Why Food Inflation Is Likely to Stay Low in India

July 21, 2025 • vajiramandravi.com

Food Inflation in India Latest News

- India’s consumer price index inflation fell to 2.1% in June—lower than the US (2.7%) and UK (3.6%). The gap was even more notable in food inflation, with India recording a decline of 1.1%, while the US and UK saw increases of 3% and 4.5%, respectively.
- This marks the lowest retail and food inflation since January 2019 and is a significant relief for the Reserve Bank of India, which had struggled with high inflation through 2023–2024.
- The turnaround was driven by a surplus monsoon in 2024, leading to bumper kharif and rabi harvests, easing food prices from early 2025.

Food Inflation in India

- Food inflation in India refers to the rate at which the prices of food items increase over a specific period, typically measured year-on-year.
- It is a critical component of the Consumer Price Index (CPI), which tracks changes in the cost of living.

Key Features

- Measured by the Ministry of Statistics and Programme Implementation (MoSPI) through the CPI.
- Covers essential food items like cereals, pulses, vegetables, fruits, milk, eggs, meat, and edible oils.
- Affects household budgets, particularly for lower- and middle-income groups where food is a major expense.

Wheat Stocks Rebound, Ensuring Cereal Stability

- Thanks to abundant rainfall during the 2024 monsoon season—7.6% above normal—favourable soil moisture and improved water reserves led to a strong wheat harvest.
- Wheat stocks in government godowns, which were critically low at 282.61 lakh tonnes (lt) on July 1 last year, have now risen to 358.78 lt—a **four-year high**.
- Procurement also surged to 300.35 lt during the April–June marketing season, up from 266.05 lt in 2024 and just 187.92 lt in 2022.
- Coupled with record-high rice stocks, this has placed India in a comfortable cereal supply position.
- The government now has ample reserves to support the public distribution system and intervene in the market to control prices—unlike the situation just months ago.

Strong Monsoon, Shifting Crop Patterns, and Inflation Control

- The 2025 monsoon has brought much-needed relief, **arriving early over Kerala** on May 24 and delivering cumulative rainfall 7.1% above the long-period average (LPA) by July 20.
- Most regions have received above-normal rain, boosting sowing in major kharif crops—except arhar (pigeon pea), soyabean, and cotton.
    - Almost all states/regions – barring Telangana, Andhra Pradesh, Bihar, eastern Uttar Pradesh, Marathwada, Assam, Meghalaya and Arunachal Pradesh – have received above-par rains.
- However, these dips are due to low market prices and pest concerns, not inadequate rainfall.
- Farmers are shifting acreage to maize, which is now more profitable due to its use in ethanol, feed, and starch industries.
- Despite reduced planting in some pulses and oilseeds, food inflation is expected to remain under control, thanks to record imports.
    - In 2024–25, India imported 72.56 lakh tonnes (lt) of pulses and 164.13 lt of vegetable oils.
- The government has extended zero-duty imports on key pulses till March 2026 and recently slashed duties on major edible oils, ensuring sufficient supply and price stability in the months ahead.

Fertiliser Shortage Poses Risk Despite Strong Monsoon Start

- While the 2025 monsoon has boosted early kharif sowing, concerns remain about its potential weakening and a growing fertiliser shortfall.
- Adequate rains have increased fertiliser demand, but opening stocks of key nutrients like urea and di-ammonium phosphate (DAP) as of July 1 are significantly lower than last year.
    - Urea stocks have fallen from 103 lakh tonnes (lt) to 61.22 lt, and DAP from 19.18 lt to 12.98 lt.
- The decline is mainly due to reduced imports, especially from China, which imposed export restrictions.

    - Chinese exports of urea to India dropped from 21.48 lt to just 1.04 lt, and DAP from 22.87 lt to 8.43 lt.
- This supply squeeze has driven up DAP prices from $525 to $810 per tonne.
- It remains uncertain whether the fertiliser shortage will affect crop yields, but it adds a layer of risk to an otherwise promising agricultural season.

Source: IE | RT
