



FOOD INFLATION IN INDIA - GS III MAINS

Q. Examine the reasons for high food inflation in India despite falling global food prices. Discuss the measures that need to be taken by the government to address the rising food inflation. (15 marks, 250 words)

News: *How food inflation in India has been de-globalised, what factors can drive prices now*

What's in the news?

- While global food prices experienced a significant drop from their highs in 2022, India's food inflation remained elevated at 9.5% in December 2023, contrasting with the global deflation rate of -10.1%.

Factors Contributing to the Drop in Global Food Prices:

1. Abundant Supply of Key Crops:

- Bumper harvests of major crops like wheat in 2023 led to a surplus in the global market.
- This abundance contrasts with concerns in 2022 when worries about supply disruptions due to the war in Ukraine, a major grain exporter, caused prices to spike.

2. Improved Supply from Russia and Ukraine:

- Despite the disruption of the Black Sea Grain Initiative in July 2023, both Russia and Ukraine have managed to maintain wheat exports.
- This continued flow of grain from the region has helped to alleviate some of the supply anxieties.

3. Lower Demand for Vegetable Oils:

- The UN's Food and Agriculture Organization Vegetable Price Index saw the biggest drop in 2023, falling by 32.7%.
- This decline is due to a combination of factors, including improved vegetable oil supplies and a decrease in its use for biofuel production.
- As more oil becomes available for food purposes, and less is diverted for biofuels, the overall demand for vegetable oil goes down, leading to lower prices.

4. Slowing Demand:

- High inflation and fears of an economic recession have dampened consumer demand in many parts of the world, including in major food-importing regions, leading to a decline in import demand for certain food commodities and putting downward pressure on global prices.

Reasons for High Food Inflation in India Despite Falling Global Food Prices:

1. Limited Transmission of Global Prices:



- While global food prices fell, India's food prices stayed elevated due to limited transmission of international prices to domestic markets.
- India's import dependence is significant only for edible oils (60% of consumption) and pulses. For most other agri-commodities, including cereals, sugar, dairy, and fruits and vegetables, India is self-sufficient or an exporter.

2. Export Bans and Import Duties:

- The Indian government imposed bans on exports of certain food items like wheat, non-basmati white rice, sugar, and onions and provided import duty waivers on others, effectively reducing global market influences on domestic prices.

3. Domestic Production Challenges:

- Issues like weather conditions affecting crop yields, particularly for cereals, pulses, and sugar, contributed to supply shortages and higher prices domestically.
- Cereal and pulse inflation stood at 9.9% and 20.7% year-on-year, respectively, in December 2023.

4. Low Stock Levels:

- Low stock levels for commodities like wheat and sugar further exacerbated price pressures.

Measures Need to be Taken to Address Food Inflation in India:

1. Increase Agricultural Productivity:

- Investing in agricultural infrastructure, technology, and research to improve crop yields and reduce production costs can boost supply and stabilize prices.

2. Efficient Supply Chain Management:

- Enhancing logistics, storage facilities, and distribution networks can reduce wastage and ensure a steady supply of food items to the market, mitigating price fluctuations.

3. Diversification of Agriculture:

- Promoting diversification by encouraging the cultivation of a variety of crops and supporting alternative farming practices can reduce reliance on a few commodities and balance market dynamics.

4. Price Monitoring and Regulation:

- Monitoring food prices regularly and implementing effective price regulation mechanisms can prevent price manipulation and ensure fair pricing for consumers and producers alike.

5. Climate Resilience:



PL RAJ IAS & IPS ACADEMY

MAKING YOU SERVE THE NATION

- Addressing climate change challenges through sustainable farming practices, water management strategies, and crop diversification can reduce production risks and enhance food security in the long term.



**P.L. RAJ IAS & IPS ACADEMY | 1447/C, 3rd floor, 15th Main Road,
Anna Nagar West, Chennai-40. Ph.No.044-42323192, 9445032221
Email: plrajmemorial@gmail.com Website: www.plrajiacademy.com
Telegram link: <https://t.me/plrajiacademy> YouTube: P L RAJ IAS & IPS ACADEMY**