

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:761

ANSWERED ON:12.11.2010

FOOD INFLATION

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Will the Minister of FINANCE be pleased to state:

- (a) whether food inflation is under control;
- (b) if not, the details thereof and the reasons therefor; and
- (c) the steps being taken to ease the situation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b) The year-on-year over all food inflation (weight 24.31 %) comprising primary food articles and manufactured food products based on WPI (2004-05=100), reached its peak of 20.2 per cent in the month of February, 2010. Thereafter, it declined to 18.5 per cent in March 2010 and further to 10.8 per cent in September 2010.

(c) The Government monitors the price situation regularly as price stability remains high on its agenda. Measures taken to contain prices of essential food commodities include selective ban on exports and futures trading in food grains, zero import duty on select food items, permitting import of pulses and sugar by public sector undertakings, distribution of imported pulses and edible oils through the PDS and release of higher quota of non-levy sugar. In addition, State Governments are empowered to act against hoarders of food items by holding in abeyance the removal of restrictions on licensing, stock limits and movement of food articles under the Essential Commodities Act 1955.

Further, as part of the monetary policy review, the Reserve Bank of India (RBI) has taken suitable measures to moderate demand to levels consistent with the capacity of the economy to maintain its growth without provoking price rise. The key policy rates revised by RBI since April, 2009 are given in Table below. It may, however, be noted that the effect of monetary measures come with a lag.

Repo Rate Reverse Repo Rate CRR

April 21, 2009	4.75	3.25	5.00
Feb 12, 2010	4.75	3.25	5.50
March 19, 2010	5.00	3.50	5.50
March 31, 2010	5.00	3.50	5.75
April 24, 2010	5.25	3.75	6.00
July 2, 2010	5.50	4.00	6.00
July 27, 2010	5.75	4.50	6.00
Sep 16, 2010	6.00	5.00	6.00
Nov 2, 2010	6.25	5.25	6.00