

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

STARRED QUESTION NO:123

ANSWERED ON:09.08.2011

FOOD INFLATION

Chitthan Shri N.S.V.;Kashinath Shri Taware Suresh

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

- (a) whether attention of the Government has been drawn to the latest study conducted by rating agency, CRISIL, that poor people continue to be the worst affected due to the rise in prices of essential commodities;
- (b) if so, the details thereof alongwith the reasons for the continuous rise in prices of essential commodities;
- (c) whether the Government has assessed the impact of hike in petroleum prices on the prices of essential commodities;
- (d) if so, the details and the outcome thereof; and
- (e) the steps taken to control prices and provide relief to the poor in the country?

**Answer**

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

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

STATEMENT REFERRED IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.123 FOR 09.08.2011 REGARDING FOOD INFLATION.

(a) : Yes Madam. A study done by CRISIL titled "Inflation hurts" dated June 2011, states that the Inflation in certain food items, especially egg, meat & fish and milk, has surged to double-digits over the last 2 years after having increased at single-digits in the preceding period. The Government is aware that poor people are affected due to the rise of prices of essential commodities. Government has taken various steps to contain price rise of essential commodities in order to ameliorate the suffering of the vulnerable section of population. (As Annexure)

(b) : As per the WPI data available, the prices of essential commodities have not risen continuously. The WPI based Food (primary + manufactured articles) inflation rate declined from 20.22% in February 2010 to 8.42% in June 2011. The inflation rate in food grains declined from 10.38% in June, 2010 to 1.61% in June, 2011. The comparative WPI based inflation rate of food grains, vegetables, sugar and pulses during June, 2011 and June, 2010 are given below.

Comparative WPI based Inflation rate(%) of Food grains, Vegetables, Pulses, Sugar during June,2011 and June,2010

Items    June 2011    June 2010

Food grains	1.61	10.38
Vegetables	-7.54	12.24
Pulses	-9.72	23.02
Sugar	7.79	10.93
Milk	12.51	26.21
Eggs, Meat & Fish	9.55	38.99

Source : DIPP

Only the WPI based Inflation rate of edible oils increased from 0.52% in June, 2010 to 15.28% in June, 2011. In the case of edible

oils, 50% of our requirements are imported to meet the demand supply mismatch. Therefore, domestic prices are also susceptible to the changes in the international prices.

(c) & (d): The Reserve Bank of India has studied the indirect impact of administered petroleum price hike on food index. As per RBI study, the indirect impact of administered petroleum price hike on food index (other things remaining constant) may be of the order of 0.35%.

(e) : The steps taken by the Government to contain price rise of essential commodities and provide relief to the poor in the country are given in Annexure.

## ANNEXURE

STATEMENT REFERRED IN REPLY TO PART (e) OF LOK SABHA STARRED QUESTION NO.123 FOR 09.08.2011 REGARDING FOOD INFLATION.

Steps taken by the Government to contain price rise in essential Commodities are listed below:

### 1. Fiscal Measures

(i) Reduced import duties to zero – for rice and wheat, onion and pulses, edible oils

(crude) and to 7.5% for refined & hydrogenated oils & vegetable oils.

(ii) NDDB has been allowed to Import of 30000 tonnes of skimmed Milk Powder and Whole milk powder and 15000 MT of Butter, Butter Oil and Anhydrous Milk Fat at zero% concessional duty under TRQ for the year 2011-12 .

(iii) Allowed sugar mills on 17.04.2009 to import duty-free raw sugar under Open General License (O.G.L.). Later this facility was extended to private trade on job basis.

(iv) Allowed STC/MMTC/PEC and NAFED on 17.04.2010 to import duty-free white/refined sugar initially with a cap of 1 million tons. Later on, duty-free import was also allowed by other Central / State Government Agencies and private trade without any cap on the quantity.

### 2. Administrative Measures

(i) Removed levy obligation in respect of all imported raw sugar and white/refined sugar.

(ii) Banned export of non-basmati rice and wheat until further orders, edible oils (except coconut oil and forest based oil) and pulses (except Kabuli chana and organic pulses up to a maximum of 10000 tonnes per year).

(iii) Export of edible oils permitted in branded consumer packs of up to 5 kgs subject to a limit of 10,000 tonnes.

(iv) Export of milk powders(including skimmed milk powder, whole milk powder, dairy whitener and infant milk food), Casein and Casein products has been prohibited with effect from 18.02.2011.

(v) Effected no change in Tariff Rate Values of edible oils;

(vi) Extended stock limit orders in the case of pulses, paddy and rice, edible oil, edible oilseeds and sugar.

(vii) The MEP of onions other than Bangalore Rose Onions and Krishnapuram onions was US\$ 230 per metric ton for the month of July, 2011. The MEP of Bangalore Rose Onion and Krishnapuram onion was at USD 350 per metric tonnes and MEP of Sona Masuri and Ponni Samba varieties of non-Basmati rice was at USD 850 per MT;

(viii) Maintained the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs 3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002.

(ix) Suspension of Futures trading in Rice, urad and Tur by the Forward Market Commission in the year 2007-08 continues during 2010-11. Futures trading in sugar were suspended wef 27.5.2009 up to 30.9.2010. However the future trading in sugar has since been resumed, with effect from 27.12.2010.

(x) Proportion of sugar production requisitioned as levy sugar was increased from 10 to 20% for 2009-10 sugar seasons. However, for 2010-11 sugar season, the levy obligation has been reduced to 10%.

(xi) Government has allocated 25 lakh tonnes of wheat and 20 lakh tonnes of rice under OMSS (D) 2011 for the period of January, 20001 to September 2011.

(xii) 25 lakh tonnes of food grains have been allocated on 6.1.2011 to all States/UTs for BPL families at BPL issue prices for distribution upto 30.9.2011.

(xiii) An additional adhoc allocation of 50 lakh tonnes of foodgrains made on 16th May, 2011 to all State/UTs for BPL families at BPL issue price for distribution during the current year up to March, 2012.

(xiv) An additional adhoc allocation of 25 lakh tonnes of foodgrains made on 6.1.2011 to all States/UTs for APL families @ Rs. 8.45 per kg for wheat and Rs. 11.85 per kg for rice for distribution upto 30.9.2011.

(xv) In addition, adhoc allocation of 50 lakh tonnes of foodgrains made on 30th June, 2011 to APL families raising thereby monthly APL allocation upto 15 kg per family per month in 20 States and 235 kg per family per month in 4 North Eastern States and 2 hilly states Himachal Pradesh and Utrakhand where it was less than that quantity for period of ten months from June 2011 to March 2012.

(xvi) Scheme for distribution of subsidized imported pulses through State Governments/UTs with subsidy of Rs 10/- kg for distribution t @ 1 kg per month.

(xvii) Scheme for distribution of subsidized imported edible oils through State Governments/UTs with subsidy of Rs.15/- kg for distribution to ration card holders @ 1 liter per ration card per month.