

FOOD GRAIN MANAGEMENT IN INDIA

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Abstract: The aftermaths of the severe food grain crisis of the mid-1960s and similar past experiences, compelled the Indian government to develop a system of institutions with the primary objective of supporting, controlling and stabilising food grain prices and assuring to provide basic food at reasonable prices to the people. The aim of this paper is to understand the nature of the food grain market in India, examining the trend of food grain stocks in our granaries, minimum support prices, the trend of food inflation over the past 5 decade and urge for better food grain management . The present scenario of the food grain market in India is characterized by high food inflation combined with increasing central pool of food stock which has been a matter of grave concern. The central argument of the paper is that, it is important to rethink our policy relating to subsidies, food production procurement and to the end of realising at distribution of food grains.

Keywords: Food stock management, Inflation, Food wastage

INTRODUCTION

Food is one of the basic necessities for the survival of human beings. Food requirements are related to basic emotional and physiological well being of societies. In many countries and especially in various developing countries, a significant proportion of the population suffers from malnutrition and hunger. According to a FAO (2010) report there are about 925 million hungry people in the world, which translates to the shocking reality that almost 1 in 7 people are hungry¹. The figure today might be much larger than this. Issues related to availability, distribution and accessibility of food requires urgent attention. It hence, comes as no surprise that food management has been accorded utmost priority by the government. The government has been actively intervening in the food grain market in the country through a host of policy measures and supporting institutions to regulate the prices and supply of food grains to the consumers as well as ensuring fair returns to the farmers (Kumar Ganesh A , etal)². However, questions have often been raised about the viability and effectiveness of these policy measures, and there is a growing need for the periodical review of such measures in view of the changing circumstances.

In India, the twin objectives of the food security includes, firstly, maintaining price stability through timely procurement of food grains to even out the seasonal fluctuations in output and secondly, to provide food security to the vulnerable sections of the society.

India as a country has travelled a long journey from a chronically food deficit country to becoming a major exporter of food grains, attributable majorly to the success of the first Green Revolution in parts of the country. India has experienced the worst famines in the past and brought

about repeated droughts and posed as inherent challenges on feeding the rapidly growing population of the country. The Indian food policy has, thus, evolved through various tests of time which not only aimed at increasing wheat and rice production, but also at developing and improving institutions for supporting prices, and distributing subsidized grain to consumers. With the gradual improvement in food grain supplies, the focus is now turning to reducing the high cost of public food grain management and improving the safety net for the poor. To achieve the goal of inclusive growth it is important to bring new measures to increase investment and provide the market institutions needed to develop India's inefficient food processing and marketing sectors, and to ensure that the transformation to higher-value agriculture is inclusive of India's large number of marginal and small farmers.

OBJECTIVES OF THE PAPER

- 1) The aim of the paper is to understand the concept of food grain market in India and look at the emerging scenario of food inflation and food grain stocks in our granaries.
- 2) Given this caveat, the paper assesses the impact and analyses the nature of the changes that have taken place in the pattern of food management in India. The study will examine the overall changes in the production, distribution of two major crop- rice and wheat in India and changes in food inflation over the period of time.

The study is mainly based on secondary data from Commission for Agriculture and Policy (CACP), Ministry of Agriculture, Food cooperation Of India (FCI) and Food

and agricultural Organisation (FAO). The paper is organized as follows: Section 2 reviews the available literature on the subject. Section 3 gives a brief outline of the trends in various indicators of food grain market in India and policy perspective for better food management, in India. Concluding observations are discussed in section 4.

LITERATURE REVIEW

Chand (2007) examines the possible causes for the incidence of unusually high inflation in the price of wheat in the year 2006-07. Looking at both, the demand and supply for wheat, measured in terms of per capita availability and per capita wheat consumption, the author concludes that there is no decline in the demand for wheat or wheat products. The decline in production of wheat from the year 2000-01 did not translate into increase in prices since there were enough wheat stocks with the governmental agencies to bridge the gap between demand and supply. However, there was a decline in the stocks of wheat in the period 2006-07, which could partly be the reason behind the sharp increase in prices of wheat in the period. Hence the study establishes a clear link between the level of buffer stocks and the price of wheat.

Tuteja (2008) also examines the link between demand and supply and price of food grains. Looking at the period between 1999-2000, it is noted that despite the fall in per capita consumption in both rural and urban areas, India still experiences an inflation of 12 percent for food commodities. The rising prices of food commodities could not be attributed to the high cost of production alone, but issues like productivity, food management etc. are equally important. The paper suggests that for sustainable food management, it is important to reduce the number of intermediaries between consumer and farmer. Furthermore, it is argued that importation of food commodities could only be a short term solution for augmenting the supply of food commodities but the long term solution lies in increasing domestic production by raising productivity through adoption of improved technology.

Patil and Halasagi (2002) in their paper provide a fleeting overview of the present situation of high food price inflation in India. The author(s) attributes the government's policy of using WPI as a measure of food inflation as the primary reason for the phenomenon of declining inflation but increasing prices. The author believes that WPI, which is used in India as a measure for inflation does not represent the price that the consumers pay for a product. Furthermore, the list of 435 products which are used to measure the WPI is outdated

and needs to be revised. There is an urgent need to include services.

According to Chand (2010) the main reason for the current surge in food prices is the supply shock emanating from the drought in 2009 and the carry-over effect of the low growth of food production in 2008-09. As the frequency of such shocks is expected to rise, India needs to have an effective food management strategy to deal with these episodes. There is also a need to explore various other options for price stabilisation like maintaining buffer stocks and using trade. The economy has to invest heavily in expanding storage capacity for all kind of food grains involving both the public as well as private sectors. Due to the seasonal fluctuations in production, the export of some commodities in a year or two is followed by their imports in the subsequent years thus leading to a huge variation in prices. The author suggest that as India is a net exporter of food, a part of what is now exported needs to instead form a part of the domestic stabilisation stocks. Gulati, Ganguli, et al (2011) gather that food inflation is a cause of great concern, especially for developing countries where a larger section of population is net buyer of food. Of late, high inflationary pressure particularly double digit food inflation since October 2008, is turning out to be a spoilsport in an otherwise robustly growing economy; 8.9% in the first half of 2010-11. If continued unabated, this will aggravate the already conspicuous food and nutritional insecurity in the country. Several factors like drought-induced shortages in food supply, rising international prices, fragmented value chains resulting in a large price spread of high-value commodities, greater government spending leading to increased money supply, structural changes in demand patterns, etc. are being cited as the main reasons behind this high food inflation, although it is realized in the study that we are still out with regard to the exact influence of each of these probable factors. Lack of food management as a reason is well exemplified in various instances like- though the country received sufficient monsoon in the year 2010, and overall growth in agriculture is slated to pick up momentum, crop losses were reported in several parts of the country due to unseasonal rainfall during the harvesting season. On one hand, the government is grappling with high food inflation, and on the other hand, it faces the problem of managing large volume of stocks, much above stipulated buffer stock norms.

However, inflation in recent months is being driven by commodities like fruits and vegetables, milk and meat for which no public stocks are held and therefore, remedy largely involves augmenting the supplies and improving efficiency in distribution. In the case of high-value commodities, fragmented markets and lack of integration

resulting higher price volatility. The problem lies not as much with production as with post-harvest losses and wastage due to lack of advanced supply chains infrastructure to ensure smooth delivery from farms to markets and finally to consumers. In addition to this, black marketing and hoarding also add to flaring up of margins, as perhaps was the case in onions.

Nair and Eapen (2012) analyses the causes of the high inflation experienced in 12 food commodities between January, 2008 and July 2010. It is shown that a majority of the commodities like pulses, fruits, vegetables, meat, fish, spices, tea, coffee and sugar were subject to inflationary pressures due to domestic supply-side constraints. The peak monthly inflation rates witnessed by the food article groups ranged from 19.49% (food grains) to 48.60% (tea and coffee).

The paper quotes the key factors responsible for high inflation of rice during 2007-08 and 2008-09 are larger exports, hike in MSP and absence of rice sale to the open market through OMSS.

Basavaraja, Mahajanashetti and Udagatti (2007) studied the post-harvest losses have been estimated using the survey data collected from 100 farmers, 20 wholesalers, 20 processors and 20 retailers in each crop in Karnataka for the year 2003-04 pertaining year 1982-83 to 2001-02. The paper studied the causes of losses and gathered that these losses were most of the times due to faulty storage in rice and wheat. Important factors leading to storage losses were (i) non-availability of separate godowns for storage, (ii) poor storage structures, (iii) presence of rodents, insects and dampness, and (iv) improper drainage at storage places.

Basu (2011) in his economic theory perspective identifies two different motives for food grain procurement by the state – to provide food security to the vulnerable and to even out food grain price fluctuations from one year to another. He argues that poor management may keep the prices of some food grains higher than they need be, but inflation, defined as a sustained increase in price, is not caused by this, which would typically require a sustained deterioration in food grain management for which there is no evidence. He emphasized on designing a better mechanism for delivering food grain to the poor. To exemplify, the basic idea is that the subsidy should be handed over directly to the poor household instead of giving it to the PDS shop owner with the instruction that he or she transfer it to the poor. This can be done by handing over food coupons to BPL households, which they can use as money to buy food from any store. It is hoped that if we manage to make our food grain market

more efficient, this will increase the incentives for farmers to produce more.

Khalid (2011) mentions that India has high inflation rate of around 9 per cent and consumer price Index (CPI) is currently more than 10 per cent. In the past two years, wholesale prices of food have risen by nearly 40 per cent, and retail prices have gone up even faster. Reasons could be hoarding, the growing penetration of big multinational corporations in the food economy, international trade in food items and speculative futures trading in agricultural commodities have all weakened the government's capacity to control food prices, the cuts in subsidies and price hikes of inputs like diesel and fertiliser are also contributing to food inflation. The deregulation of petrol prices has led to very steep hikes in the recent weeks and so on. It is also argued that the costs of subsidization of imports in case of India are substantially high since, our food prices are lower than the world prices. There also exists a paradox regarding who needs to be subsidized: the farmers or the consumers? It is suggested by the author, henceforth, that there is a need to divert attention from the supply demand perspective to the less explored issues such as acreage and arable land quality and productivity. Another study by Joseph (2012) looks at India's inflation rate and suggests possible measures to ease the increasing agricultural food prices. The rate of growth of inflation rate has surpassed all expectations in May 2012 with increase in fuel and food prices. The author discusses various reasons for the surge in food prices, with most of them attributing it to the failure of the state policy. Domestic food production has been adversely affected by neo-liberal economic policies that have opened up trade and exposed farmers to volatile international prices even as internal support systems have been dismantled and input prices have been rising continuously. Significant price increase has been observed in commodities like arhar dal, sugar, potatoes and onions. The key reason cited for the spiralling agricultural price inflation is the bad monsoon in India. Part of the agricultural inflation is due to Government action or the lack of it. The author mentions that the Government is sitting on a buffer stock of 65 million tonnes and he believes that it is still not clear why this stock has not been progressively released at least in part into the open market to control prices.

To sum up, it is observe several factors are held responsible for high food prices in India since 2008. Some of them include increase in the overall demand for food, higher food exports, fall in agriculture production during 2008-09 and 2009-10, high support prices for food grains, large-scale public procurement of food grains, hoarding and speculation, and fluctuation in world crude oil and food prices. Some of the factors mentioned are of short term

in nature and some among them are of long term in nature, while others are of both long and short term in nature. The next sections try and analyse the food grain market in India.

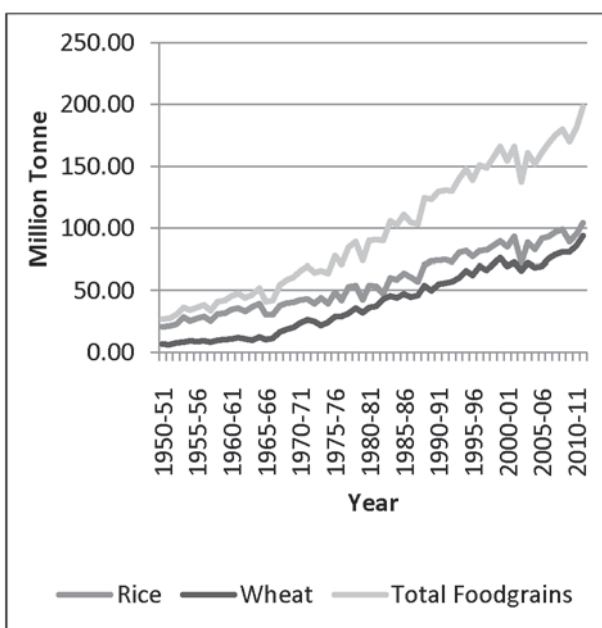
Analysis of Food Grain Market in India

Food management is a complex process and it involves a long run vision to achieve its objectives. In case of India, as a result of severe food grain crisis of the mid-1960s, also as result of earlier experiences, the Indian government has developed a system wherein institutions are set up with the objective of supporting, controlling and stabilising food grain prices and assuring to provide basic food at reasonable prices to the people. The system includes the Commission on Agricultural Costs and Prices (CACP), Food Corporation of India (FCI), and other civil supplies corporations. In short, procurement of food grains from farm at remunerative prices and then distribution of these food grains to consumers and in particular providing to the vulnerable category of society at affordable prices and lastly the maintenance of the food buffer stock for stabilising the price and food security are among the major objective of food management. The two main instruments for food management are Minimum Support Prices (MSP) and Central Issue price. The CACP has the responsibility to recommend minimum support prices after studying costs and incorporating various other

factors. The Food corporation of India which is the nodal agency has a primary function of procurement storage and distribution of food grains in India. Presently, the procurement of food grains is open ended at MSP. It has been that over the years, the MSPs have been raised reasonably to ensure that farmers are incentivised to enhance production of their crops.

One of the major goals for Indian economy post independence period was to achieve self sufficiency in food. The graph below shows the trend of two major food crop rice and wheat production. It has been observed that the production of rice and wheat increased from 27.04 million tonnes in 1950-51 to about 89.94 million tonnes in 1980-81 and it stands to nearly 199 million tonnes in 2011-12 (Figure 1). At individual level, it is observed that production of rice has increased by almost five times since independence from 20.6 million tonnes in 1950-51 to 104.32 million tonnes in 2011-12. Similar trend was observed in the case of production of wheat has increased manifold since independence from 6.5 million tonnes in 1950-51 to 93.9 million tonnes in 2011-12. Whereas, to look at the relative growth rates (Y-O-Y rates) shows that in 2008-09 and beyond the rate of output has declined to reach at a level of (-) 6 percent in 2009-10 and after this the rate again improved (figure 2)

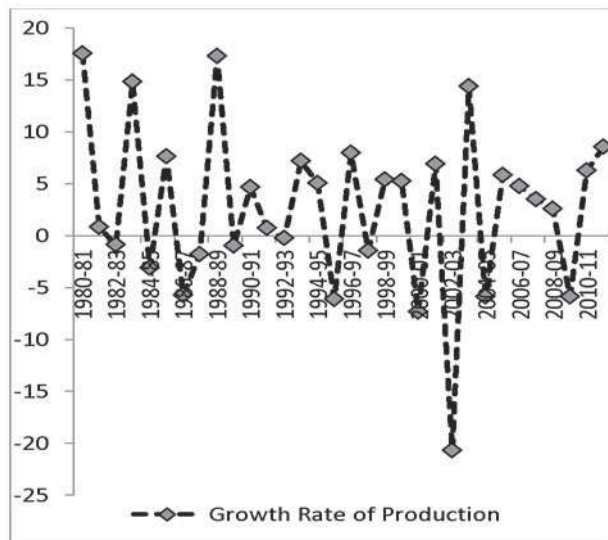
Figure 1: Agricultural Production of Food grains in India (1950-51 to 2011-2012)



negative growth. In fact it is observed that rice output hovered over 90 million tonnes (MT) for four consecutive years from 2005-06. The only other occasion during which rice production touched the 90-MT mark was in 2001-02. In response to higher production, there was healthy procurement of rice during the four years running from 2005-06. It was also seen that in few years procurement of food grains has always been positive even during the negative production. For example in year 2004-05 production has fallen from the previous year but procurement has not fallen parallel. Similar trends were observed for other years. (Table 1 and Table 2)

Source: Ministry of Agriculture

Figure 2: Growth Rate of Production



Source: Ministry of Agriculture

It was observed that from 2005-06 the production of both wheat and rice was quite comfortable after few years of

Table 1: Production and Growth in Production of Rice and wheat (2000-2012)

Year	Rice production (million tonne)	Wheat production (million tonne)	year to year growth in rice	year to year growth in wheat
00-01	84.98	69.68	-5.24	-8.76
01-02	93.34	72.77	9.84	4.43
02-03	71.82	65.76	-23.06	-9.63
03-04	88.53	72.15	23.27	9.72
04-05	83.13	68.64	-6.10	-4.86
05-06	91.79	69.35	10.42	1.03
06-07	93.35	75.81	1.70	9.32
07-08	96.69	78.57	3.58	3.64
08-09	99.18	80.68	2.58	2.69
09-10	89.09	80.80	-10.17	0.15
10-11	95.32	85.93	6.99	6.35
11-12	104.32	93.90	9.44	9.27

Source: Department of Agriculture and Cooperation, Ministry of Agriculture, Authors calculation

Table 2: Procurement for Central pool of stock with FCI

Crop Year	Rice			Wheat		
	Production	Procurement (Kharif Marketing Season)	Proc. as % of Production	Production	Procurement (Rabi Marketing Season)	Proc. as % of Production
2001-02	93.34	22.128	23.71	72.77	19.054	26.18
2002-03	71.82	16.422	22.87	65.76	15.801	24.03
2003-04	88.526	22.828	25.79	72.15	16.795	23.28
2004-05	83.131	24.685	29.69	68.64	14.787	21.54
2005-06	91.793	27.656	30.13	69.35	9.226	13.3
2006-07	93.355	25.107	26.89	75.81	11.128	14.68
2007-08	96.693	28.736	29.72	78.57	22.689	28.88
2008-09	99.18	34.104	34.39	80.68	25.382	31.46
2009-10	89.09	32.034	35.96	80.8	22.514	27.86
2010-11	95.98	34.2	35.63	86.87	28.335	32.62
2011-12	104.32	35.02	33.48	93.90	38.148	40.62

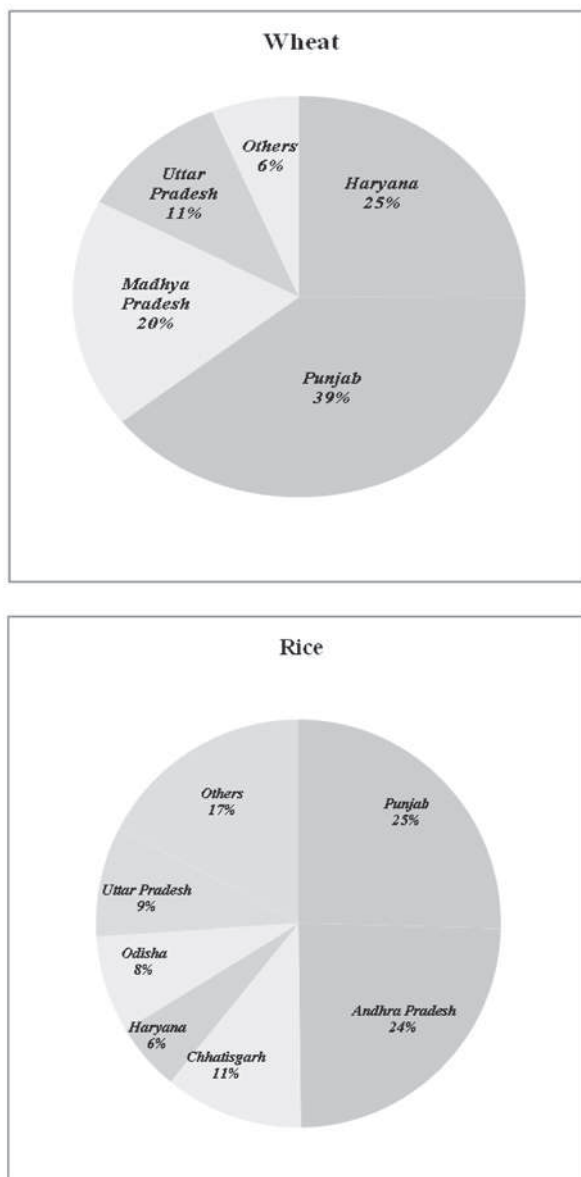
The current buffer stock norm of 31.9 million tonnes of Rice & wheat

Source: Ministry of Agriculture

In India, the Food Corporation of India procures mainly paddy and wheat from farmers (at MSP) principally via state agencies and rice from rice millers (at levy price). In the present system of open-ended procurement wherein, the FCI is obligated to buy all the grains that farmers offer to sell at the prescribed procurement price (MSP plus Bonus) as long as the grains meet a certain quality standard. As a result, it is been observed that with growing MSP and production over the years, the procurement by central agency has been greater than norm. Compared to buffer stock norm of about 31.8 million tonnes of rice and wheat¹, total central pool of stocks of the same where nearly double standing to about 74 million tonnes in 2011-12. The open ended

procurement is applicable throughout India, but the central agency procures mostly from few surplus states such as Uttar Pradesh, Punjab, and Haryana. Data reveals that 80 percent of wheat procurement mainly comes from Punjab, Haryana, Madhya Pradesh and about 70 percent of rice are procured from Haryana, Punjab, Andhra Pradesh, Chhattisgarh and Uttar Pradesh (refer figure 3). It is a known fact that the states of Punjab and Haryana have a very high incidence of taxes and such large scale procurement from these two states increases the procurement cost

Figure 3: Concentrated procurement of Rice and Wheat (2009-10 to 2011-12)



Source: Ministry of Agriculture

Over the period of time there have been debates on buffer stock management. The debates center around two opposing points of view. One view is that food stocks should play a market stabilisation role such that whenever market prices rise significantly, reflecting particularly supply chain manipulation, stocks should be released into the market to soften prices. The opposing view is that use of food stocks to intervene in the market dilutes the role of competitive market forces, and that the government should instead focus on easing supply chain rigidities.

After looking at the production of rice and wheat we try and look into the price scenario for these commodities. It was generally expected that in years of good production the country would face less growth in prices. Even despite the favourable scenario with higher production and procurement, India at present experiences a high inflation rate of both rice and wheat, started picking up from 2006 and wheat and rice inflation went on to touch a peak of 9.9% and 14.8% in 2008, respectively. The average inflation rate of rice recorded in 2007-08, 2008-09 and 2009-10 respectively are 11.30%, 14.83% and 12.31% and wheat was 7.3%, 9.9% and 12.8% for respective years. Although the inflation rate in the recent year has come down but still food inflation is a matter of worry (Table 3). One of the expected factors affecting the rise in prices for both wheat and rice could be the increase in MSP which affected the open market prices. During the period 2008-09 the government increased the MSP for wheat by about Rs. 200 per quintal and rice by about Rs. 130 per quintal. The mismanagement of the wheat and rice market continued from the late 2000's. As a result of the high stocks of wheat in the late 90's there was a jump in the exports of wheat to dispose off the excess governmental wheat stocks in 2000s. As a result during the period 2001-2005, there was a surge in wheat exports and a fall in the buffer stocks of the government. As a result of low MSP in the year 2005-06 to 2007-08 the level of wheat stocks fell at precariously low levels, since the farmer found it profitable to sell mostly to the private traders (Table 4). Whereas in case of rice the exports went at a higher level in one major reason for the

rising inflation 2006-07 and 2007-08 which might be one of the reasons for rising prices in rice from 2006 (Table 5). But then again the unprecedented rise in the MSP of wheat and rice between the period 2007-08 and 2009-10 was seen as a knee jerk reaction to the low level of stocks in the past years. This, in turn, translated into high prices of food grains in the open market despite surplus production and buffer stocks in the government granaries. The pooling up of these stocks at a level much higher than the specified norm with FCI might have led to an artificial shortage of wheat in the market in the face of a bumper

crop. Also this overstocking of grains doesn't come free. It has been creating a lot economic cost whether in the form of procuring food grains at high MSP prices or storage cost or additional storage, distribution cost. So thus in other words it is seen that at a higher MSP the farmers are more willing to sell their grains to government. Also this might create artificial shortages of grains unless the government increases its sale and release the stocks. Various authors have also mentioned about wastage of food grains along with growing additional burden of cost.

Table 3: Average Inflation Rate (%) (Based on WPI with base 1993-94 and 2004-05)

Year	All commodities		Food Articles		Food grains		Rice		Wheat	
	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05	1993-94	2004-05
2000-01	7.20	-	3.00	-	-1.47	-	-2.22		1.09	
2001-02	3.60	-	3.30	-	-0.81	-	-0.30		-0.74	
2002-03	3.40	-	1.80	-	1.10	-	-0.60		0.23	
2003-04	5.50	-	1.30	-	1.15	-	1.69		3.24	
2004-05	6.50	-	2.60	-	0.68	-	-0.36		1.49	
2005-06	4.40	4.40	4.80	5.40	5.35	7.20	3.75	5.20	4.02	4.80
2006-07	5.40	6.60	7.70	9.60	10.16	14.12	2.92	4.60	13.05	19.14
2007-08	4.70	4.70	5.60	7.00	4.61	6.92	6.74	11.30	4.25	7.32
2008-09	8.30	8.10	8.00	9.10	8.63	11.02	11.11	14.84	6.16	9.90
2009-10	3.80	3.80	14.70	15.30	15.59	14.50	14.41	12.31	10.73	12.81
2010-11	-	9.60	-	15.60	-	4.90		5.72		3.00
2011-12	-	8.94	-	7.30	-	3.60		3.10		-1.80

- Indicates not available. Ministry of agriculture

Table 4: Minimum Support Prices of Paddy and wheat since 1998-99 (Rs per Quintal)

Marketing Year	Paddy		Wheat
	Common	Grade A	
1998-99	440	470	475
1999-2000	490	520	510
2000-01	510	540	550
2001-02	530	560	580
2002-03	550	580	610
2003-04	550	580	620 (+Rs. 10/-PQ as drought relief)
2004-05	560	590	630
2005-06	570	600	640
2006-07	580(+Rs. 40 bonus)	610(+40 bonus)	650 (+Rs. 50/- bonus)
2007-08	645 (+ Rs. 50 bonus)	675(+100 bonus)	750 (+ Rs. 100/ bonus)
2008-09	850 (+Rs. 50 bonus)	880(+Rs. 50 bonus)	1000
2009-10	950 (+Rs. 50 bonus)	980(+50 bonus)	1080
2010-11	1000	1030	1110
2011-12	1080	1110	1120 (+Rs. 50/ bonus)
2012-13	1250	1280	1285

Source: Food Corporation of India

Table 5: Export and Import of Rice and wheat (in '000 tonnes)

<i>Year</i>	<i>Rice</i>		<i>Wheat</i>	
	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>
2000-01	1531.29		813.4	4.22
2001-02	2208.56	0.06	2649.38	1.35
2002-03	4967.87	0.87	3671.25	-
2003-04	3412.06	0.54	4093.08	0.46
2004-05	4779.1	-	2009.35	-
2005-06	4088.17	0.26	746.18	-
2006-07	4747.95	0.16	46.64	6079.56
2007-08	6469.44	0.15	0.24	1793.21
2008-09	2488.3	0.09	1.12	0.01
2009-10	2,156.41	0.07	0.03	164.38
2010-11	2471.36	0.22	0.04	185.28
2011-12	7310	1.08	741.19	0.02

Source: Ministry of agriculture

Authors (Chand (2010), Himanshu (2010), Basu 2011) mentioned that over the years, India has managed well to steadily procure food grains, especially wheat and rice, but at the same time there is some problem in releasing the grain from granaries when the need arises. Doing the former and not the latter has meant that the net effect has been to raise the average price of food. The data on procurement and inflation shows that the inflation started to accelerate in the beginning of 2008 and if we observe the production data, food production in 2006-07 and 2007-08 had achieved a growth of about 4 percent. As Chand (2010) mentions that the growth rate of output in 2006-07 was more than double the growth rate growth rate of domestic demand for food, major chunk of the incremental output during these years did not enter the domestic supply. Himanshu and Sen (2011) mentions as soon as off take of food grains is increased to a level equal to procurement market prices will fall and it is estimated that availability of food grains will increase by at least 5% when government stops increasing stocks, market prices are likely to decline by at least 10% due to increased supply and the fall in market prices are likely to increase procurement further.

As its mentioned that in India food grain are going waste, the central problem to this issue is principally made out to be poor storage facilities of food grains in India. There is a little doubt on the fact that there is a need for improvement of storage facilities, and then just improvement of these facilities will not lower the prices alone. As mentioned above the country is not doing well in releasing food grains as in the case of procurement of

food grains. It is important to redesign the mechanics of how we acquire and release food on the market. Thus it is necessary to have a policy which should also prevent the kind of situation faced in the recent past; where in the country is adding on to its buffer stocks during the drought of 2009-10 and therefore adding to inflation when the very purpose of holding buffer stocks is to offload these in shortage situations.

Secondly, there is a need to rethink about the price policy intervention. In India the country provides incentives to the farmer through various input (fertilisers, power, irrigation) and output subsidies which creates a large fiscal burden for the country. Although the objective with which we started giving subsidies was to provide incentive to the farmers the case was much strong than the situations now, where most part of the country are using excess of inputs. Over and above these are the prices linked to the growing MSP which further leads to price distortion in the country. Thus today these subsidies are leading to moral hazards in our agriculture system. This doesn't mean that there should be no remunerative prices or subsidies as these are necessary to attain the desired supply response but higher and higher MSPs might also leading to higher inflation also in a situation where the country has a huge buffer stock. Thus there is a need to reformulate our policy.

Lastly, the issue related to management of agricultural prices essentially requires a situation of ensuring adequate supplies and removing bottlenecks in distribution. Tight liquidity will aggravate the troubles of various sectors,

including the farm sector. Therefore, it is necessary that the government should not hesitate to release sufficient quantities of food from its buffer stocks as the main objective to maintain the buffer stock is to deal with situations of price rise and shortage.

Conclusion

The recent trend in Indian economy where there is an increase in the buffer stocks of food grains along with recent gallop in food prices has refocused attention on food management in India. India is experiencing a growth in both food and non food items inflation are skyrocketing, which is hurting specially the vulnerable section of the society who are finding difficult to access the basic food commodities. One of the factors affecting the rise in prices for both wheat and rice might be the increase in MSP which affected the open market prices. It has been seen that even if the government agency i.e. FCI has procure food grains well in the past years but still in the same years the country has faced domestic constraints on supply side. The food management system in India successfully served its purpose in the past but given the present scenario there is an urgent need to upgrade and strengthen the system. Persistent and elevated food inflation over the last few years has emerged as a major policy concern, especially as it can potentially threaten our collective aspiration for a “higher, inclusive and sustainable” growth. The experience in the recent past has suggested that temporary and knee jerk measures to bail the system out of a temporary crisis are not enough or desirable as they have spillover effects in the next period. Hence what is needed in the recent times is a complete revamp of the food management policy in India with a focus on issues such as determination of MSP and better management of buffer stocks.

Further, it has become important to not only invest in agriculture and increase agricultural productivity but also efforts should be made to have a framework wherein the country can procure and manage its food grain market more efficiently which will obviously provide incentives to the farmers to produce more.

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