

Taming the prices during the pandemic: Further exploration

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Globally food prices have been increasing since the outbreak of COVID-19. FAO's food price index, which measures monthly changes for a basket of cereals, oilseeds, dairy products, meat, and sugar shows a steep rise in global food prices for seven months consecutively till December 2020 which turned out to be a record since 2014 (The Hindu, 2021). In countries like India, access to nutrient-rich food to all is a challenge even in normal times. The steep rise in food prices as a result of COVID-19 pandemic could further accentuate the nutrition deficiency which will have long-run implications on mental and physical health (Headey et al, 2020). However, Kakarlapudi and Renjith (2020) showed that Kerala has been successful in maintaining the food prices lower than the rest of India and all other South Indian states during the pandemic through active policy intervention. Going beyond the aggregate trends, this study compares the changes in food prices before and during the pandemic at a disaggregate level to identify the commodities that experienced major changes in prices during the pandemic. Further, this article breaks up commodities into largely produced (domestically) and largely imported and analyses the price variation as the COVID-induced restrictions disrupted the supply chain and production.

The monthly Consumer Price Index (CPI) data published by MOSPI for 12 food and beverage items has been used for the analysis. The CPI data is available till November 2020. Due to COVID restrictions, the data at the disaggregate state level is not available from March to July 2020. Hence, pre-pandemic analysis is based on the average price growth of August to November 2019 and compares the average price growth for the same months in 2020. A more disaggregate commodity level price data has been accessed from the Kerala

price bulletin, published by the Department of Economics and Statistics, GoK and spices data has been accessed from the respective commodity boards.

Food prices before the pandemic

As noted by Kakarlapudi and Renjith (2020), the price of food and beverages before the pandemic were higher in Kerala as compared to all India average and all other south Indian states except Tamil Nadu. The average increase in the price of food and beverages during four months (August-November) in 2019 was 6.9 percent in Kerala as compared to 5.8 percent for All India. In all Southern states, except Tamil Nadu (7.8 percent), the price increase has been higher than Kerala. The disaggregate analysis for 12 food items indicates that the price rise is higher in Kerala as compared to all India trends in eight out of twelve commodities.

However, commodities such as eggs, fruits, oil and fats, and non-alcoholic beverages showed a lower price rise than the rest of India and other southern states (Table 1). Karnataka shows higher inflation in cereals and products (4.7 percent) than Kerala (3.1 percent) while Andhra Pradesh and Telangana shows the lowest price change. Among all the commodities, vegetables show highest increase in prices followed by meat and fish, and pulses and products. Though Kerala shows marginally higher inflation in vegetables (22.1 percent) as compared to the national average (21.1 percent), it is lower than Andhra Pradesh, Karnataka and Tamil Nadu. In case of meat and fish and spices, price difference between Kerala and All India was as high as 6 percentage points. The consumption expenditure round of NSS shows that Kerala has highest per-capita meat and fish consumption.

Table 1. Consumer price changes in Kerala and the other southern states before the pandemic (August to November 2019 in %)

	Kerala	Andhra Pradesh	Karnataka	Tamil Nadu	Telangana	All India
Cereals and products	3.1	-0.7	4.7	2.1	0.6	2.2
Egg	1.2	10	5.3	8.5	3.6	4
Fruits	-3.4	-0.2	2	4.3	-0.1	1.8
Meat and fish	16.8	12	10.2	10	11.1	9.5
Milk and products	3.5	-0.9	0.1	7	-0.6	2.4
Non-alcoholic beverages	1.8	-0.4	3.4	5.2	2.8	2.5
Oils and fats	0.9	4.1	3.2	3.5	2.1	1.6
Prepared meals; snacks; sweets etc.	3.7	-2.6	1.6	3	2.1	2.1
Pulses and products	12.7	16	15.5	13.4	5.6	10.3

Spices	9.2	1.7	4.5	2.7	1.2	3.4
Sugar and confectionery	2	-0.7	0.9	-0.9	-8.8	0.1
Vegetables	22.1	29.8	29	29.5	12.3	21.1
Food and beverages	6.9	5	6.6	7.8	3.8	5.8

Source: Author's construction using CPI data available at <http://164.100.34.62:8080/Default1.aspx>

Food prices during the pandemic

Food prices increased significantly during the pandemic when compared with pre-pandemic trends. At all India level growth of food and beverage prices increased from 5.8 percent during the pre-pandemic period to 9.2 percent during the pandemic. For all India, most of the commodities except fruits showed higher growth in prices during the pandemic. Inflation is found to be highest in vegetables (17.5 percent) followed by meat and fish (17.3) eggs, pulses and products (around 16 percent), and oil products (14.7 percent) (see Table 2). Kerala depicts a completely different pattern. First, while eight out of twelve products show higher inflation in Kerala as compared to all India before the pandemic, the trend reversed during the pandemic. Secondly, unlike what was observed for all India trends, there is no significant increase in prices of food and beverages in Kerala. Inflation is lower during the pandemic than pre-pandemic in case of cereals, fruits and vegetables while for all other commodities it is just the opposite. During the pandemic, Kerala shows lowest inflation in cereals and products in comparison with all other southern states. It is important to note that inflation in vegetables declined drastically (2.3 percent) during the pandemic as compared to pre-pandemic trends (22.1 percent). Kerala's exemplary initiatives such as provision of food kits and encouraging home production of vegetables could be the reasons for the observed trend. Among all other commodities, pulses and eggs showed a very high price growth in Kerala during the pandemic.

Table 2. Consumer price changes in Kerala and the other southern states during the pandemic (August to November 2020 in %)

	Kerala	Andhra Pradesh	Karnataka	Tamil Nadu	Telangana	All India
Cereals and products	2	4.3	2.6	4.5	3.2	4.1
Egg	18.6	24.2	16.1	20.6	19	16.9
Fruits	-0.2	0.1	1.5	4.7	0.1	1.2
Meat and fish	11.5	34.6	21.6	24.6	28.5	17.3
Milk and products	6.3	9.4	4.1	7.2	12.3	5.5
Non-alcoholic beverages	3.6	5.2	5.3	5.3	6.8	7.7
Oils and fats	4.4	20.4	12.6	15.2	21.6	14.7
Prepared meals; snacks; sweets etc.	4.1	3.7	2	5.7	4.2	4.2

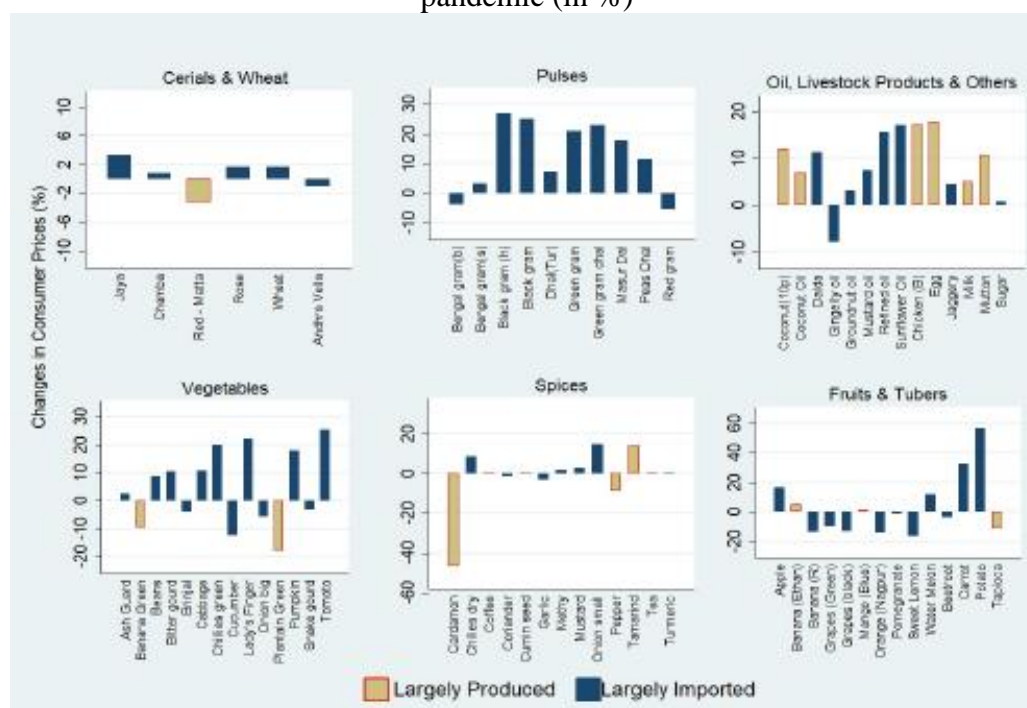
Pulses and products	20.1	13.1	15.1	20	17.2	16.3
Spices	11.3	17.7	13.3	14.3	19.6	11.5
Sugar and confectionery	3.5	9	1.6	2.6	6.8	2.2
Vegetables	2.3	9.8	6.5	7.3	13.7	17.5
Food and beverages	5.7	11.2	6.8	9.7	12.3	9.2

Source: same as Table 1

Behind the price rise: Largely imported versus largely produced

It is well known that Kerala is an import-dependent economy. The state imports many of the food products from other states. Since the pandemic disrupted supply chains and even production, higher food prices on select items in Kerala could be due to its dependence on imports. In this regard, this study divides the commodities into largely domestically produced and largely imported to analyze the price variation between the two categories (see Figure 1). For the latter, we considered those goods which have more than 10000 metric tonnes of production within the state. The price change has been computed considering the data available for the latest 3 months (August, September, and October) with respect to the corresponding months of the previous year.

Figure 1. Changes in consumer prices of largely imported goods in Kerala during the pandemic (in %)



Source: Author's construction using price bulletin (various issues) available at ecostate.kerala.gov.in Indiaspices.com, indiacoffee.org

The analysis reveals a slightly increasing trend for the price of heavily imported rice varieties except for Andhra-vella. Interestingly, red matta, a largely domestically produced rice variety

showed a negative price trend during the pandemic period. The price of pulses that are heavily imported soared during the pandemic. Except for gingelly oil, the price of all oil varieties showed an increase during the pandemic. A notable variation (about 12%) is in the price of coconut, which accounts for around 30 per cent of the gross cropped area of the state, while a lower growth is seen in the case of coconut oil. Concerning livestock products, the trend was positive for all four products viz. milk, egg, chicken, and mutton that are largely produced as well as largely imported.

Of the four largely produced crops, namely pepper, cardamom, tea and coffee, which accounts for almost 12 per cent of the state's net cropped area, cardamom and pepper prices witnessed an almost 46 percent and 8 percent fall respectively during the pandemic period (Narayana and Shagishna, 2020). Among spices, significant growth in the price during the period was observed in the case of small onion, chillies dry and tamarind. In case of vegetables, the trend turned negative for heavily consumed items like banana green, cucumber, onion big, and plantain green. Of these, banana green and plantain green are largely produced in the state. For fruits, the trend registered negative for all items except apple and watermelon, whereas the largely domestically produced fruit items like banana (ethan) and mango showed a slightly positive trend during the period. While the price of largely imported tubers like potato and carrot shot up during the pandemic, no much variation was seen in the price of the largely domestically produced tuber, tapioca.

However, the variation in the largely produced commodities of the state have different implications. The pandemic period has witnessed a pro-consumer trend in the case of cardamom, pepper, tea and coffee. However, the major consumption goods (coconut and coconut oil), for which a large market lies within the state did not see a fall in prices could be because of fall in production induced by the lockdown restrictions. A major spike in the prices of livestock products and vegetables could be accounted to increase in prices of the neighboring states in the post lockdown period as many of these products are largely imported too.

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