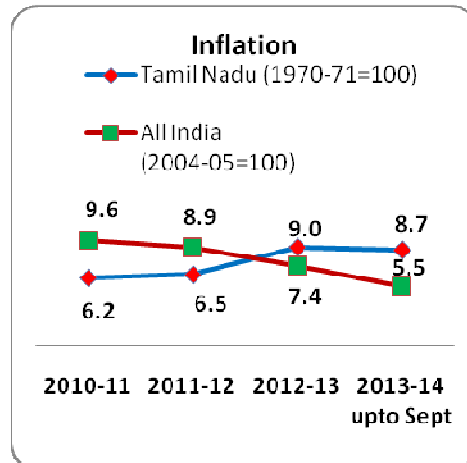


10.1. Overall Price Situation:

The rate of inflation as measured by Wholesale Price Index having a base year 1970-71=100 accelerated at a faster rate in the State. It was 6.5 percent in 2011-12 and 9.0 percent in 2012-13. During the first half of the year 2013-14 (April – September) it was 8.7 percent as compared to the corresponding period of the previous year. The pace of increase

Year	Tamil Nadu		All India	
	Average Index (Base 1970-71=100)	Rate of increase (%)	Average Index (Base 2004-05=100)	Rate of increase (%)
2011-12	2066.29	6.5	156.13	8.9
2012-13	2251.31	9.0	167.62	7.4
2013-14 (Apl-Sept)	2391.47	8.7	174.77	5.5

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6 and Office of the Economic Adviser, Ministry of Commerce and Industry, India.



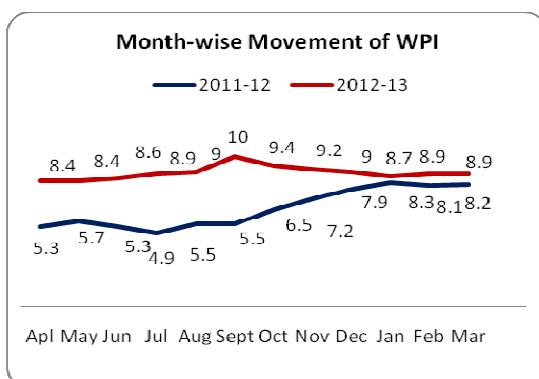
in prices of primary article group and manufactured products group had triggered the overall inflation in the State during the above years. Eventhough the group fuel, power, light and lubricants witnessed a meagre increase, it had its cascading effect in the prices of the other two groups. In spite of the variation in the base year, the Tamil Nadu and all India indices were compared for the pace of increase. Except in 2011-12, the inflation rate at the all India was lower than the State.

10.2. Month-wise Movement of WPI:

The monthly movement of index over the corresponding months a year ago is analyzed to identify sensitive months. The pace of increase in all commodity index during the first half (Apl-Sept) of the year was lower than the second half (Oct-March). It was experienced during the two years 2011-12 and 2012-13. The second half of the year witnesses the festival season causing price to spiral in the State. The first half of the year being the harvest season, the pace of increase in index was slower than the second half. The month-wise increase in the index during 2012-13 and 2013-14 (Apl – Sept) was higher than that of 2011-12. There was a close link between drought and inflation. Being a drought year it got reflected in the rise in prices during the year 2012-13. It's lagged effect

Month	All Commodities		
	2011-12	2012-13	2013-14 (Apl-Sept)
April	5.3	8.4	9.1
May	5.7	8.4	9.1
June	5.3	8.6	9.0
July	4.9	8.9	9.0
August	5.5	9.0	8.5
September	5.5	10.0	7.7
October	6.5	9.4	--
November	7.2	9.2	--
December	7.9	9.0	--
January	8.3	8.7	--
February	8.1	8.9	--
March	8.2	8.9	--
Annual Average	6.5	9.0	8.7

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.



had also echoed in the first half of the year 2013-14. However, there was a deceleration in the pace of increase in the index during the first half of the year 2013-14.

The pace of increase in the all commodity index at 8.3 percent reached its peak in January 2012 (2011-12) and gradually moved up in the first half of the year 2012-13 reaching a new peak at double digit level 10.0 percent during September 2013. Subsequently, it

decelerated till January 2013. Then it rose up till May 2013. After that the pace of increase it had come down.

10.3. Quarterly Movement of WPI:

Looking at the behaviour of the all commodity index during the four quarters of the year, the pace of increase was higher during the fourth quarter of 2011-12 and second quarter of 2012-13 compared to the other three quarters of the year. The inflation rate for primary article group was relatively higher than that of the other two groups all through the eight quarters. It reached double digit level in the second and third quarter of 2012-13. The pace of increase in the index of manufactured products group in all the four quarters of the year 2012-13 was higher than the previous year's. In the first two quarters of the year 2013-14, the rise in prices of all commodities index was higher in the first quarter as compared to the second quarter. During the year 2013-2014 the lagged effect of the drought had exerted pressure on the prices of the primary article group resulting in the pace of increase to stay in double digit level in the first two quarters. Between these two quarters of the year 2013-14, it had decelerated in the second quarter. In respect of fuel, power light and lubricants group the pace of increase remain unchanged in both the quarters of the year.

Groups	2011-12				2012-13				2013-14 (Apr-Sept)	
	I	II	III	IV	I	II	III	IV	I	II
Primary Article	5.9	5.1	8.4	9.0	9.0	10.6	10.0	9.9	11.3	10.0
Fuel, Power, Light & Lubricant	0.5	0.5	1.4	2.8	3.2	3.2	2.4	1.2	0.7	0.7
Manufactured products	5.4	6.2	5.9	7.6	8.4	8.1	8.7	7.9	6.3	6.6
All commodity Index	5.5	5.3	7.2	8.2	8.5	9.3	9.2	8.8	9.1	8.4

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.

10.4. WPI – Group-wise Movement:

The movement of all commodity index depends upon the behaviour of the three groups-primary articles, fuel, power, light and lubricants and manufactured products and the overall rate of inflation by the assigned weight of each of these groups. The primary article group having greater weight had influenced the all commodity index to move at a faster rate. The group having a weight of 52.69 within the weighting diagram registered a rise of 7.1 percent in 2011-12 and a further rise of 9.9 percent in 2012-13. Inflation in the group of primary articles was driven by rice, vegetables, fruits, milk, egg, meat and fish. During the first half of the year 2013-14 (Apr-Sept) the inflation was significant at 10.6 percent for the

group. There is a close link between drought and inflation. The drought of 2012-13 got reflected in the prices of primary articles during the first half of 2013-14 with a lag effect.

Groups	Weights Assigned	Average basis Percentage Increase			Weighted Contribution		
		2011-12	2012-13	2013-14 (Apl-Sept)	2011-12	2012-13	2013-14 (Apl-Sept)
Primary Article	52.69	7.1	9.9	10.6	64.3	65.4	72.7
Fuel, Power, Light & Lubricant	3.26	1.3	2.5	0.7	0.9	1.1	0.3
Manufactured products	44.05	6.3	8.3	6.5	34.8	33.5	27.0
All commodity	100.0	6.5	9.0	8.7	100.0	100.0	100.0

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.

For the group fuel, power, light and lubricants with a weight 3.26, the inflation rate stood at an insignificant level of 1.3 percent in 2011-12. The pace of increase in the index of the group had accelerated to 2.5 percent in 2012-13. In the first half of the year 2013-14 it was 0.7 percent. With respect to the group manufactured products having a weight of 44.05, the inflation rate was 6.3 percent in 2011-12. It further increased to 8.3 percent in 2012-13. The culmination of the rise in prices of the other two groups viz., primary article and fuel, power, light and lubricants led into the increase of prices of the manufactured products group.

10.4.1. Primary Article:

The group consists of the sub groups food articles, non-food articles and minerals. Most of the essential commodities of everyday use are covered under this group and the prices of the same by and large are determined by the supply of agro-produce which in turn mostly depends on the aberrations of the monsoon. The pace of increase of the index of the primary article group was from 7.1 percent in 2011-12 to 9.9 percent in 2012-13. The group had double digit rate of inflation at 10.6 percent during the first half of the year 2013-14 as compared to the corresponding part of the previous year. This increase was mostly influenced by the sub-group, food articles having a weight of 32.26. The prices in the food article group increased by 10.5 percent during 2012-13 as against 7.4 percent in 2011-12. It moved up further to 12.1 percent in 2013-14 (Apl-Sept). The increase in price of primary

Group / Sub-group	Weight	Percentage change Average Basis			Weighted Contribution		
		2011-12	2012-13	2013-14 (Apl-Sept)	2011-12	2012-13	2013-14 (Apl-Sept)
1. Food Articles	32.26	7.4	10.5	12.1	49.9	52.2	62.0
2. Non-food Articles	19.61	6.5	7.8	5.7	14.3	12.6	9.4
3. Minerals	0.82	2.0	10.7	25.0	0.1	0.6	1.3
Primary Articles	52.69	7.1	9.9	10.6	64.3	65.4	72.7

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.

articles was due to the increase in prices of cereals, pulses, fruits and vegetables, milk, egg, fish and meat. The reason for increase in prices is mainly attributed to mismatch between demand and supply coupled with panic reaction to shortage arising mainly from the drought. The State Government critically monitored the price trends of various essential commodities and took all out efforts at the appropriate time to contain the inflation by adopting different

strategies. Subsidized Budget Canteens (Amma Unavagams) have been established in all Corporations of the State to provide subsidized food at very low prices to public and to insulate them against the impact of the price rise of the essential commodities. Pannai Pasumai Nugarvor Kootturavu Kadai have been started to stem the rising vegetable prices. Following Universal Public Distribution System, the families are not discriminated as Below Poverty Line and Above Poverty Line and all families are supplied with essential commodities at uniform price through the net work of Fair Price Shops numbering 33,222 to benefit 1.98 crore families in the State. For relieving the economically weaker sections and to insulate them against the rising prices of food articles, under Public Distribution System rice to the tune of 3.16 lakh tonne on an average every month is being supplied "free of cost" to the 1.83 crore families. Besides, the Government has also continued the supply of dhall varieties and edible oil under the special Public Distribution System. To ease inflation, the Central Government on its part had also reduced import duties for wheat, onion, pulses and crude palmolein to zero, ban the export of the onion for short period, encourages duty free import of white/raw sugar, suspending future trading in rice, urad, tur, guarseed, effecting sale foodgrains to Antyodaya Anna Yojana and Below Poverty Line families under the targeted Public Distribution System at the rate of 35 kgs per month at central issue price and allocating rice and wheat under Open Market Sales Schemes.

The pace of rise of prices of non-food articles comprising of fibers, oilseeds and sugarcane which was at 6.5 percent in 2011-12 had moved up to 7.8 percent in 2012-13. It decelerated to 5.7 percent during the first half of the year 2013-14. The prices of minerals having weight of 0.82 percent within the primary article group increased from 2.0 percent in 2011-12 to 10.7 percent in 2012-13 and further to the level of 25.0 percent in the first half of the year 2013-14 but given its low weight, it could not tilt the price movement in its wake.

10.4.2. Fuel, Power, Light & Lubricants:

The group comprising coal mining, mineral oils, kerosene, petrol, diesel oil and electricity has been assigned a weight of 3.26 in the all commodity index of WPI with 1970-71 as base. The international availability of resources coupled with domestic policies ensures the price trend of this group. The fluctuations in the prices of crude and petroleum products in international markets and the appreciation of dollar value are the causative factors in determining prices in this group. The pace of increase of the index of the group was 1.3 percent in 2011-12. It accelerated to 2.5 percent in 2012-13 and it stood at 0.7 percent in the first half of the year 2013-14. Eventhough with meagre weight and slower rate of increase, the group fuel, power, light and lubricants is bound to produce a cascading effect and set off a chain reaction on price rise of other commodities.

10.4.3. Manufactured Products:

The surge in the index of the primary articles along with smoother flow of fuel, power, light and lubricants group had pushed up the inflation rate of manufactured products. The price rise of the group recorded at 6.3 percent in 2011-12 had further accelerated at a faster rate of 8.3 percent in 2012-13. During the first half of the year 2013-14, it decelerated to 6.5 percent.

Among the sub-groups under this group, food products, leather and leather products, paper and paper products, rubber and rubber products, chemical and chemical products and machinery and transport witnessed notable increases in 2012-13. Within the group of manufactured products, machinery and transport (10.98), textiles (8.95) and food products

(6.76) together constituted about 61 percent of the total group weight and the aberration in these sub-groups would have greater impact on the group index. There was an acceleration in the rate of increase in the prices of food products and machinery and transport in 2012-13 as compared to 2011-12. There was a deceleration in the pace of increase in respect of textiles in 2012-13.

Group / Sub-group	Weight	Percentage Change Average Basis			Weighted Contribution		
		2011-12	2012-13	2013-14 (Apr-Sept)	2011-12	2012-13	2013-14 (Apr-Sept)
1. Food products	6.76	12.5	17.1	13.0	13.7	14.5	11.9
2. Beverages & Tobacco	0.25	0.1	0.2	0.03	0.1	0.1	0.01
3. Textiles	8.95	7.9	6.9	12.1	8.6	5.5	9.9
4. Paper & Paper Products	1.05	0.2	2.3	2.5	0.03	0.2	0.3
5. Leather & Leather Products	2.43	9.9	11.3	3.5	2.1	1.8	0.6
6. Rubber & Rubber Products	1.52	14.5	16.8	3.3	2.4	2.2	0.5
7. Chemical & Chemical Products	3.39	1.4	5.3	2.7	0.6	1.5	0.8
8. Non-metallic minerals	1.46	16.0	6.3	2.6	3.9	1.2	0.5
9. Basic Metals & Alloys	2.34	1.3	1.3	0.9	0.4	0.3	0.2
10. Machinery & Transport	10.98	2.8	6.9	2.61	3.0	5.3	2.1
11. Miscellaneous	4.92	0.3	3.1	1.4	0.1	0.8	0.4
Manufactured Products	44.05	6.3	8.3	6.5	34.8	33.5	27.0

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.

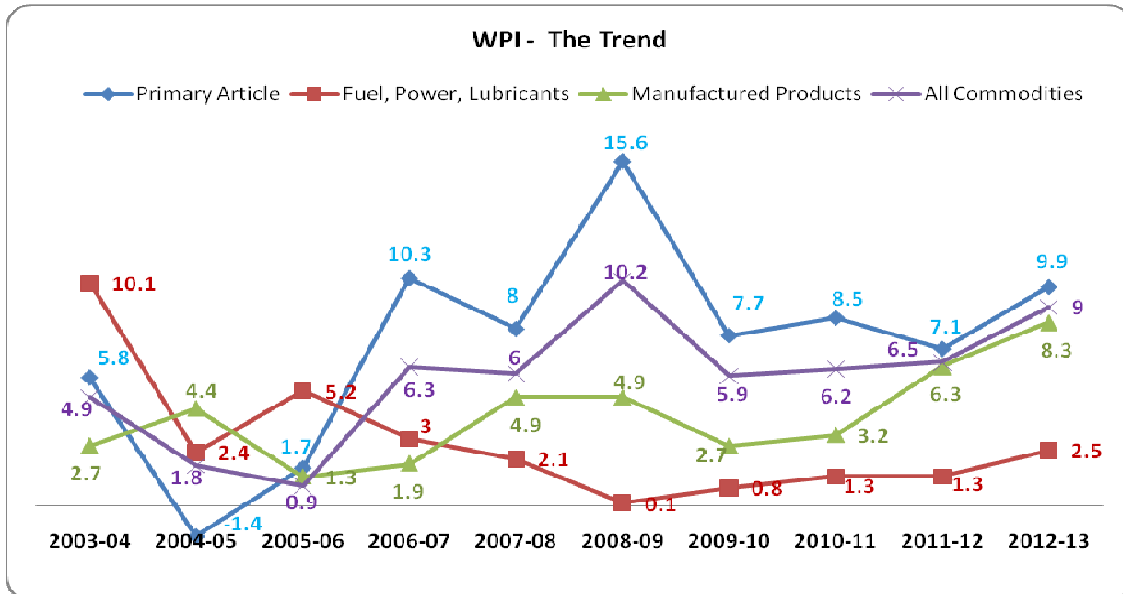
10.5. Trend Analysis:

Trends in inflation, as measured by WPI reveals an erratic and disparate trend. The average inflation rate for all commodities during the 10-year period ending 2012-13 stood at a moderate 5.8 percent – 7.3 percent for group primary article, 4.1 percent for group manufactured products and 2.9 percent for group fuel, power, and lubricants. All commodity index reached the peak at double digit level in 2008-09. Among the years, it was the lowest at 0.9 percent in 2005-06. While comparing the rate of inflation of each year with the average for ten year, it revealed that only in three years viz., 2003-04, 2004-05 and 2005-06 the inflation rate was lower than the average. Sub-group-wise, the index for primary article entered a negative territory during 2004-05 (-1.4). It peaked at 15.6 percent during 2008-09. Except in the 2003-04, 2005-06 and 2011-12, the inflation rate for the remaining years was higher than the average.

Year	Primary Article	Fuel, Power, light and Lubricants	Manufactured Products	All Commodities
2003-04	5.8	10.1	2.7	4.9
2004-05	(-1.4)	2.4	4.4	1.8
2005-06	1.7	5.2	1.3	0.9
2006-07	10.3	3.0	1.9	6.3
2007-08	8.0	2.1	4.9	6.0
2008-09	15.6	0.1	4.9	10.2
2009-10	7.7	0.8	2.7	5.9
2010-11	8.5	1.3	3.2	6.2
2011-12	7.1	1.3	6.3	6.5
2012-13	9.9	2.5	8.3	9.0
Average	7.3	2.9	4.1	5.8

Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6.

An all-time high inflation of 8.3 percent was noticed for group manufactured products during 2012-13. With an insignificant inflation of 1.3 percent, the manufactured products hit a low mark during 2005-06. As for inflationary trend for group fuel, power, light and lubricants, the rate was the highest at 10.1 percent during 2003-04. In subsequent years, it was at moderate level. The trend analysis shows that primary article group caused the overall inflationary spiral to move at a faster rate in the State.



10.6. Consumer Price Indices (CPI):

The Consumer Price Indices (CPI) are consumer group-specific and measure the changes over time in the level of prices of goods and services consumed by the group, with commodity basket being based on consumer expenditure surveys and weights proportionate to the expenditure.

10.6.1. Consumer Price Index for Industrial Workers (CPI - IW):

The Consumer Price Index for Industrial Workers (CPI-IW), with the base year 2001=100 is a measure of movements in retail prices which is compiled and released by the Labour Bureau, Shimla for 78 Centres across the country of which 6 centres viz., Chennai, Coimbatore, Coonoor, Madurai, Salem and Trichy represent Tamilnadu. The weighing diagram at all India level is the weighted average of the weights of 78 centres. The Consumer Price Index for Industrial Workers is used for computing the Dearness Allowance for employees of Government and Organized sector.

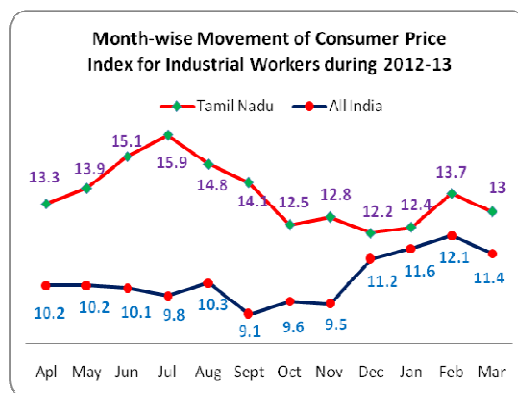
The month-wise movement of the Consumer Price Index for industrial workers was at a single digit of 7.0 and 8.4 per cent in the State and all India respectively during 2011-12. But, the Consumer Price Index for industrial workers recording a faster rate of increase during 2012-13 and reached double digit level. It was higher at 13.6 percent in the State as compared to 10.4 percent at all India.

Month	2011-12		2012-13		2013-14 (up to Sept)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
April	6.7	9.4	13.3	10.2	11.6	10.2
May	5.5	8.7	13.9	10.2	13.1	10.7
June	4.5	8.6	15.1	10.1	12.8	11.1
July	4.8	8.4	15.9	9.8	10.6	10.8
August	6.8	9.0	14.8	10.3	10.5	10.7
September	7.2	10.1	14.1	9.1	10.5	10.7
October	8.8	9.4	12.5	9.6	--	--
November	8.0	9.3	12.8	9.5	--	--
December	6.6	6.5	12.2	11.2	--	--
January	6.1	5.3	12.4	11.6	--	--
February	8.3	7.6	13.7	12.1	--	--
March	10.9	8.6	13.0	11.4	--	--
(Average)	7.0	8.4	13.6	10.4	11.5	10.7

Source: Compiled and Computed from the data received from Labour Bureau, Shimla.

On a point-to-point basis, the month-wise pace of increase was volatile during 2011-12 both in the State and all India. Except in March for the State and in September for all India index the pace of increase Consumer Price Index for industrial workers was in single digit during the year. During the first eight months (April to November), the pace of increase in Tamil Nadu was lower than the all India. This trend was reversed in favour of all India in the subsequent four months (December to March). For the year as whole, the average increase at 7.0 percent in the State was lower than the all India (8.4%). Throughout the year

2012-13, the pace of increase in State index on point-to-point basis was on double digit level and also higher than that of all India. It had ranged between 12.2 percent (December) and 15.9 percent (July). Ultimately, the average rate of increase of the index at 13.6 percent in the State was higher than the all India (10.4%). The spurt was due to the rise in prices of articles such as rice, groundnut oil, meat and dairy milk. The rise in inflation might be due to the occurrence of drought during 2012-13. During the first half of the year 2013-14 (April to September) though the pace of increase remained in the double digit level, it exhibited a deceleration trend since June 2013 at both the instances.



10.6.2. Consumer Price Index for Industrial Workers – Centre-Wise:

Centre	2011-12	2012-13	2013-14 (upto September)
1. Chennai	7.8	14.5	11.2
2. Coimbatore	5.6	12.4	12.9
3. Coonoor	8.9	12.1	10.1
4. Salem	6.1	12.0	13.9
5. Tiruchirappalli	5.0	15.2	11.3
6. Madurai	7.7	14.3	10.7

Source: Compiled and Computed from the data received from Labour Bureau, Shimla.

During 2011-12, the pace of increase in consumer price index on average basis remained at single digit in all the six centres of the State. Among them, Coonoor was the dearest recording a faster rate of increase of 8.9 percent followed by Chennai (7.8%). The soaring prices of rice, groundnut oil, meat and dairy milk increased drastically impacting the percentage rise in all the Centres in the State during 2012-13 compared to

the previous year. During the year the pace of increase in consumer price index in all the

centres soared to double digit level. It was the highest at 15.2 percent in Tiruchirappalli and the lowest in Salem (12.0%). The variation in the pace of increase among the centres between these two years ranged between 3.2 percent in Coonoor and 10.2 percent in the case of Tiruchirappalli. Spiraling prices are bound to have deleterious consequences on the welfare of the consumers. During the first half of the year 2013-14, eventhough the inflation remained at the double digit level in all centres, it had decelerated in four centres viz., Chennai, Coonoor, Tiruchirappalli and Madurai as compared to 2012-13. The inflation had further accelerated only in two centres viz., Salem and Coimbatore.

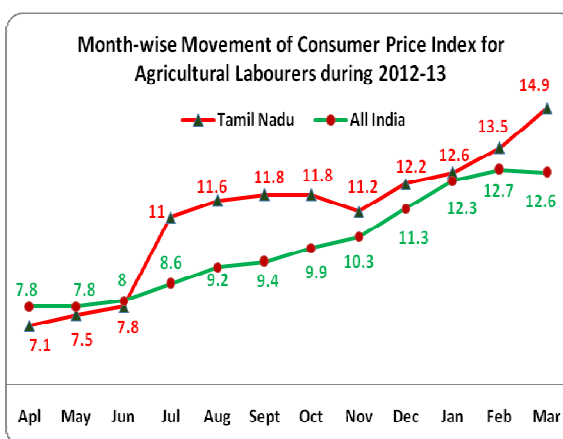
10.6.3. Consumer Price Index for Agricultural Labourers (CPI – AL):

The Consumer Price Index for Agricultural Labourers (CPI – AL) basically used for revising minimum wages for agricultural labourers in different States has 1986-87 as base year. The index attaches the highest weight to the food group of commodities and it is highly vulnerable to spike in food prices.

The pace of increase in Consumer Price Index for Agricultural Labourers on average basis was at 8.1 percent and 8.2 percent in the State and all India respectively during 2011-12, whereas during 2012-13 it was at a higher rate of 11.1 percent and 10.0 percent. In the first half of the year 2013-14 (April to September) the index moved up and persisted at double digit in the State and all India. The average pace of increase of the index during the first half of the year 2013-14 was at 17.2 percent in the State was higher than all India at 12.8 percent. Escalation in the index is bound to erode the purchasing power of agricultural labourers.

The month-wise movement of the index during 2011-12 revealed that there was a deceleration trend in the pace of the index between April to August in the State. Subsequently, between September to December the pace of increase in index had gradually accelerated. In the last three months of the year it had fluctuated. At all India,

the trend was highly volatile. During 2012-13, the pace of increase in the index in the State had increased to double digit level in July and reached a new peak at 14.9 percent in the month of March. In the last nine months (July to March) of the year, the pace of increase was higher than that of all India. During 2013-14 (upto September) the pace of increase was



Month	2011-12		2012-13		2013-14 (upto Sept)	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
April	11.1	9.1	7.1	7.8	16.5	12.3
May	10.4	9.6	7.5	7.8	16.9	12.7
June	10.3	9.3	7.8	8.0	17.3	12.8
July	6.1	9.0	11.0	8.6	17.7	12.8
August	6.3	9.5	11.6	9.2	17.7	13.2
September	7.4	9.4	11.8	9.4	17.0	12.8
October	9.2	9.4	11.8	9.9	--	--
November	9.7	8.9	11.2	10.3	--	--
December	9.8	6.4	12.2	11.3	--	--
January	5.2	4.9	12.6	12.3	--	--
February	6.1	6.3	13.5	12.7	--	--
March	5.8	6.8	14.9	12.6	--	--
Average	8.1	8.2	11.1	10.0	17.2	12.8

Source: Compiled and Computed from the data received from Labour Bureau, Shimla.

sustained at the double digit level in the State and it was also higher than the corresponding increases at the all India level.

10.7. Divergent Movements of Price Indices:

The Wholesale Price Index and the Consumer Price Index for Industrial Workers and Agricultural Labourers are being used to track the inflation rate. The Consumer Price Index for Industrial Workers is the most well known of these indices as it is used for wage indexation in Government and in the organized sectors. The movement of Wholesale Price Index, Consumer Price Index for Industrial Workers and Agricultural Labourers are not comparable as each of these indices is unique with different baskets of commodities and base years. Because of a different commodity composition and weights assigned to various commodities, inflation measured in terms of Consumer Price Index and Wholesale Price Index do not move in tandem.

Table-10.11 Divergent Movements of Price Indices: Tamil Nadu (Year-on-year basis) (%)							
Indices	March to March						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Wholesale Price Index (1970-71=100)	7.5	8.1	8.2	7.3	5.2	8.2	8.9
Percentage difference		0.6	0.1	-0.9	-2.1	3.0	0.7
Consumer Price Index of							
- Industrial workers (2001=100)	6.0	7.6	10.0	11.1	7.0	10.9	13.0
Percentage difference		0.2	4.6	-0.2	-1.9	-1.7	2.3
- Agricultural workers (1986-87=100)	4.5	9.9	11.7	12.4	12.8	5.8	14.9
Percentage difference		5.4	1.8	0.7	0.4	-7.0	9.1
<i>Source: Compiled and Computed from the data received from Department of Economics and Statistics, Chennai-6 and Labour Bureau, Shimla.</i>							

The table above shows that inflation rate, as measured by the WPI ranged between 5.2 percent in 2010-11 and 8.9 percent during 2012-13. The CPI for Industrial Workers moved between 6.0 per cent during 2006-07 and 13.0 per cent during 2012-13. Oscillations in CPI-AL were noticed between 4.5 per cent during 2006-07 and 14.9 per cent during 2012-13. The above analysis boils down to this: (i) inflation rates, as measured by all the indices remained firm during the reference period and (ii) all the indices by and large diverged from the safe limit of 5 to 5.5 percent.

10.8. The Way Forward:

Inflation stems from the mismatch between demand and supply. Further changes in administered prices such as diesel can lead to inflation. The prices of essential commodities such as cereals and their products, pulses, edible oils, vegetables and spices, dairy, fisheries and animal products, tea, sugar and salt and other essential commodities are capable of tipping the prices of primary articles which in turn, affect the prices of all commodities. The prices of manufactured products also influence the overall price movements considerably at the aggregate level. Rising inflation chokes consumer demand and nibbles away at the spending power. It also undermines inclusive growth and efforts to combat poverty. Under these circumstances the Government at the Centre and in the State and the Reserve Bank of India have been taking proactive measures which have direct bearing on the price movements. The State and Central Governments are attempting to break rigidities in the supply side of the essential commodities. In this direction, the State's efforts of

institutionalizing the Universal Public Distribution System, establishing subsidized Amma Unavagams (Budget Canteen), setting up of Retail-outlets for sale of vegetables, distribution of rice at free of cost and effecting procurement of rice to overcome supply side constraints are worth mentioning. The Reserve Bank of India attempts to control inflation through interest rate corrections in the policy rate (Repo and Reverse repo) and through balancing between the present liquidity level and liquidity warranted in the economy through various tools viz., Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), etc. to keep inflation as close as possible to the desired range of 5 to 5.5 percent.

In recent years inflation has exceeded the desired range and varied between 6.0 and 9.0 percent as measured by Wholesale Price Index. The past experience reveals that the spurt in inflation was mainly triggered by the primary article group which comprised mostly of agricultural produce in nature. The prices of agricultural commodities are on the increase and have remained volatile in the recent past because of the mismatch between demand and supply, inefficient intermediation losses in different stages of the movement from farm to mouth and due to natural calamities like drought and flood. All these could be reduced with the improvement in the supply chain. The existence of large number of intermediaries between farmers and consumers may be eliminated through organized marketing. Productivity of rice and pulses, fruits and vegetables may be enhanced adopting improved technology suitable to location specific. For improving the availability of protein rich products viz., egg, meat, milk and fish a seamless cold chain needs to be established. The functioning of PDS needs to be strictly monitored. Monitoring the prices of each and every essential items on a continuous basis is needed at District and Taluk level.