GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:322
ANSWERED ON:20.10.2008
PRICE RISE
Chakraborty Shri Ajay;Chowdhury Shri Adhir Ranjan;Khan Shri Sunil;Mohale Shri Punnulal;Murmu Shri Hemlal;Rao Shri Errabelli Dayakar;Rathod Shri Harisingh Nasaru;Sarvey Shri Sathyanarayana;Singh Shri Chandrabhan Bhaiya;Tripathi Shri Chandramani

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the prices of essential commodities including Foodgrains, Pulses, Edible Oil, Vegetables, Milk etc. continue to rise despite the remedial steps taken by the Government over a period of time;

(b) if so, the details thereof and the reasons therefor;

(c) whether the Government has formulated any fresh scheme/action plan to control price rise;

(d) if so, the details thereof and the action taken thereon;

(e) whether the Government is also considering a proposal to provide essential commodities to the poor sections of the society at controlled prices by expanding the Public Distribution System (PDS); and

(f) if so, the details thereof and current status of the proposal?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI TASLIMUDDIN)

(a) & (b): The details of prices of essential commodities that are monitored by this department, namely, rice, wheat, Gram dal, Tur dal, Masoor dal, Moong dal, Urad dal, Vanaspati, Groundnut oil, Mustard oil, salt, tea, sugar, atta, milk, potato and onion, at Delhi during different periods is given in Annexure. As it is evident from the Annexure retail prices of wheat remained steady at Rs. 13 per kg in Delhi for the past six months. Retail prices of potato have declined from last year are now reduced to Rs. 13 per kg. Retail prices of onion which reached a peak of Rs. 27 per kg during October 2007 are now reduced to Rs. 17 per kg. Retail prices of edible oils have been declined.

During the current year, prices of most essential commodities have remained within reasonable levels barring some variation in prices of rice and pulses (except Gram Dal). The reasons for the rise in price of these commodities are shortfall in domestic supplies relative to demand, increase in MSP and bonus, growing demand on account of increase in population and income, hardening of international prices, changes in consumption pattern, adverse weather and climate change, increase in crude oil prices, improvement in income and living standards and increase in freight rates. Seasonal factors as well as loss of crop due to floods contributed to increase in prices of potato and onion.

Due to many pro-active steps taken by the Government, India has been able to soften the impact of international price rise on domestic prices.

(c) & (d): The price situation is reviewed periodically at high-level meetings such as Committee of Secretaries (COS) and the Cabinet Committee on Prices (CCP). Government has procured a record 50 million tonnes of foodgrains (27.5 million tonnes of rice & 22.5 million tonnes of wheat) this year. Even after keeping the minimum buffer stock, there is enough foodgrains to intervene in the market to keep the prices at reasonable level. Government has also decided to create a Strategic Reserve of 5 million tonnes of foodgrains (3 million tonnes of wheat has already been earmarked), out of the domestic procurement. This is in addition to the buffer stock held by FCI every year. Government is aware of the increase in prices of some essential commodities and has been taking effective steps to bridge the gap between demand and supply of essential commodities and contain inflation. It has taken a number of steps as briefed below:-

A. Short Term Measures

1. Fiscal Measures

(i) Reducing import duties to zero – for rice, wheat, pulses, edible oils (crude) and maize and butter and ghee;

(ii) Reducing import duties on refined and hydrogenated oils and vegetable oils to 7.5%;

2. Administrative Measures

(i) Banning export of non-basmati rice, wheat, edible oils (except castor oil, coconut oil and oils produced from minor forest produce, except sesame oil) and pulses (except kabuli chana);

(ii) No changes in Tariff Rate Values of edible oils;

(iii) Imposition of stock limit orders in the case of rice, wheat, pulses, edible oils and oilseeds;

(iv) The periodic enhancements in MSP- currently Rs 1000 per quintal for wheat, Rs 850 per quintal for common rice and Rs 880 per quintal for Grade A rice;

(v) The import duty on Skimmed Milk Powder (SMP) was reduced from 15% to 5% on 29 April 2008.

(vi) Using Minimum Export Price (MEP) to regulate exports of onion (currently $230 PMT) and basmati rice (currently $1200 PMT);

(vii) Maintaining the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs 3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002;

(viii) Forward Markets Commission (FMC) has on 23.01.07 delist all contracts of tur and urad and to close out all outstanding positions in all Tur and Urad contracts at the closing price on 23.01.07.

(ix) Similarly, FMC has on, 27.2.2007, directed all the three National Exchanges that no new futures contracts in wheat and rice shall be launched.

(x) The Forward Markets Commission, on 7.5.08, suspended futures trading in soy oil, potato, chana (gram), and rubber for a period of four months and now extended upto 30.11.08.

(xi) The Government on 03.07.2008 prohibited the export of maize. The prohibition will remain in force till 15th October 2008.

(xii) As per initiative of Government, the State agencies (NAFED, PEC Ltd, MMTC and STC) have contracted to import about 1.4 Million Metric Tonnes (MMT) of pulses during 2007-08, out of which 14.26 lakh tonnes have arrived and 11.89 lakh tonnes have been disposed up to 16.10.2008.

(xiii) During the year 2008-09, State agencies have further contracted to import about 874140 metric tonnes, out of which 348479 metric tonnes have arrived up to 16.10.2008.
The Government has launched a scheme on 28.07.2008 to distribute one million tons of edible oils to States/UTs at a subsidy @ Rs.15/kg. So far, orders have been placed for import of 3.12 lakh tons of edible oils. Of this, about 2.28 lakh tons of edible oil has been shipped. Till 13.10.2008, 2.39 lakh tons of edible oils has landed at various ports in India. As on 13.10.2008, 1.43 lakh tons of edible oil has been delivered to various States/UTs for distribution to ration card holders @ 1 kg per ration card per month.

(B) Medium Term Measures:

In the medium term, Government has taken initiatives such as the National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojna (RKVY) to improve production and productivity in agriculture.

(e) & (f): Government has taken several policy decisions in order to provide rice, wheat, sugar, kerosene & edible oils to the poorer sections of the society at controlled prices through the Public Distribution System(PDS) as listed below:-

1. Rice and Wheat Allocation of foodgrains under the Targeted Public Distribution System (TPDS) is made for BPL and AAY families on the basis of 1993-94 poverty estimates of the Planning Commission projected on the population estimates of Registrar General of India as on 1.3.2000 or the number of families actually identified and ration cards issued by State Government, whichever is less.

Accordingly, allocations of foodgrains (wheat, rice) for AAY and BPL categories are made @35 kg. per family per month to all accepted number of 6.52 crores families in the country.

However, allocations for APL category are made depending upon the availability of stocks of foodgrains in the Central Pool. Besides the normal monthly allocation for APL category, adhoc additional/festival allocations of 11.45 lakh tonnes of wheat and 1.54 lakh tonnes of rice have also been made to various States/UTs for the period July to December, 2008.

2. Sugar: In order to ensure better targeting in PDS, w.e.f. 1.2.2001, the Central Government restricted the supply of levy sugar under PDS to BPL families except in the North Eastern States, Hilly States and Island Territories where universal coverage was allowed to continue. Further, the Government increased the minimum per capita per month quantum of levy sugar distribution from 425 gms. to 500 gms. to benefit the BPL families and the population covered for supply of levy sugar under PDS was on the basis of the projected population as on 1st March, 2000. Accordingly, the allotment of levy sugar is made on the basis of fixed States/UTs quotas with effect from 1.2.2001. Besides, a quantity of about 1.00 lakh MT is allotted as fixed Annual Festival quota of the States/UTs as per the scheduled festival requirement of the State Governments/UT Administrations.

3. Edible Oils: The Government has launched a scheme on 28.07.2008 to distribute one million tons of edible oils to States/UTs at a subsidy @ Rs.15/kg. As on 13.10.2008, 1.43 lakh tons of edible oil has been delivered to various States/UTs for distribution to ration card holders @ 1 kg per ration card per month.

4. Kerosene: In order to check the black marketing of Public Distribution System (PDS) kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, according to which the dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or OMCs and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place. With the objective of ensuring that the benefit of the subsidy reaches the targeted consumers in an efficient and cost-effective manner and to prevent any leakages, Ministry of Petroleum has proposed introduction of Smart Card System for distribution of PDS kerosene. The scheme is proposed to be introduced initially on an experimental basis. In the Pilot project, subsidized kerosene through Smart Card is proposed to be available to BPL families while all other ration card holders would be given non-subsidized kerosene.