

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

UNSTARRED QUESTION NO:2655
ANSWERED ON:10.08.2010
DIFFERENCE IN WHOLESALE AND RETAIL PRICES
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether there is a wide difference between production cost/farm gate price and retail prices of foodgrains in the market;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the remedial steps taken/being taken by the Government to check the retail prices?

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 (PROF. K. V. THOMAS)

(a) & (b): The wholesale/retail prices are largely determined by the market forces. Different layers in the distribution channel leads to the entry of intermediaries and contributes to the high prices paid by the consumer. Lack of market integration is one of the factors that give rise to emergence of the intermediaries. Besides costs of intermediation, there are other factors which affect the prices spread (difference in farm gate prices and retail prices) such as:

- (i) transportation and handling costs
- (ii) Wholesalers Margin
- (iii) packaging and other marketing expenses at retail,
- (iii) retailers mark-up,
- (iv) various taxes levied by different State Governments e.g. octroi duty,
- (v) the location of the market and the nature of the consumer group covered by that market. Even within the same city retail prices of a commodity will differ across different markets.

The details of the retail and wholesale prices of essential commodities along with their variation in 4 Metros are given in Annexure I.

(c) : Government measures to check the price rise is given in Annexure II. A Conference of Chief Ministers was organized to discuss the issues related to Prices of essential commodities on 6th Feb 2010. The conference recommended the constitution of a Standing Core group of State Chief Ministers and concerned Central Ministers. The Core Group was constituted on 15.03.2010 by Cabinet Secretariat. The first meeting of the Core Group took place on 8th April 2010 under the chairmanship of the Prime Minister, wherein it was decided that, inter alia, a Working Group on Consumer Affairs will be constituted, with the Chief Minister, Gujarat as Chairman and Chief Ministers of Andhra Pradesh, Maharashtra and Tamil Nadu as members. The Terms of Reference of the Working Group are:

Reducing the gap between farm gate and retail prices and better implementation and amendment to Essential Commodities Act including suggestion of strategies / plan of action inter alia for:

- (i) Increasing efficiency of distribution channels from farm to consumers
- (ii) Reducing intermediation costs and reducing gap between farm gate and retail prices
- (iii) State interventions for retailing essential commodities at reasonable prices
- (iv) Enforcement of statutory provisions to improve availability of essential commodities at reasonable prices