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Inflation in rice, edible oils, fish is an urban trend: Report

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A study of price rise across 78 towns and cities between April 2006 and June 2009 shows that the inflation in the case of rice is more of a large-town phenomenon.

The same trend has been observed in the case of edible oils and fish.

The study, conducted by Dr Abusaleh Shariff for the International Food Policy Research Institute (IFPRI), points out that wheat flour (atta) prices were very high in the smaller towns, even as wheat prices were lower here than in larger towns and cities.

Rice versus wheat

The study, which divides towns and cities into six categories on the basis of population, says that the price differential between small and large towns is more in the case of rice than wheat.

On prices of rice, the study observes, "Rice prices vary widely between the markets based on size of towns. Incidentally, the smaller towns have recorded not only the least prices, but also no observable price increase during July '08 to June '09. Rice prices are found to be 25 per cent higher in larger towns having 25-50 lakh population compared with smaller towns; and have

also shown large price inflation relative to other towns and cities.”

The study shows rice prices to have risen from about Rs 16 a kg in April-June 2006 to about Rs 26 a kg in October 2009 in towns in the 25-50 lakh population category. Prices rose from about Rs 11 a kg to Rs 16 a kg in towns in the one lakh to five lakh population bracket during this period. Rice prices were the lowest in these towns.

Who are affected

On the implications of this pattern, the study notes, “Daily wage earners living in larger towns and cities are adversely affected.”

Atta prices were in the region of Rs 15 per kg in April-June 2006 in towns with a population of less than one lakh. The average price for all towns and cities at that time was Rs 13 a kg. In October 2009, the average price was Rs 17 a kg, whereas the price in the smallest towns was Rs 19 a kg. Explaining this pattern, the study says, “This reflects the poorly developed food processing industry, in this case flour mills, in or near the small towns in India. However the price of atta in towns of one to five lakh population is the least suggesting concentration of flour mills in them.”

Rural ways

In these towns, atta prices were in the Rs 10-12 range between April-June 2006 and October 2009, lower than the average price.

“The common practice in rural areas is to consume whole wheat milled in local chakkis in smaller quantities, which cost between half to one rupee a kilo. Thus, the consumers in smaller towns and in rural areas save substantially by not purchasing processed and packed atta generally supplied by large flour mills and often unbranded,” the paper notes.

Written by Administrator

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The IFPRI study says that wheat prices are about 20 per cent lower than the average in the small towns (population of five lakh and below).