



## FOOD INFLATION: CAUSES, EFFECTS AND MEASURES IN INDIA

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**ABSTRACT** Food is the basic necessity of a human's life without it life cannot be imagine. Every human body requires essential food items in sufficient amount for the survival of life whether he is a rich person or a poor one. Food inflation is a biggest problem in front of the poor section of the society. In this situation the prices of essential food items has been increased, poor people cannot be afford the essential food items which affects their health adversely and they will not be able to work properly. In this research paper we studied the concept of food inflation, its causes and its effect on the poor section of the society. We also noted that the measures of government have taken up to solve the problem of food inflation. The efforts have been made by the government to manage the prices of essential food items so the poor people can live a better life.

## KEYWORDS :

## INFLATION

Inflation is a quantitative proportion of the rate in which the normal cost level of the selected goods and services in an economy increment over some stretch of time. It is the consistent increment in the general price level where a unit of cash purchases short of what it did in earlier periods. Inflation frequently communicated as a rate which shows expansion in prices and lessening the buying intensity of a country's cash. Due to increased price level, the currency unit loses its value as it purchases less amount of goods and services. This loss of buying power generally affects the cost of basic items for the common public which eventually prompts deceleration in monetary development and the economy growth. The accord see among business analysts is that supported expansion happens when a country's cash supply development outpaces monetary development.

## FOOD INFLATION

Food inflation represents the situation in which the price level of essential food items have been increased relative to the general inflation rate. Increasing rate of food inflation is a serious issue for the policy makers. In India it is an important concern because poor households spent more than 60% of their income on the food items. It affects pocket of the common man and increases the tax burden on poor segment of the society instead of the higher income groups. For example the official expansion of inflation is around 7% but the rate of food inflation increases at 17.8% which is more than double of it. In financial year of 2019-20 food inflation has been the significant driver of inflation. A few products, for example, onion, tomato and heartbeats have demonstrated high expansion since August 2019. Availability of onion and tomato in markets has been restricted due to the untimely rains and affect the production level of these essential commodities. As compare to the last year the sowing progress of pulses has been declined.

Food articles	2017-18	2018-19	2019-20*	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019
Cereals	0.3	5.5	8.2	8.7	8.5	8.7	8.3	7.9	7.7
Pulses	-27.1	-9.4	17.3	20.0	16.4	17.9	16.6	16.6	13.1
Vegetables	18.8	-8.4	31.4	10.5	12.9	19.3	39.0	45.3	69.7
Fruits	5.0	-1.7	4.4	15.4	19.8	6.7	2.7	4.3	3.5
Milk	4.0	2.4	1.7	1.5	1.5	1.5	1.5	1.6	2.6
Egg,meat&fish	2.0	1.7	6.6	3.6	7.0	7.7	7.6	8.2	6.2

The above table 1 shows that the prices of the food items have been increased continuously from 2017-18 to Dec 2019. From 2017-18 to Dec 2019 inflation rate has been increased 0.3 to 7.7 in cereals,-27.1 to 13.1 in pulses, 18.8 to 69.7 in vegetables, 2.0 to 6.2 in egg, meat and fish in an increasing rate and also at a decreasing rate in fruits and milk which was 5.0 to 3.5 in fruits and 4.0 to 2.6 in milk. The above table shows that inflation rate of vegetables are so much higher as compare to other food items.

## CAUSES OF FOOD INFLATION

## Increasing Money Supply

In the course of the most recent couple of years the pace of increment in cash supply has changed somewhere in the range of 15 and 18 percent,

though the national yield has expanded at a yearly normal pace of just 4 percent. Consequently the pace of increment in yield has not been adequate to retain the rising amount of cash in the economy. Swelling is the undeniable outcome.

## Increasing Administered Prices

In our economy an enormous piece of the market is directed by government activity. There are various significant products, both horticultural and mechanical, for which the value level is regulated by the legislature. The administration continues raising costs every once in a while so as to conceal misfortunes in the open part. This approach prompts cost-push swelling. The upward amendment of managed costs of coal, iron and steel, power and composts were made at customary interims. When the regulated costs are raised, it is a sign for other cost to go up.

## Government Expenditure

Government consumption in India during the ongoing years has been rising exceptionally quick. What is additionally upsetting, extent of non-advancement consumption expanded quickly, being around 40 percent of all out government use. Non-improvement use doesn't make genuine merchandise; it just makes buying power and thus prompts swelling. Not just the previously mentioned factors on the Demand side reason expansion, factors on the Supply side likewise fan the fire of inflation.

## Deficit Financing

At the point when the legislature can't raise satisfactory income for its consumption, it resorts to deficiency financing. During the 6th and seventh Plans, huge dosages of shortage financing have been depended on it. It was Rs. 15,684 crores in the 6th Plan and Rs. 36,000 crores in the seventh Plan.

## Improper Agriculture And The Industrial Growth Rate

Agrarian and modern development in our nation has been much underneath what we had focused for. Over the four decades time frame, nourishment grains yield has expanded and-for example of 3.2 percent per annum. Be that as it may, there are long stretches of harvest disappointment because of dry seasons. In the long stretches of shortage of nourishment grains not just the costs of nourishment articles expanded, the general value level likewise rose. Disappointment of harvests constantly urged enormous discount vendors to enjoy storing which complemented shortage conditions and pushed up the value level. Our modern structure, created based on overwhelming industry-driven development, isn't reasonable to satisfy the present need for customer products.

## The Rising Prices Of Imported Goods

Inflation has been a worldwide wonder. Universal expansion gets brought into the nation through significant imports like composts, palatable oil, steel, concrete, synthetic substances, and apparatus. Increment in the import cost of oil has been generally breathtaking and its commitment to residential value rise is high.

### Increasing Tax Rates

To raise extra budgetary assets, government is relying increasingly more upon backhanded assessments, for example, extract obligations and deals charge. These charges constantly raise the value level. Inflation negatively affects low-pay individuals who may have more issues paying for every day everyday costs, social insurance and training. What's more, their work/life equalization can endure in the event that they have to work more to pay their costs.

### EFFECT OF RISING INFLATION ON POOR SECTION OF THE SOCIETY

#### Difficulty In Paying Of Essential Living Expenses

Low-salary individuals may think that it's hard to pay for things like lodging, nourishment and utilities when costs of these merchandises rise and outpace their wages. To pay for fundamental everyday costs, individuals with low earnings may keep their warmth off during winter months and cooling off during summer months, setting themselves and their kids in danger of hypothermia and warmth related medical issues. On the off chance that rents and home loans with customizable financing costs rise, individuals with low livelihoods might be not able to abstain from falling behind in installments and subsequently face expulsion and vagrancy.

#### Poor Work-life Balance

To meet the increasing expenses of inflation, low-pay individuals may need to work longer hours or take on extra employments and – even with the all-encompassing work hours – probably won't have enough cash to manufacture or develop their investment funds. For individuals who have low earnings and young youngsters, the long work hours can shield them from investing energy with their kids. It can likewise prompt circumstances in which their young youngsters are at home alone when school on the off chance that they don't have cash for a sitter.

#### Unapproachable Educational Costs

The increasing expenses of an advanced degree can make it excessively expensive for low-pay laborers. Offspring of guardians with low livelihoods may drop out of secondary school or quit school so as to maintain modest sources of income to enable their folks to pay for fundamental everyday costs. This, thusly, can make a pattern of neediness stretching out across ages.

#### Unapproachable Health Care Costs

Low-salary laborers without business gave medical coverage may be not able to stand to pay for it. Regardless of whether they do have protection, to shield from paying deductibles, they may do without yearly tests for reason-explicit specialist visits, which thus may make them, be uninformed of medical issues or to look for treatment for them. They may be compelled to manage without important solutions, eyeglasses, dental strategies and other medicinal services costs.

### Steps Taken By Indian Government To Manage The Rising Prices Of Essential Food Items

Government sets aside different measures to make efforts to timely balance out costs of fundamental nourishment things which are alia, incorporate using exchange and financial approach instruments like import obligation, Minimum Export Price, send out limitations, burden of stock cutoff points and prompting States for compelling activity against hoarders and dark advertisers and so on to manage household accessibility and moderate costs. Likewise, Government boosts ranchers by reporting Minimum Support Prices for expanding creation and executing Schemes which includes alia incorporate Mission for Integrated Development of Horticulture (MIDH), National Food Security Mission (NFSM), National Mission on Oilseeds and Oil Palm (NMOOP), and so on for expanding creation and profitability through fitting mediations. In addition, Government is additionally actualizing Price Stabilization Fund (PSF) to help moderate the instability in costs of agricultural products like heartbeats, onion, and potato. Onion costs saw a climb during 2019-20 beginning from August, 2019, and different measures were taken by the Government to facilitate the circumstance which included:

During 2019-20, support load of 57,373 metric tons (MT) Rabi onion was made under Price Stabilization Fund (PSF) through acquisition from Maharashtra (48,184 MT) and Gujarat (9,189 MT) which was dispersed to different State Governments, different offices and furthermore sold in different mandis through open closeout. Onions were provided to State Governments of Haryana, Kerala, Andhra Pradesh and Uttar Pradesh at no-benefit no misfortune premise to

improve costs and accessibility circumstance. During July-Oct., 2019, onions were provided from the cradle stock for direct retailing in Delhi-NCR through Mother Dairy, NCCF, NAFED and Govt. of NCT of Delhi at controlled retail rates to guarantee accessibility of onions at sensible costs.

The advantage to exporters of onions under Merchandise Exports from India Scheme (MEIS) was pulled back w.e.f. 11th June 2019.

Minimum Export Price (MEP) of \$850/MT was forced on onion on thirteenth September 2019, and in this manner its fare was restricted by Government on 29th September 2019 taking into account it's proceeded with significant expenses.

Government, on 29th September 2019, forced stock cutoff points on brokers the nation over – 100 quintals on retail dealers and 500 quintals on discount merchants under the Essential Commodities Act, 1955, which was thusly, modified to 20 quintals (2 MT) for retailers and 250 quintals (25 MT) for wholesalers. Further, Government of India asked State Governments to hold standard gatherings with the brokers of Onions at State and District level to forestall accumulating, theoretical exchanging and profiteering, out of line and unlawful exchange rehearses like cartelling, and so forth.

Facilitated private imports of onions by loosening up its fumigation standards and excluding shippers from stock cutoff points.

Government imported onions through MMTC from nations like Egypt and Turkey and coordinated NAFED to obtain surplus Kharif onion from delivering States like Rajasthan, Maharashtra and attempt dissemination in shortfall States. End 5.38 Overall, while the WPI swelling stayed low during the monetary year 201920, CPI-C expansion saw a slight uptick, driven primarily by nourishment costs.

### CONCLUSIONS

The paper represents that food the basic necessity of human life and every human need a sufficient amount of these basic food items for maintaining his/her standard of living. Without proper and sufficient consumption of essential food item they will not grow and suffer from health issues. In this paper we shown that the prices of essential food items has been increased and it is a serious concern because the poor people could not afford the food items on these high prices. So, it is necessary that the prices of these food items should be in the reach of the every person so they can live their live properly. The Indian government has been taken several steps to control the higher prices of these essential food items. These steps provided a big relief to the poor people and they expect that other necessary steps also have been taken by the government to give them a better life.

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