Essential commodities

5.15 Annual rate of inflation in essential commodities monitored in WPI and CPI(IW) was low (Table 5.6) reflecting fairly comfortable supply and availability of these commodities.

5.16 Annual rise in price of basic staples was much more moderate during the year. Price of rice and wheat was almost unchanged over the previous year. Pulses continue to remain an area of concern as production at 13 to 14 million tonnes has stagnated for the last 30 years. Our import dependence on pulses continues. Domestic production supplemented by imports resulted in very moderate price rise in pulses during the year.

Sugar

5.17 Production of sugar has been consistently more than what we need for domestic consumption during the last four years. Consequently the sugar industry has been carrying surplus stocks of sugar and market sentiment has continued to remain subdued with sugar prices recording a substantial fall in 2002.

Table 5.6 : Annual rate of inflation in essential commodities

(Percent)

	Weight		Annual rate of inflation Nov. / Nov.			
			CPI-based		WPI-ased	
	CPI	WPI	2001-02	2002-03	2001-02	2002-03
GENERAL	100.00	100.00	4.9	3.6	2.6	3.3
Rice	12.45	2.45	0.9	1.8	3.2	-0.6
Whole wheat	4.43	1.38	2.1	3.6	-1.4	1.4
Wheat atta	1.75	0.21	-0.3	1.1	2.4	4.9
Jowar	0.46	0.22	4.3	8.0	-9.8	24.1
Bajra	0.16	0.11	-19.7	26.0	-16.4	37.6
Moong	0.53	0.11	13.2	1.0	14.8	-3.8
Gram	0.08	0.22	21.6	-12.1	25.2	-13.2
Masur	0.41	0.04	1.1	6.5	-1.5	8.7
Arhar	1.69	0.13	1.5	6.7	2.8	9.1
Urad	0.35	0.10	-13.0	-12.1	-13.2	-12.1
Coconut oil	0.09	0.17	2.1	51.0	-5.7	35.8
Groundnut oil	2.27	0.17	0.0	23.0	3.7	26.1
Mustard oil	1.44	0.49	7.1	21.5	9.8	23.1
Vanaspati	0.78	0.80	14.0	18.8	7.0	19.2
Goat meat	2.12	0.44	2.3	2.4	-0.4	-0.5
Fresh fish	1.31	0.50	4.8	3.4	21.9	9.7
Milk	5.52	4.37	3.4	1.9	1.3	3.9
Salt	0.15	0.02	1.8	0.8	-12.7	2.2
Chillies	0.63	0.19	4.9	4.4	-1.0	3.8
Onions	0.67	0.09	20.3	-14.5	40.7	-2.6
Potatoes	1.23	0.26	80.3	-3.1	215.9	6.6
Sugar	2.24	3.62	7.7	-7.9	-5.8	-10.2
Gur	0.47	0.06	11.6	-7.2	4.7	-1.8
Tea leaves	0.82	0.16	1.3	0.0	-6.9	13.3
Soft coke	0.80	0.24	-0.5	8.2	11.0	0.0
Kerosene oil	1.82	0.69	-2.7	21.3	-8.8	18.8
Matchboxes	0.23	0.12	3.1	-2.1	21.8	0.0
Washing soap	1.33	0.17	2.1	5.4	5.0	-0.2
Long cloth	0.20	0.06	5.4	0.4	1.6	0.7
Dhoties	0.35	0.04	5.8	5.2	0.6	0.7
Sarees	2.05	-	3.0	0.0	-	-
Essential commodities	**48.83**	**17.63**	**4.1**	**3.5**	**2.1**	**3.0**

5.18 In the sugar year (October-September) 2001-02 production touched 183.04 lakh tonnes. With carry over stock of 106.63 lakh tonnes from 2000-01 sugar season, total availability of sugar was 289.67 lakh tonnes as against the consumption requirement of 173.04 lakh tonnes. Sugar production during 2002-03 (October-September) is expected to be 175 lakh tonnes. The decline in production is mainly due to the drought conditions in major producing states.

5.19 Statutory Minimum Price (SMP) of sugarcane payable by sugar factories for 2002-03 sugar season was fixed at Rs.64.50 per quintal. However, Government has raised this by Rs.5 per quintal to Rs.69.50 as an *adhoc* drought relief measure.

5.20 One of the problems faced by the sugar industry is that of mounting cane arrears. Government has taken various measures to reduce cane price arrears. Some of these are:

(i) A Buffer stock of 20 lakh tonnes has been created by the Government for one year from December 18, 2002. The carrying cost of this would be borne by the Government giving the sugar industry a benefit of Rs.412 crores, which could be used to clear cane arrears.

(ii) In order to liquidate surplus stocks of sugar, exports have been allowed. The Sugar Development Fund Act has been amended enabling reimbursement of the internal transport and freight charges on export shipments of sugar.Government has agreed to pay the inland cost of transport for sugar exports to the mills subject to a ceiling of Rs.1000 per tonne. Government may also allow reimbursement of ocean freight for exports.

(iii) Levy obligation of domestic sugar factories was reduced to 10 percent from March 1, 2002 to enable the sugar factories to sell more sugar under free sale quota in the open market and obtain better realisation.

(iv) To restrict inflow of imported sugar, customs duty has been kept at a high of 60 percent along with existing countervailing duty of Rs.850 per tonne.

Edible oils

5.21 Oilseeds production during 2002-03 is estimated to be 15.44 million tonnes as compared to 20.46 million tonnes in 2001-02 — a decline of 25 percent consequent to drought. Due to a decline in global production of oilseeds, international prices of edible oils have also risen sharply thus pushing up the landed cost of imported oil. Imports during April-October 2002 were 2.45 million tonnes as against 2.74 million tonnes last year. Although higher domestic production last year led to a decline in imports, the value of imports went up due to higher international prices.

5.22 A major area of concern is the country's failure to keep pace with the rising domestic demand for edible oils, estimated at 4-5 percent per annum. Low production and productivity of oilseeds characterises the domestic oilseeds economy. Continued dependence of oilseed crops on rainfall (only 20 percent of the crop is irrigated), absence of any major technological break through and farmers' preference to grow foodgrains with highly remunerative minimum support prices are some of the reasons for low yields. Moreover, a large proportion of oils from secondary sources like rice bran, cottonseed and oilseeds of tree origin have remained unexploited. India therefore continues to remain heavily import dependent meeting its requirement to the extent of 50 percent from imports. (For a special focus on edible oils see Section IV in Chapter 8)