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No respite from rising food prices

Not A Seasonal Spike | Double-Digit Rise Is New Normal For Most Commodities

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New Delhi: Policymakers may be drawing comfort from the fact that food prices have stabilized but for households the pain of rising food prices is far from over.

Food prices shot up unexpectedly last December, led by spiralling onion prices, which forced the government to announce some piecemeal measures to calm prices but they have continued to hover above comfort levels for the past six months. And data shows that onion prices are rising again.

In the week to July 2, onion prices have risen nearly 31% year-on-year and the trend in the past six weeks shows that it is rising steadily. A TOI analysis of 31 daily-use food products shows that 11 items have shown a decline. Of these, four are pulses – arhar, moong, masur and urad – while three are from the fruits and vegetables group—potatoes, ginger, cabbage and mangoes (see table).

While the government in the past has dismissed rise in these prices as seasonal, it cannot do so any longer. For instance, milk prices have nearly trebled in the past two years and in the week to July 2 rose an annual 12.39%. In the past six weeks, prices of onions, milk, egg, meat and fish have all risen significantly. Fruit prices, which had risen up to 30.78% year-on-year in the week to May 28, have shown some softening but were still up an annual 13.54% in the week to July 2.

Monsoon remains a risk for food inflation and most economists say they would prefer to predict the movement of food prices after more data is available on the spread of the June-September rains. Floods in some parts of the country or patchy rains in states could alter the food price scenario.

Globally food prices have risen but experts say unless structural issues are tackled food prices will continue to remain high. But there is some cheer as officials say that despite the sticky food inflation, wholesale price inflation is unlikely to hit double-digits. Economists have said that the sharp revisions in the inflation numbers for the past few months and the increase in diesel prices could push the inflation rate to double-digits in the months ahead briefly. "I can tell you it will not touch double-digits. The inflation rate will be in the 8-9% region for sometime before easing. It should start easing September onwards," a senior official, who did not wish to be identified, told TOI.

But he said it was unlikely that the inflation rate would ease to 6-6.5% by end March 2012 as has been predicted by top policymakers. "In the first three four months you have inflation above 9%. To come down to 6% by March you will need to have the inflation rate at around 4-5% for the next few months, which is impossible. So my sense is that by end-March it would be around 7%," the official said. Inflation, measured by the wholesale price index, quickened in June to 9.44% from 9.06% in May.

Commodity	July 1, 2010	July 2, 2011	% Change
Wheat	169.1	170.5	0.83
Rice	164.7	168.7	2.43
Pulses	206.9	189.4	-8.46
Gram	143.5	166.1	15.75
Arhar	226.2	181.3	-19.85
Moong	323.8	245.4	-24.21
Masur	212.2	155.1	-26.91
Urad	289.0	249.6	-13.63
Vegetables	173.6	177.5	2.25
Potato	132.8	129.4	-2.56
Onion	151.7	198.3	30.72
Ginger	145.4	95.8	-34.56
Brinjal	158.2	184.5	16.62
Okra	142.6	156.6	9.82
Cabbage	248.8	183.4	-26.29
Fruits	172.1	195.4	13.54
Banana	167.2	176.2	5.38
Mango	207.4	200.5	-3.33

Commodity	Jul. 3, 2010	Jul. 2, 2011	% change
Papaya	180.8	276.4	52.88
Pineapple	172.6	186.9	8.29
Lemon	133.7	247.5	85.12
Milk	171.9	193.2	12.39
Egg, meat, fish	185	207.1	11.95
Egg	160.3	176.9	10.36
River fish	177.6	207.6	16.89
Sea fish	224.0	262.1	17.01
Mutton	183.9	199.1	8.27
Chicken	139.4	131.9	-5.38
Spices	222.8	237.5	6.60
Black pepper	217.2	359.0	65.29
Chillies	209.2	275.3	31.60
Turmeric	413.9	250.1	-39.57
Cardamom	376.9	298.0	-20.93
Garlic	262.1	277.6	5.91
Zeera	156.4	186.6	19.31
Coriander	168.7	222.9	32.13

*Change based on index for food items

Source: Commerce & Industry Ministry