


# Explained: Why food inflation may remain low

*A second successive good monsoon, combined with the government allowing imports of pulses and edible oils at zero/low duties, is likely to keep a lid on prices going ahead*

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Although the monsoon has had a great start, one cannot rule out its weakening or stalling in the coming weeks. The early rains, extending through July so far, have basically given a boost to kharif plantings (Express Archive)

At 2.1% year-on-year, India's consumer price index inflation in June was below the 2.7% of the United States and 3.6% of the United Kingdom. That gap was wider in food, with the annual price increases at 3% for the US, 4.5% for the UK and minus 1.1%

for India.

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Both overall retail and consumer food [inflation](#) falling to their lowest since January 2019 is a huge relief, especially for the Reserve Bank of India. The country's central bank was, at least till six months ago, struggling to rein in inflation and, hence, unable to cut its policy interest rates. Much of it was courtesy of food, where India experienced sustained high inflation from roughly mid-2023 to the end of 2024.

That ended with a surplus monsoon in 2024, translating into bumper crops. As the market arrivals of these crops – kharif (cultivated during the monsoon season) plus rabi (winter-spring) – picked up, food inflationary pressures eased from early 2025 and slipped into negative in June.

### **Cereal comfort**

The effects of favourable soil moisture and replenished groundwater as well as reservoir levels from abundant rainfall – 7.6% above the historical average or “normal” for the 2024 monsoon season (June-September) – were best seen in wheat.

Wheat stocks in government godowns last year on July 1, at 282.61 lakh tonnes (lt), were at their lowest for this date since 2008 and just above the minimum buffer of 275.80 lt.

But with a good crop harvested and marketed during this April-June, state agencies could procure 300.35 lt of wheat, compared to 266.05 lt in 2024, 261.97 lt in 2023 and 187.92 lt in 2022. As a result, wheat stocks on July 1, 2025, at 358.78 lt, recovered to a four-year high.

**TABLE 1****CENTRAL POOL STOCKS  
ON JULY 1**

	Wheat	Rice*
2017	322.75	264.68
2018	418.01	275.57
2019	458.31	354.63
2020	549.91	394.31
2021	603.56	491.1
2022	285.1	472.18
2023	301.45	409.59
2024	282.61	484.99
2025	358.78	556.55
<b>Norm**</b>	<b>275.8</b>	<b>135.4</b>

Nos. in lakh tonnes, \*Includes rice equivalent of un-milled paddy; \*\*Minimum operational stock plus strategic reserve for July 1, Source: Department of Food and Public Distribution.

**TABLE 2****AREA SOWN UNDER KHARIF  
CROPS AS ON JULY 11**

	2025	2024
1.Rice	123.68	111.85
2.Coarse cereals	116.3	99.78
(a) Maize	61.88	59.73
(b) Bajra	44.01	29.59
(c) Jowar	8	7.39
3. Pulses	67.09	53.39
(a) Arhar	25.42	27.18
(b) Urad	11.46	11.54
(c) Moong	23.16	12.19
4. Oilseeds	137.27	139.82
(a) Soyabean	99.03	107.78
(b) Groundnut	32.99	28.04
(c) Sesamum	4.47	3.11
5. Cotton	92.83	95.22
6. Sugarcane	55.16	54.88

Nos. in lakh hectares, Source: Department of Agriculture & Farmers' Welfare.

Combined with record public stocks of rice (table 1), they add up a comfortable situation in cereals. The government has enough stocks to feed the public distribution system and also offload in the open market for cooling down prices. This wasn't the case till a few months ago.

## Monsoon relief

Equally encouraging is the monsoon's performance so far this year.

The monsoon set in over Kerala on May 24, eight days before the normal date. Rainfall in May was a whopping 106.4% above the country's long period average (LPA) rainfall for the month. June, technically the season's opening month, also registered 8.9% above-LPA precipitation. The current month, too, has till now posted 5.4% higher than LPA rains.

Cumulatively, all-India rainfall during June 1 to July 20 has been 7.1% above its historical normal for this period. Almost all states/regions – barring Telangana, Andhra Pradesh, Bihar, eastern Uttar Pradesh, Marathwada, Assam, Meghalaya and Arunachal Pradesh – have received above-par rains.

The impact of a second back-to-back good monsoon is seen in Table 2. The progressive area sown under most kharif crops has gone up relative to last year. The exceptions are arhar (pigeon pea), soyabean and cotton. Their acreages have, however, dipped not due to lack of water as much as prices.

Soyabean and arhar are trading in Madhya Pradesh's Dewas and Maharashtra's Latur wholesale mandis at around Rs 4,300 and Rs 6,500 per quintal respectively. That's below their corresponding government-declared minimum support prices of Rs 5,328 and Rs 8,000 per quintal for this year's and even the Rs 4,892 and Rs 7,550 of the 2024-25 crops. In cotton, area reductions – largely in Northwest India – have had more to do with the crop's susceptibility to pink bollworm insect attacks.

“There has been diversion of arhar area this year to maize. Among pulses, only moong (green gram) has witnessed increase thanks to good rains in Rajasthan and Gujarat, and also this being a short-duration crop maturing in 65-75 days versus 150-180 days for arhar,” said Nitin Kalantari, a leading Latur-based dal miller.

A similar acreage shift has been reported from soyabean to maize, which has become a remunerative crop because of it being

increasingly used for production of fuel ethanol, in addition to animal feed and industrial starch.

Indian farmers planting less area under pulses such as arhar and urad (black gram) or soyabean is unlikely to have any major inflationary effect though.

The reason is imports. During 2024-25 (April-March), **India imported a record 72.56 lt of pulses and 164.13 lt of vegetable oils.**

The [Narendra Modi](#)-led government has kept the import window wide open for this fiscal too.

Arhar, urad and yellow/white peas imports have been allowed at zero duty till March 31, 2026. Imports of masoor (red lentil) and chana (chickpea) also attract just 10% duty. “The landed price of imported arhar from Mozambique and Malawi is only Rs 4,600-5,100 per quintal, while at Rs 2,900-3,100 for yellow peas from Canada and Russia,” Kalantari pointed out.

In edible oils, the Centre, on May 31, slashed the effective import duty on crude palm, soyabean and sunflower oil from 27.5% to 16.5%. That will, again, keep a lid on food inflation going ahead.

### **Fertiliser shortfall**

Although the monsoon has had a great start, one cannot rule out its weakening or stalling in the coming weeks. The early rains, extending through July so far, have basically given a boost to kharif plantings. Any prolonged break phase hereon can affect the vegetative growth – the development of roots, stems and leaves – of the already sown kharif crop.

But a bigger source of uncertainty could be fertilisers, the demand for which has shot up on the back of the monsoon’s timely advance.

Opening stocks of urea and di-ammonium phosphate (DAP) on July 1, at 61.22 lt and 12.98 lt, were below the corresponding year-ago levels of 103 lt and 19.18 lt respectively. So were that of complex fertilisers: 41.20 lt versus 50.48 lt.



The lower stocks are due to fall in imports – of urea (from 80.06 lt in 2023-24 to 69.10 lt in 2024-25) and DAP (from 55.96 lt to 45.60 lt). And it has been mainly from China – both urea (from 21.48 lt to 1.04 lt) and DAP (from 22.87 lt to 8.43 lt).

China's export restrictions have led to a global supply squeeze, particularly in phosphatic fertilisers, reflected in landed prices of imported DAP into India soaring from an average of \$525 in June 2024 to about \$810 per tonne now.

Whether these shortfalls will have any impact on crop yields remains to be seen.

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