

Wholesale inflation soars to 16-month high of 3.4%

TIMES NEWS NETWORK

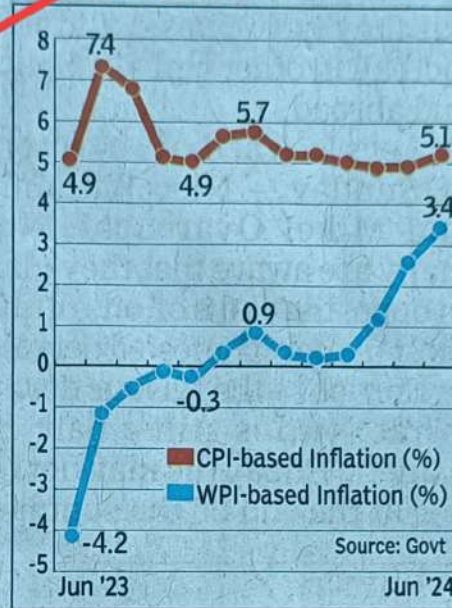
New Delhi: Wholesale price inflation surged to a 16-month high in June as food and manufactured product prices shot up.

Data released by the commerce and industry ministry on Monday showed inflation, as measured by the wholesale price index, rose an annual 3.4% in June from 2.6% in May. Food inflation hit double digits at 10.9% in June from 9.8% in May. Inflation in vegetables rose 38.8% in June, while pulses rose 21.6%. Potato prices shot up 66.4% and onion surged 93.4%.

Experts expect the Reserve Bank of India (RBI) to delay any interest rate cut for now, given the pressure of food prices on retail inflation.

“Both wholesale and retail price indices are overwhelmingly being driven by food. CPI inflation crossing the 5% mark in June was largely due to elevated food inflation. While industrial costs are ri-

Food Prices A Concern



sing, the impact of this is not yet fully reflected in core CPI inflation (core CPI inflation rose marginally to 3.1% in June from 3% in May),” Barclays said in a note

“The central bank is likely to remain hawkish over persistently elevated food inflation. While we expect a window for monetary easing to open in Dec 2024, we note a risk of rate cuts being pushed to 2025 if growth re-

mains on a strong footing or if the inflation surge is stronger than expected by the bank,” Barclays said.

Retail inflation rose to a four-month high in June, led by a spurt in prices of food and beverages, delaying any prospects of interest rate cuts for now.

Data released by the National Statistical office (NSO) on Friday showed retail inflation, as measured by the consumer price index, rose an annual 5.1% in June, faster than the 4.8% in May and higher than the 4.9% in June 2023. Rural inflation was higher at 5.7%, while urban was at 4.4%.

“The jump in the WPI inflation to 3.4% in June 2024 was broad-based, and along expected lines, displaying the third consecutive month of a sizeable sequential step up (+0.3% in March 2024, +1.2% in April 2024 and +2.6% in May 2024),” said Aditi Nayar, chief economist at ratings agency ICRA.

Potato-Onion-Tomatonomics

High food inflation in times of strong growth means interest rates could stay higher for longer. Climate change is clearly a factor. Budget must focus on structural issues to tame prices

Dharmakirti Joshi



Food prices are morphing into a hydra. While inflation in cereals and pulses continues to be elevated, the persistence of high vegetable inflation has raised fresh concerns. As the latest price food inflation spiked to 9.4% in June, lifting overall inflation to 5.1%. Vegetable inflation, at nearly 30%, was key driver of food inflation spike, even as cereals (8.75%) and pulses (16%) inflation continued to remain high in the month.

What is behind this stubbornness? Agricultural production and prices are highly sensitive to weather and vegetables are most vulnerable and most volatile. While some abnormality in rainfall pattern has been the norm rather than exception over the years, climate change has added new and unpredictable dimensions.

Climate change casts shadow | Not only are rainfall patterns changing but other shocks such as heatwaves and unseasonal rains are playing out at a higher frequency. Unusual volatility in weather has been noticed since 2023, which was the hottest year in recorded history of the world. For India, August 2023 was the hottest month since 1901.

Little surprise, therefore, that unseasonal rains and heatwaves contributed to surge in food inflation to 7.5%, with vegetable inflation at nearly 15%, in 2023-24. Worryingly, vegetable price index not only missed its typical seasonal winter decline but also outran the seasonal uptick last year.

In June, rains were 11% below normal and the month turned out to be the hottest month in recorded history in northwest India. This created supply disruptions which lifted vegetable inflation. Key drivers of vegetable inflation typically are tomatoes, onions and potatoes, also referred to as TOP category. They are the most consumed vegetables, account for over a third of CPI vegetables category, and have historically punched more than their weight in driving vegetable inflation.

CRISIL Research's thali index published a few days before official data on inflation was released on July 12 had noted "the cost of home-cooked vegetarian thali spurted in June as prices of tomato, onion and potato surge on lower arrivals due to inclement climatic conditions".

Prices to cool in next few months | Vegetable inflation will optically come down in July due to high base effect (vegetable inflation had spurted to over 37.3% in July 2023), even as price levels remain firm. As supply improves and if weather does not play spoilsport, vegetable inflation and prices are expected to come down over the next few months.

Excluding food, inflation print is at a comforting 2.3%. Despite strong growth momentum, core inflation (after taking out food and fuel) and dominant part of non-food inflation was at a low of 3.3%.

No rate cuts before Oct | Sustained high food inflation is difficult to ignore for RBI because it has a high weight (40%) in consumer basket. High food inflation can spill over to other components, particularly when growth momentum is high, and keep headline CPI inflation above RBI's target. Additionally, as food items are purchased at high frequency it keeps inflation expectations high.

While interest rate cycle has peaked globally, different countries are tuning their monetary policies to domestic conditions. Unlike in the West, food, not core, inflation is the problem in India. And if food inflation stays high, interest rates, too, will stay higher - for longer.

As growth remains strong, RBI will be on a wait-and-watch mode till the time food inflation descends. In the base case, food inflation is likely to come down on the back of normal monsoon forecast. RBI is expected to begin cutting rates in Oct, at the earliest. There may be two rate cuts, as against three expected earlier.

What Budget should do | The forthcoming Budget needs to focus on structural issues to tame food inflation as fiscal policy can play a critical role in bringing enduring decline to food prices. India is among the most climatically vulnerable countries and weather risks are on the rise. So, fiscal support to adaptation measures such as developing weather resistant crops and early warning systems needs to go up.

To trim food wastage, infra for transportation and storage needs to be created at a much faster pace. Food processing, particularly for vegetables such as tomatoes, will help to smoothen prices and reduce spoilage during excess production. In India less than 5% of tomatoes are processed.

Finally, farmers need extension support and price signals, especially in the current milieu with rising risks to agricultural production. Currently, price signals are available via minimum support prices for a few crops which benefit select regions. Developing a system for directional guidance on prices for other categories of food might be worth considering.

It's time to summon all the tools needed to tame the price beast.

The writer is Chief Economist, CRISIL Ltd



But this gives no comfort on monetary policy front. Even if overall inflation is localised to food right now, RBI will have to keep its eyes peeled for developments on that front. It wants inflation to come down to 4% on a durable basis and this cannot happen without enduring decline in food inflation. Past data shows that whenever inflation has come down to 4% on a sustained basis, food inflation has been benign at 2-3%.

Think tank: Give ₹35k/ha for shift away from paddy

'Centre, States Should Split Cost 50:50'

TIMES NEWS NETWORK

New Delhi: A paper by ICRIER economists led by Ashok Gulati has suggested a transfer of Rs 35,000 a hectare to farmers who shift from paddy to pulses, oilseeds, millets, and maize during the kharif season along with procurement of these crops at the minimum support price for five years.

Underlining the need for diversification in Punjab and Haryana, it has proposed that the cost be split 50:50 between the state and the Centre. "Haryana is already giving Rs 17,500 a hectare and the Centre needs to double it. Interestingly, there is hardly any additional expenditure involved. It is the savings on power, canal waters, and fertiliser subsidies that need to be given back to farmers in a different form. If this is done, India can save the most fertile plains of Punjab-Haryana from potential desertification," it said.

The paper comes months after farmer unions from Punjab were offered a package by a team of central min-



Such an incentive could save the most fertile plains of Punjab-Haryana from potential desertification, the paper said

isters assuring govt procurement for five years to tillers who diversify into pulses, maize and oilseeds.

The paper titled 'Saving Punjab and Haryana from Ecological Disaster: Re-aligning Agri-Food Policies' has concluded that the current regime is unsustainable and results in massive groundwater extraction for paddy cultivation and the two northern states accounted for a substantial part of the fertiliser subsidy as they consumed more fertiliser than their counterparts during kharif season that starts in June.

"Taking Punjab as an example, the combined subsidies from the govt of Punjab

and the govt of India amounted to a staggering Rs 38,973 per hectare during 2023-24. When considering additional subsidies for managing crop residues both in the field and after harvest, the financial support for paddy cultivation would easily go beyond Rs 40,000 per hectare," it said.

With subsidies contributing to nearly one-third of the profitability for paddy, the gains from the crop are far higher than others grown during the season — as much as Rs 68,849 a hectare when compared with bajra.

What has encouraged the cultivation of paddy is assured procurement at the minimum support price, something that is not available to other crops grown during the season.

As a result, the paper has proposed diversification of 12-14 lakh hectare from paddy cultivation in Punjab and Haryana with govt offering upfront incentive of Rs 30,000-40,000 a hectare by repurposing power subsidy, offered by the state, and fertiliser subsidy, given by the Centre.

There are other recommendations such as public-private partnership for carbon credits for diversifying away from paddy, which emits five tonnes of carbon dioxide per hectare.

SC nixes pleas for review of ruling against Adani-Hindenburg probe

New Delhi: Supreme Court has refused to revisit its Jan 3 judgment that had rejected an SIT or CBI probe into short-seller Hindenburg's Jan 2022 report, which sharply eroded the share value of Adani group companies and caused a stock market meltdown.

A bench of Chief Justice D Y Chandrachud and Justices J B Pardiwala and Manoj Misra had disposed of a bunch of PILs on Jan 3 on finding lack of merit in their allegations about market regulator Sebi not doing its job to investigate Hindenburg's charge of stock market manipulation by Adani group companies and a demand for a thorough probe by the CBI or a special investigation team.

The court had ordered central agencies to probe Hindenburg's role in causing loss to Indian investors.

PIL petitioner Anamika Jaiswal, through advocate

Prashant Bhushan, had filed a review petition in Feb alleging glaring errors in the judgment. TNN

IN THE COURTS

- **Of 1.4L convicts lodged in jails, many are either unaware of their legal right to appeal against trial court orders or are not interested to move higher courts as they don't expect favourable outcomes. Of the convicts surveyed, 75,629 are serving life terms | P 12**
- **Rajasthan files an SLP in SC, asking to be made party to a case pertaining to the constitutional validity of marital rape being treated as an exception under Section 375 of the IPC | P 13**
- **SC issues notice on a plea filed by ex-J&K CM Omar Abdullah seeking divorce from wife Payal Abdullah, seeks her reply | P 13**
- **SC nixes petition filed by Karnataka dy CM Shivakumar seeking quashing of CBI FIR filed against him in an illegal assets case | P 13**
- **ASI submits 2,000-page report on its scientific survey of disputed Bhojshala-Kamal Maula mosque complex to MP HC | P 14**

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Nagaland moves SC to prosecute 30 Armymen

Centre Denied Prosecution Nod For Botched Op

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New Delhi: Supreme Court on Monday admitted a writ petition by Nagaland govt challenging the Centre's one-and-a-half-year-old order denying sanction for prosecution of 30 Armymen who were named in the FIR lodged by state police for killing 13 civilians in a botched-up operation to ambush militants in Mon district on Dec 4, 2021.

Moving the petition, filed under Article 32 of the Constitution invoking violation of the fundamental rights of citizens, state advocate general K N Balgopal said though state

'NO APPLICATION OF MIND'

- Nagaland govt says Army ambush team opened fire on vehicle carrying coal miners **without challenging or asking them to identify themselves**
- Citing ambush team's claim that they were carrying weapons & wearing dark clothes, it says, 'Army

surveillance team had **no basic knowledge about ground realities in Nagaland**, where it's common to carry hunting guns'

- After initial ambush killed 6 civilians, **angry villagers clashed with Armymen**, leading to the deaths of 7 more villagers and a soldier

“ The competent authority in the Union govt has, without application of mind and going through material collected by SIT (of state police) during investigation, arbitrarily and against public interest refused sanction —Nagaland govt in SC

police has clinching evidence against the Armymen, including a Major, the Centre has arbitrarily refused to accord sanction for their prosecution. The bench issued notices to the Centre and the ministry of defence and sought their responses within four weeks.

In July 2022, the apex court had stayed prosecution of

the personnel belonging to Alpha team of 21 Para (Special Forces) on petitions from the wives of the accused as they claimed that their husbands were being prosecuted without the state obtaining mandatory sanction for prosecution from the Centre.

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China expert Vikram Misri takes charge as India's new **Foreign Secretary**

NEW DELHI, July 15 (PTI)

SEASONED diplomat Vikram Misri, widely regarded as an expert on China and national security, assumed charge as India's new Foreign Secretary on Monday.

Misri, a 1989-batch Indian Foreign Service officer who was serving as the Deputy National Security Advisor, succeeded Vinay Kwatra.

The 59-year-old assumed charge of the key position at a time India is looking to navigate various geo-political challenges, including its frosty ties with China following the lingering eastern Ladakh border row and the consequences of



Vikram Misri assumes charge as the Foreign Secretary, in New Delhi. (PTI)

the Russia-Ukraine conflict. External affairs Minister S Jaishankar congratulated Misri

on assuming his new responsibility. "Congratulate Foreign Secretary @VikramMisri as he assumes his new responsibility today. Wish him a productive and successful tenure," he said on X.

Misri served in various capacities at the Ministry of External Affairs (MEA), in the Prime Minister's Office and in various Indian missions in Europe, Africa, Asia and North America. He has the rare distinction of serving as private secretary to 3 PMs -- Inder Kumar Gujral, Manmohan Singh and Narendra Modi. As per norms, Misri is set to have a minimum tenure of two years as the Foreign Secretary.