

Foodgrain stocks- Problem of abundance

5.41 During the last two years, unusually high procurement of rice and wheat by FCI has resulted in huge surplus stocks much above the buffer stock norms. Poor offtake of foodgrains under TPDS has also aggravated this situation. As against the minimum norm of 8.4 million

tonnes of wheat on January 1, the country had a stock of 32.4 million tonnes on January 1, 2002. (Table 5.11) Similarly, as against the minimum buffer norm of 8.4 million tonnes for January, rice stock as on January 1 was 25.6 million tonnes, with fresh procurement of 13.33 million tonnes upto end January adding further to the rice stock

TABLE 5.11
Central Foodgrain Stocks and Minimum Buffer Stock Norms

(Million Tonnes)

Beginning of the month	Wheat		Rice		Total (wheat and rice)	
	Min. norm	Actual Stock	Min. norm	Actual Stock	Min. norm	Actual Stock
January-1995	7.7	12.9	7.7	17.4	15.4	30.3
April	3.7	8.7	10.8	18.1	14.5	26.8
July	13.1	19.2	9.2	16.4	22.3	35.6
October	10.6	16.9	6.0	13.0	16.6	29.9
January-1996	7.7	13.1	7.7	15.4	15.4	28.5
April	3.7	7.8	10.8	13.1	14.5	20.9
July	13.1	14.1	9.2	12.9	22.3	27.0
October	10.6	10.5	6.0	9.3	16.6	19.8
January-1997	7.7	7.1	7.7	12.9	15.4	20.0
April	3.7	3.2	10.8	13.2	14.5	16.4
July	13.1	11.4	9.2	11.0	22.3	22.4
October	10.6	8.3	6.0	7.0	16.6	15.3
January-1998(P)	7.7	6.8	7.7	11.5	15.4	18.3
April	3.7	5.1	10.8	13.1	14.5	18.2
July	13.1	16.5	9.2	12.0	22.3	28.5
October	10.6	15.2	6.0	9.0	16.6	24.2
January-1999(P)	8.4	12.7	8.4	11.7	16.8	24.4
April	4.0	9.7	11.8	12.2	15.8	21.9
July	14.3	22.5	10.0	10.6	24.3	33.1
October	11.6	20.3	6.5	7.7	18.1	28.0
January-2000(P)	8.4	17.2	8.4	14.2	16.8	31.4
April	4.0	13.2	11.8	15.7	15.8	21.7
July	14.3	27.8	10.0	14.5	24.3	42.2
October	11.6	26.9	6.5	13.2	18.1	40.1
January-2001(P)	8.4	25.0	8.4	20.7	16.8	45.7
April	4.0	21.5	11.8	23.2	15.8	44.7
July	14.3	38.9	10.0	22.8	24.3	61.7
October	11.6	36.8	6.5	21.5	18.1	58.3
January-2002(P)	8.4	32.4	8.4	25.6	16.8	58.0

(P) Provisional

BOX 5.4 Mountain of Foodgrain Stocks

For two years now India has gone through the unusual disturbing experience of seeing public stocks of foodgrains accumulate to a high of 58 million tonnes by January, 2002. After experiencing food shortages during the three decades of 1960s, 1970s and 1980s, there was serious apprehension that Malthusian thinkers may ultimately be proved right in seeing India's expanding population - over one thousand million in 2001 - unable to feed itself.

With annual growth in foodgrains (rice, wheat, coarse cereals and pulses) having decelerated to 1.67 percent in 1990s, a rate lower than population growth of 1.9 percent, accumulation of huge foodgrain stock appears to be a contradiction. But there is a catch. Even though acceleration in production growth during 1980s in high value cereals – rice (3.55 percent) and wheat (3.59 percent) - slowed down in the 1990s to 1.74 percent in rice and 3.27 percent in wheat, the two main staple grains together registered annual production growth of 3.59 percent in the 1980s and 2.28 percent in 1990s which was way above the population growth rate of 1.9 percent. One must not overlook the fact that even a marginal variation in growth rates makes a substantial impact on variation in public stocks. As long as the annual growth of output of two staple grains, rice and wheat, exceeds growth of population even by a fraction, it amounts to additional availability of a few million tonnes.

The inclusion of pulses in foodgrains is an aberration since pulses do not substitute for staple grains. Hence the decline in per capita availability of foodgrain due to stagnant production of pulses for over three decades can be misleading. Coarse grains are now increasingly used as cattle/poultry feed and hence their importance in foodgrain availability for human consumption is considerably reduced. Per capita production of rice and wheat has substantially increased from 131 kgs in 1981 to over 150 kgs in 2001. (Table 5.15) Rice and wheat are thus the two foodgrains whose production growth determines India's capacity to feed itself.

position. Consequently FCI had 58 million tonnes of rice and wheat stock in January much higher than the minimum buffer norm of 16.8 million tonnes. (Box 5.4)

(a) Supply side factors

5.42 In recent years, Government's policy to announce large increases in MSP have caused procurement to rise much above the stipulated

buffer norms. (Table 5.12) During 1992-93 and 1993-94, the absolute increase in the MSP of wheat was as high as Rs 50 per quintal and Rs 55 per quintal respectively while for paddy it was Rs 40 per quintal for both the years. In fact during 1997-98, MSP of wheat was raised by Rs 95 per quintal from Rs 380 per quintal to Rs 475 per quintal (including bonus)- an increase of 25 percent. The farmers therefore find it more

TABLE 5.12
Minimum Support/ Procurement Price of Wheat and Paddy (Rs/quintal)

Crop Year	Wheat		Paddy				
	MSP	Per cent change	Common	Per cent change	Fine	Super fine	Grade'A'
1991-92	275	11.1	230	12.2	240	250	-
1992-93	330	20.0	270	17.4	280	290	-
1993-94	350	6.1	310	14.8	330	350	-
1994-95	360	2.9	340	9.7	360	380	-
1995-96	380	5.6	360	5.9	375	395	-
1996-97	475	25.0	380	5.6	395	415	-
1997-98*	510	7.4	415	9.2	-	-	455
1998-99	550	7.8	440	6.0	-	-	470
1999-00	580	5.6	490	11.4	-	-	520
2000-01	610	5.2	510	4.1	-	-	540
2001-02			530	3.9	-	-	560

For MSP of Other crops, see Appendix-5.5

* Effective 1997-98, MSP is fixed for only two varieties of paddy, common and grade-A.

TABLE 5.13				
Foodgrains Allocation and Offtake Under Public Distribution System				
<i>(Million Tonnes)</i>				
Year	Wheat		Rice	
	Allocation	Offtake	Allocation	Offtake
1991-92	10.56	8.83	11.36	10.17
1992-93	9.25	7.85	11.48	9.55
1993-94	9.56	5.91	12.41	8.87
1994-95	10.80	4.83	13.32	8.03
1995-96	11.31	5.29	14.62	9.46
1996-97	10.72	8.52	15.10	11.14
1997-98	10.11	7.08	12.83	9.90
1998-99	10.11	7.95	12.93	10.74
1999-00	10.37	5.76	13.84	11.31
2000-01*	12.29	3.98	16.26	7.74
2001-02*(upto Dec)	9.08	3.15	11.48	5.23

*** including Antyodaya**

TABLE 5.14						
Decennial Growth of Population, GDP and Foodgrains Production 1951 to 2001 *						
Year	Population		GDP		Foodgrain Prod	
	Million	Index	Rs Crore	Index	Million Tonnes	Index
1950-1951	363	100	140466	100	51	100
1960-1961	442	122	206103	146	82	161
1970-1971	551	152	296278	210	108	213
1980-1981	689	189	401128	285	130	255
1990-1991	852	234	692871	492	176	347
2000-2001	1033	284	1211747	861	196	386

* Based on Index with 1951 = 100, GDP at factor cost at 1993-94 prices.

Source : Registrar General of India

lucrative to sell their produce to the Government than to sell it in the open market.

(b) Demand side factors

(i) Poor Offtake under TPDS

5.43 While there has been excessive procurement of rice and wheat, offtake of foodgrains under the public distribution system has been low particularly in case of wheat (Table 5.13). This is mainly on account of the narrowing differential between the PDS and open market prices, particularly for APL families. A large proportion of APL families are moving out of the network as the APL issue price is close to the market prices.

5.44 In 1991-92, the offtake of wheat was 86 percent of the quantity allocated for PDS while in case of rice offtake was about 90 percent of the allocated quantity. However, in 2000-01, offtake in case of wheat fell to 32 percent while for rice it fell to 48 percent. Offtake declined quite dramatically particularly after 1998-99 indicating that the introduction of the Targeted Public Distribution System, which made a distinction between APL (Above Poverty Line) and BPL (Below Poverty Line) population resulted in a decline in offtake.

5.45 More recently, the offtake position has been a little better in the case of BPL families

(where the issue price is required to be fixed at 50 percent of the economic cost), but the situation has been quite grim in case of APL families (where the issue price is required to be fixed at the economic cost of the FCI) where offtake was only 25 percent in case of rice and 6 percent in case of wheat during 2000-01. In order to encourage offtake, APL prices have been reduced recently and are presently equal to 70 percent of the economic cost.

(ii) Growth of foodgrains production exceeds population growth

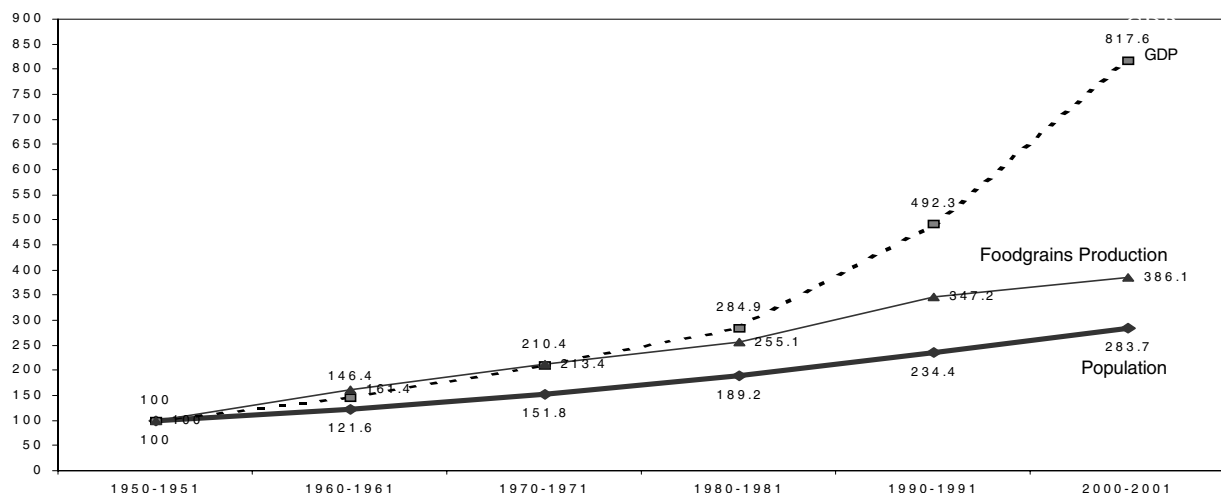
5.46 Growth in foodgrains production has been consistently above population growth despite some deceleration in the 1990s. This is indicated in Table 5.14 which shows the indices of decennial growth in population, GDP and foodgrains production with 1951 as the base (also see Fig.5.3).

(iii) Change in structure of demand

5.47 A major change that has now come to the forefront is the impact of increased expansion in urban population which may be a factor causing changes in structure of demand for cereals. There is evidence to suggest that Indians have begun to consume less foodgrains per capita by substituting non-cereal foods whose growth in the last few years has now begun to make a

Fig 5.3

Decennial Growth of Population, GDP and Foodgrains Production (1951-2001)



major impact on the country's food economy. This is further confirmed by expansion in the per capita availability of rice and wheat which has increased from 103 kgs in 1961 to more than 150 kgs in the second half of the 1990s (Table 5.15).

**TABLE 5.15
Growth in Per capita Staple Foodgrains (Rice & Wheat) Production**

Year	Population million	Production (rice & wheat) million tonnes	Per capita production of rice & wheat (per year) (kgs)	Per capita foodgrains production (rice, wheat, coarse cereals & pulses) (per year) (kgs)
1961	442	46	103	185
1971	551	66	120	197
1981	689	90	131	188
1991	852	129	152	207
1996	942	139	148	192
1997	960	151	157	208
1998	978	149	152	197
1999	997	157	158	204
2000	1015	165	163	207
2001	1033	155	150	190
2002	1052	164	156	199

5.48 The 55th Round (1999-2000), of the National Sample Survey (NSS) on household consumption confirms the trend of declining share of consumption expenditure on food and, within food, on foodgrains in particular (Table 5.16). It is important to note that share of other foods namely fruits/vegetables, milk, fish, eggs etc. has relatively gone up. (Table 5.17).

5.49 The production of 49.8 million tonnes of fruits, 98.3 million tonnes of vegetables and 4.6 million tonnes of meat and meat products has begun to have an impact, even though much of this expansion in non-cereal food production is still wasted because of its perishable nature and the country's extremely low level of infrastructure for preservation, processing, packaging, delivery and marketing. White meat (poultry) production in the country now exceeds the production of mutton and its relative price has substantially declined.