

**REPORT
OF
THE SUB-GROUP
ON
PRICE MONITORING AND MARKET INTERVENTION**

August 2011

**Price Monitoring Cell
Department of Consumer Affairs**

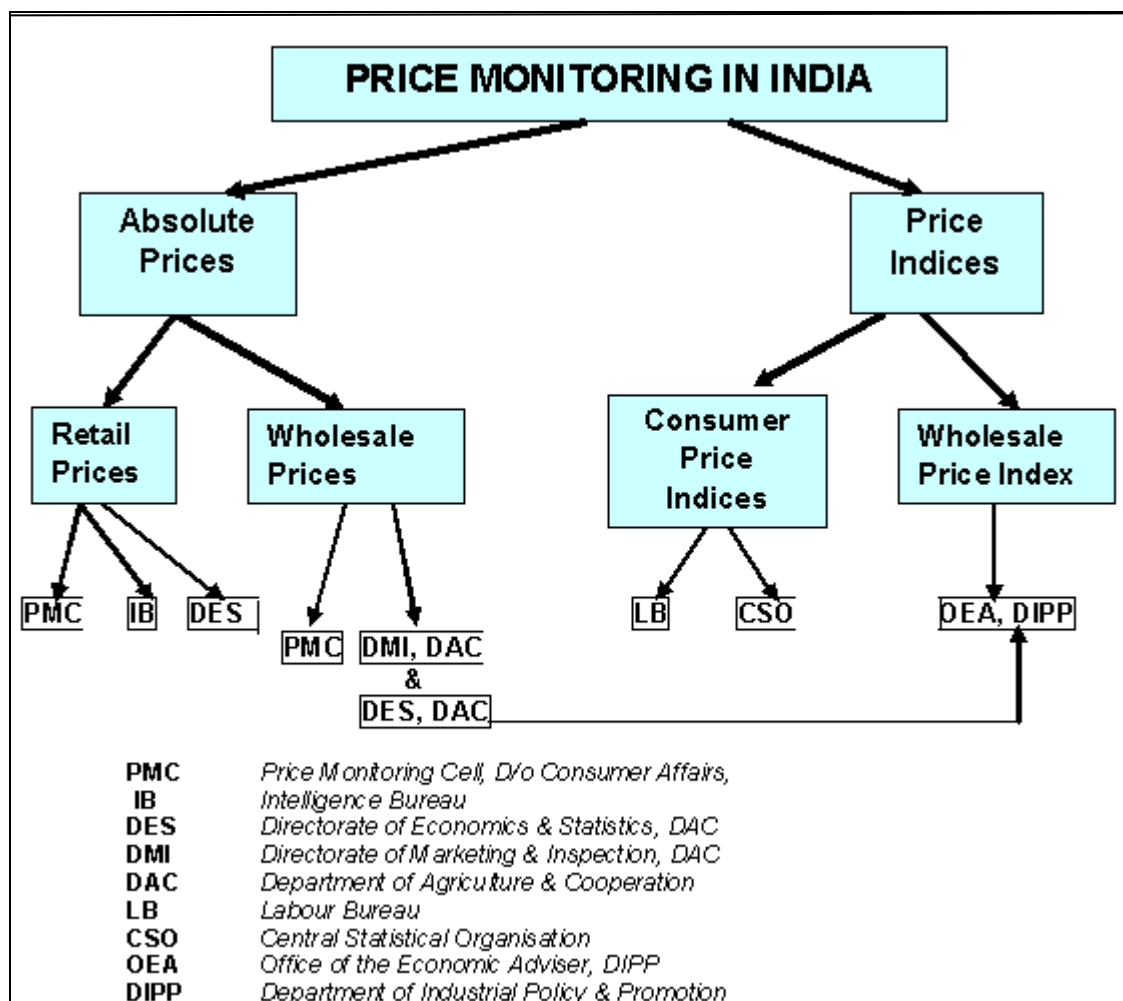
1. INTRODUCTION

1.1. The sub-group on Price Monitoring and Market Intervention was carved out to study the system of price monitoring in India – specifically, the existing system of daily price collection and measures to be taken to improve data collection and to strengthen the data and information base of prices of essential commodities – and to review the scope for market intervention measures. The composition of the sub-group is given at Annexure I.

2. PRICE MONITORING IN INDIA

2.1. In India, monitoring of prices are done on a regular basis both from absolute prices and price indices (Chart-1)

Chart-1



- 2.2 Conventionally, market prices in India mostly refer to wholesale prices and retail prices. Wholesale prices refer to the prices at which transactions take place at the wholesale market. Retail prices are those at which transactions take place at retail markets. Thus, wholesale prices refer to the prices for bulk transactions between whole sellers and the retailers. In other words, wholesale prices are the purchase prices paid by the retailers. As against this, retail prices refer to the prices for smaller transactions between retailers and consumers. Thus, retail prices are the sale prices for retailers and purchase prices for the consumers.
- 2.3 As is evident from chart-1, a number of Government Departments and agencies are involved in price collection and dissemination exercise. However, the purpose and scope of each agency are different from the others.
- 2.3.1 Price Monitoring Cell of the Department of Consumer Affairs collects and disseminates wholesale and retail prices of selected essential food items from the view point of protecting consumer's interests to ensure that these items remain available to the consumers and also at affordable prices.
- 2.3.2 Directorate of Marketing & Inspection under the Department of Agriculture & Cooperation provides an online platform (www.agmarnet.nic.in) for collection and dissemination of wholesale prices of agricultural commodities on a daily basis with the purpose of making the agricultural marketing more efficient by disseminating the ruling market price to the farmers as well as other market operators. The prices in their data feeding network are uploaded by the Agricultural Produce Market Committees (APMC).
- 2.3.3 Directorate of Economics & Statistics (DES) under the Department of Agriculture & Cooperation collects wholesale and retail prices along with production, area coverage, weather forecast etc. on a weekly basis to have better market intelligence and to have advance assessments

regarding demand-supply gap. DES collects prices from the State Marketing Boards of the respective state governments.

2.3.4 Wholesale Price Index is generated and disseminated by the Office of the Economic Adviser, Department of Industrial Policy and Promotion with the purpose of making available a headline measure of inflation which is used for macroeconomic policies and monetary policies.

2.3.5 Consumer Price Indices are generated by the Labour Bureau with the purpose of providing Cost of Living Index. Consumer Price Indices are constructed separately for the Industrial Workers (CPI-IW), for Agricultural Labourers (CPI-AL), and for Rural Labourers (CPI-RL).

2.3.6 Consumer Price Indices for Urban and for Rural areas are being generated separately as well as combined for urban and rural by the Central Statistical Organisation(CSO), with the purpose of providing a general measure of inflation encompassing all sections of the population.

2.4 The methodologies followed for data collection by the agencies differ from each other. Also data are released and disseminated in different formats. Scope of the prices data collected by various agencies is given in Table 1.

Table 1: Nature of Data Reporting by Different Agencies					
Data Source	No of Centres/ Quotations	Commodities Covered	Form of data	Periodicity	Lag
Office of the Economic Adviser, DIPP	5482 Quotations	676	Whole sale Price Index	Weekly for Primary and Fuel & Power/ Monthly for Manufacturing and all commodities	2 weeks/ One month
Labour Bureau, Shimla	78	120-130	CPI(IW), CPI(AL), CPI(RL)	Monthly	1 Month
Central Statistical Organisation	Urban – 310 centers -1114 quotations Rural-1181 centers		CPI- Urban CPI-Rural	Monthly	1 month

Data Source	No of Centres/ Quotations	Commodities Covered	Form of data	Periodicity	Lag
Directorate of Marketing & Inspection	2800+	300 commodities and 2000 varieties	Wholesale prices	Daily	Same day
Directorate of Economic Statistics Department of Agriculture & Cooperation	87	45 Food Items	Wholesale & retail prices	Weekly	2 Weeks
Price Monitoring Cell, Department of Consumer Affairs	49	22	Wholesale and retail prices	Daily	Real time basis (Same day)

2.5 Besides wholesale and retail/consumer prices, producers'/farm-gate prices are collected and disseminated by the Directorate of Economics and statistics, Department of Agriculture & Cooperation at an interval of 3 to 4 years. Farm Gate prices refer to the price of an agricultural product at the point where the commodity leaves the farm during harvesting season. Farm gate price, therefore, does not include cost of transport, delivery charges, grading and processing charges, storage charges etc.

2.6 Prior to every cropping season, Department of Agriculture & Cooperation announces Minimum Support prices (MSP) to ensure the farmers remunerative prices for their products. MSP is determined by the government on the basis of cost of production, risk under cultivation, changes in input prices, trends in the market prices, demand and supply status of the commodity, fluctuations of prices in the international markets, and a minimum provision of margin for the farmers.

2.7 In view of the fact that futures trade in agricultural commodities have gained significant momentum, spot and future prices have assumed importance.

3. ACTIVITIES OF PMC DURING THE ELEVENTH FIVE YEAR PLAN

3.1 The Price Monitoring Cell (PMC) in the Department of Consumer Affairs was created in 1998, with the task of monitoring prices on 14 essential commodities across 18 centers in the country. It was set up as a secretariat to the Cabinet Secretariat. Over the span of 12 years of its creation, the scope of PMC has widened and deepened.

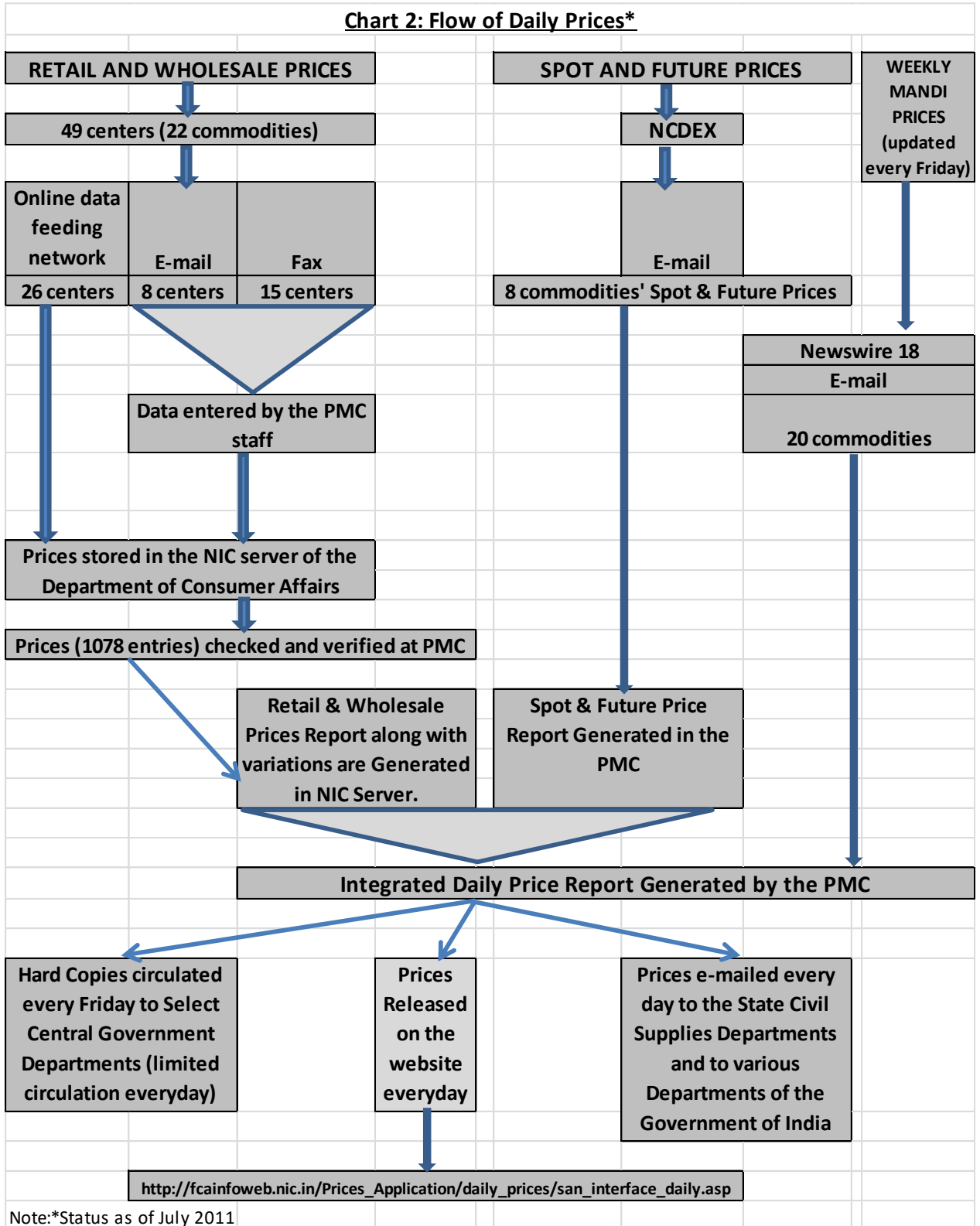
3.2 As of now, PMC is responsible for monitoring prices of selected essential commodities. The activities of the cell includes monitoring retail and wholesale prices, and spot and future prices of selected essential commodities on a daily basis and Mandi prices on a weekly basis. Prices are reported daily in the website. Also, there is limited circulation of hard copies of the price reports to disseminate information on price situation to the policy makers on a daily basis. PMC analyses the price situation and give advance feedback for taking preventive measures to help policy interventions at appropriate time to prevent undesired shortfall in the availability of essential commodities. Given shortage of any specific essential commodity, and to keep prices of the item under control, PMC also undertakes commodity-specific market intervention schemes to give temporary relief to the consumers.

3.3 A gist of the activities of the PMC during the Eleventh Five Year Plan (2007-2012) include the following:

3.4 Price Monitoring

3.4.1 PMC is the only organization in the country collating and disseminating absolute prices (retail and wholesale) of select essential commodities on an almost real time basis every day (Refer chart 2, p.6). Price monitoring is done for 22 essential commodities for 49 markets spread across the country representing North, West, East, South and North-Eastern regions of the country. All the centres are state capitals/prominent cities of different States. The number of centres in a state varies depending on the

geographical size of the state (See Annexure-II for details). Quality and variety of the item for which prices are reported remain same for a given center though these may vary from one center to another. Mostly, prices are reported for the Fair Average Quality of the item for a given center.

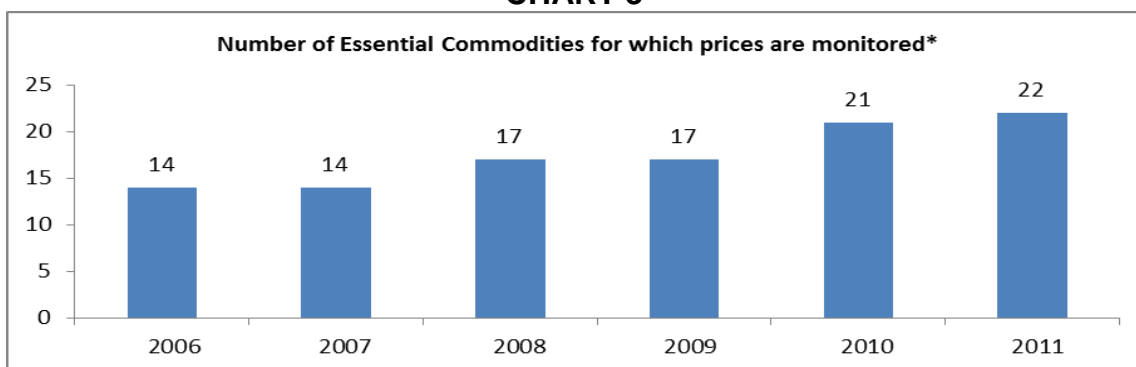


3.4.2 Retail and wholesale prices are received from the State Civil Supplies Departments of the respective state governments either online or by fax. As of now, prices for 26 centers are being received online. 8 centers are sending prices by e-mail and the remaining 15 centers are sending daily prices by fax(Annexure-III).

3.4.3 Prices are received by 3 to 4 pm daily. PMC compiles this data and releases the Daily Price report the same day by 5 pm. The gap between obtaining price report from the states, feeding them into the system and then releasing the daily report containing 1078 entries is less than two hours.

3.4.4 The number of commodities for which prices are monitored has been progressively increased from 14 (in 2006) to 17 (in 2008) to 21 (in 2010) and further to 22 (in 2011) (as shown in chart 3 below). The commodities currently monitored are Rice, Wheat, Atta, Gram Dal, Tur Dal, Masoor Dal, Moong Dal, Urad Dal, Groundnut Oil, Mustard Oil, Vanaspati, Soya Oil, Sunflower Oil, Palm Oil, Sugar, Tea, Salt, Potato, Onion, Gur, Milk and Tomato

CHART 3



14 Commodities monitored upto 2007 are: *Rice, Wheat, Atta, Gram Dal, Tur Dal, Groundnut Oil, Mustard Oil, Vanaspati, Sugar, Tea, Salt, Potato, Onion, Milk,*

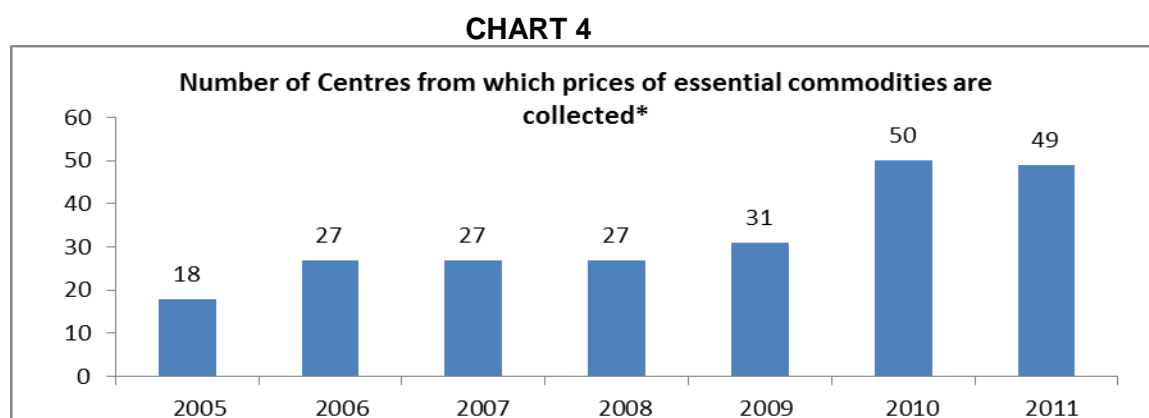
3 commodities added in 2008 are: *Masoor Dal, Moong Dal, Urad Dal,*

4 commodities added in 2010: *Soya Oil, Sunflower Oil, Palm Oil, Gur*

1 commodity added in 2011: *Tomato*

* Status as on July 2011

3.4.5 Simultaneously, the centres from where the prices are obtained have also increased in number; they have almost trebled as shown in chart 4.



* Status as on July 2011

3.4.6 Wholesale prices were hitherto reported for 37 centres on a weekly basis; now they are being reported on a daily basis for 49 centres; these are the same centres for which retail prices are reported.

3.4.7 Prices are collected and reported by the Department of Civil Supplies in the States on daily basis for the retail and wholesale prices. All centres do not necessarily report prices for all commodities (as demand for some commodities is region specific).

3.4.8 Spot and future prices of 8 essential commodities are collected from National Commodity Exchange (NCDEX) by e-mail and are monitored daily.

3.4.9 Since 2009, Mandi prices of 20 essential commodities are collected from Newswire by e-mail and are monitored on a weekly basis.

3.5 Production and Dissemination of Price Reports

3.5.1 Daily Price Report consists of the following:

3.5.1.1 Retail and wholesale prices of the selected 22 essential commodities in Delhi and variations of these prices compared to one week back,

one month back, three months back, six months back, one year back, and two years back.

- 3.5.1.2 Daily retail and wholesale prices of the same 22 commodities for all 49 centers.
 - 3.5.1.3 Variation in retail prices for each commodity over a period of last two weeks.
 - 3.5.1.4 Spot and future prices of selected 8 essential food items/agricultural commodities which are traded in the National Commodity Exchange.
 - 3.5.1.5 Comparative Mandi and retail prices of 20 essential commodities and their variations over last one week, one month, three months, six months, and one year as reported by the NCDEX.
- 3.5.2 Weekly report of wholesale price indices is prepared separately based on the WPI released by the Office of the Economic Adviser, DIPP, Ministry of Commerce & Industry.

3.6 Price Analysis and Policy Intervention

3.6.1 The prevailing price situation, as well as factors which impact on prices, in both domestic and international markets, are studied and brought to the notice of high level committees, such as Committee of Secretaries (COS), Cabinet Committee on Prices (CCP), through agenda notes prepared for their meetings, for appropriate action at the policy level. This note reviews the following:

- Inflation based on Consumer Price Index
- Area and Production of major food crops
- Price scenario of Essential Commodities
- Domestic Spot and Futures Prices of Essential Commodities
- International Futures Prices
- World Markets and Trade scenario of foodgrains
- Commodity-wise details for wheat, rice, sugar, pulses, edible oils,

vegetables and milk containing Area and Production scenario, Procurement scenario, domestic and international prices, and World Markets and Trade Scenario for the specific commodity

- 3.6.2 These reviews and analyses are based on the data collected from various sources.
- 3.6.3 The decisions taken at the Cabinet Committee on Prices (CCP)/ Committee of Secretaries (COS) meetings are conveyed to the Ministries /departments concerned to take appropriate action. The decisions taken in these meetings are implemented by the Ministry/Department concerned which is charged with the responsibility of the subject matter of the decision. Department of Consumer Affairs (PMC) monitors the action taken on those decisions by the concerned Ministries/departments and submits the action taken report before the Cabinet/CCP/COS.
- 3.6.4 Of late, work have been initiated to analyse commodities price volatilities in India at the instance of G-20 Study Group on Commodities Price Volatilities.

3.7 Market Intervention Activities

- 3.7.1 Regular retail price reviews have been instrumental in deciding on strategies for market intervention to stabilize the market and ensure that shortages do not adversely affect the consumers, particularly the vulnerable section of the population. In this context, market intervention activities undertaken for pulses and certain vegetables like onion deserve special mention. Such Market Intervention Schemes are introduced as and when directed by the EGOM (Expert Group of Ministers).

3.7.2 Market Intervention for Pulses

In the context of rising prices due to the increasing gap between supply and demand for pulses, two schemes were introduced to improve their domestic availability.

- (a) Scheme for market intervention under which reimbursement of losses upto 15% of landed cost and service charge of 1.2% of CIF value is allowed to the designated import agencies (PSUs/Cooperatives) for import of pulses, since 2006-07. This scheme has been discontinued after 31.3.2011.
- (b) Scheme for distribution of imported pulses by designated import agencies (PSUs/Cooperatives) at subsidized rates by State Governments, at the rate of Rs 10 per kg, since 2008-09. Currently, this scheme is being implemented under which five designated agencies (viz., MMTC Ltd., STC Ltd., PEC Ltd., NAFED and NCCF), import pulses and supply to the States/UTs for distribution in the Public Distribution System. The designated importing agencies have played a dominant role in bridging the gap between demand and supply of pulses in the domestic market.

3.7.3 Market Intervention for Onion

The crop failure of Onion during the kharif and late kharif season in 2010 caused a huge spike in the onion prices across the country, the retail and wholesale prices which were already moving northwards suddenly shot up in the third week of December 2010. In some centres, it went up by more than 100%. The price movement was more or less same in the major mandis of onion producing areas. Along with other trade measures the Government also decided to encourage import of onions to soften the prices in domestic markets. Public Sector undertakings such as PEC, and STC were instructed to import onions for domestic consumption. A scheme evolved under which NAFED and NCCF were instructed by the Government to undertake the retail sale of onion through their respective outlets at the prices below the prevailing market prices. The reimbursement of losses to NAFED and NCCF for Market intervention was allowed for January 2011 with authorization to sell 6000 tonnes of onion and reimbursement being capped at 30% of

the landed cost including statutory duties at both ends and loading/unloading charges, at Delhi/other urban centres. This step played an important role in making the onion available to the common man at a reasonable price and stabilizing the prices of onion in the open market.

4. CHALLENGES AHEAD FOR PRICE MONITORING CELL

4.1. Challenges in Price Monitoring

- 4.1.1.** Price collection mechanism needs to be reviewed in the context of persistent food inflation. It is necessary to revalidate the representativeness of the centers keeping in view the production and consumption pattern of specific items in a given center, assigning appropriate weight to each center based on average transaction per day in the specific center for a specific commodity. In the process, more centers which are representative centers for specific commodities may have to be added whereas less representative centers in the existing list may have to be dropped.
- 4.1.2.** There is a need to improve the efficiency of data collection mechanism. Efforts are required to be made to make the data collection cent-per-cent online and to ensure maximum compliance of data entry from the selected centres in respect of the listed commodities.
- 4.1.3.** A system of automatic check and validation needs to be put in place for on-the-spot and immediate authentication and validation of the reported prices.
- 4.1.4.** It is necessary to working with the state civil supplies departments to ensure adoption of a uniform methodology for collection and reporting of data across the selected centres.
- 4.1.5.** Though it has been found in the past that wholesale and retail prices collected and reported by the PMC compares favourably with the prices and indices collected and generated by the other agencies

mentioned earlier, it is important to keep up this comparison on a regular basis with a time gap of 3 months or so especially with the Consumer Price Index being generated by the CSO to ensure the representativeness and convergence of the prices generated.

4.1.6. Department of Consumer Affairs being the administrator of the regulator (i.e., FMC) of the Forward Markets in India, it may be necessary to monitor spot and future market prices more rigorously to understand the implications of future prices on wholesale and retail prices on the one hand and to be able to provide advance feedback for policy decisions regarding permitting or banning forward trading for a specific commodity.

4.2. Challenges in Price Reporting

4.2.1. As of now, data feeding network and data base of prices are maintained by the NIC cell of the Department of Consumer Affairs under the direction and supervision of the Price Monitoring Cell. Also, the daily price report is generated in the NIC server. There is a need to test and improve the system of generating user friendly price reports and providing a platform for easy data mining.

4.2.2. Though center-wise prices are reported, all India average price for a specific commodity reported now is the simple average of prices in centers which reported the price of a specific commodity on a specific day. Calculating a more representative average all India price will have to be done by taking into account volume of transactions or market arrivals of the given commodity in a given center on a specific day as weights, and calculating weighted average of prices.

4.2.3. Price reports need to be visually more attractive and revealing to help diagnosing variations and trends with ease and on an immediate look.

4.3. Challenges in Price Analysis and Policy Interventions

- 4.3.1.** PMC needs to engage in appropriate research studies/surveys to improve data/information collection and get feedback on policy interventions.
- 4.3.2.** It has been noted in the past that wholesale and retail prices do not necessarily move in tandem. In fact, many a times, though it is observed that wholesale price either declined or remained stable, retail prices still increased, implying that the benefit of reduction in wholesale prices is not passed on to the consumers in retail prices. Alternatively, many a times wholesale prices increase but retail prices do not increase immediately, either due to communication gap between wholesale and retail markets that involve some time lag, or the retailers bear the burden of increased prices for not losing the customer especially if the nature of the commodity is highly elastic. This needs to be constantly monitored by analysing the trend in the magnitude of gap between the retail and wholesale prices and analysing the causes of such gap to identify the direct and indirect measures that could be used for market interventions.
- 4.3.3.** There is an urgent need to understand the nature of demand for specific commodities to be able to distinguish between change in demand due to change in prices and shift in demand due to change in income and life-style and to diagnose the interaction effects of the two.
- 4.3.4.** Commodity specific analysis needs to be undertaken to study the supply side factors and to analyse their impact on prices of essential commodities.
- 4.3.5.** Factors affecting price movements may be different at the regional, national and global levels at any given point and period of time. It is necessary to constantly keep a track of the international prices and the factors affecting their movements to be able to diagnose in

advance the probable impact of international factors on domestic prices and supply of commodities.

4.4. Challenges in Market Intervention Activities

4.4.1. Officers and staff of the PMC specialise in Economics and statistics. Based on the experiences of operating two pulses subsidy schemes, it was evident that the administrative and accounting aspects associated with the subsidy reimbursements resulting from market intervention activities like pulses schemes do not fall under the purview of the expertise of PMC.

4.4.2. Though market interventions are the outcome of price monitoring, operation of market intervention schemes is entirely a different activity. Given the present structure and staff of the PMC, market intervention activities may either have to be shifted from PMC to any other appropriate section of the Department or specialised personnel may need to be posted in the cell.

4.4.3. Analysing the impact of specific market intervention activity before undertaking another such activity must be a pre-requisite.

5. STRATEGY FOR THE TWELFTH PLAN

5.1. Converting PMC into Essential Commodities Monitoring Division

5.1.1. The Standing Committee of this Department as well as the Estimates Committee on 'Drought Management, Food grains Production and Price Situation' recommended that the role of the PMC should be redefined in view of the dynamic nature of the domestic and global markets. The task to set up a 'credible data collection and monitoring system' requires multi-tasking at different levels. There is, therefore, an urgent need to strengthen the Price Monitoring Cell. In this context, a proposal to convert the PMC to a

full-fledged division, an Essential Commodities Monitoring Division (ECMD), was sent to Department of Expenditure in 2010 for approval.

5.1.2. Strengthening of PMC requires the following:

5.1.2.1. Capacity building of the existing manpower – Analyzing the trend of prices and availability of essential commodities requires constant updating of the knowledge base and skills of the officials engaged in this work. Officials of PMC will be deployed to national as well as international training programmes organized on price related subjects and to the specialised trainings related to data analysis and econometrics by national/international organisations/Universities etc. Capacity building in terms of office procedure is also required for the staff.

5.1.2.2. Additional manpower- To ensure the quality, reliability and regularity of the data, PMC needs to be strengthened by the deployment of additional manpower. Two Joint Director/Director level posts have already been created in the Department by the Indian Economic Service Cadre. One of the two officers has already assumed charges recently. Given the nature of administrative and accounting work, one under Secretary level post and one Section Officer level post is urgently required. Personal Assistants and Assistants cum Data Entry Operators will also be required to achieve this task. Market Intervention Schemes require designated officers and staff for regular monitoring of the domestic availability of pulses and onions; constant liaising with representatives of PSUs/Cooperatives for information on status of imports and supply of imports of pulses to State Governments. In addition, it would be advisable to post an accounts officer at the STS level for checking all records/documentation on receipt of claims for reimbursement of losses for onward submission to the Internal Finance Division (IFD). In the case of the PDS scheme of pulses, the reimbursement claims of PSUs, complete in all respects, have to

be settled within one month of submission.

5.2. Strengthening of Price Collection Mechanism and Price Reporting

- 5.2.1.** An Expert Committee may be constituted to review the existing price collection mechanism and to advise on improvement.
- 5.2.2.** For improving efficiency of data collection, cent-per-cent online system needs to be put in place. For this appropriate financial assistance will have to be provided to purchase computers and wherewithals to the centers who are lacking in computer facilities.
- 5.2.3.** Trainings, workshops and follow up meetings are required to be organised with the state civil supplies departments to ensure adoption of a uniform methodology for collection and reporting of data across the selected centres.
- 5.2.4.** Officials involved with the price monitoring and analysis work will have to make occasional field visits to have interaction with the state level officials involved in the work and to visit the markets to develop better understanding of the market dynamics on the one hand, and to get feedback from consumers, on the other..
- 5.2.5.** A computerised system will have to be developed to instantly check and validate the reported prices.
- 5.2.6.** To monitor and analyse the impact of forward trading on market prices, officials associated with PMC will have to be trained on the subject.

5.3. Strengthening of Price Reports Structure

- 5.3.1.** External IT experts will be engaged in improving the presentations of the price reports.

5.4. Strengthening of Price Analysis

5.4.1. Subscribing to the Services of Professional Organisations - To undertake the research work related to availability and trend of prices of essential commodities, subscription to the services of organisations such as Newswire 18, Agriwatch, Indiastat and/or similar services is essential. For instance, Indiastat provides time series data on various parameters of the Indian as well as global economy, while Newswire 18 and Agriwatch provide valuable insights into the national and international commodity markets.

5.4.2. Hiring Professionals (Domain experts) - To handle the challenges of commodity analysis qualified personnel with appropriate knowledge and skills are required. PMC in its present status is not endowed with adequate manpower resources with required skills. Thus, hiring a range of professionals like Agricultural Economists, Statisticians and Econometricians will help in analysis and comprehension of data to provide concrete and precise inputs in policy formulation.

5.4.3. Engaging private organisations for conducting research studies and surveys- There are rough estimations regarding the consumer base in India. But there has not been a data base on the profile of consumers in India. NSSO conducts Consumer Expenditure Survey that gives the consumption pattern but not the structure and characteristics of consumers. It is important to take up field surveys to generate primary data regarding the consumer base in India. Also there is complete absence of data relating to the aggregate demand of specific essential commodities. These surveys need to be planned, designed and executed in a systematic and professional manner. This task may be outsourced to the professional organisations that are well versed in this field.

5.5. Strengthening Market Intervention Support Measures

5.5.1. Existing Measures

5.5.1.1. As stated under para 3.7, PMC is involved in market intervention activities, whereby central agencies are engaged for carrying out the task, such as in the case of imports and disposal of pulses, and onions etc. The aim of such interventions is to increase availability of essential commodities. The objective of involving Central agencies is to take advantage of their trade operations and incentivise them to procuring and selling essential commodities in the domestic market within their commercial ambit. This is expected to cool market sentiments.

5.5.1.2. The role of the Civil Supplies Corporations and Cooperatives in providing essential commodities at reasonable rates is also crucial. A scheme for strengthening capacity of State Civil Supplies Corporations/Consumers Marketing Federations for effective market intervention in essential commodities is operated by Department of Food and Public Distribution (DFPD). Cooperatives such as the National Cooperative Consumers' Federation of India Ltd (NCCF) and National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) can also be strengthened to achieve these objectives.

5.5.1.3. State governments, being closer to the market, have also to take proactive measures. In a market driven economy, State Governments can better influence the prices of essential commodities by intervening in the market by selling these essential commodities at specific retail outlets at prices below the prevailing market prices. This has been done by some state governments, for instance, Maharashtra, Goa and Delhi.

5.5.1.4. When prices are rising, it is essential that action is swift and efficient. A special fund may be created for meeting emergencies such as when prices of essential commodities spike requiring urgent action at market stabilization. Creation of a Price Stabilisation Fund in line with the recommendation of the Working Group on Consumer Affairs headed by the Chief

Minister of Gujarat (Hon. Shri Narendra Modi) to undertake market interventions and to improve domestic supply of essential commodities could be considered.

5.5.1.5. Cold storage facilities are inescapable for storage of perishable items. Creation of efficient storage infrastructure would go a long way in purchasing such items from the farmers/producers and releasing them gradually into the market to bridge supply demand mismatches.

5.5.1.6. NCCF and NAFED will have to be strengthened to achieve the objectives of effective market intervention by providing essential commodities at reasonable rates.

5.5.1.7. Provision of mobile vans to NAFED and NCCF from the Consumer Welfare Fund may be explored for supporting NAFED and NCCF in market intervention activities. In the aftermath of the recent onion crisis, NAFED was provided mobile vans from the Consumer Welfare Fund which were effectively used in swiftly stabilising onion prices.

5.6. Strengthening of Price Monitoring Cell in the States

Prices are collected and reported by the respective State Civil Supplies Departments on daily basis. Quality and authenticity of data largely depend on the efficiency of the Price Monitoring Cells in the State Governments. Strengthening the State Price Monitoring Cells along with the PMC in Consumer Affairs will address the issues in holistic manner.

The State PMCs is proposed to be strengthened in the following ways:-

- a. By employing trained manpower in the collection and tabulation of the data at the State Level. A suitable data entry operator (DEO) can be selected by the state governments under Centre's payroll.
- b. By organizing regular workshops at the Regional and National Level to get the feedback from field workers and discuss the practical problems being faced in the collection and reporting of prices.

- c. By providing IT infrastructure such as Computers, Printers, and UPS etc to enable the State PMCs for online reporting of prices.
- d. By increasing the sample size in order to obtain representative sets of price data. With a designated DEO at each Centre, States will be induced to progressively increase the number of centres from 49 (existing) to 100 by the end of Twelfth Five Year Plan. This will enhance the robustness of the data.

5.7. Strengthening National Informatics Centre (NIC) in the Department

5.7.1. Data center servers and system software would be required to upgrade the online system of PMC. It is proposed to engage services of Solution architect and Developers for a period of around six months to prepare Data Ware Housing and Analysis application and to bring in Business Intelligence into the whole system. A data warehouse is planned with the huge volume of data presently being generated to facilitate the generation of analytical reports.

5.7.2. To support the day to day operations and to meet additional reports/query requirements, modifications in the software, it is proposed to hire services of at least one Programmer for the full plan period.

6. Requirement of funds for the Twelfth Plan Period.

Strengthening of Price Monitoring Cell at the centre will require around Rs.846 Lakhs for the entire twelfth plan period (2012-17). An amount of Rs 61.05 lakhs will be required for strengthening of National Informatics Centre (NIC). The task of strengthening of Price monitoring Cells at states will require an amount of Rs. 1257 lakhs. The overall requirement of funds for the entire plan period will be around Rs 2164 lakhs. Scheme wise year wise details are given in Annexure IV.

7. Recommendations of the sub-group:

Given the utility of the price data and the unique position of the PMC, three broad sets of recommendation are made.

a. To achieve and maintain the quality and robustness of daily price data, the following are suggested:

- (i) Constitution of an Expert Committee to Review the Price Collection mechanism and to suggest strengthening of the existing system.
- (ii) Strengthening Price Monitoring Cell at the Centre,
- (iii) Strengthening Price Monitoring Cells at the States, and
- (iv) Strengthening National Informatics Centre at the Centre.

b. To achieve the objectives of effective market intervention it is necessary to strengthen the NCCF and NAFED through the creation of cold storage infrastructure and market stabilisation fund.

**COMPOSITION OF THE SUB-GROUP ON PRICE MONITORING AND
MARKET INTERVENTION**

Convener- Senior Economic Adviser, Department of Consumer Affairs

Members - Manager Director, NCCF

Economic Adviser, Department of Consumer Affairs.

Representative of Govt. of Tamilnadu

Representative of Govt. of Gujarat

Representative of Govt. of Andhra Pradesh

Representative of Govt. Orissa

Representative of Govt. of NCT of Delhi

Representative of Competition Commission of India

Representative of National Council of Applied Economic Research

Representative of Central Statistical Organization

Representative of National Commodity Exchange (NCDEX)

Representative of National Informatics Centre (NIC)

Director (Cooperation), Department of Consumer Affairs.

Annexure-II

YEAR-WISE CENTERS*

S.No.	Centers from which prices were collected in 2005	S.No.	Centers added in 2006	S.No.	Centers added in 2010	S.No.	Center deleted in 2011
NORTH ZONE							
1	DELHI	1	Chandigarh	1	HISAR		
2	SHIMLA	2	Shrinagar	2	KARNAL		
3	LUCKNOW	3	Jammu	3	MANDI		
		4	Amritsar	4	BHATINDA		
		5	Ludhiana	5	KANPUR		
		6	Dehradun	6	VARANASI		
				7	AGRA		
WEST ZONE							
4	AHMEDABAD	7	Raipur	8	JODHPUR		
5	BHOPAL			9	KOTA		
6	MUMBAI			10	NAGPUR		
7	JAIPUR			11	INDORE		
				12	RAJKOT		
EAST ZONE							
8	PATNA	8	Ranchi	13	BHAGALPUR		
9	BHUBANESHWAR			14	CUTTACK		
10	KOLKATA			15	SAMBALPUR		
				16	SILIGURI		
NORTH-EAST ZONE							
11	GUWAHATI	9	KOHIMA	17	ITANAGAR	1	KOHIMA
12	SHILLONG			18	DIMAPUR		
13	AIZWAL						
14	AGARTALA						
SOUTH ZONE							
15	HYDERABAD			19	Vijaywada		
16	BANGLORE			20	DHARWAD		
17	T.PURAM			21	ERNAKULAM		
18	CHENNAI			22	DINDIGUL		
				23	THIRUCHIRAPALLI		
18 Centers		27 Centers		50 Centers		49 Centers	

* Status as on July 2011

Annexure-III CENTRE-WISE DATA REPORTING SYSTEM *

S.No.	Online Data Feeding	S.No.	Reported by e-Mail	S.No.	Reported by Fax
NORTH ZONE					
1	Delhi	1	Chandigarh	1	Hisar
2	Shimla	2	Shrinagar	2	Karnal
3	Mandi			3	Jammu
4	Lucknow			4	Amritsar
5	Kanpur			5	Ludhiana
6	Varanasi			6	Bhatinda
7	Agra			7	Dehradun
WEST ZONE					
8	Raipur	3	Jaipur	8	Jodhpur
9	Ahmedabad			9	Kota
10	Rajkot				
11	Bhopal				
12	Indore				
13	Mumbai				
14	Nagpur				
EAST ZONE					
15	Patna			10	Ranchi
16	Bhagalpur			11	Kolkata
17	Bhubaneshwar			12	Siliguri
18	Cuttack				
19	Sambalpur				
NORTH-EAST ZONE					
		4	Guwahati	13	Itanagar
		5	Shillong	14	Aizwal
		6	Agartala	15	Deemapur
SOUTH ZONE					
20	Hyderabad	7	Banglore		
21	Vijaywada	8	Dharwad		
22	Thiruvanthapuram				
23	Chennai				
24	Dindigul				
25	Thiruchirapalli				
26	Ernakulam				

* Status as on July 2011

Annexure IV**Year wise requirement of funds for strengthening Price Monitoring Cell****(in Rs. lakh****a. Strengthening of PMC and Price Monitoring Mechanism at Centre**

Purpose for which funds are Required	2012-13	2013-14	2014-15	2015-16	2016-17	Period 2012-17
Constitution and Servicing of an Expert Committee						
Converting PMC into ECMD	20.40	22.44	24.68	27.15	29.87	124.54
Organizing Training Programmes for the Officials of PMC	25	26.25	28.88	30.32	31.84	142.29
Subscribing to the Services of Professional Organisations	20	22	24	26	28	120
Hiring Professionals (Domain experts)	30	33	36.30	39.93	43.92	183.15
Engaging private organisations for conducting research studies and surveys	50	52.50	55.13	57.89	60.78	276.30
Total	145.4	156.19	168.99	181.29	194.41	846.28

b. Strengthening of NIC

Strengthening National Informatics Centre (NIC)	10	11	12.1	13.31	14.64	61.05
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c. Strengthening of PMCs in States

Employing Trained Manpower at state	120	158	201.60	249.6	302.4	1031.6
Organizing Workshops	10	11	12.1	13.31	14.64	61.05
IT Infrastructure to Centres	20	25	31.25	39.06	48.83	164.14
Total	150	194	244.95	301.97	365.87	1256.79
GRAND TOTAL ((a+b+c))	305.4	361.19	426.04	496.57	574.92	2164.12

