

ANTI-INFLATIONARY MEASURES

4.56 High inflation hurts the poor. Putting pressure on interest rates adversely affects both savings and investment. Thus, containment of inflation is high on the Government's agenda. The anti-inflationary policies of the Government include, inter alia, strict fiscal and monetary discipline; rationalization of excise and import duties of essential commodities to lighten the burden on the poor; effective supply-demand management of sensitive items through liberal tariff and trade policies; and strengthening the public distribution system.

4.57 To augment availability of wheat, the public sector agencies such as STC, MMTC and PEC are importing wheat during 2007-08. About 18 lakh tonnes of wheat has been contracted up to January 9, 2008. To maximize procurement of wheat and paddy, the Government approved an incentive bonus of Rs. 100 per quintal during the *kharif* marketing season 2007-08 for paddy. This raised the procurement price of Grade A paddy to Rs. 745 per quintal. The support price for wheat inclusive of bonus was raised to Rs. 850 per quintal in 2006-07 and further raised to Rs. 1,000 per quintal in 2007-08. There has been a ban on export of wheat and pulses. A minimum export price of US\$ 500 is applicable for export of non-basmati rice, which is a staple diet for a large number of consumers. Import of wheat and pulses by private trade is permitted at zero duty.

4.58 To maintain price stability, the Central Issue Price for rice and wheat has not been revised since July 2002. There has been a continuous reduction in the import duty on edible oils. The customs duties on crude palm oil and soybean oil effective from July 23, 2007, have been reduced to 45 per cent and 40 per cent, respectively. With the tariff values for the calculation of tariff being kept unchanged at July 2006 levels (September 2006 levels for soybean oil), the effective duty on these oils is close to half of the applicable rates.

4.59 Keeping in view the prevailing price situation, the Central Government had issued a Central Order dated August 29, 2006, under the Essential Commodities Act, 1955 to enable the State Governments to invoke Stock Limits in respect of wheat and pulses for a period of six months. By virtue of this Order, the State Governments/UT Administrations have been empowered to take effective action to bring out the hoarded stock of these items to ensure their availability at reasonable prices. The validity of the Central Order has been extended up to March 1, 2008.

4.60 The rupee appreciated from Rs. 44.48 to a US\$ in March 2006 to Rs. 42.15 in April 2007, and further to Rs. 39.4 in November and December 2007. This has resulted in the reduction of import prices which would also have a salutary impact on the general price level.