

South Asia

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India's food inflation hardens

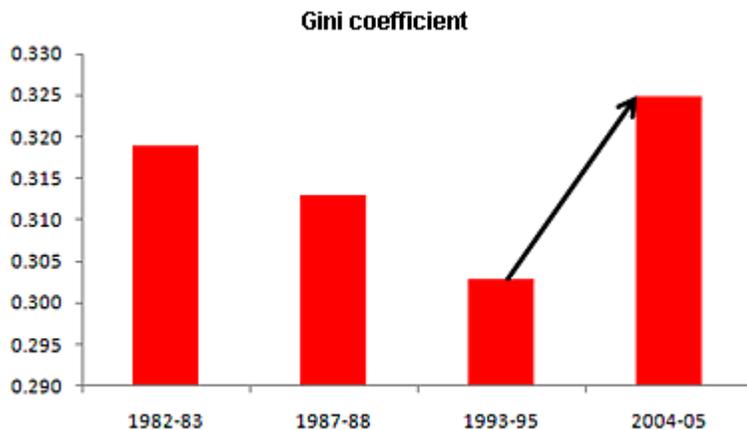
By Kunal Kumar Kundu

BANGALORE - Despite much talk by Indian ministers and policymakers of easing food price inflation, the food price index (which has a weighting of over 15% in the wider wholesale price index) rose at an annual rate of 11.47% in the week ending August 28, increasing from 10.86% the previous week. This is nothing short of catastrophic for Indians, and particularly for the poor.

For a better perspective, it is important for readers to know that a new method of calculating poverty (as suggested by Professor Suresh Tendulkar) recently pegged India's poor population at a remarkable 37% plus (a 10% jump from the previously stated official number).

Even that may be on the lower side. Yet if we go by this data, that means more than 400 million Indians are poor. When one considers the fact that at the time of India's independence, India's total population was 330 million, it's quite shocking to think that the equivalent of the whole of independent India is poor.

It is also clear that inequality in the Indian society has gone up manifold. The best way to understand this is by looking at India's Gini coefficient. The coefficient, a widely used measure of a country's inequality of income or wealth, ranges between 0 and 1, where 0 implies perfect equality and 1 connotes total inequality.



Source: IMF Working Paper – India: Is the rising tide lifting all boats?

According to International Monetary Fund estimates based on NSSO (National Sample Survey Organization) data, whereas India's Gini coefficient was at one time declining steadily, it rose (that is, inequalities worsened) during the reform period following the mid-1990s and the rise was quite substantial.

It is also important to note that poverty in India is very different from the notion of poverty in the West, where numerous state agencies and benefits can ameliorate conditions for even the most poor. In India, with such a high level of abject poverty, rising inflation will result in more incidences of malnutrition, stunted growth and death.

A deeper look into the reason for the spurt in food inflation shows that a contributing factor was the loss of

production in some goods due to flooding in parts of the country.

That brings to the fore a basic question. How does the government expect a good harvest to bring down inflation? Time and again, I have talked about various inadequacies - read structural deficits - plaguing the food [network](#), created by inadequate investment in agriculture, an abysmal distribution mechanism, horrific storage facilities and so forth. Together, these stubbornly ensure a high food price.

Only when the monsoon is really adequate (when the deviation in spatial distribution is less) is there enough production to give some relief. This year, the government is playing the normal monsoon card to persuade people that food inflation will soon be under control. I question the very concept of a "normal" monsoon.

As was mentioned in my previous article, quite a few Indian states are suffering from drought while others suffer flooding. (See Sheen wearing off Indian growth, [Asia Times Online](#), September 3, 2010). Put another way, there is a highly insufficient monsoon in some states and a much more than desired monsoon in others. Statistically, India will still have average monsoon. But ask the farmers impacted either way.

Yet, the government is optimistic that a bumper food crop will bring down inflation levels. The fact is, by the time it should have had some impact, India will be back to square one.

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His other articles are available at <http://kunalsthoughts.weebly.com>