

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:2085

ANSWERED ON:27.03.2012

IMPACT OF GLOBAL FOOD PRICES ON AGRICULTURE

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Will the Minister of AGRICULTURE be pleased to state:

(a) whether the studies by the World Bank and the Food and Agriculture Organisation have suggested that the global food prices have increased in the recent times; and

(b) if so, the details thereof alongwith its likely impact on the remunerative prices for crops and its export?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FOOD PROCESSING INDUSTRIES (DR. CHARAN DAS MAHANT)

(a) & (b): FAO food price index which is an indicator of prices of a basket of important food items like cereals, meat, vegetable oils and sugar has increased in 2007-08 to record levels and thereafter moderated, but remained higher than pre-2007-08 crisis. Another steep increase in the index was seen in February 2011 to June 2011 and thereafter there was a downward trend with monthly fluctuations seen in the index. Similar trend was also observed in the World Bank food price index. Modest but steady growth in global grain consumption, more variable global grain supplies due to weather and a draw-down of stocks held by major grain exporting countries have combined to increase both uncertainty in global grain markets and broader food price volatility. High oil and energy prices, increase in cost of fertilizers, irrigation and transportation, production of bio-fuels substituting food production, speculative transactions, export restrictions leading to hoarding and panic buying are some of the other reasons cited by FAO and World Bank studies for the rise in global food price inflation. Data on global food price index is given below;

FAO Food Price Index

(2002-2004=100)

Year	Food Price Index (composite)	Cereal Price index	Oils price index	Sugar Price index
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1/2011	203.5	215.3	245.8	369.6
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2/2011	209.3	227.5	247.3	367.9
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3/2011		204.1	221.0	230.2 327.5
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4/2011	206.6	233.4	229.5	304.0
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5/2011	203.7	229.8	229.5	274.6
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6/2011	205.3	227.9	227.8	314.6
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7/2011	203.4	217.4	222.5	352.2
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8/2011	202.9	222.0	215.7	346.3
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9/2011	198.0	214.9	210.6	333.3
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10/2011	189.9	203.5	197.3	317.7
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11/2011	190.4	201.3	206.6	299.0
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12/2011	185.4	191.4	200.1	287.6
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1/2012	193.0	202.0	212.0	303.2
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2/2012	195.2	205.9	216.5	310.4
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Source. FAO

Rise in global prices of cereals would have incentivized exports and discouraged imports if there was free international trade in these commodities. However as exports and imports of agricultural commodities in India are governed by domestic requirements high international prices of food crops will have limited impact on domestic prices. The Commission for Agricultural Costs and Prices (CACP) while formulating its recommendations on price policy for agricultural commodities take into account, apart from other relevant factors, effect on general price level and international market price situation.