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Title : Food inflation in check, but veggies a worry

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For a party that made inflation its key poll plank, a deficient monsoon is the last thing it could bargain for. But by all accounts the government has managed the situation effectively -at least so far. A scan of the wholesale price index shows barring cost of vegetables, which have shot up 41% between May and July , food inflation has remained under control. In vegetables, the main drivers have been brinjal (60%), onion (58%) and bhindi (56%).

The price rise of pulses (1.3%), cereals (1.6%) and milk (1.8%) has been moderate during these months. In fact, egg prices have fallen. Meat and fish prices that had shot up because of a demand spike, witnessed a 4.5% decline. Fruits and vegetables are the only sore point and finance minister Arun Jaitley on Saturday conceded there's little the government can do. But even here, the government reined in inflationary expectations through a series of decisive steps (see box below).

“By liquidating FCI stocks, the government has done in two months what UPA couldn't in two years. Plus, Modi has resisted pressure from allies in significantly raising the minimum support price,” agriculture economist Ashok Gulati said. Experts reckon there are no short-term fixes to keep fruit and vegetable prices under check. Typically , there are sharp spikes because of seasonal changes.

The jury is still out on onions given that there may be pressure on prices in late September and early October when the fresh crop hits the market. But going by the experience on onions, import duty cuts to deal with shortages is seen as a short-term solution. After all, chicken legs attract 100% import duty , potatoes and tomatoes face a 30% levy . To protect local farmers, imported apples attract 50% duty , while customs duty on skimmed milk powder remains at 60%.

Modi's Recipe

- ▶ Onions, potatoes on essential commodities list, states can fix stock limits to check hoarding
- ▶ States to set up special courts to try hoarders
- ▶ Tillers can sell directly, instead of through mandis
- ▶ Checks on onion exports, zero-duty imports allowed
- ▶ 5m tonne rice to states for subsidized sale
- ▶ For bulk buyers, looking to sell 10 million tonne wheat in open market
- ▶ Cabinet secy monitoring prices of 22 commodities