

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

STARRED QUESTION NO:384

ANSWERED ON:30.08.2011

DIFFERENCES IN PRICES

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

- (a) whether differences have been observed between the farm-gate prices and the consumer purchase/retail prices of foodgrains;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether the Government has conducted any survey to ascertain the price differentials during the last three years;
- (d) if so, the details and the outcome thereof; and
- (e) the steps taken by the Government to protect the interests of the farmers as well as the consumers?

**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.384 FOR 30.08.2011 REGARDING DIFFERENCES IN PRICES.

(a) & (b): Difference exists between wholesale and retail prices of food grains. The wholesale/retail prices are largely determined by the market forces. Different layers in the distribution channel lead to the entry of intermediaries and contribute 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) wholesaler's margin (iii) packaging and other marketing expenses at retail, (iv) retailers mark-up, (v) various taxes levied by different State Governments e.g. octroi duty, (vi) 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.

(c) & (d): The details of the price differential between retail and wholesale prices of food grains (rice, wheat and pulses) in 4 Metros viz. Delhi, Mumbai, Kolkata and Chennai over the last three years are given in Annexure-I.

(e): In order to protect the interest of the farmers, increases in Minimum Support Price (MSP) had been announced by the Government. The steps taken by the Government to protect the interests of the consumers are given in Annexure-II. A Conference of Chief Ministers was held to discuss the issues related to Prices of essential commodities in February, 2010 which in turn recommended the constitution of a Standing Core Groups of Central Ministers and State Chief Ministers. This Group constituted in March 2010 in its first meeting in April 2010 recognising the need for an in depth examination of the underlying reasons in price rise of essential commodities set up three Working Group one of which was on Consumer Affairs. The Working Group on Consumer Affairs had as its Terms of Reference:

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 Working Group on Consumer Affairs has since submitted its report for a decision by the Government.

Annexure - II

STATEMENT REFERRED IN REPLY TO PART (e) OF LOK SABHA STARRED QUESTION NO.384 FOR 30.08.2011 REGARDING DIFFERENCES IN PRICES.

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 Tariff Rate Quota 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\$ 300 per metric tonne for the month of August, 2011. The MEP of Bangalore Rose Onion and Krishnapuram onion continue at US\$ 400 per metric tonne 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, 2011 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 35 kg per family per month in 4 North Eastern States, Sikkim and 2 hilly states of Himachal Pradesh and Uttarakhand where it was less than that quantity for a period often 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 @ 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.

**(B) Medium Term Measures:**

In the medium term, Government has taken initiatives such as the National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojna (RKVY) to improve production and productivity in agriculture.