

# Cereal price rise defies dip in overall inflation

Wheat, rice production has been below last year's level: Govt estimates

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The retail price inflation in cereals refused to decline, unlike overall or food inflation, as production was hit due to adverse weather conditions.

Cereals inflation rose to 12.96 per cent in November from 12.08 per cent during the previous month.

This comes even as overall inflation came down below the Reserve Bank of India (RBI) mandate of six per cent for the first time in 11 months. Food inflation also declined to its lowest level of 4.67 per cent in 11 months.

The retail inflation rate in wheat rose to 19.67 per cent in November from 17.64 per cent in October.

At the beginning of the year, it was just 5.1 per cent and rose to 9.59 per cent at the beginning of the current financial year. From there, it more than doubled in November.

Another cereal — rice — saw inflation rate rising to 10.51 per cent in November from 10.21 per cent in October. It was just 2.8 per cent in January and 3.96 per cent in April.

Wheat and rice drove the prices since the inflation rates in other cereals were negative in all these months, except October and November. The rate rose to 1.99 per cent in October from -1.37 per cent in



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Retail inflation (% YoY)



Source: MoSPI

September before cooling a bit to 1.7 per cent in November.

Rise in inflation in wheat and rice may disturb the budget of the poor, but the government has already extended the free foodgrain scheme for 800 million people by three months till December 31.

Under the scheme — the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) — five kg of wheat or rice is provided free of cost to the beneficiaries of the National Food Security Act. This is in addition to their monthly quota.

Besides, rationed rice and wheat have not seen much inflation.

For instance, public distribution system (PDS) rice saw a decline in prices during the

first four months of the calendar year till April. And then, the inflation rate stood below one per cent till September. There was absolutely no inflation in October-November for PDS rice.

In the case of PDS wheat, prices continued to fall every month till November 2022 year-on-year (YoY).

Production of both wheat and rice has been below last year's levels, according to the government's estimate. But the extent of the fall has varied between what has been officially pronounced and what private traders calculated.

This is also perhaps among the very few times in recent history when output of both the main cereals has seen a drop due to adverse weather

conditions.

Whole wheat output dropped in 2022 rabi season due to sudden rise in terminal heat, just ahead of the harvesting stage.

Rice production dropped in the preceding kharif season due to drought and patchy rains in the main growing states of eastern India — Bihar, Jharkhand, West Bengal and Uttar Pradesh.

According to official estimates, wheat production in the rabi season of 2022 that ended in June was officially pegged at 106.41 million tonnes. This is 3.8 million tonnes less than last year's output as heat waves in the main crop-growing stage crimped output.

However, private traders have pegged the production at much less, somewhere around 98-100 million tonnes.

As a consequence of the drop in production, prices flared up in the domestic market. It was also aided by the acute shortage of wheat in the global markets due to the Ukraine war.

Similarly, in the case of rice, too, the weather played spoilsport and drought in eastern India pulled down rice output.

According to the first advance estimates, rice production in the just-concluded kharif season is expected to be at 104.99 million tonnes. This would be almost 6.05 per cent less than the same period last year.