

# INDIA URBAN FOOD INDEX

## A Dip at the Dinner Table

Our March 5 update of the India Urban Food Index shows a sharp decline to ₹880 (-5.3%), the lowest level since the index was introduced, extending the recent correction in food prices. Volatility rose to 55.34 while affordability improved to 1.32%, reflecting the lower cost of the urban food basket. The decline was led by a correction in tomato prices following fresh arrivals since January, alongside softer chicken prices, while ginger prices eased after the previous spike. Chickpea prices moved within a narrow band with a slight festive uptick, while eggs and onions prices showed limited movement across recent readings. Supply conditions remain supportive, with robust rabi sowing, steady market arrivals, adequate buffer stocks and improving reservoir storage reinforcing supply visibility across key staples.

The latest configuration suggests food inflation remains comfortable despite higher volatility. Domestic supply fundamentals continue to provide a stabilising cushion even as external risks persist, including geopolitical tensions and currency pressures linked to global energy markets. Monetary policy signals also remain steady, with interest rates expected to stay around current levels as the central bank focuses on liquidity management within the policy corridor while monitoring growth, inflation dynamics and external developments.

### INDEX SNAPSHOT

#### National Average

₹880

Fell 5.3% from the last reading, marking the lowest level recorded since the index was introduced and extending the sharp correction seen over recent updates.

#### Volatility

55.34

Rose 19.6% from 46.28 in the previous reading, moving above the long-term average of 48.35.

#### Affordability (%)

1.32%

Declined from 1.40% in the previous reading, improving 5.7% week-on-week and marking the most affordable level in the series so far.

### INDEX HIGHLIGHTS

- Vegetables:** Tomato prices declined further from the previous reading, extending the sharp correction seen since January as increased arrivals ahead of the Holi festival pushed market supplies higher. Onion prices remained unchanged, while potato prices recorded a small uptick after the decline seen through February. The recent increase in wholesale arrivals, combined with weaker buying from outstation traders during the festival period, has pushed vegetable prices lower as supply temporarily outpaced demand across several markets.
- Pulses:** Chickpea prices showed little change and continue to move within the narrow band seen in recent updates. In contrast, red lentils prices declined from the previous reading after the increase recorded in February, pointing to stable supply conditions across major consuming centres.
- Animal Proteins:** Chicken prices declined sharply in the latest reading, while egg prices continued to edge lower and milk prices remained unchanged. The drop in poultry prices follows the bird flu outbreak reported in parts of eastern India, which has dampened consumer demand ahead of the Holi festival, with some retailers reporting sales declines of 50-60%. The demand shock has weighed on poultry prices even as milk prices show minimal movement across recent readings.
- Aromatics:** Ginger prices moved up slightly compared to the previous reading, while garlic prices dropped sharply after the increases seen through January and early February. Despite these movements, both commodities remain well below the highs recorded earlier in the year, indicating improved availability across urban markets.

### INFLATION OUTLOOK

India's agricultural sector is gradually integrating artificial intelligence as a response to structural volatility arising from fragmented landholdings, climate variability and shifting market conditions. With average operational holdings at just 1.08 hectares, the need for hyperlocal, data-driven advisory is becoming increasingly evident. The government is building a digital backbone through AgriStack, a farmer-centric public infrastructure linking farmer identity, land and crop records, while Bharat VISTAAR adds an AI-enabled advisory layer designed to deliver simplified guidance through voice-based and basic-phone access. Early evidence from digital advisory pilots suggests such systems can reduce crop losses and improve farm practices, while initiatives such as Madhya Pradesh's UNNATI — integrating satellite imagery, drone inputs and GIS-based mapping for yield estimation — are strengthening planning, insurance calibration and relief systems through deeper spatial intelligence.



However, scaling these gains will depend on addressing structural constraints, particularly India's relatively low agricultural R&D spending of around 0.03% of GDP, which limits the development of reliable AI models across diverse agro-climatic zones. The next phase lies in moving from fragmented pilots toward an integrated public data ecosystem, where datasets from AgriStack, PM-KISAN, PMFBY, Soil Health Cards and national weather and crop feeds are combined and channelled through Bharat VISTAAR for last-mile advisory delivery. If executed effectively, such integration could improve crop planning, reduce weather- and pest-driven supply disruptions and make agricultural output more predictable across regions and seasons, helping moderate food price volatility within the medium-term inflation outlook.

At the external macro level, currency and energy dynamics are adding another layer to the inflation trajectory. The Indian rupee weakened past ₹92 per U.S. dollar to a record low amid heightened global risk aversion linked to escalating tensions in the Middle East, raising the landed cost of imports — particularly crude oil, which India sources heavily from overseas. If geopolitical tensions persist, the macro spillovers could extend beyond energy markets. A prolonged shock may weigh on remittances and portfolio flows, potentially widening the current account deficit and sustaining pressure on the currency. In such a scenario, exchange-rate pass-through and higher energy costs could add incremental pressure to India's near-term inflation trajectory even as domestic supply-side reforms attempt to stabilise food price dynamics.

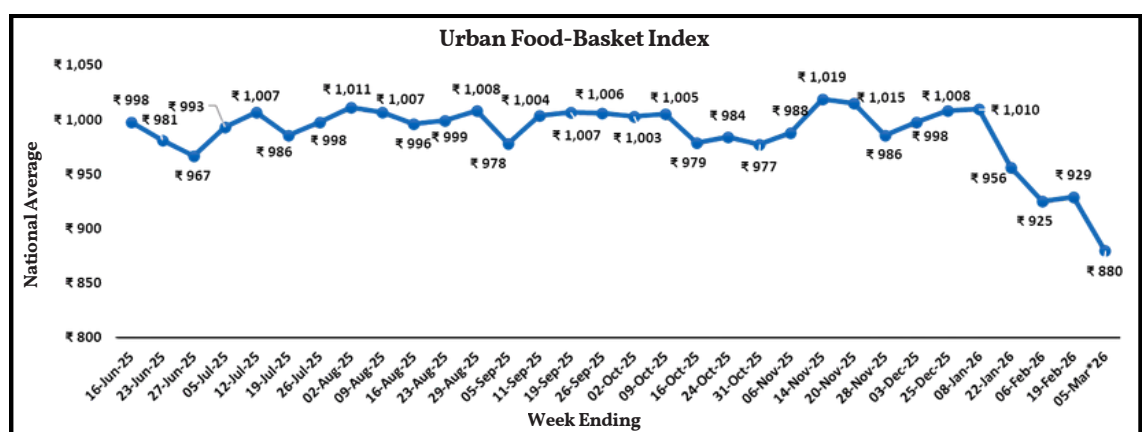
### SUPPLY FUNDAMENTALS

<b>Sowing &amp; Crop Progress</b>	Robust (total area coverage is up by 15.88 lakh hectares YoY)
<b>Market Arrivals</b>	Steady (balanced inflows across cereals, pulses and oilseeds)
<b>Buffer Stock Position</b>	Adequate (stable foodgrain inventories and healthy opening balances)
<b>Reservoir Status</b>	Improving (live storage is up by almost 13% YoY)
<b>Rainfall &amp; Field Conditions</b>	Supportive (weather conditions continue to align with prevailing seasonal patterns)

### KEY IMPLICATIONS

The policy outlook suggests interest rates in India are likely to remain around current levels for an extended period, barring significant shocks. The central bank's near-term focus remains on liquidity management, particularly aligning the weighted average call rate with the policy repo rate. With surplus liquidity in the banking system, the call rate has recently moved below the policy rate but continues to operate within the policy corridor, indicating accommodative financial conditions. The macro backdrop remains stable, with inflation currently benign and underlying price pressures expected to remain muted, while growth continues to be supported by both consumption and investment. External risks persist, including geopolitical tensions, geoeconomic uncertainty and climate-related disruptions, even as capital flows remain relatively resilient with strong gross foreign direct investment inflows despite higher overseas investments and repatriation moderating net FDI.

### INDEX TRAJECTORY



Average 10-item basket prices across 21 cities from 16-Jun-25 to 05-Mar-26

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## METHODOLOGY & SCOPE

The India Urban Food-Basket Index tracks retail prices of ten everyday food items at fixed quantities across 21 major Indian cities, using prices sourced from the Blinkit app to provide a consistent and comparable measure of what urban households pay at checkout. By holding quantities constant—from staple vegetables to protein items—the index offers a reliable benchmark for tracking changes in retail food prices over time. With food items accounting for roughly 45% of India's CPI basket, even relatively small movements in these prices can have a material impact on headline inflation and influence the Reserve Bank of India's policy assessment.

Published on a fortnightly basis, the index is designed to capture emerging price trends driven by factors such as monsoon disruptions, supply bottlenecks, seasonal shifts, and currency movements well ahead of their reflection in official monthly CPI data. Each update integrates the latest price point into the existing time series, enabling precise period-on-period comparisons and clearer trend identification. In parallel, the analysis also tracks movements in the exchange rate and global crude oil prices—key non-food components accounting for the remaining share of the CPI basket—ensuring that the broader inflation environment is assessed in a comprehensive and forward-looking manner.

## INDEX DATA: INCEPTION TO DATE

Week Ending	National Average	Volatility	Affordability %
16-Jun-25	₹ 998	52.39	1.50%
23-Jun-25	₹ 981	51.24	1.47%
27-Jun-25	₹ 967	51.38	1.45%
05-Jul-25	₹ 993	67.93	1.49%
12-Jul-25	₹ 1,007	52.04	1.51%
19-Jul-25	₹ 986	51.26	1.48%
26-Jul-25	₹ 998	58.73	1.50%
02-Aug-25	₹ 1,011	56.11	1.52%
09-Aug-25	₹ 1,007	48.30	1.51%
16-Aug-25	₹ 996	49.28	1.50%
23-Aug-25	₹ 999	42.83	1.50%
29-Aug-25	₹ 1,008	55.42	1.51%
05-Sep-25	₹ 978	46.93	1.46%
11-Sep-25	₹ 1,004	47.16	1.51%
19-Sep-25	₹ 1,007	49.62	1.51%
26-Sep-25	₹ 1,006	48.00	1.51%
02-Oct-25	₹ 1,003	27.69	1.51%
09-Oct-25	₹ 1,005	39.39	1.51%
16-Oct-25	₹ 979	48.65	1.47%
24-Oct-25	₹ 984	51.63	1.48%
31-Oct-25	₹ 977	58.33	1.47%
06-Nov-25	₹ 988	62.99	1.48%
14-Nov-25	₹ 1,019	38.25	1.53%
20-Nov-25	₹ 1,015	32.64	1.52%
28-Nov-25	₹ 986	42.15	1.48%
03-Dec-25	₹ 998	41.83	1.50%
25-Dec-25	₹ 1,008	28.51	1.51%
08-Jan-26	₹ 1,010	42.75	1.52%
22-Jan-26	₹ 956	50.56	1.44%
06-Feb-26	₹ 925	51.50	1.39%
19-Feb-26	₹ 929	46.28	1.40%
05-Mar-26	₹ 880	55.34	1.32%

**Source Note:** Supply-side indicators are compiled from official releases by PIB, Agmarknet, the Central Foodgrains Storage Portal, the Central Water Commission dashboard, and the IMD's All India Weather Forecast Bulletin.

## DISCLAIMER

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## ABOUT EAGLEWOOD CAPITAL

The Dovetail-Eaglewood-India Fund is a Mauritius-based Category I FPI that serves as a gateway for global investors to tap into India's growth story. Our mission is to offer investors a compelling opportunity to capitalize on India's economic momentum. The Fund is managed by Dovetail Capital, with Eaglewood serving as the Fund's Investment Advisor.

Eaglewood is a contrarian investor: we apply fundamental research and proprietary models to allocate capital to overlooked Indian equities and operate a rigorous risk framework that protects capital and supports tactical deployment into catalyst-driven opportunities.

Dovetail is one of India's largest fund administrators, with over USD 2.2 billion in assets under administration; its investment manager, DIM, serves as the Fund's IM and manages an asset base exceeding USD 0.5 billion across multiple funds and mandates. In this critical role, DIM acts as the Fund's operational backbone, overseeing middle- and back-office functions and coordinating all aspects of fund operations.