6

STANDING COMMITTEE ON FINANCE
(2009-2010)

FIFTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

INFLATION AND PRICE RISE

SIXTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2009/*Agrahayana*, 1931 (*Saka*)

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Presented to Lok Sabha on 17.12.2009
Laid in Rajya Sabha on 17.12.2009

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INTRODUCTION

I, the Chairman, Standing Committee on Finance (2009-10), having been authorized by the Committee to present the Report on their behalf, present this Sixth Report (15th Lok Sabha) of the Standing Committee on Finance (2009-10) on the subject 'Inflation and Price Rise".

2. The Committee took evidence of the representatives of Ministry of Commerce and Industry (Department of Commerce) on 20 October, 2009 and the representatives of Ministry of Consumer Affairs, Food and Public Distribution and Ministry of Agriculture (Department of Agriculture and Cooperation) on 21 October, 2009. The Committee also took evidence of the representatives of Ministry of Statistics and Programme Implementation on 11 November, 2009, and the representatives of Ministry of Finance (Department of Economic Affairs), Ministry of Planning, Enforcement Directorate and Reserve Bank of India on 12 November, 2009.

3. The Committee heard the views of the representatives of Agricultural Produce Marketing Committee (APMC), Delhi and Consumer Action Groups, Delhi on 26 November, 2009.

4. The Committee considered and adopted this report at their sitting held on 15 December, 2009.

5. The Committee wish to express their thanks to the representatives of Ministry of Commerce and Industry (Department of Commerce), Ministry of Consumer Affairs, Food and Public Distribution, Ministry of Agriculture (Department of Agriculture and Cooperation), Ministry of Finance (Department of Economic Affairs), Ministry of Statistics and Programme Implementation, Ministry of Planning, Reserve Bank of India, Agricultural Produce Marketing Committee (APMC), Delhi and Consumer Action Groups, Delhi for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the subject.

NEW DELHI;
15 *December*, 2009
24 *Agrahayana*, 1931 *(Saka)*

DR. MURLI MANOHAR JOSHI,
Chairman,
Standing Committee on Finance.

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REPORT

PART I

BACKGROUND ANALYSIS

I. INTRODUCTION

Prices and inflation have a bearing on the general economic health of the country.

1.2 The term inflation refers to a measured rise in a broad price index (Price level). The price index is an indicator of the average price movement over time of a fixed basket of goods and services. The constitution of the basket of goods and services is done keeping into consideration whether the changes are to be measured in retail, wholesale, producer prices, etc. The basket also varies for economy-wide, regional, or sector specific indices. The price rise, however, refers to general increase in price of commodities which may occur due to imbalances in aggregate demand and supply. Excess monetary growth or low interest rates can also result in excess demand, relative to supply, resulting in price rise and therefore inflation. A fall in aggregate supply, due to a crop failure or restricted imports can also lead to price rise and inflation, if the demand remains unchanged. In a globalised economy, and for those sectors where imports and exports are relatively free, as in manufacturing and minerals, global demand-supply imbalances can and do influence domestic prices and inflation in those sectors.

Inflation Measurement

1.3 In India there are five indices for measuring changes in the price level. Four of these are the Consumer Price Indices (CPIs), which are specific to a group, or class of consumers and the one Wholesale Price Index (WPI), which has an economy wide coverage and a higher frequency. The four CPIs are — Consumer Price Index for Industrial Workers (CPI-IW) and Consumer Price Index for Agricultural Labourers/Rural Labourers (CPI -AL/RL), Consumer Price Index for Urban Non-Manual Employees (CPI-UNME). The CPIs are released on a monthly basis while WPI is released every week. Whereas, WPI is compiled and released by the Department of Industrial Policy and Promotion (DIPP), CPI-IW and CPI (AL/RL) are compiled and released by Labour Bureau and CPI-UNME is compiled and released by the Central Statistical Organization (CSO).

1.4 According to the International Monetary Fund (IMF) statistics, 24 countries use WPI as the official measure to track inflation, whereas 157 countries use CPI for the same purpose.

1.5 The National Statistical Commission (2001) took note of the fact that the current system of sectional CPIs, do not account for changes in the prices for the entire rural and urban population as they are designed to measure the changes in the prices of goods and services consumed by specific segments of the population. The Commission has therefore, *inter alia*, recommended compiling CPI separately for the entire rural and urban populations using quinquennial NSS Consumer Expenditure Survey Data for the preparation of the weighting diagram. Thereafter, it has recommended compiling a combined index based on these two indices. On the basis of these recommendations, CSO has repeatedly taken the initiative to compile national CPI and as a first step, urban retail price data collection for CPI (Urban) has been initiated.

Inflationary trend

1.6 The following table shows the trend of inflation based on both WPI and CPI (both for industrial workers and rural labourers) for the last five years:

Table 1:Inflation rates based on WPI and CPI from 2004-05 to 2009-10

(Per cent)

		WPI	CPI(IW)	CPI(RL)
		1	2	3
YEAR	BASE:->	93-94	1982	86-87
2004-05(Avg. Apr-Mar)		6.47	3.83	2.58
2005-06(Avg. Apr-Mar)		4.42	4.41	3.85
2006-07(Avg. Apr-Mar)		5.43	6.70	7.52
2007-08 (Avg. Apr-Mar)		4.67	6.20	7.19
2008-09 (Avg. Apr-Mar)		8.41	9.10	10.19
2009-10	APR	1.31	8.70	9.09
	MAY	1.38	8.63	10.21
	JUN	-1.01	9.29	11.26

		1	2	3
	JUL	-0.67	11.89	12.67
	AUG	-0.9(P)	11.72	12.67
	SEP	0.50(P)	11.64	12.97

P: Provisional.

1.7 An analysis of the above table shows that the WPI measured inflation rate, on the average, has hovered around 4 to 6 percent during the years 2004-05 to 2007-08, while in the year 2008-09, it increased upto 8.41 per cent. However, the CPI measured inflation rate, both for industrial workers and rural labourers, gives an altogether different picture during the same period. It has shown a constantly increasing trend from the year 2004-05 to 2008-09 with marginal decrease in the year 2007-08. While the CPI for industrial workers rose from 3.83 on average to 6.20 in the year 2007-08, the CPI for rural labourers increased from 2.58 to 7.19 during the same period. Subsequently both the CPIs shot up to 9.10 and10.19 respectively during the year 2008-09.

1.8 As per the submission made to the Committee by the Reserve Bank of India(RBI), the current inflationary pressures are quite different from the inflationary pressures witnessed during April-October 2008. Although both inflation episodes are driven by supply side pressures, the inflation in 2008 was triggered largely by a sharp increase in the prices of basic metals and mineral oils. In contrast, during the current episode, price pressures are emanating from domestic sources reflecting increase in prices of food articles and food products.

Commodity wise inflation trend

1.9 The data on annual inflation trends, commodity group-wise, for the last five years is as given below:

Commodity Group	Year-on-Year Inflation						
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (Oct.17,'09)
1	2	3	4	5	6	7	8
ALL COMMODITIES	4.64	5.10	4.06	5.94	7.75	0.84	1.51
I. Primary Articles	1.6	1.3	5.4	11.7	9.7	5.2	8.7
(A) Food Articles	0.2	3.0	6.6	9.4	6.5	7.0	12.9
(B) Non-Food Articles	4.1	-6.9	-1.9	17.2	11.4	0.1	0.3
(C) Minerals	25.3	68.0	43.6	17.5	49.9	7.2	-3.8

1	2	3	4	5	6	7	8
II. Fuel, Power, Light & Lubricants	2.5	10.5	8.9	1.2	6.8	-6.1	-6.2
(A) Coal Mining	9.2	17.1	0.0	0.0	9.8	-1.0	-1.0
(B) Minerals Oil	0.0	16.0	13.2	0.8	9.3	-8.7	-10.7
(C) Electricity	4.9	0.8	4.5	2.3	1.5	-2.6	2.0
III. Manufactured Products	6.7	4.6	1.7	7.0	7.3	1.7	1.6
(A) Food Products	9.7	0.4	0.9	5.9	9.4	8.8	17.4
(B) Beverages,Tobacco & Tob.Prod.	2.0	6.5	6.0	9.1	8.0	9.3	4.8
(C) Textiles	8.8	-5.7	-0.5	2.1	-4.3	9.9	3.1
(D) Wood & Wood Products	0.3	0.2	15.5	3.8	0.0	0.7	0.3
(E) Paper & Paper Products	-1.1	2.4	5.1	3.4	1.0	5.0	-0.8
(F) Leather & Leather Products	15.1	9.6	-4.8	5.6	-0.2	1.1	-1.3
(G) Rubber & Plastic Products	2.0	-1.3	4.5	10.6	5.6	2.3	0.3
(H) Chemicals & Chemical Products	0.1	3.9	3.6	3.6	6.0	2.0	2.3
(I) Non-Metallic Mineral Products	3.0	11.4	8.6	10.3	6.4	1.9	3.0
(J) Basic Metals Alloys & Metal Prod.	22.1	17.1	-2.9	16.7	20.3	-12.2	-12.9
(K) Machinery & Machine Tools	3.1	7.1	3.9	8.6	3.5	2.6	-1.3
(L) Transport Equipment & Parts	1.4	6.2	1.2	1.8	3.9	3.1	-0.9

1.10 From the above it is evident that in the WPI for primary articles, food price inflation has shown constantly rising trend during the period 2003-04 to 2006-07, briefly reducing in the year 2007-08, before rising further in the years 2008-09 and 2009-10. Further, inflation rate of non-food articles has risen twice in the years 2006-07 and 2009-10 in the same period whereas minerals have registered rise in 2004-05 and 2007-08 as against previous year. Thus, the contribution of food articles is substantial; more particularly, in the current year, which is further corroborated by the data on weighted contribution of various groups in WPI inflation as shown below:

Commodity-wise Weighted Contribution in WPI Inflation (As on October 17, 2009)

Item	Year-on-Year	Financial Year
ALL COMMODITIES	100.0	100.0
I. PRIMARY ARTICLES	133.4	39.4
(A) Food Articles	135.6	38.8
(B) Non-Food Articles	1.2	3.7
(C) Minerals	-3.1	-3.2
II. FUEL,POWER,LIGHT & LUBRICANTS	-90.1	25.0
(A) Coal Mining	-1.3	0.0
(B) Minerals Oil	-97.1	19.9
(C) Electricity	8.2	5.1
III. MANUFACTURED PRODUCTS	56.7	36.1
(A) Food Products	114.1	15.9
(B) Beverages,Tobacco & Tobacco Products	5.2	0.8
(C) Textiles	11.7	3.0
(D) Wood & Wood Products	0.0	0.3
(E) Paper & Paper Products	-1.0	0.0
(F) Leather & Leather Products	-0.6	0.0
(G) Rubber & Plastic Products	0.3	0.3
(H) Chemicals & Chemical Products	17.2	12.9
(I) Non-Metallic Mineral Products	4.5	1.1
(J) Basic Metals Alloys & Metal Products	-88.3	0.4
(K) Machinery & Machine Tools	-5.3	1.2
(L) Transport Equipment & Parts	-1.8	0.3

1.11 The above table shows that total contribution of primary articles in WPI inflation, year on year is 133.4% and financial year-wise is 39.4%, out of which the contribution of food articles and manufactured food products are 135.6 (year on year), 38.8 (financial year) and 114.1 (year on year), 15.9 (financial year) respectively.

Inflation scenario in the years 2008-09 and 2009-10

1.12 The fiscal year 2008-09 and 2009-10 so far have been very unusual years, marked by extremes in price movement. Whereas the year 2008-09 recorded highest level of WPI inflation because of high food, fuel and commodity price (including metals) the year 2009-10 recorded negative inflation for 13 consecutive weeks from June to August 2009. This period is also characterized by divergence between inflation based on WPI and CPIs in India. The following table gives a comparative picture of Inflation rate based on WPI, CPI-IW and CPI-RL during these two years:

Rates of inflation (year-on-year) in major price indices (%)

	Wholesale Price Index			Consumer Price Index (Industrial Workers)			Consumer Price Index (Rural Labour)		
	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10
APR	6.28	8.04	1.31	6.67	7.81	8.70	9.12	8.61	9.09
MAY	5.46	8.86	1.38	6.61	7.75	8.63	7.90	8.84	10.21
JUN	4.53	11.82	-1.01	5.69	7.69	9.29	7.53	8.75	11.26
JUL	4.71	12.36	-0.67	6.45	8.33	11.89	8.02	9.41	12.67
AUG	4.14	12.82	-0.91P	7.26	9.02	11.72	8.51	10.29	12.67
SEP	3.51	12.27	0.50 P	6.40	9.77	-	7.61	10.98	9.09
OCT	3.11	11.06		5.51	10.45		6.72	11.14	
NOV	3.25	8.48		5.51	10.45		5.88	11.11	
DEC	3.84	6.19		5.51	9.70		5.63	11.14	
JAN	4.50	4.90		5.51	10.45		5.88	11.35	
FEB	5.27	3.50		5.47	9.63		6.11	10.79	
MAR	7.48	1.20		7.87	8.03		7.63	9.69	

P-Provisional.

1.13 During 2007-08, whereas WPI inflation was in the range of 3.11 to 7.48 per cent, the CPI (IW) was in the range of 5.51 to 7.87 per cent and CPI(RL) in the range of 5.63 to 9.13 per cent. The range drastically changed in 2008-09. The WPI was in the range of 1.20 to 12.82 per cent, the CPI (IW) in the range of 7.69 to 10.45 per cent and CPI (RL) in the range of 8.61 to 11.35 per cent. During the current financial year, so far, the WPI is in the range of (-) 0.91 per cent to 1.38 per cent and CPI (IW) and CPI (RL) are in the range of 8.63 to 11.89 per cent and 9.09 to 12.67 per cent respectively.

1.14 A press report pertaining to the recent inflation figures, as on November 19, 2009 reads as below:

> "Riding on the back of rising prices of staple items like potatoes, onion and pulses, food inflation rose to 14.55 per cent in the first week of November. On a weekly basis, inflation rose 0.87 percentage points from 13.68 per cent. On a yearly basis, prices of potato shot up by 102.47 per cent, onions by 38.24 per cent and pulses by 27.03 per cent, according to the official figure. Urad, mutton, moong, condiments and spices, barley, wheat and bajra rose three per cent each and milk, gram, river fish and eggs by one per cent each. Non-food articles inflation rose to 0.59 per cent from –0.17 per cent a week ago."

Accumulated Year-to-date Inflation

1.15 Build up inflation in the financial year so far was 5.95% compared to a build up of 5.25% in the corresponding period of the previous year as indicated in the table below:

Build up inflation

	Build up from end March	
	2008-09	2009-10
All Commodities	5.25	5.95
Primary Articles	6.21	9.76
Fuel, Power etc. group	7.58	7.45
Manufactured Products	4.00	3.83

Source: Department of Industrial Policy & Promotion, Govt. of India.

Factors for rising prices

1.16 In general, the following factors are attributed to rise in prices:

- Area and production, which is dependent on weather and technology
- Minimum Support Price
- Government policies
- Substitute product
- Demand/Consumption
- Seasonal Cycles
- International prices

1.17 With regard to rise in prices of wheat, rice and pulses, the Department of Consumer Affairs has made the following submission:

(a) In case of wheat and rice, the increase in average wholesale prices of the commodities can be partly attributed to the increase in MSP

(b) In the case of tur, apart from the hike in MSP, the decline in acreage and lower production has also contributed to the increase in its average wholesale price.

(c) Seasonal cycles are present in agricultural crops. Price tends to be lower as harvesting progresses and produce starts coming into the market. At the time of sowing and before harvesting price tends to rise in view of tight supply situation. The market normally corrects itself in such a scenario.

Anti-inflationary measures

1.18 The following are some of the important policy measures stated to have been taken by the Government to bring down the food prices:

(a) To augment availability of cereals:

- Minimum Support Prices (MSPs) have been systematically increased, leading to increased acreage, production, productivity and central procurement. For the marketing season of 2008-09, the MSP of wheat was increased to

Rs. 1,080. For different grades of paddy, for kharif marketing season 2009-10, the MSP has been increased to Rs. 950-980 per quintal. While in the short run there may be some increase in prices. But in the long run enhanced supply would help in stabilising prices.

- The record procurement of wheat at 22.68 million tonnes in 2008-09 was twice the level in 2007-08, which besides the nil import requirements has simultaneously facilitated open market intervention schemes for bulk and small consumers, stabilizing market prices, additional allocations under Targeted Public Distribution System (TPDS), creation of a 3 million tonne strategic reserve in addition to the normal buffer stocks in 2008-09. The procurement of wheat in 2009-10, as on 3.8.2009, has been 25.2 million tonnes. The procurement of paddy has been 32.2 million tonnes during the same period of the current year.

(b) To avoid depletion of domestic foodgrains stock:

- Ban on exports: The export of wheat and non-basmati rice have been banned since 1.4.2008. The minimum export price applicable for basmati rice was enhanced to US$1,200 per MT from April 2008, (later reduced to $ 1100 per MT) and export of basmati rice have been restricted to specified ports of Kandla, Kakinada, Kolkata and JNPT, Mumbai. From November 18, 2008, a relaxation in non-basmati rice export for 100 per cent export-oriented units has been given. In wheat, exports were banned from February 2007 and still continue, barring 2 million tonnes on private account. Export of pulses (except kabuli chana) and edible oils have been banned, but branded consumer packs of 5 kgs or less can be exported up to 10,000 tonnes. Export of castor oil, coconut oil and oils produced from minor forest produce are closely monitored, with coconut oil export being permitted only from Kochi port. Export obligations on raw sugar import under OGL have been removed.

- Import duties of rice, wheat, edible oils (crude) and maize, butter and ghee have been kept at zero; while those on refined and hydrogenated oil and vegetable oil have been reduced to 7.5 per cent. Customs duty on butter, ghee and butter oil has been reduced to 30 per cent and import duty of 20 per cent imposed on crude degummed soyabean oil, from November 2008. Zero duty import of pulses has been extended upto March 2010. Import of raw sugar at zero duty has been allowed under the advance authorization scheme with the sugar factories permitted to sell processed raw sugar domestically. The advance authorization for raw sugar imports by manufacturer exporter or merchant exporter linked to supporting manufacturer(s) can be secured, without the actual user condition for such imports applicable on imports from 17.2.2009 to 30.09.2009. Import of raw sugar under Open General License (OGL) at zero duty by sugar mills has been extended upto 31-3-2010. Import of raw sugar has been opened to private trade up to 31-3-2010 for being processed by domestic factories on job basis.

- Public sector undertakings are allowed to import pulses against part reimbursement of losses and service charges up to 31.3.2010. MMTC, STC, NAFED and PEC were allowed to import 1 million tonnes of white sugar duty free under OGL. This has been extended up to 30-11-2009.
- Duty free import of white/refined sugar under OGL has been opened to other Central/State Government agencies and to private trade.
- Instructions have been issued to all major ports to accord priority berthing for vessels carrying raw and white/refined sugar up to 30-9-2009. Similar instruction has been issued to railways to upgrade lodging priority for sugar.
- Levy obligation has been removed in respect of all imported raw sugar and white/refined sugar.

(c) To maintain price stability:

- The Central issue price for rice and wheat has not been revised since July 2002. Vegetable oils imports increased in 2008-09 due to reduced customs and import duties. A scheme was launched to distribute 1 MT of imported edible oil at the subsidized Rs. 15 per kg under PDS, with 1 kg. per ration card per month. To check rising sugar prices, the Government has allowed higher free-sale releases and additional allocations; stipulated monthly sale of fixed quantity of dismantled buffer stock; has been monitoring open market sale with the central excise authorities; has initiated proceedings against delinquent mills under Essential Commodities Act, 1955; and discontinued reimbursement of expenses earlier available for exports from October 2008. Higher quota of non-levy sugar has been released in the open market. The scheme for distribution of imported pulses has been extended up to 30.9.2009.

- Futures trading in sugar has been suspended with effect from 27.5.2009.

(d) To act against hoarding:

- The availability of pulses this year is only marginally less than last year and the spurt cannot be explained just in terms of the supply – demand gap. Speculative tendencies in the market have fuelled these prices and it is therefore imperative that the State Governments make judicious use of their powers under the Essential Commodities Act. Strong enforcement of the provisions of this Act would deter any unhealthy practice of hoarding and black-marketing and would contribute to the national effort at controlling price rise. As per information available, only 19 States and UTs have issued orders imposing stock limits on essential commodities. Remaining States must also take necessary steps in this regard. However, while implementing these orders, care must be taken to avoid restrictions on movement of essential commodities and undue harassment as these could lead to supply— demand mismatch at the national level.
- In August 2006, the Centre had issued an order under the Essential Commodities Act, 1955 to enable the State Governments to invoke stock limits in respect of wheat and pulses for a period of six months in view of the prevalent price situation. Further, it empowered the states to act against hoarders to ensure availability of essential commodities at reasonable price. The validity of the Order has been extended from time to time. The restrictions on licensing, stock limits and movement of rice and paddy, pulses, edible oils and oilseeds and sugar have been kept in abeyance up to 30.9.2009. For wheat, the existing restrictions have been lifted for 2009-10.

Functions/Role of various Ministries in management of prices

1.19 The Department of Consumer Affairs under the Ministry of Consumer Affairs, Food and Public Distribution is entrusted with the task of monitoring prices and availability of essential commodities in the country. The Price Monitoring Cell of the Department monitors regularly the wholesale and retail prices of 17 essential commodities *viz.* rice, wheat, atta, gramdal, tur/arhar dal, moong dal, urad dal, masoor dal, tea, milk, sugar, vanaspati, mustard oil, groundnut oil, potato, onion and salt and other matters concerning price scenario based on the information received from the State Food and Civil Supplies Departments.

1.20 The Department of Food and Public Distribution is charged with the prime responsibility of the management of the food economy of the country. It is concerned with the formulation of policies concerning the foodgrains sector – procurement, storage, movement and distribution. The twin objectives of the Department are to ensure remunerative prices for farmers and supply of foodgrains to consumers at reasonable prices through the public distribution system. The Department implements the scheme of minimum support price to the producers of wheat, paddy and coarsegrains and the distribution of foodgrains from the Central Pool. A close watch is kept on the stock and price levels of foodgrains and efforts are made to ensure their adequate availability at reasonable prices in different parts of the country.

1.21 Assessment of domestic requirement of foodgrains and formulation and implementation of policy is done by the Department of Agriculture and Cooperation under the Ministry of Agriculture. The Commission for Agricultural Cost and Prices (CACP) also makes an assessment of availability and demand of foodgrains. In case of sugar, however, the Department of Food and Public distribution takes policy decisions and initiates policy interventions to facilitate import of sugar or put restriction on export of sugar, as the case may be.

1.22 Import of agro commodities is primarily in the domain of the Ministry of Consumer Affairs, Food and Public Distribution. MMTC Limited, STC Limited, PEC Limited are the PSUs under the Department of Commerce which are involved by the Ministry of Consumer Affairs, Food and Public Distribution for import of agro commodities.

1.23 At the macro level, price policy issues are within the domain of Ministry of Finance. The Economic Division of the Department of Economic Affairs, Ministry of Finance is responsible for issues related to price policy and inflation management. It monitors the prices of essential commodities, besides tracking and analysis of WPI and other indices of inflation. It also administers issues related to price policy and inflation management. Price situation is reviewed by the Government on regular coordinated basis by the Committee of Secretaries and Cabinet Committee of Prices and appropriate action is taken.

1.24 It is seen that the issue of inflation has become a persistent problem during the last few years and more so in the recent times. The Committee obtained relevant information/material and heard the representatives of different Ministries/Governmental organisations, which are entrusted with the formulation of policies for controlling inflation and checking rising prices. The related issues which emerged in the course of the examination of the subject are discussed in the subsequent chapters of this report.

II. TREND OF INFLATION

Inflation is measured as the percentage rate of change in a price index over a reference time period. Data pertaining to the developments in the domestic prices over the past five years as measured under the three relevant price indices which commonly represent the effect of price rise on the common man is shown in the table below:

Inflation rates based on WPI and CPI from 2004-05 to 2009-10

(Per cent)

		WPI	CPI(IW)	CPI(RL)
		1	2	3
YEAR	BASE:->	93-94	1982	86-87
2004-05	APR	4.51	2.23	1.83
	MAY	5.02	2.83	1.82
	JUN	6.68	3.02	1.81
	JUL	7.61	3.19	1.80
	AUG	8.46	4.61	3.00
	SEP	7.92	4.81	3.29
	OCT	7.27	4.57	3.58
	NOV	7.52	4.17	3.28
	DEC	6.73	3.78	2.99
	JAN	5.54	4.37	2.69
	FEB	5.01	4.17	2.39
	MAR	5.39	4.17	2.40
2004-05(Avg. Apr-Mar)		**6.47**	**3.83**	**2.58**
2005-06	APR	5.91	4.96	2.99
	MAY	5.55	3.74	2.99
	JUNE	4.32	3.32	2.66

		1	2	3
	JULY	4.29	4.06	3.82
	AUG	3.66	3.45	3.21
	SEP	4.06	3.63	3.19
	OCT	4.71	4.18	3.17
	NOV	4.21	5.33	4.62
	DEC	4.45	5.57	4.94
	JAN	4.08	4.75	4.66
	FEB	4.03	4.95	4.66
	MAR	3.85	4.95	5.26
2005-06 (Avg. Apr-Mar)		**4.42**	**4.41**	**3.85**
2006-07	APR	3.86	5.03	5.23
	MAY	4.73	6.31	6.38
	JUN	5.12	7.65	7.20
	JUL	4.83	6.71	5.95
	AUG	5.12	6.32	6.21
	SEP	5.38	6.78	7.02
	OCT	5.51	7.30	8.10
	NOV	5.50	6.33	8.01
	DEC	5.68	6.91	8.31
	JAN	6.37	6.72	8.91
	FEB	6.36	7.56	9.47
	MAR	6.61	6.72	9.17
2006-07 (Avg. Apr-Mar)		**5.43**	**6.70**	**7.52**
2007-08	APR	6.28	6.67	9.12
	MAY	5.46	6.61	7.90

		1	2	3
	JUN	4.53	5.69	7.53
	JUL	4.71	6.45	8.02
	AUG	4.14	7.26	8.51
	SEP	3.51	6.40	7.61
	OCT	3.11	5.51	6.72
	NOV	3.25	5.51	5.88
	DEC	3.84	5.51	5.63
	JAN	4.50	5.51	5.88
	FEB	5.27	5.47	6.11
	MAR	7.48	7.87	7.63
2007-08 (Avg. Apr-Mar)		**4.67**	**6.20**	**7.19**
2008-09	APR	8.04	7.81	8.61
	MAY	8.86	7.75	8.84
	JUN	11.82	7.69	8.75
	JUL	12.36	8.33	9.41
	AUG	12.82	9.02	10.29
	SEP	12.27	9.77	10.98
	OCT	11.06	10.45	11.14
	NOV	8.48	10.45	11.11
	DEC	6.19	9.70	11.14
	JAN	4.90	10.45	11.35
	FEB	3.50	9.63	10.79
	MAR	1.20	8.03	9.69
2008-09 (Avg. Apr-Mar)		**8.41**	**9.10**	**10.19**
2009-10	APR	1.31	8.70	9.09
	MAY	1.38	8.63	10.21

		1	2	3
□	JUN	-1.01	9.29	11.26
□	JUL	-0.67	11.89	12.67
□	AUG	-0.9 (P)	11.72	12.67
□	SEP	0.50 (P)	11.64	12.97

P: Provisional.

2.2 An analysis of the above table shows that wholesale price index has registered increase in three of the last five years *viz*. 2005-06, 2007-08 and 2008-09. On the other hand, consumer price indices have generally shown a rising trend in the same period except in the year 2007-08 when there was a marginal decline.

Year-on-Year variation

2.3 The background note as furnished by the Ministry of Planning gives data on year-on-year inflation in WPI, as shown below:

Items	Weight	Inflation in per cent on 18 Oct. 08	Inflation in per cent on 17 Oct. 09
All commodities	100.00	10.82	1.51
Primary Articles	22.03	12.13	8.67
Food Articles	15.40	10.08	12.85
Non-Food Articles	6.14	12.43	0.30
Minerals	0.48	43.65	-3.79
Fuel, power etc. group	14.23	13.59	-6.20
Administered mineral oils	5.44	12.36	-6.38
Rest mineral oils	1.55	44.34	-19.92
Manufactured Products	63.75	9.26	1.56
Food Products	11.54	8.08	17.40
Food MP	10.03	6.45	15.77
Non-Food MP	53.72	9.75	-0.90

Source: Department of Industrial Policy and Promotion, Govt. of India.

2.4 The above table shows that WPI has shown considerable decline from 10.82 to 1.51 percent. However, the disaggregated data shows that inflation in respect of food articles (both primary articles and manufactured products in food) has registered substantial increase (from 10.08 to 12.85, 8.08 to 17.40 and 6.45 to15.77).

2.5 Year-on-year price movement of important food items in WPI are indicated in the table below:

Items	Weight	18-Oct-08	17-Oct-09
Food Combined	25.43	8.83	13.83
Essential Commodities	17.63	8.37	17.89
Rice	2.45	12.31	12.67
Wheat	1.38	4.13	6.79
Pulses	0.60	8.21	22.92
Vegetables	1.46	13.93	14.77
Sugar	3.62	13.45	45.73
Edible Oils	2.76	8.36	-6.64

Source: Department of Industrial Policy and Promotion, Govt. of India.

2.6 WPI inflation of 30 essential commodities stood at 17.89 per cent in October, 09 as against 8.37 per cent in the previous year. Further steep rise has been registered in the prices of wheat, pulses and sugar, with sugar showing highest rise in prices. As per the figures furnished by the Department of Consumer Affairs, the point to point annual inflation in the WPI of food items increased to 17.47 percent for the week ended 21 November, 2009 from 15.58 percent during the week ended 14 November, 2009. It further increased to 19.05 percent for the week ended 28 November, 2009.

Year-on-year inflation in foodgrains and fruits and vegetables

2.7 Information as submitted by the Ministry of Finance (Department of Economic Affairs) with regard to trend in inflation of primary food items, observed since August, 2008 is shown in the table below:

Inflation trend in primary food items and WPI (%)

Commodity Weight (%)	All commodities 100.00		Food Grains 5.01		Fruits & Vegetables 2.92	
Aug-08	241.2	12.82	229.7	6.54	255.1	4.72
Sep-08	241.5	12.27	229.9	6.68	276.0	6.85
Oct-08	239.0	11.06	235.3	8.78	277.0	14.32
Nov-08	234.2	8.48	237.5	9.50	278.4	18.87
Dec-08	229.8	6.19	239.6	10.77	249.4	12.29
Jan-09	228.9	4.90	242.2	11.25	256.2	17.25
Feb-09	227.6	3.50	248.0	13.19	241.4	9.58
Mar-09	228.2	1.20	248.1	11.61	241.0	2.08
Apr-09	231.5	1.31	250.6	11.92	271.2	10.51
May-09	234.3	1.38	254.3	14.14	272.2	7.72
Jun-09	235.0	-1.01	256.0	14.39	274.0	13.46
Jul-09	238.4	-0.67	259.1	13.54	291.0	15.48
Aug-09 (P)	239.0	-0.91	259.8	13.10	308.6	20.97
Sep-09 (P)	242.7	0.50	262.4	14.14	343.8	24.57

2.8 The above table gives year-on-year inflation in foodgrains (cereals and pulses) and fruits and vegetables and its comparison with overall WPI. The relatively higher inflation in food items has not been able to affect the overall WPI owing to the lower weightage given to these items. It is seen that inflation in foodgrains rose from 6.68 to 14.14 per cent in September, 09 as against previous year, while in case of fruits and vegetables it shot up from 6.85 to 24.57 per cent in the same period.

2.9 Inflation based on year-on-year variation in Consumer Price Indices (CPIs) has increased since March 2008, mainly due to increase in the prices of food, fuel and services (represented by the 'miscellaneous' group). The various measures of consumer price inflation remained high in the range of 11.7-13.2 per cent during August/September 2009 as compared to 9-11 per cent in August/ September 2008 is shown in the table below:

Consumer Price Inflation—Major Groups
(Year-on-year variation in per cent)

CPI Measure	Weight	Mar-08	Aug-08	Sep-08	Mar-09	Aug-09	Sep-09
CPI-IW (Base: 2001=100)							
General	100.00	7.90	9.00	9.80	8.00	11.70	-
Food Group	46.20	9.30	11.70	13.10	10.60	13.70	-
Pan, Supari etc.	2.30	10.90	6.30	7.80	8.30	9.60	-
Fuel and Light	6.40	4.60	9.90	9.10	7.40	2.80	-
Housing	15.30	4.70	3.80	3.80	6.00	22.10	-
Clothing, Bedding etc.	6.60	2.60	3.40	2.50	5.00	4.10	-
Miscellaneous	23.30	6.30	7.70	7.60	7.40	6.40	-
CPI-AL (Base: 1986-87=100)							
General	100.00	7.90	10.30	11.00	9.50	12.90	13.20
Food Group	69.20	8.50	11.30	12.00	9.70	14.10	14.60
Pan, Supari etc.	3.80	10.40	11.80	12.80	15.30	16.50	15.50
Fuel and Light	8.40	8.00	9.50	10.20	11.50	11.60	12.00
Clothing, Bedding etc.	7.00	1.80	5.00	6.00	7.40	8.50	8.10
Miscellaneous	11.70	6.10	6.90	7.10	6.50	7.20	7.10

IW : Industrial Workers AL : Agricultural Labourers
Source: Labour Bureau, Ministry of Labour and Employment, Govt. of Inda.

2.10 CPI-IW for housing, which is not represented in the CPI-AL and CPI-RL showed a sharp rise of 22.1 per cent in August 2009 on account of revision of imputed rent for rent-free accommodation.

Retail prices

2.11 The following information furnished by the Department of Consumer Affairs shows the trend in retail prices of major items of consumption since the year 2005:—

Rice	Retail Price (Rs./Quintal)													
	Jan. 5	July 5	Dec 5	Jan 6	July 6	Dec 6	Jan. 7	July 7	Dec. 7	Jan. 8	July 8	Dec. 8	Jan. 9	Oct. 9
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Mumbai	11.50	11.50	11.50	11.50	12.50	10.00	13.00	13.50	16.25	16.50	17.00	17.50	13.00	19.00
Chennai	12.00	12.00	12.00	13.00	13.00	13.00	12.00	14.00	15.00	15.00	18.00	18.00	18.00	20.00
Kolkata	10.00	10.00	11.00	10.00	11.50	11.00	11.00	12.00	14.00	14.00	14.00	14.00	14.00	14.00
Delhi	13.00	13.00	13.00	13.00	14.00	14.50	15.00	15.00	16.00	17.00	20.00	22.00	22.00	22.00
Wheat														
Mumbai	12.00	11.50	12.00	12.50	14.00	16.00	15.75	14.50	15.50	15.50	15.50	15.00	16.00	17.50
Chennai	11.00	11.00	11.50	13.00	14.00	17.00	17.00	16.00	17.00	17.00	17.00	18.00	18.00	21.00
Bhubaneshwar	9.00	12.00	11.00	13.00	12.00	15.00	15.00	14.00	15.50	15.50	14.50	14.00	14.00	14.00
Delhi	9.00	9.00	10.00	11.00	10.00	12.00	12.00	12.00	12.00	13.00	13.00	13.00	13.00	13.00
Gram Dal														
Mumbai	23.00	25.00	27.00	27.00	35.00	44.00	44.00	35.00	38.00	37.00	39.00	35.00	33.00	38.00
Chennai	23.00	25.00	30.00	30.00	33.00	40.00	38.00	34.00	35.00	32.00	36.00	34.00	35.00	36.00
Kolkata	24.00	24.00	28.00	26.00	33.00	42.00	38.00	35.00	35.00	36.00	36.00	38.00	38.00	35.00
Delhi	23.00	25.00	27.00	27.00	31.00	38.00	36.00	33.50	36.00	35.00	36.00	35.00	35.00	38.00
Tur Dal														
Mumbai	27.00	29.00	30.00	28.00	33.00	35.00	35.00	36.00	44.00	40.00	46.00	50.00	49.00	85.00
Chennai	34.00	34.00	36.00	36.00	34.00	35.00	35.00	40.00	44.00	38.00	46.00	48.00	50.00	92.00
Kolkata	30.00	30.00	29.00	30.00	30.00	32.00	32.00	35.00	40.00	38.00	42.00	45.00	45.00	80.00
Delhi	30.50	33.00	33.00	33.00	33.00	33.00	36.00	40.00	42.00	42.00	43.50	50.00	50.00	82.00
Sugar														
Mumbai	19.50	20.50	20.50	21.50	21.50	19.50	19.50	17.50	17.00	17.50	18.50	21.50	22.00	35.00
Chennai	18.50	18.00	18.25	18.25	19.25	17.00	17.00	15.00	14.00	16.00	17.00	21.00	21.00	32.00

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Kolkata	20.00	20.00	20.00	20.00	22.00	20.00	18.00	16.00	16.00	16.00	17.00	21.00	21.00	30.00
Delhi	19.00	20.00	19.50	21.00	21.00	19.00	19.00	16.00	17.00	17.00	19.00	21.00	23.00	32.00
Groundnut Oil														
Mumbai	52.00	66.00	70.00	70.00	74.00	74.00	74.00	93.00	95.00	93.00	100.00	85.00	90.00	100.00
Chennai	50.00	49.00	50.00	51.00	53.00	61.00	65.00	72.00	68.00	70.00	73.00	66.00	65.00	64.00
Kolkata	75.00	75.00	80.00	78.00	80.00	80.00	80.00	80.00	86.00	88.00	92.00	82.00	82.00	95.00
Delhi	84.00	82.00	84.00	85.00	85.00	92.00	94.00	107.00	121.00	121.00	121.00	110.00	109.00	101.00
Mustard Oil														
Mumbai	60.00	78.00	78.00	78.00	74.00	75.00	75.00	64.00	68.00	74.00	75.00	86.00	84.00	75.00
Hyderabad	64.00	60.00	60.00	60.00	60.00	63.00	65.00	66.00	68.00	68.00	88.00	88.00	88.00	77.00
Kolkata	54.00	50.00	48.00	46.00	50.00	56.00	52.00	58.00	62.00	65.00	78.00	78.00	78.00	62.00
Delhi	54.00	52.00	51.00	50.00	50.00	58.00	57.00	60.00	66.00	69.00	85.00	77.00	77.00	60.00
Vanaspati														
Mumbai	52.00	58.00	58.00	58.00	58.00	58.00	60.00	65.00	68.00	68.00	66.00	58.00	55.00	56.00
Chennai	50.00	50.00	49.00	49.00	54.00	56.00	58.00	62.00	66.00	68.00	74.00	60.00	55.00	54.00
Kolkata	48.00	45.00	48.00	42.00	52.00	53.00	52.00	54.00	54.00	55.00	63.00	45.00	45.00	40.00
Delhi	51.00	53.00	47.00	47.00	50.00	56.00	56.00	59.00	62.00	68.00	74.00	56.00	54.00	51.00
Potato														
Mumbai	7.50	9.50	14.50	11.00	12.00	13.00	11.00	13.00	11.00	10.00	11.00	9.00	9.00	23.00
Chennai	7.00	10.00	11.00	12.00	11.00	11.00	11.00	12.00	12.00	12.00	10.00	14.00	10.00	26.00
Kolkata	3.00	6.50	8.00	6.00	8.00	6.00	5.00	9.00	9.00	7.00	5.00	5.00	5.00	19.00
Delhi	4.50	11.00	8.00	7.00	10.00	6.00	6.00	14.00	9.00	8.00	11.50	8.00	8.00	24.00
Onion														
Mumbai	8.00	6.00	11.50	9.00	7.00	11.00	13.50	13.50	9.00	7.50	13.00	15.00	19.00	21.00
Chennai	7.00	8.00	11.00	7.00	5.00	10.00	11.00	14.00	10.00	8.00	12.00	22.00	18.00	22.00
Kolkata	6.00	8.00	8.00	7.00	8.00	10.00	14.00	14.00	10.00	8.00	7.00	16.00	16.00	24.00
Delhi	8.50	9.00	10.00	8.00	8.00	11.00	16.00	15.00	10.00	9.00	13.00	21.00	21.00	24.00

2.12 The zone-wise retail prices of essential commodities, as furnished by the Planning Commission, is given in the table below and shows that prices of almost all these commodities have increased over the period:-

Retail Prices of Essential Commodities as on October 14th Unit (Rs./Kg.)

Centre	Rice		Wheat		Atta		Sugar		Potato		Onion	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
North Zone												
Amritsar	16.0	17.0	11.0	11.0	13.0	13.0	21.5	32.0	11.0	14.0	11.0	13.0
Delhi	22.0	22.0	13.0	13.0	14.0	15.0	20.0	32.0	13.0	24.0	10.0	24.0
Kanpur	15.0	16.0	10.5	12.5	12.5	13.5	21.0	34.0	5.0	20.0	12.0	14.0
Lucknow	14.0	16.0	11.5	11.0	13.0	13.0	22.0	34.0	8.0	20.0	14.0	25.0
West Zone												
Bhopal	15.0	18.0	11.5	12.5	13.0	13.5	22.0	33.0	5.0	13.0	6.0	9.0
Jodhpur	22.0	28.0	12.0	11.5	14.0	13.0	19.0	20.0	9.0	6.0	12.0	14.0
Rajkot	16.0	17.5	11.5	14.5	16.0	20.5	19.5	31.5	9.0	19.0	9.0	11.0
East Zone												
Agartala	14.0	15.0	NT	NT	16.0	16.0	23.0	27.0	8.0	18.0	16.0	17.0
South Zone												
Thiruvananthapuram	21.0	23.0	20.0	22.0	22.0	23.0	20.0	30.5	17.0	28.0	13.0	23.0

Source: Ministry of Consumer Affairs, Food and Public Distribution.

III. RISE IN PRICES - CAUSES

The factors attributable to the current trend of inflation, as summarized by the Reserve Bank of India (RBI) in a written note furnished to the Committee, reads as follows:

> "The current inflationary pressures are quite different from the inflationary pressures witnessed during April-October 2008. Although both inflation episodes are driven by supply side pressures, the inflation in 2008 was triggered largely by a sharp increase in the prices of basic metals and mineral oils. In contrast, during the current episode, price pressures are emanating from domestic sources reflecting increase in prices of food articles and food products".

3.2 According to the written submission made to the Committee by the Department of Consumer Affairs, the factors responsible for rise in prices are manifold, as stated as under:

> "Though there was an increase in total foodgrains production in 2008-09, the production of some of them, such as pulses and sugar have been lower. The rise in prices of foodgrains are due to a number of factors: Demand for these commodities is growing on account of increase in population and income. This has coincided with the hardening of international prices at the same time. Additional factors *viz*. changes in consumption pattern, diversion of foodgrains for fuel, hike in MSP, adverse weather and climate change, increase in crude oil prices, improvement in income and living standards and increase in freight rates also have had an impact on the prices of these commodities."

3.3 While deposing before the Committee, the Finance Secretary gave an overview account of the factors attributable to the rice in prices over the last two years. In this regard, the Finance Secretary stated:

> "Year 2008-09 and year 2009-10, which is the last fiscal year and the current fiscal year, have been very unusual because they have been marked by extreme volatility in price movement. But in the year 2008-09, the year ended in March, 2009, recorded the highest level of wholesale price index inflation basically because of high fuel, commodity and food prices. This was triggered substantially by increases in the prices in the international market. On the other hand, 2009-10, which is the current year, recorded negative inflation for 11 consecutive weeks between June and August, 2009. After

which, WPI is in the positive territory. This period is also somewhat unique and unusual since it is characterised by wide divergence between inflation based on wholesale price index and consumer price index."

3.4 Questioned on the reasons attributable for the steady rise in prices in the last one year particularly, the Finance Secretary, while deposing before the Committee submitted as follows:

"What happens is this. Apart from the normal or the seasonal increase, we would ascribe this to what are called inflationary expectations. On the one hand is inflation which is actually a measure of what is happening in terms of the mismatch between the demand and supply and the other is when there is expectation that inflation is going to be higher, then there is a general tendency for people to buy more… the inflation in primary articles, which basically include food grains, which are rice and wheat, here the Government has followed a conscious policy of increasing the Minimum Support Price and I have the numbers… This is the conscious policy of the Government. There is a call which the policy makers have to take between something which is short-term, medium-term and long-term. The short-term could be, if we are looking purely, let us say, 12 months, then theoretically, yes a decline in MSP could have some impact on the prices of wheat. Then, it could bring down those prices. But if the general approach is that we must put more money into the rural sector, into the farming community, that agriculture should grow and that agriculture should be remunerative for it to contribute more to the GDP, then there is a decision which we have to take based on medium-term and long-term strategy."

3.5 On the issue of the effect of the hike in Minimum Support Prices (MSP) on prices, the Ministry of Agriculture, in a written reply, submitted as follows:

"Extent of increase in minimum support prices for agricultural commodities is determined by several factors like cost of production, demand and supply situation, trends in market prices-national and international, terms of trade between agriculture and non-agriculture sectors, etc. Price formulation of commodities in terms of their Minimum Support Prices is based on informed and comprehensive analysis of these factors and are fixed at appropriate levels.

Increase in MSPs of agricultural commodities to an extent contributes to their price rise in sense that Government of India procures bulk of foodgrains for distribution through PDS and for welfare schemes. And this inflation through MSP is cost of production push, in nature.

Minimum Support Prices are fixed by Government taking into consideration recommendation of Commission for Agricultural Costs and Prices (CACP), views of State Governments and other Ministries of Government of India and need to give a priority to certain crops considering shortage (or likely shortage) of such crops in the country…

It may also be noted that when prices are ruling above MSP, MSP cannot be seen as a contributor to inflation. In case prices are below MSP, it only acts as a support system for sustainable production in agriculture."

3.6 The Secretary, Ministry of Planning, while deposing before the Committee, stated as follows in regard to the reasons for the spurt in prices of essential commodities:-

"Starting in December 2008, there was a pressure on resources because there was this counter-cyclical measure that had to be adopted in order to keep economic activity going. We had three such packages up to February 2009. Then of course the Government said that in the Budget, which was in the nature of stimulus package, in as much as it introduced the rates of taxes and all. We were actually hit very hard by the erratic nature of monsoon and the deficiency in areas like Bihar, UP, Chhattisgarh; and Punjab has maintained its kharif sowing at a very heavy cost because they have drawn a lot of power. Therefore, it has been a turbulent period – the last year and a quarter; and we still are, more or less, suffering the impact of that."

IV. WHOLESALE AND RETAIL PRICES—A COMPARISON

The wholesale/retail prices are largely determined by the market forces. Difference between wholesale and retail prices is mainly due to (i) transportation and handling costs (ii) packaging and other marketing expenses at retail, (iii) retailers mark-up and (iv) various taxes levied by different State Governments e.g. octroi duty.

4.2 As per the submission of the Ministry of Food, Consumer Affairs & Public Distribution, the State Governments have an important role in checking the rise in the prices of essential commodities through a set of administrative and regulatory measures. State Governments also have in place systems to watch prices and take corrective measures. The Government of Tamil Nadu has repeatedly constituted a Price Watch Committee under Chairmanship of Chief Secretary; and the Government of Maharashtra has in place a Price Monitoring Cell under the chairmanship of the Chief Secretary.

4.3 Centre-wise average of wholesale and retail prices of foodgrains mainly rice, wheat, turdal, Sugar, Ground nut oil, potato and onion as furnished by the Department of Consumer Affairs for the last three years, is given in the following tables:

Yearly Centre-wise Average of wholesale and Retail prices of essential commodities for the last three years

(Rs. per kg.)

	2007			2008			2009		
CENTRE	Wholesale	Retail	Variation	Wholesale	Retail	Variation	Wholesale	Retail	Variation
1	2	3	4	5	6	7	8	9	10
Rice									
Amritsar	13.73	14.68	0.95	14.49	16.11	1.62	15.20	17.22	2.02
Delhi	12.87	14.96	2.09	15.66	16.43	0.77	16.47	17.50	1.03
Hisar	10.92	13.58	2.66	13.08	14.59	1.51	15.29	15.62	0.33
Kanpur	9.56	14.84	5.28	12.42	16.34	3.92	14.59	17.46	2.87
Karnal	11.15	13.66	2.51	13.30	14.69	1.39	15.59	15.74	0.15
Lucknow	10.19	14.89	4.70	12.64	16.40	3.76	14.40	17.50	3.10
Ludhiana	12.03	14.69	2.66	13.82	16.09	2.27	14.00	17.18	3.18
Bhopal	11.04	14.73	3.69	12.65	16.38	3.73	14.77	17.75	2.98

1	2	3	4	5	6	7	8	9	10
Indore	10.21	14.61	4.40	12.14	16.21	4.07	13.50	17.54	4.04
Jaipur	13.08	14.75	1.67	14.91	16.14	1.23	15.21	17.21	2.00
Mumbai	12.14	14.68	2.54	15.14	16.27	1.13	16.01	17.58	1.57
Nagpur	11.65	14.71	3.06	13.85	16.27	2.42	14.82	17.54	2.72
Rajkot	11.25	13.23	1.98	13.75	14.04	0.29	14.85	15.06	0.21
Agartala	12.56	14.91	2.35	13.89	16.36	2.47	13.44	17.36	3.92
Aizawl	13.98	14.79	0.81	15.74	16.30	0.56	15.00	17.46	2.46
Bhubaneshwar	9.98	14.72	4.74	12.40	16.21	3.81	14.47	17.36	2.89
Cuttack	10.03	14.64	4.61	12.63	16.11	3.48	13.72	17.25	3.53
Guwahati	11.66	12.73	1.07	13.06	13.55	0.49	13.22	15.40	2.18
Kolkata	10.54	14.79	4.25	12.87	16.27	3.40	12.00	17.35	5.35
Patna	10.58	12.61	2.03	11.66	13.29	1.63	11.02	14.56	3.54
Shillong	11.86	14.69	2.83	13.82	16.22	2.40	14.00	17.43	3.43
Bangalore	10.18	14.21	4.03	13.56	15.92	2.36	16.09	17.25	1.16
Hyderabad	9.01	11.34	2.33	12.04	12.34	0.30	14.12	15.30	1.18
Madurai	11.12	14.95	3.83	12.32	16.46	4.14	13.50	17.56	4.06
Pondicherry	11.03	14.94	3.91	14.73	16.40	1.67	14.73	17.43	2.70
Thiruvananthapuram	13.45	14.43	0.98	13.92	16.09	2.17	15.00	17.49	2.49
Vijaywada	10.34	12.09	1.75	10.44	12.98	2.54	14.67	15.71	1.04
Tur Dal									
Amritsar	34.01	43.21	9.20	34.04	48.10	14.06	49.00	56.89	7.89
Delhi	33.47	43.70	10.23	39.69	48.61	8.92	56.00	57.15	1.15
Kanpur	36.66	43.49	6.83	41.90	48.41	6.51	54.36	56.96	2.60
Ludhiana	33.94	43.23	9.29	38.26	48.09	9.83	53.40	56.87	3.47
Mandi	37.63	44.02	6.39	40.60	48.33	7.73	52.91	56.88	3.97
Ahmedabad	34.38	42.18	7.80	38.49	46.35	7.86	53.58	53.67	0.09
Bhopal	30.50	43.18	12.68	35.72	48.53	12.81	56.55	57.82	1.27
Indore	29.03	42.80	13.77	34.56	48.05	13.49	43.84	57.10	13.26
Mumbai	34.51	43.04	8.53	40.11	48.29	8.18	56.91	57.48	0.57

1	2	3	4	5	6	7	8	9	10
Nagpur	33.85	43.03	9.18	37.31	48.18	10.87	53.93	57.35	3.42
Panaji	32.44	43.13	10.69	38.89	47.50	8.61	54.45	55.39	0.94
Agartala	33.59	43.70	10.11	35.17	48.50	13.33	33.86	56.92	23.06
Aizwal	35.08	43.14	8.06	41.47	48.16	6.69	42.00	56.89	14.89
Guwahati	31.33	41.59	10.26	37.16	45.71	8.55	47.55	52.98	5.43
Kolkata	32.48	43.51	11.03	36.41	48.43	12.02	52.15	57.00	4.85
Patna	31.37	41.74	10.37	38.69	46.04	7.35	53.07	53.30	0.23
Shillong	33.23	43.11	9.88	38.88	48.28	9.40	51.33	57.41	6.08
Hyderabad	32.28	42.27	9.99	36.63	47.11	10.48	52.70	56.56	3.86
Madurai	33.29	43.21	9.92	37.47	48.14	10.67	37.00	56.65	19.65
Vijaywada	33.51	42.17	8.66	38.15	46.42	8.27	50.98	54.70	3.72
Sugar									
Amritsar	15.89	19.26	3.37	18.07	21.33	3.26	25.02	25.58	0.56
Delhi	14.88	19.18	4.30	17.31	21.20	3.89	24.50	25.29	0.79
Hisar	15.34	19.37	4.03	17.21	21.16	3.95	25.28	25.63	0.35
Ludhiana	15.69	19.30	3.61	18.35	21.36	3.01	24.33	25.60	1.27
Mandi	16.37	19.63	3.26	17.92	21.43	3.51	22.94	25.84	2.90
Shimla	16.23	19.64	3.41	18.14	21.49	3.35	25.46	26.05	0.59
Ahmedabad	14.85	19.33	4.48	15.47	21.02	5.55	24.03	25.30	1.27
Bhopal	14.84	18.85	4.01	16.10	21.13	5.03	24.63	25.68	1.05
Indore	14.15	18.75	4.60	15.67	20.98	5.31	21.05	25.43	4.38
Mumbai	14.59	18.84	4.25	16.86	21.05	4.19	24.08	25.49	1.41
Nagpur	14.96	18.89	3.93	16.93	21.09	4.16	24.33	25.53	1.20
Panaji	13.79	19.29	5.50	15.76	21.03	5.27	24.56	25.45	0.89
Rajkot	15.04	19.34	4.30	16.13	21.05	4.92	24.10	25.35	1.25
Agartala	16.73	19.22	2.49	18.30	21.23	2.93	24.60	25.30	0.70
Aizwal	18.30	19.10	0.80	17.55	21.19	3.64	19.00	25.43	6.43
Guwahati	16.53	19.15	2.62	17.46	20.87	3.41	23.61	24.74	1.13

1	2	3	4	5	6	7	8	9	10
Kolkata	15.25	19.15	3.90	17.44	21.21	3.77	24.08	25.32	1.24
Shillong	16.44	19.03	2.59	18.61	21.22	2.61	24.58	25.64	1.06
Bangalore	14.16	18.78	4.62	16.02	21.18	5.16	23.83	25.71	1.88
Chennai	13.97	19.17	5.20	16.71	21.30	4.59	24.34	25.44	1.10
Ernakulam	14.72	18.82	4.10	16.86	21.14	4.28	23.73	25.70	1.97
Hyderabad	13.69	18.25	4.56	15.72	20.19	4.47	22.90	24.30	1.40
Madurai	14.83	19.04	4.21	14.23	21.10	6.87	14.80	25.11	10.31
Pondicherry	13.85	19.17	5.32	16.62	21.20	4.58	24.27	25.29	1.02
Thiruvananthapuram	14.91	18.78	3.87	14.71	21.12	6.41	24.23	25.73	1.50
Vijaywada	14.82	18.68	3.86	17.12	20.58	3.46	23.99	24.63	0.64
Groundnut Oil									
Amritsar	77.94	99.39	21.45	91.70	100.41	8.71	92.31	98.30	5.99
Delhi	93.00	94.86	1.86	96.00	96.56	0.56	93.00	94.69	1.69
Kanpur	77.97	94.94	16.97	89.30	96.50	7.20	89.25	94.53	5.28
Lucknow	80.67	95.14	14.47	90.34	96.65	6.31	84.94	94.68	9.74
Ludhiana	80.56	99.12	18.56	87.66	100.25	12.59	91.94	98.26	6.32
Jaipur	75.76	98.31	22.55	76.29	99.37	23.08	69.96	97.28	27.32
Jodhpur	38.68	97.21	58.53	76.76	98.75	21.99	69.59	96.74	27.15
Kolkata	74.91	94.72	19.81	83.72	96.32	12.60	78.91	94.47	15.56
Chennai	65.48	96.23	30.75	66.44	97.70	31.26	57.88	95.61	37.73
Hyderabad	66.51	69.98	3.47	66.22	70.51	4.29	62.98	69.30	6.32
Madurai	65.77	95.32	29.55	69.26	96.79	27.53	68.00	94.76	26.76
Pondicherry	67.84	94.09	26.25	69.61	95.72	26.11	58.43	93.75	35.32
Vijaywada	69.58	70.21	0.63	70.31	70.36	0.05	65.16	68.87	3.71
Potato									
Amritsar	6.39	10.05	3.66	6.72	10.13	3.41	8.05	11.58	3.53
Delhi	7.08	9.86	2.78	5.08	9.93	4.85	8.82	11.42	2.60

1	2	3	4	5	6	7	8	9	10
Hisar	6.84	10.11	3.27	4.80	9.83	5.03	9.16	11.42	2.26
Jammu	3.37	9.43	6.06	9.43	9.63	0.20	7.40	10.94	3.54
Kanpur	5.27	9.83	4.56	4.38	9.92	5.54	7.09	11.35	4.26
Karnal	6.40	9.86	3.46	5.05	9.58	4.53	7.02	11.13	4.11
Lucknow	6.11	9.91	3.80	5.37	10.00	4.63	8.69	11.41	2.72
Ludhiana	6.97	9.99	3.02	4.95	10.05	5.10	7.92	11.50	3.58
Mandi	8.57	9.79	1.22	6.82	9.50	2.68	6.40	10.79	4.39
Shimla	8.88	9.93	1.05	8.68	9.67	0.99	6.86	11.10	4.24
Ahmedabad	7.53	10.02	2.49	4.15	9.72	5.57	6.94	11.29	4.35
Bhopal	5.17	10.10	4.93	4.30	10.28	5.98	6.31	11.81	5.50
Indore	4.88	10.02	5.14	4.08	10.13	6.05	6.60	11.63	5.03
Jaipur	4.32	9.89	5.57	3.17	9.96	6.79	6.43	11.42	4.99
Mumbai	8.35	10.10	1.75	7.73	10.20	2.47	10.04	11.75	1.71
Nagpur	7.58	10.13	2.55	4.81	10.22	5.41	8.87	11.78	2.91
Panaji	10.00	10.32	0.32	9.33	10.00	0.67	11.27	11.48	0.21
Rajkot	7.56	9.91	2.35	4.84	9.60	4.76	6.86	11.12	4.26
Bhubaneshwar	7.06	10.17	3.11	4.63	10.24	5.61	10.61	11.65	1.04
Cuttack	7.12	10.12	3.00	4.88	10.19	5.31	10.76	11.69	0.93
Guwahati	7.33	11.03	3.70	4.36	10.85	6.49	7.68	12.17	4.49
Kolkata	7.08	9.78	2.70	4.53	9.87	5.34	9.61	11.34	1.73
Patna	6.75	10.23	3.48	4.60	10.00	5.40	9.26	11.58	2.32
Shillong	9.40	10.13	0.73	7.95	10.20	2.25	10.30	11.73	1.43
Chennai	8.37	9.83	1.46	7.17	9.92	2.75	11.12	11.35	0.23
Hyderabad	9.32	11.17	1.85	8.44	11.24	2.80	10.55	12.23	1.68
Vijaywada	11.54	12.47	0.93	11.17	12.48	1.31	13.23	13.69	0.46
Onion	□	□	□	□	□	□	□	□	□
Amritsar	11.82	11.97	0.15	7.57	11.73	4.16	11.48	13.68	2.20
Delhi	8.39	11.83	3.44	6.11	11.61	5.50	8.87	13.67	4.80

1	2	3	4	5	6	7	8	9	10
Kanpur	9.98	11.77	1.79	6.94	11.55	4.61	11.93	13.56	1.63
Lucknow	10.29	11.77	1.48	8.09	11.57	3.48	12.58	13.55	0.97
Ahmedabad	8.33	10.31	1.98	5.30	9.68	4.38	8.85	11.37	2.52
Bhopal	8.52	11.49	2.97	5.04	11.30	6.26	8.30	13.40	5.10
Indore	4.66	11.32	6.66	3.08	11.17	8.09	7.34	13.35	6.01
Jaipur	6.53	11.92	5.39	4.63	11.66	7.03	8.64	13.70	5.06
Mumbai	9.52	11.37	1.85	6.53	11.20	4.67	9.14	13.38	4.24
Nagpur	10.02	11.40	1.38	5.86	11.19	5.33	7.32	13.31	5.99
Rajkot	8.80	10.36	1.56	2.93	9.74	6.81	6.10	11.80	5.70
Bhubaneshwar	11.13	11.94	0.81	8.30	11.74	3.44	11.77	13.67	1.90
Cuttack	11.10	11.96	0.86	8.25	11.76	3.51	11.89	13.69	1.80
Bangalore	10.94	11.19	0.25	8.49	11.07	2.58	10.67	13.05	2.38
Chennai	8.25	11.83	3.58	7.36	11.65	4.29	9.88	13.71	3.83
Hyderabad	8.00	8.38	0.38	5.52	7.36	1.84	6.76	8.22	1.46
Madurai	7.69	11.74	4.05	7.94	11.55	3.61	7.00	13.52	6.52
Pondicherry	10.62	11.82	1.20	9.50	11.61	2.11	12.69	13.65	0.96
Thiruvananthapuram	11.00	11.45	0.45	8.27	11.31	3.04	12.22	13.42	1.20

Source : State Civil Supplies Department.

4.4 It is seen from the data in the above tables that on an average variation in wholesale and retail price of rice has remained in the range of Rs. 3 to 5 per Kg. in the last three years. The variation was wide in case of tur dal during the years 2007 and 2008. But it has reduced considerably in 2009 across centres all over the India except Agartala, Aizwal and Madurai where it registered a rise from Rs. 13/- to 23/-, 6/- to 15/- and Rs. 11/- to Rs. 20/- in the current year.

4.5 Variation in respect of sugar has ranged between Rs. 1/- to 11/- in the last three years. Further, the variation in wholesale and retail prices has reduced considerably all over India during the same period except in Aizawl and Madurai. However, the price of Groundnut oil has shown wide variation and it has increased at many centres during the years 2007 to 2009. Jaipur, Jodhpur, Chennai, Madurai and Pondicherry have reported very wide variation in the range of Rs. 22/- to 58/- on average.

4.6 Potato and onion have shown almost same level of variation in the years 2007-09. Variation is within the range of 20 paise to Rs. 5.50/- in case of potato and 15 paise to Rs. 6.52/- in case of onion.

4.7 Month end wholesale and retail prices at four metropolitan cities for the last two years is as shown in the table below:

	Wholesale price (Rs. /Quintal)			Retail Price (Rs. /Quintal)			Wholesale price (Rs. /Quintal)			Retail Price (Rs. /Quintal)		
	Jan., 08	July, 08	Dec., 08	Jan., 08	July, 08	Dec., 08	Jan., 09	July, 09	Dec., 09	Jan., 09	July, 09	Dec., 09
	1	2	3	4	5	6	7	8	9	10	11	12
Rice												
Mumbai	1450	1550	1650	16.50	17.00	17.50	1550	1575	1750	13.00	19.00	19.00
Chennai	1200	1700	1700	15.00	18.00	18.00	1700	1800	1800	18.00	19.00	20.00
Kolkata	1300	1300	1200	14.00	14.00	14.00	1200	1200	1200	14.00	14.00	14.00
Delhi	1495	1500	1700	17.00	20.00	22.00	1675	1550	1900	22.00	20.00	22.00
Wheat												
Mumbai	1450	1350	1400	15.50	15.50	15.00	1425	1400	1550	16.00	17.00	17.50
Chennai	1620	1650	1700	17.00	17.00	18.00	1700	1700	1960	18.00	19.00	21.00
Bhubaneswar	1400	1300	1220	15.50	14.50	14.00	1220	1220	1240	14.00	13.00	14.00
Delhi	1110	1100	1140	13.00	13.00	13.00	1180	1105	1225	13.00	13.00	13.00
Gram Dal												
Mumbai	3300	3500	2850	37.00	39.00	35.00	3050	3100	3400	33.00	38.00	38.00
Chennai	2900	3500	3200	32.00	36.00	34.00	3200	3400	3400	35.00	36.00	36.00
Kolkata	2650	3200	2800	36.00	36.00	38.00	2800	2700	2750	38.00	38.00	35.00
Delhi	3075	3000	3025	35.00	36.00	35.00	3100	3100	2775	35.00	39.00	38.00
Tur Dal												
Mumbai	3400	4200	4600	40.00	46.00	50.00	4600	6300	8000	49.00	80.00	85.00
Chennai	3400	4400	4400	38.00	46.00	48.00	4900	7800	8800	50.00	82.00	92.00
Kolkata	3150	3450	4150	38.00	42.00	45.00	4150	5800	7000	45.00	76.00	80.00
Delhi	3600	3950	4500	42.00	43.50	50.00	4575	6750	7000	50.00	82.00	82.00

	1	2	3	4	5	6	7	8	9	10	11	12
Sugar												
Mumbai	1511	1702	1958	17.50	18.50	21.80	2092	2500	3265	22.00	27.00	35.00
Chennai	1500	1660	1980	16.00	17.00	21.00	2030	2520	3150	21.00	26.00	32.00
Kolkata	1680	1680	1950	16.00	17.00	21.00	1950	2550	2940	21.00	28.00	30.00
Delhi	1550	1750	2000	17.00	19.00	21.00	2275	2550	3030	23.00	27.50	32.00
Mustard Oil												
Mumbai	7200	7400	8000	74.00	75.00	86.00	7666	6000	7200	84.00	72.00	75.00
Hyderabad	6400	8000	7800	68.00	88.00	88.00	7800	6666	6533	88.00	70.00	77.00
Kolkata	6150	7150	7450	65.00	78.00	78.00	7450	5600	5600	78.00	62.00	62.00
Delhi	6226	7875	7692	69.00	85.00	77.00	7912	6080	6410	77.00	67.00	60.00
Potato												
Mumbai	800	700	900	10.00	11.00	9.00	750	1125	1685	9.00	17.00	23.00
Chennai	800	700	1000	12.00	10.00	14.00	600	1300	2000	10.00	16.00	26.00
Kolkata	600	400	400	7.00	5.00	5.00	400	1300	1650	5.00	15.00	19.00
Delhi	363	875	212	8.00	19.50	8.00	250	1262	1387.5	8.00	18.00	24.00
Onion												
Mumbai	425	875	1150	7.50	13.00	15.00	1200	800	1650	19.00	12.00	21.00
Chennai	500	800	1700	8.00	12.00	22.00	1200	800	1800	18.00	12.00	22.00
Kolkata	550	500	1600	8.00	7.00	16.00	1600	1100	2000	16.00	14.00	24.00
Delhi	413	812	1025	9.00	18.00	21.00	1000	787	1538	21.00	15.00	24.00

Source: State Civil Supplies Department.

4.8 The above data on month end wholesale and retail price reveals a distinct feature. Delhi has shown wide variation in prices in case of rice, tur dal & gram dal in the last two years. Chennai has recorded lowest variation in all the commodities among four metros.

4.9 It is further seen that prices have increased remarkably from January to July in the same period in respect of all the commodities. The variation in wholesale and retail prices of potato and onion is highest in Delhi in the last two years.

4.10 Questioned *inter-alia* on the market/retail prices of various commodities *vis-à-vis* the spot and future prices of the commodities, the Secretary, Department of Consumer Affairs, while deposing before the Committee, stated:—

> "We have analysed it in some centres. In Delhi, the difference between retail and wholesale price is very high. So, we have been bringing this to the notice of the State Government also. In the case of pulses, they have started distribution through Mother Dairy and their own outlets."

4.11 Asked further, whether the high difference in wholesale and retail prices of commodities was prevalent only in metropolitan cities, the Secretary, Department of Consumer Affairs stated:—

> "It is a fact that in Chennai the difference between wholesale and retail price is minimum while it is maximum in Delhi".

4.12 Questioned on the measures initiated for ensuring that the variation in wholesale and retail prices of commodities is maintained at reasonable level, the Secretary stated:—

> "On the difference between retail and wholesale prices, we really do not have any control."

V. SUGAR SUPPLY TO NON-HOUSEHOLD SECTOR/BULK BUYERS

Enabling measures have reportedly been taken for facilitating the State Governments/UT Administrations to take effective action for undertaking de-hoarding operations under the Essential Commodities Act, 1955 in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. The State Governments have been enabled to fix stock limits for these commodities and also prescribe licensing.

Stockholding and turnover limit on sugar

5.2 The Central Government has notified stockholding limit of 200 tonnes of sugar and 30 days turnover limit all over the country in respect of dealers of sugar. However, for dealers in Kolkata and adjoining areas who import sugar from outside the State, the stockholding limit has been fixed at 1000 tonnes but turnover limit is 30 days. The States, were, however, authorized to fix higher stockholding and turnover limits than those notified by the Central Government. Seventeen States/UTs *i.e.* Andhra Pradesh, Bihar, Madhya Pradesh. Maharashtra, Delhi, Punjab, Karnataka, Orissa, Rajasthan, Gujarat, Haryana, Kerala, West Bengal, Jharkhand, Tamil Nadu, Andaman & Nicobar Islands and Daman & Diu have already imposed the stockholding and turnover limits on sugar. The stockholding limits on sugar has been extended by another six months *i.e.* upto 08.01.2010 *vide* Deptt. of Consumer Affairs Notification dated 02.7.2009 and Deptt. of Food & Public Distribution Notification dated 16.7.2009.

5.3 Questioned on the quantum of non-levy sugar supplied to/ entitled for by bulk consumers/non-household sector, the Secretary, Department of Food and Public Distribution, while deposing before the Committee responded by stating as follows:

> "We have a certain percentage of levy sugar which is used for PDS, etc. …Non-levy sugar is roughly about 90 per cent of the total sugar sold. About 65 per cent is non-household sector."

5.4 As informed by the Department, "bulk consumers" mean *inter-alia* small halwai shops, big beverage making concerns, soft-drink manufacturers, ice-cream manufacturers, biscuit and the candy manufacturers etc.

5.5 By way of explaining the rationale for fixing the stockholding limit on sugar by bulk consumers, the Secretary also stated as under:

> "65 per cent is going to the non-household sector. Out of this, the small halwai shop, the big beverage industry get it. Out of this,

we anticipate another 60 per cent would be the bulk consumers. This is exactly the point we realised why should we subsidise the bulk consumers at the cost of the common man, the small household. That is why, in August, we imposed the stock-holding limit on the bulk consumers. We said that anybody who is using sugar more than 10 quintal a month cannot stock more than 15 days' requirement out of the domestically-produced sugar but he is free to import whatever quantity he wants."

5.6 Questioned about the mechanism for enforcing the Central Government order regarding maintaining of stock holding limits, and asked whether it would not be necessary to reduce the stock holding limits further so as to increase availability of sugar to the consumer, the Department of Food and Public Distribution, in a written submission, stated as follows:

"As regards sugar, the notification dated 22.08.2009 imposing stocking limits on bulk consumers has come into effect from 19.09.2009. The State Governments/UTs, *vide* the letter dated 08.09.2009 have been intimated about the said notification and also to assist the Central Government in its effort to moderate prices of sugar in the open market. The notification dated 22.08.2009 has been issued under Section 3 of the Essential Commodities Act, 1955 and hence, the order confers powers to State Governments to enforce the stocking limits.

The above orders have come into effect only on 19.09.2009. The Central Government has not received any proposal from State Governments/UTs to reduce the stockholding limits in order to make more sugar available to retail consumers."

5.7 Responding to a query on the need to take measures for increasing the availability of sugar to the common man, the Secretary, Department of Food and Public Distribution stated as follows:

"We would like to continue the stock-holding limit on the bulk consumers for some more time to come. That is our strategy at the moment because it seems to have worked very well."

5.8 Asked whether all the State Governments had enforced the order on stockholding limits, the Secretary stated as follows:

"Some States have adopted this vigorously, some States have not. We do assess their performance, but I would not like to complain against any particular State."

5.9 Asked further, whether the matter of enforcing the order pertaining to the stock holding limit is being taken up with the State Governments, the Secretary responded by stating as follows:

> "We have had a series of dialogue. I have had a session with Food Secretaries of all the States, after that we had the Conference of State Food Ministers, then the Chief Secretaries Conference was held and then the Chief Ministers Conference was also held. So, we have had four rounds of discussion and we keep on having video conference also and the Cabinet Secretary is also calling another meeting wherein we discuss this. Wherever a State is not performing, we pull them, but we do depend upon them."

5.10 In reply to the question whether there is any proposal under consideration for reviewing the Essential Commodities Act, 1955, the Department of Consumer Affairs, in a written reply, stated as follows:

> "The Act was last amended in 2006. There is no proposal to further amend the Essential Commodities Act, 1955 so as to give more powers to State Governments to act against hoarders and black marketeers. The matter has been recently examined in consultation with State Governments. After examination it was decided that there is no need to amend the Act at present."

VI. AVAILABILITY OF FOOD ITEMS *vis-à-vis* PRICES

The food prices are intrinsically related to annual production of foodgrains, level of procurement in the Central Pool, marketable surplus, stock of foodgrains in the Central Pool, availability of foodgrains in the open market and extent of participation by private trade. The prices also depend on the level of Minimum Support Price (MSP) as announced by the Government from time to time.

6.2 Production of foodgrains for the year 2008-09 is estimated at 233.88 million tonnes as compared to 230.78 million tonnes as per the final estimates of 2007-08, released by Department of Agriculture. As per the Department's estimates it is expected that by the end of the 11th Plan, the country would be producing about 240 million tonnes of foodgrains as compared to the assessed domestic requirement of about 234 million tonnes.

6.3 Currently India is comfortable with respect to procurement and availability in the Central Pool. In the current year 25.29 million tonnes of wheat and 33.28 million tonnes of rice has been procured.

Availability of food articles

6.4 The data on availability of foodgrains (rice, wheat and coarse cereals) during the last three years is shown in the table below:

(in million tonnes)

Year	Rice				Wheat				Coarse Cereals			
	Prod.	Import	Total	Demand	Prod.	Import	Total	Demand	Prod.	Import	Total	Demand
2007-08	93.59 (96.43)	-	93.59	90.91	69.40 (78.40)	1.79	71.19	71.19	36.22 (40.73)	-	36.22	35.14
2008-09	94.56 (99.15)	-	94.56	92.87	70.11 (80.58)	-	70.11	72.72	36.59 (39.48)	-	36.59	35.89
2009-10	95.54	-	95.54	94.83	70.84	-	70.84	74.26	36.97	-	36.97	36.65

Source:

1. Working Group on 11th Plan.
2. Figures in parentheses are from 4th advanced estimates of production—Deptt. of Agriculture.
3. Import data as given by the Department of Commerce.

6.5 Data pertaining to the availability of pulses as furnished by the Department of Consumer Affairs is as follows:

(in million tonnes)

Year	Production	Imports	Total	Demand
2007-08	14.76	2.83	17.59	16.77
2008-09	14.66	2.44	17.10	17.51
2009-10	14.86	0.91*	15.77	18.29

*upto July, 2009.

6.6 Regarding availability of sugar in the last three years, the Department of Commerce have furnished the following information:

(in lakh tonnes)

Year	Production	Sugar carry over stock	Imports	Total	Internal consumption/ releases
2007-08	263	105	-	368	215
2008-09	150	100	12	262	225/231
2009-10	160	27	35*	222	230

*As per trade circles, as on 17.8.09 for which contracts have been signed.

6.7 With regard to availability of edible oils since the year 2004-05, following data has been furnished by the Department of Food and Public Distribution:

Oil-Year (Nov.-Oct.)	Demand of edible oils#	Net availability of edible oils from all domestic sources (Nov.-Oct.)*	Import of edible oils (Nov.-Oct.)**	Total availability/ consumption of edible oils (from domestic and import sources)
2004-05	113.00	72.47	50.42	122.89
2005-06	118.50	83.16	44.17	127.33
2006-07	124.10	73.70	47.15	120.85
2007-08	127.57	86.54	56.08	142.62
2008-09 (Estimated)	132.80	85.52	75.68***	-

Source: # Ministry of Agriculture.
* Directorate of Vanaspati, Vegetable Oils & Fats.
** The Solvent Extractors' Association of India (SEAI).
*** Upto September, 2009.

Availability of potato and onion

6.8 As informed to the Committee, about 30 million tonnes is the normal production of potatoes, which is the normal requirement also for consumption including the requirement for seed bulbs, processing industries, export, waste and storage losses etc. The present estimated production is informed to be sufficient to meet the demand.

6.9 Potato area and production during the year 2008-09 was around 18.10 lakh ha. and 311.27 lakh MT respectively compared to previous years area of 17.19 lakh ha. and production of 304.42 lakh MT.

6.10 Overall onion production during the year 2008-09 was 76.37 lakh MT, as compared to the previous year's production of 74.51 MT. A total of around 25 lakh tonnes onions were stored during the year 2009, which is similar to previous year's storage; therefore, availability of onion during the off season *i.e.* July to October for domestic as well as export requirement is reported to be the same as in the previous year.

Prices *vis-a-vis* Availability

6.11 From the above it is observed that domestic production is able to cater to the demand in respect of rice, wheat, coarse cereals, potato and onion. In case of pulses, sugar & edible oil, shortage in domestic production has been made good by imports.

6.12 As on October 17, 2009, year on year WPI inflation was highest in respect of primary articles (8.67 per cent) with weight on 22.0 per cent, followed by manufactured products (1.56 per cent) having weight of 63.75 per cent. Fuel, power, light and lubricants group registered negative inflation of 6.20 per cent with weight of 14.2 per cent in the WPI. Deficient monsoon rainfall is reported to have contributed to the sharp rise in prices of primary food items and manufactured food products.

6.13 During the current financial year (up to October 17, 2009), the increases in prices of wheat (3.6 per cent) and rice (6.0 per cent) were relatively low as supply side pressures were mitigated by the comfortable levels of foodgrain stocks with public agencies which stood at 44.3 million tonnes as on October 1, 2009 as against the minimum stock norm of 16.2 million tonnes. However, large increases were recorded in prices of vegetables (57.6 per cent), tea (32.3 per cent), sugar, *khandsari and gur* (28.7 per cent), egg, meat and fish (24.2 per cent), pulses (19.8 per cent), *jowar* (14.9 per cent), condiments and spices (14.9 per cent), milk (7.0 per cent) and fruits (6.3 per cent).

Annual Inflation Rate (Y-o-Y) (%)

Wholesale Price Index (WPI)	October 18, 2008	October 17, 2009
WPI - All Commodities	10.82	1.51
WPI - Primary Articles	12.13	8.67
WPI - Food Articles	10.08	12.85
WPI - Fuel Group	13.59	(-)6.20
WPI - Manufactured Products	9.26	1.56
WPI - Manufactured Food Products	8.08	17.40
WPI - Essential Commodities*	8.37	17.89
WPI - Excluding Fuel	10.07	3.67
WPI - Excluding Food Articles and Fuel	10.06	1.32
Consumer Price Indices (CPIs)	**September 2008**	**September 2009**
CPI - Industrial Workers	9.77	11.64
CPI - Urban Non-manual Employees#	8.54	12.88
CPI - Agricultural Labourers	10.98	13.19
CPI - Rural Labourers	10.98	12.97

#Pertains to August.

*Essential commodities (weight in WPI: 17.8 per cent) include rice, wheat, jowar, bajra, pulses, potatoes, onions, milk, fish-inland, mutton, chillies (dry), tea, coking coal, kerosene, atta, sugar, gur, salt, hydrogenated vanaspati, rape & mustard oil, coconut oil, groundnut oil, long cloth/sheeting, dhoties, sarees & voiles, household laundry soap and safety matches.

6.14 WPI inflation during the current financial year so far has increased by 5.95 per cent. Food articles (under primary articles group) and food products (under manufactured products group) have together contributed 54.7 per cent to the overall WPI inflation so far. The various measures of consumer price inflation remained high in the range of 11.7-13.2 per cent during August/September 2009 as compared with 9-11 per cent in August/September 2008.

6.15 Questioned on the reasons for the steep rise in the price of pulses despite the imports, the Secretary, Department of Consumer Affairs, while deposing before the Committee stated as follows:

> "As regards pulses, the requirement of pulses in the country is about 17.5 to 18 million tonnes, while the production during the last two years has been around 14.5 million tonnes. In fact, the precise figures for last year are 14.66 million tonnes and in the year 2007-08 it was 14.76 million tonnes. So, the production was more or less the same. But as I was trying to mention, there was a lot of imbalances. In the year 2008-09, the production of Tur, Urad and Moong was almost 16 lakh tonnes less than previous year and of course it was much more in gram. But because Tur is a sort of pulse which is not substitutable. Those who use Tur they only use that. It cannot be substituted with, for example, the gram. So, the prices of these two three varieties actually shot up. India produces the maximum of pulses in the world and India also is the major consumer. The varieties which are required in India are mainly available in Myanmar and small quantities are available in some African countries. Though we have been importing pulses on a large scale from countries like Canada but those pulses are actually yellow peas and from Australia we are importing peas which are not really substitute for these three varieties. So, as a result, though the imports were more than 2.5 million tonnes, the shortfall in Tur and two other varieties continued and as a result the prices have gone up."

6.16 Measures taken by the Government to increase availability of pulses as informed to the Committee are : (i) State agencies were given the freedom to import yellow peas to the extent of 50% of 1.5 million tonnes of pulses to be imported by them as a substitute for chana or gram dal with Government sharing 15 per cent of the loaded cost; and (ii) 4 lakh tonnes of pulses were earmarked for distribution through Public Distribution System with subsidy of Rs. 10.

6.17 On the reasons for steep rise in prices of sugar, the Secretary, Department of Food and Public Distribution, while deposing before the Committee stated as follows:

> "Our production in the year 2008-09 was a little less than 150 lakh tonnes. Our consumption was about 225 lakh tonnes. So, there is a gap of almost about one-third of our requirement. So, what do we do to take care of this situation? Of course, we have some opening stock which we always do. Our norm is to carry

about three months' requirement as an opening stock when we start a year. We incentivise imports. We try to augment domestic supply by incentivising the imports. This we did. In the first instance, we allowed zero duty import of raw sugar. We could sell it in the domestic market and see it later. They have the obligation to export it.

Secondly, we see if this is not adequate, we allow the import of raw sugar under OGL at zero duty. It is not only the sugar mills but even the trade was allowed to import raw sugar so long as they had a tie up with the sugar mills for processing and selling it in the market. We also brought imported raw sugar under advanced or accelerated relief mechanism. That is, they are obliged to sell it within a given time after processing. Then we also allowed zero duty imports of white or refined sugar first to the Ministry of Commerce PSUs. They were allowed to import it. Then, when we found that it was not adequate, we also opened it to private trade. This is one side. We tried to augment domestic availability by supply from outside. The industry has been able to contract for little over five million tonnes of raw sugar, *viz*., 50 lakh tonnes of raw sugar and about six lakh tonnes of white refined sugar and of the raw sugar, 25 to 26 lakh tonnes has already arrived in the country. It is already in the process. Some of it is already sold in the market and some of it is already in the process."

6.18 On the production and stock holding of sugar during the year, 2008-09, the Secretary, Department of Food & Public Distribution, stated as follows:

"Our estimated production in the sugar year 2008-09 was about 148 lakh tonnes…It was 100 lakh tonnes from the previous year. 100 plus 148, it is 248 lakh tonnes. Our consumption is 225 lakh tonnes."

6.19 When posed with a query on continuing higher prices despite availability of sugar being more than demand, the Secretary submitted as below:

"Prices are always the outcome of market expectations also and the international prices."

6.20 On the quantity of white sugar imported, the Secretary stated:

"we have contracted for a quantity of about 6 lakh tonnes."

6.21 On the reasons for the rise in prices of potato, despite the estimated production being sufficient to meet the demand, the Department of Consumer Affairs, in a written reply stated:

> "Estimates of area and production of potato are given by the National Horticultural Research and Development Foundation (NHRDF). During the year 2008-09 the area and production of potato was estimated at 18.10 lakh ha and 311.27 lakh MT respectively compared to previous years area of 17.19 lakh ha and production of 304.42 lakh MT. During 2008-09 potato production was estimated to be more in Punjab, Haryana and Uttar Pradesh and less in the States of Bihar, West Bengal and M.P. because of late blight disease and less water availability in M.P. NHRDF reported that presently cold store potatoes was mostly available for consumption. Very little fresh produce from kharif crop is available, which could have contributed to price rise. According to trade circles, production in 2008-09 was actually lower than 2007-08 and this too has contributed to the price rise. There is no evidence to suggest that futures trading have caused an increase in potato prices."

6.22 Further, the National Horticultural Research and Development Foundation have submitted as follows with regard to steep rise in the prices of potato:

> "In West Bengal and Bihar because of late blight disease production was affected adversely though potato production was more in UP, Punjab, Haryana and overall production was more compared to last year. Potato prices have started increasing from April and onwards because of the following reasons:—
>
> (i) Potato production in West Bengal, Bihar and eastern UP affected because of late blight disease.
>
> (ii) Potatoes in cold stores of West Bengal and Bihar were less because of less production.
>
> (iii) Total pressure of demand of potatoes from whole country is on UP, Punjab and Haryana stocks, since West Bengal stocks were less.
>
> (iv) North-Eastern States demand of potatoes are generally met by the West Bengal state, is now depends on UP & Punjab states.
>
> (v) The export of potatoes are even more during 2008-09 till January 2009 is around 1.70 lakhs tones compared to last years export of 0.71 lakhs tones.

(vi) Restricted supply from cold stores to maintain prices at higher level.

(vii) Increased demand from processing industries.

(viii) Kharif potato production in Uttarakhand, UP, J&K, Karnataka, Maharashtra affected adversely because of delayed and less rains.

(ix) In Karnataka also only 50% kharif potato has been planted because of less and delayed rains.

(x) Kharif crop of potato which starts arriving in the markets from June/July from Uttarakhand and J&K, HP are very less and from Karnataka and Maharashtra is delayed and crop planted in very less area.

(xi) Increased rates of other vegetables, resulting in increased demand for potatoes in domestic markets."

VII. AGRICULTURAL PRODUCTIVITY AND IMPACT ON PRICES

(i) Investment in Agriculture

Responding to the view expressed by the Committee on whether a multi-pronged programme has to be taken up on an emergency basis with a larger volume of investment and diversification in order to bring the production in agriculture to a reasonable height, the Secretary, Ministry of Agriculture stated as follows:—

> "….I started by saying that our model for this will be the substantial expansion of the RKVY programme. The reason is that instead of having vertical programmes of every single component, the RKVY programme gives the flexibility to the State Governments to go to the district agriculture plan and work on it. If they feel that dairy is the most important thing in the district, they can do more dairy, and somebody do more of horticulture. India being so diverse, this is what I would strongly suggest. Manifold expansion of the RKVY programme is needed. The other point is that the issue of convergence with the RKVY, for irrigation programmes, for rural development programmes in particular, from the point of view of managing and conserving water, is extremely critical because the rural development programme in the NREGA guidelines this year has included construction of farm ponds and digging of wells in the lands of small and marginal farmers which we believe is a very positive step in the overall strategy of water conservation given the fact that more than sixty per cent of our area is rain-fed agriculture. Ultimately the pond that is dug with the NREGA money, supported by the micro irrigation scheme, supported by a seed programme from the Ministry of Agriculture will be the convergence that we are looking at. Therefore, my clear suggestion is an increase in the RKVY funding, which is in any case, an additional Central assistance to the States. It also incentivises the State to put more money into the agriculture because there is a pre-condition on that, would be the right answer at this stage to take to the kind of coordinated development…
>
> ….Our real problem is in the delivery point. We largely depend on the State Governments. This is one area which is of great concern to us, both in terms of extension services and also in terms of delivery."

(ii) Food Price Control : Role of the Ministry of Agriculture

7.2 Asked to specify the role of the Ministry of Agriculture in keeping the prices under check and making food accessible and available to every citizen of the country, the Secretary, Ministry of Agriculture, while deposing before the Committee, stated as follows:—

> "…. this year has been a difficult year because of the inadequate rainfall and, therefore, when we analyze the production figures of this year and its consequent or likely impact on prices, we have to reckon that we had a 23 per cent deficit in rainfall which happened only in 1972 prior to this, and this resulted in an unsown area of roughly six million hectares in terms of paddy, largely in the States of Uttar Pradesh, Bihar and Jharkhand, but other States also had similar shortfalls. Therefore, this year, it is expected that the production of rice will definitely be lower to the extent of unsown area and there will also be some reduction in the productivity of rice in other areas. Unfortunately, this was followed by a flash flood in some parts of Andhra and Karnataka which has also affected the production of crops.
>
> Therefore, this year is a difficult year in terms of overall availability of foodgrains, pulses and oilseeds. We have been trying to catch up with the increased demand from consumers within India. Till last year we were able to increase production consistently over previous years, particularly in rice and wheat. But in pulses and oilseeds we still have a shortfall. Sugar situation unfortunately has become cyclical depending on the weather and also other factors including the market price for sugarcane. After two years of surplus we have seen two years of short production.
>
> Our view in this matter is that given the fact that population will continue to grow and will continue to demand not only more food in terms of more nutrition, because that is one of the things that we factor in, and will also ask for diverse types of food. Therefore, investment in agriculture is going to be a priority. We will not be able to increase our area of about 142 million hectares. I think we have to live with two constraints — one is the availability of land and the other availability of water. Therefore, our view has been that in the next five or ten years we have to look at managing water more effectively with investment in water conservation, irrigation and use of water for agriculture. The second is a higher level of investment in agricultural research which, of course, is with the Department of Agricultural Research and Education.

In terms of trying to combat climate change effects, there are two factors which could affect agricultural production. One is drought *per se* and the other is higher temperatures in certain growing seasons. This is supplemented by the fact that in 2006, rise in temperatures across the plains of Punjab, Haryana and UP resulted in a production loss of roughly 6 million tonnes of wheat. These kinds of factors need to be looked at from a research perspective and also from an agricultural management perspective.

Therefore, in the last two years we have been able to invest more in agriculture, primarily in big schemes of National Food Security Mission and also National Agriculture Development Programme popularly known as the Rashtriya Krishi Vikas Yojana with a proposed outlay of Rs. 25,000 crore during the five years. Rashtriya Krishi Vikas Yojana is a unique programme which allows State Governments to design agricultural plans at District level and implement them within the broad guidelines issued by the Government. The idea, therefore, is that locally suitable initiatives and interventions will be taken up by the State Governments in District plans to increase agricultural production and also increase farmers' incomes because productivity issues are related to the farmers' incomes as well.

Of course, we have pushed for and obtained higher minimum support prices in the process in the last four to five years which could have contributed to some extent to the price rise. But I think an increased MSP is necessary to incentivise farmers to produce more. Without proportionate increase in MSP in terms of the costs of inputs, the cost of labour, etc., for the farmers, it may not be possible to continue to increase agricultural production."

7.3 On the reasons attributable to the increase of food prices, the Secretary, Ministry of Agriculture submitted as under:—

"Recent increases in price of food items, measured by consumer price indices, could be attributed to many factors, apart from slower than targetted growth in agricultural production. One, there are supply-side constraints of food items arising out of lagged response to increasing demand. Second, it has been observed that in recent years input cost of production, particularly on account of farming labour, has increased considerably and this, in turn, acts upon increase in prices. Third, there are instances that in times of anticipated short supply in market, private hoarders create conditions of artificial scarcity. Fourth, recent drought like conditions that affected several parts of the country, also, contribute to overall increase in levels of prices of food items".

(iii) Agricultural Productivity and Production

7.4 Productivity of foodgrains, pulses and oilseeds in the year 1951 and 2008-09 (4th Advance Estimates) as furnished by the Ministry of Agriculture is as given below:

Productivity (kg/Hectare)

Crops	Year 1951	2008-09 (4th Advance Estimates)
Foodgrains	522	1898
Pulses	441	655
Oilseeds	481	1026

7.5 The data on All India Area, Production and Yield of Major Crops as furnished by the Ministry of Agriculture is given below:—

Crops	Area (lakh hectare)			Production (million tones)			Yield (kg/hectare)		
	2006-07	2007-08	2008-09*	2006-07	2007-08	2008-09*	2006-07	2007-08	2008-09*
Foodgrains	1237	1241	1232	217	231	234	1756	1860	1898
Oilseeds	265	267	275	24	30	28	916	1115	1026
Sugarcane	52	51	44	356	348	274	69022	68877	62321
Cotton@	91	94	94	23	26	23	421	467	419

*4th Advance Estimates as on 21.7.2009

@Production in Million Bales of 180 KG

(iv) Demand-Supply Situation

7.6 The Ministry of Agriculture submitted the Demand-Supply situation of foodgrains as below:—

"In case of rice, wheat and coarse cereals, the estimated production during 2008-09 is higher than the projected demand. The production of rice, wheat and coarse cereals has been estimated at 99.15 million tonnes, 80.58 million tones and 39.48 million tones, respectively during 2008-09 as against the estimated demand of 92.87 million tones, 72.72 million tones and 35.90 million tonnes, respectively for the period. However, there is shortfall of about 3 million tones in case of pulses. The production of pulses during 2008-09 has been estimated at 14.66 million tonnes against the estimated demand of 17.51 million tonnes during the period. The production of pulses has not been keeping pace with the increasing demand primarily on account of low productivity and susceptibility to pests and diseases. Moreover, pulses are mostly cultivated on marginal lands, which have further adverse impact on their production and productivity. The shortfall in production *vis-a-vis* demand of pulses is met through imports. Another area of concern is oilseeds in which there is a shortfall of 19.27 million tonnes in production over the demand.

The demand supply position of major foodgrains and other commodities can be seen from the Statement below:

Estimated Production and Demand

(Million Tonnes)

Crop	2008-09		
	Projected Demand*	Estimated Production	Surplus/ Shortfall
Rice	92.87	99.15	6.28
Wheat	72.72	80.58	7.86
Coarse Cereals	35.90	39.48	3.58
Pulses	17.51	14.66	-2.85
Foodgrains	219.01	233.88	14.87
Sugarcane	275.91	273.93	-1.98
Oilseeds	47.43	28.16	-19.27

*Source: Working Group of Planning Commission of 11th Plan."

7.7 The Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) informed that the area under foodgrains declined by 8 percent from 680.99 lakh hectares to 626.47 lakh hectares in the year 2009-10 as against 2008-09.

7.8 When the Committee desired to know from the Ministry of Agriculture the reasons for this and measures being taken to prevent the decline in area under foodgrain production/to increase productivity, the Ministry of Agriculture submitted a written reply as under:—

(i) "Area under pulses crop has increased during Kharif 2009 compared to 2008-09 by 5.43 lakh hactares and coarse cereals by 0.7 lakh hactatres. However, there is a decrease of 60 lakh hactares under rice area coverage due to erratic, irregular rainfall during kharif

(ii) Measures taken to increase production and productivity during rabi:

- Additional areas under wheat, boro/summer rice
- Seed distribution subsidy has increased from Rs. 1200/ qtls. to Rs. 2000/qtls. under NFSM-Pulses & ISOPOM programme for Rabi—2009-10.
- For increase the seed availability during Rabi 2009-10 the subsidy on TL seeds is allowed to the state during Rabi 2009-10.
- Unspent amount under NFSM-rice has also been allowed to incur under NFSM-Pulses during Rabi—2009-10.
- Awareness campaign for completing the sowing of wheat by 15th Nov with more stress in Eastern UP, Bihar, and West Bengal; Early wheat sowing with available soil moisture in Rainfed areas. Additional wheat minikits distributed.
- Emphasis on more rust resistant varieties like DBW-17 and PBW-550 in traditional Wheat areas.
- Minikits distributed for quick varietal replacement.

Promotion of traditional relay cropping system like *utera* and *pyra* for cultivating rice fallows with chick pea, lentils and other pulses crops is encouraged."

7.9 The Ministry of Agriculture submitted a written note as follows:—

"As per the latest information available on sowing of crops, around 91% of the normal area under Kharif crops have been sown upto 09.10.2009. Area sown under all crops taken together is around 951.4 lakh ha. as compared to 1007.8 lakh ha. in the corresponding period of 2008. Major shortfall in area coverage was around 62.6 lakh hectares under rice and around 8.6 lakh hectares under groundnut. Area under pulses has however increased by 5.6 lakh hectares over the last year."

7.10 To a query regarding the steps taken to increase the agricultural productivity, the Secretary, Ministry of Agriculture stated that:—

"To answer the question of productivity, yes it is a fact that the increase in yield per hectare has not grown the way we would like it to grow. This is partly attributable to the regional disparities between yields across the country. For instance, in Punjab the average yield of wheat would be about 4 tonnes per hectare where in Bihar it will be close to 1.5. One of the strategies that we would like to put in, and that is why RKVY funds are being given to States to do this, is to shift the productivity burden to those areas which are low-yielding at present but with high potential. The same strategy is in the National Food Security Mission. The Districts which have been selected are those Districts which are below the average and with a potential to go up to that average. Of course, as they move up, the average will also move up. These Districts have been selected for rice, wheat and pulses and we have selectively gone into these interventions for shifting or increasing productivity in these regions.

…We are looking primarily on meeting the demands of the population in terms of producing food grains to meet the demands. Distribution issues are different."

(v) Production of Pulses

7.11 In order to increase the production and productivity of pulses, Government of India is implementing a Centrally Sponsored 'Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM)' in 14 major pulses growing States since 1st April,2004. This has been restructured during the 11th Plan to make it more effective. Besides, ISOPOM, the Government is also implementing 'Macro Management of Agriculture (MMA)' and Pulses Development Programme under 'Rashtriya Krishi Vikas Yojana'. Besides, ISOPOM, the Government is also implementing following schemes to boost the production and productivity of pulses:—

(i) Macro Management of Agriculture (MMA) scheme (Revised) provides assistance for Pulses development to the States not covered under the ISOPOM; and

(ii) The States can undertake Pulses Development Programme under the Rashtriya Krishi Vikas Yojana (RKVY) launched during 2007.

7.12 The Ministry of Agriculture submitted the details of targets and actual achievement under NFSM-Pulses as follows:—

"National Food Security Mission (NFSM)-Pulses is centrally sponsored Scheme, launched in second half of 2007. NFSM-Pulses is being implemented in 171 districts of 14 States. Target and achievements under NFSM-Pulses is as under:

(Rs. in crore)

Year	Allocation	Release	Expenditure
2007-08	104.63	103.65	36.49
2008-09	375.87	270.15	242.44
2009-10	533.85	269.700	90.640

Shortfall in initial year of implementation could be attributed to delay in procurement processes at state level whereas in 2009-10, erratic and irregular rainfall in kharif has resulted in low achievement. However, during Rabi, utilisation will improve as action plans of states are being revised, for additional areas and production.

Targets and achievement of pulse production from 2004-05 to 2008-09 are as under:

(in lakh tonnes)

Year	Target	Achievement
2004-05	153.00	131.29
2005-06	151.00	133.84
2006-07	151.50	141.97
2007-08	155.00	147.61
2008-09	155.00	146.62

Reasons of shortfall

According to the Ministry of Agriculture, shortfall in production achievement for the year 2006-07 to 2008-09 can mainly be attributed to drought situation and abnormal weather conditions in major pulse growing states. Area under pulses declined in 2008-09 due to delayed onset monsoon in major pulses growing states like, Andhra Pradesh, Maharashtra and Karnataka and also excess rain-fall in Bihar and eastern parts in Kharif-2008. During Kharif 2009, there has been drought in many pulses growing states due to deficient rains (-23% of normal), resulting in low Kharif production."

7.13 The gap in total availability (total production & imports) of pulses since the year 2004-05 is as follows:

(in million tonnes)

Year	Gap
2004-05	-3.02
2005-06	-3.27
2006-07	-2.78
2007-08	0.28
2008-09	-0.41
2009-10	-2.52
2010-11	-3.79
2011-2012	-4.18

7.14 It is seen that while the gap consistently narrowed from the year 2004-05 to 2007-08, it again widened in the year 2008-09 and 2009-10. The gap in availability of pulses is further projected to widen upto the year 2011-12 as per Planning Commission estimates.

7.15 According to the Ministry of Agriculture, shortfall in production achievement for the year 2004-05 to 2008-09 can mainly be attributed to drought situation and abnormal weather conditions in major pulses growing states. Following are the major constraints cited in increasing production and productivity of pulses:—

- pulses are genetically low yielding and less responsive to inputs, compared to other cereals and oilseeds.

- cultivation of pulses continues to be done on marginal and sub-marginal lands under rainfed conditions, by small and marginal farmers, with capacity for input use being quite low.
- High yielding varieties/hybrids are required, which will give higher productivity in rainfed conditions.
- No hybrid of pulse except pigeonpea is available and hybrid of pigeonpea is yet to be popularized. Similarly genetically modified pulse variety/hybrid, which can enhance productivity, has not yet been developed.
- pulse is more prone to pest and diseases.

7.16 Pulse is mainly grown on marginal and sub-marginal land, under rainfed conditions with low input usage. Only 15% pulse growing areas of pulses is irrigated, exposing most pulses production to weather related yield risks.

VIII. INTERVENTION POLICY—IMPORT OF SUGAR AND PULSES

Market Intervention – Import of Essential Commodities

Import of agro-commodities is primarily in the domain of the Ministry of Consumer Affairs, Food and Public Distribution. MMTC Limited, STC Limited, PEC Limited are the PSUs under the Department of Commerce which are involved by the Ministry of Consumer Affairs, Food and Public Distribution for import of agro-commodities.

8.2 When the Committee desired to know the basis of estimating total requirement and quantity of import of various commodities, the Department of Food and Public Distribution stated in a written note as follows:—

> "There are various parameters which are taken into account for deciding imports on Government account including requirement of foodgrains in PDS system, consumption of foodgrains during the previous years, production of foodgrains, anticipated production of foodgrains based on area sown etc. The total requirement of the wheat per year was estimated at 150 lakh tonnes. During 2006-07 and 2007-08 wheat procurement for central pool was only 92 lakh tonnes and 111 lakh tonnes respectively. In order to make up the short fall in the central pool Government imported 53.79 lakh tonnes of wheat during 2006-07 and 18.44 lakh tonnes during 2007-08. In the case of edible oils, a Scheme was implemented for subsidised distribution of imported edible oils through State Governments in 2008-09 and 2009-10. Under the scheme, a subsidy of Rs. 15/- per kg. Of edible oil was given. PSUs imported edible oils as per the demands received from the State Governments for distribution under the scheme. Accordingly, 3.6 lakh tonnes of edible oils was imported in 2008-09. In 2009-10 so far, about 77,000 tonnes of edible oil have been contracted for import."

8.3 The Department of Consumer Affairs also attributed the following reasons for the necessity to import substantial quantities of wheat as well as food items (pulses, sugar etc.):—

> "Imports of wheat and sugar are undertaken whenever there is a shortage in the domestic production. In the case of pulses, India is not self sufficient in pulses. India has been a net importer of pulses due to a mismatch between domestic supply and demand for pulses. Domestic production of pulses has been around 14-14.8

million tonnes during the last three years. The demand for pulses is estimated around 17-18 MTs. The gap between demand and supply is filled by import of variety of pulses from different countries depending upon their availability."

Import of Sugar

8.4 Data on estimated production, consumption, imports, exports, opening and closing stocks of Sugar for these seasons (with 2008-09 estimates and 2009-10 forecast) is given below:—

(unit: in lakh tonnes)

Particulars	2005-06	2006-07	2007-08	2008-09 (Est.)	2009-10 (forecast)
Carry over stocks with sugar mills from previous season	40	44	105	100	27
Production of Sugar	189.59	282	263	146.8	160
Imports	3.62	-	-	10.8	35*
Total availability	233.21	326	368	257.6	222
Internal consumption/ releases	183.21	191	205	220	230
Exports	13.68	25	58	2.1	0
Closing stocks with sugar mills at the end of season	36.32	110	105	24.7	(-8)

Note: Closing balance of one season is different from opening balance of next season to account for damaged/wet sugar and sugar sold under Court orders, etc.

*As per trade circles, as on 17.8.09 for which contracts have been signed.

8.5 In this regard, the Secretary, Planning Commission during oral evidence stated *inter-alia* as under:—

"we were actually discussing it and I was looking at the movement of prices of sugar….in the months of October and November the demand was abnormal. The Government has been asking the State Governments to take action against hoarders. There are people who may be trying to profiteer. State Governments have been given strict instructions to find out if there are people who are actually trying to make hay while the sun shines."

8.6 The Department of Food & Public Distribution submitted their perspective on this issue as under:—

"The production of sugar in 2009-10 sugar season is expected to be marginally better than that of 2008-09 sugar season, though less than the requirement for overall internal consumption. To augment sugar availability, the Central Government has allowed import of raw and white/refined sugar under OGL at zero duty. The import of white/refined sugar at zero duty under OGL is being extended from 30.11.2009 to 31.3.2010, in addition to the enhancement of the present cap of 1 million tonnes. The Central Government has also decided to extend import of raw sugar under OGL at zero duty till 31.12.2010 from 31.3.2010. The extension of the duration of the period of import for both white/refined sugar and raw sugar would certainly ensure increased comfort level for importers of sugar to import sugar to enhance its availability in the country. Increased availability of sugar through imports and measures like imposition of stockholding and turnover limits on dealers of sugar and khandasri and stocking limits on large consumers of sugar etc. would help in stabilising prices of sugar."

8.7 Data on import of sugar in the last four years as furnished by the Department of Commerce is given below:—

Qty: tonnes/Value: Rs. Lakhs

2005-06 (April-March)			2006-07 (April-March)			2007-08 (April-March)			2008-09 (April-March)		
Qty.	Value	Value (US$ Mil)	Qty.	Value	Value (US$ Mil)	Qty.	Value	Value (US$ Mil)	Qty.	Value	Value (US$ Mil)
558769	65159	146.49	1052	348	0.77	733	587	1.46	386095	58311	126.78

8.8 In this connection, the Secretary, Ministry of Finance submitted his view as follows:—

"there is a problem with sugar…because every few years there is a sugar cycle, and there is a shortage even with imports."

8.9 The Secretary, Department of Consumer Affairs submitted in this regard as under:

"We incentivised imports. We tried to augment domestic supplies by incentivising imports. This we did. In the first instance, we allowed zero duty import of raw sugar under advance authorisation scheme whereby mills could sell processed sugar in the domestic market and export it later on. They have the obligation to export it within a certain period.

Secondly, when we saw this was not adequate, we allowed the import of raw sugar under OGL at zero duty. It is not only the sugar mills but even the private trade was allowed to import raw sugar so long as they had a tie up with the sugar mills for processing and selling it in the market. We also brought imported raw sugar under advanced or accelerated release mechanism. That is, mills are obliged to sell it within a given time after processing. Then we also allowed zero duty imports of white or refined sugar first to the PSUs. They were allowed to import it. Then, when we found that it was not adequate, we also opened it to private trade. This is one side. We tried to augment domestic availability by supply from outside. The industry has been able to contract for little over five million tonnes *i.e.,* 50 lakh tonnes of raw sugar and about six lakh tonnes of white refined sugar. Of the raw sugar, 25 to 26 lakh tonnes has already arrived in the country. It is in the process. Some of it is already sold in the market and some of it is to be processed.

As far as raw sugar is concerned, I may explain one more thing. The sugar mills normally like to process the raw sugar along with fresh cane juice because it makes it viable for them and they use the same baggase as a fuel. So, you do not have to add additional fuel like coal etc. So, they prefer to use baggase and process raw sugar along with fresh cane juice when the season starts. So, we also took two more measures, once, we knew that the area under sugar cane had fallen considerably. In fact, I could give you the statistics. The area under cane which stood at 51.51 lakh hectares in 2005-06 crop year, it had come down to 43.96 lakh hectares in 2007-08 in which cane was available for production of which generated sugar in the next year. The area under sugar had fallen drastically because of the cyclicity."

8.10 On the issue of import of sugar, the Additional Secretary, Department of Commerce stated as follows while deposing before the Committee:—

"As far as sugar import is concerned, we are mandated by the Cabinet to import. This time, they have mandated that one million tonnes of white sugar would be imported out of which, it has been decided that two lakh tonnes would be imported by the

PSUs and the balance 8 lakh tonnes would be open to import by others. In addition, raw-sugar import can be made by sugar mills without any restriction on the quantum of imports. That is today's stated position. Against that, what has been administratively done is that for import of white sugar by the private importers, they have to register with the APEDA for the quantum they are supposed to import."

Price parity of Sugar

8.11 When pointed out that though the import of sugar is allowed to both PSUs and Private Sector, the quantity of sugar imported was small, the Secretary, Department of Consumer Affairs, replied as below:—

"Yes, it was because of price parity. If the import prices are higher, why should anybody bring it in?"

8.12 Data on import of sugar by the PSUs under the Department of Commerce is furnished below:—

(Value in Rs. Crores/Qty. in Lakh MT)

Item	2006-07		2007-08		2008-09		2009-10	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Sugar White	-	-	-	-	-	-	2.21	378.50
Sugar Raw	-	-	-	-	-	-	1.68	335.85

8.13 There was no import of sugar in 2006-07, 2007-08 and in 2008-09. There is an import of sugar up to September 2009-10. The quantity of white-sugar imported was 2.21 lakh metric tonnes for a price of Rs. 378.50 crore. 1.68 lakh metric tonnes of raw-sugar was imported at the price of Rs. 335.85 crore. Asked to clarify on the price variation, the Additional Secretary, Department of Commerce replied as under:—

"These prices are at different point in time. This is not at one single point in time. That is why this difference is there."

8.14 Following is the price (both international & domestic) of sugar as on 17th April, 31st July and 1st August 2009 when the public sector undertakings and subsequently private sector was allowed to import sugar as given by the Department of Commerce:—

Date	InternationalFOB(USD-PMT)	DomesticRs. Per. Kg.
17.04.2009	407(For August Delivery)	28.5
31.07.2009	505(For October Delivery)	26
01.08.2009	505.9(For October Delivery)	26

Source: LIFFE for International Price and NRG(Bunge) Market Reports for Domestic Price.

8.15 Prices at which sugar was imported by STC from April to June, 2009 are given below:—

Date of Contract	Price US$-PMT) CNF Main Indian Ports
23.4.2009	422
5.6.2009	480
11.6.2009	484

8.16 Asked to state whether it was a fact that generally by the time the decision to import is taken, the prices in the international market become stiff, the Department of Commerce submitted as under:—

> "Prices of agro commodities is subject to various market variables including demand and supply position. Hence, entry of major player like India in the global market generally pushes up the price level of that commodity."

Inability of PSUs to import sugar

8.17 On being asked to furnish the price details of sugar imported both by the PSUs and private sector and whether there was any difference in the import price, the Additional Secretary, Department of Commerce submitted as under:—

> "As far as import is concerned, PSUs import like any other private sector imports. When we started importing on back to back basis and from the month of July onwards, the price of sugar was about 422 dollars C & F and 592 dollars C & F. PEC, STC and MMTC have imported various parcels of sugar. What they have to do is

to import sugar and sell it immediately on a back-to-back basis. The reason why good amount of sugar did not flow into the country is because between the domestic mandi prices and the international prices, there is parity or most of the times, the international prices were higher than the domestic mandi prices. So, the quantum that could be imported into the country was less. Later it was decided that 2 lakh tonnes would be imported by PSUs and 8 lakh tonnes would be imported by the private sector and since price parity was still not there, the flow of import was a lot less. Between the London sugar market prices and the domestic mandi prices, there is parity. When that is converted into C&F and if you add domestic freight and other charges, if you compare the prices, the international prices were higher than the domestic mandi prices."

8.18 The CMD, State Trading Corporation (STC) added as follows:

"Out of one million tonne, eight lakh tonnes was imported by the private sector at zero duty and the balance two lakh tonnes is earmarked for the four PSUs at again zero duty. So, today the import conditions are at par between the PSUs and the private sector……Actually, the pricing structure of sugar is related to the international price, which is quoted and it is actually something which is declared. It is a declared price which is very volatile and it keeps changing everyday. So, this pricing at which it is bought is directly related to that. So, at what price it is bought at a particular date and particular time is directly known from these quoted prices. It varies. So, what can be today will be different tomorrow. But directly whether the private sector or the PSUs, both will do on the same level because this is all declared prices."

8.19 The details of imports of sugar by STC and other PSUs and private agencies undertaken after the Government notification of 31.7.2009 as furnished by the Department of Commerce are furnished below:—

"Imports of sugar by STC:

Date of Contract	Quantity (MT)	Price (US$-PMT) CNF Main Indian Ports
1	2	3
31.7.2009	6500	523.50
6.8.2009	1350	545.00

1	2	3
10.8.2009	2700	585.00
11.8.2009	2700	590.00
4.9.2009	7500	575.00
8.9.2009	2160	560.00
8.9.2009	7000	565.00

The details of import of white sugar by PEC, MMTC and STC as on 9.11.2009 is given below:—

(in MTs)

Name of the Organisation	Quantity of White Sugar Imported
MMTC Limited	64,183.40
STC Limited	47,000.00
PEC Limited	88,467.00

It is understood that NAFED have not imported any sugar.

Department of Food and Public Distribution has indicated that Department of Revenue has reported on 6.11.2009 that quantity of Customs cleared imported white/refined sugar since 17.4.2009 stands at 3.33 lakh tonnes till 5.11.2009. Duty free imports of white/refined sugar by private trade has been opened only on 31.7.2009 *vide* Department of Revenue's Notification dated 31.7.2009. As such duty free imports by private trade till 31.7.2009 ought to be treated as NIL. Therefore, the total imports of white sugar minus PSUs import would give the quantity of white sugar imported by private trade between 31.7.2009 and till 5.11.2009. This works out to 1.34 lakh tonnes (3.33 lakh tonnes minus 1.99 lakh tonnes)."

8.20 When asked about the date when instructions were given to STC to import sugar and the actual quantity imported *vis-a-vis* the maximum quantity allowed, the Department of Food and Public Distribution furnished the following post-evidence reply:—

"The Central Government allowed import of white/refined sugar by STC/MMTC/PEC and NAFED upto 1 million tonnes by 1.8.2009 (now extended till 30.11.2009) under OGL at zero duty (notified on 17.4.2009). This is now being extended upto 31.3.2010 along with enhancement of the cap on import. As per the report of Department of Commerce, the controlling Department for STC/MMTC/PEC, the cumulative import of refined sugar till 5.11.2009 is 3.33 lakh tonnes. STC has reportedly contracted 52,110 tonnes of white sugar out of which 47,000 tonnes has arrived."

8.21 The Additional Secretary, Ministry of Commerce further informed during oral evidence as under:

"Even if you look at the total quantum of contract and if you take the private sector contract into, it is about 6 lakh tones against one million tonnes which was planned to be imported both by private and PSUs. The total contract is 6.8 lakh tonnes. The reason is two-fold. One is that the parity between international and domestic prices did not give enough incentive to import for the market. Second was that India being short in sugar this season, payment of subsidy for import was perceived by the trade to be inevitable at some point in time. So, if we import the sugar, keep it and a subsidy for sugar sale is announced then those who have already imported will incur loss. That psychology was there in the minds of Indian importers and they were very carefully doing back-to-back arrangement and went ahead for import of sugar. The question of keeping it for sale later was not fancied by the domestic industry."

8.22 With regard to a query as to why STC could not finish its entire allocation of imports by 1st August 2009 when private sector was allowed to import, the Department of Commerce furnished the written reply as under:—

"STC was allowed to import 2.50 lakh tonnes of sugar at zero duty *vide* Notification No. 36/2009-Customs dated 17.04.2009. As against this, till end-July 2009, STC imported 28700 MT of sugar.

STC had to act cautiously in importing sugar due to lack of parity in the domestic and international prices of sugar. To prevent incurring huge losses and given that these imports were on commercial basis with no formal back up from the Government, STC imported only such quantities of sugar for which it could simultaneously finalize a sale to a domestic buyer. If STC had imported the entire allocated quantity of sugar by 1st August 2009, the imports could have resulted into a loss whereas the notification by the Government did not provide for reimbursement of any such loss to STC."

8.23 The Department of Commerce was also asked as to whether STC furnished reasons for not being able to import the assigned quota of imports. The reply furnished in this regard is as follows:—

> "The imports of sugar by STC were continuously monitored by the Department of Food during meetings held from time to time in which STC was also present. The actual quantum of imports by STC "*vis-a-vis* allocated quantities and the price scenario was informed to Department of Food in these meetings."

8.24 To a specific query as to why the PSUs imported only 2 lakh tonnes as against 8 lakh tonnes imported by the private sector, the representative of Department of Commerce responded as below:—

> "Perhaps there was a need to control at that time in the month of July because the sugar season was coming. So we did fix a certain quantum of import and if it was done through PSUs, there will be some limit on the quantum that could be imported. Then we found that since the domestic sugar production was going to be low, it was decided that we should be in a position to allow more raw sugar to be imported freely into the country so that sugar mills can produce sugar out of it and sell it in the market. Once we reached some quantum, we cannot undo import already made, since PSUs were only meeting the requirements of the public and importing it on a back-to-back basis, it was decided to open it up to the private sector for the remaining 8 lakh tonnes and register with the APEDA. That was the genesis behind this and no subsidy will be paid to the PSUs for import."

8.25 On the question of subsidisation, the Secretary, Department of Consumer Affairs deposed as under:—

> "If India with a population of one million plus, the moment we enter the market, we will make a big splash. The prices zoom up immediately. It happened in the case of wheat. It will happen in the case of any other commodity that we choose to import.
>
> Our long-term policy would be to have a low duty regime encouraged all along but at the moment we are in dire stress and we do need larger quantities….
>
> They said that the import price parity was not there, and the domestic prices were lower than what were in abroad. That is why, …, we have been really extending our window gradually because it is really a question of who blinks first.

It is a question of subsidisation. But the point is, how much of a subsidy that the Government can afford to give. My food subsidy requirement today on account of the Public Distribution System alone is about Rs. 61,000 crore."

8.26 Further asked as to why the sugar prices were continuing to rise despite the import of sugar took place, the Secretary, Department of Consumer Affairs submitted as follows:—

"the PSUs have contracted 2.5 lakh tonnes of white sugar and the private traders contracted about four lakh tonnes. So, the PSUs have also contracted but then again it is a window which is available, being at the right place and at the right time. You have to take very quick decisions. Maybe, our PSUs have a problem of being not able to take a very quick decision. I do not know. That is why, we have opened the case to everybody. There is still enough requirements of sugar."

Production, Demand and Imports of Pulses

8.27 The production, demand and imports of pulses, since 2004-05 as furnished by the Department of Commerce is given below:

(in million tonnes)

Years	Production of pulses	Import	Total availability	Demand for pulses	Gap
2004-05	13.13*	1.34	14.47	17.49	-3.02
2005-06	13.39*	1.69	15.08	18.35	-3.27
2006-07	14.20	2.26	16.46	19.24	-2.78
2007-08	14.03 (14.76)*	2.83	17.59	16.77	0.82
2008-09	14.51 (14.66)**	2.44	17.10	17.51	-0.41
2009-10	14.86	0.91^	15.77	18.29	-2.52
2010-11	15.29			19.08	-3.79
2011-12	15.73			19.91	-4.18

Notes: *Actual production as per Final Estimates ^- up to July, 2009.

**Production as per 4th Advance Estimates for 2008-09.

Demand for the years 2004-05 to 2006-07 are projected for the 10th plan and 2007-08 to 2011-12 and production for 2009-10 to 2011-12 are projected for 11th plan by the Planning Commission are based on behavouristic approach.

Source: Planning Commission; Department of Agriculture and Cooperation, Ministry of Agriculture; DGCIS.

8.28 Asked about the role of the Ministry of Commerce in the quantity of import of pulses, the Additional Secretary, Department of Commerce informed as below:—

"On the pulses side, there is import done by both private people as well as by PSUs. It is open. Pulses' import is open in the country……. pulses' import is free and there is no restriction on any organization importing it. There are two schemes which PSUs are handling in pulses…The PSUs are required to import pulses for sale to the public. They are required to import pulses for giving to the State Governments for selling through the public distribution system. There is a subsidy element involved in this. According to that we are able to do the imports."

8.29 The representative of Department of Commerce responded as under:—

"As I understand, the prices of pulses have increased in toor, urad, moong, etc., and we have a limited production for the same in the country and world over except in Myanmar and perhaps Malawi and Tanzania. These kinds of pulses are not produced in any other country. We import quite a lot of pulses, which is yellow peas, and we import it in a big way. We are trying to work out a Government-to-Government arrangement with Myanmar for import of urad, toor, moong, etc., which process is on. Myanmar can export close to about six lakh tonnes of these pulses. If we are able to work out an arrangement — which we are in the process of doing — then perhaps the prices of pulses would also come down. The reason why these pulses show increase is because these pulses are not yellow peas."

8.30 Regarding the import of pulses, a representative of the Department of Consumer Affairs stated as under:—

"State agencies were asked to import pulses, that is STC, MMTC, PEC and NAFED, of 1.5 million tonnes and because of low availability of the varieties which are more in demand in India they were given the freedom to import up to 50 per cent of these 1.5 million tonnes of yellow peas because yellow peas is somewhat substitute for chana or gram dal, so that was one step. To safeguard their interest it was said that if they would incur any losses, the Government will bear up to 15 per cent of the landed cost."

8.31 In this regard, the representative of the Department of Consumer Affairs also added as under:—

> "1.5 million tonnes per year was the amount of pulses fixed by the country for import by public agencies. I also mentioned that fifty per cent of it was yellow peas. That is based on the historical date. What is the pattern of pulses import in the country in the last so many years because India has been the biggest importer of pulses, because availability of other pulses were also not that much. The pulses which are consumed in India, that is tur, urad, moong, are available only in limited quantity, mainly in Myanmar, and in small quantities in some other countries. So, the only pulse that is available in bulk is yellow peas, which is mainly coming from Canada. Of course, some other small quantities are coming from the US, etc. The price of yellow peas, compared to other varieties is much lower. They were being used in the country mainly for making basin.
>
> But last year though some quantities were imported because the production of gram in India was very high, the yellow peas were not lifted. That is why this problem arose."

Lifting of pulses from Indian ports

8.32 The Committee desired to know whether there was any delay in lifting of imported pulses from the ports. In this regard, a representative of the Department of Food & Public Distribution while deposing before the Committee stated as follows:—

> "….fifty per cent of the pulses were actually yellow peas. Some of it was not really lifted. Some of it is still available which was imported last year. But all other pulses which were imported, that is arhar/tur, moong and urad, were lifted and sold. These were actually sold in the open market. We are giving pulses to the State Governments only for distribution through Public Distribution System. Those small quantities have been lifted by various States. Only 95,000 tonnes have been lifted so far by various State Governments. But rest of the quantities have been sold in the open market………
>
> …..only yellow peas were lying. For all other varieties, there was sufficient demand and all of them were sold. Yellow peas is not a very popular variety in our country. Earlier, it was used for making basin. As channa production last year was very high, that was not used. Some of it was lying there. For other varieties, there was no stock which was kept in the ports."

8.33 Further, the STC in its post-evidence reply stated as under:—

"The entire quantities of imported pulses were sold immediately upon arrival through local public sale tender at H-1 bid price as per the Govt. guidelines in vogue and concerned Ministry was kept informed on a regular basis."

8.34 To a query as to why the Essential Commodities Act was not applied for confiscating the quantity lying at ports and distribute through the public distribution system, the representative of the Department of Food & Public Distribution deposed before the Committee as follows:—

"… the pulses which were imported, they were actually kept out of the purview of the Essential Commodities Act. It was the decision of the Government that the pulses and sugar which is imported will be out of the purview of the Essential Commodities Act."

8.35 In this regard, the Department of Food & Public Distribution further stated the following in post-evidence reply:—

"The Order on Removal of (Licensing requirements, Stock limits and Movement Restrictions) on Specified Foodstuffs (Amendment) Order, 2006 of the Central Government dated 29.8.2006, specifically states:

'Nothing contained in the Order shall affect the transport, distribution or disposal of wheat and pulses (whole or split) to places outside the State, nor shall it be applicable to import of these commodities.'

Sugar was included in the Central Order dated 9.3.2009.

The Central Order on Removal of (Licensing requirements, Stock limits and Movement Restrictions) on Specified Foodstuffs (Amendment) Order, 2006 of the Central Government dated 29.8.2006 has been periodically extended and is now in place upto 30.9.2010. The order pertaining to wheat was lifted on 30.3.2009."

IX. PRICE CONTROL—MONITORING AND COORDINATION

The price policy for agricultural commodities seeks to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production, and to safeguard the interest of consumers by making available supplies at reasonable prices. The price policy also seeks to evolve a balanced and integrated price structure in the perspective of the overall needs of the economy.

9.1 The task of monitoring of prices is primarily done by the Department of Consumer Affairs through the Price Monitoring Cell (PMC). It monitors the prices of 17 essential commodities, such as rice, wheat, gramdal, arhar dal, moong dal, urad dal, masoor dal, tea, sugar, salt, potato, onion, vanaspati, groundnut oil, mustard oil, milk and atta. The retail prices on daily basis and wholesale prices on weekly basis are collected from 27 centres and 37 centres respectively across the country.

9.2 On the issues relating to monitoring of prices, and the nodal agency responsible in this regard, the Secretary, Department of Food and Public Distribution informed as below:—

> "the issue of monitoring of price is nodally with the Department of Consumer Affairs. But at the same time, we have the Cabinet Committee on Prices; we have the empowered Group of Ministers and we have the Committee of Secretaries; it is the collective responsibility……..
>
> We have the collective responsibility; we have the Committee of Secretaries; that reviews it on a week-on-week basis; it is the collection of Departments including Finance, Commerce, sometimes even the External Affairs."

9.3 Further, the Secretary, Department of Consumer Affairs, stated as under during the course of his evidence:—

> "The nodal Ministry is the Department of Consumer Affairs. Any question relating to price rise actually comes to us. Then of course, the internal system is there…….. We analyse the reasons for price rise; whether there has been some reduction in the productions and what are the varieties. For example, in pulses whether any particular variety of pulses is in short supply and then we suggest to the concerned Ministry. For pulses, of course, it is our own responsibility. We then suggest to the concerned Department that

this is the shortage and these are the reasons; maybe we can decide what steps should be taken so that the supply is augmented and the prices remain under control. This is the job given to the Department of Consumer Affairs."

9.4 Asked to explain the role of the Ministry of Finance in management of prices, the Finance Secretary, during the course of oral evidence stated as below:—

"We have a Price Monitoring Unit in the Economic Division of the Department of Economic Affairs which regularly monitors the indices available from the concerned Ministries on what the inflation is. Now I will not go into whether those indices are adequate and proper or not.

On the micro or the operational part, we get inputs on supply and demand from the Ministry of Food and Consumer Affairs whose job is to assess what the likely requirement of food grains, wheat or paddy is and how much is available and how much is not available. We monitor whether the country has adequate buffer stock or not. Then, the Finance Ministry as a whole, not necessarily in my Department, looks at those commodities where there is a possibility to get those commodities by way of import through private trade channel or Government to Government account and whether the duties on those items, therefore, need to be calibrated."

9.5 One of the suggestions to control price rise of essential commodities, a representative of Consumer Action Group deposed *inter-alia* before the Committee that buffer stock of essential commodities should be created by the Public Sector agencies like APED, NAFED, etc. when there is more stock and more availability of the produce.

X. PRICE INDICES – AN APPRAISAL

Review of Price Indices

The Price Indices presently compiled and released at national level are as detailed below:-

"**A. Consumer Price Indices**

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a basket of consumer goods and services. There are four Consumer Price Indices (CPI) released at national level. These are CPI for Industrial Workers (IW), CPI for Agricultural Labourers (AL), CPI for Rural Labourers (RL) and CPI for Urban Non-Manual Employees (UNME). While the first three are compiled and released by the Labour Bureau in the Ministry of Labour, the fourth by the Central Statistical Organization (CSO) in the Ministry of Statistics and Programme Implementation.

Consumer Price Index for Industrial Workers

Consumer Price Index for Industrial Workers [CPI(IW)] is compiled by the Labour Bureau, Ministry of Labour.

Target Population:

A working class family was defined as one (i) which was located within the center, (ii) which had at least one member working as manual worker in an establishment in any of the seven sectors of employment covered *viz*., factories, plantations, mining, ports and docks, public motor transport undertakings, electricity generating and distributing establishments, and railways; and (iii) which derived 50 per cent or more of its income during the calendar month preceding the day of enquiry through any manual work.

Source of weight:

The present series of CPI (IW) is on base 2001=100. The weighting diagrams for the purpose of compilation of index numbers had been derived on the basis of average monthly family expenditure of the working class as obtained from the Working Class Family Income Expenditure Survey conducted during 1999-2000.

Release of Index:

CPI (IW) is released every month (on the last working day of the following month) for each of the selected 78 centers as well at all

India level. It is mainly used for the determination of dearness allowance being paid to Central/State Government employees as also to the workers in the industrial sectors besides fixation and revision of minimum wages in scheduled employments. It is also used in moving the base year poverty lines for urban areas to the subsequent years.

Consumer Price Index for Agricultural Labourers and Rural Labourers

Consumer Price Index for Agricultural Labourers and Rural Labourers {CPI (AL/RL)} is compiled and released by the Labour Bureau, Ministry of Labour.

Target Population:

A rural labour household is defined as one, which derives major income during the last 365 days from wage, paid manual employment (rural labour) *vis-a-vis* wage paid non-manual employment as also self employment. From amongst the rural labour households, those households, which earn 50% or more of their total income (from gainful occupation) during the last 365 days from wage paid manual labour in agriculture, are categorized as agricultural labour households. Agriculture labour households is a subset of rural labour households. A person is considered engaged in agricultural labour if he/she follows one or more of the agricultural occupations in the capacity of wage paid manual labourer, whether paid in cash or kind (excluding exchange labour) or both. A person who does manual work in return for wages in cash or kind or partly in cash and partly in kind (excluding exchange labour) is a wage paid manual labourer. Persons who are self-employed doing manual work are not treated as wage paid manual labourers. People living in rural areas and engaged in manual labour by working in agricultural and/or non-agricultural occupations in return for wages paid either in cash or kind (excluding exchange labour) or both, are considered as rural labourers. Thus, rural labourers include both agricultural labourers and other labourers.

Sources of weight:

The present series of CPI (AL/RL) is on base 1986-87=100. Estimates of consumer expenditure generated from the results of NSS 38th round (1983), formed the source of weights for the different items of goods and services, used in compilation of CPI (AL) and CPI (RL).

Release of Index:

CPI (AL/RL) is released every month (20th or preceding working day of the following month) for each of the selected States as well at all India level. It is mainly used for the determination/fixation and revision of minimum wages in agricultural sector. CPI (AL) is also used in moving the base year poverty lines for rural areas to the subsequent years.

Consumer Price Index for Urban Non-Manual Employees

Consumer Price Index for Urban Non-Manual Employees [CPI (UNME)] is compiled and released by Central Statistical Organisation, Ministry of Statistics and Programme Implementation.

Target Population:

An urban non-manual family was defined as one, which derived 50 per cent or more of its income from gainful employment on occupations of one or more of its members doing non-manual work in the non-agricultural sector in the urban areas.

Source of weight:

Present series of CPI (UNME) is on base 1984-85=100. The weighting diagram for the current series of CPI (UNME) was prepared on the basis of the data collected through family living survey for urban non-manual employees conducted during 1982-83 in 59 urban centers. The centers were selected keeping in view the (i) concentration of UNME population in the center, (ii) inclusion of state capital cities and (iii) regional representation.

Release of index:

CPI (UNME) used to be released every month (25th of the following month) for each of the selected 59 urban centers and also at all India level. Because of outdated base year and also deployment of field investigators for collection of price data for a broad based CPI (Urban) number, the National Statistical Commission in its meeting held on 15.2.2008 decided to:

(i) discontinue the CPI (UNME) and

(ii) adopt link index, based on ratio method after aggregating the sub group level indices of Labour Bureau's CPI (Industrial Workers) using CPI (UNME) weights at group/sub-group level for all India.

(iii) Compile linked CPI(UNME) numbers till new series of CPI(Urban) is brought out.

In pursuance of the Commission's recommendation, price collection for CPI (UNME) was discontinued with effect from April 2008. The linked all-India CPI (UNME) numbers are made available in the Ministry's website every month.

B. Wholesale Price Index

The Wholesale Price Index (WPI) series with base 1993-94 is compiled by the Office of Economic Adviser (OEA), Ministry of Commerce and Industry, on a weekly basis, based on the price quotations collected from the official as well as non-official source agencies.

The wholesale price as defined for WPI: The concept of wholesale price adopted in practice represent the quoted price of bulk transaction generally at primary stage. The price pertaining to bulk transaction of agricultural commodities may be farm harvest prices, or prices at the village mandi/market. For manufactured goods the wholesale prices are ex-factory gate/ex-mill level. Ex-factory prices exclude rebate if any; other taxes and levies are excluded though excise duty is currently included.

Collection of Prices

In consultation with the identified source agencies, specifications of all items in the basket are defined for repeat pricing every week. All characteristics like make, model, features along with the unit of sale, type of packaging, if applicable, etc. are recorded in the price collection schedule. Weekly prices are quoted on the basis of the prevailing prices of every Saturday.

The 1993-94 series has 435 items in the commodity basket, 'Primary Articles' contribute 98 items, 'Fuel, Power, Light and Lubricants' 19 items, and 'Manufactured Products' 318 items. The number of price quotations is 1918.

Release of index

Primary objective of WPI is to bring out an estimate of headline inflation for the economy. The weekly indices are compiled after a short gap of two weeks only as compared to other indices, which are compiled on monthly basis. The WPI are, therefore released provisionally and final revised indices, incorporating all possible quotations, are released after a gap of eight weeks.

The Cabinet Committee on Economic Affairs has recently approved for release of Wholesale Price Index (base 1993-94) on a monthly basis, instead of the current practice of releasing the index on a weekly basis. Compilation of Price Index for Primary Articles and commodities in Fuel, Power, Light and Lubricant Group will, however, continue be done on weekly basis. A Weekly Price Index for primary articles and commodities in Fuel, Power, Light and Lubricant Group would facilitate weekly monitoring of the prices of agricultural commodities and petroleum products which are sensitive in nature.

Revision of WPI numbers

As informed to the Committee, a Working Group, headed by Prof. Abhijit Sen, Member, Planning Commission, has recommended that base year of WPI should be shifted from 1993-94 to 2004-05 with enlarged and better representative basket. A tentative basket with weighting diagram has repeatedly been derived and trial run for the same as to be done shortly with the price data being collected from the source agencies. NSSO is assisting in collecting price data from organized manufacturing sector.

C. Initiatives of Central Statistical Organisation

New Series of CPI numbers

Considering that the present Consumer Price Index(CPI) numbers do not encompass all the segments of the population in the country and as such they do not reflect the true picture of the price behaviour in the country, it has been informed that it has been felt necessary to compile a CPI which takes into account the consumption pattern of all segments of the population. The Central Statistical Organisation has, therefore, taken an initiative for compilation of new series of CPI for Urban, Rural and combined at State/UT/All India covering the entire population.

New series of CPI for urban areas

CPI (Urban) would be compiled for each State/UT as well as at all India level. Weighting diagrams(consumption pattern) of the CPI (Urban) have been derived from the results of the NSS 61st round of Consumer Expenditure Survey (2004-05).

All cities/towns having population (2001 Population Census) more than 9 lakh and all State/UT capitals not covered therein were selected purposively. In all 310 towns have been selected either on purposive or random basis from which 1114 quotations(price schedules) are canvassed every month.

In the selected towns, market survey was undertaken by NSSO(FOD) for (i) identification of popular markets (ii) selection of shops/outlets for different commodities in the selected markets and (iii) determination of specifications of commodities to be priced. Rented dwellings from which house rent data are to be collected, were also identified in all the selected towns during the market survey.

Regular prices are repeatedly being collected by the NSSO (FOD). After selection of base year and also compilation of base year prices, new series of CPI (Urban) would be compiled.

New series of CPI for rural areas

CPI (Rural) would be compiled for all States/UTs and all India. Weighting diagrams of the CPI (Rural) have also been derived from the results of the NSS 61st round of Consumer Expenditure Survey (2004-05).

With a view to have a workload within manageable limits and considering the fact that the CPI (Rural) would provide the price changes for the entire rural population of the country, a total of 1183 villages have repeatedly been selected at all India level. The broad criterion of selection of villages is to have representation of all the districts with in State/UT and therefore two villages from each district adjusted on the basis of rural population of the State/UT have been selected randomly from different tehsils.

National CPI

CSO has also repeatedly decided to bring national CPI by merging CPI (Urban) and CPI (Rural) with appropriate weights, as derived from NSS 61st round of Consumer Expenditure Survey (2004-05) data".

10.2 On the issue of adequacy of the current price indices, particularly in guiding the monetary policy, the RBI in a written note informed the Committee as follows:-

"For the effective conduct of monetary policy, it is important that a single measure of inflation that captures the economy-wide inflationary pressures is available. Money supply growth is conditioned by the overall inflation faced by the entire population, and hence, better information collected through a representative measure of inflation could enhance the assessment of monetary policy in containing inflation. At present, India has three categories of price indices *viz.* CPI, WPI and GDP deflator, and each has certain limitations for monetary policy purposes. Even though GDP deflator (i.e. GDP at current price divided by GDP at constant price) is a representative measure of inflation, it is available on a quarterly basis, and with a lag of more than two months. Internationally, the main measure of inflation for monetary policy purposes is based on CPI rather than on WPI/PPI. In India, however, data on CPI relate to different segments of the population rather than the entire population. Even though collection of information on inflation relating to different sections of the society could be useful, given the vast diversity of the country and the need for specific policy actions by the Government to address the specific concerns of each section of the population, a single measure of representative inflation is necessary for effective conduct of monetary policy".

Rising prices and the Inflation Measurement

10.3 On issues pertaining *inter-alia* to the wide gap being witnessed in the current times in inflation measurement under different price indices, the RBI, in a written note informed as follows:

"Inflation assessment has become increasingly complex in recent times due to the large divergence between the WPI inflation rate and the various CPI inflation measures. In the short-term, inflation rates based on WPI and CPIs could be different due to differences in coverage and weights. However, these differences even out over time as wholesale price changes are followed by changes in the retail prices. The first occasion in the recent past when CPI inflation diverged significantly from WPI inflation was in mid-2004. The divergence between the two inflation rates persisted thereafter but remained within a relatively narrow range. However, the divergence between the inflation rates based on WPI and CPI has widened in the recent period with WPI inflation turning negative for a few months even as CPI inflation crossed double digits. CPI inflation has remained at an elevated level since March 2008 and did not decline in line with fall in WPI inflation. Indeed, it hardened due to sharp increase in essential commodity prices.

Several factors account for the divergence between WPI-based inflation and those based on CPIs. One, food prices, which have higher weightage (in the range of 46-69 per cent) in the CPI measures than in WPI (26 per cent), have risen sharply in the recent period. Two, miscellaneous group (representing services) in various CPIs (weights in the range of 12-24 per cent) have also exhibited significant price pressures; these services are not included in WPI. Three, prices of metals, which do not form part of the CPI group, have declined sharply, thereby accentuating the divergence between CPI and WPI inflation rates. Four, while a strong base effect pushed WPI inflation into negative territory during June-August 2009, there was no base effect in play for CPI inflation."

10.4 Elaborating further on this issue, a representative of RBI, while deposing before the Committee stated as follows:—

"There is so much divergence between WPI and CPI inflation rates that inflation assessment has become increasingly complex in recent times. In our policy, we did bring this point in public domain. The Reserve Bank monitors an array of measures of inflation. In fact, particularly this year, there is so much divergence that we cannot go only by WPI. Last few years, WPI and CPI were converging. Now, we do find that you cannot just rely on one measure of inflation…….Earlier what was happening was that there was a kind of a lead and lag relationship between WPI and CPI because when the wholesale price increases then it gets transmitted into the CPI. So, this is the way it was working…this divergence has come after that — 2007-08; 2008-09 and persisting in 2009-10."

10.5 Questioned on the RBI's assessment of the reasons for the wide gap in WPI and CPI inflation rates, the representative of RBI responded by stating:—

"…the main reason is that WPI does not have that much weight of food as CPI has. Secondly, WPI does not include services sector which is included in CPI."

10.6 On aspects pertaining to inflation measurement under the CPI, a representative of Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce, while deposing before the Committee stated:—

"The WPI is compiled every week and we are releasing it partly on a weekly basis and partly on a monthly basis. The current

Index has the base of 1993-94 which means that the weighting diagrams were decided in 1993-94….We are currently in the process of revising the base to 2004-05.

It will change the weights also because the weighting diagram for WPI is decided on the basis of national accounts. It is the importance of each sector in the economy that is given in that proportions."

10.7 In this regard, the representative of the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce further added as follows:—

"The WPI is an index of the products and commodities in the real sector. It covers primarily the agricultural commodities etc. It does not cover the services sector because there is an index of the real sector commodities. As of today, the index is compiled on the basis of the items which were selected in 1993-94. Their weights were decided in 1993-94 on the basis of the importance of these items in terms of the national accounts….. Since 2004-05, we are in the process of finalizing the commodity basket to be ready. We are in the process of collecting the data for the back series with 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 and we would hopefully launch the new series very shortly. I cannot give the exact time frame within which we would, but we expect to launch it very shortly…..The 1993-94 series has 435 commodities. The new series that we may launch would have a substantially higher commodity basket. We expect commodities number to be around 700 in the new basket which would be really reflective of the structural shape which has taken place in the economy. The weights would also undergo changes in terms of the current weighting diagram. The primary articles may have weights slightly lower than the weight in 1993-94. The fuel and power would have, more or less, similar weights and only marginally may go up. The manufacturing product weights would slightly go up by 1 to 1.5 percentage points. This is the broad pattern…. There is a time lag in the finalization of a series basically because like 1993-94 series was launched in 2000 because the annual sets of industries which is basis for deciding the commodities weights is available only for 2005-06. The available data of 2004-05 was the latest available at the point of time when we launched the series. …. there is a huge backlog data because it is a weekly collection of the data, roughly about 700 odd products for 52 weeks and five years, the entries are quite large. We are in the process of finalising and the test run is already done."

10.8 Touching upon the reasons for rise in inflation in the recent times, the Secretary, Ministry of Finance while deposing before the Committee stated as follows:—

"….Year 2008-09 and year 2009-10, which is the last fiscal year and the current fiscal year, have been very unusual because they have been marked by extreme volatility in price movement. But in the year 2008-09, the year ended in March, 2009, recorded the highest level of wholesale price index inflation basically because of high fuel commodity and food prices. This was triggered substantially by increases in the prices in the international market. On the other hand, 2009-10, which is the current year, recorded negative inflation for 11 consecutive weeks between June and August, 2009. After which, WPI is in the positive territory. This period is also somewhat unique and unusual since it is characterised by wide divergence between inflation based on wholesale price index and consumer price index.."

10.9 On the issue of the proposal to recast the WPI basket/base, the Secretary, Ministry of Finance, also submitted as under:—

"Now the attempt is to recast the wholesale price index about which they may have briefed you. In that manufactured articles have a heavy weight. Fuel has lower and primary articles is somewhere in between. The consumer price index, as you have rightly referred to, is a mis-match with the WPI."

10.10 Asked as to by when the proposal to shift the base year of WPI to 2004-05 as recommended by the Abhijit Sen Committee would fructify, the Secretary, Ministry of Finance submitted during oral evidence as under:—

"This matter has been under consideration for some time. The Government in the Cabinet Committee on Economic Affairs, on October 19th, took certain decisions in this regard. One is that the current series of wholesale price index will have a monthly frequency consistent with the practice………., I concede the point that the hon. Chairman and the Committee is making that the index should be truly reflective."

10.11 In this regard, the representative of RBI stated as follows before the Committee:—

"The Government is working on the base year of 2004-05. The base also would have certain technical factors because we would have to have a good data on the private consumption expenditure. …, 2004-05 would be appropriate to take as a base year, and it should be more automatic; more frequent updation of the base should be there."

10.12 On the issue of steep rise in food and vegetable prices not getting reflected in the indices, the Finance Secretary submitted that:

"……….Insofar as the prices of vegetables, potatoes, onions, etc., are concerned, firstly, the weightage is very small. There are seasonal factors which affect. This time they are affecting a little more.

The weight of fruits and vegetables, all taken together, in the whole sale price index is 2.92 per cent of which in terms of vegetables, potatoes, it is 0.26 per cent. In case of onion, it is 0.09 per cent. But there has been an increase. What happens is this. Apart from the normal or the seasonal increase, we would ascribe this to what are called inflationary expectations. On the one hand is inflation which is actually a measure of what is happening in terms of the mismatch between the demand and supply and the other is when there is expectation that inflation is going to be higher, then there is a general tendency for people to buy more."

10.13 Responding to a query posed on the necessity expressed by the Committee on updating/changing the weightages for the price indices, the representative of DIPP, Ministry of Commerce stated as follows before the Committee:

"The weights should be changed more frequently than we have been doing because currently, we have been changing weights every 10 years roughly, 1970-71, 1981-82, 1993-94 and 2004-05 but since the structural change of economy taking place fairly quickly, weights should be changed fairly quickly. Ten years is a long period…Ideally speaking, the weights should be changed every five years. That is an appropriate kind of a practice."

10.14 On this issue, the Secretary, MOSPI stated as under:—

"In this five year period, the share of food in the urban consumption basket has come down….. Our expenditure on education has gone up very significantly, our expenditure on transport has gone up very significantly and on health."

10.15 The representative of Labour Bureau added that:—

"We are planning again to do income and expenditure survey. When we do that survey I take the total budget and fix the weights. These weights keep changing. Probably, next year, we are planning to again re-survey and fix the base to 2009-10. So, this is a ten-year period. Previously, it used to be much larger."

Inclusion of Services Sector in WPI

10.16 On the issue of inclusion of Services Prices in WPI, the RBI, in a written note stated as under:—

"The current WPI basket does not cover services prices; CPI(IW) and CPI(UNME) cover to some extent services like medical care, education, recreation and amusement, and transport and communication. The Office of the Economic Adviser, DIPP (Department of Industrial Policy and Promotion) under the Ministry of Commerce and Industry is in the process of developing service price index for the country, which may then be augumented with existing WPI structure to arrive at an overall price monitoring statistics akin to CPI. Accordingly, DIPP has constituted an Expert Group under the chairmanship of Prof. P.C. Chandrasekhar of JNU. As RBI is a key user of the price indices data, the bank generally plays an active role in various committees set-up by various Ministries for giving its technical suggestions. The RBI is represented in the Expert Group, which has selected major service sectors, namely (i) financial — banking and insurance; (ii) trade; (iii) transport; and (iv) communication services for developing services price index for the country. The Working Group notes that although inclusion of services in the WPI is an important item in the Terms of Reference of the Working Group, the integration of service price index would be possible only after the services price indices are compiled and made available on a regular basis. Moreover, the integration of these service price indices, when available should be with CPI rather than WPI. Hence, the proposed new WPI series with base year 2004-05 would not include services in their basket.

Data on inflation is a key macro-economic indicator, and without a representative measure of inflation that includes services, macro-economic policies aimed at containing inflation would become increasingly less efficient, both in terms of assessment before any policy action is taken, as well as evaluation of the impact of the policy action on inflation."

10.17 On the same issue, the Finance Secretary added as follows:—

> "It is excluded. This is because of the legacy that we are carrying this wholesale price index from a time when the contribution of service sector to the overall GDP was much lower….there are attempts which are being made on the one hand to bring forward the base of this index. There are attempts being made by the Ministry of Industry which puts out these figures to ensure that we have a single national consumer price index which is a mixture of all these indices which are causing confusion."

10.18 A representative of RBI while deposing before the Committee stated as under in this regard:—

> "In fact, what we are saying is that all the available indices
>
> – WPI and the four measures of CPI
>
> – failed to adequately capture the underlying inflationary conditions because of inadequate coverage."

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

10.19 It is a matter of great concern for the Committee that annual inflation for food items, namely cereals, wheat, rice, sugar, pulses and vegetables etc. has soared to 19.05 percent in the week ended November 28, 2009, the highest in more than a decade. Retail prices of certain items like sugar, pulses and potatoes have steeply increased by 50 to 100 percent within a short period of six months. Prices of other essential food items like milk, egg, onions and even seasonal vegetables also considerably increased in tandem during this period. In this context, when one looks at the historic trend of prices and inflation in general, the Wholesale Price Index (WPI) measured inflation rate hovered around 4 to 6 percent during the years 2004-05 to 2007-08, while in the year 2008-09, it increased upto 8.41 percent. However, the Consumer Price Index (CPI) measured inflation, which almost corresponds to the market situation, showed a constantly increasing trend from 2004-05 to 2008-09 with a marginal decrease in the year 2007-08. In fact, the CPIs for both industrial workers and rural labourers shot up to 9.10 percent and 10.19 percent respectively during the year 2008-09. When we consider the commodity-wise weighted contribution in WPI inflation, the contribution of food items is as high as 135.6 percent during this year as compared to the previous year. Most notable is the steep rise registered in the prices of wheat, pulses and sugar, with sugar showing highest gain in prices. The Committee are alarmed that the prices of primary articles including food items more than doubled during the last one year. Most households in the country would be aware of the situation without the statistical confirmation. The Committee are constrained to point out that the statistical position enunciated above can only reflect one side of the depressing story of steady increase in the prices of essential commodities and food articles over a period of time. The other side, which portrays the reality is the brunt borne by the common man, particularly the impoverished, as they find their real incomes shrinking by the day. What is more alarming about this situation is the impact that rising food prices will eventually have on the prices of manufactured articles, leading to a vicious inflationary spiral in the economy. The Ministry of Finance (Department of Economic Affairs), which is responsible for formulating price policies and management of

inflation at macro level, has obviously failed to intervene timely and squarely address this burning issue with due seriousness. In such a dismal scenario, the Committee cannot but urge the Government to overcome its inertia and come to grips with the reality of unabated rise in the prices of essential commodities. The Committee would, therefore, strongly recommend that a comprehensive food pricing and management policy be formulated not only to provide much needed relief to the common man but also as an antidote for the growing economic imbalance in the country.

10.20 A significant issue related to the subject under examination is the relevance of indices as a barometer of the retail price situation, particularly that of essential food items. As inflation in the country is measured by the Wholesale Price Index (WPI) with wider coverage but only 15 per cent weightage for food, this could not truly reflect the increases in food prices. The Consume Price Index (CPI) with 46 per cent to 69 per cent weightage for food was thus a better indicator of food prices. The country thus witnessed a phase recently, when inflation rate was reported as negative, even as prices in the market, particularly those of essential food articles including fruits and vegetables, were soaring unchecked. Even the CPIs with a higher weightage of food articles could not faithfully reflect the actual price situation in the retail market. The Committee, therefore, believe that considering the momentum in the food prices, time is now ripe for a focused index exclusively for essential food items like rice, wheat, cereals, pulses, sugar, edible oils, vegetables etc., which could accurately reflect the prevailing price situation in these commodities. Such a realistic index, which may be termed as 'Food Price Index (FPI)', would also be more useful in the formulation of government policies and in the management of food economy of the country.

10.21 Furthermore, as suggested by the RBI, for effective conduct of monetary policy it is important that a single measure of inflation that captures the economy-wide inflationary pressure is available. Large divergence in inflation in terms of multiple indices clearly complicates the task of communicating the monetary policy stance. The Committee in an earlier report had endorsed the suggestions of the National Statistical Commission (2001) for a nation-wide representative index. The Committee would, therefore, expect the Government to act upon this recommendation without any further delay and accordingly expedite the compilation of new series of nation-wide Consumer Price Index (CPI) for urban and rural areas

as a prelude to formulating a national CPI and apprise the Committee of the action taken in this regard within one month.

10.22 Data on inflation is a key macro economic indicator and without a representative measure of inflation that includes services, macro economic policies aimed at containing inflation would become increasingly less efficient, both in terms of assessment before any policy action is taken, as well as evaluation of the impact of the policy action on inflation. In this context, the Committee would like the Ministry of Finance to consider including the price/value of various services as well in the price indices which would, in all fairness, reflect the rising cost of urban services in particular. In the Committee's view, the re-configuration of the price indices will go a long way in helping the government to remain alive to the rising prices of consumables—both goods and services—and the consequent erosion of people's real income. In this context, the Committee further recommend that the weightage of different commodities in the indices basket should also be reviewed every five years instead of the present periodicity of ten years.

10.23 At present, there are multiple agencies involved in the collection, compilation and release of various indices. While the Consumer Price Indices (CPIs) for Industrial Workers, Agricultural Labourers and Rural Labourers are compiled and released by the Labour Bureau in the Ministry of Labour, the fourth index, namely CPI for Urban Non-Manual Employees (CPI-UNME) is compiled and released by the Central Statistical Organisation (CSO) in the Ministry of Statistics and Programme Implementation. The Wholesale Price Index (WPI), on the other hand, is compiled by the office of Economic Adviser in the Ministry of Commerce and Industry. With a view to rationalizing the compilation and release of the various indices, the Committee recommend that the Government should consider entrusting the job of coordinating and releasing of indices to a single nodal agency, preferably the Ministry of Statistics and Programme Implementation, which already has the professional expertise required for this purpose.

10.24 Various factors have been cited for the increasing prices of food items. According to the Department of Consumer Affairs, factors such as growing demand, hardening of international prices, changes in consumption pattern, diversion of foodgrains for fuel, hike in Minimum Support Price (MSP), adverse weather, increase in crude oil prices and freight rates are all responsible for the surge in food prices. It has also been conceded that inflationary expectation

could also be a probable cause. The structural and natural factors notwithstanding, the Committee strongly believe that lack of administrative will and earnestness in enforcing anti-hoarding/anti-profiteering measures was no less responsible for the disproportionately higher retail prices, particularly when significant demand-supply gap is not discernible in sensitive commodities like pulses and sugar. This is also amply borne out by the fact that a city like Delhi has been showing vide variation between wholesale and retail prices in commodities like rice, pulses and even potato and onion, thereby suggesting artificial shortage and spiking of prices by intermediaries. The Ministry of Consumer Affairs, Food and Public Distribution have simply pleaded their helpless in this regard. The Committee, therefore, recommend that stern enforcement measures are initiated forthwith by strengthening/amending the Essential Commodities Act and the other existing provisions so that they carry enough teeth to curb price-fixing/cartelisation, hoarding and speculation. If necessary, the Government should also consider imposing a temporary embargo on exports of price-sensitive food items like onions.

10.25 The Committee understand that the Central Government has recently notified stockholding limit of 200 tonnes of sugar and 30 days turnover limit all over the country in respect of dealers of sugar. States are, however, authorised to fix higher stockholding and turnover limits than those notified by the Central Government. When specifically asked about the adequacy of sugar available for household consumers, the Secretary, Department of Food and Public Distribution informed the Committee that although non-levy sugar constitutes about 90 per cent of total sugar sold, about 65 per cent of the same gets consumed by the non-household sector including bulk buyers like soft drink manufacturers and confectioners. The Committee apprehend that cornering of such a large proportion of available sugar by bulk buyers, particularly during such crisis, is undesirable and avoidable. The Committee view this as an artificial shortage which can be effectively addressed by the Government by inducing the bulk users to meet their requirement only by imports during such exigencies. Suitable amendments may be made in the existing provisions to ensure much larger availability of sugar for retail consumers.

10.26 With regard to availability *vis-à-vis* price of sugar, as per figures furnished by the Department of Food and Public Distribution, the Committee understand that sugar production in 2008-09 was 146.8 lakh tonnes, (plus opening stock from previous

year being 105 lakh tonnes), while consumption was 220 lakh tonnes, thereby indicating that there was no real shortage except depletion in closing/buffer stock. It has also been stated that the Government tried to augment domestic supply of sugar by incentivising imports by way of zero duty import. The Committee understand that the industry has been able to contract through imports about 50 lakh tonnes of raw sugar and about 6 lakh tonnes of white refined sugar. The Committee are dismayed that inspite of adequate availability of sugar, prices in the retail are ruling very high. The Ministry of Consumer Affairs, Food and Public Distribution, however, believe that prices are the outcome of market expectations and international prices. This defies general comprehension and even economic logic, as there is no evident supply-side constraint operating. It seems that the surge in price of sugar has been fuelled by speculation and profiteering by the "sugar lobby", making the common man a hapless victim of manipulated market forces. The Ministry of Consumer Affairs, Food and Public Distribution must, therefore, thoroughly investigate the reasons for such unduly high retail prices of sugar and submit a report to the Committee on this issue within a month.

10.27 During the year 2009-10, as per figures furnished by the Department of Food and Public Distribution, it is forecast that production of sugar will be to the tune of 160 lakh tonnes (plus opening stock of 27 lakh tonnes) with the estimated internal consumption of 230 lakh tonnes. As a shortage of about 43 lakh tonnes has been estimated for the year 2009-10, the Committee would like the Government to brace itself up for the imminent crisis and take immediate steps by contracting imports etc. to build adequate buffer stock. The Committee would also like to emphasise in a larger context that the Government should also incentivise sugarcane production in the country through a remunerative pricing policy, which is beneficial to the growers as well as the ultimate consumers. There should also be proper check on diversion of sugarcane produce and reduction of price gap in the intermediate stages.

10.28 While examining the demand-supply situation in respect of foodgrains and pulses, the Committee have found that in case of rice, wheat and coarse cereals, the estimated production during 2008-09 was higher than the projected demand. However, there was a shortfall of about 3 million tonnes in case of pulses. According to the Ministry of Consumer Affairs, Food and Public Distribution, the production of pulses has not been keeping pace with the increasing demand, primarily on account of low productivity and

susceptibility to pests and diseases. The Committee have also been informed that the Government has initiated various policy measures to increase the production of foodgrains and other agricultural commodities which will help reduce pressure on prices in the long run. However, the Committee find a contrary scenario emerging as the area under foodgrains has declined by 8 per cent from 680.99 lakh hectares in 2008-09 to 626.47 lakh hectares in the year 2009-10. The Committee, therefore, are of the view that serious thought would have to be given by the Government on the causes for the decline in cultivable area/farmland, as any decline in agricultural production would compromise the country's food security.

10.29 Given the fact that population will continue to grow and will demand not only more food in terms of better nutrition, but will also require diverse types of food, the Committee would strongly recommend the Government to give priority to large investments in agriculture, irrigation including water management and allied infrastructure, while increasing the cultivable area for larger produce. In this context, the Committee would like to emphasise that diversion of cultivable/agricultural land for industrial purposes including SEZs etc. must be immediately discontinued. Ongoing schemes like National Food Security Mission (NSFM) and the Rashtriya Krishi Vikas Yojana (RKVY) should be monitored and implemented vigorously in the current plan period for ensuring higher crop yield and productivity, which will eventually help ease supply-side pressure on prices of food articles.

10.30 The Committee note with concern that production of pulses during 2008-09 has been estimated at 14.66 million tonnes against the estimated demand of 17.51 million tonnes during this period, leaving a shortfall of about 3 million tonnes. The Government is stated to be implementing a Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) in 14 major pulses growing states since April, 2004. The National Food Security Mission (NFSM) was launched in 2007-08 to enhance the production of pulses in addition to rice and wheat. The Government is also stated to be implementing two more schemes to boost the production of pulses, namely, Macro Management of Agricultural Scheme and Pulses Development Programme under Rashtriya Krishi Vikas Yojana(RKVY) launched in 2007. Such plethora of Schemes notwithstanding, the Committee are distressed to find that the actual achievement in pulses production has consistently lagged behind the targets during the last five years or so. Further, the actual expenditure incurred under the National Food Security

Mission-Pulses has also remained far short (less than even 50 per cent in 2007-08) of the budgetary allocation and funds released. It is further disconcerting to note that the gap in availability of pulses is projected to widen upto the year 2011-12 as per Planning Commission estimates, despite the area under pulses actually increasing during Kharif season of 2009 as compared to 2008-09. The efforts of the Government to bridge the demand-supply gap through imports has also not yielded the desired results. What is being imported by way of yellow peas is not suitable to the Indian diet, thereby rendering the import infructuous. The facts thus apparent can only point towards the inability of the Government to augment the availability of pulses. The Committee would, therefore, recommend a focused and target oriented approach on the pulses front by dovetailing the different schemes for greater productivity. The Committee should be apprised of the concrete steps taken in this regard. In the meantime, as the retail prices of most of the pulses (price of arhar crossing even Rs. 100 per kg) have been rising in an unprecedent manner during the last few years, the Committee would expect the Government to take stock of the situation and take immediate steps to give at least some relief to the common man from the burden of high prices. The Government should also conduct an investigation into the reasons for infructuous import of unpalatable yellow peas from Canada and submit a factual report to the Committee within one month.

10.31 The Committee would also like to point out that the spurt in prices of pulses cannot be explained only in terms of demand-supply gap, as the availability of pulses this year is only marginally less than last year. The steep rise in prices of pulses thus does not seem to be commensurate with reported demand-supply situation. The role of speculative tendencies and hoarding in the market in fuelling these prices cannot therefore be overlooked. It is, therefore, imperative that strong enforcement action is taken to moderate the prices. The Government should immediately issue an advisory to the States to launch a special drive against hoarding. The Committee desire that the Government should submit a factual report to the Committee within one month on this count, containing *inter-alia* the State-wise action taken and cases booked under the Essential Commodities Act.

10.32 With a view to augmenting availability of essential commodities like rice, wheat, pulses and sugar, the Government has imposed restricted ban on export of these commodities. Furthermore, import duties of many commodities have been either

lowered or kept at zero. Public Sector Undertakings are allowed to import pulses against part-reimbursement of losses and service charges upto 31st March, 2010. Import of raw sugar under Open General License (OGL) at zero duty by sugar mills has been extended upto 31 March, 2010. Import of raw sugar has also been opened to private trade upto 31st March, 2010 for being processed by domestic factories on job basis. Public Sector agencies like MMTC, STC and NAFED were allowed to import 1 million tonnes of white sugar duty free under OGL upto 30th November, 2009. Duty free import of white/refined sugar under OGL has also been opened to other Central/State Government agencies as also to private trade. The Committee are, however, astonished to find that the public sector agencies, required to import upto 1 million tonnes of white/ refined sugar by 1st August, 2009 under OGL at zero duty, could not fulfill their mandate. Although STC was allowed to import 2.50 lakh tonnes of sugar at zero duty *vide* Customs Notification dated 17th April, 2009, till end-July, 2009, they could import only 28,700 MT of sugar. It is understood that NAFED, another public sector agency could not import any of the mandated quantity of sugar. Even after the period of zero-duty import was extended *vide* Customs Notification dated 31st July, 2009, when the Scheme was opened to private trade, the public sector agencies could carry out imports (till 9 November, 2009) only upto 1,99,000 MT of white/refined sugar, far below the mandated quantity of 1 million MT, which should have been imported by 31st July, 2009. The Committee are dismayed to note that established public sector agencies with much expertise and vast experience in international trade failed to fulfill their mandate with regard to import of sugar, particularly at a time when there was a bottle-neck in domestic sugar supplies and the retail prices had started rising sharply. This inability to import on the part of the public sector agencies is also suggestive of the abject failure of the Government's market intervention policies to meet demand-supply gaps in essential commodities. The reason adduced by Department of Commerce that parity between international and domestic prices did not give enough incentive to import for the market can only further strengthen the case that the market intervention by government agencies was weak, inappropriate and delayed. During this time, a buffer stock could have been easily built by way of imports to meet rising domestic demand. The Committee, therefore, strongly believe that even if some loss had to be incurred by these agencies, the Government should have undertaken to bear this loss by way of a subsidy, so that the soaring sugar prices in the domestic market could have been promptly checked. Bridging the price gap through subsidization as a possible

policy measure was also endorsed by the Secretary, Department of Food and Public Distribution during her deposition before the Committee. However, the Ministry of Consumer Affairs, Food and Public Distribution, which is the nodal Ministry to take this crucial decision and issue necessary instructions to the concerned agencies, clearly failed to do their duty, thereby allowing sugar prices to continue rising. The Committee, while taking a serious view of the culpability of the nodal Ministry and concerned agencies in this matter, recommend an independent enquiry, covering the whole gamut of the issue and the decisions taken or not taken regarding the failure in carrying out import of sugar within the stipulated period. The Committee should be apprised of the findings of the enquiry within a period of one month.

10.33 Monitoring of prices is the primary responsibility of the Department of Consumer Affairs through the Price Monitoring Cell, which is stated to be monitoring the prices of 17 essential commodities. The retail prices on daily basis and wholesale prices on weekly basis are collected by the Monitoring Cell from different centers across the country. Price policy and management of inflation at macro level is within the purview of the Ministry of Finance (Department of Economic Affairs). The Department of Food and Public Distribution is charged with the prime responsibility of management of the food economy of the country. This Department is supposed to keep a close watch on the stock and price levels of foodgrains and to ensure their adequate availability at reasonable prices in different parts of the country. However, during the course of examination of the subject, the Committee have found that various issues concerning inflation and price rise, that required to be addressed in a coordinated manner, were being considered in isolation by the respective Department alone. Neither the Ministry of Finance (Department of Economic Affairs) nor the Ministry of Consumer Affairs, Food and Public Distribution could provide a holistic perspective in the matter. The Department of Consumer Affairs, which is the nodal monitoring agency, seems to have been reduced to a mere data collecting/compiling organization. The inputs collected by them do not appear to be influencing price policy, which is the domain of the Ministry of Finance, and thus leaving virtually no impact on the prices of essential commodities. The Committee, therefore, recommend that an effective mechanism for inter-ministerial coordination and follow-up should be put in place for facilitating prompt responses.

10.34 The Committee would expect the nodal Ministry/ Department, namely Department of Consumer Affairs to become a change-agent by taking charge of the situation and initiate allied administrative action in tandem with other Departments to arrest the rising trend of food prices. In this connection, logistical issues connected with prices like wide network of cold storage and transportation infrastructure, well-organized 'mandis', accessible retail distribution channels, etc. should be earnestly addressed while formulating price control strategies. The Committee desire that the nodal Department should initiate innovative measures to build channels establishing direct link between the grower and the retail consumer by way of cooperatives, chainstores, community outlets, consumer stores, etc. The nodal Department should also ensure that the concerned public sector agencies must maintain adequate buffer stock of essential commodities in a non-price disruptive manner by responsive market intervention and effective food management.

NEW DELHI;	DR. MURLI MANOHAR JOSHI,
15 *December*, 2009	*Chairman,*
24 *Agrahayana*, 1931 *(Saka)*	*Standing Committee on Finance.*

APPENDICES

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, the 20th October, 2009 from 1130 hrs. to 1620 hrs.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Bhakta Charan Das
4. Shri Khagen Das
5. Shri Nishikant Dubey
6. Shri Bhartruhari Mahtab
7. Shri Mangani Lal Mandal
8. Shri M. Sreenivasulu Reddy
9. Shri N. Dharam Singh
10. Shri Manicka Tagore
11. Dr. M. Thambidurai

Rajya Sabha

12. Shri Raashid Alvi
13. Dr. K.V.P. Ramachandra Rao
14. Shri S.S. Ahluwalia
15. Shri Moinul Hassan
16. Shri S. Anbalagan
17. Dr. Mahendra Prasad
18. Shri Rajeev Chandrasekhar

SPECIAL INVITEE

19. Shri Rahul Bajaj, MP

SECRETARIAT

1. Shri R.C. Ahuja	—	*Additional Secretary*
2. Shri A.K. Singh	—	*Joint Secretary*
3. Shri T.G. Chandrasekhar	—	*Additional Director*
4. Shri R.K. Suryanarayanan	—	*Deputy Secretary*

Part–I
(1130 hours to 1330 hours)

2. ** ** **
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Part–II
(1450 hours to 1620 hours)

WITNESSES

Department of Commerce and Industry

1. Shri R. Gopalan, Additional Secretary
2. Shri Dinesh Sharma, Joint Secretary

State Trading Corporation of India (STC)

1. Shri N.K. Mathur, Chairman cum Managing Director
2. Shri Khaleel Rahim, Director (Marketing)
3. Shri Surender Kumar, Chief General Manager

3. The Committee heard the representatives of Ministry of Commerce and Industry (Department of Commerce) and the State Trading Corporation of India in connection with the examination of the subject 'Inflation and Price rise'. The major issues discussed with the representatives included, inability of public sector agencies to import sugar, pulses etc. in time and impact thereof on prices, the cost at which imports were effected by STC and other government agencies, delays in releasing imported foodgrains and pulses in the open market, simultaneous export and import of certain items viz. pulses, and purchase of almost entire quantum of sugar imported by Government agencies by bulk consumers like soft drink/confectionary manufactures instead of releasing it in the open market or supplies through PDS. The Chairman directed the representatives to furnish written replies on the points raised by the Members, which could not be answered, by the representatives of the Department at an early date.

A verbatim record of the proceedings was kept.

The witnesses then withdrew

The Committee then adjourned to meet again on 21 October, 2009.

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, the 21st October, 2009 from 1055 hrs. to 1450 hrs.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Gurudas Dasgupta
4. Shri Nishikant Dubey
5. Shri Bhartruhari Mahtab
6. Shri Y.S. Jagan Mohan Reddy
7. Shri N. Dharam Singh
8. Shri Manicka Tagore

Rajya Sabha

9. Shri Raashid Alvi
10. Dr. K.V.P. Ramachandra Rao
11. Shri Vijay Jawaharlal Darda
12. Shri Mahendra Mohan
13. Dr. Mahendra Prasad

SPECIAL INVITEE

14. Shri Rahul Bajaj, MP

SECRETARIAT

1. Shri R.C. Ahuja — *Additional Secretary*
2. Shri A.K. Singh — *Joint Secretary*
3. Shri T.G. Chandrasekhar — *Additional Director*
4. Shri R.K. Suryanarayanan — *Deputy Secretary*

PART–I

(1055 hours to 1250 hours)

WITNESSES

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution)

1. Smt. Alka Sirohi, Secretary
2. Shri A.K. Mangotra, AS & FA
3. Dr. Joy I. Cheenath, JS
4. Shri Siraj Hussain, JS
5. Dr. Bhagwan Sahai, JS
6. Shri Nilanjan Sanyal, JS
7. Shri Naveen Prakash, JS
8. Shri C. Viswanath, JS
9. Shri R.P. Bhagria, Chief Director (Sugar)

(Department of Consumer Affairs)

1. Shri Rajiv Agarwal, Secretary
2. Shri Rakesh Kacker, AS
3. Dr. Kewal Ram, Sr. Economic Adviser
4. Ms. Anandi Ravichandaran, Economic Adviser

Food Corporation of India (FCI)

1. Shri Deepak Kumar Panwar, Chairman & Managing Director
2. Smt. Anjali Anand Srivastava, ED
3. Shri Javed Yusuf Zai, ED
4. Shri Rakesh Garg, ED
5. Shri P.P. Singh, Executive Director (Genl)
6. Shri B.S. Mohapatra, ED

2. The Committee heard the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Departments of Food and Public Distribution and Consumer Affairs) in connection with the examination of the subject 'Inflation and Price rise'. Main issues discussed in the meeting related to nodal agency in the Government of India to oversee price situation, extent of impact of Minimum Support Price (MSP) on prices, reasons for steady rise in prices of pulses and sugar, gaps in their availability, procurement, storage, movement and distribution of foodgrains, stock holding limits on bulk

consumers, enforcement of Essential Commodities Act, 1955 and amendments required in the Act to counter hoarding, food security, allocation of import quota of sugar between public and private sector, reasons for less import of sugar by public sector undertakings, wide variation between wholesale and retail prices of food articles, reasons for sharp rise of prices of potato and onion etc. The Chairman directed the representatives to furnish written replies on the points raised by the Members, which could not be answered by the representatives of the Department, at an early date.

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

Part-II
(1320 hours to 1450 hours)

WITNESSES

Ministry of Agriculture
(Department of Agriculture & Cooperation)

1. Shri T. Nanda Kumar, Secretary
2. Shri P.K. Basu, Additional Secretary
3. Shri Ashish Bahuguna, Additional Secretary
4. Shri A.S. Lamba, Additional Secretary & Financial Adviser
5. Shri Rajiv Lochan, Adviser

3. The Committee heard the representatives of the Ministry of Agriculture (Department of Agriculture and Cooperation) on the subject. The major issues discussed included, decline in growth rate of agriculture, major problems facing agriculture sector *viz*., fall in investment in agriculture, decline in productivity, lack of adequate storage and warehousing capacity, non-functioning cooperative banks in many States etc. Besides, the Committee also discussed important issues like determination of cost of production *vis-a-vis* minimum support price, need for reviewing the quality of seeds being used, evaluation of the irrigation programmes being undertaken etc. The Chairman directed the representatives to furnish written replies on the points raised by the Members, which could not be answered by the representatives of the Department, at an early date.

A verbatim record of the proceedings was kept.

The witnesses then withdrew

The Committee then adjourned.

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, the 11th November, 2009 from 1430 hrs. to 1700 hrs.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Bhartruhari Mahtab
5. Shri Rayapati Sambasiva Rao
6. Shri M. Sreenivasulu Reddy
7. Shri N. Dharam Singh
8. Shri Sarvey Sathyanarayana
9. Shri Anjankumar M. Yadav

Rajya Sabha

10. Shri Raashid Alvi
11. Shri S.S. Ahluwalia
12. Shri Moinul Hassan
13. Shri Mahendra Mohan
14. Shri S. Anbalagan
15. Dr. Mahendra Prasad
16. Shri Y.P. Trivedi

SPECIAL INVITEE

17. Shri Rahul Bajaj, MP

SECRETARIAT

1. Shri R.C. Ahuja	—	*Additional Secretary*
2. Shri A.K. Singh	—	*Joint Secretary*
3. Shri T.G. Chandrasekhar	—	*Additional Director*
4. Shri R.K. Suryanarayanan	—	*Deputy Secretary*

PART I

(1430 to 1530 hours)

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PART II

(1530 to 1700 hours)

WITNESSES

Ministry of Statistics and Programme Implementation

1. Dr. Pronab Sen, Secretary
2. Shri Ramesh Kolli, Addl. D.G.
3. Dr. G.M. Boopathy, Deputy D.G.
4. Shri M.C. Singhi, Economic Advisor (DIPP)

Central Statistical Organisation

5. Shri S.K. Das, Director General

Labour Bureau

6. Dr. K.S.R.V.S. Chalam, Director General

3. The Committee heard the representatives of Ministry of Statistics and Programme Implementation in connection with the examination of the subject ' Inflation and Price rise'. The major issues discussed with the representatives included, review of price indices at national level, new series of Consumer Price Index (CPI) for Urban and Rural mismatch between the rising prices and the indices, possibility of capturing the day to day fluctuation in prices of household products, necessity to have a proper base, proper weightage which is more contemporary and factual, reflecting all sectors of economy, inclusion of service sector in WPL etc. The Chairman directed the representatives to furnish written replies on the points raised by the Members at an early date.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

The Committee adjourned at 1700 hours.

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday , the 12th November, 2009 from 1100 hrs. to 1545 hrs.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Bhartruhari Mahtab
5. Shri Mangani Lal Mandal
6. Shri Gopinath Munde
7. Shri Rayapati Sambasiva Rao
8. Shri Manicka Tagore
9. Dr. M. Thambidurai

Rajya Sabha

10. Shri Raashid Alvi
11. Shri Vijay Jawaharlal Darda
12. Shri S.S. Ahluwalia
13. Shri Mahendra Mohan
14. Dr. Mahendra Prasad
15. Shri Rajeev Chandrasekhar

SECRETARIAT

1. Shri R.C. Ahuja	—	*Additional Secretary*
2. Shri A.K. Singh	—	*Joint Secretary*
3. Shri T.G. Chandrasekhar	—	*Additional Director*
4. Shri R.K. Suryanarayanan	—	*Deputy Secretary*

PART I

(1110 to 1220 hours)

WITNESSES

Ministry of Finance (Department of Economic Affairs)

1. Shri Ashok Chawla, Finance Secretary
2. Shri R.C. Srinivasan, Principal Adviser
3. Dr. K.L. Prasad, Adviser
4. Shri R.N. Dubey, Adviser
5. Smt. Rajshree Ray, Additional Economic Adviser

Directorate of Enforcement

6. Shri Arun Mathur, Director
7. Shri S.K. Sawhney, Special Director
8. Shri R.P. Upadhyaya, Additional Director

The Committee heard the representatives of the Ministry of Finance (Department of Economic Affairs) on the subject 'Inflation and Price rise'. The major issues discussed included inflation rate *vis-a-vis* growth rate, inflation in prices of food items, reasons for exclusion of services sector from Wholesale Price Index (WPI), price monitoring mechanism in the Ministry of Finance etc. The Chairman directed the representatives of the Ministry of Finance to furnish written replies to the points raised by Members at an early date.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

Part-II

(1245 to 1330 hours)

WITNESSES

Reserve Bank of India

1. Smt. Shyamala Gopinath, Deputy Governor
2. Shri Deepak Mohanty, Executive Director
3. Dr. Janak Raj, Adviser-in-Charge

The Committee a heard the representatives of the Reserve Bank of India in connection with the examination of the subject 'Inflation and Price rise'. The major issues discussed related to large divergence in WPI and CPI, exclusion of services sector from wholesale price index, principal cause for price rise, effect of monetary policy measures taken by RBI on inflation, control of inflationary expectation, existing shortcomings in distribution mechanism of total production of various commodities, impact of inflation on different sections of population etc. The Chairman directed the representatives to furnish written replies to the points raised by Members within a week.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

Part III
(1500 to 1545 hours)

WITNESSES

Planning Commission

1. Mrs. Sudha Pillai, Secretary
2. Shri Chaman Kumar, Addl. Secretary and Financial Adviser
3. Shri Tuhin K. Pandey, Joint Secretary
4. Shri Yudhvir Uppal, Sr. Adviser
5. Mrs. S. Bhavani, Sr. Adviser
6. Mrs. Sunita Sanghi, Adviser
7. Shri B.D. Virdi, Adviser
8. Shri Amar Singh, Adviser

Other Ministries

1. Dr. Kewal Ram, Sr. Economic Adviser, Deptt. of Consumer Affairs
2. Ms. Anandi Ravichandran, Economic Adviser, Deptt. of Consumer Affairs
3. Shri R.N. Dubey, Adviser, Ministry of Finance
4. Shri M.C. Singhi, Economic Adviser, Deptt. of Industrial Policy & Promotion

The Committee heard the representatives of the Planning Commission in connection with the examination of the subject 'Inflation and Price Rise'. The major issues discussed included, Global financial crisis and stimulus package, price movement of sugar, issue of bulk purchasers, divergence in WPI & CPI, non-inclusion of services sector in determination of WPI and CPI, price rise *vis-a-vis* poverty, malnutrition, infant mortality and maternal mortality etc. The Chairman directed the representatives to furnish written replies on the points raised by Members within a week.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

The Committee adjourned at 1545 hours.

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Thursday, the 26th November, 2009 from 1530 hrs. to 1700 hrs.

PRESENT

Shri Mahendra Mohan — *In the Chair*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Bhakta Charan Das
4. Shri Bhartruhari Mahtab
5. Shri Mangani Lal Mandal
6. Shri Gopinath Munde
7. Shri Rayapati Sambasiva Rao
8. Shri M. Sreenivasulu Reddy
9. Shri Manicka Tagore

Rajya Sabha

10. Dr. K.V.P. Ramachandra Rao
11. Shri Vijay Jawaharlal Darda
12. Shri Y.P. Trivedi
13. Shri Rajeev Chandrasekhar

SECRETARIAT

1. Shri A.K. Singh — *Joint Secretary*
2. Shri T.G. Chandrasekhar — *Additional Director*
3. Shri R.K. Suryanarayanan — *Deputy Secretary*

Part I
(1530 to 1630 hours)

WITNESSES

Agricultural Produce Marketing Committee (APMC)

1. Shri Jai Kumar Bansal, Chairman
2. Smt. Madhu K. Garg, Secretary
3. Shri Bhajan Singh, Trade Member

Consumer Action Groups

4. Ms. Poornima Sethi
5. Smt. Rekha Gupta
6. Smt. Neera Shastri

2. In the absence of the Chairman, the Committee chose Shri Mahendra Mohan to chair the sitting under Rule 258(3) of the Rules of Procedure.

3. The Committee heard the views of the representatives of Agricultural Produce Marketing Committee (APMC) and Consumer Action Groups in connection with the examination of the subject 'Inflation and Price Rise'. The major issues discussed related to reasons for escalation in retail price of vegetables *viz-a-vis* wholesale price, role of commission agents, issue of remunerative price to farmers, non-implementation of notification issued in the year 2004 with regard to Delhi Marketing Act, 1998, inadequacy of buffer stock maintained by Government agencies such as NAFED etc., need for check in commission to middlemen, conversion of agricultural land for creating special economic zones, improper implementation of policy with regard to sugar exports etc.

A verbatim record of proceedings was kept.

The witnesses then withdrew.

Part II
(1630 to 1700 hours)

4. *** *** ***

5. *** *** ***

The Committee adjourned at 1700 hours.

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, the 15th December, 2009 from 1700 hrs. to 1745 hrs.

PRESENT

Shri S.S. Ahluwalia — *In the Chair*

MEMBERS

Lok Sabha

2. Shri C.M. Chang
3. Shri Bhakta Charan Das
4. Shri Khagen Das
5. Shri Nishikant Dubey
6. Smt. Jayaprada
7. Shri Rayapati Sambasiva Rao
8. Shri M. Sreenivasulu Reddy
9. Shri Manicka Tagore

Rajya Sabha

10. Shri Raashid Alvi
11. Shri Vijay Jawaharlal Darda
12. Shri Moinul Hassan
13. Shri Y.P. Trivedi
14. Shri Rajeev Chandrasekhar

SECRETARIAT

1. Shri R.C. Ahuja — *Additional Secretary*
2. Shri A.K. Singh — *Joint Secretary*
3. Shri T.G. Chandrasekhar — *Additional Director*
4. Shri R.K. Suryanarayanan — *Deputy Secretary*

2. In the absence of the Chairman, the Committee chose Shri S.S.Ahluwalia, M.P. to preside over the sitting. The Committee took up the draft Report on the subject 'Inflation and Price Rise' for consideration and adopted the same with minor amendments/ modifications, as suggested by the Members.

3. The Committee then authorized the Chair to present the afore-mentioned report to both the Houses of Parliament.

The Committee adjourned at 1745 hours.