



RABI SEASON WRAP-UP FY2025

Agri GVA growth projected to rise to ~4% YoY in H2 FY2025, amid abundant kharif output, favourable rabi sowing and muted base

FEBRUARY 2025





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Rabi sowing increased by 1.5% YoY as on February 4, 2025, amid rise in acreage for wheat, rice and pulses.

ICRA estimates agri-GVA growth to improve to 4.0% each in Q3 and Q4 FY2025 from 3.5% in Q2, supported by increase in overall rabi acreage and a low base.

Rural consumption demand is likely to sustain its uptrend in the near term, on the back of favourable performance of the farm sector.



- In the ongoing winter season (January-February), India has received deficient rainfall at 29% of Long Period Average (LPA) till February 10, 2025, amid weak La Nina conditions prevailing over the equatorial Pacific Ocean. All regions have witnessed deficient rainfall during this period.



- With ample groundwater and reservoir levels, the cumulative sowing of rabi crops rose by 1.5% YoY till February 4, 2025, with the healthy uptick in the area sown for wheat, rice, and pulses being partly offset by a fall in coarse cereals (led by jowar) and oilseeds (led by rapeseed and mustard).



- Owing to the robust growth in kharif foodgrain output, trends in rabi sowing, as well as a muted base, ICRA projects the agri GVA growth to rise to 4.0% in H2 FY2025 from 2.7% in H1 FY2025, which is expected to keep rural demand buoyant in the near term.



- Overall, the agri-GVA growth is likely to improve to 3.4% in FY2025 from 1.4% in FY2024, albeit lower than the National Statistical Office (NSO's) estimate of 3.8%. Thereafter, the GVA growth is projected at 3.5% in FY2026, based on the assumption of a normal and well-distributed monsoon.



- The work demanded under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), moderated by ~6% YoY during July-January FY2025, partly attributable to increase in demand for farm activities. Consequently, the budgetary outlay of this scheme was retained at Rs. 860 billion in FY2026, in line with the revised target for FY2025.



- The YoY growth in real rural wages remained unchanged at 0.4% in October-November FY2025 vis-à-vis the first half of the fiscal. The expected moderation in inflation in the near term will likely ease pressure on real wage growth, and augurs well for consumption.



- In the Union Budget for FY2026, the GoI has undertaken steps to support the agri/rural economy, including a scheme to boost crop productivity in 100 low productivity districts, programmes for pulses, vegetables and fruits, high-yielding seeds, and a rural prosperity and resilience program. These are likely to boost agri output over the medium term and aid in controlling food inflation.

Gol reinforced its focus on boosting productivity and resilience in agricultural sector in FY2026 Union Budget

Dhan-Dhaanya Krishi Yojana

The programme is to be undertaken in partnership with the states, targeting 100 districts with low productivity, moderate crop intensity and below-average credit parameters. It aims to enhance agricultural productivity, adopt crop diversification and sustainable agriculture practices, augment post-harvest storage at the panchayat and block level, improve irrigation facilities, and facilitate availability of long-term and short-term credit, etc. It is expected to help 17 million farmers.

Rural Prosperity and Resilience Program

The programme aims to address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy. The focus will be on catalysing enterprise development, employment and financial independence for rural women, accelerating creation of new employment and businesses for young farmers and rural youth, and nurturing and modernizing agriculture for productivity improvement and warehousing, especially for marginal and small farmers.

Aatmanirbharta in Pulses

The mission will focus on three pulses - tur, urad, and masoor. It will emphasise on the development and commercial availability of climate resilient seeds, enhancing protein content, increasing productivity, improving post-harvest storage and management, and assuring remunerative prices to the farmers. Central agencies will procure these three pulses, as much as offered during the next 4 years from farmers who register with these agencies and enter into agreements.

Comprehensive Programme for Vegetables & Fruits

The Comprehensive Programme for vegetables and fruits will be launched in partnership with the states to boost production, maintain efficient supplies, processing, and remunerative prices for farmers of these items. Appropriate institutional mechanisms for the implementation and participation of farmer producer organisations and cooperatives will be set up.

Grameen Credit Score

A 'Grameen Credit Score' framework is proposed to be developed by Public sector banks to serve the credit needs of Self-Help Group (SHG) members and people in rural areas.

Makhana Board in Bihar

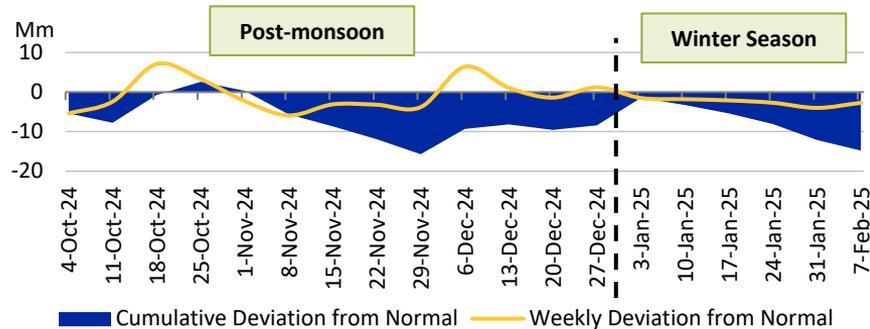
A Makhana Board will be established in Bihar to improve production, processing, value addition, and marketing of makhana. The people engaged in these activities will be organised into FPOs. The Board will provide handholding and training support to makhana farmers and will also work to ensure they receive the benefits of all relevant Government schemes.

National Mission on High Yielding Seeds

National Mission on High Yielding Seeds will be launched, aimed at strengthening the research ecosystem, targeted development and propagation of seeds with high yield, pest resistance and climate resilience, and commercial availability of more than 100 seed varieties released since July 2024.

India has received deficient rainfall in winter season so far

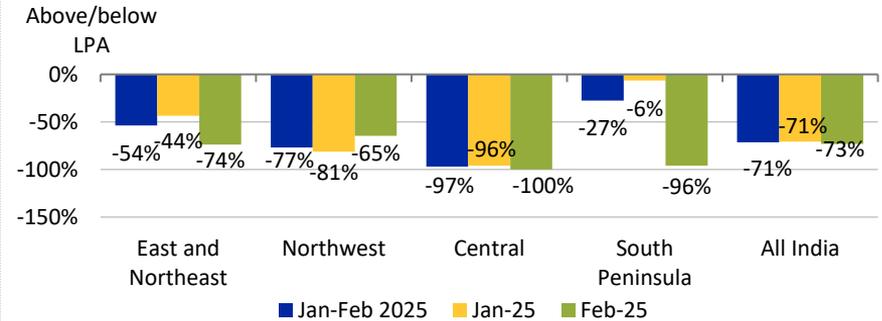
EXHIBIT: Cumulative and weekly rainfall deviation from normal



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

- After witnessing a normal rainfall in the post-monsoon season (97% of LPA), India has witnessed deficient rainfall at 29% of LPA during the ongoing winter monsoon season (up to February 10, 2025), with weak La Nina conditions prevailing over the equatorial Pacific Ocean.
- On a temporal basis, the country witnessed a deficient rainfall in January 2025 (30% of LPA) and February 2025 so far (27% of LPA; up to February 10, 2025).

EXHIBIT: Region-wise and Pan-India rainfall departure from normal

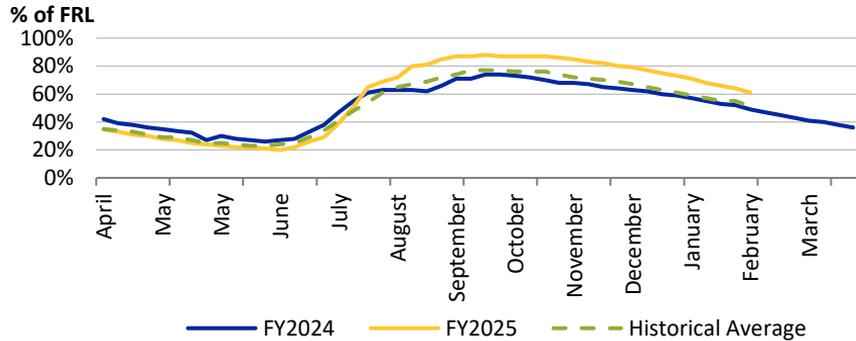


*Up to February 10, 2025; Source: IMD; CEIC; ICRA Research

- As per spatial distribution, all the regions have recorded deficient rainfall in the ongoing winter season (up to February 10, 2025), in the range of 3% of LPA (Central India) and 73% of LPA (Southern Peninsula).
- Notably, while the Southern Peninsula received deficient rainfall during January-February 2025, it recorded below-normal rainfall in January 2025 (94% of LPA) followed by deficient rainfall (4% of LPA) in February 2025 so far (up to February 10, 2025).

Pan-India reservoir storage trending above year-ago and historical levels

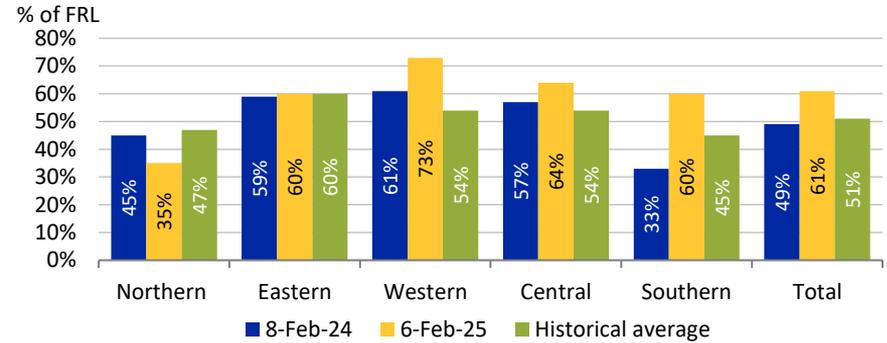
EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)



Source: Central Water Commission (CWC); CEIC; ICRA Research

- Reservoir levels have continuously exceeded the year ago as well as historical levels since August 2024 on account of the surplus rainfall seen during the monsoon period.
- While the all-India reservoir storage had peaked at 88% of the live capacity at the full reservoir level (FRL) in the first week of October 2024, it has witnessed a seasonal moderation thereafter to 61% as on February 6, 2025. This is much higher than the year ago (49%) and historical (51% over the last decade) levels.

EXHIBIT: Region-wise reservoir storage levels

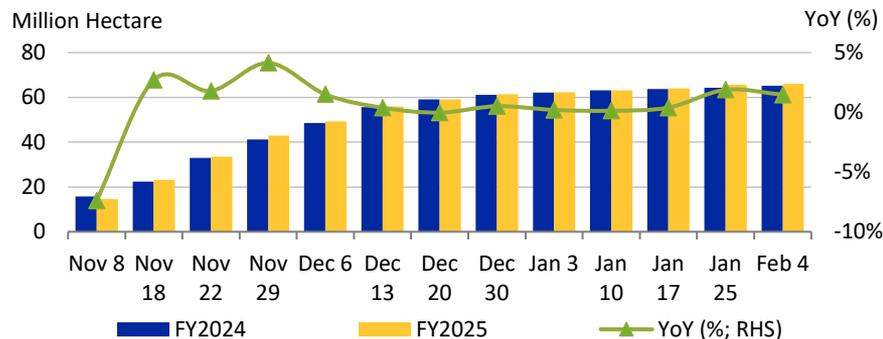


Source: CWC; CEIC; ICRA Research

- Barring the northern region (-10 pp), the reservoir storage levels in all the other regions of the country exceeded the year ago levels, in the range of 1 pp (Eastern India) to 27 pp (Southern India) as on February 6, 2025.
- As against the historical levels, the storage in all regions, except the northern (35% vs. 47%) and eastern (that remained unchanged at 60%) exceeded the historical average print as on February 6, 2025.

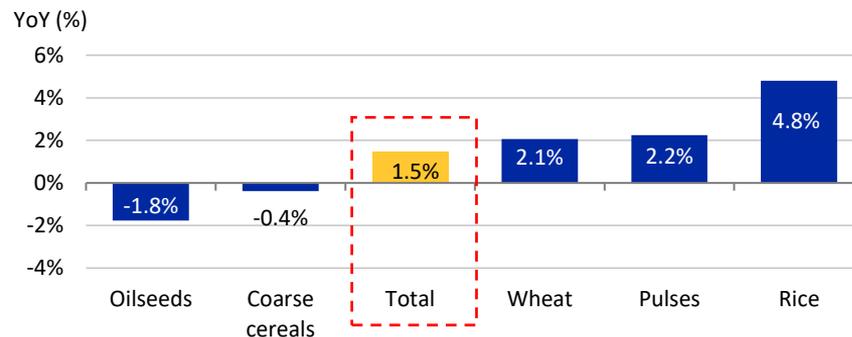
Rabi sowing up by 1.5% YoY as on February 4, 2025, led by rice, wheat and pulses

EXHIBIT: Weekly rabi sowing trends



Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

EXHIBIT: YoY trends in rabi sowing as on February 4, 2025

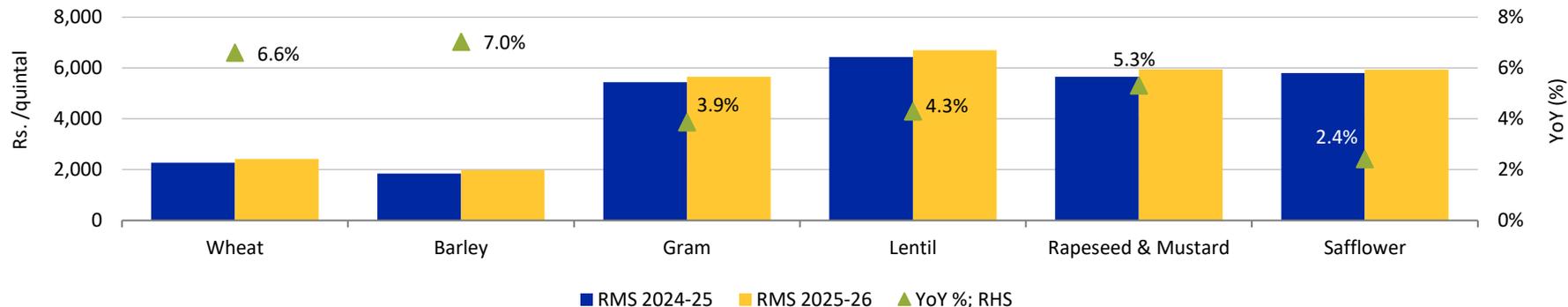


Source: Ministry of Agriculture and Farmers Welfare; ICRA Research

- Partly attributed to warmer temperatures in the country, the sowing of rabi crops began on a somber note, with total sowing lagging the year-ago levels by 7.4% as on November 8, 2024. Thereafter, sowing gathered pace, with the area sown exceeding the year-ago level by 4.1% by end-November 2024. Subsequently, the pace of growth averaged at around 0.6% in December 2024 and 0.7% in January 2025. As per the latest available data, the cumulative sowing of rabi crops expanded by 1.5% YoY as on February 4, 2025, with uptick in the area sown for rice (+4.8%), pulses (+2.2%), and wheat (+2.1%) being partly offset by the fall in acreage for oilseeds (-1.8%; led by rapeseed and mustard) and coarse cereals (-0.4%; led by jowar).
- Moreover, as against the normal sown area of 63.5 million hectare, the area sown in 2024-25 so far stands higher by 4.1% at 66.1 million hectare, amid the growth in oilseeds (+12.0%), wheat (+4.0%), and coarse cereals (+3.3%) over the respective normal levels.
- Given the favourable rabi sowing trends, improved availability of di-ammonium phosphate fertiliser and adequate reservoir storage, ICRA remains optimistic about the output of rabi crops.**

Higher MSPs of barley and wheat in the RMS of 2025-26 supported their sowing

EXHIBIT: Minimum Support Prices (MSP) for rabi crops

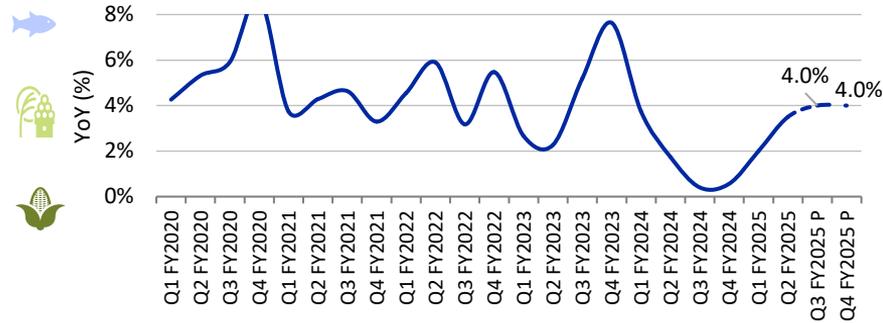


Source: Commission for Agricultural Costs and Prices (CACP); GoI; ICRA Research

- The GoI increased the MSPs for rabi crops in the range of 2-7% YoY in the rabi marketing season (RMS) 2025-26. The sowing of crops like barley (MSP: +7.0%; sowing: +12.5% YoY as on February 4, 2025), and wheat (+6.6% vs. +2.1%) have benefitted from higher MSPs.
- **Going forward, ICRA believes that favourable trends in the farm sector are likely to provide a fillip to the rural farm consumption demand in the near term. Nevertheless, timely farm cash flows from rabi procurement remain a key monitorable.**

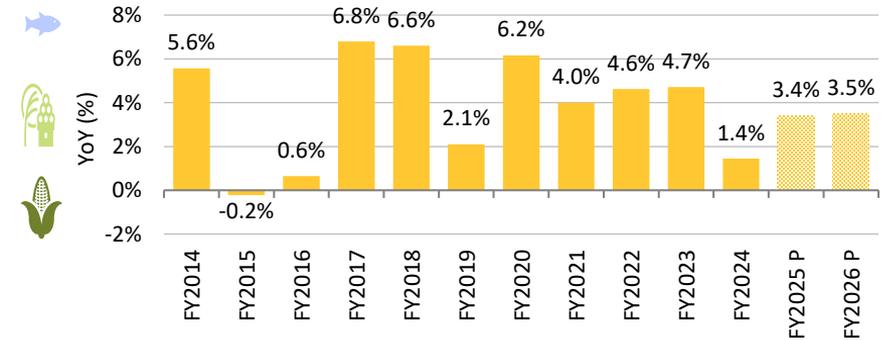
Agri-GVA growth to improve to 4.0% in H2 FY2025, aided by upbeat kharif output, healthy prospects for rabi crop and a low base

EXHIBIT: Quarterly GVA of agriculture, forestry and fishing (at 2011-12 prices)



P: Projected; Source: NSO; ICRA Research

EXHIBIT: Annual GVA of agriculture, forestry and fishing (at 2011-12 prices)

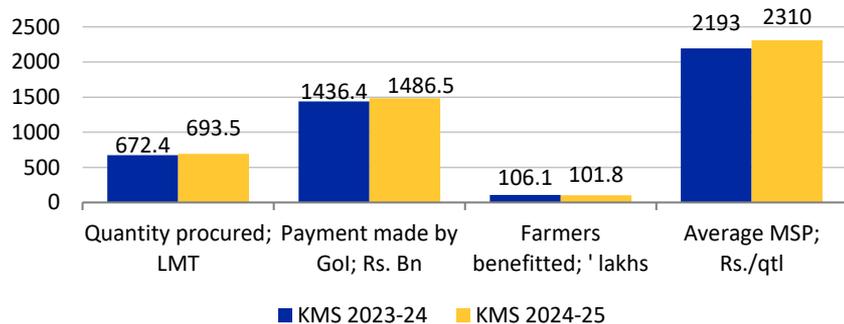


P: Projected; Source: NSO; ICRA Research

- The kharif foodgrain production is estimated to have increased by 5.7% YoY to a record 164.7 million tonne (MT) in 2024-25 as per the first advance estimates, compared to the final estimates for 2023-24. This was driven by healthy growth in the output of rice (record: 119.9 MT, +5.9% YoY) and coarse cereals (record: 37.8 MT; +6.4% YoY), even as that for pulses is estimated to moderate slightly (-0.3%). However, the production of commercial crops like sugarcane (-2.9%) and cotton (-8.0%) is anticipated to decline on a YoY basis, while oilseeds output is projected to increase by a strong 6.6%.
- Given the healthy growth in kharif foodgrain output and rabi sowing, as well as a muted base, the GVA growth of agriculture, forestry and fishing is expected to rise to 4.0% in H2 FY2025 (+0.5% in H2 FY2024) from 2.7% in H1 FY2025 (+2.8% in H1 FY2024). Overall, ICRA expects the GVA growth of this sector to improve to 3.4% in FY2025 from 1.4% in FY2024, albeit marginally lower than the NSO's estimate of 3.8% for the fiscal. Thereafter, the agri-GVA growth is projected at 3.5% in FY2026, based on the assumption of a normal and well-distributed monsoon.

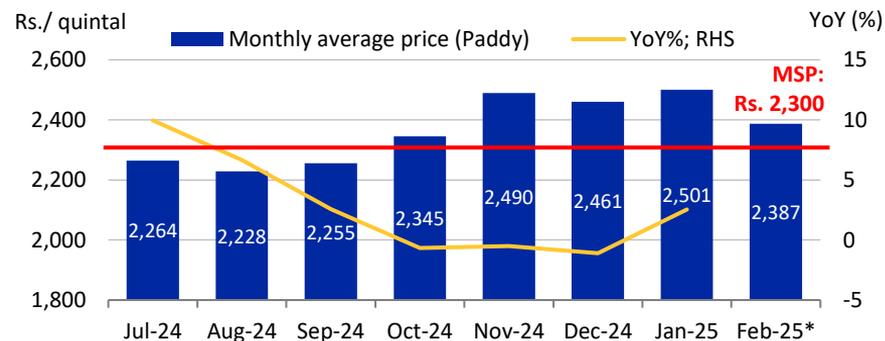
Paddy procurement up by ~3% YoY by early-February 2025, auguring well for farm incomes

EXHIBIT: Trends in KMS 2023-24 and 2024-25 for paddy



*Paddy procurement up to February 10; Average MSP considers both common and Grade A varieties; Source: CFPP; ICRA Research

EXHIBIT: Monthly average mandi price for paddy

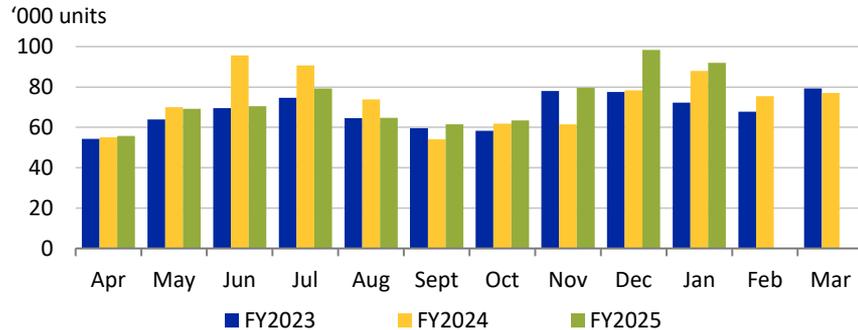


*till February 7, 2025; red line represents MSP for common paddy; Source: CMIE; ICRA Research

- As per the Central Foodgrains Procurement Portal (CFPP), the Gol has procured 693.5 LMT of kharif paddy in the ongoing marketing season 2024-25 (between October 1, 2024 and February 10, 2025), which is equivalent to ~94% of the target set by the Government for the entire season (739.7 LMT for paddy). Further, this is 3.1% higher than 672.4 LMT procured in the corresponding period of previous marketing season.
- The Gol's payment to the benefitted farmers for procurement has increased by 3.5% YoY to Rs. 1.5 trillion in this season so far (up to February 10, 2025), driven by the uptick in quantity procured and 5.3% increase in the MSP for the crop in the marketing season 2024-25, supporting rural farm cash flows.
- Besides, since October 2024, the market price for paddy has continuously exceeded the indicated MSP of Rs. 2,300/quintal. During January 2025, the average mandi price for paddy surged to Rs. 2,501/quintal, 2.5% higher on a YoY basis as well as Rs. 181-201/quintal above the MSP indicated for the crop for this year (Grade A: Rs. 2,320/quintal; Common: Rs. 2,300/quintal). **This is also expected to have augured well for farm incomes.**

Domestic tractor and two-wheeler retail volumes moderated in January 2025 following the festive-led double-digit growth in Q3 FY2025

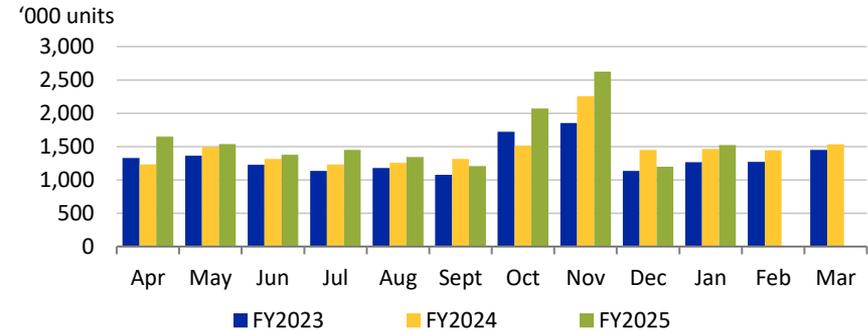
EXHIBIT: Trends in domestic tractor retail volumes



Source: CMIE; ICRA Research

- The domestic tractor retail volumes recorded a robust growth of 19.6% on a YoY basis in Q3 FY2025 (vs. -6.0% in Q2 FY2025), partly aided by a favourable base and healthy farm sentiments. Thereafter, in January 2025 the YoY growth in such volumes moderated sharply to 4.6%.
- After recording a lacklustre growth of 0.7% YoY in Q2 FY2025, domestic wholesale tractor volumes rose by a robust 13.5% in Q3 FY2025. **ICRA expects industry volumes to grow by 3-6% in FY2025, (vs. -8.8% in FY2024; +4.9% in 9M FY2025), aided by an above normal monsoon and its favourable impact on farm cash flows.**

EXHIBIT: Trends in domestic retail volumes of motorcycle and scooter

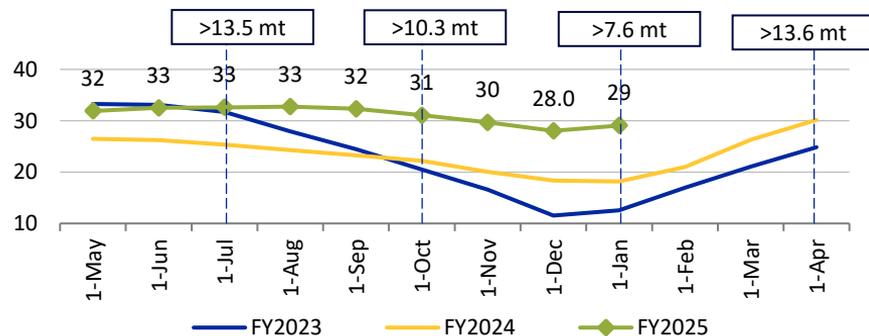


Source: CMIE; ICRA Research

- Domestic two-wheeler retail volumes rose by a strong 12.9% YoY in Q3 FY2025, following a 5.1% growth in Q2 FY2025, amidst healthy rural demand and onset of the festive season.
- On a monthly basis, such volumes rose by a robust ~27% in October-November 2024, before contracting by 17.5% YoY in December 2024, partly constrained by delayed harvest payments. Thereafter, it increased at a moderate pace of 4.1% in January 2025. **ICRA expects domestic two-wheeler wholesale volumes to grow by 11-14% YoY in FY2025 (+11.6% in 9M FY2025), led by steady replacement demand and improved rural demand, amid healthy agri output.**

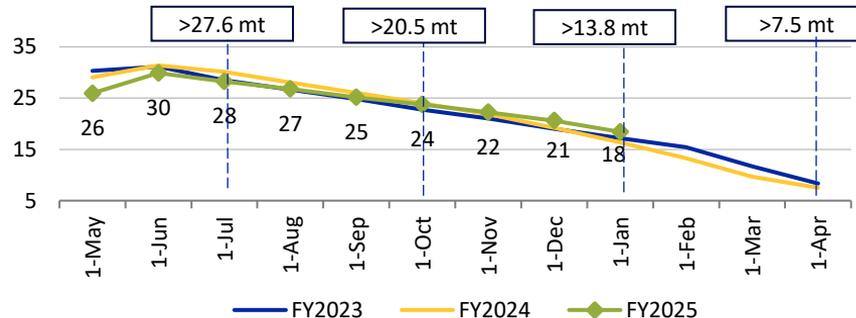
Wheat and rice stocks remain above Centre's minimum buffer norm, with the latter at record high levels

EXHIBIT: Monthly stock position of rice in Central Pool and minimum buffer norms (million tonne)



Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

EXHIBIT: Monthly stock position of wheat in Central Pool and minimum buffer norms (million tonne)

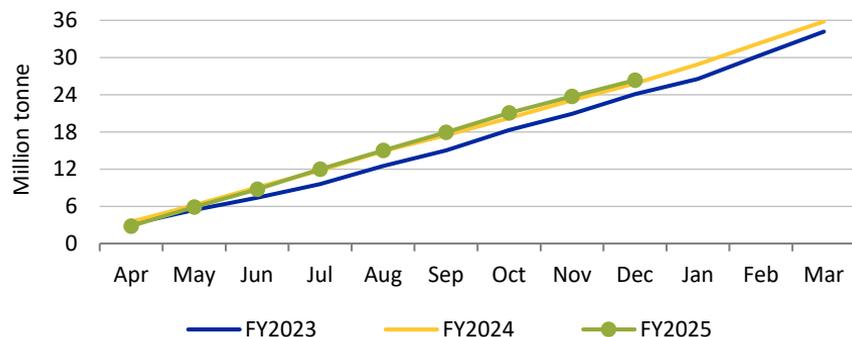


Boxes depict stocking norms (operating stock and strategic reserve) required at the beginning of a particular month; Source: Foodgrain Bulletin; ICRA Research

- The opening stocks of rice held by the FCI and state agencies increased to 29.1 million tonne (MT) as on January 1, 2025 from 28.0 MT on December 1, 2024, on account of expected seasonal uptick seen during this period and aided by record kharif rice output in 2024-25. This is the highest stock level of rice reported as on January 1 of FY2014-FY2024. Moreover, this comfortably exceeds the minimum required buffer norm for the Central Pool (7.6 MT as on January 1st).
- In contrast, wheat stocks dipped to 18.4 MT as on January 1, 2025 from 20.6 MT as on December 1, 2024. However, they were 12.6% higher than the record low levels that were seen at this time last year, and also stood higher than the minimum required buffer norm for the Central Pool (13.8 MT as on January 1).
- Looking ahead, the outlook for rabi wheat and rice output appears upbeat, with the area sown for these crops rising by 2.1% and 4.8%, respectively, on a YoY basis by February 4, 2025, which should support their stock positions during Q1 FY2026 i.e. during the harvesting cycle.

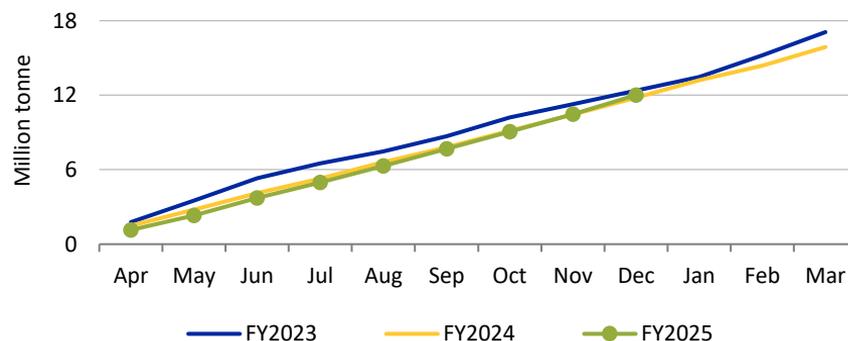
Offtake of wheat and rice up by ~2% YoY each in April-December FY2025

EXHIBIT: Cumulative offtake of rice under the NFSA



Source: Department of Food & Public Distribution, GoI; ICRA Research

EXHIBIT: Cumulative offtake of wheat under the NFSA

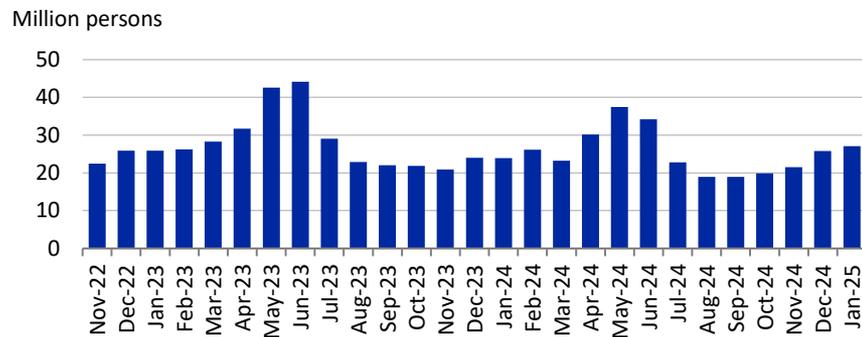


Source: Department of Food & Public Distribution, GoI; ICRA Research

- The allocation of rice and wheat under the National Food Security Act (NFSA) was budgeted at 34.7 MT (YoY: -4.2%) and 18.2 MT (+10.0%), respectively, for the Targeted Public Distribution System (TPDS) group in FY2025. Additionally, the economic cost (including procurement incidentals and distribution cost) of rice and wheat was budgeted at Rs. 3,975/quintal and Rs. 2,774/quintal, respectively in FY2025 BE, a YoY increase of 1.1% and 2.4% over the FY2024 RE. This would imply a cumulative cost of Rs. 1.88 trillion for FY2025, accounting for the bulk of the food subsidy bill (Rs. 2.1 trillion).
- In 9M FY2025, the offtake of rice and wheat under NFSA stood at 26.4 MT (+2.2% YoY) and 12.0 MT (+1.8% YoY), respectively, equivalent to 76% and 66%, respectively, of the budgeted levels. Consequently, the imputed economic cost of the aforesaid offtake is estimated at Rs. 1.4 trillion, based on the budgeted per quintal costs of these foodgrains in April-December FY2025. This is marginally lower than the food subsidy outgo (includes NFSA and other welfare schemes) of Rs. 1.6 trillion in 9M FY2025, as per the CGA data. **To meet the FY2025 target, the offtake of wheat needs to sharply rise by 51% YoY in Q4 FY2025, while rice offtake can be 17% lower in this period and still meet the target.**

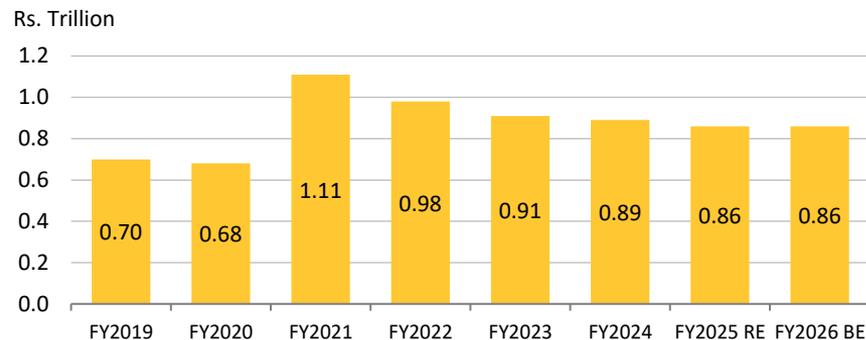
Work demand under MGNREGS remained muted in 10M FY2025; budgetary allocation for FY2026 kept in line with FY2025 RE

EXHIBIT: Trends in work demand generated under MGNREGS



Source: Ministry of Rural Development, GoI; ICRA Research

EXHIBIT: Annual outgo under MGNREGS

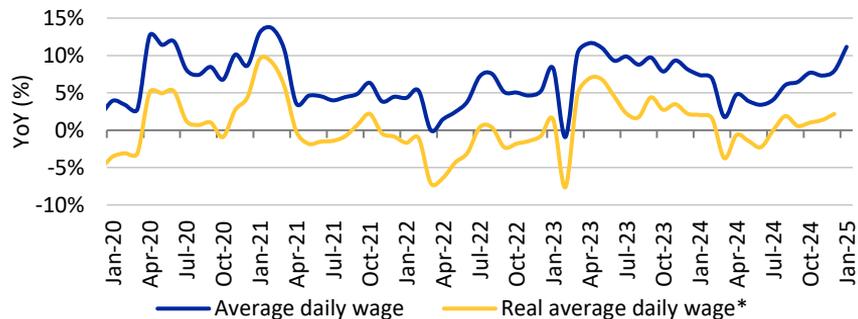


Source: NREGA portal; Union Budget, GoI; ICRA Research

- During April-January FY2025, the work demanded under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), excluding West Bengal (WB), contracted by 9.3% YoY to 256.9 million. This was largely led by the sharp 19.7% YoY decline in work demanded during June-September 2024, i.e. the kharif sowing season, amid the favourable progress of the Southwest monsoon 2024, in contrast with the sub-par rains and poor output in the El Nino-affected 2023 kharif season that had resulted in an uptick in demand for manual casual labourers in agricultural activities. Thereafter, work demanded has increased by 3.9% YoY during October-January FY2025.
- The GoI has kept the budgeted amount of Rs. 860 billion for FY2025 unchanged in the Revised Estimate (RE) that was released in the Union Budget for FY2026. It has exhausted only 83.6% (or Rs. 719 billion) of this amount by February 6, 2025.
- In line with ICRA's expectation, the GoI has retained the budgetary allocation for MGNREGS at Rs. 860 billion in FY2026 BE, in line with FY2025 RE.**

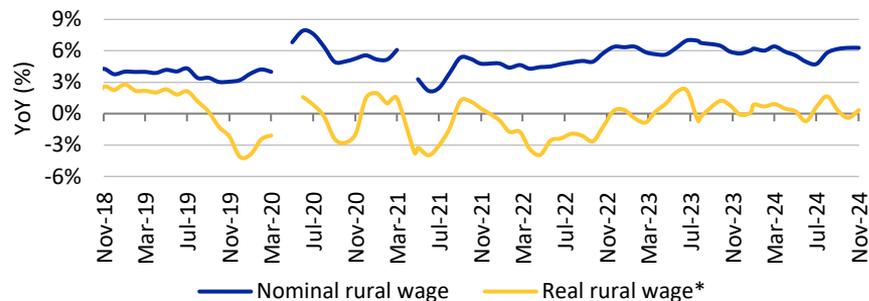
Real rural wage growth remained muted in October-November 2024

EXHIBIT: YoY growth in MGNREGS wages in nominal and real terms



*real average daily wage growth is computed by adjusting nominal average daily wage growth with CPI inflation in rural areas; Source: Ministry of Rural Development, GoI; ICRA Research

EXHIBIT: YoY growth in simple average wage rate for all rural occupations# in nominal and real terms

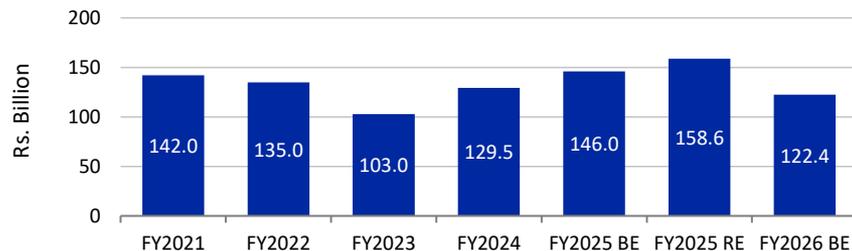


#simple average wages of all agricultural and non-agricultural occupations for men; data available up to November 2024 only; *real rural wage growth is computed by adjusting nominal rural wage growth with CPI inflation in rural areas; Source: Labour Bureau, GoI; ICRA Research

- The YoY expansion in the average daily MGNREGS wages improved from 4.8% in H1 FY2025 (avg: Rs. 251/day) to 7.7% in Q3 FY2025 (avg: Rs. 263/ day), and further to 11.2% in January 2025. In real terms, the growth in such wages improved to 1.5% in Q3 FY2025 after declining in H1 FY2025 (-0.3%), even as CPI rural inflation inched up between these time periods (Q3 FY2025: +6.1% vs. H1 FY2025: +5.1%).
- Likewise, the YoY growth in the simple average wage rate for all rural occupations, which includes both agricultural and non-agricultural occupations, rose to 6.3% in October-November FY2025 (as per the latest available data) from 5.5% in H1 FY2025. However, in real terms, growth remained unchanged in October-November FY2025 as against an expansion of 0.4% in the first half of the fiscal. In December 2024, the rural inflation has moderated to 5.8% from 6.0% in November 2024, which is likely to ease pressure on real wage growth in the month.

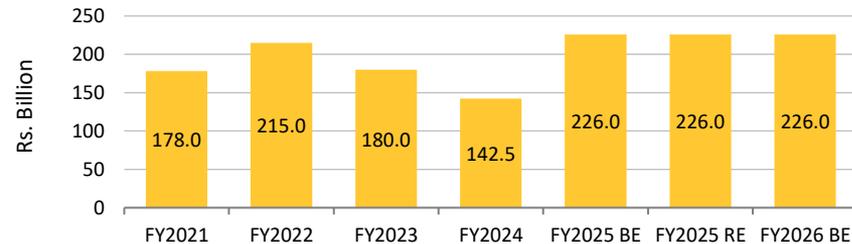
Annexure: Budgetary support towards rural/agri-focused schemes

EXHIBIT: Allocation for the Crop Insurance Scheme has been cut to Rs. 122 billion in FY2026 BE from Rs. 158 billion for FY2025 RE. This scheme provides financial support to farmers by covering natural calamities led crop losses.



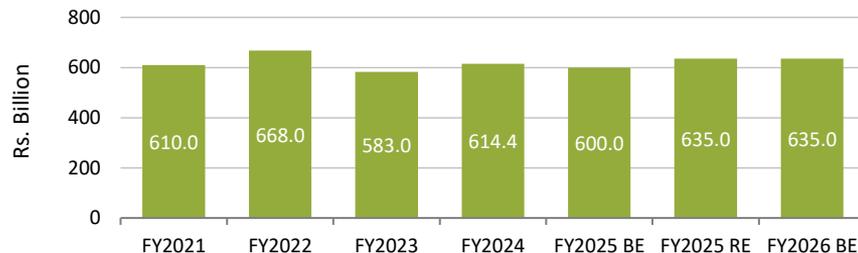
Source: Union Budget; ICRA Research

EXHIBIT: Allocation for the Modified Interest Subvention Scheme (MISS) has been retained at Rs. 226 billion for FY2026 BE vs. FY2025 RE. This scheme intends to promote access to farm credit at relatively lower interest rates.



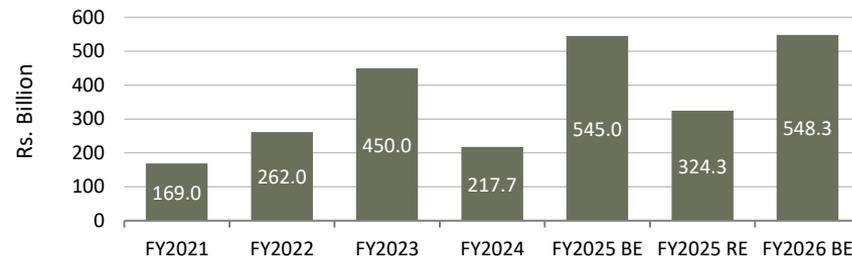
*includes allocation for the erstwhile interest subsidy for short term credit to farmers, which was later revamped to Modified Interest Subvention Scheme (MISS); Source: Union Budget; ICRA Research

EXHIBIT: Outlay towards Pradhan Mantri Kisan Samman Nidhi Yojana has been retained at Rs. 635 billion in FY2026 BE in line with the FY2025 RE.



Source: Union Budget; ICRA Research

EXHIBIT: Allocation for the Pradhan Mantri Awas Yojana-Gramin has been enhanced to Rs. 548 billion in FY2026 BE from Rs. 324 billion in FY2025 RE.



Source: Union Budget; ICRA Research



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