

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

STARRED QUESTION NO:163

ANSWERED ON:01.12.2009

PRICE RISE

Punia Shri P.L. ;Rao Shri Sambasiva Rayapati

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

- (a) whether factors like defective market practices, presence of intermediaries and operation of Minimum Support Price Mechanism have contributed to rise in the prices of essential commodities;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether there is wide variation between the production cost and the retail prices of a given commodity; and
- (d) if so, the details thereof and the remedial action taken thereon?

Answer

MINISTER OF AGRICULTURE AND MINSTER OF CONSUMER AFFAIRS,FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO.163 FOR 01.12.2009 REGARDING PRICE RISE

(a) & (b): Agricultural commodity markets generally operate under normal forces of demand and supply. There are a number of intermediaries operating in the supply chain of agricultural produce to the retailers or processors or exporters, such as commission agents, traders, wholesalers, distributors, etc. who retain their commissions. In the process of marketing of agricultural produce, multiple handling in the supply chain, lack of proper marketing infrastructure, storage etc. leads to high wastages of foodgrains and fruits and vegetables. These lead to high marketing costs and increase in the ultimate price paid by the consumer.

The Minimum Support Prices (MSP) are fixed by the Government taking into consideration the recommendation of the Commission for Agricultural Costs & Prices (CACP), views of the State Governments and other Ministries of the Government of India. The CACP, while formulating its recommendations on price policy considers a number of important factors which includes cost of production. The MSP helps the farmers in getting remunerative price for their produce, incentivises them to produce more foodgrains to ensure adequate availability of foodgrains in the country and also protects them in a scenario where market prices fall below cost of production. Without a support price, larger issues of poverty among farm households, nutritional shortages in farm families and long term sustainability of agricultural production could become major issues of concern. In case of wheat and rice, the increase in the average wholesale prices of the commodities can be attributed partly to the increase in MSP.

Government is implementing Price Support Scheme (PSS) for procurement of oilseeds and pulses through NAFED which is the Central nodal agency at the MSP declared by the Government. NAFED is undertaking procurement under PSS by involving Cooperative infrastructure available in the concerned State without involving middlemen.

(c) & (d): There is variation in production cost and the retail prices of agricultural commodities. Difference in producer prices and sale price of food grains 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. The State of Indian Farmers - Minimum study (2004) conducted by the Ministry of Agriculture indicate that the share of producers in consumers spending varies from 56 % to 88% in food grains and 79 % to 95% in pulses, 65 to 96 % in oilseeds and 33 to 75% in case of fruits and vegetables.

In order to facilitate better price realization by the farmers and better quality produce at reasonable rates to consumers, the government has taken a number of reform initiatives in agriculture sector. One of them was to formulate a Model State Agricultural Produce Marketing (Development and Regulation) Act, which was circulated to States during 2003 with the request to amend their APMC Act to provide for alternate marketing channel like direct marketing, contract farming, setting up of markets in private and cooperative sectors etc. This will facilitate farmers as well as consumers to opt for those marketing channels where the prices are replete to them in sale and purchase of their produce.

With a view to improving the agricultural marketing infrastructure for competitive marketing, the Ministry of Agriculture has framed three Central Sector Schemes viz. Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization, Rural Godown Scheme and Marketing Research and Information Network (AGMARKNET). The main objectives of the above schemes are to provide appropriate marketing infrastructure in the States, creation of rural godowns on scientific lines in rural areas and dissemination of market information to the farmers and other market users respectively so as to facilitate appropriate marketing decisions. It is expected that these schemes will help in competitive agricultural marketing in the country on one hand and check the sharp rise in prices of agricultural produce on the other by developing desired marketing infrastructure and reducing the wastages.