

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

UNSTARRED QUESTION NO:1230

ANSWERED ON:16.11.2010

STUDY ON PRICE RISE

Chakravarty Smt. Bijoya;Dias Dr. Charles;Mahajan Smt. Sumitra;Mahendrasinh Shri Chauhan ;Mani Shri Jose K.;Ramasubbu Shri S.;Siricilla Shri Rajaiah;Vasava Shri Mansukhbhai D.;Verma Shri Sajjan Singh

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

- (a) whether the Ministry has conducted any study to identify the factors which have contributed to the rise in the prices of essential commodities;
- (b) if so, the details and the outcome thereof alongwith the action taken by the Government thereon;
- (c) whether there is a wide variation between the production cost and the retail prices of essential commodities like rice, wheat, sugar, edible oil, etc.; and
- (d) if so, the details thereof and corrective steps taken thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a) & (b): There is no specific study conducted by the Ministry to identify the factors which contributed to the rise in prices of essential commodities. The prices of essential commodities are continuously monitored by the Government. The Price Monitoring Cell in the Department of Consumer Affairs monitors the prices of essential commodities based on the information received from the State Food and Civil Supplies Departments.

(c): 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.

(d): The details of the retail and wholesale prices of essential commodities along with their variation in 4 Metros are given in Annexure I. Government has already taken fiscal and administrative measures to contain the price rise of essential commodities as 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 The report of the Working Group is under preparation.