



AN ECONOMIC ANALYSIS OF DROUGHT ON F.M.C.GS IN RURAL MAHARASHTRA

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ABSTRACT

The Government of Maharashtra has declared a "drought-like condition" in 14,708 of the state's 43,000 villages. This is the second consecutive year of drought in Maharashtra. In fact, the state has experienced three such calamities in the last four years. The Marathwada region has been worst-hit, with a drought-like condition declared in every single village. A good number of 8,522 villages in the region have been impacted. This accounts for 58% of the drought area in the state. Drought conditions have hit consumption in rural markets, with volume growth slowing to 3-4 per cent in the past two quarters, compared with the 10 per cent growth at the start of financial year 2016. This is wicked news for FMCG companies, which are looking to rural consumption to fuel demand as the volume growth in urban consumption had slowed down a year ago.

Keywords: FMCG, Drought Prone Area, Rural Maharashtra, Economic Analysis

Introduction:

A drought is a period of below-average precipitation in a particular region; resulting in prolonged shortages in its water supply, whether atmospheric, surface water or ground water. A drought may last for months or years, or may be declared after as few days. It can have a substantial impact on the ecosystem and agriculture of the affected regional land harm to the local economy. Annual dry seasons in the tropics considerably increase the chances of a drought mounting and subsequent bush fires. Periods of heat can significantly worsen drought conditions by speeding evaporation of water vapor.

Many plant species, such as those in the family Cactaceae (or cacti), have adaptations like reduced leaf area and waxy cuticles to enhance their ability to tolerate drought. Some others survive dry periods as buried seeds. Semi-permanent drought produces arid biomes such as deserts and grasslands. Prolonged droughts have caused mass migrations and humanitarian

crises. Most arid ecosystems have inherently low productivity. The most extended drought ever in the world in recorded history occurred in the Atacama Desert in Chile (400 Years).

Objectives of the study:

- 1) To study the impact of drought on Fast Moving Consumer Goods in rural Maharashtra
- 2) To suggest policy measures for improving the conditions of drought in the drought affected areas

Research Methodology:

The study is based on secondary data obtained from news papers, research articles, reports of the Government, website, discussion with the drought affected people and other published and unpublished sources.

Factors responsible for Drought:

Human activity can directly prompt intensifying factors such as over farming, excessive irrigation, deforestation, and erosion adversely influence the ability of the land to internment and hold water. In arid climates, the main source of erosion is wind. Erosion can be the result of material movement by the wind. The wind can cause small particles to be lifted and therefore moved to another area (deflation). Suspended particles within the wind may impact on solid objects causing erosion by graze (ecological succession). Wind erosion usually occurs in areas with little or no flora, often in areas where there is insufficient rainfall to support vegetation.

Consequences of Drought:

Time of drought can have significant environmental, agricultural, health, economic and social consequences. The effect varies according to susceptibility. For example, sustenance farmers are more likely to migrate during drought because they do not have alternative food sources. Areas with populations that depend on water sources as a major food source are more weak to famine.

Drought can also reduce water quality, because lower water flows reduce thinning of pollutants and increase contamination of residual water sources.

Present State of Drought in Maharashtra:



The Government of Maharashtra has declared a "drought-like condition" in 14,708 of the state's 43,000 villages. This means the drought covers 34% of the state. This is the second consecutive year of drought in Maharashtra. In fact, the state has experienced three such disasters in the last four years. The region of Marathwada has been worst-hit, with a drought-like condition professed in every single village. As many as 8,522 villages in the region have been wedged. This accounts for 58% of the drought area in the state. North Maharashtra, which includes Nashik and Jalgaon districts, follows next with 4,869 villages impacted. This accounts for 33% of the drought area. The region of Konkan has been spared, with not a single village affected by the calamity. The Konkan region experienced abundant monsoon this year.

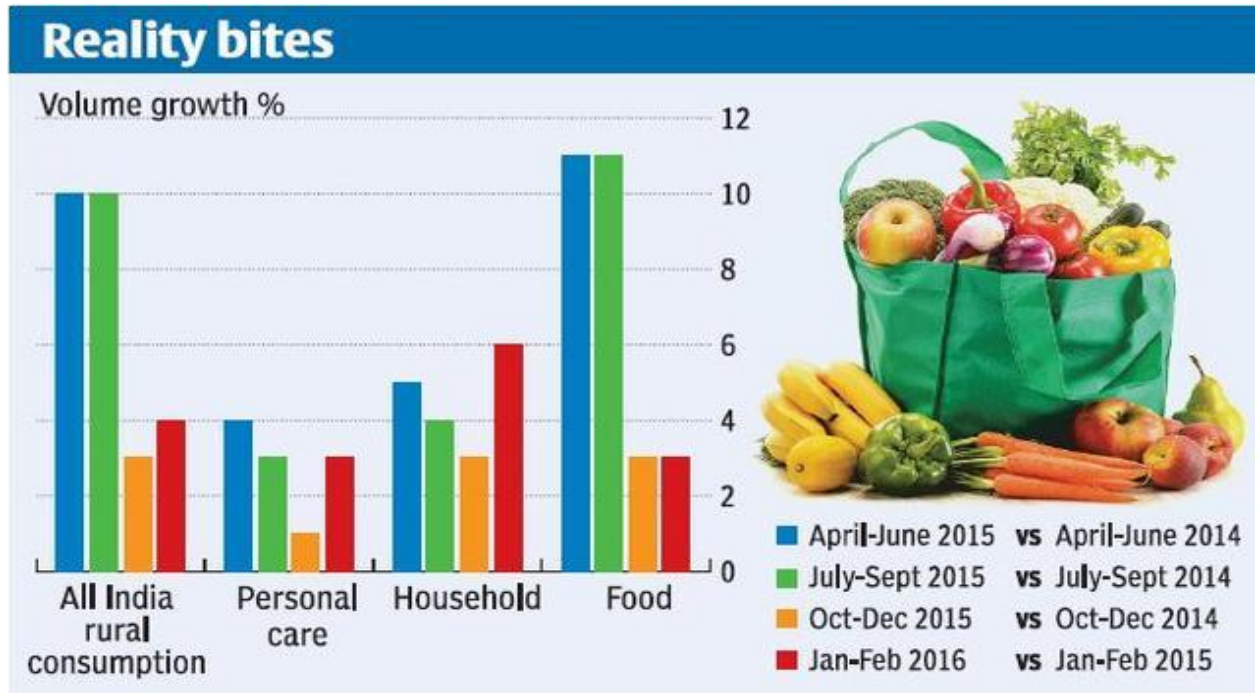
Impact of Drought on FMCSs in Rural Maharashtra:

Drought conditions have hit consumption in rural markets, with volume growth slowing to 3-4 per cent in the past two quarters, compared with the 10 per cent growth at the start of financial year 2016. According to data from market research agency IMRB, consumption volume in rural areas, across three categories – household goods, personal care and food & beverage – grew by just 4 per cent in January-February versus the consistent period last year. In terms of value, too, growth has contracted to 6 per cent compared with 11 per cent growth at the start of 2016. This is bad news for FMCG companies, which are looking to rural consumption to fuel demand as the volume growth in urban consumption had slowed down a year ago.

“In the ancient times two quarters, household consumption in the rural markets has come down from 10 per cent in the April-June quarter last year to 3 per cent in the October-December quarter as rural consumers have pulled back on spending. Volume growth is dropping and this will continue in the next two quarters, which can be attributed to the drought conditions. There is unlikely to be great times ahead for the FMCG industry,” said K Ramakrishnan, General Manager & Country Head, Household panel, IMRB Kantar World Panel.

Among the three broad categories, it is the consumption dip in the food & beverage category that primarily accounted for subdued rural demand. “Volume growth in the food & beverage segment brought down overall demand – from 11 per cent in the April-June quarter last year to 3 per cent in the last quarter and the first two months of this year.

“This has happened despite FMCG companies bringing down prices and the government taking several measures in the Budget to spur rural consumption. It will take at least another two quarters for the benefits to trickle down. There will be volume growth, but at a much lower pace in rural India,” observed Ramakrishnan.



Measures to overcome declining demand for FMCGS in Rural Maharashtra:

Meanwhile, FMCG companies are gearing up to face the drought-affected markets. “There is a lag effect when it comes to robust growth in the rural markets. Schemes like the Jan Dhan Yojana can help in cutting short the lag,” said Sunil Duggal, CEO, Dabur, at an analysts meet. Others like Marico, which has a 34 per cent share coming from the rural markets, is extending price drops on certain products in drought-affected States – Maharashtra and Telangana. According to IDFC Securities, volume growth in the fourth quarter of FY 16 is estimated to be 3-4 per cent for Dabur and Colgate, while HUL may see 6 per cent growth.

“Volume growth for the FMCG industry continues to be challenging in Q4, especially in rural markets where growth has continued to slow down. With crude oil prices recovering from their lows and inflation resurfacing in certain commodities, we expect pricing-led growth to come back in FY17, albeit at a lower level,” said an analyst at IDFC Securities.



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