

The Global Food Crisis and India's response to it

India acted on several fronts to ensure food security of its people just before the global crisis erupted. It launched a National Food Security Mission in 2007 to augment availability of basic staples, and significantly expanded its National Rural Employment programme, perhaps the biggest in the world today. The Right to Food bill is also in the offing. How do all these matters relate to the evolving architecture of food security at global level?

Even before the G8 summit in L'Aquila, the Indian government had taken some significant steps on the food security front. In 2006/07, when world prices had started going up, India had to import about six million tons of wheat. This was the highest import of a basic staple in a single year for a long time. It did not go well with Indian policy-makers, especially because they had worked hard to get the country self-sufficient in wheat and rice through the Green Revolution in late 1960s and 1970s, and India even had been exporting small quantities of wheat.

During 2001 to 2004, India had exported up to 10 million tons of wheat. Large-scale imports of wheat in 2006/07 therefore prompted the government to set up a National Food Security Mission committing more than a billion US dollars to augment foodgrain production by 20 million tons by 2011/12 (ten million tons of rice, eight million tons of wheat and two million tons of pulses).

Ashok Gulati

Chairman of the Commission for Agricultural Costs and Prices*
Government of India
New Delhi, India
chairman-cacp@nic.in

■ Immediate reactions to the Crisis: a change in trade policies

In 2007/08, when global food prices spiked touching a peak in May-June of 2008, Indian policy responses were somewhat knee-jerk reactions, especially in the area of agri-trade. The exports of many food commodities, most notably of common rice and wheat, were halted while imports of several food items were liberalised. The most notable reduction was in the import tariffs on edible oils from almost 80 percent in 2006/07 to zero in

2007/08. As a result of these trade policy changes, India's imports of agricultural products increased substantially in 2008/09 and indeed in 2009/10 so much so that in value terms agri-imports were almost double (Rupees (Rs) 594 billion) the level of imports in 2007/08 (Rs 299 billion). And with all the controls on agri-exports, their growth slowed down dramatically, although the overall level of agri-

The author with a women's self-help Group for microfinance.



Photo: A. Gulati

Farmer in a field in Punjab State, one of the places where the first Green Revolution in India began.

exports (at Rs 895 billion in 2009/10) was still much higher than imports.

These trade policy changes were made to ensure abundant food supplies at home, and to keep food inflation under check. Given that India still has the largest number of poor and malnourished people in the world, these policies seem to be rational in addressing the domestic food security concerns. And India did succeed in reining in food inflation to less than ten percent in 2008/09, while in most of the developing countries of the region, food prices had gone up by more than 20 percent. However, Indian food prices surged in 2009/10 due to one of the severest droughts since 1972/73, and these food prices remained defiant, even hovering in double digits in 2010/11 (between 10–15 percent during much of 2010/11). As of March 2011, food inflation still remains a major concern, and government seems to be fire fighting on a number of fronts to tame food prices.

■ The overall objective: ensuring food security for all

Some of the key steps that the government has taken since 2007 to ensure food security of the masses are:

- Enhancing the budgetary expenditures on agriculture and allied activities by more than 25 percent in 2008/09 over 2007/08 (from Rs 187 billion to Rs 234 billion);
- Enhancing government expenditure on rural development by a whopping 76 percent in 2008/09 over 2007/08 (from Rs 347 billion to Rs 613 billion), primarily by extending the Mahatma Gandhi National



Photo: A. Gulati

Rural Employment Guarantee Act (MNREGA) at an all-India level. This is more in the nature of a welfare scheme to protect the rural poor through assured employment on rural infrastructure projects like small water bodies/tanks and check dams, rural roads, etc.

- Increasing government expenditure on irrigation and flood control by 13 percent (from Rs 382 billion in 2007/08 to Rs 433 billion in 2008/09) over the same period.

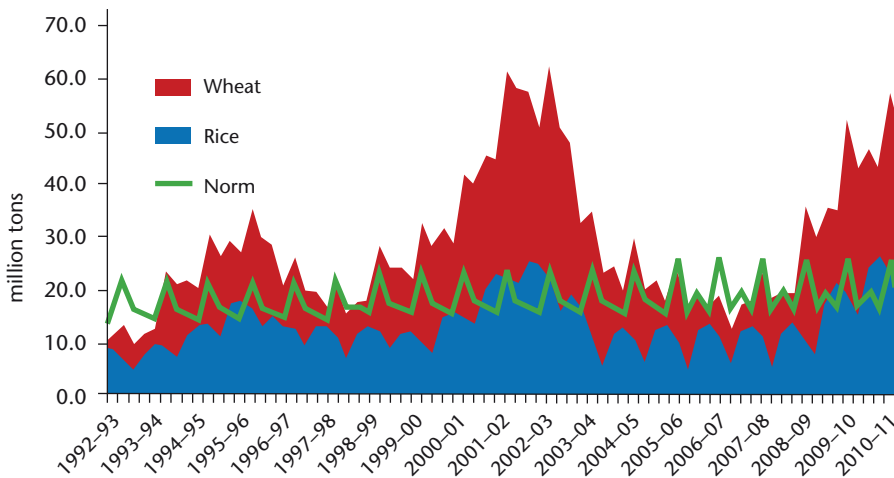
It is interesting to note that the increase in public expenditure on welfare-oriented protective schemes went up much more than on production and productivity oriented schemes. In 2011/12, the Indian government is planning to pass a Right to Food bill under the banner of the proposed National Food Security Bill, which will provide rice and wheat to the poor at highly subsidised rates, almost at one sixth of the market prices of rice and wheat, raising the food subsidy bill by 80 to 100 percent above what it was in say 2010/11. The budgetary implications of this National Food Security Act are likely to be more than a trillion rupees (more than USD 22 billion), which would amount to about 1.8 to 2 percent of India's GDP. So, the direction of policy change is very clear: towards more protective cover to the

poor rather than investing much in propelling growth rates in agriculture, which have been hovering at less than three percent for more than a decade. Agriculture remains the main occupation of the poor, and it still employs about 52 percent of the labour force, though it contributes about 15 percent to overall GDP. Only time will tell whether this switch towards more welfare-oriented policies to protect the poor was a wise move. Or should the policy makers have relied more on propelling agricultural growth from less than three percent to say five percent, which would have mainstreamed much of the rural poor and given them protection through productive employment? For the time being, even the rural employment scheme (MNREGA) has caused acute labour shortage in agriculture, raising the agricultural wages by 18 percent to 43 percent across various states in India in 2010/11 compared to the previous year.

■ Does India act in the global food security framework?

The moot question for this article to respond is: was the policy action in India a result of the G8 summit on food security or even in sync with the framework of an evolving food security architecture (such as "Feed the

Overflowing granaries: Grain stocks in India and buffer stock norms



Future”) at the global level? The honest answer to this question will be that India is a large country with largest concentration of the poor, and most of these policy actions have been taken independently of the G8 summit deliberations and declarations. If there is any correlation between global policy decisions at G8 level and Indian policies on the food security front, it is likely to be very weak and ‘spurious’ in nature. There is now an attempt to engage the country under some of these global programmes, and India would be participating in most of them, but

the driving force behind food policy actions in India so far has been rooted more in its own domestic concerns and pressures.

Where does India stand on ensuring food security to its people? As is well known, food security has at least three dimensions:

1. augmenting the availability of food supplies;
2. increasing economic access to food, especially by the poor; and
3. increasing absorption of food for better nutritional outcomes.

Sometimes, another dimension of stability in food systems is also added to these three pillars to complete the full framework of food security. The space constraint will not permit a detailed discussion on each one of them. So we concentrate on the first one, namely the availability of food.

As far as the availability issue is concerned, India is largely self-sufficient except for large scale imports of edible oils (almost half of its consumption) and pulses (roughly 15 percent of its consumption). India has been a net marginal exporter of grains all through the decade of 2000, except in 2006/07, when it imported six million tons of wheat. Rice is the main staple, and India has been exporting rice on a regular basis. Corn is another grain which is being exported in small quantities of two to three million tons.

Export bans on wheat and rice have led to an accumulation of stocks at home, which stood at about 45 million tons in February 2011, and is likely to cross 60 million tons by June to the end of 2011. This would be almost double the buffer stock norms of the government, which feed the public distribution system and also safeguard against any exigency. This “excessive stock” of wheat and rice, over and above the buffer stock norms, is worth about ten billion USD. If the Government were to open up exports of wheat and rice, India could easily export about ten million tons, cooling the global markets. If the international community wants to build regional stocks to ensure food security at a global level, the chances are that India would be ready to play the ball and commit to some sizeable quantities provided the rules of bearing the stocking cost, etc., are sorted out.

Looking into the future

But can India feed itself in the long run, say to 2030? India today has a population of 1.2 billion and is likely to



Photo: A. Gulati

Photo page 22: „Cotton revolution“ in Gujarat.

Photo right: Modern farming in poly houses for export markets.

touch 1.6 billion by 2030, surpassing China. With rising per capita incomes at 7–8 percent per annum, the demand for food is increasing rapidly. So it is going to be a real challenge to produce enough food from limited land. With increasing urbanisation and industrialisation, land and water are going to be under tremendous pressure. But our calculations to 2030 show that India can ensure enough food for its growing population if investments in agriculture are given priority, especially in agri-R&D, water management, and marketing infrastructure in rural areas. India's eastern belt has abundant water supplies, but their productivity levels are almost half of those in the north-west, which was the seat of the First Green Revolution. The Indian government realises this and has initiated a programme on a Second Green Revolution in eastern India beginning in 2010. These steps are in the right direction, but the financial commitment is way below what is needed to turn around this region to provide long-term food security to India. If this region is tapped of its potential, eastern India would be India's next food basket.



Photo: A. Gulati

But food is not just grains. As incomes rise, demand for high-value agriculture like fruits and vegetables, milk and milk products, eggs, meat and fish is going to increase. Good progress is being made in each one of those, but the demand seems to be rising faster than supplies. Major reforms in marketing are needed in those commodities to directly link the farmers with organised processors and retailers to overcome the inefficiencies of fragmented value chains. Being perishable in nature, these commodities also need large-scale investment in back-end infrastructure by the private

sector, and therein lie huge business opportunities for domestic and global food players.

The issue of economic access to food is being targeted through the right to food bill, and absorption will be guided by simultaneously tackling sanitation, women literacy and better agricultural performance. This will take time, and will remain a challenge of this decade for India to make its growth story inclusive.

**The views expressed here are personal and not those of the organisation.*

Zusammenfassung

Indien hatte unmittelbar vor dem Ausbruch der globalen Krise mehrere Programme zur Nahrungssicherung für seine Bevölkerung aufgelegt. Mit der „National Food Security Mission“ 2007 sollte die Verfügbarkeit von Grundnahrungsmitteln verbessert werden, das „National Rural Employment“-Programm, vielleicht heute das größte Beschäftigungsprogramm weltweit für den ländlichen Sektor, wurde deutlich erweitert, um der armen Landbevölkerung Zugang zu erschwinglicher Nahrung zu ermöglichen. Eine Gesetzesvorlage zum Recht auf Nahrung ist in Vorbereitung, und zusammen sollten all diese Maßnahmen die langfristige Ernährungssicherung der indischen Bevölkerung sicherstellen. All diese Schritte wurden

unabhängig vom globalen Konzept der Ernährungssicherung unternommen, das nach dem G8-Gipfel in L'Aquila weltweit entstanden ist. Um die stetig wachsende Bevölkerung zu ernähren, hat die indische Regierung 2010 in Ostindien, einer Region mit ausreichend Ackerland und großen Wasserressourcen, eine zweite Grüne Revolution ins Leben gerufen.

Resumen

La India actuó en diversos frentes para asegurar la seguridad alimentaria de su población precisamente en la víspera de la crisis mundial. Lanzó la Misión Nacional de Seguridad Alimentaria en 2007 para incrementar la disponibilidad de alimentos básicos, y expandió significativamente su Programa Nacional de Empleo Rural, que

quizás hoy en día sea el de mayor envergadura a nivel mundial, para apoyar el acceso económico de los pobres rurales a los alimentos. Asimismo, se viene preparando la promulgación de una Ley de Derecho a la Alimentación. Juntas, todas estas medidas deberían poder proporcionar una seguridad alimentaria de largo plazo a las masas de la India. No obstante, todos estos pasos fueron emprendidos independientemente de la arquitectura de seguridad alimentaria en desarrollo a nivel mundial después de la cumbre del grupo G8 en L'Aquila. Para alimentar a la población de la India, en continuo crecimiento, el gobierno de dicho país ha iniciado una Segunda Revolución Verde en la región de la India oriental en 2010, en un área con suficientes tierras cultivables y abundantes recursos de agua.