

Fourteenth Loksabha

**Session : 8**

**Date : 28-07-2006**

**Participants :** [Francis George Shri K.](#), [Chander Kumar Shri](#), [Chidambaram Shri P.](#), [Yerrannaidu Shri Kinjarapu](#), [Chidambaram Shri P.](#), [Singh Kunwar Manvendra](#), [Salim Shri Mohammad](#), [Radhakrishnan Shri Varkala](#), [Panda Shri Prabodh](#)

>

Title : Further discussion regarding rise in prices of essential commodities raised by Dr. Chinta Mohan on 27 July, 2006.

MR. SPEAKER : The hon. Minister of Finance will now reply to the debate on price rise.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I am grateful to the hon. Members for the very useful and constructive debate that took place yesterday. The debate was initiated by Dr. Chinta Mohan and then from the Opposition Benches was led by Prof. Vijay Kumar Malhotra.

**12.56 hrs.**

(Mr. Deputy-Speaker *in the Chair*)

Sir, we discussed price rise in the last Session. This is not the first time price rise is discussed in Parliament. Price rise is discussed from time to time. In fact, the issue of price rise has been discussed in virtually every Session of Parliament for many years. For example, this was discussed in the Lok Sabha on the 9<sup>th</sup> of July, 1998, between the 3<sup>rd</sup> and 8<sup>th</sup> of December, 1998, 27<sup>th</sup> of April, 2000 and I sincerely hope that Prof. Malhotra and his friends will recall what was said during those discussions also. ... (*Interruptions*)

SHRI MOHAN SINGH (DEORIA): And the same thing will be repeated today. ... (*Interruptions*)

SHRI P. CHIDAMBARAM : It will not be there. I will tell you why.

MR. DEPUTY-SPEAKER : Please do not disturb.

SHRI P. CHIDAMBARAM : Sir, we are talking about both inflation measures, the WPI, CPI, and other indices as well as the prices of essential commodities actually in the market. The first is a phenomenon that we find in virtually every developing country, and we find today even in developed countries. The second is a phenomenon that we find from time to time and I will explain why that happens. Prof. Ramadass is not here. I think he made a very significant contribution. Perhaps, Prof. Malhotra and others were not present at that time. I think he made a

very significant contribution explaining the difference between these two. In my own way I will try to explain.

Let us first look at the WPI. Today, for example, the Department will report – not my Department but the Department that is responsible for collecting this data – that the WPI has again declined from last week's 4.68 to about 4.52 or so. If you look at WPI, in 1998-99 for four weeks between 1<sup>st</sup> of July and 22<sup>nd</sup> of July WPI was 7 per cent and more. ... (*Interruptions*)

प्रो. विजय कुमार मल्होत्रा (दक्षिण दिल्ली) : एसेंशियल कमोडिटीज़ के लिए डब्लू.पी.आई. को लागू करना ठीक नहीं है। ...(व्यवधान) It was only 15 per cent. ... (*Interruptions*)

SHRI P. CHIDAMBARAM : I am coming to that. I have tried to make a distinction. ... (*Interruptions*) If you want to reply on my behalf, I will sit down. I have made a distinction. Malhotraji, I made a distinction between WPI and prices in the market and I said I will deal with both. I said so. Kindly listen to me. You do not need the earphone. I am speaking in English only. You do not need that. Maybe the translation is saying something else. ... (*Interruptions*) Let us look at the WPI. I will tell you why that happens and what is the impact.

Again, from 21<sup>st</sup> October to 2<sup>nd</sup> December, 1998 the WPI was over 7 per cent. It touched 7.3 per cent[[krr26](#)].

### **13.00 hrs.**

For the most part of 2000-01, the WPI was well over six per cent. It touched a high of 8.8 per cent on 13.1.01. In fact, when the change over from the NDA Government to UPA Government took place, the WPI was on the rise. It rose from a low of 1.6 per cent on 24.3.04 to 5.6 per cent when the new Government came. The point I am making is that WPI rises and falls for a variety of reasons. The two main reasons are cost-push inflation and demand-pull inflation. World over, fuel prices have increased and metal prices have hardened. Take, for example, fuel prices. The NDA Government, if I may say this, was extraordinarily lucky regarding fuel prices. Fuel prices were about \$ 23 a barrel in 2003-04. Today, as you know, it is \$ 70 a barrel. It is three times. Metal prices have hardened throughout the world. When these prices harden - these are inputs like fuel - there is a cost-push inflation and the cost-push inflation is reflected in the WPI.

The second reason for WPI to increase is demand-pull inflation. There is so much more demand, and supply does not catch up with demand. Take, for example, cement and steel. Now, we complain about cement prices being high and steel prices being high. Why? The demand for steel and cement is so high today but even at these prices, people are willing to borrow money to build their own homes or buy their own homes. Home loans are growing at 44 per cent. People are willing to leverage their current income and their future income in order to borrow and build their home or buy a home. When the cement capacity and steel capacity does not match the demand for cement and steel, naturally prices rise. This is demand-pull inflation. We find it in every developing country. You take credit for the growth that you recorded in 2003-04 and we take credit for the high growth that we have recorded in 2004-05 and 2005-06. If the economy is growing at eight per cent or more, inevitably, there will be some demand-pull inflation. Capacity has to match up with the demand for these items and commodities.

When the WPI increases, with a lag, the CPI will also increase because wholesale prices will get reflected in the retail prices and that is what has happened since the month of March-April. We are taking steps to moderate cost-push inflation and demand-pull inflation. On cost-push inflation, we are taking steps on the fiscal side. We have cut customs duties and we have cut excise duties. If necessary, we will take further steps. On the demand-pull inflation side, monetary steps are being taken. The Reserve Bank of India has taken a tighter monetary stance and the monetary steps that the Reserve Bank of India takes will moderate inflation.

But that does not satisfy the common man because these are numbers. These numbers are relevant. These numbers are something which Members of Parliament should be aware of. These numbers will indeed have an impact upon retail prices of essential commodities for the common man. This discussion is about essential commodities. Now, why are prices of essential commodities going up? One of the reasons is that general inflation is going up because of cost-push factors and demand-pull factors.

The other and the more important reason, with which we are directly concerned today, is supply shocks. What has happened is that three commodities which are essential have driven this price rise. These commodities are wheat, pulses and sugar. Now, we can go into each one of these. Take, for example, wheat[S27].

The advanced estimates for the production of wheat in 2004-2005 -- contrary to what was said here -- placed it at 74 million tonnes. Finally, the estimates placed the final wheat production only at 68 million tonnes. In the year 2005-2006, the advanced estimate placed it at as high as 73 million tonnes, but the final wheat production was only 69.48 million tonnes.

There has been a decline in wheat production, and it was less than what was anticipated or projected. As a result of this, the public stocks dwindled. This was because the off-take of wheat takes place through the PDS, open market sales, etc. The projections for the current year are good, but we will have to wait and see how the monsoon behaves, and what eventually the crop turns out to be. Let me give you the figures of procurement for 2005-2006 compared to the previous year 2004-2005. In 2004-2005, as I said, the production was about 68.6 million tonnes. Nearly, 15.9 million tonnes came to the market, out of which 14.77 million tonnes were actually procured, that is, about 147 lakh tonnes of wheat was procured. This represents 92.84 per cent of arrivals in the market. In 2005-2006, only 13.64 million tonnes arrived in the market, which was slightly less than the arrivals of the previous year, but only 9.22 million tonnes were procured, that is, 92 lakh tonnes were procured. This means that 67.6 per cent of the arrivals was procured in the market.

I am not trying to fix blame, but virtually every State that was given a target including Punjab, Haryana, and Uttar Pradesh all failed to meet their target on procurement. Since procurement declined and the overall production was not as anticipated or projected, there was a psychology of scarcity. Therefore, the wheat prices started to rise. This is essentially a supply-side shock and a supply-side deficit. In order to meet this supply shock, the Government decided to import wheat. Now, this decision has been taken, and wheat is arriving in the Indian ports and prices have shown a declining trend in the futures or forward markets as well as in the spot markets. This will get reflected in the actual retail market with a time lag. If the total availability of wheat in the country -- public stocks and private stocks -- is less, then you can augment the total stock of the country only by import. If there are adequate private stocks, then you can find ways to convert private stocks to public stocks,

but if the total availability of public stocks and private stocks taken together is not adequate, then this can only be augmented in the short run by import. In the long-term, of course, we must increase production and productivity, but in the short-term this can only be increased by imports. This is precisely what the Government is doing, and it will get reflected in the retail prices as it was in previous years with a time lag.

The next point about which I would like to talk is pulses. This country is chronically deficit in pulses, and this deficit is not there from this year or last year, but this deficit has been there for many years. We have always imported pulses, which is why pulses are an OGL. In 2003-2004, the total production of pulses was 149 lakh tonnes, and we imported 17 lakh tonnes; in 2004-2005, the total production of pulses was 131 lakh tonnes, and we imported 13 lakh tonnes; in 2005-2006, the total production of pulses was 139 lakh tonnes, and we imported 16 lakh tonnes. This problem has been accentuated this year because the pulses that we consume are largely available only in Myanmar<sup>[ak28]</sup>.

In Myanmar also, there has been a decline in production. Pulses are not available in Myanmar in the quantities that we want, but we have allowed import of pulses. These pulses will come, whatever quantities are available will come, but as long as there is an overall shortage between demand and supply, I am afraid, prices of pulses will not moderate immediately. When new supplies arrive, when the new crops come, then alone prices of pulses will moderate. ... (*Interruptions*)

SHRI MOHAN SINGH : Next year!

SHRI P. CHIDAMBARAM: In the current year, whenever the next crop comes. ... (*Interruptions*) I think, the hon. Member wants to speak. If you permit him, let him speak.

उपाध्यक्ष महोदय : मंत्री जी को अपनी स्पीच खत्म कर लेने दीजिए, उसके बाद बोलिएगा।

...(*व्यवधान*)

SHRI P. CHIDAMBARAM: Please listen to me first; you keep on asking questions.

MR. DEPUTY-SPEAKER: Please do not disturb the Minister. This is not the proper way. Nothing will go on record.

(*Interruptions*)\* ...

SHRI P. CHIDAMBARAM: You had a debate in May when the Minister of Agriculture answered all your questions. I am duty bound to answer on behalf of the Government, but we are answering issues which were answered in May. If a further discussion is required, I am sure, the Minister of Agriculture will come and answer. However, I am answering on behalf of the Government as to why we are short of pulses, and why the demand and supply gap in pulses has increased.

Thirdly, in 2002-03, the total sugar production was 201 lakh tonnes, in 2003-04, it fell to 139 lakh tonnes, and in 2004-05, it fell to 130 lakh tonnes. I will tell you why.

---

\* Not Recorded

प्रो. विजय कुमार मल्होत्रा : महोदय, किसान को तो वही प्राइस मिल रहा है, उतना ही मिल रहा है।... (व्यवधान)

SHRI P. CHIDAMBARAM: In 2003-04, it was your Government, and from 2004-05, our Government is there. If the policy that we pursued is wrong, then the policy that you pursued is also wrong.

I will tell you why. If you ask me a question, you must wait for a while.

MR. DEPUTY-SPEAKER: Please address the Chair and not the individual Members. There should be no running commentary please.

SHRI P. CHIDAMBARAM: One was the deficiency in rains, and the other was that farmers switched from sugarcane to other crops, which were more remunerative. Prices of sugar fell to Rs. 15 to Rs. 16; it pleased the consumer, but it did not please the farmer. So, he switched over from sugarcane to another crop. This is a double edged sword. If prices for the consumer have to be maintained, one has to keep in mind the prices for the farmer also. ... (*Interruptions*)

SHRI GURUDAS DASGUPTA (PANSKURA): It is a dangerous argument.

SHRI P. CHIDAMBARAM: What is dangerous?

SHRI RAJIV RANJAN SINGH 'LALAN' (BEGUSARAI): It is not based on reality.

उपाध्यक्ष महोदय : मंत्री जी को अपनी बात खत्म कर लेने दीजिए, उसके बाद आप अपनी बात कह लेना।

... (व्यवधान)

MR. DEPUTY-SPEAKER: This is not the way.

SHRI P. CHIDAMBARAM: If you have to increase sugarcane prices for the farmer, then, inevitably, we have to increase the price that is fixed under the Sugarcane Control Order and consequently sugar prices will increase. ... (*Interruptions*)

SHRI RAJIV RANJAN SINGH 'LALAN' : Give them subsidy.

SHRI P. CHIDAMBARAM: We will come to that question. If you increase the prices of sugarcane, the price of sugar will also rise. When prices of sugar fell sharply in these two years, the sugarcane farmers switched over from sugarcane to another crop. This issue was raised and this was answered in May. I am telling you that you need to find a balance between prices for farmers and prices for consumers. ... (*Interruptions*)

PROF. VIJAY KUMAR MALHOTRA : It is a fallacious argument.

SHRI P. CHIDAMBARAM: This argument may be fallacious for you, but this argument is logical from my point of view. In 2005-06, the production was 191 lakh tonnes. In 2006-07, the crop that is starting from 1<sup>st</sup> of October promises to be a good crop. Once this crop starts coming, once this sugarcane is crushed and sugar is produced, prices will decline.

Now, Sir, let us look at the price situation.

प्रो. विजय कुमार मल्होत्रा : महोदय, मंत्री जी जो कुछ बोल रहे हैं, वह ठीक नहीं है। महंगाई से देश के करोड़ों लोगों की हालत बहुत खराब हो गयी है। अगर इसी तरह का जवाब देना है तो इसे सुनने से क्या फायदा है?... (व्यवधान[R29]) कम होंगी या नहीं, यह नहीं बताया है।

उपाध्यक्ष महोदय : आप पहले मंत्री जी का जवाब तो सुन लें।

प्रो. विजय कुमार मल्होत्रा : आप कह रहे हैं कि इनकी बात सुन लें, अगर मंत्री जी ऐसे ही तर्क देते रहे तो, सुनने का कोई फायदा नहीं है इसलिए हम सदन से वाकआउट करते हैं।

SHRI P. CHIDAMBARAM: Anyway you have decided to do that, what is the point?

**13.15 hrs.**

(At this stage, Prof. Vijay Kumar Malhotra and some other hon. Members left the House.)

श्री राजीव रंजन सिंह 'ललन' : उपाध्यक्ष महोदय, इनके पास न तो कोई कार्यक्रम है और न कोई तर्क है। यह जवाब आम लोगों के खिलाफ है इसलिए हम लोग सदन का बहिष्कार करते हैं।

SHRI P. CHIDAMBARAM: Anyway, it is Friday afternoon. You will have to go early. ... (*Interruptions*)

**13.15 ½ hrs.**

(At this stage Shri Rajiv Ranjan Singh 'Lalan' and some other hon. Members left the House.)

... (*Interruptions*)

SHRI P. CHIDAMBARAM: If you sit down and listen, you will get an answer. If you go out, I will still answer ... (*Interruptions*) Sir, the only way to bring down the prices of these key essential commodities is ... (*Interruptions*) Sir, he is going out. He should go quietly.

MR. DEPUTY-SPEAKER: Please do not disturb the House.

SHRI P. CHIDAMBARAM: The only way in which prices for the housewife, for the common man will come down in the retail market of essential commodities is to augment supply of these commodities. As long as there is a supply side shortage, supply deficit ... (*Interruptions*)

SHRI GURUDAS DASGUPTA : You should tackle blackmarketing.

SHRI P. CHIDAMBARAM: I will deal with that.

SHRI BASU DEB ACHARIA (BANKURA): What about the assurance you have given two months back that all the essential commodities will be made available at reasonable prices.

उपाध्यक्ष महोदय : रिकार्ड में कुछ नहीं जा रहा है।

(व्यवधान)\*...

SHRI P. CHIDAMBARAM: You have asked the question. Now wait for an answer. I am answering in a responsible manner. What is the point in raising your voice against me?

MR DEPUTY-SPEAKER: Achariaji, this is not the way.

---

\* Not Recorded

SHRI P. CHIDAMBARAM: That this is an unprecedented phenomenon, that these prices will never come down, these are wrong assumptions. Take Toor Dal for example. In 1999 its price was Rs.34 per kg; it came down to Rs.26 per kg when supply was augmented. Take onions. Its price was Rs.11 per kg in 1999; it came down to Rs.8 in 2000. Today its price is Rs.4. ... (*Interruptions*)

SHRI GURUDAS DASGUPTA : What is the reason for suicides by farmers?

SHRI P. CHIDAMBARAM: Listen to me. I am answering. It can only be done by augmenting supply. ... (*Interruptions*) You are not listening. ... (*Interruptions*)

SHRI BASU DEB ACHARIA : Farmers are not getting the right price.

MR. DEPUTY-SPEAKER: How can I allow you to interrupt the hon. Minister?

प्रो. राम गोपाल यादव (सम्भल) : जब किसान के पास होता है, तो सस्ता होता है, जब नहीं होता है तो महंगा हो जाता है, यह कोई तर्क नहीं है।... (व्यवधान)

उपाध्यक्ष महोदय : उन्हें पहले जवाब देने दें, फिर पूछ लेना।

... (व्यवधान)

SHRI P. CHIDAMBARAM: Is this not a relevant figure? I am giving you only relevant figures.

प्रो. राम गोपाल यादव : जब किसान के पास होता है, तब सस्ता होता है, जब नहीं होता है, तो महंगा होता है। जो होर्डिंग करने वाले हैं, वे दाम बढ़ा देते हैं। मंत्री जी आंकड़ों के जाल में उलझाकर सही बात नहीं बताना चाहते हैं इसलिए हम सदन से वाकआउट करते हैं।

**13.16 hrs.**

(At this stage, Prof. Ram Gopal Yadav and some other hon. Members left the House.)

SHRI P. CHIDAMBARAM: Sir, I think they do not wish to get an answer.

SHRI GURUDAS DASGUPTA : That price was wrong price.

SHRI P. CHIDAMBARAM: That is what I am saying, that price is wrong.

SHRI GURUDAS DASGUPTA: But you are taking satisfaction.

SHRI P. CHIDAMBARAM: I am not taking satisfaction. I am saying that price is wrong. Therefore, when prices rise in the retail market, prices will come down once you augment the supply.... (Interruptions)

MR. DEPUTY-SPEAKER: I will not permit the hon. Minister to be interrupted like this.

SHRI P. CHIDAMBARAM: You have asked a question and you must wait for the answer. ... (Interruptions)

SHRI BASU DEB ACHARIA : You have spoken for 20 minutes.

SHRI P. CHIDAMBARAM: You have spoken for fifty minutes. Please wait for the answer.

उपाध्यक्ष महोदय : इनकी स्पीच खत्म होने के बाद आपको समय दिया जाएगा, लेकिन बीच में जो इंटरप्ट करेगा, वह रिकार्ड में नहीं जाएगा।

श्री बसुदेव आचार्य : बीच-बीच में जो बोला जाता है, वह भी रिकार्ड में जाना चाहिए।

उपाध्यक्ष महोदय : फिर तो यह अपना जवाब खत्म ही नहीं कर पाएंगे। आपने खाना भी खाना है, इसका भी मुझे खयाल है।

श्री बसुदेव आचार्य : क्या खाना खाएंगे, गरीबों को तो खाने को नहीं मिल रहा है।... (व्यवधान)

SHRI GURUDAS DASGUPTA : Sir, may I point out that interruptions are a part of Parliamentary proceedings?



SHRI P. CHIDAMBARAM: I accept that. But it looks like I am interrupting you.

उपाध्यक्ष महोदय : इनकी स्पीच खत्म होने के बाद मैं आपको समय दूंगा, लेकिन बीच में इटरप्ट न करें[R31][KMR30]।

...(व्यवधान)

उपाध्यक्ष महोदय : राधाकृष्णन जी, आपकी बात रिकार्ड पर नहीं जा रही है। I feel sorry. This will not go on record.

(Interruptions)\* ...

उपाध्यक्ष महोदय : आप उन्हें सुन तो लें। आपकी बात रिकार्ड पर नहीं जा रही है।

...(व्यवधान)

---

\* Not Recorded

MR. DEPUTY-SPEAKER: Please continue, Shri Chidambaram.

... (Interruptions)

SHRI P. CHIDAMBARAM: Therefore, the only way to bring down the moderate prices ..... (Interruptions)

उपाध्यक्ष महोदय : अगर आप सुनना नहीं चाहते तो मैं मिनिस्टर साहब बैठने के लिए कहूंगा।

...(व्यवधान)

MR. DEPUTY-SPEAKER: Let him to continue his speech.

... (Interruptions)

श्री देवेन्द्र प्रसाद यादव (झंझारपुर) : सरकार कुछ पॉजिटिव स्टेप्स ले। ... (व्यवधान) व्यापारी लोग कृत्रिम अभाव वस्तुओं के पैदा करते हैं। ... (व्यवधान)

MR. DEPUTY-SPEAKER: Only Shri Chidambaram's speech will be recorded.

(Interruptions)\* ...

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI BIJOY HANDIQUE): Yesterday, the hon. Minister was listening to the speeches of the hon. Members for more than six hours. Allow him to speak for half-an-hour. ... (Interruptions)

उपाध्यक्ष महोदय : मिनिस्टर साहब ने आपको 6 घंटे सुना है आप आधा घंटे तो सुन लें।

**13.23 hrs.**

(At this stage, Shri Gurudas Dasgupta and some other  
hon. Members left the House.)

MR. DEPUTY-SPEAKER: Nothing should be recorded.

*(Interruptions)\* ...*

**13.24 hrs.**

(At this stage, Shri Basu Deb Acharia and some other  
hon. Members left the House.)

---

\* Not Recorded

SHRI P. CHIDAMBARAM: It is most unfortunate. ... *(Interruptions)*

श्री देवेन्द्र प्रसाद यादव : जमाखोरी से भाव बढ़ रहे हैं...*(व्यवधान)*

MR. DEPUTY-SPEAKER: I know that. I agree with you. इनकी स्पीच के बाद आप क्लैरिफिकेशन मांग लेना, I will allow you. Before that, let him to complete his speech first.

... *(Interruptions[s32])*

महोदय, कृत्रिम अभाव पैदा किया जा रहा है। आर्टिफिशियल स्केयरसिटी बड़े-बड़े जमाखोरों द्वारा पैदा की जा रही है। इस बेसिक सवाल पर मंत्री जी का कोई उत्तर नहीं आया है।...*(व्यवधान)*

MR. DEPUTY-SPEAKER: Nothing is going on record and nothing should be recorded.

*(Interruptions)\* ...*

श्री देवेन्द्र प्रसाद यादव : हम लोग मंत्री जी की बात से बिल्कुल असंतुष्ट हैं, इसलिए सदन से वाक आउट करते हैं।

**13.25 hrs.**

(At this stage, Shri Devendra Prasad Yadav and some other hon

Members left the House.)

कुँवर मानवेन्द्र सिंह (मथुरा) : जनता ने हमें वोट दिया है। हम जनता को क्या जवाब देंगे।... (ब्यवधान)

MR. DEPUTY-SPEAKER: Nothing should be recorded.

*(Interruptions)\* ...*

SHRI P. CHIDAMBARAM: Sir, as I said – I repeat it – the prices of these commodities – wheat, pulses and sugar – will come down once the supply is augmented. ... *(Interruptions)*

MR. DEPUTY-SPEAKER: Please listen to the hon. Minister; he is on his legs.

*... (Interruptions)*

---

\* Not Recorded

उपाध्यक्ष महोदय : मंत्री जी को अपनी बात समाप्त करने दीजिए। उसके बाद अगर आपने स्पटीकरण मांगना है, तो आपको समय दिया जाएगा।

SHRI P. CHIDAMBARAM: The prices of wheat, sugar and pulses which are the primary drivers in the primary articles group, will come down once the supply is augmented.

I will read out the measures taken on the wheat side, on the sugar side and on the pulses side. Once these supplies are augmented, the prices will come down. But why I refer to the figures of 1999 is that it is wrong to assume that merely because seasonally or because of shortage on the supply side, the prices have risen to a level and that they will never come down; it is a wrong assumption.

*Toor Dal* for example was selling at Rs.34 a kg. in 1999. It moderated down to Rs.26; it was in fact, Rs.33 in 2004 and today it is at Rs.33 or Rs.34 and it will moderate. Similarly, for wheat, there was a high point when the prices were high, but once supplies are augmented, they will come down. In the case of sugar, in fact, in 2002 and 2003, the sugar prices crashed to Rs.15 and Rs.14.50 and the consumers were happy, but what do the farmers do? They switched over from sugarcane to some other crop. Then the prices rose to Rs.17 and then, they went back to grow sugarcane. Today the prices are between Rs.19.50 in some places to Rs.21. When the new crop comes, it will moderate.

There is no magic-wand; the only way to moderate prices is to augment the supply of these commodities. The Minister of Agriculture was here in May to reply to a debate. He narrated the steps that we are taking to augment the supplies. Today, he answered a question in Parliament in the Rajya Sabha on the steps taken by his

Ministry to augment supplies. Let me simply, if necessary, read out the steps that he is taking in wheat, in sugar and in pulses. These steps, in course of time, will augment supplies and the prices will come down.

There are other issues which need to be addressed and that is what, I think, is concerning the people. One is how far do we use the Essential Commodities Act and how can that be an instrument to moderate prices. It is true that on the 15<sup>th</sup> of February 2002, the NDA repealed all control orders. That was pursuant to a Conference of Chief Ministers; the repealing order did provide that the State Governments could obtain prior permission of the Central Government and pass control orders[\[V33\]](#).

We have advised the Chief Ministers that if they wish to pass Control Orders, they can obtain prior permission of the Central Government and make their own Control Orders. The Ministry of Food and Consumers Affairs is examining whether the Control Order, which was made on the 15<sup>th</sup> of February 2002, should be re-visited and whether the State Government should be authorised to pass Control Orders even without prior permission. Obviously, I cannot answer for the Ministry of Food and Consumer Affairs. The concerned Minister should answer that but the matter is under examination. Even as the law stands today, I said this in the Rajya Sabha, the Chief Ministers have the powers to pass Control Orders with the prior permission of the Central Government. Let me assure this House if any State Government wants to pass the Control Order, the Central Government will grant permission promptly and they can pass the Control Orders. These Control Orders can be passed for fixing stock limits, for enabling de-hoarding, for stopping price manipulation and for stopping black-marketing. These Control Orders can be passed. The EC Act contains powers and I would appeal to the State Governments, having regard to the local situation, if they wish to pass the Control Orders, they can be granted permission by the Central Government to pass the Control Orders. They can pass the Control Orders.

The second issue is about the future trading. I wish Shri Yadav was here. He is the Chairman of the Standing Committee. The Bill is before his Committee. My colleagues and I have requested him to place the Report of the Committee on the Bill quickly before the House. Yesterday, I had a talk with him, that the Bill must come back to the House. Today, the regulator of the forward market has very skeletal powers. In order to arm him with greater power, a Bill has been introduced and the Bill is pending in Parliament. I would urge the Chairman of the Standing Committee, I can only request him, to place the report concerning the Bill before the Parliament so that in this Session both the Houses can pass the Bill, and we can arm the regulator with more powers.

The larger question, whether future trading in key essential commodities should be totally banned, is a question that is being examined by the Ministry of Agriculture, Food and Consumer Affairs. And I am confident that at an appropriate time the Minister will make a Statement in that behalf. But even to take measures which are strong and efficient measures, I think it is necessary to arm the regulator with greater powers. I think it is absolutely important that that Bill is passed, with or without the amendments that the House may agree. I once again urge the Standing Committee to place the report concerning the Bill quickly so that those powers can be given to the regulator.

Pending that, the Ministry of Agriculture, Food and Consumer Affairs has taken a number of steps. Let me read them for the record so that the hon. Members will know what steps are being taken

On wheat, a decision to import 5 lakh tonnes, was taken on the 2<sup>nd</sup> February, 2006.

Another decision to import 30 lakh tonne was taken on 22<sup>nd</sup> April, 2006.

Wheat has been brought under OGL at the concessional Duty of five per cent.

Regulatory measures taken by the Forward Markets Commission are: initial margin of all the futures contracts in wheat has been increased from 5 to 5.3 per cent to 10 per cent with effect from 24<sup>th</sup> June. On 28<sup>th</sup> of June, an additional special margin of 10 per cent on all 'net' long position was imposed. The limit in open position was reduced by 50 per cent on 27<sup>th</sup> of June. Aggregate limits on all on-going contracts was reduced from 80,000 tonnes to 40,000 tonnes for the Members and from 20,000 tonnes to 10,000 tonnes for clients. The limits for near month contract was restricted to 8000 tonnes for Members and 2000 tonnes for clients.

FMC has increased the cooling off period to 30 minutes as against 15 minutes.

Steps have been taken and when the law is passed more powers will be available to the regulator and he will take more steps.

On the question of pulses, let me read out the measures taken by the Ministry of Agriculture, Food and Consumer Affairs.

On 8<sup>th</sup> of June, 2006 a decision was taken to allow import of pulses at zero import duty. Ban on export of pulses was notified. NAFED has placed orders for *Urad and Moong* and they are expected to arrive in August, 2006[R34].

The Government of Delhi has taken steps for providing *urad dal* and *moong dal* at the rate of Rs.38 per kilogram and their procurement cost is Rs.31 per kilogram. It was agreed that they would supply these varieties of pulses to the Delhi State Civil Supplies Corporation at Rs.37 per kilogram. The Kendriya Bhandar is selling pulses – *urad* and *moong dal* – at Rs.38 per kilogram. We have asked the State Chief Secretaries to undertake similar initiatives in their respective States.

The State Governments can play a pro-active role, procure commodities and distribute them through whatever outlets they have to moderate prices. As regards sugar, I have no doubt in my mind that having regard to the prices of sugarcane that we given to the farmers, a reasonable price has to be paid for the sugar, otherwise, the farmers will not get reasonable price for the sugarcane. The prices today are ranging between Rs.19.50 per kilo to Rs.21. But when the new sugar season starts, they will moderate further by perhaps a rupee or a rupee and a half and prices of sugar will also moderate.

We are looking at the supply side. It is really an issue that falls within the domain of the Ministry of Food, Civil Supplies and Consumer Affairs. But I am very happy to answer on the measures taken on the

supply side. I have already told you the measures taken by my Ministry on the fiscal side and the measures taken by the RBI in consultation with my Ministry on the monetary side. As WPI and CPI moderates and supply side augments, the prices will come down. There is no reason to assume that there would be a relentless increase in prices or that once the price goes up, it will never come down.

On PDS, there was some question. I think again there are misconceptions. We have not reduced the allocation of PDS. Let me give the figures. In 2003-04, rice and wheat put together, the allocation was 71.59 million tonnes; in 2004-05, the allocation was 72.05 million tonnes; in 2005-06, the allocation was 72 million tonnes. There has been no reduction in the allocation of rice and wheat taken together under PDS. In fact, in 2003-04 and 2004-05, the same quantity of rice and wheat was allocated. In 2005-06, because of shortage of wheat, we reduced the allocation of wheat by six million tonnes but increased the allocation of rice by six million tonnes.

The Members are not here. What is the position of the offtake? We allocated nearly 72 million tonnes. The off take in 2003-04 was only 50 million tonnes. The offtake in 2004-05 was 41.47 million tonnes. The offtake in 2005-06 is only 42 million tonnes. The State Governments should answer. There is an allocation but there is no off take. The quantities must be lifted and pushed through the PDS. Where the Public Distribution System is efficient and functioning, the quantities are pushed through but where the PDS is not functioning, as is the case in some States – I do not wish to name the States – there is no offtake and then people blame that you are reducing the allocation. We are not reducing the allocation. Therefore, the Members must really take their State Governments to task, how much was allocated to the State Governments, how much was lifted and how much was actually distributed through the PDS. If they stayed back to listen to this answer, maybe some of these answers would be inconvenient to some Members. But I have to give the truth. We are not reducing the offtake. We are not reducing the allocation. There is no intention to reduce the allocation to the PDS. If further information is required, I would request you to address the Ministry of Food and I am sure he will be very happy to furnish the information in writing.

Sir, this year when the procurement season starts, we intend to ensure that the targets are met. Last year, the target of 162 lakh tonnes was fixed for procurement of wheat but we only procured 92 lakh tonnes. This year, I hope the State Governments will cooperate with the Central Government and achieve the target for wheat. The procurement of rice has been very good. In fact, it has been slightly more than the target. Rice stocks are ample and rice prices are stable. Once the procurement of wheat takes place effectively this year, you will find that also helps in removing the psychology of scarcity and moderating prices[r35].

Sir, there were some questions about the issue price of wheat. I do not know from where the hon. Members have got the impression that this Government has increased the issue price. The last time the issue price of wheat or rice was increased was in July, 2002. That was the last time Government increased prices. We have not increased the issue prices either of wheat or of rice for BPL or for APL families, which means that the subsidy burden is still being borne by the Government. There is no reduction in subsidy. The issue price of BPL for wheat was Rs. 450 per quintal and Rs. 565 a quintal for rice. It was Rs. 610 a quintal for wheat and Rs. 830 a quintal for rice for APL. There has been no change since July 2002.

Sir, there were questions as to why we are importing wheat. I thought this was answered by the Minister for Agriculture in the month of May. I was here when he answered; it appeared in the newspapers. We are importing wheat in order to augment the total stock of wheat in the country – both public stock and private stock taken together. In order to augment the total stock of wheat we are importing wheat. Now, the landed cost of wheat is between, between the first tender and the third tender about Rs. 8000 a tonne and Rs. 9000 a tonne. The economic cost of procurement of wheat, including procurement cost, storage cost, holding and distribution cost is between Rs. 10,300 and Rs. 10,700 a tonne. We should procure wheat from our farmers. At the same time, when there is a total shortage in the stocks in the country – public stock and private stock taken together – we must import wheat and we are importing wheat at an economic cost from whatever sources are available in order to augment the stock. There is no contradiction between procuring wheat at a reasonable price from the farmers and importing wheat at an economic cost. Both can co-exist, both have co-existed in the past and both will co-exist in the future also.

Sir, there was one last question about petroleum. There is again a misconception that the petroleum price rise really does not hurt the Government, it gives the Government a bonanza. I have already read out the petroleum prices. The average petroleum prices were 28 dollars in 2003-04. Today the average price in the last three months has been 68 dollars. The price has, in fact, gone up to as high as 74 dollars. The bulk of the burden is borne by the Government and the oil companies. Now, look at the revenue from the petroleum sector. Last year, in 2005-06, we budgeted for a certain amount of revenue in the petroleum sector. We ended with Rs. 1864 crore less than the budgeted amount. There was no bonanza to the revenue. In fact, in 2005-06, we budgeted for Rs. 64,738 crore and we actually collected only Rs. 62,874 crore. I will tell you, why. There was a surplus in the customs head but there was a shortage in the excise head. Because of high prices, import of petroleum products declined and that affected customs duty collection and the volume growth of diesel was only 1.5 per cent as against the projected four per cent. No bonanza came to the exchequer. In fact, this Government has reduced customs and excise duties for petroleum products. For example, customs duty on crude has been reduced from 10 per cent to 5 per cent. Customs duty on petroleum products has been reduced from 20 per cent to 10 per cent. We have followed Dr. Rangarajan's report and switched over to substantially specific duty rate for excise and small part of *ad-valorem* duty. It is this Government which has reduced customs and excise duties on petroleum products[[snb36](#)].

Can we reduce it further? If it is the question of the power to reduce it further, then obviously, the answer is yes, we have the power to reduce it further. But if I reduce customs duties and excise duties, I will have to take a hit on the revenues. I am willing to take a hit on the revenues provided we can control some expenditure, provided we can impose some new taxes. Now it is all right to suggest to reduce customs duties and excise duties on petroleum but do not impose any new taxes and do not cut down any expenditure. How do we balance the budget today? The budget is not balanced. The budget has a 3.8 per cent fiscal deficit. Therefore, one has to balance the interest on revenue and expenditure sides. If I get a bonanza on the customs and excise, then surely, I should reduce it. But, as I have said, there was no bonanza. In fact, last year, we took a hit on the BE figure of Rs. 1864 crores and the collection upto May this year also does not show that there is a bonanza because the price of crude oil is going up. With the price of crude oil going up, you might get a little more on the customs side but it will immediately have an impact on the excise side.

Anyway, these are matters under consideration. As and when fiscal steps are necessary, we will take fiscal steps. RBI is taking monetary steps and the Ministry of Agriculture, Food and Consumer Affairs are taking steps on the supply side. These three measures, namely, fiscal measures, monetary measures and supply side measures will moderate prices. We will have to add, these measures by regulatory measures. As regards the regulatory measures under the Essential Commodities Act, as I have said, the State Governments are free to take them and on the regulatory measures which we have taken under the Forward Markets Act, we are awaiting the Report of the Standing Committee and the passing of the Bill in this Parliament Session so that some more measures can be taken.

Let me assure that the Government is acutely conscious of the responsibility that prices must be moderated. In 2004, the WPI index was 8.5. I came to this House and said that we will moderate the prices and the prices did moderate. Again, let me assure the House that we will take whatever steps are required to be taken to moderate the prices. We should not spread a sense of scarcity or a sense of alarm. Prices will moderate in future.

PROF. CHANDER KUMAR (KANGRA): Sir, I would like to know from the hon. Minister on one point. He has given very detailed measures to see that prices of some commodities will come down. In spite of these measures, when the prices will not come down, then what should be done? You are going to subsidise some essential commodities and the Public Distribution System is already in practice in some States. Through the PDS, you are going to subsidize some essential commodities like two or three pulses so that every common man can purchase them through the PDS. How long will you take to initiate this process? You have to instruct the State Governments that this is the channel that they should take and to give essential commodities at subsidised rates through the PDS in panchayats, cooperative societies and Fair Price Shops so that people can get immediate relief.

SHRI K. FRANCIS GEORGE (IDUKKI): Sir, the hon. Minister has said that off-take of PDS goods has not been commensurate with the allotment that has been made to the States. That is not true as far as Kerala is concerned. In the case of Kerala, allocation of wheat by PDS has been reduced from 46,190 metric tonnes to 19,113 metric tonnes from June, 2006 to March, 2007. In 2005-06, our average off-take of wheat has been 30,841.80 metric tonnes. It has now been reduced to 19,113 metric tonnes. As per the Minister's assurance here, I would request the Government to restore the allotment of wheat to Kerala which is very much proper in its off-take by PDS specially in the case of wheat. I would request him to restore that quota as far as Kerala is concerned.

MD. SALIM (CALCUTTA – NORTH EAST): The hon. Member from the Congress bench has just now put the question. There should be proper supply of essential commodities in the market which are required by the common man, the lower middle class, the middle class and the poorest of the poor. We have the PDS now. In this situation, will the Government consider strengthening the PDS so that 14 items are guaranteed secured supply and see that hoarding will not take place[bru37]. ?

It is because people know that they are going to get things at a reasonable price and at a fixed price throughout the country. That would check this thing. That would correct the ills and the distortions which



happened during the NDA regime under the Essential Commodities Act.

SHRI KINJARAPU YERRANNAIDU (SRIKAKULAM): Mr. Deputy-Speaker, Sir, the duty of the elected Government is to provide all the essential commodities at affordable prices to the common men. At present we have a Public Distribution System. The Government of India should immediately convene the Chief Ministers' Conference on this issue. This is a national issue and not a party issue. Even the hon. Prime Minister and Madam Sonia Gandhi convened a Chief Ministers' Conference of only the Congress ruled States, not of all the States. That is why there are no control orders. When NDA was in power, they scrapped all these things. But there is a clause and even now there is a scope. If State Governments want it, then we are ready to give permission. Hoarding takes place everywhere. To prevent all these things, the Finance Minister should convene a Chief Ministers' Conference to discuss as to why the prices are increasing. We are discussing about PDS and other things. But the ground reality is that people are suffering. This is not my statement alone. Even Madam Sonia Gandhi asked the hon. Prime Minister and the hon. Finance Minister to look into the situation. In this scenario, will the Finance Minister convene a Chief Ministers' Conference on this issue or not?

कुँवर मानवेन्द्र सिंह (मथुरा) : माननीय उपाध्यक्ष महोदय, मैं आपके माध्यम से माननीय मंत्री जी से पूछना चाहता हूँ, अभी जैसे मंत्री जी ने बताया कि आज की तारीख में करीब 70 डालर प्रति बैरल क्रुड ऑयल का रेट है और इस रेट पर हम खरीद रहे हैं। मैं कंसलटेटिव कमेटी का मेम्बर भी हूँ, उस मीटिंग में मैंने अपनी बात रखी थी। मुझे पूरा ठीक से पता नहीं है, मगर मुझे यह पता लगा है कि क्रुड ऑयल पर-बैरल रिफायनरी चार्जस, रिफायनरी में उसे रिफाईंड करने की जो कास्ट आती है, उसके बाद रिफायनरी से ट्रांसपोर्टेशन में जो कास्ट आती है, डिपो में जो तेल, डीजल, कैरोसिन, पेट्रोल वहां पहुंचता है, उसके सर्विस टैक्सेस हैं, ये सब मिला कर 23-24 रुपए के करीब होता है। आज जो रेट हैं, उनमें पेट्रोल करीब 50 रुपए से 52 रुपए पर-लीटर, डीजल 45 रुपए से 48 रुपए, कैरोसिन 25 रुपए से 26 रुपए कंट्रोल रेट पर हम देते हैं और बीपीएल होल्डर्स को नौ रुपए देते हैं, हालांकि कास्ट 25 रुपए से 26 रुपए तक आती है।

उपाध्यक्ष महोदय, मैं माननीय मंत्री जी से पूछना चाहूंगा कि जो कस्टम ड्यूटी, एक्साइस ड्यूटी, सर्विस टैक्स, वेट व अन्य टैक्सेस हैं और जो लगभग 40-45 परसेंट के करीब हैं, उन्हें कम करने के लिए हमारे अन्य दलों के लोगों ने भी इस पर अपनी सिफारिशें दी हैं, क्या सरकार इस पर विचार कर रही है कि आने वाले समय में इन्हें कम करके कस्टमर्स को ये सस्ते दामों में उपलब्ध करा सकेंगे? आज एक गैस के सिलेंडर का भी रेट 310 रुपए से 315 रुपए है। माननीय मंत्री जी ने बहुत सी बातें बताई हैं, उन्हें यह भी बताना चाहिए कि आने वाले तीन-चार महीने या छः महीने में इन चीजों के रेट्स को भी कम करने में सफलता प्राप्त करेंगे, इसका भी सरकार जवाब दे।

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Sir, in my State of Kerala there was statutory rationing which existed for over half a century<sup>[r38]</sup><sup>[r39]</sup>. It was a very successful system of distribution. The prices could be controlled during this period. Now, as we all know, our State is deficit in production of many essential commodities. We are deficit in rice production, we are deficit in wheat production and many other essential commodities. Previously there was a supply from other States without interruption. The States of Andhra Pradesh and Tamil Nadu have supplied foodstuffs to our State. This supply prevented in rise in prices of essential commodities. Now, the supply is put an end to. The Central Government is not coming to the rescue of maintaining this effective Public Distribution System. Public Distribution System is the only remedy for controlling the prise rise of essential commodities.

Now, take for example, the food supplies. Even if wheat is not useful for human consumption, we take the delivery of that wheat. We take delivery of unused wheat; we take delivery of spoiled rice which is unfit for human consumption. It is because of the acute scarcity and price rise. So, I would request the Central Government to make supply easier so that an effective Public Distribution System can be maintained.

SHRI PRABODH PANDA (MIDNAPORE): Sir, in our State, West Bengal, M/s. Reliance has set up a lot of petrol pumps. They are charging more on petrol and diesel, more than the Government rates. How have they got such a right to charge more prices in petrol and diesel is not clear to us. It should be cleared.

Secondly, about the Public Distribution System, I would request the Government to introduce the universal Public Distribution System so that each and every person can get food grains.

SHRI P. CHIDAMBARAM: Sir, there are only three broad issues on which clarification are sought and I thought I had explained them. But I would be quite happy to explain once again. Rice, wheat, sugar and kerosene are supplied through the PDS. All of them are subsidised today. There is no question of reducing the subsidy there. As I said, we have not increased the issue prices of rice and wheat. Therefore, the subsidy level increases as the procurement price goes up. We are not reducing the subsidy and effectively the subsidy has gone up. The issue price remains constant and the procurement price is high and the subsidy goes up. We are not reducing the food subsidy.

Secondly, whether more commodities should be added to the PDS is a larger question which cannot be answered by the Minister of Finance in the course of a debate on price rise of essential commodities. We should raise that as a policy issue. It should be addressed by the Minister concerned. So, I would urge you to raise the question. This is Parliament and you are entitled to debate on all policy issues.

Again, on taxes, I thought I had explained it, but the Hon. Members want me to explain it again. This Government has kept customs duties, excise duties on crude and petroleum products under control. Let me once again give the figures. In May, 2004 when we took over on crude oil the customs duty was 10 per cent, today it is five per cent; on petrol, the customs duty was 20 per cent, today it is 7.5 per cent; on diesel it was 20 per cent, today it is 7.5 per cent; on LPG it was ten per cent, today it is zero per cent; on kerosene it was 10 per cent, today it is zero per cent. I am talking of customs duty. Have I cut customs duty or have I increased customs duty? We have cut customs duty. Look at excise duty. On LPG, the excise duty was 16 per cent in their Government, today it is zero per cent; on PDS kerosene it was 16 per cent, today it is zero per cent. I have abolished the excise duty on LPG and kerosene. I cannot go below zero. On crude oil, petrol and diesel, pursuant to Dr. Rangarajan Committee Report, we have switched over substantially to a specific duty system and a very small portion *ad valorem* [R40].

#### **14.00 hrs.**

In [Rs41] May 2004, on petrol, it was 30 per cent plus Rs.7.5 per litre. Today, it is eight per cent *ad valorem* plus Rs.13 a litre. On diesel, it was 14 per cent *ad valorem* plus Rs.1.5 per litre. Today it is eight per cent *ad valorem* plus Rs.3.2 per litre.

We have gone by Dr. Rangarajan Committee. We have not increased the tax rates on the petroleum products, on the contrary we have cut Customs Duty and Excise Duty. As I have said, if you want me to cut more, that is a question which can be considered, but I have to find corresponding savings on expenditure side or

I have to impose new taxes to raise more revenue. These are not questions which can be answered saying 'will you cut duties?' If you say 'No', you are a bad chap and if you say 'Yes', you are a good chap. It is not so easy to answer these questions. These questions will be balanced with the larger question of making a budget. Therefore, we have cut Customs Duty to the extent possible and as I said, our minds are open, if necessary, we will take further fiscal measures.

MR. DEPUTY-SPEAKER: The House stands adjourned to meet again at 3 p.m.

**14.01 hrs.**

*The Lok Sabha then adjourned for Lunch till*

*Fifteen of the Clock.*

---