

Ministry of Consumer Affairs, Food & Public Distribution
(Department of Consumer Affairs)
Price Monitoring Cell

MEMORANDUM

SUBJECT: Note for Standing Finance Committee on the Plan Scheme for 'Strengthening of the Price Monitoring Cell'.

1. Sponsoring Ministry/Department:

Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution.

Statement of Proposal:

- a) *Whether Central Scheme or Centrally Sponsored? In case of new CSS or CSS with changed parameters, funding pattern, etc. whether approval of full Planning Commission has been obtained?***

This is a Central Scheme funded by 100% budgetary support.

- b) *Whether there are schemes with overlapping objectives and coverage in other Ministries and States? If so, the details of such schemes and the scope for integration.***

The Price Monitoring Cell (PMC) in the Department of Consumer Affairs monitors the retail and wholesale prices of select essential commodities on daily basis. Prices of agricultural/agriculture-based items are being monitored by many departments both at the Centre and State level. These include the Directorate of Marketing and Inspection, Directorate of Economics and Statistics, NAFED, etc. under the Department of Agriculture and Cooperation, Economic Division of Department of Economic Affairs, CSO under the Ministry of Statistics and Programme Implementation, etc. the monitoring by these organizations is based on weekly or monthly basis. However, the PMC under Department of Consumer Affairs is unique as the monitoring is done on a daily basis. In fact, PMC is the only organisation which monitors the wholesale and retail prices of select essential commodities (presently 22 commodities) across various centres (presently 57) in the country on real time basis. Veracity of the data is maintained as prices are being collected for the same quality of the commodity in a particular centre. Mostly, prices are reported for the Fair Average Quality of the item for a given centre. As quality and other specifications of the commodity for which prices are collected remain same for a centre, it helps us to know the variation in the prices of

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that commodity in particular centre or the price trend of that specific commodity over different periods of time.

Unlike the aforesaid other Departments, the focus of PMC is not only compilation of prices on a daily basis but also their interpretation for tracking inflationary trends and the related policy decisions.

c) *New Proposals/Modified/Revised Cost Estimate*

This is a new scheme to be implemented with the broad objective of strengthening the existing mechanism of price monitoring, both at centre and state levels. This would include the timely reporting of price data by states, increase the robustness of the data and making the daily price reports more user-friendly. This is proposed to be achieved by:

- (i) Strengthening Price Monitoring Cell at the Centre,**
- (ii) Strengthening National Informatics Centre at the Centre, and**
- (iii) Strengthening Price Monitoring Cells in the States.**

d) *Reasons and justification for proposal, indicating historical background, circumstances in which the need has arisen, whether other alternatives have been considered and what detailed studies have been made in regard to the proposal for establishing its need, its economics and other relevant aspects.*

(i) Historical Background:-

With opening of the economy in 1991, policy making has been shaped by not only domestic but also international market trends. Recognizing the need for regular updates on market prices specially of agriculture and agriculture-based items as part of the policy initiatives for anti-inflationary measures, the PMC was originally set up in 1998, with the task of monitoring prices of 14 essential commodities across 18 centres in the country. Over the span of about 15 years of its creation, the scope of PMC has widened and deepened, with the number of commodities increased to 22, namely, 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.

(ii) Reasons and Justifications:-

It was recommended by the Standing Committee of this Department as well as the

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Estimates Committee on 'Drought Management, Foodgrains Production and Price Situation' that the role of PMC should be redefined. This was keeping in view 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.

Working Group on Consumer Affairs which was chaired by Chief Minister of Gujarat, in its report (2011), recommended that *"GOI should establish a mechanism, if necessary by creating a dedicated agency for this purpose, to collect and widely disseminate to all stake-holders timely information on production, import, stocks and overall availability of essential commodities. Appropriate information technology based tools should be used for this purpose to minimize the time taken to collect and distribute the data to all stakeholders."*

The prevailing price situation, price trend as well as other factors which have impact on prices, both in domestic and international markets, are studied and submitted/circulated as and when required to high level committees such as the Committee of Secretaries (COS), and Cabinet Committee on Prices (CCP), for policy formulation. The review notes normally cover all aspects of price trends like inflation based on Wholesale Price Index and Consumer Price Index, area and production of major food crops, price scenario of essential commodities, futures prices, world market trends as well as specific commodity-wise details.

Facing the Future Challenges:-

- Price collection mechanism needs to be reviewed in the context of persistent food inflation. It is necessary to revalidate the representativeness of the centres keeping in view the production and consumption pattern of specific items in a given centre, assigning appropriate weight to each centre based on average transaction per day in the specific centre for a specific commodity. In the process, more centres which are representative centres may have to be added.

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As against 49 centres during 2011-12, 8 more centres have been added during 2012-13, making the total number of centres as 57. It is targeted to increase the number of centres to 100 by the end of XII Plan.

- There is a need to improve the efficiency of data collection mechanism. Efforts are required to be made to make the data collection centpercent online and to ensure maximum compliance of data entry from the selected centres in respect of the listed commodities.
- 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.
- It is necessary to work with the State Civil Supplies Departments to ensure adoption of a uniform methodology for collection and reporting of data across the selected centres.
- 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.

e) If it is location specific, basis for selection of location

This scheme is not a location specific scheme as PMC functions in the Department of Consumer Affairs in Delhi. However prices are collected from 57 centres across the country. Centres have been selected keeping in mind the size of the State and convenience of the concerned States/UTs in collection and reporting of prices. Most of the centres are either state capitals or other prominent cities representing various regions of the states. It is proposed to add about 10 centres annually bringing the number of reporting centres to 100 by the end of XII Plan. While adding new centres, priority will be given to unrepresented areas and centres will be added as required on a region-wise basis.

f) Has the proposal been included in the Five Year Plan and what are the provisions in the Five year Plan and in the current annual Plan? Is any modification proposed?

The proposal was included in the 12th Five Year Plan with an original outlay of Rs 21.64 crore. This included Rs 8.46 crore for strengthening of PMC at Centre, Rs 12.56 crore for strengthening PMC in states and Rs. 0.61 crore for strengthening NIC unit of DCA. As Gross Budgetary Support for the Department has been reduced to Rs. 1260 crore from the earlier proposed amount of Rs. 2513 crore, the outlay for PMC has also been

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revised from Rs. 21.64 crore to Rs. 10.81 crore for the Plan period 2012-17. For the year 2013-14, an outlay of Rs. 2.04 crore was proposed, but keeping in view the limited time now left with and the budget cut, no expenditure is now proposed for the current year.

g) What is the estimated yield from the Project and what are the economic implications?

The scheme under consideration will help in development of a robust system for collection and reporting of prices of essential food items as well as ensuring the much needed economic analysis based on the trend of prices in national and international arena. The areas which have largely been unexplored such as demand side analysis and consumption pattern of essential food items will also be covered under this scheme. It is expected that the inputs provided by PMC vide its notes for High Level Committees will benefit the Government in the task of formulation as well as implementation of such policies as related to price stability, market intervention, etc.

h) In case of ongoing scheme/project, status and benefits already accrued to the beneficiaries may also be furnished.

Not applicable

i) Have other concerned Ministries and Planning Commission been consulted and if so, with what results?

This scheme has been approved by Planning Commission as a new scheme under the 12th Plan. As advised by Planning Commission, the scheme of Strengthening of PMC was earlier taken up as an additional component of the scheme of Strengthening of Forward Markets Commission and the EFC Memo in this regard was circulated to Department of Expenditure and Planning Commission. Comments were also received. With the transfer of FMC to the Department of Economic Affairs, the proposal for PMC was de-linked and considered separately. Now, as approved by Planning Commission, this is being included as a new sub-component under the existing Plan scheme of Consumer Protection. However, the relevant comments related to PMC that were received when the proposal was circulated as part of EFC Note, have been retained and these along with the response of DCA are enclosed as **Annexure-AA**.

j) Whether any evaluation had been done? If so, broad findings of such evaluation studies may be given.

The Price Monitoring Cell (PMC) in the Department of Consumer Affairs was created in 1998, as a secretariat to the Cabinet Secretariat. PMC as a planned scheme has been

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included only in the 12th plan.

k) Has the proposal or its variant been gone into by any Committee, Departmental or Parliament? If so, with what result and what decisions have been taken?

The proposal has been broadly covered in the discussions of the Working Group on Consumer Protection set up by the Planning Commission under the Chairmanship of Secretary, Department of Consumer Affairs. The Working Group's recommendations were based on detailed deliberations undertaken by the sub-groups constituted by it to go into various aspects of consumer protection. The recommendations of the Working Group were discussed threadbare with representatives of Ministries/Departments concerned by the Planning Commission during its meetings and presentations.

l) What are the development outcomes and outputs of the scheme/project

The present proposal is for further strengthening the mechanism of price reporting at the Centre and State levels, and to increase the robustness of the data generated, and not for creation of a new structure. Hence, the usual outcome analysis may not be feasible. However, the scheme would generate following main outcomes/outputs:

- The prevailing price situation and factors which have impact on prices would be studied and brought to the notice of High Level Committees so that appropriate actions and policy interventions at the right time are facilitated.
- Operationalizing the scheme will help in development of a robust system for collection and reporting of prices. The efficiency of data collection mechanism could be improved, data collection made cent percent online and maximum compliance of data entry from selected centres ensured.
- Further areas of work such as analysis of demand and consumption pattern of essential food items could be taken up.

3. Programme Schedule

a) Has the project/scheme been worked out and scrutinized in all its details?

The scheme has been worked out and scrutinized in all its details. This scheme will help both the PMC at the centre and the price reporting centres in the States to be able to collect more representative data, validate the same and provide valuable inputs to the Government for appropriate policy interventions. Although the benefit of the scheme is not exactly quantifiable, the outcome is expected to be in line with the

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targets fixed and objectives drawn. The physical and financial targets are based on given criteria and have provision for monitoring at regular intervals.

b) What is the schedule for construction, indicating the provision separately relating to plant and machinery and civil works, raw materials, manpower, etc., together with year-wise phasing?

Not applicable.

c) Whether physical and financial targets match with each other?

The scheme has been framed in such a manner that the physical and financial targets tend to supplement each other. Details are given in Annexure-III.

d) What is the target date for completion and when will the expected benefits commence?

The scheme is to be implemented during the period of 12th Plan (2012-13 to 2016-17). The components of the scheme particularly in terms of training, regional workshops, strengthening of the hardware, etc. will enable price reporting to be more reliable and robust. In view of this, benefits likely to accrue will be of a continuing nature.

e) If the project involves dislocation of human settlements, resettlement costs should be included fully in the project cost. The resettlement plan should also be indicated in the project implementation schedule. The resettlement cost may be worked out on the following basis:

i) The cost of land required for resettlement would be as indicated by the District/State Authorities.

Not applicable

ii) The compensation to be paid to the displaced persons. This compensation cost is dependent on the rates indicated by Districts/States Authorities. Thus the total compensation cost may be worked out on the basis of these rates.

Not applicable.

4. Expenditure involved

a) What is the total expenditure (non-recurring and recurring)? The position year-wise and also whether any budget provision has been made and if not, how it is proposed to be arranged? Has any expenditure been incurred already?

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The total expenditure for the project is Rs. 10.81 crore, the year-wise break-up of which is as under

Sl. No	Plan Scheme	Year-wise Financial Outlays (Rs. in lakh)			
		2014-15	2015-16	2016-17	Total 2014-17
1	Strengthening of PMC and Price Monitoring Mechanism at Centre	167	184	179	530
2	Strengthening of PMCs in States	15	10	10	35
3	Strengthening of NIC	169	167	180	516
	Total	351	361	369	1081

Note: Pending approval of EFC/SFC, no expenditure could be incurred during 2012-13.

Keeping in view the limited time available and the budget cut, no expenditure is proposed for 2013-14.

b) Details of the scheme of financing clearly bringing out financial obligations undertaken by PSU/Ministry with or without the proposal under consideration. In other words, details of commitment on account of ongoing projects to be funded from internal resources of the PSU may be indicated in the SFC Note along with the requirement and availability of funds for project under consideration. In case of Schemes/programmes, Five Year Plan Outlay for the Ministry/Department and commitments on on-going programmes/schemes along with requirement and availability of funds for the scheme/programme may be furnished.

Not applicable.

c) What is the foreign exchange component (separately for non-recurring and recurring expenditure)? What are the items of expenditure involving foreign exchange and expenditure of foreign experts? Has clearance of E.A.D. been obtained and has availability of credit facilities been explored and if so, with what result?

Foreign exchange outgo would be only on account of training fee/ participation fee for officials of PMC attending international workshops and training programmes and Dearness Allowance (DA) to be paid to the participants.

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d) Phasing of expenditure

Given in Annexure II

v) Reference date and basis of cost estimates of various components.

Details are given in Annexure III

5. Reliability of cost estimates and other parameters

a) Has pre-project investigations been arrived in details and details of areas where change in project parameters could be anticipated?

Not Applicable

(As expenditure will be incurred for subscription of services of Professional Organisations, hiring of domain experts and Organising workshops/Training programmes only).

b) To what extent cost estimates are firmed up?

Cost estimates have been firmed up based on the current subscription charges for professional organisations, fee paid to the consultants by Planning Commission/NIC etc. Cost estimates may need revision in the event of changes made by these organisations. However the subscription charges of some organisations such as Newswire-18 are in terms of US Dollar. The actual payment made in terms of Rupee, may need to be revised on the basis of Rupee-Dollar exchange rate.

6. Operational capabilities

a) Operational capability of PSU/Department/Implementing Agency/Ministry to undertake the tasks required for the implementation of the proposal under consideration. For this purpose track record of the PSU in respect of the projects already implemented/under implementation may be highlighted and also steps proposed for ensuring timely execution of the project under consideration.

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The scheme will be implemented by the Price Monitoring Cell in Department of Consumer Affairs. It has the operational capability to undertake these tasks as it has been doing this work for last 15 years.

b) In case of RCE proposals, variance analysis of cost increase due to price escalation, variation in exchange rates/custom and other statutory duties and levies, change in scope, under estimation, addition/alteration, etc. is to be given

Not applicable.

c) In case of continuing Social Sector Scheme:

i) Estimate of committed liabilities at the end of previous plan.

Not applicable.

ii) Whether this has been transferred to State/non-plan head.

Not applicable.

7. Add statements showing:

a) The number of posts required and the pay scales, together with basis adopted for staffing both in current year and future year, (a separate proposal for creation of posts may be send to JS (Pers.), D/o Expenditure at least two weeks before the circulation of SFC note).

The original schemeproposed creation of some additional posts. It was initially planned that PMC would be converted into a full-fledged division, an Essential Commodities Monitoring Division (ECMD). In this context, a proposal to convert the PMC to ECMD was sent to Department of Expenditure in 2010 which has been returned. At this juncture creation of additional posts is kept on hold. The proposed hiring of domain experts would be during the whole Plan period, to impart the requisite skills and expertise in the operations of PMC. In case of creation of additional posts, PMC will revert to IFD for its concurrence.

b) Expenditure on buildings and its basis and phasing.

No expenditure on buildings is likely to be incurred.

c) Expenditure on stores and equipment.

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No expenditure on stores and equipment will be incurred.

8. Viability (Information is to be given if benefits accruable from the projects/schemes are quantifiable and can be translated in monetary term)

Benefits accruable are not quantifiable and cannot be translated in monetary terms. Implementation of the different components envisaged will promote capacity building and assist in collection of robust price data and necessary information critical for policy interventions.

9. Whether Nodal Officer (Chief Executive for the project) has been appointed? If yes, give details about his status, past experience in implementing such projects, number of years left for superannuation etc.

As it is not in the nature of project, the administration of this scheme will be under the supervision of Principal Advisor, with several years experience in economic planning, implementation, monitoring and evaluation of plan programmes and schemes. The supervision of this scheme will be by the Principal Advisor by designation and not by selection of any specific individual.

10. Whether on SFC Memo, Financial Adviser's concurrence/comments have been obtained? If so, details thereof.

This was originally circulated as an EFC Memo for FMC and PMC together. The comments received and the responses of the Department thereof are enclosed as **Annexure-AB**. Necessary modifications/additions wherever required have been made in the Note.

11. Supplementary Information

Nil

12. Points on which decision required

Approval is solicited for "Consumer Protection--Strengthening of the Price Monitoring Cell" at a cost of Rs.10.81 crore during the 12th Five Year Plan.

SECRET

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The Note for SFC has been approved by Secretary, Consumer Affairs.

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