

**PRIME MINISTERS SPEECH - FIRST CORE GROUP OF CENTRAL MINISTERS AND STATE  
CHIEF MINISTERS ON PRICES OF ESSENTIAL COMMODITIES**

Dear Colleagues,

I welcome you to this first meeting of the Core Group of Central Ministers & State Chief Ministers set up to address issues related to the prices of essential commodities. This is an important first step in the joint initiative by the Central and the state governments on a matter that impacts millions of our countrymen. I am sure we all agree that we must insulate the poor and the vulnerable from any rapid rise in prices of food items and essential commodities. At the same time we need to look ahead and see what could be done to ensure food security and also to remove the constraints that could again lead to such high food inflation.

We have set ourselves an ambitious agenda. The Core Group is expected to look into issues related to increased agricultural production and productivity, including long term policies for sustained agricultural growth, reduction of the gap between farmgate and retail prices, better implementation of and amendment to the Essential Commodities Act, better delivery of essential commodities to the vulnerable sections of society, augmentation of warehousing and storage capacity and improvement in supply of inputs like seeds and fertilizers. This going to be a time-consuming exercise and I would urge the Chief Ministers to kindly set apart some time out of their very busy schedules for this task.

As my colleague Sharadji has spelt out in some detail, we have already taken several steps to increase agricultural production, reduce wastage of produce, enhance credit support to farmers and provide a thrust to the food processing sector. The measures include organization of 60,000 "pulses & oil seeds villages" in rainfed areas during 2010-11 through the RKVY at a cost of Rs. 300 cr., efforts to bridge the productivity gap that exists in Bihar, Jharkhand, Eastern UP, West Bengal and Orissa, promotion of conservation farming to protect the gains of the green revolution, introduction of the Nutrient Based Subsidy for fertilizers, augmentation of storage capacity, increase in credit flow to farmers, extension of Agriculture Debt Relief Scheme 2008 and provision of additional interest subsidy of 2% for timely repayment. In addition, the Central Government will also move ahead on the creation of 5 more mega food parks, External Commercial Borrowing norms will be liberalized for cold chain facilities, import duties will be reduced for cold chain equipment, food processing units, refrigerated vans, tractors and semi-trailers, and testing/certification of agricultural seeds will be exempted from Service Tax. Transportation of cereals and pulses by rail will also be exempted from Service Tax.

I have no doubt that these measures will go a long way in addressing the tasks set for this Core Group. However, effective implementation of the various schemes and programmes is the key to success. I would urge the core group to pay particular attention to this area.

As I see it, our food production needs to grow at a higher rate, not just to keep pace with our population growth at current rates of consumption, but in order to satisfy the food and nutritional needs of a country that wants to pull its people out of poverty, hunger and malnutrition. For this, we would have to sustain our gains in Punjab, Haryana, Western UP and at the same time, bridge the productivity gaps elsewhere. The strategies will necessarily be different for different areas of our country. Punjab and Haryana farmers showed the way in adopting intensive, HYV based agriculture some forty years ago. They have to do it again through reduced water use, through better agronomic practice like the System of Rice Intensification method of rice cultivation. We cannot have foodgrains lying about in the open. Advanced storage facilities like silos will have to be built. Some hard decisions will have to be

taken in these areas otherwise problems like salinity, depleting water tables and plateauing productivity will hurt our food security. Here also, we have to take a call on subsidized power for agriculture pumping. My distinguished friend, Dr. Hanumantha Rao and many others have pointed out the close connection between free power, ground water depletion and the vicious cycle involving pumps with ever higher extraction capabilities, not to speak of the threat of bankruptcy of State Electricity Boards. This will have to stop. If we do not address this problem, we will soon end up with a 1990 like situation: the state-run power utilities will collapse and leave our farmers nowhere. Segregation of agri feeders will help. The problem is increasingly becoming more severe. Our generally good macroeconomic performance and the buoyant resources position of the state governments has so far allowed us to tide over these gross inefficiencies, but I am afraid that the day of reckoning is not far.

Increased production of food is absolutely essential, but not enough to achieve food security for all. We also need to look at distribution. There is an urgent need to ensure that the Targeted Public Distribution System (TPDS) delivers food to the needy as planned. You are aware that the TPDS is operated jointly by the Central and State Governments. We need to direct efforts to reform and strengthen the Targeted Public Distribution System (TPDS) to prevent large-scale leakages and diversion of foodgrains and also to remedy exclusion and inclusion errors in identification of BPL and AAY families. I would urge the Food Ministry and the Chief Ministers to put the task of reforming the PDS on top of their agenda. Today we have information and communication technologies that could be used for involving communities, eliminating bogus ration cards and tracking the movement of foodgrains from the storage depot to the ration shop and even to the user. We need to involve the Panchayati Raj Institutions to ensure that the distribution of food grains reaches the intended people. Several states have done good work in using information technology to reform the Public Distribution System. We need to replicate those initiatives.

I am aware that a number of State Governments have made requests for increasing the number of Below Poverty Line families in their States. The Government of India has initiated action on the finalization of a suitable methodology. An Empowered Group of Ministers under my colleague, Pranabji, is closely looking into this matter. I would request him to touch upon the issue when he addresses this meeting.

The State Governments have an important role to play in checking the price rise of essential commodities through administrative and regulatory measures, as also by making appropriate and timely market interventions. The Government of India would give the State Governments all possible support for implementation of market reforms which are so essential for improving market opportunities for farmers and minimizing intermediation costs in the supply chain by promoting cooperatives so that the gap between wholesale and retail prices is minimized.

The need of the hour is to refocus attention on agriculture and prepare strategies to bring in the next agricultural revolution by concerted efforts of the States and the Centre. I am confident that the discussions and deliberations of this Core Group will mature into feasible strategies and action points to curb the increasing prices and enable us to meet the challenges of providing food and nutritional security to India.

Thank you.

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