

INDIA URBAN FOOD INDEX

Heat, Hormuz & Heatwaves: Prices Surge as Trifecta Risks Converge

Our April 23 update of the India Urban Food Index shows a sharp rebound to ₹937 (+6.1% WoW), fully reversing the recent easing trend. The surge was driven by significant price spikes in Milk, Chicken, and Tomato, erasing the gradual decline observed over the past several updates. Volatility rose to 54.39, moving back above the long-term average of 48.77, while affordability improved marginally to 1.31% — remaining below the historical average of 1.47% — though this masks growing cost concentration in protein and perishable categories.

Supply conditions remain broadly supportive, backed by record Rabi output and healthy buffer stocks. However, external risks have sharpened considerably; the trifecta of below-normal monsoon forecasts, strengthening El Niño conditions, and fertiliser costs nearly doubling due to West Asia disruptions has now moved beyond the emerging stage — visibly transmitting into input costs and retail prices. Currency pressures following the RBI's partial rollback of forex derivative curbs and softer crude prices from ceasefire developments have offered partial relief, though commodity markets remain exposed to renewed disruption.

INDEX SNAPSHOT

National Average

₹937

Rose 6.1% from the previous reading of ₹883, marking a sharp reversal from the recent low and fully erasing the downward trend observed over prior updates.

Volatility

54.39

Rose 14.2% from 47.62, moving back above the long-term average of 48.77, indicating wider price dispersion and renewed instability across tracked items.

Affordability (%)

1.31%

Improved marginally by 2 bps week-on-week, remaining below the historical average of 1.47%. The slight improvement masks growing cost pressure concentrated in protein and dairy.

INDEX HIGHLIGHTS

- **Vegetables:** Tomato prices surged sharply, with supply shortages in northern hubs driven by early heatwaves pushing prices 55% higher year-on-year. Onion and Potato prices declined further amid sustained wholesale arrivals and softening buyer demand. The category remains sensitive to any weather or transport disruption that could tighten supplies in coming weeks.
- **Aromatics:** Garlic edged higher while Ginger remained flat, with movements staying within a limited range. Adequate supply conditions and minimal volatility characterised the category despite early heatwave onset in key producing regions.
- **Pulses:** Prices showed no movement, supported by proactive government stock management and steady rabi inflows maintaining adequate supplies of essential staples. Markets remain watchful of longer-term monsoon risks to the Kharif pulse crop.
- **Animal Proteins:** Chicken prices rose sharply, driven by surging feed costs and elevated logistics expenses linked to West Asia maritime disruptions, forcing retail-level cost pass-through. Egg prices edged slightly higher. Retailers revised prices upward as ongoing cost pressures continued to affect procurement and distribution.
- **Dairy:** Milk prices recorded a sharp outlier increase — departing from six weeks of near-flat behaviour in the ₹113–116 range — reflecting seasonal fodder shortages and rising procurement costs at the farm gate. The category, previously insulated from wider pressures, has now begun catching up to the broader inflationary environment.

INFLATION OUTLOOK

The trifecta of risks flagged in the prior update has now begun feeding directly into price data, intensifying input-side vulnerabilities across India's agricultural sector. The IMD's first long-range forecast has hardened at 92% (±5%) of the Long Period Average — the weakest initial estimate in at least 25 years — while private forecasters project rainfall near 94% of LPA, raising concerns over uneven distribution during the critical crop cycle. With a significant share of India's farmland still dependent on seasonal rainfall, El Niño conditions — now beyond the "emerging" stage — could disrupt sowing schedules, reduce yields, and elevate production risks across key crops. As transmitted visibly since the previous report, fertiliser markets are reflecting acute supply-side stress, with India receiving urea offers at nearly \$1,000 per metric tonne — almost double pre-conflict levels — amid disruptions tied to the West Asia conflict. Although fertiliser stocks stand at 18.4 million tonnes versus 16 million tonnes last year, urea stocks have hit a four-year low ahead of Kharif sowing, and persistent price pressures could increase cultivation costs and contribute to upward food price pressure if supply risks extend into the season.



At the external level, currency and energy market trends have shown signs of stress in recent sessions. The rupee came under renewed pressure following the RBI's partial rollback of forex derivative curbs, reversing earlier recovery gains and adding to import cost pressures. Meanwhile, crude oil prices remain volatile as the Strait of Hormuz closure continues disrupting energy transit, elevating fuel and logistics costs across sectors. While intermittent ceasefire developments have offered brief relief, continued geopolitical uncertainty suggests commodity markets could remain vulnerable to renewed disruptions, keeping food inflation sticky well into the Kharif window.

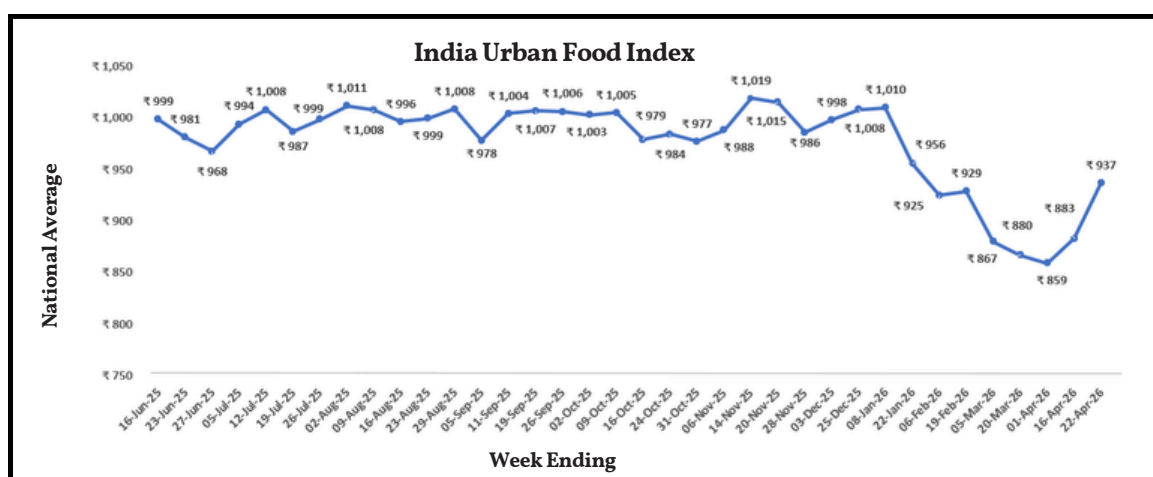
SUPPLY FUNDAMENTALS

| | |
|--|---|
| Sowing & Crop Progress | <u>Robust (wheat output at record 120.21 MT; 25 LMT additional exports approved)</u> |
| Market Arrivals | <u>Steady (peak rabi inflows continuing; heat stressing perishable arrival quality)</u> |
| Buffer Stock Position | <u>Adequate (food grain stocks stable; urea at four-year low ahead of Kharif)</u> |
| Reservoir Status | <u>Declining (live storage at 42.75% of capacity, 16pp above last year)</u> |
| Rainfall & Field Conditions | <u>Watchful (IMD pegs monsoon at 92% of LPA; El Niño risks intensifying)</u> |

KEY IMPLICATIONS

With the trifecta now visibly transmitting into the food basket, the RBI's April 22 MPC minutes confirm the central bank is prioritising inflation anchoring over growth support, maintaining a data-dependent posture until the monsoon trajectory becomes clearer. West Asia risks and El Niño conditions are cited explicitly as key determinants shaping the near-term policy stance. The rupee's slide following the forex derivative curb rollback and rising import costs further narrow the easing window. The probability of a near-term rate cut remains low — the RBI will need sustained evidence of supply stabilisation and monsoon normalisation before any pivot becomes viable.

INDEX TRAJECTORY



Average 10-item basket prices across 21 cities from 16-Jun-25 to 22-Apr-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% |
| 06-Feb-26 | ₹ 925 | 51.50 | 1.39% |
| 19-Feb-26 | ₹ 929 | 46.28 | 1.40% |
| 05-Mar-26 | ₹ 880 | 55.34 | 1.32% |
| 20-Mar-26 | ₹ 867 | 59.52 | 1.30% |
| 02-Apr-26 | ₹ 859 | 52.57 | 1.29% |
| 16-Apr-26 | ₹ 883 | 47.62 | 1.33% |
| 22-Apr-26 | ₹ 937 | 54.39 | 1.31% |

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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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.

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