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Duty cuts, export curbs on food products to rein in prices

TIMES NEWS NETWORK

New Delhi: The government went into a huddle late on Monday evening with Prime Minister Manmohan Singh convening a meeting of the cabinet committee on prices to decide on fiscal measures to rein in inflation, which is threatening to give the UPA regime a full-blown political headache.

On the table, commerce minister Kamal Nath said before the meeting got under way, were measures to cut import duties on food items to zero in order to ease constrictions in supplies of commodities. He said that demand for steel and cement in the construction sectors had also to be met. The thrust of the government's strategy was to allow imports by bringing down tariff barriers for items like soyabean oil and also to source food

items like pulses in the global market. Proposals to restrict exports for items like non-basmati rice were also expected to get the nod.

Earlier in the day, the government consulted three national commodity exchanges to elicit their opinion on whether to ban futures trading in potatoes and edible oil. The exchanges are understood to have pointed out that banning futures in wheat, rice and a few pulses last year had not eased prices. Removal of export subsidy on cotton and sugar was also seen to be on the cards, as were withdrawal of other export incentives. The intense firefighting exercise was clearly necessitated by a 13-month high in inflation of 6.68% which did not augur well for Congress in the runup to the state polls and the general election next year. But even as the Manmohan Singh government grapples with inflation with price rise becoming a political headache, its major concern on the food security front may well be meeting in coming weeks the procurement targets for wheat.

TIGHTENING GRIP OF INFLATION 1 The Problem

Official inflation rate has more than doubled in last 4 months from 3.3% to 6.7%

Inflation in food articles has risen from 1.8% in Dec to 5.6% on March 15

Pressure on the poor is worse as their consumption basket consists more of food items which are becoming costlier **2 What Netas Say**

CPM has set an April 15 deadline for govt to curb prices Cong core committee has asked govt to check inflation fearing adverse impact on electoral prospects

BJP has threatened countrywide protests from Apr 7

Chidambaram says check on inflation will lower growth. **3 Why They Say This**

Inflation has been the most potent election issue in India

In 1980, high onion prices were seen as main reason for Cong's return to power. In the 1998 assembly polls in MP, Rajasthan and Delhi, high onion prices saw ruling governments being swept out **4 What Could Follow**

Tight money supply to curb prices Higher interest rates for industry and individuals may follow

This may squeeze demand, impact growth

There could be trouble for stock market and real estate **5 Options & Difficulties**

Import grain, edible oils, pulses to curb prices. Will not help as global prices also running high. Unless subsidised, imports will not curb prices

Cut import duties on commodities. But that will antagonise domestic producers. In any case, global prices are running high **Welfare sops account for 10L tonnes/month**

New Delhi: A review of the food situation has underlined that procurement will be crucial to government's efforts to maintain buffer stocks and supplies for the slew of welfare schemes that have been expanded as well as prioritized. The outgo of foodgrain, at least on paper, for welfare schemes like mid-day meal and food-for-work is around 10 lakh tonnes a month.

These commitments flow from the common minimum programme and even if they are not always efficiently monitored, provisions have to be made. Similarly, PDS has been criticized by both finance minister P Chidambaram and agriculture minister Sharad Pawar for being ineffective and leaky. But political considerations of providing for the poor will prevail even if Pawar has

pointed to massive diversions, even to Bangladesh.

The peculiar dilemma facing the government is that procurement becomes problematic despite good wheat production — a shade over 75 million tonnes —being projected for this year. This is because farmers have become more choosy with private players entering the market as well as due to expectations that the minimum support price might be increased.TNN

