

Standing Committee Report Summary

Price Rise of Essential Commodities- Cause and Effects

- The Standing Committee on Food, Consumer Affairs and Public Distribution (Chair: Mr. Sudip Bandyopadhyay) submitted its report on the subject 'Price Rise of Essential Commodities- Cause and Effects' on March 19, 2021. Key observations and recommendations of the Committee include:
 - **List of essential commodities:** The Committee noted that there are seven commodities (such as drugs, edible oils, and raw jute) notified under the Essential Commodities Act, 1955 (ECA). The Committee highlighted that no major amendment has been made in the list since 2006. It recommended establishing a proper mechanism to periodically review the list of commodities notified under the Act. It recommended including more consumables (specifically related to health) in the list.
 - **Artificial shortages:** The Committee recommended the government to ensure that buffer stocks for items listed under the ECA are maintained to minimise artificial shortages. It also recommended instituting penal actions under the ECA against businesses procuring essential commodities in bulk.
 - **The Essential Commodities (Amendment) Act, 2020:** The Committee noted that farmers do not get better prices due to a lack of investment in: (i) cold storage, (ii) warehouses, (iii) processing, and (iv) export. The Committee observed that the Essential Commodities (Amendment) Act, 2020 may aid farmers to get better prices by encouraging investment in the sector. The Committee cautioned that implementation of the amended Act may lead to a rise in prices for essential food commodities such as potato and pulses. It recommended monitoring these prices and using remedial measures specified under the amended Act to contain price rise.
 - **Food safety:** The Committee observed that the number of samples non-conforming to food standard regulations increased between 2016 and 2020. However, the number of convictions from subsequent court cases decreased from 1,605 to 821 in the period. The Committee recommended the central government to: (i) strictly enforce testing and analysis of food items, (ii) enable the presence of the Food Safety and Standards Authority of India (FSSAI) in at least 10 more ports and trade centres, and (iii) ensure that food business operators comply with quality parameters for food stored in godowns.
 - **Food inflation:** The Committee noted that the food inflation on Consumer Food Price Index increased from 1.1% to 14.19% between April and December, 2019. It recommended measures to address supply side constraints including: (i) use of high yielding variety seeds, (ii) popularising of agro-management, and (iii) access to credit at concessional terms.
 - **Food wastage:** The Committee observed that around 30% of vegetables are wasted due to poor post-harvest management and lack of cold chain. It recommended increasing awareness among farmers about schemes to augment production, and plantation of seasonal crops to avoid crop losses.
 - **Sugar price:** The Committee noted that under existing regulations: (i) fair and remunerative prices of sugarcane are notified for every sugar season, and (ii) payment of cane prices must be made within 14 days of supply. The Committee recommended that the central government should ensure effective implementation of such regulations to improve the liquidity of sugar mills. Further, it recommended that the government should undertake physical and financial evaluation of sugar mills on an annual basis and extending financial assistance.
 - **Price Reporting Centres (PRCs):** PRCs are centres under the Price Monitoring Division to monitor prices of certain food items (such as cereals and pulses). The Committee observed that since the setting up of the Division in 1988, the number of PRCs in the country have increased. However, several states have only one PRC. The Committee recommended that the adequacy of PRCs should be evaluated and number of PRCs should be increased.
 - **Food distribution:** The Committee noted that the targeted public distribution system (TPDS) currently operates under the joint responsibility of the central and state government. The Committee recommended setting up an institutional mechanism for monitoring of TPDS. It also recommended ensuring intra-state ration card portability in the implementation of integrated management of PDS scheme across states.
 - **Oil and gas price:** The Committee observed that taxes levied on petroleum products, especially on petrol and diesel, are high. It recommended that the taxes should be revised and a comparative assessment of the taxation system should be done with those in other countries.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.