

Dear All,

Food inflation has been a serious issue for the last two years. I looked at the data and found it to be a serious challenge. Here are my learnings:

1. Why is food inflation up? It's the post covid supply chain, it's the Ukraine war, its higher wages, it's also the strength of the dollar which is pushing up prices in importing poor countries. Higher energy prices contribute to the transportation charges.
2. Meat, Sugar, Vegetable Oils and Dairy fell last week, but the overall situation is still high.
3. India food inflation was 0.68% in September 2021, it is now 8.38% in September 2022.
4. Countries with food inflation more than 25% (July 2022 or September 22 vs a year ago): Afghanistan, Bosnia, Burundi, Colombia, Costa Rica, Ethiopia, Ghana, Haiti, Hungary, Iran, Lithuania, Malawi, Moldova, Montenegro, Rwanda, Pakistan, Sierra Leone, Sri Lanka, Turkey, Venezuela, Zimbabwe, Lebanon, Macedonia. This is a list of 23 countries, that is roughly 12% of the world's countries.
5. Countries with food inflation between 15 and 25% this year, either July data or September 22 data: Albania, Algeria, Angola, Azerbaijan, Belarus, Bulgaria, Chile, Croatia, Costa Rica, Czech, Denmark, Egypt, EU, Gambia, Honduras, Kenya, Kyrgyzstan, Mauritius, Mongolia, Mozambique, Nicaragua, Poland, Romania, Portugal, Russia, Senegal, Serbia, Slovakia, Slovenia, Somalia, Spain, Sweden, Uganda, Uzbekistan. This is a list of 60 countries if I take EU at 27 countries. This is 30% of the world's countries.
6. So, we have a total of 42% of countries having a food inflation of more than 15%. That is huge and is one of the highest I think in the last 4 decades.
7. How important is food as part of the household income?
8. Here is the list of countries where the household spends less than 10 % of household income on food: USA, Singapore, UK, Switzerland, Canada, Ireland, Australia, Austria. Even if it is less than 10%, a 15% increase means a 150 BPS increase in spend, that's not small.
9. Here is a list of countries where spend on food is more than 40% of Household income. These people will be hit very hard with the current inflation. Azerbaijan, Guatemala, Pakistan, Philippines, Algeria, Kazakhstan, Cameroon, Kenya, Nigeria.
10. India spends around 30% of its household income on food.
11. While this is aggregate numbers, the poor tend to spend a lot more on food. For example, even in America, the poorest section of people spends between 28% to 40% on food.
12. This is a wakeup call for countries and the food industry. The food industry needs to look more closely at traceability, safety and quality, poor communication in the value chain, supply chain costs and inventory levels across the chain. In many countries, losses in the food value chain are close to 30 % and that contributes to inflation as well.

Feedback welcome

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