

Copyright © 2014 HT Media All Rights Reserved

Fri, 27 Feb-15; Mint - Delhi; Size : 303 sq.cm.; Page : 14

EXPERT VIEW

JATIN SINGH



Respond to this column at feedback@livemint.com

MONSOON 2015: FIRST FORECAST

Speculation on the monsoon begins in March because so much depends on it. Over the past three years, forecasting the monsoon on the national scale has become relatively easier. I am happy to inform that there is overwhelming evidence to suggest that monsoon this year will most probably be normal. Models are showing there is a persistent signal in favour of a normal monsoon that seems to be amplifying as the season progresses.

Today's models correctly project the departure from normal, but not the quantum. There is a high chance that the monsoon will be between 104% and 110% of the long-period average. The long-period average is 89cm for June, July, August and September over the last 130 years. There is a 10% chance of an excess monsoon, but low chances of a drought. This monsoon will most probably be like the one in 2013. Monsoon in that year was 106% of the average. The confidence level of this forecast is 80%.

Although monthly scales are hard to predict, models indicate cumulative rainfall for July and August will be between 105% and 110% of their respective monthly averages. In such a scenario, we can speculate that extended monsoon dry spells for more than five days in a row might be few.

Our models and research suggest that monsoon in central India should be above normal 105-110%. Rainfall in south and east and north-east India, too, should be normal. Probability of a normal monsoon in north-west India is relatively less than central and south India, but much higher than in 2014. Punjab, Haryana and Uttar Pradesh had severe rainfall deficits last year.

The El Niño Southern Oscillation refers to a phenomenon where the water off the coast of Peru is either neutral, cool or warm. Warm El Niño correlates well with a drought in India and cool La Niña correlates with surplus rainfall. Such a signal is also favourable. After the El Niño of 2014, which caused a drought last year, equatorial Pacific will revert to near-neutral conditions. When this happens, there is statistically an 80% chance of a normal monsoon.

A normal monsoon is also supported statistically. In the sense that consecutive droughts are rare. Last year was a mild meteorological drought (minus 12%). In the last 130 years, there have only been four back-to-back droughts. If we put all the data together, there is only a 3% chance of a drought in 2015.

The monsoon's direct impact is on agriculture. In the fiscal year 2014-15 because of the drought, cereal production is expected to drop by 3%. But in 2015-16, farm production could grow by as much as 4%. On an average, in an excess monsoon year (10% more than the 89cm average), food production jumps by 15%, in a normal year it grows by about 4.4% and in a drought (10% less than the average) year, it falls by 7%. This is because in a

drought, large parts of India's arable land remain fallow and uncultivated, and this recharges the soil. This year, farmers will also increase the sown area in anticipation of a normal monsoon.

If we are right and the monsoon is indeed normal, then there will be winners. Agri-input companies are by far the first off the block. Demand for seeds and fertilizers will go up as adequate rainfall simulates sowing fairly quickly. Tractor sales that crashed in 2014, when sales fell by 29% from 19,389 to 13,852 units, should recover. For food processing, the supply chain will improve and cost of production will decrease. Consumer durables could get a fillip in 2015 as farmers are likely to incur a surplus due to lower costs of production. Rural credit offtake will also be better and banks are likely to face fewer defaults.

Consumers of energy will be better off as we can expect fewer and shorter power cuts depending on where we live, as we don't anticipate long hot and dry spells, the kind we saw in 2014. In 2009, there was a mega drought, and the price of power in the grid shot up to about ₹19 per unit from an annual average of ₹4 per unit. In 2012, a monsoon-deficit year, the price rose to about ₹9 per unit. In 2014, during a severe heat wave in north India, the price of power doubled from ₹2.50 per unit to ₹5 per unit. We anticipate fewer fluctuations in power prices this year.

A normal or a good monsoon can have losers too. Cold beverages, especially soft drink makers, tend to be sensitive to it. This is a ₹14,000 crore industry, where April-June contributes 40% of revenues. In 2013, an early onset of monsoon and an exceptionally strong June had hit earnings of beverage makers severely. This does not mean June 2015 will be an exact repeat of June 2013. But soft drink makers should anticipate a normal sales curve. There is a lower likelihood of sales being aided by long and severe heat waves. I would lump air conditioner and cooler manufacturers in the same group.

This is the best monsoon guess that one can make at this point in time. In our experience, the April update is the most accurate monsoon forecast. We will be releasing an update mid-April, so until then watch this space.

Jatin Singh is chief executive officer of Skymet Weather Services Pvt. Ltd, a weather forecasting services company.

COLUMN