CHAPTER 4

PRICES, PROCUREMENT AND PUBLIC DISTRIBUTION

Movement of Prices

4.1 The declining trend in prices which set in during the second half of 1974-75 has persisted thus far during the current financial year. As compared to the week ending 29th March, 1975, the Wholesale Price Index for the week ending 27th December, 1975 showed a decline, on a point to point basis, of 5.2 per cent. The average of the wholesale price index during April—December 1975 also shows a decline of 1.8 per cent as compared with April—December 1974. Thus, both point-to-point comparison as well as comparison based on average change in the wholesale price index yield a negative rate of inflation.

4.2 One can distinguish three distinct phases in the behaviour of wholesale prices during 1975-76. During the first phase which lasted from April 5 to May 17, 1975, the index rose by 2.5 per cent despite the flow of rabi foodgrains into the market. Speculative forces are believed to have been mainly responsible for this increase. With the tightening of administrative action against these forces, the declining tendency in prices re-asserted itself. By the end of June 1975, the price index stood almost at the same level as a year earlier. Since the first week of July 1975, the index every week has been lower than its level a year ago, thereby yielding, on a point-to-point comparison basis, a negative rate of annual inflation. It is worth noting that, in a normal year, there is a seasonal upward pressure on prices from June to September. However, due to determined action against hoarding and blackmarketing, the normal seasonal behaviour was replaced by a decline in prices. The achievement is all the more significant since it coincided with unavoidable increases in admi-

TABLE 4.1

Index Numbers of Wholesale Prices

(Base : 1961-62=100)

	Weight per cent	Per cent variations over the preceding year				December (*P*) 1975 over December 1974
		1972-73	1973-74	1974-75	1975-76(P) (April-December)	
	1	2	3	4	5	6
ALL COMMODITIES	(100.00)	9.9	22.7	23.1	—1.8	—7.1
Food Articles	(41.30)	13.9	23.4	23.1	— 1.2	—11.1
Food grains	(14.78)	15.2	19.6	35.2	—6.4	—20.4
Cereals	(12.10)	13.2	18.0	39.6	— 3.9	—18.4
Pulses	(2.68)	21.4	24.6	23.2	—13.8	—26.3
Edible oils	(5.37)	13.8	50.7	15.2	—19.2	—34.3
Sugar & allied products	(6.49)	28.7	3.0	6.7	10.7	—7.6
Liquor & Tobacco	(2.50)	19.6	7.8	21.7	4.5	3.0
Fuel, Power, Light & Lubricants	(6.10)	5.0	19.0	46.8	11.0	14.9
Industrial Raw Materials	(12.10)	6.8	46.6	9.6	—18.4	—20.6
Raw cotton	(2.24)	—19.3	54.5	23.8	—22.6	—10.0
Raw jute & mesta	(1.16)	11.8	—9.1	12.2	12.2	8.8
Oilseeds	(5.26)	13.8	59.7	7.5	—23.6	—34.0
Chemicals	(0.70)	1.9	9.5	36.6	12.0	4.1
Machinery & Transport Equipment	(7.90)	5.8	9.0	31.8	10.8	2.4
Manufactures	(29.40)	5.7	16.4	23.8	—0.7	—1.4
Intermediate products	(5.74)	5.9	26.2	19.4	—7.1	1.1
Finished products	(23.66)	5.1	13.3	25.3	1.3	—2.1

(P)-Provisional.

Note : Figures under column (5) relate to the period April—December 1975 as compared to April—December 1974.

nistered prices in such vital sectors as coal, steel, aluminium and certain petroleum products. The third phase starting in October 1975 has witnessed a sharper decline in prices, partly on account of the operation of normal seasonal factors associated with the market arrivals of the newly harvested kharif crop. The wholesale price index declined by 0.4 per cent in October 1975. This was followed by a further decline of 1.7 per cent in November and of 2.9 per cent in December, 1975.

4.3 An analysis of wholesale prices during April—December 1975 shows that industrial raw materials (such as raw cotton and oilseeds), foodgrains and edible oils played a leading role in inducing a fall in prices. By contrast, there was no significant decline in prices of manufactures—the decline of 7.1 per cent in prices of intermediate products being more or less neutralised by an increase of 1.3 per cent in prices of finished products. Prices of chemicals and machinery and transport equipment showed a rising trend.

4.4 The behaviour of the Consumer Price Index, allowing for some time lag, has also been more or less in line with that of the Wholesale Price Index. The All-India Industrial Workers' Consumer Price Index (1960 = 100), which declined from an all-time peak of 335 reached in October 1974 to 321 in March 1975, rose during the next three months to reach a level of 328 in June 1975. Thereafter it has shown a declining tendency; the Index stood at 306 in December 1975 which is 6.1 per cent lower than that for December 1974. However, the average for the period April—December 1975 shows an increase of 1.5 per cent as compared with the corresponding period of 1974. It is clear that the decline in consumer prices has, on an average, been less pronounced than that in wholesale prices. One possible explanation of this phenomenon might be the much higher weightage given to rice in the Consumer Index than in the Wholesale Index. Since the rice crop in 1974-75 was affected by adverse weather conditions during the kharif season, the wholesale price of rice declined only by 4.6 per cent between September 1974 and September 1975. By contrast, the Wholesale Index for foodgrains as a whole declined by 13.9 per cent over this period. In subsequent weeks there has been an acceleration in the declining tendency of prices of rice in the wake of a bumper kharif crop. In line with this trend, the Consumer Price Index dropped sharply by nine points, from 315 for November to 306 for December 1975. Consequently, there may not be much difference in the behaviour of the two sets of indices over the year as a whole.

4.5 On account of an excellent kharif crop harvested recently, as well as continued vigilance being kept on the activities of hoarders and speculators, it is reasonable to expect that prices will, by and large, remain stable during the remaining months of 1975-76. The fact that the fall in prices during October—December 1975 has exceeded the normal seasonal decline suggests that basic dis-inflationary tendencies have still not exhausted their potential. The current trend of procurement, and the level of stocks of foodgrains with the public sector agencies, are such that some well calculated risks can be taken in stepping up Plan investments without undermining price stability immediately. Yet a situation in which money supply continues to grow at rates far in excess of the growth of real output always contains a measure of inflationary potential. The test of economic policy in the coming years is how far we can finance the needed increase in investment outlays in a non-inflationary manner.

Price Policy

4.6 Price policy in the current year has been guided by the imperative need to maintain price stability—particularly in regard to agricultural commodities which enter prominently into the wage goods basket. Thus, the procurement price of wheat for the 1975-76 marketing season (April—March) was retained at the previous year's level of Rs. 105 per quintal as the Agricultural Prices Commission felt that the increase allowed by Government in the previous season was adequate to cover any escalation in the costs of production since then. The mode of procurement, such as pre-emptive purchase by the official agencies, levy on producers, etc. was left to the State Governments. However, no export of wheat, except on Government account, was allowed from the producing States. The target of procurement was fixed at nearly 5.5 million tonnes, and a bonus scheme was introduced for maximising procurement. Under this, an average bonus of Rs. 4.75 per quintal was payable to State Governments who would utilise the amount for giving incentives in kind, such as subsidised inputs, seeds, diesel, etc., or for financing developmental activities beneficial to farmers.

4.7 The procurement of wheat during April—December 1975 was 4.03 million tonnes as against 1.89 and 4.53 million tonnes respectively during the corresponding periods of 1974 and 1973. Thus, although procurement was much higher in 1975 than 1974, it was still less than the target fixed by the Agricultural Prices Commission (A.P.C.). The decision to continue with imports in 1975-76, despite the much better crop prospects for both kharif and rabi, has proved to be an important factor in regulating price movements. From January 1975 onwards, there has been a steady decline in wheat prices, so that in November 1975 they were 17.1 per cent less than in the same month of 1974. In fact, in certain areas, the procurement price of Rs. 105 per quintal tended to become a support price, with market prices falling below that level.

4.8 While rice prices in September 1975 were only moderately lower than what they were a year ago, the fact that they declined at all in the face of a relatively poor kharif crop in 1974, is a measure of the effectiveness of the Government's anti-inflationary policy. The need to strengthen measures designed to hold the price line has influenced the decision regarding the price policy for the 1975-76 kharif cereals. Thus, in accordance with the recommendations of the A.P.C., the procurement prices of kharif cereals were left unchanged at their 1974 level. No procurement target for coarse grains was fixed though the A.P.C. had suggested a figure of 1.3 million tonnes. The procurement target for rice, recommended by the A.P.C. at 5.3 million tonnes, was, however, scaled down to 4.6 million tonnes in view of the severe floods and other calamities in certain parts of the country. On the other hand, the suggestion of the A.P.C. to continue with, and merge, the two incentive bonus schemes for rice is being examined, and will help to ensure that the target is achieved. On present indications, there appears to be every likelihood of the procurement target being over-fulfilled. With purchases of 4.3 million tonnes in the 1975-76 season upto 25th February, 1976, as against 2.5 million tonnes in the corresponding period last year, the stage seems to be well set for such an outcome. The success of the procurement effort so far is obviously due to the expectations of a bumper crop, notwithstanding the damage resulting from natural calamities. Here again, as in the case of wheat, in several parts of the country, procurement has assumed the character of support operations. As referred to earlier, there has been a sharp fall in rice prices from about the middle of October, the wholesale price index for this item standing at 299.8 for the week ending December 27, 1975 as against 366.2 for the week ended October 18. The wholesale prices of rice in December 1975 were about 10 per cent below the level of last year.

4.9 While the A.P.C. did not recommend any change in the procurement prices of cereals, its reports in respect of sugarcane, jute and cotton envisaged an increase in the minimum/support prices. Thus, the statutory minimum price of sugarcane was proposed at Rs. 9.50 per quintal as against Rs. 8.50 for the 1974-75 season. Government, however, after full consideration, decided in favour of the status quo, as, from the point of view of the farmers, the statutory minimum price was of no relevance whatsoever. The principal effect of an increase in the prescribed minimum would have been to raise the cost of levy sugar, and its price to the consumer. Even in the 1974-75 season, the common all-India price for levy sugar had been maintained through a reduction in the proportion of levy sugar from 70 per cent to 65 per cent so as not to disturb the profitability of the sugar mill industry. The change in the levy ratio had no adverse impact on the public distribution system as sugar production in 1974-75 attained a record level of 48 lakh tonnes. In spite of the fact that export releases totalled over 9 lakh tonnes (twice the previous season's figures), releases for the domestic market came to 34.6 lakh tonnes. From June 1975, in particular, allotments for internal consumption have been sustained at a high level, thus counteracting any tendency for open-market prices to rise unduly. Compared to the high levels touched by free-sale sugar in August-September last year, when a big step up in export was envisaged, the present prices are significantly lower. The 1975-76 sugar season having opened with a comfortable stock position of 12 lakh tonnes, and the production prospects also being bright, price stability is unlikely to be upset.

4.10 In the case of cotton and jute, the Government accepted the A.P.C's recommendations regarding support prices. The support price of *kapas* of PA 320-F variety was fixed at Rs. 210 per quintal, which marked an increase of Rs. 15 over what the A.P.C. had recommended for the 1974-75 cotton season. Similarly, in the case of jute, the statutory minimum price, at up-country markets, was raised from Rs. 125 to Rs. 135 per quintal. While no support price for *kapas* had actually been announced in 1973-74 and 1974-75, the increase in cotton output in the latter year, resulting in sharp fall in prices, and equally good prospects for the current year, have alerted the Government to the possible need of active support operations. The support prices for other varieties of *kapas*, based on normal differentials, have also been announced by the Government. These official support prices would afford the necessary guidance to the Cotton Corporation of India, and State purchasing agencies, so that the strain on the credit providing institutions may be kept to the minimum consistent with the objective of ensuring adequate protection to the farmer.

4.11 In respect of jute, a somewhat piquant situation has emerged. While Calcutta prices have generally ruled at a higher level than last year because of the expected smaller crop, the prices in up-country markets have shown a tendency to fall below the support levels. The continued weakness of the cooperative organisation in the Eastern parts of the country is a major cause of this outcome. Moreover, the recession in demand abroad, and the consequent low production of jute goods, created conditions in which partial closures were planned by the jute industry. The objections of the Monopolies and Restrictive Trade Practices Commission to such coordinated action, combined with suitable instructions from the Jute Commissioner regarding purchases of raw jute by mills, helped to retrieve the situation. The Reserve Bank's decision to liberalise credit limits against inventories of jute goods has also helped to stabilise the prices of raw jute.

4.12 The behaviour of oilseeds prices during the kharif marketing season (October 1974—September, 1975) indicates that the hold of speculative forces on the oilseeds markets has been substantially reduced. The wholesale price index for oilseeds, which rose from 370.6 for September 1973 to 434.3 for September 1974, declined thereafter to touch 309.0 a year later, despite the fact that output of the five major oilseeds in 1974-75 was lower by 5.5 per cent. The production of groundnuts, the major oilseed, was lower by almost 16 per cent, as also was that of sesamum. However, some sort of equilibrium between supply and demand was maintained by an increase of 30 per cent in the output of rapeseed and mustard. Moreover, the cotton crop having been 12 per cent higher than in 1973-74, the greater availability of cottonseed oil, and its enforced use in the vanaspati industry, prevented any upward pressure on prices of groundnut oil. The price index for groundnut oil, thus, declined by 18.8 per cent between September 1974 and September 1975, while that for edible oils as a whole fell by 24.0 per cent. With the arrival of the new kharif crop towards the closing months of 1975, the declining trend in prices of vegetable oilseeds has persisted.

4.13 The relatively satisfactory position in regard to the availability of edible oils, combined with lower prices thereof, enabled the vanaspati industry to increase its output by 37 per cent in the first half of 1975-76 as compared to April-September 1974, and thus to recover to the level of 1973-74. Notwithstanding withdrawal of price control on vanaspati in January 1975, its price has shown a declining tendency. In part, this was made possible by judicious release of stocks of imported oils by the State Trading Corporation.

4.14 The consumption of chemical fertilisers seems to have been adversely affected by a steep increase in prices in May 1974 which became unavoidable due to rise in import costs. Fortunately, in recent months prices of imported fertilisers have shown a declining tendency. This has facilitated a reduction in prices of fertilisers to consumers. With effect from July 18, 1975, prices of nitrogenous fertilisers were lowered by 7.5 per cent in order to encourage their consumption. The action of the Government in reducing the prices of nitrogenous fertilisers led to a voluntary reduction in prices by the manufacturers of complex fertilisers, and the increased offtake resulting therefrom has presumably had a favourable effect on kharif production. The prospects for the forthcoming rabi crop can also be said to have been enhanced by action taken in December 1975 to reduce the prices of phosphatic fertilisers. The reduction in the prices of phosphatic fertilisers ranges from Rs. 85 to Rs. 430 per tonne, the latter figure corresponding to a decrease of almost 14 per cent.

4.15 The steep increase in the price of crude oil since 1974 has necessitated further adjustment of prices of petroleum products in the current financial year. As the increase in prices effected in 1974-75 had failed to wipe out the losses of oil companies, selective increases covering superior kerosene, high speed diesel, furnace oil and cooking gas had to be effected from 14th July, 1975. Following a decision of OPEC countries to further increase the price of oil by 10 per cent with effect from 1st October, 1975, prices of selected petroleum products had to be increased in December 1975. However, the burden on the common man has been sought to be minimised by streamlining distribution arrangements, rationalising transport costs and local levies and commission, and by keeping a strict watch on the end prices in small towns and rural areas. It will also be ensured that allocations of kerosene oil from the Central Pool to the State Governments are suitably adjusted from month to month to prevent any undue rise in prices due to short supplies.

4.16 Along with food and fertilisers the international prices of non-ferrous metals have shown a declining trend in 1975-76. The prices of non-ferrous metals (other than aluminium) in India are fixed by a Pricing Committee presided over by the Chief Controller of Imports and Exports. In consonance with the falling trend abroad it has been possible to reduce the supply prices of copper, zinc, lead and tin, but those of nickel are the same as they were a year ago.

4.17 The aluminium industry has been brought under a dual pricing system as already exists in the case of sugar. This has been done in order to improve the overall profitability of the industry without imposing an undue burden on State Electricity Boards which are major users of electrical grade of aluminium. Under the new integrated price policy announced on July 15, 1975, the industry is required to produce 55 per cent of its output in the form of electrical grade aluminium which is to be distributed in accordance with Government regulation. The remaining 45 per cent in the form of commercial grade would be sold in the free market. The result of this policy was to raise the market price of commercial grade aluminium by 25 to 30 per cent, but it seems that the market was not prepared to absorb supplies at this high price. Simultaneously, the State Electricity Boards found themselves, for financial reasons, unable to accept the full allotments made to them, and hence the policy was slightly revised in the middle of October when the proportion of levy was reduced to 50 per cent. This would mean that a smaller proprotion of the loss in respect of levy aluminium would have to be loaded on to the price of non-levy aluminium.

4.18 Dual pricing of a different nature, i.e., higher prices to new units and lower prices to old units, was brought into operation for encouraging expansion of capacity in cement and sugar. This principle has recently been extended to the paper industry also. In April 1975, Government announced their decision in regard to the pricing policy applicable to units in the cement industry going into production after 1976-77. These units have been assured that they would be allowed a return of 14 per cent on the capital employed, subject to the condition that their capital cost would not exceed Rs. 650 per tonne of capacity. For new units/expansions going into production in 1975-76 and 1976-77, an extra Rs. 10 per tonne has been allowed in the retention price. The industry, as a whole, was, in October 1975, allowed an increase in retention prices of Rs. 18.60 per tonne in order to compensate for higher costs of coal, power etc. However, this increase was not to affect the consumer price of cement.

4.19 Similarly, in the case of the sugar industry, new units, as well as expansions of existing units, going into production from November 1, 1975, have been allowed a grace period of five years before they are brought on par with existing units for the purposes of the sugar levy applicable under the existing dual pricing scheme. The new units set up in the various zones (high recovery, medium recovery and low recovery) will be allowed total exemption from the delivery of sugar to the Government as levy for a period of two to four years, and thereafter will be progressively inducted into the existing scheme so as to be on par with other units from the sixth year. In so far as expansions are concerned, the free-sale quota for them would be 65 to 70 per cent, gradually coming down to the present level of 35 per cent. The objective of this scheme is to permit additional monetary benefits for a limited period to the firms, resulting from the difference in excise duty payable, the actual amount charged being what would have been paid as if the levy ratio had been 65 per cent, irrespective of the actual free sale proportion. As in the case of cement there is, however, a safeguard against excessive capitalisation by linking the benefit to a maximum expenditure of Rs. 400 lakhs for plant and machinery. The concession in regard to free-sale quota will stand reduced for plant costs of between Rs. 200 lakhs and Rs. 400 lakhs, no concession being given in case the cost comes to less than Rs. 200 lakhs.

4.20 Another decision of relevance to the sugar industry has been the upward revision of prices in November 1975 of molasses and industrial alcohol. Industrial alcohol being an important intermediate product, it would be in the interest of the economy if distilleries using molasses were to work to full capacity. Similarly, it would be in the interest of the sugar industry to conserve molasses, obtained as a by-product, for the manufacture of alcohol. The existing prices of molasses have been such as to barely cover the costs of storage, and there was need to provide adequate incentive for proper storage. The higher prices fixed are in the line with this approach; they would, incidentally, add to the profitability of the sugar industry and make available funds for modernisation. Thus, prices of sugar molasses have been raised by six times and of industrial alcohol by two and a half times.

4.21 The paper industry had voluntarily agreed to supply white printing paper for the educational sector and government departments at Rs. 2750 per tonne. Although the position with regard to the availability of paper is now satisfactory, it was considered desirable to create conditions favourable to the establishment of additional capacity to meet the country's long-term needs. Taking into consideration the capital outlay required for setting up new paper manufacturing units, and the need to ensure an adequate return on investment, it has been decided that new paper units, as well as substantial expansions of the existing paper units, commissioned after January 24, 1976 will be exempted from supplying white printing paper at the concessional rate of Rs. 2750 per tonne upto the 31st

December, 1983, or for a period of five years from the date of commencement of commercial production, whichever is earlier.

4.22 While the accent during the current year has been on price stabilisation consistent with the requirements of growth, it has not been possible to avoid entirely adjustments necessitated by inescapable increase in costs of production. One important issue awaiting decision was the enhancement of coal prices consequent on the revision of wages with effect from January 1, 1975. From July 1, the Government, allowed an average increase of Rs. 17.50 per tonne in the prices of coal and hard coke. In view of the easy supply position, distribution and movement controls on hard coke were simultaneously removed. Moreover, in order to avoid an increase in the price of fuel for the common man, the prices of soft coke were left untouched. The impact of the increase in coal prices being appreciable in the case of the iron and steel industry, prices of pig iron and saleable steel had to be raised by Rs. 45 and Rs. 80 per tonne respectively from the same date. As for other cost increases, it was hoped that they would be absorbed through larger production and better capacity utilisation. In fact, with the rise in production outstripping the increase in demand in the short run, the supply position of iron and steel products has become quite easy, and black market premia have tended to disappear.

Public Distribution

4.23 The strengthening of the public distribution system has been one of the important elements of the Government's anti-inflationary policy. The organisation, in so far as it relates to foodgrains and sugar, operates through a net-work of fair price shops which currently number 223 thousand covering a population of 453.6 millions. In 1974-75 (November-October(releases of foodgrains from Government stocks amounted to 11.5 million tonnes as against 10.4 million tonnes in 1973-74. As, however, domestic production in 1974-75 was less than in the previous year, this order of distribution was, sustained by imports which came to 7.3 million tonnes as against 5.0 million tonnes in November-October, 1973-74. Procurement, too, was higher by about 2 million tonnes, so that stocks with the Government at the end of October 1975 totalled 5.6 million tonnes as compared to 2.2 million tonnes a year earlier. With the bumper kharif crop harvested in 1975, and hopes of a record rabi crop also, the pressure on the public distribution system has begun to ease. Simultaneously, since procurement promises to be of a higher order, the time appears to be favourable for building up stocks once again to a respectable level. Already at the end of 1975, stocks with the government stood at 7.7 million tonnes as against 2.5 million tonnes at the end of 1974.

4.24 Apart from foodgrains and sugar, the public distribution system has been largely concerned with fuel, i.e., kerosene and soft coke, and controlled cloth. While quotas of kerosene to the State Governments have sometimes had to be cut in order to orient the output pattern of petroleum products towards more pressing needs, the overall position has remained satisfactory because of the careful monitoring of distribution. In the case of soft coke, where movement by the Railways sometimes became a bottleneck, the problem was studied and remedial action taken. One of the methods adopted for ensuring smooth supplies has been the building up of coal dumps at important centres of consumption.

4.25 The scheme for the distribution of controlled cloth has not enjoyed an altogether smooth sailing. Prior to March 1975, when quality control was introduced, the actual pattern of controlled cloth production seemed to have no relationship to demand, nor was the quality satisfactory. Again, the distribution arrangements, which were largely entrusted to the National Consumers' Cooperative Federation, proved to be somewhat unsatisfactory as the cooperative agencies found themselves unable to lift the entire quantities of controlled cloth allotted to them. The combined result of these factors was an excessive build up of stocks with the mills which, thereupon, began to face financial difficulties. Since the cotton textile industry, generally, was also in difficulties because of consumer resistance, it became necessary to review the controlled cloth scheme and to provide some relief to the industry as a whole. While, in the first instance, it was decided that the NCCF would lift only two-thirds of the total production, and the trade would be allowed to market the remaining one-third, the problem of excessive stocks has had to be tackled through a restriction on production for a limited period. A number of textile units, both in the public sector (i.e., subsidiaries of the National Textile Corporation) and the private sector which are in serious financial difficulties, as revealed by their latest balance sheets, have been exempted from the obligation to produce controlled cloth for a period of one year. In the meantime, it can be hoped that, with the improvement in quality, the cloth itself will find greater acceptance, and this process would be helped by ensuring that regional preferences are kept in view both at the time of production and distribution.

4.26 While foodgrains, clothing and fuel form the bulk of the normal consumption of the common man, it is, at the same time, necessary to provide other essential requirements in adequate quantity and at reasonable prices, so that time, effort and money may not be wasted in procuring the same from the black market. It was in this context that a full-fledged Department of Civil Supplies and Cooperation was created in October, 1974 with the primary objective of launching a well coordinated multi-pronged action, both at the Central and State levels, to combat inflationary pressures, and ensure orderly production and distribution of essential commodities. Accordingly, a strategy was evolved for the extension of the public distribution system, procuring of selected essential commodities and enlarging the involvement of cooperatives and consumers in the distribution process. Manufacturers of vanaspati, soap including washing soap, torch cells, razor blades and safety matches have agreed to earmark upto 20 per cent of their production for distribution through consumer cooperatives. The essential commodities include not only those referred to above but a number of other items such as cultural paper, essential drugs, baby food, tyres and tubes, etc. The Civil Supplies Organisation has been monitoring the production, prices and supplies of these essential commodities also.

4.27 Consumer protection forms another part of the programme undertaken by the Department of Civil Supplies, and for this purpose a model scheme for distribution of essential commodities was implemented in Delhi from June 23, 1975. The Delhi Scheme is intended to be a model for other States, and four centres, namely, Cochin, Nainital, Durgapur and Coimbatore, have already been selected for the purpose. A unique feature of the model scheme is that local representatives, mainly housewives, have veen vested with statutory powers for inspection of fair price shops, retail outlets dealing with the essential commodities, and consumer cards. Another form in which the consumer is sought to be protected from exploitation is the promulgation of an Order requiring packaged goods to be marked with the price, net weight, contents, date of manufacture and the address of the manufacturer. This will supplement the existing orders in regard to display of prices of essential commodities. There will thus be a clear demarcation of the responsibilities of manufacturers, wholesalers and retailers, and it will also ensure that there is no cornering of stocks so that the pipelines between producer and consumer do not get clogged.

4.28 The Monopolies and Restrictive Trade Practices Commission has also been active in the past year in order to safeguard the interests of consumers. Besides the references received from Government, the Commission has initiated a large number of investigations on its own, under the relevant provisions of the MRTP Act. A number of research studies have been launched in respect of crucial areas of consumer interest, with a view to probe into monopolistic trade practices. Here, the Commission has been particularly addressing itself to the question of prices, especially to the issue of re-sale price maintenance and concerted moves to maintain prices at artificially high levels which could result in raising unreasonably the profits at various points of production, supply and distribution. The Commission has also been investigating the issue of prices of products being set at a level unrelated to, and without taking into account, the actual cost of production and supply. A report on such monopolistic trade practices in the razor blades industry has been submitted to the Government. During the year 1975, the Commission has delivered 25 judgments striking down or holding void a number of monopolistic trade practices which prevent or distort competition. In addition, there have been numerous interim orders of the Commission giving various directions. The consumer products covered in these orders include electric fans, footwear, sewing machines, soaps and detergents, canned and bottled food, vanaspati and refined oils, GLS lamps and pressure cookers.