

INDIA URBAN FOOD INDEX

Cooling Prices, Rising Dispersion

Our January 23 update of the India Urban Food-Basket Index shows a sharp decline to ₹956 (-5.3%), with volatility rising to 50.56 and affordability improving to 1.44%, a configuration that signals a decisive reset in prices even as dispersion across cities widens. The correction is concentrated in vegetables and select proteins following late-December upticks, while pulses remain stable and Rabi sowing, healthy arrivals and ample buffer stocks keep overall supply constructive; the rupee has touched record lows near ₹92 and energy markets remain fluid amid shifting crude sourcing dynamics, limiting imported-cost risks.

The pullback reinforces a constructive inflation backdrop at the start of the year, with easing basket costs offsetting currency-led cost pressures and elevated commodity premiums. While volatility now sits above its long-term average — warranting close monitoring of distributional divergence across cities — the supply framework remains intact. For policymakers, sustained arrivals and stable input availability will determine whether this downtrend consolidates, while investors should watch rupee dynamics, energy sourcing shifts and wholesale price trends for signs of renewed imported pressure.

INDEX SNAPSHOT

National Average

₹956

Fell 5.3% from ₹1,010, marking one of the sharpest corrections in recent months. The decline reflects notable price corrections across key food items, particularly vegetables and proteins.

Volatility

50.56

Rose 18.3% from 42.75 and now sits above the long-term average of 48.07, signalling wider price dispersion across the 21 urban centres despite the lower national average.

Affordability (%)

1.44%

Improved from 1.52%, marking the lowest reading in the current data window. The improvement is primarily driven by the decline in basket costs and points to improved household spending conditions.

SUPPLY FUNDAMENTALS

Sowing & Crop Progress	Robust (Rabi area up 21 lakh hectares YoY)
Market Arrivals	Steady (balanced inflows across cereals, pulses and oilseeds)
Buffer Stock Position	Adequate (stable foodgrain inventories and healthy opening balances)
Reservoir Status	Improving (live storage up ~7% YoY, supporting irrigation through key crop stages)
Rainfall & Field Conditions	Supportive (seasonal trends remain intact and soil moisture remains favourable)

KEY IMPLICATIONS

The macroeconomic and policy environment suggests clear headroom for a rate cut, with subdued retail and wholesale inflation providing the RBI room to remain accommodative in the near term. This flexibility, however, is contingent on currency stability and imported cost pressures. Sharp rupee volatility, rising global commodity prices, or a renewed acceleration in food inflation could narrow room for further easing.

INDEX HIGHLIGHTS

- Vegetables:** Tomato prices entered a clear downtrend as increased harvests from key regions expanded market availability, relieving earlier market strains. Onion prices corrected as subsequent market inflows increased and helped restore balance. Potato prices continued to inch lower, aided by heavy arrivals and consistent demand absorption.
- Pulses:** Chickpeas and red lentils prices have remained consistent, reflecting comfortable domestic stocks and smooth supply operations.
- Animal Proteins:** Chicken prices receded after temporary surges, and egg prices, which had risen incrementally over winter, softened as seasonal demand tapered. Milk prices continue to be consistent, aided by supportive policy developments, including Mizoram Milk Producers Cooperative Union Limited's (MULCO) MoU with the National Dairy Development Board to strengthen milk production and processing under White Revolution 2.0.
- Aromatics:** Ginger prices edged lower on adequate availability, while garlic prices rebounded sharply following a period of thin arrivals, illustrating how quickly market dynamics can respond to supply fluctuations.

INFLATION OUTLOOK

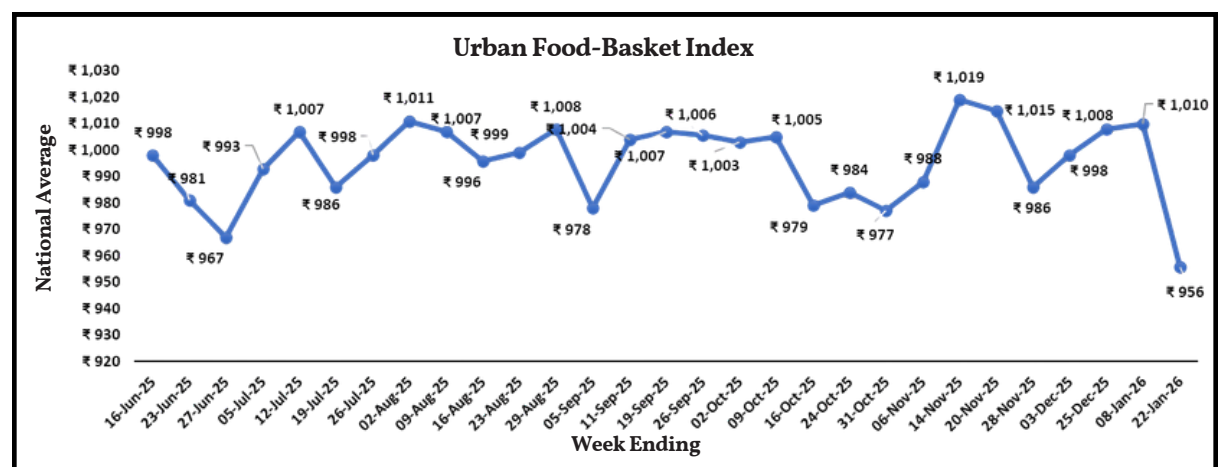
The rupee hit a record lows of 91.99 per U.S. dollar amid equity outflows, high demand for dollars linked to bullion imports, and ongoing hedging activity. The Reserve Bank of India has intervened through spot market purchases and FX buy-sell swaps to stabilize the currency while maintaining adequate liquidity, even as intermittent tightness in the banking system added pressure to forward premiums and hedging costs.



Inflation pressures have begun to re-emerge. Consumer inflation rose to 1.66% in December from 0.71%, led by higher food prices—vegetables, meat, eggs, pulses, and spices—and personal care items, with urban inflation (2.03%) outpacing rural (0.76%). Wholesale inflation turned positive at 0.83%, while core WPI climbed to a 34-month high of 2%, reflecting global commodity gains and rupee depreciation. Sequential pressures are expected to persist, particularly in food and imported inputs, as the new CPI series (base 2024) comes into effect.

On the energy front, India's refiners are reducing reliance on Russian crude while boosting Middle Eastern and U.S. purchases amid sanctions and trade considerations. Reliance Industries is set to receive sanctions-compliant Russian oil in February and March after a one-month pause, sourcing from non-sanctioned sellers. BPCCL awarded one-year tenders to buy Iraqi Basrah and Omani crude from Trafigura and is seeking Murban oil from the UAE. Indian refiners have also increased purchases of U.S. oil to partly replace Russian volumes and narrow the trade deficit with Washington, while scouting for Venezuelan crude. The moves come amid the U.S.-India trade discussions, where past Russian oil purchases contributed to the U.S. doubling import tariffs on Indian goods to 50 percent last year. The strategy reflects an effort to balance compliance, market access, and stable supply amid global price pressures.

INDEX TRAJECTORY



Average 10-item basket prices across 21 cities from 16-Jun-25 to 22-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%
22-Jan-26	₹ 956	50.56	1.44%

DISCLAIMER

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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.