

Publication: The Times Of India Lucknow; Date: Jan 1, 2010; Section: Times Business; Page: 16



## Food inflation at 19.8% as pulses, potatoes jump ...

### TIMES NEWS NETWORK

New Delhi: After easing a bit in the previous week, food inflation was back to near-20% levels in the third week of December as items such as potatoes and pulses continued to belie hopes of sustained relief over prices of essential commodities. The wholesale pricebased index of food articles increased by 1.18% for the week ended December 19 from 18.65% a week ago. One week before that, food inflation had stood at the decade's highest level of 19.95%.

In Kolkata, finance minister Pranab Mukherjee said farm production is likely to show contraction in the third quarter as a result of poor monsoon. If this happens, inflation may not ease substantially. However, he said there is no sign that excess money supply is leading to inflation.

The rise in food prices is mainly due to dearer essential items like potatoes, onions, pulses etc. Potato price more than doubled while pulses became costlier by over 41% over the last one year. Onion rose by 40.75%. Besides potatoes, onions and pulses, rice rose by 12.95%, wheat by 12.66%, milk by 13.61% and fruits by 10.35% on a yearly basis.

Average food inflation so far stood at 12% as on December 19, while inflation of primary articles (nonprocessed items), including food, stood at 15.49%. Prices of fuel, power, light and lubricants rose at a rate of 4.45% during the week ended December 19 from 3.94% a week ago. This is despite the fact that cooking gas prices declined by 7.42%, petrol by 2.18% and high speed diesel by 0.19%.

Analysts say there is still a risk of high food prices and the RBI could take monetary tightening measures to moderate it. The RBI will come out with its third quarter review of the monetary policy on January 29. According to the PM's economic advisory panel, the overall inflation is likely to cross RBI's estimate of 6.5% and it may have to take monetary action to tame it. "By the end of March 2010, inflation could be close to 7%," council chairman C Rangarajan had said recently.

