

Food Crisis in India (A Review Article)

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Abstract: The main purpose of this study is to analyze the issue of Indian food crisis. The analysis has been made by examining the reasons for food crisis; existing trends in production of food crops, state wise procurement of wheat and rice, per capita availability of food grains; trends in price rise of food grains, genesis of crisis and the fears that Indian planners are having in mind. The paper also deals with the current trends and economic impact.

Key words: Agricultural productivity, food corporation of India, green revolution, global food crisis, disinvestment in agriculture, disastrous impact, inefficient marketing strategies and member planning commission

INTRODUCTION

India is also experiencing food crisis. The crisis has been building up for some time. Indian farmers seem to have hit a dead end, as their food grain yields are no longer going up. Grain production has been almost stagnant for more than 10 years and now there is a growing gap between supply and demand of food grains. According to the Member of Planning Commission 'we have a problem and it can be starkly put in the way: around 2004-2005, India's per capita food grains production was back to the 1970s level' (Bhattacharya, 2008a).

RESULTS AND DISCUSSION

Major contributory factors: India has a mixed scenario of food crisis. The following are the major emerging trends in regard to Indian food crisis (Sandip, 2008).

- Decline in investment in agriculture and slow agricultural growth.
- Farming provides livelihood to nearly 60% of India's 1.1 billion people even though farm produce comprises only 18% of the India's current GDP.
- India is largely insulated from food prices due to huge stocks, but has challenges like inefficient distribution system and poor storage facilities.
- 70-80% of the net agricultural land is rain fed thus based on monsoon.
- Future food production is uncertain.
- Bumper wheat and rice crops are being expected.
- Record procurement of wheat by Food Corporation of India and other agencies.
- Curb on wheat and rice exports.

Production trends: The emerging trends in India's total food grains output can be judged from Fig. 1. It is evident that India's total food production has been witnessing erratic trend. Output has been fluctuating sharply keeping pressure on supply side.

India stands at a tipping point, particularly as food grains output is stagnant. Wheat production was stood at 72.8 million MT in 2002. This year i.e. in the year 2007-2008 the figure is 74.0 million MT. Rice productions was 93.3 million MT during 2002 and this year (2007-2008) it is stood at 90 million MT. Meanwhile, population has increased by nearly 88 million during the said period. So there is a need for imports. This in turn would lead to increase in global prices. As soon as India bought 795,000 MT of wheat in August 2008, at a record price of US \$ 389.5, wheat futures in Europe would go up by 70% on expectations of more orders (Woolverton, 2009).

State-wise Procurement: State-wise procurement of wheat is also showing the same trends. In the year 2005-06 the total procurement was 147.9 lakh tones and by the end of 2007-08 the figure went down considerably and touched a level of 113 lakh tones.

In case of rice the trends are witnessing a decline trend. In the year 2005-6 the total figure for rice procurement was 276.6 lakh tones and the same declined to 250.8 lakh tones during 2007-08. Fig. 2 and 3 are the indicator of state-wise procurement of wheat and rice respectively.

Fig. 2 and 3 also indicating the decline in procurement of wheat and rice by the major states. In case of wheat only Haryana states has procured more in 2006-2007 than 2005-2006. There are only three states namely Andhra Pradesh, Orissa and Tamil Nadu where the procurement of rice is much more in 2006-2007 over 2005-2006.

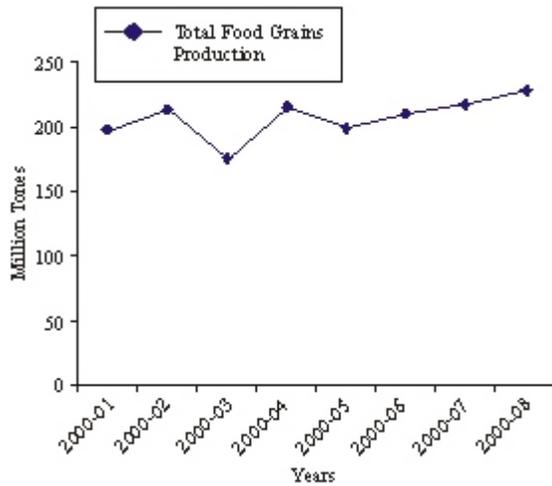


Fig. 1: Total food Grains production from 2000-01 to 2007-08. Source: Prepared by the authors from the data given Agricultural situation in India; March 2008

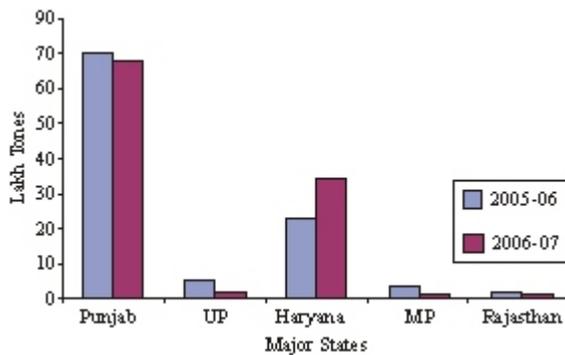


Fig. 2: Statewise procurement of Wheat between 2005-06 and 2006-07. Source: The Financial Express; New Delhi; June 9, 2008

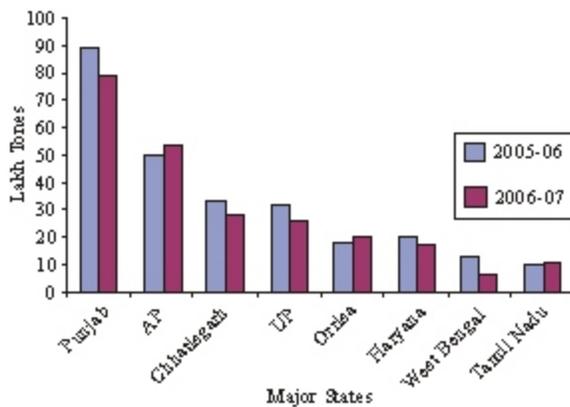


Fig. 3: Statewise Procurement of Rice between 2005-06 and 2006-07. Source: The Financial Express; New Delhi; June 9, 2008

Per capita Availability: In 1979, at the height of the Green Revolution euphoria, per capita availability of cereals and pulses had gone up to 476.5 g/day. In 2006 it was still lower at 444.5 grams. The reason for this fall in the availability of food is that Indian farm output is just not growing. Since the mid 1990s the output has hovered nearly 415 million tonne. In the eight years i.e. between 1996 and 2004 when agriculture was growing at a low rate of 2%, there was in fact zero growth in food (Sen, 2008).

The stagnation is hitting the agriculture situation in the country. For one, food price are rising and the rise is likely to continue. For another, despite nudging up wheat output in the last two years, the Government of India still needs to import wheat. The problem is not easy to make imports. This could be testified from the fact that last year India wanted to import nearly 5 million tonne of wheat, but could get only 3 million tonne of wheat. This was due to the fact that there is not any surplus wheat going around in the global market (Sharma, 2009).

Price Rise: According to the data released by Consumer Affairs Ministry, Government of India, between May 24, 2004 and June 4, 2008 wheat prices have gone up by more than 62% to Rs. 13 a kg in Delhi, 47% to Rs. 15.50 kg in Mumbai and 42% to Rs. 17 in Chennai.

The Government has also raised the Minimum Support Price (MSP) of wheat top Rs. 1000 a quintal from Rs. 630 levels, up by 59% during this period. Prices of wheat flour have increased in the range of 42 and 69%. The prices of wheat flour have increased to Rs. 14 from Rs. 9 a kg in Delhi, to Rs. 17 from Rs. 12 in Mumbai, to Rs. 15 from Rs. 9.50 in Kolkata and Rs. 22 from Rs. 13 per kg in Chennai.

Another staple diet rise has also become more expensive. Its rates have moved up in the range of 25 to 45% to Rs. 18 a kg from Rs. 12.50 per kg in Delhi, Rs 16 from Rs. 11 in Mumbai, Rs. 14 from Rs. 10 in Kolkata and Rs. 15 from Rs. 12 a kg in Chennai.

The gram (chana) prices saw the maximum rise of 73% in Mumbai, while it was up by 56%. In Kolkata it rose by 50% and in Chennai it went up by 48% (The Hindustan Times, 2008).

Genesis of Crisis: It is true that India has not yet witnessed food riots, as taken place in African and Latin American continents, the agricultural economists have a worry that the present rise in inflation is because of the increase in prices of agricultural commodities. The rise in food prices has far reaching impact and consequence on major population of the country and accordingly this is hurting the poor. Nearly one out of four Indians lives on less than US \$ 1 a day and three out of four earn US \$ 2 or less a day (Sandip, 2008).

Rise in food prices is a global phenomenon. There is a food shortage world over. Wheat prices in India went up by 77% over the last year and also rice prices are

increasing much wider margin than rise in wheat prices. The World Bank is of the view that India has contributed in global food crisis as the same has put restrictions on the exports of rice. There is another major contributory factor. Rice producers namely, China, India and Vietnam have initiated export restrictions to keep stocks for international consumption and also to prevent sharp internal prices rise.

India's food crisis is slightly different from food crisis in other countries of the world that are facing shortage of supply of food grains. In case of India it is not a supply pushed crisis, but it is a case of the poor peoples are unable to get access to food. This is because of the ineffective and inefficient marketing strategies, lack of adequate storage facilities and man created hoarding.

India is the one of the biggest exporters of basmati rice in the world and between 2.5 and 3 million tones is annually exported. In internal markets, prices of basmati rice have witnessed a steep rise. In last October i.e. 2007, India imposed a complete ban on the export all non-basmati rice. Later on the government has come under pressure of traders associations and the farmers to lift the ban and accordingly the Government lifts the ban on the pretext that this measure would result into the sharp decline in rice prices in open market. But this lift of ban did not last long and again in April 2008, the Government of India again imposed complete ban on the export of all non-basmati as the same has become inevitable due to sharp increase in the price of rice in open market. Keeping in mind the magnitude of the problem, Indian Government for the first time fixed a minimum export price on basmati at US \$ 1,000 per tone as the same has allowed the export of only high-priced non-basmati rice. Simultaneously, reduced import duties to zero. But one thing is true and sure that 'the era of cheap food is over' (Bhattacharya, 2008b).

Another View Point: In the Indian context, slow agricultural growth has been a cause of food crisis and also a matter of great concern for policy makers. Present agricultural practices in regard to food grains in general and wheat and rice in particular are neither economically nor environmentally sustainable and India's yields for agricultural commodities especially wheat, rice and maize are low compared to the productivity levels of other major producing countries.

India's agricultural system is still marked by poorly maintained irrigation systems and almost universal lack of good extension services all of which are adversely affecting agricultural productivity. To add to this, India has inadequate post harvest infrastructure and the resultant wastages associated with it. Fixing the said issues can automatically lead to significant rise in food production and thereby, food security for the nation to avoid food crisis in future (Chakravarty, 2008). The Government of India is going to consider the needed demand for exports of rice to less developed economies namely Bangladesh and other African countries. But

lifting of complete ban on rice exports is neither possible nor advisable.

Current trends: The Indian Government has fixed a target of 15 million tones for the current year for meeting the demand of creating buffer stock and Public Distribution System (PDS). Against this backdrop, the Food Corporation of India (FCI) has already procured wheat at 22 million tones. This procurement figure is almost double of the procurement of 11 million tones of wheat year last year. While many agricultural economists anticipate a decrease in the prices of wheat, the lack of a strong marketing network and inadequate storage facilities continue to add to volatility in prices.

The Economic Survey for 2007-2008 has already pointed out that there has been loss dynamism in the agriculture and allied sectors and also there is a gradual degradation of natural resources through overuse and inappropriate utilization of chemical fertilizers that has affected the soil quality resulting into stagnation at the yields horizon.

Another trend that has come up is that public investment in agriculture has declined and hence, this sector has not been able to attract private investment which has become sine-quo-non for attracting private investment. This is because of the lower or unattractive returns. Add to this, agricultural extension services which were provided by the Government in X Five Year Plan have collapsed. Accordingly, the extension system had generally not succeeded in reducing the gap between crop yields that could have been obtained through improved practices.

Major issues of concern: It is a matter of great surprise and concern that while India is expecting to harvest record production of wheat and rice, prices of commodities are continued to be volatile in nature and character. There is a historical correlation between prices stability and the procurement of food grains by Food Corporation of India (FCI) in terms of stock. But this notion has failed in the context of current food crisis.

Rise in food prices is completely a domestic issue (Khan, 2009). Increase in prices of essential agricultural commodities to poor marketing and infrastructure. Hence, India must build a strong marketing network for our agricultural produce.

There is a little hope of availability of cheap rice in India as other major producing countries namely Thailand and Vietnam too putting barriers on their rice exports. As the current situation and trends indicate that there is no alternative to self-sufficiency in agriculture, thereby every person in the country must get access to food. (Sen, 2009).

Economic Impact: Food crisis has hit India enormously in economic terms. The rising global good prices are adversely impact on Government finances, and hence, may result in bloating of its deficit by more than 5.9% of

the GDP (The Times of India, 2008). India would be hardest hit by the rise of food costs for 2008. India with revenue at less than 20% of the GDP is keeping India in a precarious position of large deficit and narrow underlying revenue base.

Other economies of Asia namely- Pakistan and Egypt are also facing such type of economic impact. Their genial Government deficits stood at 6.5 and 6.9% respectively. Even developed economies are vulnerable to food price inflation and political instability if there is a mismatch between high revenues from food exports or domestic supply. According to a Report "Although global food price rise in itself is unlikely to be direct cause of adverse rating action, for many sovereigns it will significantly increase overall susceptibility to negative rating movements by exacerbating already weak external and fiscal positions or through potential for political and social unrest" (Bernad, 2008). The other main pressure points would be on fiscal balances, which would likely be from both the expenditure and revenue side.

The Governments both developed and developing economies all over the world would need to bring about significant investment in agriculture and infrastructure to deal with the chronic problem long-term, which for low-income sovereigns could mean more recourse to borrowing or increase in aid. While steps like increase in subsidies and export bans come at a cost of additional fiscal and external pressures, which in many cases would be unsustainable (Bernad, 2008).

CONCLUSION

There is no doubt that India is facing food crisis. It is more man created phenomenon in terms of marketing

network, storage and infrastructure. India must believe in a notion 'prevention is better than cure'. India has to meet its needs itself and the current market prices make imports unviable. Future looks uncertain if India and other countries continue to neglect agriculture as has been the case for decades. Due to uncertain weather during 2009 the crisis may come up with more severe intensity.

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