

CHAPTER 5

PRICES AND PRICE POLICY

The behaviour of prices has been one on the more encouraging features of the economic scene in 1982-83. The improvement in the overall price situation was all the more remarkable against the background of a set-back to agricultural production due to drought. As on week ended 15th January, 1983 the annual rate of inflation in terms of the wholesale price index, on a point to point basis, was 2.8 per cent compared with 6.4 per cent at the same time last year. The increase in the Consumer Price Index was also lower. The annual rate of inflation in consumer prices came down to 8.0 per cent in December 1982 compared with 12.7 per cent in December 1981.

5.2 Both supply and demand factors have contributed to bringing down the rate of inflation. On the

supply side, the public distribution system played an important role in making available adequate quantities of essential commodities throughout the country and particularly in areas which suffered due to severe drought. Advance action was taken to build up stocks and improve availability of foodgrains through intensive procurement and carefully planned imports. Arrangements for the supply of agricultural inputs were streamlined to minimise the impact of drought. Higher releases of sugar and edible oils were arranged during the festival season in order to meet the pressure of demand. On the demand side, the monetary policy continued to emphasise the need for restraint while ensuring that genuine requirements for credit were met. These measures contributed to dampening of inflationary expectations in the wake of unsatisfactory progress of the monsoon during June-July 1982.

TABLE 5.1
Index Numbers of Wholesale Prices
(1970-71 = 100)

1	Weight (Per cent)	Per cent variations							
		26-3-77	25-3-78	31-3-79	29-3-80	28-3-81	27-3-82	16-1-82	15-1-83(P)
		27-3-76	26-3-77	25-3-78	31-3-79	30-3-80	28-3-81	28-3-81	27-3-82
	2	3	4	5	6	7	8	9	10
ALL COMMODITIES	100.00	12.0	0.4	4.6	21.4	16.7	2.4	3.9	4.4
I. Primary Articles	41.67	20.1	0.4	1.4	19.4	14.8	4.6	7.4	6.1
(a) Food Articles	29.80	16.6	4.0	-1.0	11.3	15.3	7.7	9.1	6.1
Foodgrains	12.92	10.4	7.2	-0.9	12.5	17.8	4.1	5.3	8.0
Cereals	10.74	9.2	-0.6	-0.6	16.3	11.3	9.3	8.6	10.9
Pulses	2.18	15.4	42.9	-1.7	Neg.	42.0	-11.4	-4.4	-2.5
Fruits & Vegetables	6.13	27.1	9.4	-5.9	19.0	17.3	5.8	8.4	1.9
Milk & Milk Products	6.15	7.7	1.6	6.8	3.4	12.8	16.9	13.8	1.2
Eggs, Fish & Meat	1.90	8.3	19.1	5.3	14.5	10.5	13.4	17.8	18.6
Condiments & Spices	1.09	13.7	4.9	-15.7	-21.3	32.1	11.1	24.3	No. ch.
(b) Non-food Articles	10.62	36.8	-9.0	7.3	14.8	12.0	2.2	8.4	9.1
Raw cotton	2.25	44.8	-14.2	-6.9	0.4	35.1	-11.6	-0.7	-6.5
Raw jute	0.43	9.1	5.6	-8.9	-4.7	-0.5	11.2	6.8	24.1
Oilseeds	4.20	73.4	-10.9	-2.4	31.8	18.0	-4.0	5.9	15.0
(c) Minerals	1.25	4.5	2.6	5.3	97.5	17.5	-5.1	-1.9	0.7
Petroleum Crude and Natural Gas	0.60	6.4	1.9	4.5	120.3	18.3	-7.2	-3.6	1.0
II. Fuel, Power, Light & Lubricants	8.46	1.4	4.5	3.7	20.7	31.9	9.3	9.3	4.6
Mineral oils	4.91	0.2	1.6	2.7	20.0	39.6	9.7	9.6	0.7
III. Manufactured Products	49.87	8.3	-0.6	7.5	23.2	14.7	-1.2	-0.1	2.9
Food Products	13.32	20.4	-13.5	3.5	49.3	26.4	-20.8	-13.8	1.8
Sugar, Khandsari & Gur	7.24	5.7	-19.7	5.5	73.4	32.1	-33.4	-24.0	-4.6
Edible Oils	3.72	62.4	-6.5	3.5	25.9	20.3	2.4	5.0	9.0
Textiles	11.03	15.2	5.4	6.2	13.0	3.7	4.0	1.8	3.6
Chemicals and Chemical Products	5.55	2.2	1.6	3.8	18.2	17.2	5.1	5.3	2.4
Basic Metals, Alloys & Metal Products	5.97	1.9	3.6	11.6	18.0	16.1	10.7	10.3	7.6
Machinery & Transport Equipment	6.72	-1.3	4.5	11.0	15.7	9.6	9.5	8.8	1.5

P = Provisional.

Price behaviour in 1981-82 and 1982-83

5.3 There was a deceleration in price level in 1981-82. The annual rate of inflation measured in terms of the Wholesale Price Index, on a point to point basis, came down from 16.7 per cent in 1980-81 to 2.4 per cent in 1981-82 (Table 5.1). The annual rate based on the Consumer Price Index was also much lower at 8.8 per cent in 1981-82 compared with 12.6 per cent in 1980-81. Sharp declines in the wholesale price indices were registered in pulses, raw cotton, oilseeds, petroleum crude and the sugar group. However, prices of cereals, petroleum products, fertilizers, iron and steel, non-ferrous metals, milk and milk products, eggs, fish and meat showed significant increases.

5.4 During the current financial year 1982-83, i.e. from 27th March, 1982 to January 15, 1983, the Wholesale Price Index (1970-71=100) increased by 4.4 per cent against 3.9 per cent during the corresponding period of last year. The increase in the Consumer Price Index between March and December

1982 was, however, smaller at 8.8 per cent compared with 9.5 per cent in the same period last year. The annual rate based on the Wholesale Price Index for the week ended January 15, 1983 was 2.8 per cent compared with 6.4 per cent in the same week last year. The annual rate on the basis of the Consumer Price Index was 8.0 per cent as of December, 1982 which was much lower than 12.7 per cent in the same month last year (Table 5.2).

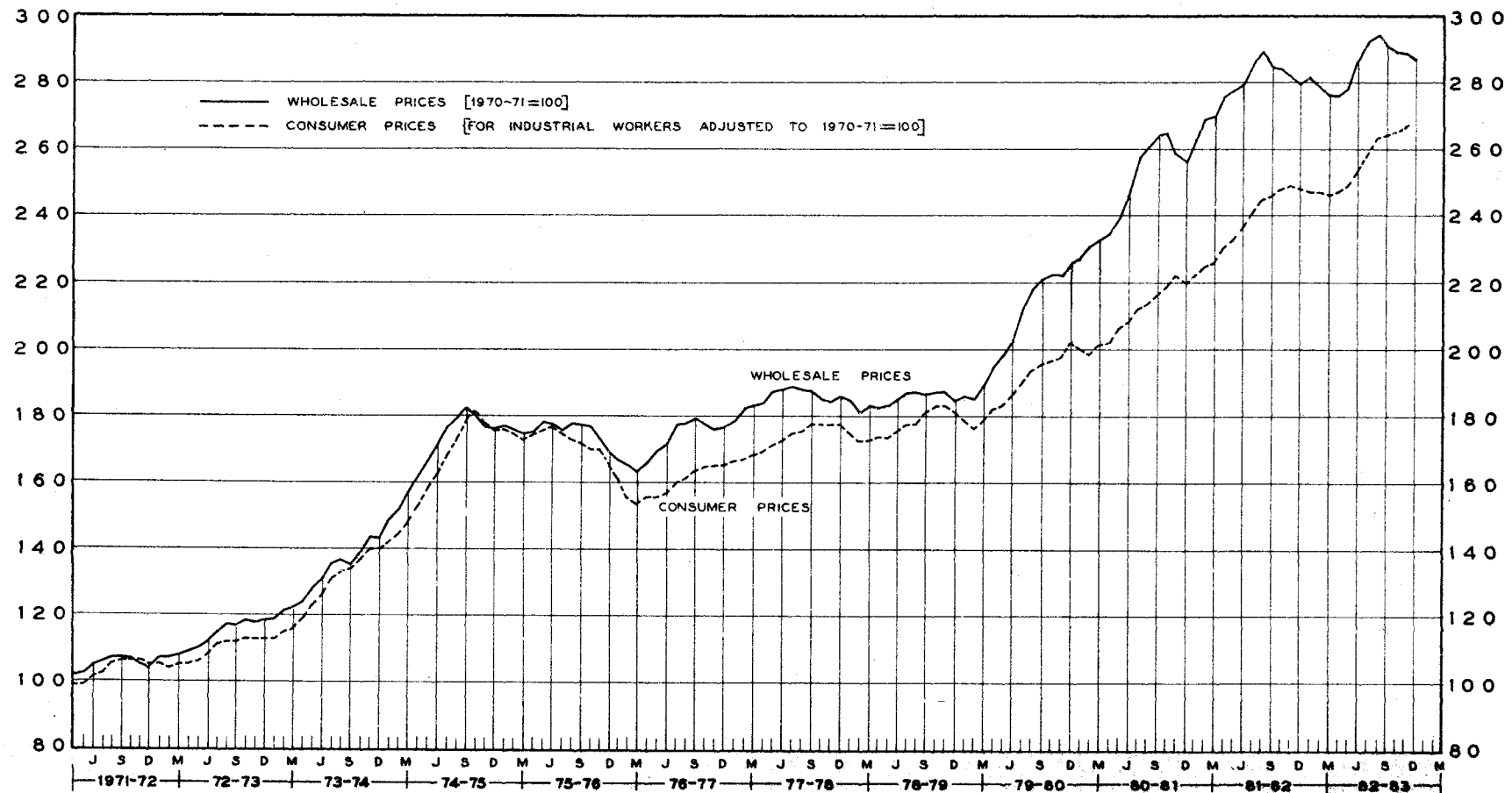
5.5 Sugar, khandsari and gur group which had exercised a substantial downward pull in 1981-82 showed only moderate decline during April—December 1982. The administered items as a group (Table 5.3) showed a much smaller increase compared with that in the same period of 1981-82. The prices of petroleum products were unchanged in the current financial year. No revision in coal prices was made in 1981-82 but the upward adjustment in coal prices in the current financial year resulted in an increase of 16.5 per cent in the Wholesale Price Index of coal mining. The index for non-ferrous metals, which had risen by 7.2 per cent in 1981-82, fell by 2.5 per cent in the current financial year. The

TABLE 5.2
Percentage variations in Wholesale/Consumer Price Index

Month	1979-80			1980-81			1981-82			1982-83		
	Index	Monthly rate of inflation	Annual rate of inflation	Index	Monthly rate of inflation	Annual rate of inflation	Index	Monthly rate of inflation	Annual rate of inflation	Index	Monthly rate of inflation	Annual rate of inflation
1	2	3	4	5	6	7	8	9	10	11	12	13
<i>A. Index Numbers of Wholesale Prices (1970-71 = 100)</i>												
April	195.5	3.4	7.1	235.0	0.8	20.2	275.7	2.1	17.3	276.9	-0.1	0.4
May	198.5	1.5	8.4	240.0	2.1	20.9	277.9	0.8	15.8	278.5	0.6	0.2
June	202.4	2.0	9.6	247.2	3.0	22.1	279.8	0.7	13.2	285.9	2.7	2.2
July	211.7	4.6	13.3	257.8	4.3	21.8	286.2	2.3	11.0	291.7	2.0	1.9
August	218.5	3.2	16.9	260.3	1.0	19.1	289.2	1.0	11.1	294.4	0.9	1.8
September	221.2	1.2	18.5	263.8	1.3	19.3	284.8	-1.5	8.0	290.9	-1.2	2.1
October	222.2	0.5	18.5	264.6	0.3	19.1	284.1	-0.2	7.4	289.7	-0.4	2.0
November	222.0	-0.1	18.4	258.6	-2.3	16.5	281.5	-0.9	8.9	289.1	-0.2	2.7
December	227.0	2.3	22.4	257.1	-0.6	13.3	279.5	-0.7	8.7	287.1	-0.7	2.7
January	227.7	0.3	22.7	263.2	2.4	15.6	281.1	0.6	6.8	..	..	..
February	231.3	1.6	25.2	268.8	2.1	16.2	278.7	-0.9	3.7	..	..	..
March	233.2	0.8	23.3	270.0	0.4	15.8	277.1	-0.6	2.6	..	..	..
<i>B. All India Consumer Price Index Numbers for Industrial Workers (1960 = 100)</i>												
April	337	1.5	4.7	375	0.5	11.3	427	1.7	13.9	459	0.4	7.5
May	339	0.6	5.0	382	1.9	12.7	433	1.4	13.4	462	0.7	6.7
June	345	1.8	5.5	386	1.0	11.9	439	1.4	13.7	470	1.7	7.1
July	353	2.3	7.0	394	2.1	11.6	447	1.8	13.5	478	1.7	6.9
August	360	2.0	8.8	397	0.8	10.3	454	1.6	14.4	488	2.1	7.5
September	363	0.8	8.0	402	1.3	10.7	456	0.4	13.4	489	0.2	7.2
October	365	0.5	7.4	406	1.0	11.2	460	0.9	13.3	491	0.4	6.7
November	368	0.8	8.2	411	1.2	11.7	462	0.4	12.4	496	1.0	7.4
December	374	1.6	11.6	408	-0.7	9.1	460	-0.4	12.7	497	0.2	8.0
January	371	-0.8	11.7	411	0.7	10.8	459	-0.2	11.7	..	..	..
February	369	-0.5	12.2	418	1.7	13.3	458	-0.2	9.6	..	..	..
March	373	1.1	12.3	420	0.5	12.6	457	-0.2	8.8	..	..	..

Figures from May, 1982 are provisional in respect of Wholesale Prices.

INDEX NUMBERS OF PRICES



MINISTRY OF FINANCE, ECONOMIC DIVISION.

increase in electricity tariff was 10.6 per cent in the current financial year as against 15.7 per cent in 1981-82; iron, steel and ferro alloys continued to exert pressure on the general price level but it was less than that in 1981-82.

5.6 The increase in the prices of seasonal items as a group (Table 5.3) and 'other' commodities which have 42.78 per cent weight in the Wholesale Price Index was lower in the current financial year than in the previous year. The Wholesale Price Index increased by 2.8 per cent and 2.0 per cent respectively in June and July 1982 mainly due to unseasonal rains in April and May 1982. The Wholesale Price Index also came under seasonal pressure with the advent of the lean agricultural marketing season (from mid-May to mid-September). The All commodities Wholesale Price Index moved up steadily from 276.0 for the week ended April 24, 1982 to 294.2 for the week ended August 28, 1982 showing an increase of 6.6 per cent. Almost three-fourths of the overall increase during this period could be attributed to half a dozen items with a total weight of 41.51 per cent in the Wholesale Price Index. Bulk of the increase was contributed by gur, oilseeds and edible oils, fruits and vegetables and rice. The Index declined by 1.2 per cent and 0.4 per cent in September 1982 and October 1982 over the average

level of the respective preceding months. It remained almost stable in November 1982 and again declined by 0.7 per cent in December 1982 (Table 5.2).

5.7 There was a contra-seasonal increase in the Wholesale Price Index for wheat, which moved up from 186.7 in May 1982 to 195.8 in July 1982 and further to 210.2 in September, 1982. The increase during this period was much larger than in the corresponding period of 1981. This was mainly the result of unseasonal rains during April-May 1982, which damaged the harvested wheat. The uneven distribution of rainfall in the kharif season adversely affected rice production. This was reflected in the price index for rice, which moved up from 231.2 in March, 1982 to 258.7 in December, 1982 or by 11.9 per cent. To a certain extent, the increase in these prices reflects the increase in the procurement and issue prices of rice. Adequate supply of food-grains through the public distribution system checked the increase in these prices, which otherwise would have risen more sharply. The timely decision to import about 4 million tonnes of wheat also helped in restraining speculative expectations. The prices of pulses registered a decline of 2.5 per cent in the current financial year (up to 15th January 1983) as against a fall of 4.4 per cent and a rise of 52.2 per cent in the corresponding periods of 1981-82 and 1980-81.

TABLE 5.3
Variations in Wholesale Prices of certain Commodities/Groups

	Weight Per cent	Between Week ended									
		31-3-1979 & 29-3-1980		29-3-1980 & 28-3-1981		28-3-1981 & 27-3-1982		28-3-1981 & 16-1-1982		27-3-1982 & 15-1-1983 (P)	
		%age Change	%age Share	%age Change	%age Share	%age Change	%age Share	%age Change	%age Share	%age Change	%age Share
1	2	3	4	5	6	7	8	9	10	11	12
ALL COMMODITIES	100.00	21.4	100.0	16.7	100.0	2.4	100.0	3.9	100.0	4.4	100.0
A. Administered prices	14.96	32.2	30.5	26.2	34.6	6.4	64.2	7.1	42.9	4.6	26.0
(i) Petroleum Crude	0.60	120.3	14.6	18.3	5.2	-7.2	-14.7	-3.6	-4.5	1.0	1.0
(ii) Petroleum Products	4.91	20.0	6.7	39.6	16.8	9.7	34.7	9.6	20.8	0.7	1.4
(iii) Coal mining	1.15	54.8	3.3	29.6	2.9	No. ch.	—	No. ch.	—	16.5	6.7
(iv) Electricity	2.40	6.5	0.8	10.4	1.5	15.7	14.7	15.7	8.9	10.6	6.1
(v) Fertilizers	1.25	2.8	0.2	52.9	2.9	7.1	3.6	7.2	2.2	Neg.	—
(vi) Iron, Steel & Ferro alloys	3.47	19.5	3.6	19.7	4.6	13.0	22.1	13.0	13.3	11.5	11.7
(vii) Non-ferrous Metals	1.18	18.6	1.3	9.0	0.7	7.2	3.8	6.4	2.2	-2.5	-0.9
B. Sugar, Khandsari & Gur and Edible Oils	10.96	57.3	24.9	28.9	20.9	-24.4	-137.1	-16.6	-56.7	No ch	—
(i) Sugar, Khandsari & Gur	7.24	73.4	21.1	32.1	16.9	-33.4	-140.5	-24.0	-60.9	-4.6	-6.9
Sugar	(2.19)	36.4	3.1	28.9	3.5	-13.2	-12.5	-8.3	-4.7	-10.0	-4.4
Khandsari	(0.49)	89.8	1.7	36.2	1.4	-35.5	-11.3	-24.0	-4.5	-17.0	-1.8
Gur	(4.56)	88.7	16.3	32.7	12.0	-39.7	-116.7	-30.0	-51.7	-0.7	-0.7
(ii) Edible Oils	3.72	25.9	3.8	20.3	4.0	2.4	3.4	5.0	4.2	9.0	6.9
C. Seasonal Items	31.30	14.4	18.4	16.3	25.2	6.1	66.6	8.4	55.2	7.3	44.7
(i) Cereals	10.74	16.3	6.7	11.3	5.7	9.3	31.7	8.6	17.6	10.9	21.4
(ii) Pulses	2.18	Neg.	—	42.0	5.7	-11.4	-13.2	-4.4	-3.0	-2.5	-1.3
(iii) Fruits & Vegetables	6.13	19.0	4.4	17.3	5.1	5.8	12.0	8.4	10.5	1.9	2.2
(iv) Milk & Milk Products	6.15	3.4	0.9	12.8	3.5	16.9	31.4	13.8	15.6	1.2	1.4
(v) Eggs, Fish & Meat	1.90	14.5	1.5	10.5	1.3	13.4	10.9	17.8	9.0	18.6	9.2
(vi) Oilseeds	4.20	31.8	4.9	18.0	3.9	-4.0	-6.2	5.9	5.5	15.0	11.8
D. All other commodities	42.78	13.1	26.2	8.0	19.3	6.8	106.3	6.2	58.6	3.3	29.3

P = Provisional.

5.8 The continued relative stability in the prices of the sugar group in the period of seasonal pressures and decline since October 1982, played an important role in keeping down the overall price index. This group had a very significant destabilising impact during 1979-80 and 1980-81. Sugar production reached a record level of 84.4 lakh tonnes in 1981-82 sugar year and the prospects for the current year are equally good, which has had a bearish impact. Further, in order to prevent speculative pressures on the prices of sweetening agents, releases of sugar were stepped up considerably from 4.21 lakh tonnes in March, 1982 to 4.94 lakh tonnes in June, 1982 and further to 6.24 lakh tonnes in September, 1982. These releases totalled 58.0 lakh tonnes for the entire sugar season 1981-82 (October-September). During October-December 1982 the releases added upto 18.72 lakh tonnes as against 14.73 lakh tonnes in the same period of the 1981-82 season. As a result, sugar prices tended to fall during this period. In order to prevent a further fall in open market prices, which would have had an adverse impact on viability of mills, sugar releases in January 1983 were reduced. In view of good production prospects of sugarcane crop and because of a comfortable opening stock, sugar price situation is expected to be comfortable in the coming financial year.

5.9 The Wholesale Price Index of oilseeds has risen in the current financial year by 15.0 per cent, which is significantly higher than the increase of 5.9 per cent in the corresponding period of the previous year. This is partly because of set-back to oilseeds production during the kharif season in the current year. The increase in the wholesale prices of edible oils in the current financial year has, however, been less at 9.0 per cent only, though it is somewhat more than the increase in the corresponding period of 1981-82.

5.10 With the emergence of high yielding varieties of cotton, the overall supply position of raw cotton improved during the past few years. A good cotton crop during 1981-82 and the prolonged labour strike in 1982 in Bombay textile industry leading to constrained demand generally exercised a moderating influence on cotton prices. The Wholesale Price Index of raw cotton moved within a narrow range, i.e. from 202.1 in March 1982 to 209.9 in July, 1982 and 207.4 in September, 1982 and with the arrival of new crop into the market prices moved down further to 189.0 in the last week of December 1982.

5.11 It is note-worthy that wholesale prices of most of the commodities of daily use remained more or less stable. The Wholesale Price Index of soap continued to rule steady at 234.2 through-out the current financial year. The Index for kerosene stayed at 320.5 since April 1982, while that for salt declined from 238.4 in March, 1982 to 226.4 in June, 1982 and further to 216.8 in September, 1982. The Index for coffee moved down from 141.1 in March 1982 to 137.2 in July, 1982 before rising to 141.2

in September, 1982. The Index of cotton textiles also remained relatively stable and ranged from 229.8 in March, 1982 to 233.4 in September, 1982.

Consumer Prices

5.12 The annual rate of inflation in terms of the All India Consumer Price Index of Industrial Workers (1960=100) also declined quite perceptibly. The annual rate of inflation (percentage change in a month over the corresponding month of the previous year) which was as high as 14.4 per cent in August, 1981 showed a declining trend and worked out to 8.0 per cent for December, 1982 (latest available). The reasons for the divergent movement of the Wholesale and Consumer Price Indices were discussed in detail in last year's Economic Survey. The movements in the indices may be seen in Chart 8. The fluctuations in wholesale prices tend to be wider and the gap between the peaks and troughs in consumer prices is narrower than in the case of wholesale prices. An important reason why the Consumer Price Index shows a higher annual rate of inflation compared with that in terms of the Wholesale Price Index during the current year is the higher weightage of items like foodgrains and other items whose administered prices have been revised upwards in line with higher prices paid to farmers and producers. There is also a time lag in the transmission of the effect of decline in wholesale prices to consumer prices. However, their broad movements are similar. (Chart 9).

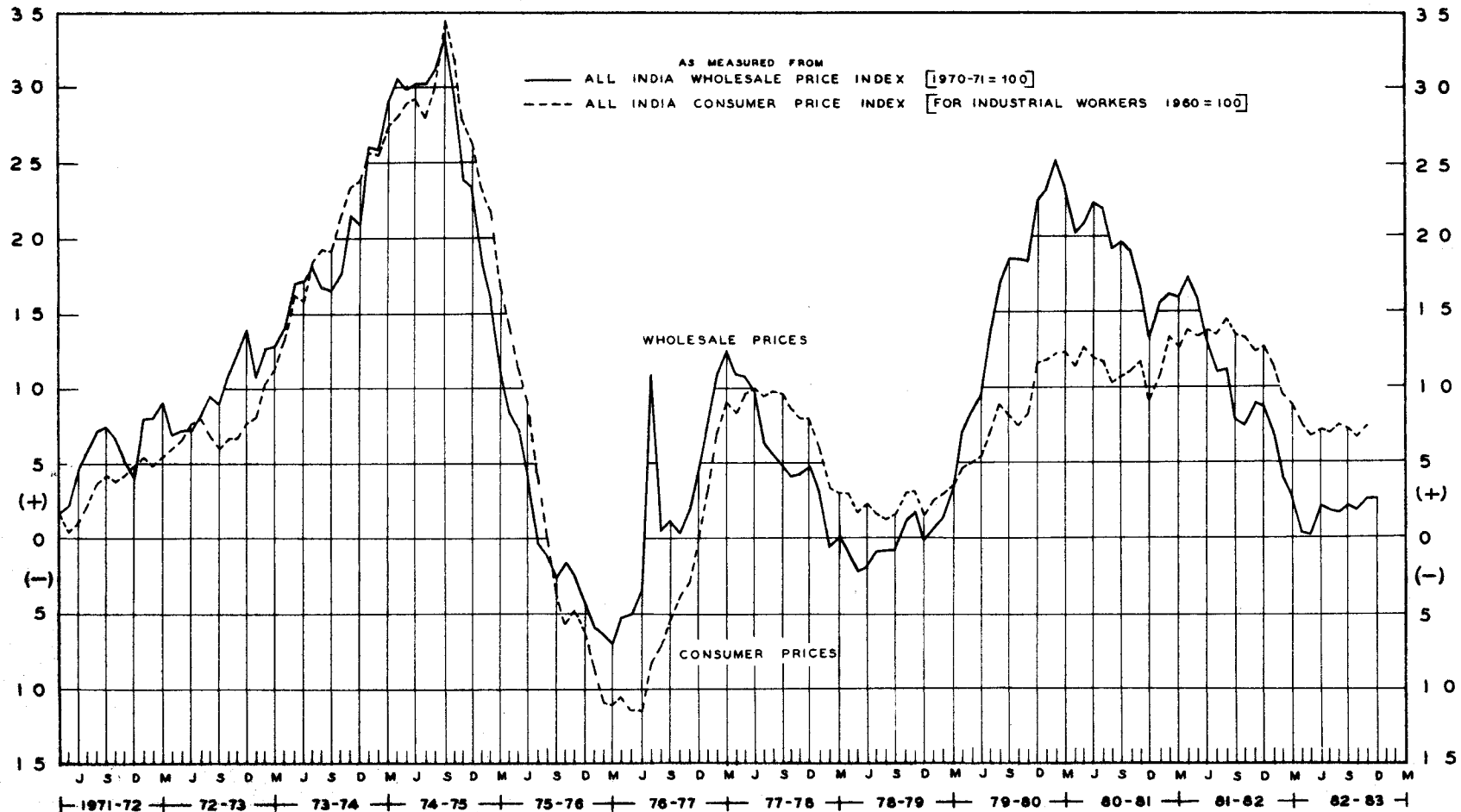
5.13 By and large, the price situation in the current financial year has remained comfortable. However, supply and demand remain finely balanced in the economy and there can be no room for complacency. It is, therefore, imperative that the situation particularly in respect of sensitive commodities, which are prone to speculative manipulation is carefully watched.

Policy Developments

5.14 The notable moderation in inflationary pressures, despite the set-back to kharif crop was brought about by concerted measures taken by the Government both on the demand and the supply side. During 1981-82 and also in 1982-83, the focus of anti-inflationary policies was on bringing about improvement in the performance of infrastructure, stepping up production in vital sectors, strengthening the public distribution system and better management of supplies. The public distribution system was geared to prevent emergence of artificial scarcities and timely supplies were arranged in areas suffering from drought or affected by floods. On the demand side, efforts were directed at preventing any excessive increase in liquidity but at the same time ensuring that the genuine requirements of the productive and the priority sectors were adequately met. Appropriate adjustments were made in administered prices which were consistent with the overall policy objectives.

ANNUAL RATE OF INFLATION

(%CHANGE OVER 12 MONTHS)



MINISTRY OF FINANCE, ECONOMIC DIVISION.

TABLE 5.4

Minimum Support/Procurement Prices of Agricultural Commodities

Commodity	Marketing years*							
	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1	2	3	4	5	6	7	8	9
1. Wheat (procurement price)	105	110	112.50	115	117	130	142	
2. Paddy —do—	74	77	85	95	105	115	122**	
3. Coarse grains —do—	74	74	85	95	105	116	118	
4. Barley (Minimum support price)	65	65	67	@	105	116	@	
5. Gram —do—	90	95	125	140	145	@	@	235
6. Arhar —do—	@	@	155	165	190	@	215	
7. Moong —do—	@	@	165	175	200	@	240	
8. Urad —do—	@	@	@	175	200	@	230	
9. Mustard —do—	—	—	225	245	—	@	@	355
10. Groundnut —do—	140	160	175	190	206	270	295	
11. Sunflower seed —do—	150	165	175	175	183	250	250	
12. Soyabean —do—	—	145	175	175	183	210	220f	
13. Cotton (Kapas 320 F) —do—	@	255	255	275	304	@	380***	
14. Sugarcane (statutory Minimum Price)	8.50	8.50	10.00	12.50	13.00	13.00	13.00	
15. Jute (W-5 grade) —do—	136	141	150	155	160	175	175	

*Marketing year (April-March) for wheat, gram, barley and mustard, (July-June) for Jute, (September-August) for cotton, and (November-October) for paddy and other kharif crops.

**Rs. 126 for fine variety and Rs. 130 for superfine variety.

@Not announced.

fRs. 245 for yellow variety.

***J-34/F variety.

5.15 There was no change in the basic framework of pricing policy in respect of commodities subject to administered pricing in the current financial year. The price policy continued to achieve a balance between the interests of the producer and the consumer. Price adjustments were carried out in line with economic costs. Uneconomic pricing policies in the public sector and in high priority industries result in erosion of resources for further investment and sometimes lead to malpractices by unscrupulous traders. Necessary and appropriate price adjustments were made with a view to ensuring viable operations and generating additional resources.

Agricultural Prices

5.16 The objective of agricultural price policy was to ensure remunerative prices to farmers and to pro-

cure adequate quantities for public distribution and buffer stocking, keeping in view the overall requirements of the economy, including an appropriate inter-crop balance. The minimum support/procurement prices for important agricultural commodities are presented in Table 5.4.

5.17 On the recommendation of the Agricultural Prices Commission (APC), the procurement price of paddy (common variety) for the marketing year 1982-83 was raised from Rs. 115 to Rs. 122 per quintal. The prices of fine and superfine varieties were also raised by Rs. 7 per quintal. Government also accepted the APC's recommendation and raised the procurement price of coarse kharif cereals from Rs. 116 to Rs. 118 per quintal for the 1982-83 marketing year. A moderate increase was allowed this year in view of the fact that the increases in the past two years had been more liberal and had largely

compensated for the higher input costs of earlier years.

5.18 The procurement price of wheat, which was raised from 117 to Rs. 130 per quintal in the marketing year 1981-82, was further stepped up to Rs. 142 per quintal for the 1982-83 season. For 1983-84 marketing year, the APC has recommended a price of Rs. 150 per quintal. The report is under consideration of the Government.

5.19 Minimum support price for the fair average quality of Arhar has been fixed at Rs. 215 per quintal for the 1982-83 marketing season as against Rs. 190 per quintal announced in 1980-81. Similarly, for used and moong the minimum support prices have been fixed at Rs. 230 and Rs. 240 per quintal respectively as against Rs. 200 each per quintal announced in 1980-81. These price increases have been allowed to give further fillip to the production of pulses. The NAFED has been entrusted, as usual, to undertake support operations.

5.20 Regarding oilseeds, the minimum support price of groundnuts was raised from Rs. 270 per quintal in 1981-82 season to Rs. 295 per quintal for the 1982-83 season. Similarly, the minimum support price of soyabean was stepped up from Rs. 210 to Rs. 220 per quintal. The appreciable increase in support prices for various oilseeds was not only to make them correspond more closely to the ruling market prices but also to give an edge over the prices of competing crops. The price of sunflower seeds was maintained at Rs. 250 per quintal.

5.21 In the context of an abundant sugarcane crop for the second successive year the statutory minimum price for sugarcane for 1982-83 marketing year was maintained at Rs. 13 per quintal. This price was linked to recovery of 8.5 per cent and premiums were allowed for higher recoveries. The market prices of cotton in the marketing year 1981-82 ruled at a substantially higher level than the support prices recommended by the A.F.C. As such, the minimum support prices for cotton were not announced in 1981-82. For the 1982-83 marketing year, however, the minimum statutory price of cotton J-34/F variety at Rs. 380 per quintal, as recommended by the APC, was accepted by the Government. As prices of raw jute in a number of upcountry markets were ruling significantly below the statutory minimum price, it was decided to maintain the minimum levels for W-5. Grade of Jute at the last year's level of Rs. 175 per quintal.

Industrial Prices

5.22 On February 27, 1982 Government decided on the partial decontrol of cement and a single ex-factory price for all cement factories in the country. This was done to bring about better adjustment in supply and demand, eliminate black marketing and speculative hoarding, and improve the realisation by mills and thereby attract investments in the industry.

The ex-factory price in respect of ordinary portland cement and portland slag cement was fixed at Rs. 335 per tonne and in respect of Pozzolana portland cement at Rs. 320 per tonne, with the corresponding free-on-rail prices of Rs. 440 per tonne and Rs. 425 per tonne respectively. This replaced the earlier system of 3-tier retention prices. Inclusive of taxes and packing charges, the price of levy ordinary portland slag cement per bag worked out to Rs. 37.91 and the price of pozzolana portland cement to Rs. 37.16 per bag. Considering the fact that new units (going into production after 1st January 1982) were not in a position to produce cement to the extent of 100 per cent of their installed capacity and the capacity utilisation was less than that of the licensed capacity, it was decided that the installed capacity in their case for the purpose of determining the 50 per cent levy quota would be taken at 75 per cent of the licensed capacity in the first year of production and 85 per cent of the licensed capacity in the second year. From third year onwards the installed capacity would be taken as 100 per cent of the licensed capacity for the purpose.

5.23 Under the scheme of partial decontrol, the existing cement units were required to make over to Government output equal to 66.6 per cent of their installed capacity as levy cement at a controlled price. Relaxation was also allowed for units suffering loss of production due to power cuts etc. With the announcement of the new pricing/distribution policy, existing subsidies, except those relating to movement and units located in remote areas were discontinued. Under the new policy it was decided *inter alia* that levy cement would be given for use of State and Central Government Departments, State and Central Corporations, large, medium and small scale industries for factory construction, etc. Categories of industrial establishments in the organised sector entitled for allotment from levy quota, both large and medium, were also identified and, included socially oriented schemes in the new 20-point programme. The new policy was also expected to impart greater momentum to the creation of new capacity in the cement industry and better productivity in the existing units.

5.24 The regime of administered prices for pig iron and all categories of steel produced by integrated steel plants was abolished in April 1982 in order to (i) bring about greater realism in their prices; (ii) mop up the market premia and (iii) increase the generation of internal resources for the industry to be channelised into the Steel Development Fund meant for modernisation and expansion of steel industry. Under the new arrangements, steel prices were to be determined by the Joint Plant Committee (JPC) and the requirement of prior Government approval was no longer necessary. The JPC raised the prices of various categories accounting for 36 per cent of the total tonnage planned to be produced in the current financial year, the prices for another 40 per cent remained unchanged, for another 20 per cent prices were reduced while the remaining 4 per cent continued

to be outside the purview of the JPC. The prices were again readjusted by the JPC in October 1982 in view of the increase in the prices of coal and power. About 40 per cent of the total items were either left untouched or underwent a downward price adjustment.

5.25 The prices of different grades of coal (last revised on 14th February, 1981) were raised with effect from May 27, 1982 because of substantial increases in the input costs and to minimise the losses of the coal companies. The pit-head prices of coal were raised from Rs. 128.02 per tonne to Rs. 145.90 per tonne in the case of the Coal India Limited and from Rs. 136.85 per tonne to Rs. 154.73 per tonne for the Singareni Collieries Co. Ltd. Prices of soft coke, used as domestic fuel, were raised from Rs. 150.00 per tonne to Rs. 175.00 per tonne which was Rs. 40.00 per tonne below its cost of production.

5.26 The prices of drugs underwent revisions on the basis of cost studies conducted by the Bureau of Industrial Costs and Prices. Since the commencement of the Drugs (Prices Control) Order, 1979, prices of 180 bulk drugs, of 6,000 formulations (including 537 leader prices) were revised. In a large number of cases, the price increases had to be effected because of input cost escalation consequent upon the increase in petro-products prices that took place in the past few years.

5.27 The prices of non-ferrous metals are reviewed periodically by a Pricing Committee. The prices of the domestic market are fixed periodically in the light of prevailing trends in the international markets as also keeping in view the overall requirements of the country's economy. The latest price revision was made effective from February 1, 1983.

5.28 In the price policy for sugar for 1982-83 season the proportions of levy and non-levy sugar were maintained at 65 per cent and 35 per cent respectively. The price of levy sugar was fixed at Rs. 375 per quintal taking into account the increase in development cess. Government also continued to regulate monthly releases of levy sugar and non-levy sugar. In order to maximise production, incentive was provided to the sugar mills through excise duty rebate for extended crushing during May—September 1982. The duty rebate of Rs. 40.00 per quintal was given for free sale sugar and Rs. 24.50 per quintal for levy sugar.

5.29 An important decision was to maintain initially a buffer stock of 5 lakh tonnes out of free sale sugar from the production of the 1981-82 sugar year. The quantity of buffer stock was to be held by sugar mills themselves as sequestered stocks on a *pro-rata* basis; the sugar mills would be financed to the extent of 100 per cent by banks while the Government of India would reimburse the cost of holding and the interest charges with effect from 1st October, 1982. The Directorate of Sugar notified all sugar mills

individually the quantity and quality of sugar stocks to be held by them as buffer stock. The scheme also envisaged utilisation of additional credit made available to the mills towards payment of cane price arrears. In order to make the scheme self-financing, the maximum limit of cess leviable on sugar was raised from Rs. 5 to Rs. 14 per quintal.

Public Distribution System

5.30 The public distribution system continued to play a vital role in supply management and helped to minimise the impact of drought condition in several areas of the country. More than 2.76 lakh reorganised fair price shops provided important essential commodities at reasonable prices throughout the country. Of the total number of fair price shops, about 78 per cent are located in the rural areas.

5.31 More than 11.2 million tonnes of foodgrains were distributed in the current financial year (upto December 1982). Of this, distribution of rice was 5.8 million tonnes and of wheat 5.3 million tonnes. This may be compared with the distribution of 9.9 million tonnes of foodgrains in the same period of 1981-82 and 10.5 million tonnes in 1980-81. The public distribution of rice in 1981-82 was 6.7 million tonnes as against 5.9 million tonnes in 1980-81 and that of wheat 6.7 million tonnes in 1981-82 compared with 7.5 million tonnes in 1980-81. On present trends, the total public distribution of foodgrains in 1982-83 may be more than 14 million tonnes. (Table 5.5).

5.32 Imported edible oils distributed for direct consumption during the oil year 1980-81 (November—October) totalled 4.25 lakh tonnes as against 3.54 lakh tonnes in the 1979-80 oil year and 93,348 tonnes in the oil year 1978-79. The quantity distributed during 1981-82 oil year stood at 4.5 lakh tonnes. The distribution of levy sugar totalled 33.9 lakh tonnes for the sugar season 1981-82 (October—September) as against 32.5 lakh tonnes in the 1980-81 season. Releases in the 1982-83 season are expected to be higher than those in the 1981-82 season. Certain other items such as kerosene, soft coke and controlled cloth are being distributed through retail outlets at fixed prices. Apart from the commodities supplied through Central agencies, the State Governments have the option to include in the public distribution system any other commodity considered as essential for mass consumption by arranging its procurement through nominated agencies. Thus, some State Governments procure pulses, vanaspati, toilet soap, cycle tyres and tubes, battery cells, soda ash etc. and distribute them through retail outlets.

5.33 The viable operation of the public distribution system depends on effective procurement. Total quantity of foodgrains procured in 1981-82 was 13.8 million tonnes, which was higher than 11.3 million tonnes procured in 1980-81 and 12.6 million tonnes procured in 1979-80. Procurement in the current financial year has been proceeding satisfactorily; about 13.2 million tonnes of foodgrains have been procured (up to the end of December 1982) which is 1.5 million tonnes higher than that

procured in the corresponding period of 1981-82. The total rice procurement during the current marketing year up to January 29, 1983 amounted to 5.21 million tonnes compared with 5.20 million tonnes during the

corresponding period of last year. The wheat procurement in the current marketing season amounted to 7.72 million tonnes as against 6.58 million tonnes in the corresponding period of 1981-82.

TABLE 5.5

Procurement Public Distribution and Stocks of Foodgrains during 1980-81 to 1982-83.

(000 Tonnes)

Months	Procurement			Public Distribution			Stocks		
	1980-81	1981-82	1982-83	1980-81	1981-82	1982-83	1980-81	1981-82	1982-83
1	2	3	4	5	6	7	8	9	10
April	904	1128	585	1126	947	1131	13676	9780	10481
May.	4687	4656	4868	1349	984	1171	16822	13495	14176
June.	464	1061	2753	1296	1036	1162	16083	13610	15438
July	79	173	309	1386	1216	1338	14723	12563	14453
August	37	86	81	1222	1215	1237	13305	11287	13139
September	37	110	50	1138	1253	1309	12452	10089	11972
October	947	922	816	1049	1114	1224	11593	9896	11559
November	1950	2005	2195	902	1086	1234	11939	10428	12090
December	931	1582	1542	1010	1197	1347	11669	11344	12682
January	653	1029		917	1168		11414	11445	
February	360	633		915	1156		10881	11374	
March	238	405		1234	1304		9809	10934	
Total	11287	13790	13199*	13544	13576	11153*			

*For 1982-83 total relates to the period April to December.

5.34 The distribution of rice through the public distribution system was 6.7 million tonnes in 1981-82 as against 5.9 million tonnes in 1980-81 and 4.9 million tonnes in 1979-80. The public stocks of rice at the end of December 1982 stood at 5.3 million tonnes against 6.2 million tonnes in the same month of 1981. In view of the uncertainties about the paddy crop for kharif 1982-83, the target for export of rice has been reduced.

5.35 Although the wheat procurement drive in the current marketing year has been satisfactory, it was considered prudent to import about 4 million tonnes of wheat during the year in order to strengthen the stock position and to curb speculative tendencies. The total stock of foodgrains at the end of December 1982 was 12.7 million tonnes as against 11.5 million tonnes in December 1981.

5.36 Consequent upon the increase in procurement prices, the issue prices of wheat were raised by Rs. 15 per quintal for public distribution and by Rs. 30 per quintal for roller flour mills with effect from 1st August, 1982. As in the case of wheat, the upward revision in procurement prices of rice necessitated an increase of 13 paise per kg. in the issue prices of rice effective from 1st October, 1982. The issue price of levy sugar was also raised by 10 paise to Rs. 3.75 per kg. effective from 1st December, 1982 in order to reflect the increase in the development cess on sugar from Rs. 5.0 per quintal to Rs. 14.0 per quintal. The increase in the development cess had become necessary in order to provide for the maintenance of the buffer stock of sugar.

5.37 Substantial amount of imported edible oil was supplied to the vanaspati industry as input at fixed

prices. Although vanaspati prices are not administered, in terms of the voluntary price arrangement, the industry fixed an ex-factory price of a 16.5 kgs. tin of vanaspati at Rs. 217 inclusive of excise duty. This arrangement continued during the year.

5.38 The monthly allocation of levy sugar to the States was raised from 2.71 lakh tonnes to 2.94 lakh tonnes with effect from April 1982 on the basis of 1981 Census, per head availability remaining unchanged at 425 grams. The releases of sugar (levy and non-levy together) amounted to 54.50 lakh tonnes in the first 10 months of 1982-83 compared with 45.90 lakh tonnes in the same period of 1981-82.

5.39 The prices of controlled cloth were last revised in July 1981. Since February, 1982 cloth with a maximum retail selling prices of Rs. 7.31 per meter was brought under the purview of the cheap production scheme as against the maximum selling price of Rs. 6.36 per meter earlier. Controlled cloth produced by the mill sector and Janata cloth produced by the handloom sector during 1981-82 amounted to 262 million square meters and 321 million square meters, respectively. During 1982-83 (up to September 1982), the controlled cloth produced by the National Textile Corporation Mills (NTC) was 71 million square meters and of Janata cloth by handlooms 160 million square meters (upto October 1982). The despatches of controlled cloth by the National Cooperative Consumer Federation (NCCF), the official agency for selling controlled cloth were 303.5 million square meters during 1981-82 compared with 480.7 million square meters in the previous year.

5.40 The Jute Corporation of India (JCI) provided substantial support to the falling market prices of raw jute and for this purpose purchased 17.6 lakh bales of 180 kgs. each during 1981-82 marketing year (July—June). The jute procurement target of the Corporation in 1982-83 marketing year was initially fixed at 25 lakh bales (20 lakh bales under price support operations and 5 lakh bales under commercial operations). However, in view of shortfall in production the JCI reviewed the policy under which the Corporation was to buy available raw jute from farmers at the statutory minimum fixed price. However, the Corporation's commercial purchases were not to exceed 5 lakh bales.

5.41 Cooperative institutions like the National Agricultural Cooperative Marketing Federation (NAFED) and the National Cooperative Consumers' Federation (NCCF) played important roles in the distribution of certain essential commodities such as pulses, eggs, onions and potatoes where shortages developed at certain centres. It is necessary to enhance the operations of these institutions and also to encourage the formation of consumer cooperatives.

5.42 The satisfactory behaviour of prices during the year, however, should not lead to any complacency. The demand and supply balance is still somewhat fragile and could be easily upset unless all sections of the community are vigilant and the supply and demand management policies are responsive to the changing situation. The importance of the efficient functioning of the public distribution system can hardly be over-emphasised. In the longer run, continued efforts to increase production on the one hand and restraining aggregate demand on the other will be necessary.