

Monsoon blues: Brace for more price increase in food items

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With rains playing hide and seek, economists expect kitchen budget to spiral

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As the spectre of drought looms over several states, retail prices of key commodities are set to rise at a faster pace. This could further increase the already high food price inflation.

According to economists, the retail prices of pulses (mainly tur), groundnut oil, mustard oil, coarse cereals (particularly jowar, bajra and maize), the entire lot of spices (including coriander, chili and pepper), cotton, sugar, poultry products and tea are expected to rise in the next few weeks because of low sowing on account of deficient rain.

In fact, price of pulses, groundnut oil and sugar have already started firming up, in anticipation of low supplies, as the window of kharif sowing is getting narrower with each passing day. The food ministry has already started taking a slew of measures to check increase in prices of these items.

Potato prices have doubled since January, while sugar prices have pushed up by ₹3-4 a kg in retail markets in recent weeks. Tea has also moved up by 30 per cent in the open market.

"The big spike in prices, I feel, should come from coarse cereals, because of low acreage," Ramesh Chand, director of the National Centre for Agricultural Economics and Policy Research, told *Business Standard*.

The sharp rise in the prices of coarse cereals, particularly maize, could push up prices of poultry products, as maize is also consumed in large quantities as a feed meal.

"The immediate fallout of low rains is rise in prices of pulses, vegetables, fodder, milk and increase in edible oil imports at higher rate," said Ashok Gulati, chairman, Commission for Agriculture Costs and Prices.

The southwest monsoon, the lifeline for Indian agriculture, has been 22 per cent defi-



FOOD FOR THOUGHT

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Commodity	June 1, '12	July 23, '12	% Change
Turmeric	36	53	47.0
Potato	9.50	11.50	21.0
Sugar	28	34	21.0
Cotton*	32,500	38,000	17.0
Coriander	39	45	15.0
Groundnut oil	119	132	11.0
Mustard oil	95	100	5.2

*In rupees per candy. 1 candy equals to 356 kilograms
Source: Department of Consumer Affairs, NDEX, and other agencies
Prices mentioned are average across the country, as these vary from city to city

cient so far across the country. The big drop has been in Maharashtra, Karnataka, Gujarat, and Rajasthan, where there is all possibility of a drought if the rains do not improve significantly over the next week to 10 days.

"I feel groundnut oil prices will move up and along with mustard and soy oil in the coming weeks, as edible oils usually move in tandem because of their substitution value," said Madan Sabnavis, chief economist at CARE Rating Agency.

He said along with cooking oils, the prices of onions and potatoes could also come under pressure. Yesterday, Prime Minister Manmohan Singh's office said the monsoon this year was expected to be below normal, at around 92 per cent of the Long Period Average (LPA). This is almost four percentage points less than the last nationwide forecast made by the India Meteorological Department, which had pegged the rainfall at 96 per cent of the LPA. Any rainfall at 96-104 per cent of the LPA is considered normal and anything less than that is considered below normal.

The PMO also directed all states to embark on a massive contingency drive. Last week,

Agriculture Secretary Ashish Bahuguna told reporters that the situation in coarse cereals was grim, though that of rice was comfortable.

Data from the agriculture ministry showed that till last week, the sowing of coarse cereals was 24.3 per cent less than normal, while pulses was around 22.3 per cent less than the normal area, which is an average of 10 years.

The acreage of groundnut was 41 per cent less than normal, while that of cotton is 7.52 per cent less than the normal area.

Among spices, the area under turmeric is around 30 per cent less this year, while that under coriander, chili and pepper is also down. These crops are mainly cultivated in low rainfall areas. The retail price of spices is already up by around 10 per cent in recent weeks.

"I feel both retail and wholesale prices of major farm commodities could see a strong rally in the next few weeks," another leading economist said. Wholesale food price inflation has been in double digits for four months in a row, standing at 10.81 per cent in June, while food price consumer inflation was in double digits for a third straight month in June, at 10.71 per cent.