

# Food inflation dip hits farmers

**DISCONTENT** Rural angst over low prices of farm commodities has been identified by experts as a key reason for the BJP's poll defeats

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**NEW DELHI:** Retail prices have dipped to a 16-month low while food inflation plunged 2.61% from a year ago in November, mirroring flat agricultural prices that have jolted farmers and fomented trouble for the ruling Bharatiya Janata Party (BJP) in the latest round of assembly elections.

On the whole, retail prices -- as measured by the Consumer Price Index -- rose 2.33% in November compared to a 3.31% climb in the previous month, official data released on Wednesday showed.

Rural angst over low prices of farm commodities has been identified by experts as a key reason for the BJP's defeats in Rajasthan, Madhya Pradesh and Chhattisgarh in the latest round of state elections spread over November and December. The votes were counted on Tuesday.

The government is likely to announce loan waivers worth billions of dollars to woo farmers ahead of next year's general election, Reuters reported, citing

unnamed government officials. The plan could see as much as ₹4 lakh crore (\$56.5 billion) in loans written off, the report said.

Low shop-end prices may be comforting to urban consumers and policymakers, who want inflation to remain low, but persistently low food prices don't bode well for the farm economy.

Crashing commodity prices amid plentiful harvests have spawned a politically challenging spell of poor returns to farmers. India's long slowdown in food prices -- "disinflation" in economists' jargon -- suggests a lack of rural demand, necessary for robust economic growth.

Wholesale food prices too had declined 0.64% in October, the latest month for which data is available. There is little divergence between wholesale and retail food prices at this point, suggesting a broad-based state of "disinflation".

Economists say there is a conundrum in food prices that needs to be investigated. "We have just returned from Punjab after spending four days. We

were told that traders are simply not stocking food commodities after demonetization as they are short of cash," said Siraj Hussain, visiting senior fellow at the economic think tank ICRIER.

If what traders claim is true, an obvious reason behind declining food prices could simply be the absence of a thriving private food commodity market.

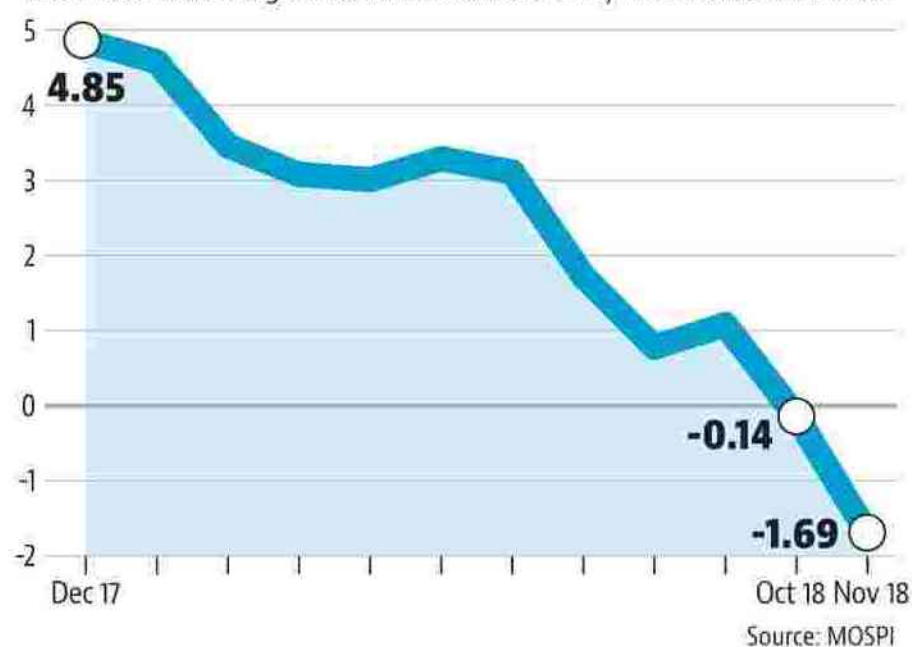
In July, the government sharply hiked minimum support prices for 14 crops, setting each of these at a minimum of 1.5 times the cost of cultivation, the highest increase under the present government's tenure. The move was meant to shield farm incomes. "Procurement isn't taking place in a big way even for pulses and oilseeds. Nafed is not even releasing daily updates on procurement," Hussain said. Nafed is a state-run agency that is responsible for procurement of these items.

The weightage assigned to food articles in the consumer price index is far higher at 46%, than in the wholesale price index at 24%. This means any swing in food pri-

## Food prices: falling flat

Persistent 'disinflation' in food items doesn't bode well for the country's farm economy

Retail food and beverages inflation in % as measured by the Consumer Price Index



ces affects the overall inflation rate.

Economists widely hold that entrenched disinflation -- or falling prices -- is harder to correct than rising prices.

The government's new agriculture-focused export policy may not yield instant results because of unfavourable global

food prices too.

World food prices fell in November to their lowest in two years, according to the Food and Agricultural Organisation (FAO). Data released by the FAO on November 7 showed that its food price index came in at 160.8 points last month from 162.9 in October.