Winter crops cool vegetable prices

Vegetables have four production cycles in a year. Ramesh Chand, director at the National Centre for Agriculture Economics and Policy Research, attributes the price fall to farmers' response. "The correction in prices is farmers' reaction to high prices in the past few months... they have sown vegetables in wider areas," he said.

The sharp price correction has also justified Governor Raghuram Rajan's decision to maintain the status quo on the repo rate in the Reserve Bank of India's (RBI's) mid-quarter policy review of its monetary policy last month. Rajan had refrained from raising policy rates due to the high inflation, especially in the food component.

The wholesale food inflation rate had ranged 18 per cent to 20 per cent between August and November. Vegetable inflation during this period had been 80-95 per cent. Rajan had said outlook on inflation remained uncertain and RBI's stance would depend on more data on the price front. Some economists now say Rajan might continue to hold rates or even go for a cut in his next monetary policy review, slated later this month.

"The fall in vegetable prices is a very positive sign for RBI as it prepares for the next monetary policy. A fall in retail inflation could compel RBI to either continue with the pause or attempt a rate cut," Sabnavis said. State Bank of India Chief Economic Advisor Soumya

Kanti Ghosh, who has pegged the retail inflation rate to be in the range of 9-9.3 per cent and the wholesale one to fall to 6.5 per cent in December, expects RBI to hold rates. However, experts also sound a word of caution, as vegetable prices might start firming up from February. "December and January are peak production time for vegetables and arrivals are in full steam. Also, crop damage is minimal because of cold weather. But this phenomenon is short-lived. Prices will start increasing around February, as we do not have any long-term policy to meet demand," said P K Joshi, director (South Asia), International Food Policy Research Institute.