

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:72

ANSWERED ON:25.11.2011

SPURT IN PRICES

Gavit Shri Manikrao Hodlya;Singh Shri Rajiv Ranjan (Lalan)

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a spurt in prices of essential commodities including hike in general inflation and food inflation during recent months despite the administrative and fiscal measures taken by the Government as well as by the Reserve Bank of India (RBI);
- (b) if so, the details thereof indicating the general and sector-wise inflation registered since July 2011, till date, alongwith the success achieved in controlling inflation through the aforesaid measures;
- (c) whether problems of agriculture and industrial production alongwith supply chain constraints have been identified as the major cause of rise in inflation;
- (d) if so, the details thereof and the remedial steps taken to check further rise in inflation and improve the supply position;
- (e) whether the Government has formed any Committee/Inter-Ministerial Group (IMG) to review the overall inflation situation; and
- (f) if so, the details thereof alongwith the suggestions/recommendations received therefrom and the action taken thereon?

Answer

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

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

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 72 BY SHRI RAJIV RANJAN SINGH ALIAS LALAN SINGH AND SHRI MANIKRAO H. GAVIT DUE FOR ANSWER ON NOVEMBER 25, 2011

(a) to (f) The Government monitors the price situation regularly and price stability remains high on its agenda. The headline WPI inflation has remained in single digit. Sector wise inflation detail from July 2011 is indicated in Table below:

Weight Jul-11 Aug-11 Sep-11 Oct-11

All Commodities	100.00	9.36	9.78	9.72	9.73
Primary Articles	20.12	11.47	12.46	11.84	11.40
Fuel & Power	14.91	12.04	12.91	14.09	14.79
Manufactured Product	64.97	7.73	7.87	7.69	7.66
31 essential commodities	14.60	8.86	9.92	9.58	10.29
Food Combined	24.31	8.17	9.19	8.81	9.91
Food Articles	14.34	8.19	9.62	9.23	11.06
Food Products	9.97	8.13	8.41	8.05	7.80

The foodgrains production is estimated to be 123.95 million tonnes in 2011-12 which is nearly 8 per cent higher than the first estimate of last year at 114.63 million tonnes. In case of Index of Industrial Production (IIP), its cumulative growth during April-September 2011-12 had been 5.0 per cent as compared to 8.2 per cent during the corresponding period last year.

In order to mitigate the effects of inflation on common man the Government has taken several measures that include import prices reduced to zero on wheat, pulses, edible oils (crude) and onion, ban on export of edible oils (except coconut oil and forest based oil) and pulses (except Kabuli chana and organic pulses upto a maximum of 10000 tonnes per year), futures trading suspended in rice, urad and tur by the Forward Market Commission, stock limit orders extended in the case of pulses, paddy and rice up to 30 September 2011, duty under Tariff Rate Quota (TRQ) for Skimmed Milk Powder (SMP) reduced from 15% to 5% for import upto an aggregate of 10000 metric tonnes in a financial year, import of 30000 tonnes of Milk Powder and 15000 tonnes of Milk Fat at zero duty allowed to National Dairy Development Board (NDDB) during 2010-11 under TRQ, reduction in custom duty on crude oil and import duty on petrol and diesel.

In addition to that an Inter-Ministerial Group (IMG) has been set up on 2nd February 2011 under the chairmanship of Chief Economic Adviser, Ministry of Finance to review the overall inflation situation, with particular reference to primary food articles, fiscal and monetary policies.

Based on the deliberations in its meetings, the Inter Ministerial Group (IMG) has recommended two important policy changes that can have multiplier effect and large benefits to manage inflation, that is, reforms in Agricultural Produce and Market Committee (APMC) Acts and Foreign Direct Investment (FDI) in multi-brand retail. These recommendations are at various stages of consideration in the concerned administrative Ministries/ Departments, which are, Department of Agriculture and Cooperation, Ministry of Agriculture and Department of Industrial Policy & Promotion, Ministry of Commerce & Industry.