

**GOVERNMENT OF INDIA  
PETROLEUM AND NATURAL GAS  
LOK SABHA**

UNSTARRED QUESTION NO:3797

ANSWERED ON:30.07.2009

IMPACT OF PRICE RISE OF PETROLEUM PRODUCTS

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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the Government has assessed the impact of recent price rise in petroleum products particularly diesel on farmers of the country;
- (b) if so, whether price rise in petroleum products particularly diesel will affect the cost of agricultural production and will impose further burden on poor farmers;
- (c) whether the Government proposes to provide any subsidy on diesel to farmers;
- (d) if so, the details thereof; and
- (e) the corrective measures proposed to be taken by the Government in this regard in view of the large number of poor farmers?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS(SHRI JITIN PRASADA)

(a)to(e): In recognition of the fact that Diesel plays a very important role in the agriculture sector, Government has been modulating its price alongwith the prices of the other sensitive petroleum products; namely, Petrol, PDS Kerosene and Domestic LPG, to ensure that they remain within the reach of the common man.

Based on the Refinery Gate Prices effective 1.7.2009, the Public Sector Oil Marketing Companies (OMCs); namely, Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPC) and Hindustan Petroleum Corporation (HPC) were projected to suffer heavy under-recoveries of Rs.49,266 crore during 2009-10, on the sale of the sensitive petroleum products. To meet the under-recovery, the retail prices were required to be increased by Rs.6.94 per litre on Petrol, Rs.4.11 per litre on Diesel, Rs.16.01 per litre on PDS Kerosene and Rs.96.68 per 14.2 kg Domestic LPG cylinder. However, to protect the interests of the common man, the Government has increased the retail selling prices - of Petrol by Rs.4/- per litre and Diesel by Rs.2/- per litre only with effect from 2.07.2009. The retail prices of Domestic LPG and PDS Kerosene, which are used by the common man for cooking and lighting needs, have not been increased.

As the retail price of Diesel is modulated by the Government, the OMCs are incurring under-recovery on Diesel. During 2008-09, the OMCs suffered under-recovery of Rs.52,286 crore on Diesel alone. These under-recoveries had to be compensated through issuance of Oil Bonds by the Government and price discounts by the upstream oil PSUs. Therefore, Government is already providing financial support to the OMCs for keeping the retail price of Diesel low, in comparison to the international oil prices, so as to benefit the common man and to protect the interest of the economy, including the agriculture sector. There is no proposal under consideration to provide any further subsidy on Diesel to farmers.

Government is closely monitoring the international oil price situation and will take appropriate pricing decisions to protect the interests of the common man, particularly the vulnerable sections of the society.