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Food inflation spurts to 9-mth high of 12.21%

FM Blames 'Dangerously' High Pace Of Price Rise On Festive Season Demand

TIMES NEWS NETWORK

New Delhi: Pricy vegetables, egg, meat, fish and pulses pushed food inflation to a nine-month high at 12.21% in late October, prompting the finance minister to say that it was dangerously above double digits.

Data released by the commerce and industry ministry on Thursday showed food inflation had shot up to 12.21% in the week to October 22, rising from 11.43% in the previous week as prices remained stubborn. After hovering above 9% for nearly a year, food inflation remained in double digits for the third consecutive week, data showed.

Prices of vegetables continued to remain strong and maintained their rising trend since September. It rose 28.89% year-on-year in the week to October 22. In the previous week, prices of vegetables had risen an annual 25%. Egg, meat and fish prices rose 13.36% year-on-year while prices of pulses which had displayed some easing in previous weeks rose 11.6%. Onion prices, which had emerged as a pressure point previously, continued their downtrend and fell an annual 20.33%.

"Food inflation is still going high. It is dangerously above double digit figure," finance minister Pranab Mukherjee said. He attributed the sharp increase in food prices to festival season demand. He said the price situation was a matter of grave concern.

"This (high food inflation) is the effect of festive season demand. November onwards, the trend for remaining four months (of the fiscal) would be available," he said. Policymakers have been caught on the wrong foot on inflation and their estimate has been way off the mark several times.

Experts have been urging a sustained approach to raise supplies of vegetables, milk, egg, meat and fish. Demand for these items has shot up in recent times due to rising incomes and changing dietary preferences. But despite promises of improving supplies, the situation on the ground has remained unchanged.

"The rise in food inflation was not unexpected as the hike in diesel prices has led to an increase in cost push inflation for food items. Festival demand too has contributed to the increase," said N R Bhanumurthy, professor, National Institute of Public Finance and Policy.

Times View

The latest data on food inflation confirms what we as consumers already knew — prices remain high despite the government's repeated promises that they will come down soon. This is a matter of serious concern, particularly since high food prices hurt the poor most and also upset the budgets of middle class households. The government must act with urgency to deal with the situation. Clearly, monetary policy is not having the desired impact. What is needed is raising supplies of food, through imports if necessary in the short run. Over the longer term, enhancing productivity should be the mantra. Talk of a second green revolution has been on for years, but there is little on the ground to show for all that talk. The sustained bout of double-digit food inflation should serve as a wake-up call for policymakers. **Stung by inflation, companies cut flab to safeguard margins Namrata Singh TNN**

Mumbai: With food inflation touching a nine-month high of 12.21% for the week ended October 22, companies operating in the sector will have to contend with lower margins. In a bid to protect their margins from getting eroded, companies are adopting a strict discipline towards cost consciousness and are also ensuring that supply chains become more efficient. As they declare a war on costs, another strategy being deployed is to cut out extra flab from business and operations.

"This trend (rising inflation) is worrying as we were expecting food inflation to taper off in the October-December quarter. We believe that a continuous period of high food inflation combined with other inflationary pressures and a high interest regime could dampen consumption growth in the near term. This will leave a cascading impact on negating any potential margin improvement in most of the sectors," said Harsh Mariwala, CMD, Marico.

Bimal Thakkar, MD, ADF Foods, said, "The rise in input costs is a concern for everyone. However, companies cannot pass on the full price increase because of competition and a tight economic environment. Therefore, an adverse effect on margins of companies can be expected."

The Finance Minister reportedly said that food inflation was still going high and was dangerously above double-digit

figure. As per the Wholesale Price Index (WPI), the surge in food prices has been mainly due to expensive vegetables, pulses, fruits and milk. While this continues to put a burden on the common man, most companies believe the rise in inflation is largely consumption-led.

Said Balram Yadav, MD, Godrej Agrovet, “As incomes have gone up, so has consumption. A lot of money is pouring in through government scheme and people are consuming more fruits and vegetables. However, production has not kept pace with consumption. This is partly responsible for stoking food inflation.”

A shift towards a high-protein diet as a result of growing prosperity is another reason for the rise in food prices. “Protein intake has increased as people are consuming more milk, eggs and fish. Production cannot be raised over night,” said R S Sodhi, MD, Gujarat Co-operative Milk Marketing Federation, the marketer of ‘Amul’.

Jubilant Foodworks to hike pizza prices

Mumbai: Pizza chain operator Jubilant Foodworks plans to take a price hike of upto 3% in the month of November on the back of escalating input costs, Ajaya Kaul, CEO said. REUTERS

