

FOOD SECURITY DOES NOT NEED THIS 'SURGICAL STRIKE'

Relevant for: Indian Economy | Topic: Issues of Buffer stocks and Food Security

A grain market on the outskirts of Amritsar | Photo Credit: AFP

The Government of [India announced a sudden ban on export of wheat](#) on May 13, 2022, a few days after Prime Minister Narendra Modi had stated that “at a time when the world is facing a shortage of wheat, the farmers of India have stepped forward to feed the world”. Even a day before the export ban came into effect, Government officials were looking out for possible export locations, indicating that there were no plans for control of wheat exports. With the latest announcement, the Government has sent out confusing policy signals

The sudden turnaround in the export policy appears to be [on account of fears that low public procurement would affect domestic food security](#).

The system of public procurement has been in place since the mid-1960s, and has been the backbone of food policy in India. Progressive economists and social scientists have always argued that for a country the size of India, food security has to be ensured through domestic production. As part of the liberalisation policy, many other economists suggested that food stocks be run down in India and that needs of food security be met through world trade and the Chicago futures market.

This summer, procurement of wheat by the Food Corporation of India (FCI) has been very low. Last year, the FCI and other agencies procured 43.34 million tonnes of wheat. For the current season, procurement has only been 17.8 million tonnes, as of May 10, 2022. Given the low levels of procurement, the Government has reduced the procurement target for the current season from 44.4 to 19.5 million tonnes.

Is there a concern on that front now, in particular in terms of availability of food grain? The answer is an emphatic “no”, but if and only if policy measures ensure adequate distribution through the food rationing network and open market operations are undertaken to ensure stable prices. (The assumption here is that both rice and wheat are now consumed in all parts of the country, and if needed, rice can be distributed in lieu of wheat. As of April 2022, there were 33 million tonnes of rice held as stocks.)

While wheat production this year has been lower than estimated on account of high heat and other factors in March, there is not a big shortfall in production relative to previous years. Wheat production was 103.6 million tonnes in 2018-19, 107.8 million tonnes in 2019-20, and 109.5 million tonnes in 2020-21. It was expected to be a record 111.3 million tonnes for the ongoing year (2021-22). The most recent estimate of production for 2021-22, revised downwards from the earlier estimate, is 105 million tonnes.

There is, of course, a projection of a global reduction in production and trade on account of the war in Ukraine. Both Russia and Ukraine were major exporters of wheat in the global market and disruptions from the war are affecting countries that relied on imports from these two countries, such as Egypt. India has been urged by developed countries to meet this shortfall and provide relief to importing countries. But it is also important to see that western countries, some of whom are much larger exporters of wheat, have themselves not increased their exports in the current context.

Stocks of wheat in the central pool as of April 30, 2022 were 30.3 million tonnes, much lower than the 52.5 million tonnes of last year, but comfortably higher than buffer stock norms. While the Government procurement in this marketing season has been lower than the previous two years, the stock position so far is similar to 2019, when we had 35.8 million tonnes of stock in April. The stock position does not appear to be alarming.

In the two COVID-19 years (2020-21 and 2021-22), the Public Distribution System (PDS) played a stellar role, and, its role showed the wisdom of not dismantling it, as neoliberal economists advised. Total offtake of rice and wheat was 102.3 million tonnes in 2021-22 when distribution through the PDS and other welfare schemes is combined. Of this, 49 million tonnes were wheat (21.7 through the PDS and 27.3 through other welfare schemes). Not only is this a global record, but it kept people out of starvation during the COVID-19 pandemic.

It is essential that the PDS and open market operations be used to cool down food price inflation. The rural consumer price inflation at the all-India level for April 2022 was 8.38%. Rural food price inflation was 8.5%. These were much higher than the inflation recorded in the previous year. While most States have high inflation rates, States with better PDS, such as Kerala and Tamil Nadu, have low inflation rates. The general consumer price inflation in April 2022 for Kerala was 4.82% and it was 5.64% for Tamil Nadu.

To promote production, a key aspect of food policy in India has been to provide remunerative prices to farmers. As is well known, after the reports of the National Commission on Farmers, the announced minimum support price (MSP) for wheat has often been inadequate to cover costs of cultivation for several regions and classes of farmers, especially if comprehensive costs (or Cost C2) are taken as the base. The year-long farmer protests were largely driven by the fear that the new Farm Acts were weakening public commitment to remunerative prices for agricultural produce.

Over the last two years, costs of production have risen sharply, one important component being the spiralling price of fuel.

Farmers are worried about the lack of involvement of the Government in procurement. After the export ban, and in light of higher input costs and yield losses this year, the All India Kisan Sabha and other farmer organisations demanded a bonus of 500 per quintal on current MSP of wheat. Rather than overcoming the shortfall in public procurement by increasing the procurement price and buying more, the Government has allowed traders to build up stocks of wheat. The benefits from future sales, domestic or in the export market, are thus likely to go to traders rather than farmers.

The flip-flop on export of wheat is one example that this government lacks a coherent policy of food security, and has, perhaps, been too influenced by climate alarmists. Food security is both an immediate and long-term concern and does not require “surgical strikes”. A well-functioning PDS can control prices and offer relief to consumers. At the same time, a procurement policy can and should offer a reasonable income to farmers. The Government has punished farmers and supported traders by not procuring food grain at higher prices, and letting private trade step in to buy up stocks for future gain.

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