

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

UNSTARRED QUESTION NO:1884
ANSWERED ON:08.03.2011
LIMIT ON PROFIT
Joshi Shri Kailash

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

- (a) whether many manufacturers are making exorbitant profits by marking high Maximum Retail Price on their products;
- (b) if so, whether the Government has formulated or proposes to formulate any policy to limit the extent of profits and ensure Mandatory marking of production cost on packaged goods;
- (c) if so, the details thereof and if not, the reasons therefor; and
- (d) the steps taken to check and ensure the quality of products being sold in the market?

Answer

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

(a): No such information has been received in respect of making exorbitant profits by making high Maximum Retail Price on their products by the manufacturers. The Standards of Weights and Measures (Packaged Commodities) Rules, 1977 require certain mandatory declarations like name and address of the manufacturer/packer/importer, name of the commodity, net quantity, month and year of manufacturing, retail sale price in the form of Maximum Retail Price (MRP) Rs inclusive of all taxes and consumer care details. Rules protect the consumers that commodities in packaged form may not be sold at a price higher than MRP.

(b) & (c): No, However on the direction of Kerala High Court, the Government had constituted an Expert Committee in August 2007 under the Chairmanship of Dr. M. Govinda Rao, Director, National Institute of public Finance & Policy to examine the feasibility of declaring a normative price on a pre-packaged commodity, as applicable for the entire country, adequately reflecting the cost incurred by the producer in reaching the package to the end consumer. The Committee unanimously found that it is neither feasible nor desirable to declare a normative price for various customer goods. The committee also observed that the consumer's interest will be well served by the Government taking a pro-active role in creating and deepening the markets and empowering the institution such as the Competition Commission to monitor the market conditions to promote healthy competition.

The committee also examined the question of whether there should be declaration of any other price in addition to MRP- The majority view in the Committee was that it would be impossible to enforce accurate declaration of MRP by requiring the manufacturer to declare the First Point Price in addition to MRP. The Committee recommended that the solution to prevent exploitation of consumer lies in activating competition in the markets. The committee also noted that for goods covered under Schedule 4 of the Central Excise Act, there is an automatic disincentive to inflate the MRP because higher MRP would attract higher taxes.

The Government has accepted these recommendations of the committee.

(d): There are no provisions in the Standards of Weights and Measures Act, 1976 and Rules made there under to check the quality of products being sold in the market. However there provision under various Acts like the Bureau of Indian Standards Act, 1986, the Prevention of Food Adulteration Act, 1954, the Food and Safety Standards Act,2006 and the Drugs and Cosmetics Act,1940.