Easing Food Inflation in India: Impact of El Niño, Wheat Recovery & 2025 Monsoon Outlook

October 27, 2025 • vajiramandravi.com

What’s in Today’s Article?

India Food Inflation Latest News

- The El Niño event from April 2023 to May 2024 was both prolonged and intense, with Pacific Ocean Sea surface temperatures rising up to 2°C above the 30-year average—far exceeding the 0.5°C threshold for El Niño classification.

- This strong El Niño led to deficient rainfall across much of India during the 2023-24 monsoon, post-monsoon, and winter seasons. It also delayed winter onset, caused warmer-than-normal temperatures, and triggered heat waves from late March to mid-June 2024.
- As a result, 2023-24 was a below-average agricultural year, with both kharif and rabi crops performing poorly.

Food Inflation Impact: A Chain Reaction

- The 2023-24 agricultural year was disappointing, with subpar kharif and rabi harvests due to an unusually long and strong El Niño.
- This weather anomaly disrupted rainfall patterns, directly affecting farm productivity.

Surge in Food Prices

- The poor crop yields triggered a sharp rise in food inflation.
- Between July 2023 and December 2024, the consumer food price index rose by an average of over 8.5%, marking one of India's longest food inflation spells in recent times.

Strain on Household Budgets

- High food prices forced households to divert a larger share of their income towards essentials, reducing their ability to spend on non-food items.

Impact on Consumption

- Consumer demand, especially for fast-moving consumer goods, was hit.
- Hindustan Unilever recorded modest sales volume growth, with figures dropping to 0% by the last quarter of 2024.

The El Niño Effect

- El Niño's disruption of global weather patterns reduced rainfall across India, damaging crop output, inflating food prices, and ultimately squeezing household consumption.

Easing Pressure on Food Inflation

- Retail food inflation eased significantly to 2.7% year-on-year in March 2025 — the lowest since November 2021 — offering relief after an extended period of high prices.

Agricultural Recovery in 2024-25

- The drop in inflation was driven by a recovery in farm output during 2024-25, supported by a favorable monsoon and the absence of disruptive weather events like El Niño.

Mild La Niña Influence

- While a full-fledged La Niña didn't materialize, mild cooling of sea surface temperatures in the Pacific (–0.5 to –0.6°C during Nov–Feb) helped stabilize weather patterns.
- This contributed to a normal winter and a healthy rabi crop.

Improved Supply, Lower Prices

- The improved kharif and rabi harvests began reaching markets, aligning with the softening of food inflation, bringing much-needed relief to both consumers and the economy.

Wheat Relief: A Turnaround in 2024-25

- As of April 1, 2024, government wheat stocks had fallen to 7.5 million tonnes—the lowest for that date since 2008.
- The 2023-24 wheat crop struggled in central India due to delayed winter and poor sunshine in January, while only northern regions saw good yields.
- Due to weak overall production, wheat prices remained elevated throughout 2023 and early 2024. The new marketing season also began with uncomfortable stock levels.

Bumper Crop in 2024-25

- This year's wheat harvest in central India has been strong, thanks to stable weather and the absence of fog or extreme temperature swings.
- Although yields in northern states are slightly lower than last year, national output is expected to be higher.

Favorable Weather Aided Grain Quality

- A cool March allowed proper grain filling.

New High-Yielding Varieties Boost Output

- Improved wheat varieties like HD-3386, DW-327, PBW-826, and PBW-872 played a crucial role in enhancing grain weight and overall yield, especially in Punjab and Haryana.

Market Signals a Good Harvest

- Prices of fair average quality wheat have dropped to ₹2,400–2,500 per quintal in MP's markets, below the ₹3,000–3,100 range three months ago and closer to the MSP of ₹2,425 — indicating ample supply.

Stock Rebuilding Expected

- With strong procurement expected this season, wheat stocks are likely to be replenished, supplementing already high levels of rice in government granaries.

Future Outlook: Signs of Economic Relief

- The India Meteorological Department (IMD) has forecast an "above normal" southwest monsoon for June–September 2025, with rainfall expected at 105% of the long-period average.
- This is likely under ENSO-neutral conditions, with neither El Niño nor La Niña active.

Potential for Lower Food Inflation

- A good monsoon would support healthy agricultural production, reinforcing the recent softening of food inflation and ensuring price stability in essential commodities.

Favorable External Factors

- Falling global crude oil prices (Brent below $68 per barrel) and a weakening U.S. dollar (from ₹87.5 to ₹85.4) are reducing import costs and easing subsidy burdens for the Indian government.

Positive Terms of Trade Shock

- The combination of lower food prices, cheaper oil imports, and favorable currency movement presents a positive terms of trade shock. This benefits:
  - **Households**, by improving purchasing power,
  - **Businesses**, through reduced input costs, and
  - **The Government**, by lowering subsidy expenditures.

Boost to Consumption

- With lower inflationary pressure and improved disposable income, household consumption could see a rise.
- This may help offset headwinds from global economic uncertainties, including disruptions from U.S. tariff actions under President Donald Trump.

India Food Inflation FAQs

Q1. What caused high food inflation in 2023-24?

Ans. A prolonged El Niño disrupted monsoons, reduced crop yields, and pushed food inflation above 8.5% for over a year.

Q2. Why is food inflation easing in 2025?

Ans. Favorable weather and improved harvests in 2024-25 eased supply constraints, bringing retail food inflation down to 2.7% in March.

Q3. How did wheat production recover in 2024-25?

Ans. Stable weather, improved grain varieties, and proper winter timing boosted wheat yields, especially in central India.

Q4. What is the 2025 monsoon forecast by IMD?

Ans. The India Meteorological Department forecasts an above-normal monsoon with 105% rainfall under ENSO-neutral conditions.

Q5. How will falling crude oil prices help India's economy?

Ans. Lower oil prices reduce import costs, ease government subsidy burdens, and improve purchasing power for consumers.

Source: IE | BW
