certain categories of fertilisers, including Di-Ammonium Phosphate (DAP), Muriate of Potassium (MOP), followed by urea and Nitrogen (N), Phosphorus (P), and Potassium (K). In addition, since India imports urea from China and West Asian countries, the imports remain exposed to geopolitical risks. While 75% of the urea requirement is being met domestically, the domestic urea players import liquified natural gas (LNG) to run their plants.
- The escalation of conflict in West Asia region and consequent closure of Strait of Hormuz triggered a surge in inputs costs and logistical shock for the Indian fertiliser industry, with DAP remaining most exposed amid high import dependency.
- Urea and DAP availability has improved as on March 10, 2026 as compared to the year ago levels, although inventory levels for the former remain below the historical levels. DAP and NPK availability remains healthy vis-à-vis same period last year.
- **Going forward, given that the production of fertilisers in the country may face headwinds if the West Asia conflict prolongs, ability of the industry and the GoI's support in sourcing of finished products and key raw material will remain critical to comfortably meet the demand in the upcoming kharif season.**

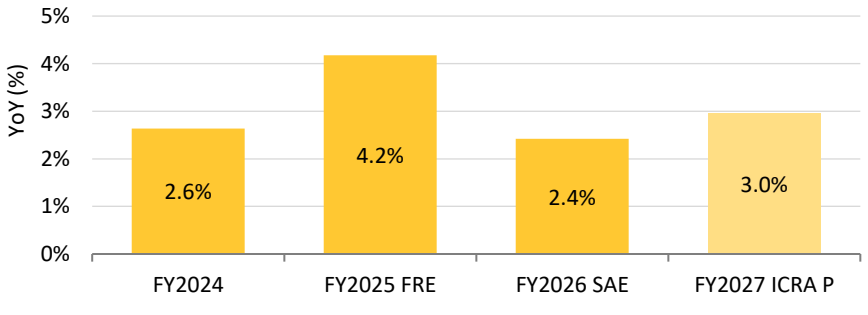
El Nino poses downside risk to agri-GVA growth forecast of 3.0% for FY2027

EXHIBIT: YoY quarterly trends in GVA of agriculture, forestry and fishing (base year: 2022-23)



**Implicit based on data for FY2025 FRE, FY2026 SAE and 9M FY2025-FY2026; Source: NSO, ICRA Research*

EXHIBIT: YoY annual trends in GVA of agriculture, forestry and fishing (base year: 2022-23)



P: Projected; FRE: First Revised Estimates; SAE: Second Advance Estimates; Source: NSO; CEIC; ICRA Research

- The NSO had implicitly pegged the GVA growth of agriculture, forestry and fishing to accelerate to 2.1% in Q4 FY2026 (+3.8% in Q4 FY2025) from 1.4% in Q3 FY2026 (+5.8% in Q3 FY2025), partly aided by a low base. Overall, the NSO had estimated the agri-GVA growth at 2.4% YoY in FY2026 SAE (+4.2% in FY2025).
- **ICRA expects rural demand to remain upbeat in Q1 FY2027, aided by the farm cash flows on account of the rabi harvest that started in March 2026. Thereafter, distribution and magnitude of SW monsoon rainfall remains key in determining agricultural outcomes and rural demand over the next few quarters, even as higher-than-normal reservoir levels provide some insurance against a delayed start or inadequate rainfall in the early part of season. Nevertheless, the IMD's expectation of below-normal rainfall in the SW Monsoon season and fears around the potential development of strong El Nino conditions in the latter half of the fiscal, along with the negative implications of West Asia conflict on fertiliser prices and availability remain near-term monitorables for the outlook of agricultural sector.**
- **Assuming a normal and well-distributed monsoon, ICRA expects the agri-GVA growth to print at ~3.0% in FY2027, with downside risks emanating from development of El Nino conditions.**

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