

INDIA URBAN FOOD INDEX

Early-Year Noise, Underlying Calm

Our January 09 update of the India Urban Food-Basket Index records a modest rise to ₹1,010 (+0.2%), with volatility picking up to 42.75 and household affordability edging to 1.52% — a reading that should be interpreted as an early-year rebalancing from the late-December trend (Index ₹1,008; volatility 28.51). The story remains nuanced: easing vegetable prices following cyclone-related disruptions, uninterrupted pulse supplies and strong wholesale arrivals are offsetting renewed firmness in select protein categories, even as price dispersion has widened. Concretely, this pattern points to routine market dynamics and carryover pricing effects; while purchasing power faces a mild squeeze, core food pressures remain contained within historical bands.

The data supports the RBI's current stance and preserves scope for policy flexibility into early 2026, though that window will narrow if the rupee weakens further or imported energy costs firm. Investors should therefore treat the report as a near-term signal to monitor protein price follow-through, FX dynamics and Brent, while policymakers will watch whether advancing Rabi acreage and stable arrivals keep volatility from spilling over.

INDEX SNAPSHOT

National Average

₹1,010

Rose 0.2% from ₹1,008, signalling a steady start to the year with prices remaining near recent averages and no visible excess pressure across urban markets.

Volatility

42.75

Climbed from 28.51, reflecting higher price dispersion. However, it remains below the long-term average of 47.98, indicating routine market movements rather than supply strain.

Affordability (%)

1.52%

Ticked up from 1.51%, suggesting a marginal rise in household food spending and a mild squeeze on urban purchasing power.

INDEX HIGHLIGHTS

- Vegetables:** Tomato prices declined on improved arrivals following late-December disruptions, while onions eased as temporary bottlenecks cleared. Potatoes continued their slide, driven by sustained inflows and weak pricing power at the wholesale level.
- Pulses:** The absence of volatility across pulses continues to reflect adequate domestic availability and effective supply management, keeping retail prices from reacting to short-term demand shifts.
- Animal Proteins:** Trends were mixed—chicken prices rebounded sharply, eggs edged lower, and milk prices slipped despite underlying cost pressures in the dairy ecosystem, as noted in the previous report.
- Aromatics:** Ginger prices moved lower, whereas garlic prices remained elevated after last month's sharp rebound, suggesting supply remains uneven following an extended period of depressed prices.

INFLATION OUTLOOK

On the external front, the rupee weakened to ₹90.26 per U.S. dollar, pressured by heightened dollar demand linked to maturing non-deliverable forward positions and corporate hedging, although state-run banks and RBI intervention helped prevent sharper losses. Ongoing volatility in the rupee, coupled with tariffs imposed by the U.S. on select Indian exports, remains a factor for policymakers to monitor.

Monetary conditions continue to provide support. The central bank's liquidity operations and the cumulative 125-basis-point rate cut since February 2025 are expected to sustain credit growth without amplifying price pressures, keeping borrowing costs in check and supporting household consumption and investment.



Brent crude traded at \$65.20 per barrel, helping limit imported cost pressures. At the same time, India's fuel consumption surged to a record 21.75 million metric tonnes in December, up 5.3% year-on-year, underscoring strong transport and industrial activity. Reliance Industries is seeking U.S. approval to resume Venezuelan crude purchases to diversify feedstock amid geopolitical constraints on Russian oil. A successful resumption would enhance flexibility in India's refining slate as global crude flows remain politically sensitive.

Growth signals are mixed. Urban consumption remains resilient, supported by household spending and fiscal measures, while high-frequency indicators show steady activity in key segments. However, softer manufacturing and services PMIs—reflecting slower new orders, output, and hiring—suggest that economic momentum may be moderating after the strong second half of 2025.

Looking ahead, a combination of strong domestic consumption, low food inflation, stable energy prices, and accommodative liquidity conditions should support macro momentum into early 2026. For households, this points to predictability in essential expenses. Policymakers will likely focus on managing currency volatility and export pressures while sustaining growth momentum. For investors, the environment remains positive, with easing yields, strong domestic demand, and low inflation, even as attention turns to evolving global trade developments and energy market dynamics.

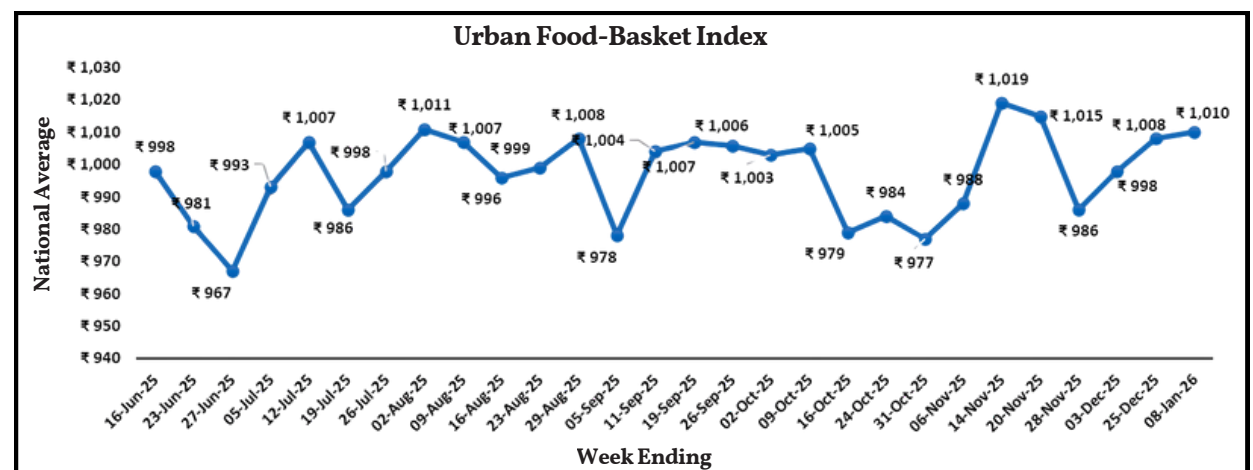
SUPPLY FUNDAMENTALS

Sowing & Crop Progress	Strong (Rabi area up by 16.4 lakh hectares YoY)
Market Arrivals	Seamless (steady inflows across cereals, pulses and oilseeds)
Buffer Stock Position	Comfortable (ample foodgrain inventories within the public distribution system)
Reservoir Status	Supportive (live storage ~140 BCM, above last year and seasonal norms)
Rainfall & Field Conditions	Favourable (seasonal rainfall on track; soil moisture remains supportive)

KEY IMPLICATIONS

If current conditions persist — with advancing Rabi sowing, ample buffer stocks, adequate reservoir levels, stable arrivals, and supportive energy dynamics — food price pressures are likely to remain well-managed despite recent currency volatility. The macro environment points to limited inflation spillovers and appears supportive of steady consumption, leaving policymakers well-positioned to maintain flexibility without reigniting inflationary pressures.

INDEX TRAJECTORY



Average 10-item basket prices across 21 cities from 16-Jun-25 to 08-Jan-26

INDIA URBAN FOOD INDEX

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%

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.