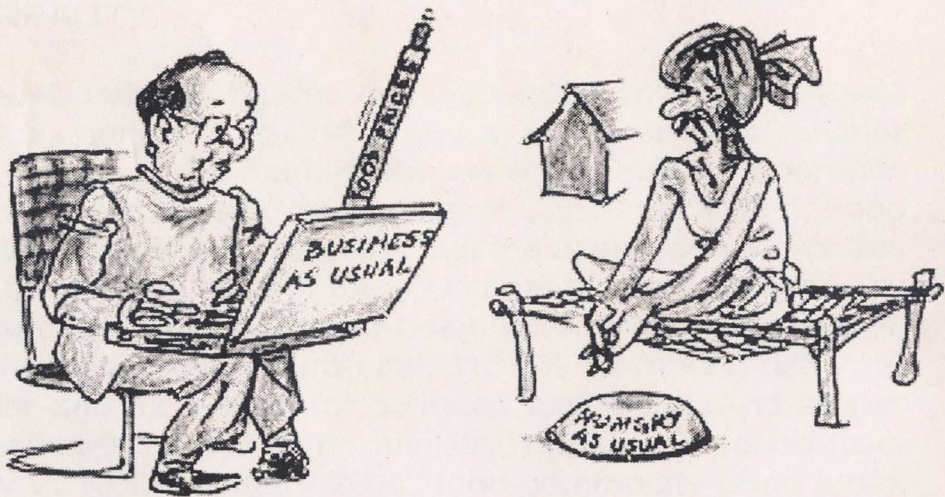


FIGHT AGAINST SKYROCKETTING PRICES!



A CITU Publication

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Since last four years or so, prices of all essential commodities and the food items in particular have been continuously rising, making the life of the mass of the people miserable. The inflation rate (based on wholesale price index) of food commodities have been consistently rising every year since 2006 from 5.09 to 5.60 in 2007, 7.87 in 2008, 12.90 in 2009 and 19.42 in January 2010 and in the week ending January 2011, the food inflation stood at 15.5. The inflation figure every year reflects the extent of rise in the prices of food commodities over the previous year.

GRIM REALITY

The above inflation figures are calculated on the wholesale price index series. In the retail prices, at which the consumer has to buy from the market, the increase is more dramatic. The retail prices collated by Ministry of Consumer Affairs, Food and Public Distribution indicates that the average rise in prices across the centres all over the country at the beginning of July 2010 over last two years had been 19% for rice and wheat, 58% for tur dal, 71% for urad dal, 113.5% for moong dal, 73% for sugar and 32% each for potatoes and onion. And as per latest estimate by the same ministry, during the period from January 2010 till January 2011, food-commodity price index marked a 32.09% jump on the average. And as per every individual consumer's everyday experience, the prices of ordinary rice and wheat have gone up by at least four times, pulses (dal) by at least 8 to 10 times, cooking oil by at least 5 to 6 times and even salt by at least three times over the period of last three to four years.

The basic feature of the rise in prices during last four years or so reveals a distinct trend. The rise in prices has been con-

tinuous throughout the year and year after year with no signs of going down or moderated at any point of time during the entire period. Mere demand-supply gap alone cannot explain such consistent and continuous rise in prices of food commodities striking at the belly of the common man, although that happens to be one of the major long term factors. Since 2006 onward, annual growth rate of food-output has always been a positive one except for the year 2009-10, which along with import of some of the food commodities cannot indicate such major shortage in supply as can justify such continuity and speed in the rise in prices as has been visible during the span of last four years. The phenomenon is therefore a systemic one being consciously promoted by those in the governance of the economy.

GOVERNMENT'S RESPONSE UTTERLY IRRESPONSIBLE

How the Govt of the day at the centre is responding to this abnormal phenomenon of rising prices ruthlessly squeezing the stomachs of the billions of commoners ? In a most irresponsible manner, one must say. The issue is being debated since last four years both inside and outside Parliament. At the initial phase around the year in 2007 and 2008, the Govt refused to accept the continuing price rise to be an abnormal phenomenon. They sought to wash-off their hands saying that rising prices of food and essentials is a worldwide phenomenon and India cannot be insulated from the same. Yes, during 2006-07 and till early 2008, food prices had been on a rising spree worldwide. Prices of wheat rose by 80 per cent, maize by 90 per cent, rice by 320 per cent etc throughout the world and same might have some impact on the Indian soil. But how do they explain when food prices fell worldwide after mid 2008 back to around pre-2006 level, the food-prices in India still continued to soar high. As per estimates made by Central Statistical Organisation (CSO), inflation rate for all the food commodities together jumped from 7.87 in 2008 (January-December) to 12.90 in 2009 further to 19.42 in January 2010. Same had been the trend for rice, wheat and vegetables which

demonstrated a continuous rise amounting to more than 50 to 60 per cent jump during the period from 2008 and 2010. So The so called theory of "world phenomenon" simply did not work and the Govt sought to befool the people.

In the second phase, the Govt sought to argue that rise in food price is due to increase in the minimum support price (MSP) being given to the farmers. Another satanic ploy to befool the people. In 2010-11, minimum support price of rice has been Rs 1000/ per quintal, i.e., Re 10/- per kg. And it reaches to consumer at no less than Rs 22 to Rs 28 in the open market. The minimum support price of wheat is Rs 1120 per quintal working out to be Re 11.20 per kg. To consumer, it reaches at no less than Rs20/- per kg. How does the MSP influence the prices in the retail market. Some of the regularly used pulses like tur and urad dal cost hardly Rs 30 per kg as per the minimum support price and none is available at below Rs 60 to Rs 100 in open market. Even in the public distribution system for the APL category, price of rice and wheat is much above the MSP level, even if procurement, storage and transportation costs are taken into account. Talking of minimum support price to justify price rise is nothing but a shabby act of deception and fraud on the people. Most unfortunately, even the prime minister of the country did not hesitate in playing such deception from the rampart of the Red Fort in his independence-day speech in 2010.

And who is benefiting from such minimum support price. The prime minister is making noise that MSP is for the producers, the peasants. What is the actual reality ? Thanks to the anti-farmer credit system maintained by the present Govt, for two-third of our peasants community, mostly small, marginal and medium peasants, institutional credit from the banks and financial institutions are out of their bound. They are debtors to private money-lenders. And they have to surrender their crops immediately after harvesting to those money-lenders at throw away prices. Benefit of MSP is being actually cornered by the big peasants and landlords and also the money-lenders and

both in fact overlap with one another. So rising food prices and the very system of economy-management that promotes it, rob both the overwhelming majority of producers as well as the mass of the consumers. The peasant community mostly gets a pittance and consumers pay through their nose or go starved or half-fed. The intermediaries, corporate traders and the landlord class make the fortune squeezing the stomachs of the mass of the populace.

RISING-INCOME-INDUCED INFLATION?

And now it is being told by the Govt including the Prime Minister and the Dy Chairman, Planning Commission from the house-top that price-rise of essential commodities is caused by increase in the earning of the people in general owing to growth of GDP thereby creating higher demand for food and other essentials than supply. Nothing can be more atrocious and nothing can be farther from truth.

Talking about rise in income level of the people to justify the ongoing price rise from the highest seat of governance reflects a philistine state of mind playing falsehood to confuse and befool the people. Because, even the official statisticians and the data at their command cannot deny the fact that the demand for food has been in fact growing much more slowly in comparison to growth(?) in income or population growth.

Moreover the very claim that peoples' income level has secularly risen owing to higher GDP growth is absolutely baseless. The neoliberal economic policies have generated such distortion in the economy and the entire distribution mechanism that growth of GDP is accompanied with deepening poverty and growing unemployment. The official employment data and the very nature of income-dispersion demonstrate such perversion in the economic process.

Overall unemployment rate reached almost a two digit figure at 9.4% even at GDP growth level of average 7 to 8 per cent.

In urban areas it is 7.3% and in rural areas it is 10.1% and among the women the unemployment is 14.6%.

As per Annual Survey of Industries published by the Govt, the wages' share in gross value added in the organized manufacturing sector has declined by more than 50 per cent from 2001-02 onward till 2009. Side by side the profit's share in gross value added has shot up from 2001-02 by more than two and half times during the same period. Please read this with the observation made in the report on survey of Indian Private Corporate Houses made by Centre of Monitoring Indian Economy (CMIE) which shows that within seven years' period, gross profit as a percentage of total wage cost has risen high from 44% in 2001 by more than four times to 176% in 2008. This means a consistent decline in average wage level, in many cases in absolute term. This also means continuing replacement of regular workers by contract/casual/temporary workers at one tenth of wages payable to regular workers besides frequent wage-cuts through lay-off, shut-down and various other means, mostly unlawful. And this is the picture only in organized manufacturing sector. In the unorganized sector and the mushrooming service sector of miscellaneous kinds mostly manned by contract labour sometimes camouflaged as self-employed and also in the agricultural sector reflecting sharp decline in number of work-days every year, situation is even more precarious demonstrating the monumental and the most atrocious loot on the workers who are keeping the entire economy in motion and contributing to GDP growth. So the pleading by the Govt on rising prosperity of the people along with GDP growth is totally baseless and based on falsehood. This also reflects the utter insensitivity of the Govt towards the miseries of the people suffering from price-rise.

Fact remains that the along with GDP growth, the mass of the people are becoming poorer which is reflected by continuous decline in per capita availability of food-grains. Within last two years' period, the decline is even sharper from 165 kg in 2008-09 to 161 kg in 2009-10 which is way below the level of what

had been in mid 1960s. In fact intensity of hunger among the Indian populace has substantially increased over the last decade. Despite the claim of second fastest growing economy, India is placed in 67th position by the Global Hunger Report in terms of hunger status, much behind Sri Lanka at 39th, Pakistan at 52nd, Nepal at 56th position. And as per latest Human Development Report, eight Indian states are home to multi-dimensionally (education, health and income) poor people, more than the figure of 410 million in 26 poorest African countries. Widespread hunger and malnutrition is the reality of India. India continues to be home to around 25% of the world's hungry population currently estimated at 925 million by the UN World Food Programme.

In fact, the income and consumption growth is getting disproportionately concentrated within the top 10 to 15% of the population, who are benefiting from GDP growth. For the bulk of the Indian people, consumption levels are getting further squeezed. If 77% of the Indian population is spending less than Rs. 20 per head a day as per the Arjun Sengupta's Commission report, one can well imagine what the consumption levels of the majority of Indians are. And this very reality also punctures the philistine theory of rising-income-induced-inflation being touted by Prime Minister and his Dy Chairman of Planning Commission.

WHY PRICE RISE ?

Agriculture In Crisis

Then question arises, as to what are the factors behind the rising prices of food and essential commodities and how to contain the same and protect the mass of the people from the wrath of inflation. The foundation of the volatility in the supply as well as prices of food commodities is laid by the neoliberal policy regime by continuous neglect to agriculture putting the entire peasant economy in terminal crisis, thereby making the supply side of food commodities extremely vulnerable to un-

certainty and fluctuation. Continuous decline in public investment in agriculture and rural infrastructure including irrigation, both as a percentage of GDP and as a percentage of total budgetary allocation every year has set the crisis in motion. Cost of agricultural inputs like diesel, power etc has been consistently rising, credit has become costlier owing to the policy-bias, subsidies are being drastically cut on vital agricultural input like fertilizer etc. All these and various other factors are making agriculture gradually unviable to those depending on this sector for their livelihood. In the face of sharp increase in the cost of basic inputs for farming viz., seed, fertilizer, diesel, power etc, the Govt, instead of containing the same through appropriate policy intervention, has been acting in aggravating the same by exposing the basic input pricing to the vagaries of market, the global market in particular, through deregulation and decontrol. As a result, India's high GDP growth is witnessed along with the agricultural sector and a range of small and middle peasants (representing majority of the farming population) experiencing a crisis situation, and resultant slow growth of agricultural output and its share in the GDP. And if this continues unabated, it would lead to severe crisis of demand-supply imbalances threatening the food-security of the country as a whole. And since more than sixty per cent of our population depends on agriculture for their livelihood, crisis in agriculture means impoverishment of the overwhelming majority of our rural folk besides uncertainty and volatility of the supply and price situation for the food commodities.

The Govt of the day, instead of addressing this crisis in agriculture casting a dark shadow on the entire food economy, has been practically indulging the crisis to gain momentum and through that process pave the way for strengthening the big landlord-corporate combine to reign on the food-economy and trade.

But, though being a major one, demand-supply imbalances is not the only factor behind the continued price-rise. There are other factors too which diligently work in further aggravating

the price-rise in respect of food commodities and impacting on the price movement of other essential commodities as well. And those factors, stemming from the policy-designs of the Govt of the day, explain their deliberate indifference in addressing the crisis in agricultural sector allowing price and supply volatility. The game-plan is to handover the food economy and its distribution to private corporate initiative, both domestic and foreign.

Speculation In Commodity Trade

Second major factor is spreading speculation in commodity market. And the speculation has two facets. One, in the commodities under futures trade. The other is through hoarding of the commodities not under futures trade being indulged, promoted and consolidated through greater involvement of corporate lobby in commodity trading in a regime of liberalized trade and decontrol and reduced role of or virtual dismantling of the public distribution agencies.

Futures trading is linked to expectations of price-rise of the commodity being traded in the economy. Futures are contracts made between sellers and buyers for sale/purchase of a fixed quantity of a commodity at a fixed price at a future date. What commodity futures markets does is to enable selling and buying of these contracts on a daily basis. And that expectation for price rise of the particular commodity at a future date influences the current price of the commodity to rise. Thus futures trading works as an instrument to rig the price of the commodity under futures trade upward both at current period and in futures too.

For example, say the current price of sugar is Rs 30 per kg and one trader made a futures contract to buy 10 kg at Rs 35 after six month in August 2011. Others too in the market make similar contract and the futures price rises to a level of say Rs 33 per kg, which in turn pushes up the current price to Rs 32/- per kg which make all the traders earn an additional profit of

Rs 2/- per kg in the current period itself and this in turn increase the expectation for further rise and profit. And if the price of sugar rises above Rs 35/- in August 2011 owing to shortfall in supply for any reason like crop failure in the country or rise in price in international market, profit level further goes up. The traders earn windfall profit without having to either produce or consume a single grain of sugar. Moreover, when sugar prices fall in the futures market in India, sugar traders expect to make profits (a) by exporting sugar abroad (b) by hoarding sugar so that there is scarcity in the domestic market, which eventually increases domestic sugar prices.

Futures trade seeks to deal with the commodities having inclinations to volatilities in supply and with inelastic demand (demand will not fall much even if the price rises—mostly essential commodities). The commodity futures markets therefore achieve two things. First, they link domestic food prices to the volatile international commodity markets. Second, they provide avenues for pure speculators, who have nothing to do either with production or trade in food, to emerge as major players and make capital gains by speculating on food prices.

Since in the speculation in commodity market, traders have managed substantial access and/or command over the source of commodities through liberalized trade regime, deregulation and decontrol, speculation also provokes and promotes hoarding in scale much greater than usual owing to its profit potential. Thus futures trade and speculation can manipulate and rig both the supply and prices of commodities. It becomes more widespread when the Govt patronises the process through deregulation, decontrol and weakening of the public distribution system. And expectation for rising prices also is being sought to be met by rigging the price up through creating artificial scarcity and various other means.

With the advent of multi-commodity exchanges in India since 2002-03 and the commencement of online trading, commodity futures trading have grown manifold. In one year's span the

total volume of trade in forward trading as per commodity exchanges report reached Rs 15 lakh crore, i.e., around 1.5 times the figure of annual budget of the country. Like most countries across the world, the people who are investing in these markets are not farmers, but big corporate players of the financial markets who are interested in making speculative gains. The Government was forced to suspend futures trading in some essential commodities like rice, wheat, sugar and some pulses in 2007 due to the pressure from the Left Parties. However, futures trading in wheat and sugar has once again been allowed by the Government. Along with, more food-related commodities like vegetables, cardamom, dhania, pepper, red chili, crude palm oil, palmolein, rapeseed oil, mustard seed oil, soybean, coconut oil etc have been brought under futures trade.

Speculation and Price-rise, Feeding Each Other

The futures trade aggravates the upward pressure on the prices of the food commodities under its cover and high prices of those commodities in turn promote the aggressiveness of the speculative forces in the trade of those commodities setting the prices of those concerned commodities at a continuously rising floor.

And the inflationary expectation for the essential commodities under futures trade leading to rising prices also spreads over other essential commodities and provokes hoarding to create artificial scarcity and mint windfall profit. Price rise of many such commodities has not always linked with inadequacy of supply. It is interesting to note that onion prices started rising sharply only in October 2010 onward and following which supply increased sharply in November and December but price continued to shoot up with an abnormally big margin between the wholesale and retail price. It is quite clear that hoarding played a big role with the Government remaining an indulgent onlooker. And speculation and hoarding could continue to play such disastrous role to push the prices of food and essentials continuously upward during last three/four years owing to in-

creased corporate sector's involvement and gradual consolidation in food distribution and retail trade. "The share of corporate retail in food distribution in the country as a whole is estimated to have tripled in the past four years, and has grown even faster in the major metros and other large cities. This is also the period when retail food prices showed the greatest increase." (Jayati Ghosh)

Price Rise Being Promoted

The behaviour of prices and the role of the Govt during last three/four years make the picture clear. Prices of essential commodities have been continuously rising and as such the rise in prices is being promoted and nourished by the Govt through their deliberate policy intervention by way of weakening and debilitating the public distribution system on the one hand and patronizing corporate consolidation in commodity trade, particularly in food and related commodities on the other. When price of rice and wheat have been soaring in the market, the Govt, most shamelessly, kept locked a huge stock of 600 lakh tones of food-grains in the FCI godowns (much above the buffer stock norm) not to allow the price-level to come down drastically to please their trader bosses. And when a part of the stock has been released, the public distribution system route was bypassed in a most unscrupulous manner and the grains were released in the open market to facilitate private corporate traders to lift the stock for hoarding. In fact the price-rise has become a joint venture of the Govt and the corporate traders to facilitate windfall profit for the corporate traders through hoarding and speculation in the commodity market so that public hunger can be encashed for speculative profiteering.

This is the real face of the neoliberal policies being pursued by the corporate-captive Govt of the day. This also reflects the real face of dominance of finance capital generating a perversion in the economic governance in its entirety. Institutionalised corruption is one side of such perversion. Promoting price rise

to make the speculative force the driver of the economy and to legitimise the corporate loot on the people is the other face of the criminality called neoliberalism.

The public distribution system got virtually dismantled throughout the country except in a few states and a large number of people have been pushed out of its purview on the restrictive plea of ridiculous poverty line to make them the sacrificing animal for profiteering by the traders lobby, both domestic and foreign. And this is also an effective instrument to promote price-rise of food commodities. To add fuel to flame, petroleum price is being deregulated, energy prices are being pushed up.

Corporate Game Plan with Govt Support Corporate Traders Taking Over Food Distribution and Retail Trade

And by the end of the day the same Govt responsible for dismantling the PDS is now making a plea of inefficiency and inadequacy of food-distribution system as villain for the food-price inflation. The satanic ploy is to create ground for take-over of the retail distribution system by private corporates, both domestic and foreign and give a red carpet welcome to foreign companies in multi-brand retail. Their argument is that corporate and FDI retail would make the distribution efficient and moderate the food prices. This is a statement of unalloyed falsehood again. Reality depicts a different picture. As has been already stated, the share of corporate retail in food distribution has been tripled during the span of last four years. That did not moderate prices, rather the food prices shot up to the roof and margin between retail and whole sale price widened enormously during the same period.

In fact the response of the Government to alarming price situation has crossed all limits of shamelessness. This happens when the governance got totally captive by corporate dictates. That is why the Prime Minister refuses to ban speculation in commodity market and refuses to act for curbing inflation in

the name of growth and pleads for profiteering corporates to preside over the retail trade on food while refusing to accept even the diluted version of Food Security legislation proposed by National Advisory Committee of UPA. And the latest version of cruelty and shamelessness got demonstrated by the Prime Minister's own statement to put subsidized under-sale of 2G spectrum to handpicked fly-by-night operators and real-estate dealers of dubious reputations at par with the subsidies given to food and fertilizers in order to justify the biggest scam in the post independence period. Novel indeed!

The Government of the day has been stoutly refusing to admit that the price situation is alarming, not to speak of taking concrete action to curb it. This is despite their mentors in the World Bank issuing warning on soaring food prices worldwide. The President of World Bank recently made a loud statement saying that "Global food prices are rising to dangerous levels...The price-hike is already putting millions of people into poverty and putting stress on the most vulnerable, who spend more than half of their income on food." The World Bank also commented upon the critical food price situation in India as well. But the Indian rulers refused to even recognize this as a problem at all. Such inhuman indifference on the part of Indian ruling polity towards the miseries of the mass of the populace owing to price-rise stems from their commitment not at all to "aam admi" but to the handful of corporates and traders' lobby making the 'aam admi' the fodders of their profit-lust. Thorough exposure of this nefarious face of the ruling polity is the urgent need of the hour.

OUR DEMANDS

The working class movement have thus to raise voice putting forth the demand for urgent actions to be taken to contain the price-rise and ensure food security for the people and rally the common people in united countrywide action in support of that demands.

One thing must be made clear through our campaign. It is the neoliberal policy regime which has created such dangerous distortion in the food economy and it is this neo-liberalism which makes the ruling polity pursue the perverse route of nourishing and promoting such distortions at the behest of corporate traders and at the cost of hungry millions. Reversal of neoliberal policies is the only alternative.

Such reversal warrants a directional change in the Government policy towards agriculture. Public investment in agriculture must be enhanced in a manner that it benefits the majority of agricultural population directly and gives a boost to agricultural production. The Government has been sitting on the recommendations of the National Farmers' Commission for the past five years. The Farmers' Commission had made several suggestions to make farming remunerative for the peasantry and stepping up public investment in agriculture as well as agricultural infrastructure, storage and marketing. Besides supporting farmers, Government agencies, cooperatives and self-help groups should be supported to open more outlets to sell food items like vegetables, milk etc. Raising agricultural productivity and modernisation of storage and marketing of agricultural products cannot be left to the private corporates and MNCs. Inflation cannot be controlled with liberalized trade and private profiteering in food items.

State control on the pricing of agricultural inputs is the essence of a stable price line. Subsidised power tariff for agriculture, govt-controlled pricing for fertilizers, along with adequate irrigation, availability of improved quality of seeds etc had led to the green revolution. However, reduction in subsidy has been the major thrust of the successive governments for last two decades, throttling the major incentives and support for agricultural production and price-stability. Similarly the cascading impact of rising fuel cost on transportation and irrigation cost has been totally ignored and petroleum products are being subjected to irrational taxation. Reduction, if not elimination of taxes on fuel used for irrigation and transportation of essential

commodities has to be ensured.

Complete ban on futures trade and speculation in the commodity market is the urgent need of the hour. Also urgent is to curb hoarding of essential commodities and tackling black-marketing with a heavy hand. Because, without banning futures trade and without curbing hoarding, the corporate traders' ploy to play on inflationary expectation to rig the prices cannot be foiled. Such manipulators, if left uncontained can play havoc with prices of commodities, even with abundant supply.

And simultaneously, public distribution system must be universalized to ensure supply of food grains with subsidized prices to all without any restriction based on ridiculous poverty line. Present poverty line parameters are so designed that it throws overwhelming majority of the poor out of its coverage. The Food Security Act should be passed without further delay, which must ensure universal food security. The Government is currently holding stocks nearly 50 million tonnes of rice and wheat, which is way above the buffer norms. 35 kgs of rice and wheat per month should be supplied to all poor persons through PDS at Rs. 2 and Rs. 3 per kg respectively. Moreover, other essential commodities like sugar, pulses and edible oils should be supplied at fixed rates across the country through the PDS.

How much does it cost to provide food security as mentioned above to the entire populace. The most liberal estimate makes it Rs 85000 crore annually. Should it be difficult for the Government to provide such funding for millions of commoners which gives away six-times more every year to handful of corporates through various tax concessions. It should not be, provided if they have the political will and commitment to people.

And as a corollary to above, the growing dominance of private corporates and traders in the food economy needs to be curbed. This entails also curbing of hoarding of essential commodities with stronger regulation and stringent enforcement.

All the trade unions in the country irrespective of affiliations have jointly demanded in clear terms the immediate steps to contain price rise through universalisation of public distribution system and a complete ban on speculation in commodity market.

We have to intensify campaign among the mass of the workers and people exposing the anti-people policy regime promoting and nourishing the price-rise of food and essential commodities to facilitate hustle-free profiteering by the corporate traders and takeover of the food economy by the private corporates, both domestic and foreign sucking both the mass of consumers and grass-root producers. We have to build countrywide resistance against such anti-people ploy of the ruling polity and to assert the right of the people to food and a humane living.