

HEATWAVE EFFECT

Potato Prices Likely to Remain Hot Despite Monsoon Progress

Weather-related damage in West Bengal & UP has led to lower production of the vegetable

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New Delhi: Vegetable prices, especially potatoes, are likely to stay elevated in the near term, despite rapid progress of the monsoon, according to agricultural experts and economists. Heatwaves in several parts of the country this summer damaged crops, causing demand-supply mismatch, they say.

Vegetable inflation remains a major concern for policymakers, reaching 29.3% in June, from 27.4% in May. The increase was broad-based, affecting both TOP (tomatoes, onions, potatoes) and non-TOP vegetables.

"Prices of potatoes are expected to be firm for the next few months," said an agricultural analyst, adding this year's shortage of the tuber is likely to be felt as early as October unlike the general trend of November and December.

For potatoes, weather-related damages in key potato producing states of West Bengal and Uttar Pradesh have crimped production, fuelling the price increase. Potato output this year is expected at around 58.99 million tonnes, lower than around 60.14 million ton-



July 16), these are significantly lower than the peak levels of over ₹100/kg seen in the same month last year (amid a three-fold MoM increase in July 2023)," she said, adding that this is expected to lead to a large y-on-y deflation in tomatoes in July 2024, as against 20% inflation seen in June 2024.

"...this would exert a downward pressure on the overall vegetables inflation print in the current month," she added.

Vegetables are most susceptible to weather adversities among agricultural commodities, said Dipti Deshpande, principal economist at Crisil, adding weather-related problems have led to higher vegetable inflation in June. "Overall, it's a wait-and-watch situation," Deshpande said.

Despite a supportive base effect from last year, food inflation soared to 9.4%, driven primarily by the persistent high prices of vegetables, which have remained in double digits for eight months.

TOP inflation surged to 48.4%, led by onions and potatoes. Despite sequential rise in prices, tomato inflation eased to 26.4% from 41.3%, owing to the high base of last year. Non-TOP vegetables saw inflation harden to 19.7% from 18.8%, driven by leafy vegetables, brinjal, lady's finger, and pumpkin.

29.3%

RISE IN VEGETABLE INFLATION IN JULY WHICH WAS UP FROM 27.4% IN MAY

nes last year, according to the first advance estimate of the agriculture ministry.

"Large farmers and traders are also holding their stocks in anticipation of price rise in the coming months," said a trader, adding loading in cold storages was also comparatively less this year.

Apart from potatoes, prices of other vegetables are also expected to remain higher though changes in year-on-year inflation rates across items will be influenced by the base, said Aditi Nayar, chief economist and head - research and outreach at ICRA. "For instance, in the case of tomatoes, although average prices are up by ~50% MoM to ₹62/kg in July 2024 so far (up to