

## VII. Prices

84. *Recent Trends:* The decline in the level of wholesale prices which commenced in August 1961 continued till December and wholesale prices remained more or less stable during the first three months of 1962. The average level of the index of wholesale prices for 1961-62 was 125.1 which was only fractionally higher than in 1960-61. Foodgrain prices for the greater part of 1961-62 were lower than at the corresponding time of the previous year. The decline in prices of raw jute and jute textiles since March 1961 also helped to offset the rise in prices of food articles and other manufactures.

85. Since April 1962, however, there were signs of renewed pressure on prices. The output of foodgrains in 1961-62 was slightly lower than the peak output of the previous year and the output of cotton and sugarcane was also smaller. Between March and August 1962 the general level of wholesale prices rose by 6.1 per cent mainly due to a rise in the prices of foodgrains. There was a sharp increase in the prices of gur (raw sugar) and prices of tea, oilseeds, edible oils and cotton also recorded some increase. The following table brings out the effect of the rise in prices of foodgrains and other food articles on the general index :

*Index Numbers of Wholesale Prices*  
(1952-53=100)

Commodities	Weights	March 1962	August 1962	Contribution (per cent) to rise in general index
<i>Food Articles</i> . . . . .	50.4	119.1	131.5	83
of which :				
Rice . . . . .	11.3	103.2	113.9	16
Jowar . . . . .	1.0	120.1	140.5	3
Pulses . . . . .	4.2	94.1	113.0	11
Sugar . . . . .	1.8	124.1	133.6	2
Gur . . . . .	3.0	117.9	161.4	17
<i>Others</i> . . . . .	49.6	128.2	130.7	17
<i>All Commodities</i> . . . . .	100.0	123.6	131.1	100

86. The peak level of prices in August 1962 was 4.1 per cent higher than a year ago and for the next 2½ months the level of prices continued to be 4 to 5 per cent higher than what it was in the corresponding period of 1961. Although the normal seasonal decline in prices was somewhat delayed, a sharp downward trend set in from about the middle of November and by the end of the year the index for rice had declined from 117.0 to 108.1; of jowar from 139.5 to 128.9; and of gur from 166.1 to 145.8. The general index of wholesale prices fell from 130.8 to 125.3 by the end of December 1962 and was around 126 in January 1963. The index for January 1963 was 2.2 per cent higher than a year ago and the average level of prices for April 1962-January 1963 was also 2.2 per cent higher than for the same period in 1961-62.

87. The following table gives the trends in wholesale prices of selected commodities during the last two years :

*Index Numbers of Wholesale Prices*

(1952-53=100)

Average of weeks	March 1961	Aug. 1961	Dec. 1961	March 1962	Aug. 1962	Dec. 1962
<i>Food Articles</i> . . . . .	117.5	124.3	117.8	119.1	131.5	122.8
Cereals . . . . .	100.2	105.0	100.8	102.2	109.5	104.3
of which :						
Rice . . . . .	101.1	110.1	101.9	103.2	113.9	109.8
Wheat . . . . .	91.1	88.5	93.8	94.3	92.6	88.9
Jowar . . . . .	110.4	112.8	108.6	120.1	140.5	131.6
Pulses . . . . .	92.8	90.6	93.5	94.1	113.0	102.6
Edible oils . . . . .	163.8	159.0	153.1	153.0	159.4	149.9
Sugar and Gur . . . . .	117.3	124.6	114.4	120.2	151.2	141.4
Tea . . . . .	207.5	217.7	163.8	162.7	170.3	183.5
<i>Industrial Raw Materials</i> . . . . .	159.1	144.6	136.6	136.1	139.6	133.9
of which :						
Raw Cotton . . . . .	110.9	105.0	108.7	112.1	113.5	111.6
Raw Jute . . . . .	270.9	179.9	145.4	148.3	145.8	144.9
Oil Seeds . . . . .	159.7	162.7	153.5	149.3	160.4	146.4
<i>Manufactures</i> . . . . .	129.7	126.3	126.6	126.4	129.0	128.7
Cotton Textiles . . . . .	126.8	127.5	128.0	128.2	129.3	131.9
Jute Textiles . . . . .	161.6	121.1	117.7	117.4	111.1	109.4
Woollen Textiles . . . . .	110.1	123.1	113.1	125.4	141.3	141.3
Iron and Steel Manufactures . . . . .	151.2	151.6	151.6	152.0	160.8	161.0
Chemicals . . . . .	105.1	111.6	111.2	112.6	115.1	116.2
<i>All Commodities</i> . . . . .	127.5	127.5	122.9	123.6	131.1	125.8

The striking feature of the present structure of prices is the relative stability in prices of major cereals like rice and wheat over the last decade. As compared to 1952-53, present wheat prices are lower by 10 per cent whereas rice prices are 10 per cent higher. The increase in prices of some of the other food articles has, however, been more pronounced reflecting in the main the shortage of supplies in relation to demand.

88. The All-India Working Class Consumer Price Index (1949=100) continued to increase till October 1962 when it reached the high level of 134—an increase of 4.7 per cent since January 1962. As usual, there has been a slight decline in retail prices towards the end of the year. The average level of consumer price index in April-December 1962 was 132 as against 125 in the same period last year. Many of the existing indices of consumer prices are based on pre-war patterns of family consumption which have undergone marked changes in recent years. New series of consumer price indices have been under preparation to show more realistically the changes in the cost of living of different classes of the community.

89. The pressure on prices which was quite marked between 1958 and 1960 has been moderate in the last two years; and the current level of wholesale prices is more or less the same as at the commencement of the third plan. In recent months, the weak undertone on the stock exchanges, the declining trend in bullion prices and the effect of Gold Control Rules, the need for commercial banks to readjust their advances portfolios to avoid an over-extended position—all these have had an impact on market sentiment and have contributed to a lessening in the pressure on prices.

90. *Government Policies:* The price policy of Government during the current fiscal year was primarily concerned with preventing an undue increase in the prices of essential commodities. It was recognised that adequate increase in the production of these commodities was a necessary condition for maintaining their prices at reasonable levels; and that in the case of some commodities marginal increases in prices received by producers would stimulate production. At the same time suitable control or regulation of distribution was necessary to ensure that the prices paid by the consumers were not unduly high. Reference has already been made in an earlier section to measures in respect of producers' prices of wheat, rice and sugarcane and ceiling prices of cotton which aim at stimulating production of these commodities. With a view to preventing any sharp fall in the prices of raw jute, which would eventually have an unfavourable effect on production, exports of low grade jute were permitted and the operations of the Jute Buffer Stock Association were supplemented since October 1962 by purchases by the State Trading Corporation through the apex co-operatives. Following the declaration of emergency, the mills were required to make certain minimum purchases in the months of November and December 1962 and January 1963, they were also asked to maintain certain minimum stocks of raw jute with them. The State Governments have been given financial assistance to undertake raw jute purchases.

91. While the incentive to higher production of cotton is sought to be provided, among others, by an increase in the ceiling prices of cotton, it was felt that the control on cotton prices had to be continued in view of the shortage. The new cotton policy announced in September, 1962 provided for compulsory survey of cotton at the last stage, i.e., after the delivery is taken by mills and other consumers. It was also provided that purchases by mills should be made through approved supervisors who

would survey and determine their proper grade of cotton. Restrictions were imposed on the maximum amount of cotton which mills could stock with them. Future trading in cotton was regulated by the Forward Markets Commission with a view to curbing speculative tendencies and towards the end of November 1962, forward trading in kapas (unginned cotton) was altogether banned. With the expectation of a substantially improved crop during the current year, cotton prices tended to decline towards the end of 1962 and some of the restrictions imposed earlier have been relaxed. The quotas of mills' purchases have also been increased.

92. As regards the prices of food articles, a series of measures have been taken to augment supplies and regulate trading with a view to protect the consumer. In view of the increase in the prices of millets and rice which had occurred in the earlier part of 1962-63, larger releases of wheat from official stocks were authorised in the millet and rice consuming areas. Issues of wheat from Government stocks in Maharashtra were twice as much during October-December 1962 as during the corresponding quarter of 1961. In the six major rice and jowar consuming areas, Government released about 7 lakh tonnes of wheat during the three months ending December 1962, an increase of more than 60 per cent over similar releases in October-December 1961. The programme of imports of rice has been reviewed with a view to obtain larger quantities from abroad. A contract for the supply of 150,000 tons of rice in the year 1963 has already been signed with Burma. Stocks are also being built up from internal procurement. Selective credit controls continue to be in operation with a view to checking use of bank credit for hoarding. Mention has already been made in an earlier section of the measures which have been initiated for augmenting the supplies of subsidiary foods, prices of which have tended to rise in recent years.

93. Following the declaration of emergency, a further strengthening of the measures of price regulation was made. Several State Governments have fixed controlled maximum prices of rice. The administration of fair price shops is being improved and some State Governments have opened fair price shops for the sale of cloth also. Under the Defence of India Rules, all distributors of drugs and medicines are required to fix maximum prices to be displayed by the retailers. No cut in the quota of drugs and medicines was made in the import policy for the current half year, except in the case of those items which are now being produced internally. Trading in other essential commodities like sugar, kerosene, etc. is sought to be regulated by specific orders issued by the several State Governments. Government has set up a machinery to organise quick flow of information about changes in the prices of essential commodities and to recommend prompt action as and when warranted. From a somewhat longer-term point of view, it is considered desirable that distribution of essential commodities should be through a net-work of consumer co-operatives which would ensure fair practices and reasonable prices.

94. Among administered prices, the retention price of steel payable to the main producers for the period April 1960 to March 1962 was raised by Rs. 10.50 to Rs. 522.50 per tonne, and the question of price to be paid for the period beyond March 1962 is under examination. As mentioned earlier, prices of coal have also been increased. An addition to the fixed retention price has been permitted for additional production of cement. No major change has been made in other administered prices, except that the price of calcium ammonium nitrate has been reduced by about 10 per cent in order to popularise its use.