



LOCKDOWN IMPACT ON AGRICULTURE SECTOR : BACKBONE OF FOOD PROCESSING INDUSTRY

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ABSTRACT

At present time, World is facing threat of Corona Virus Disease known as Covid 19. The first case of the corona virus was reported in the end of 2019 in the Wuhan city of China. Now it spread to all over the world. The spread of corona virus compelled social distancing which led to the shutdown of institutions, business, offices, markets, events, seaport, airports etc. The countries are compelled to ban export and import also. The spread of corona virus shifted the global economy as a whole. Thus health crisis translate to an economic crisis. Due to the Covid 19 India government has lockdown the country for 41 days. The complete lockdown in India has affected agricultural sector, industrial sector and service sector in all states of the nation. In this paper, we draw on a real observation in assessing the loss of each product separately in agriculture sector in Kerala.

KEY WORDS

Covid19, Corona virus, Social distancing, Lockdown, Pandemic, Financial crisis



INTRODUCTION

According to UN report the impact of corona virus epidemic for India is estimated to be about 348 million dollars and the country figures among the top 15 economies. The Corona virus outbreak and spill over to the every aspect of the Indian Economy and it also spread an uncertainty about the future situation. For India the trade impact is estimated to be the most for the chemical sector .it also affected the pharmaceutical supply chain .The corona virus disrupted the higher education industry. The most visible outcome of the Covid 19 crisis was on financial markets as the effect in the global stock market. The severity was felt in various sectors of the economy with travel bans affecting the aviation industry, sporting event cancellations affecting the sports industry, the prohibition of mass gathering affecting the events and entertainment industries .During the pandemic there was a general decline in volume of bank transactions, a decline in card payments and a fall in the use of ATM cash machines. This led to fewer fees collected by banks which negatively affected banks' profit.

The agriculture sector, much more dependent on natural factories, has faced many challenges in the course of its journey. The most recent threat is Covid 19 and it is impacting agricultural sector not only in Kerala but all over the country. As a result the entire activity of agriculture sector, harvesting, processing, farm gate sale are likely to be disrupted. The Covid 19 crisis resulted in limited labour availability, limited public transport system, absence of business activity, low container traffic, slow down port operation and banned exports. In this paper we examine the impact of Covid 19 on agricultural sector in Kerala and focuses on the lockdown period, that is, March 25,2020 to May 3,2020.

PRODUCT WISE IMPACT ON AGRICULTURAL SECTOR

Kerala's agriculture has been affected during the Covid19 pandemic in multiple ways.

RICE

While lockdown began the second cultivation was almost ready to be harvested I the major paddy growing areas. Harvest was delayed in several areas and it leads to loss of grains. Shortage of agricultural laboures has affected harvesting. Farmers faced bottlenecks in the procurement and trade of paddy. Restrictions on road transport delayed procurement. Procurement of paddy was completed by the state at Rs. 2695 per quintal and 164951 tons was



procured by Supplyco. It was estimated that, during the lockdown period there was a loss of about Rs 15 crore in the paddy sector.

VEGETABLES

In the case of vegetables, there were losses for farmers due to lower prices for their produce, inability to market the harvest and reduced exports of vegetables from Kerala. Based on some assumptions considering a marketable surplus of 2 lakh MT, and assuming a loss of Rs 7 per kg on an average due to price variation during the lockdown period, the estimated losses in the vegetable sector in March and April 2020 is to be about 147 crore. Hence trade in VFPC market and HortiCrop market were increased, the loss of about Rs. 11 crore has been reported by the Swasraya Karshaka Samitis(SKS) under VFPC.

FRUITS AND TUBER CROPS

In the case of fruits the most important problem was a sharp fall in prices. During the lockdown period, most of the fruits were sold at a half rate of its previous price. Assuming a Rs 20 per kg loss of price, and 1.3 lakh MT of production, the total loss is estimated at about Rs. 269 crore for banana and plantations. In the case of pineapple, another major crop in central Kerala, assuming a Rs. 10 per kg loss of price and 50,000 MT of production, the total losses are estimated at about Rs. 50 crore. The estimated losses in the case of cashew and tuber crops, are Rs. 10 crore and Rs 20 crore respectively.

RUBBER

Rubber prices were declined because of closed rubber markets, high stock, decline in rubber consumption, no export outside Kerala, and low international prices. Decline in international economic growth adversely affected natural rubber markets in Kerala. The estimated loss of unsold stock of natural rubber in Kerala is at Rs. 563 crore.

TEA

With Covid -19 and the lockdown, tea plantation sector in Kerala faced several difficulties such as “loss in harvest because of absence of labourers, as well as closure of processing factories, loss in marketing because of disruptions in the supply chain, lack of cash to pay wages, accumulation of unsold tea in the warehouse, halt in exports and rise in debt with banks.



Economic losses in the tea sector due to crop losses during lockdown and unsold tea in the domestic market unsold tea in the export market and restarting expenses in the field and factory are Rs. 8.6 crore ,Rs30 crore ,Rs 13.7 crore and 21.8 crore respectively . The total loss for the tea sector in Kerala is estimated at Rs.141.1 crore.

COFFEE

The coffee sector too was also experienced a hard phase during lockdown period because of high cost of production ,low price realization, disruptions in the regular plantation activities, cancellation/postponement of trade including export ,restrictions in the movement of coffee across the country, zero farmgate sales, difficulties in transporting coffee to the curing plants etc. As per reports ‘around 21000MT of South Indian coffee valued at Rs.400 crore, is stuck at coffee curing centres and at various parts. Assuring Kerala’s share as about 23 percent, the losses in Kerala o this account are estimated at Rs.92 crore’.

SPICES

The spices such as Cardomon and pepper were severely affected due to the lockdown. As in the case of other agricultural products, shortage of labour supply and transportation restrictions severely curtailed normal operations in crop production .The demand side for spices is the same, but supply chains are affected in the global market. The total estimated crop cardomon loss during the season was about 300MT ie 10kg per ha. The estimation of state planning board shows that about 800 MT of stock per month was stuck with farmers valued at about Rs 180 crore. Total loss in Kerala is Rs.126 crore.

The normal harvest period of black pepper December to February, was over by the beginning of lockdown. Even though the harvest of pepper was not affected there was a severe impact due to fall in prices. Total losses in the pepper sector of Kerala are estimated at Rs.50 crore. Losses may be relatively low in nutmeg.

DEMAND SIDE SHOCK

Fall in market disturb the entire chain of production and demand cycle in agriculture sector. Tourism, hospitality and aviation are the major sectors that are facing maximum loss in the present crisis. Closed tourism sector, cancelled conference, workshops, seminar, and other events affected the hotel services at huge level. There was directly or indirectly was a drop in



the demand for agricultural products as marriage hotels restaurants, religion ceremonies and other events were closed down or cancelled. Closed air port and sea port, limited transportation facilities and stopped export and trade also affected the demand of agricultural products. Continuous close down of food processing sectors and a drop in the demand for ready to eat foods also created a demand shock up. Minimized consuming nature of people during lockdown has become a reason for a fell the demand for agricultural products. Thus the overall demand for agricultural products remained depressed during lockdown.

SUPPLY SIDE SHOCK

Supply shocks are always due to some barriers. Since Agricultural products are perishable commodities Covid 19 disrupted the supply chain of agricultural sector. Lack of labour shortage, bottle neck in the farm gate sale, lack of transportation and especially lack of availability in local transport led to the slow movement of agricultural goods into market. This has created increased shortage for perishables. Banned export and import by many countries also affected the supply chain of agricultural products across the world. There has been increase in the costs of products due to increase in the shipping charges of products. Farmers are at risk to lose the market value of their products. E pass issue is another barrier which affected the smooth functioning of supply chain. Lack of credit flow from banking and non banking financial companies also discourages the farmers from the natural agricultural activities. With above discussed barriers the overall supply of agricultural products declined during lockdown period.

CONCLUSION

Covid 19 pandemic has affected Kerala's agricultural sector greatly. As the result of Covid - 19 World Trade Organisation (WTO) expects world trade in 2020 to shrink by 13 to 32 per cent. This will have a major adverse impact on the export oriented spices and plantation crops grown in Kerala. The domestic prices of most agricultural crops fell sharply due to lockdown. The fall of demand and disruption of supply chains have resulted in major income losses for the farmers. Lockdown, lack of availability of workers and lack of transportation facilities affected the functioning of agro processing units. This has affected the supply chain of agricultural produces. The interventions that has made by Department of Agriculture



Development and Farmer's Welfare benefited farmers greatly. However lockdown has resulted in large income losses for agricultural sector in Kerala.

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