

For food security

Export of foodgrain should not be undertaken on the basis of temporary surpluses, says Uttam Gupta

THE recent announcement allowing the export of 100,000 tonnes of wheat and 50,000 tonnes of coarse grains besides the rice exports already permitted during 1993-94 raises a number of potent questions.

Do we have the capability to export food? Are we so desperate to earn foreign exchange? Do we intend to export food just because the IMF/World Bank wants us to do that way? Have we pondered over the relative economics of exporting and importing foodgrain?

We need to look for satisfactory answers to these questions before making drastic changes in our policies which in effect, tantamount to questioning the very basis of the strategies adopted for decades in the context of promoting Indian agriculture.

Seemingly high export possibilities could be traced to the present inventory of about 25 million tonnes (15 million tonnes wheat and 10 million tonne rice) as on July 1, 1993. That this is about 11 million tonnes higher than the stock on July 1, 1992, is of little consequence as according to the food security norms, we must have a buffer stock level of 22.3 million tonnes (13.1 million tonnes of wheat and 9.2 million tonnes of rice) on this date.

On this basis, in respect of wheat as on July 1, there was an excess of about two million tonnes in relation to the food security norm and 800,000 tonnes for rice. Clearly, these excesses are not substantial enough to warrant a drastic change in policy. This apart, the reported inventory levels conceal some unhealthy features from the view point of the country's food security.

First, the offtake of foodgrain from the public distribution system in recent months has been substantially lower than in the corresponding period last year. Amongst the reasons cited is the steep increase in the issue prices of foodgrain announced in January 1993. Clearly, it is too much to expect the poor to afford an escalating level of prices even in government-sponsored shops. To the extent it has bolstered the stocks available with the central pool, it is clearly a case of making surplus available at the cost of denying the poor their legitimate needs.

The more recent across-the-board increase in minimum support prices

for the 1993 kharif season also portends the possibility of ultimate increase in the issue price of rice and other cereals from the PDS in view of budgetary compulsions to maintain food subsidy within the desired limit. That would tantamount to further aggravating the present situation of surplus with the government agency coexisting with the inability of the poor to buy high foodgrain.

Second, significant quantity of the tonnage included in the reported inventory is foodgrain that do not have proper storage accommodation. Only some time ago, it was reported that

in Punjab alone, two million tonnes of foodgrain was either lying in the open or godowns/storages which do not have proper sheds. Haryana too had about 0.6 million tonnes stocked in similar conditions. With the onset of the monsoons and floods in both the states, it is unlikely that we could bank on this much tonnage in effectively meeting the requirements of the PDS, much less for exports.

Third, only about 20 million tonnes of foodgrain is being distributed through the PDS which is much too low in comparison to what our poor need. Let us take a rough view. Assuming that at 180 million tonnes (estimated level for 1993-94), the needs of the entire population can be taken care of, and on the basis that about

25 per cent live below the poverty line, on a pro-rata basis, about 45 million tonnes of foodgrain should be made available to the poor at prices they can afford. Clearly, a substantial chunk of the poor are not being served by the PDS.

This is also the message flowing from the Prime Minister's observations on several occasions in the context of revamping the PDS to make it more broad based, which is unfortunately sidelined when we talk of exports.

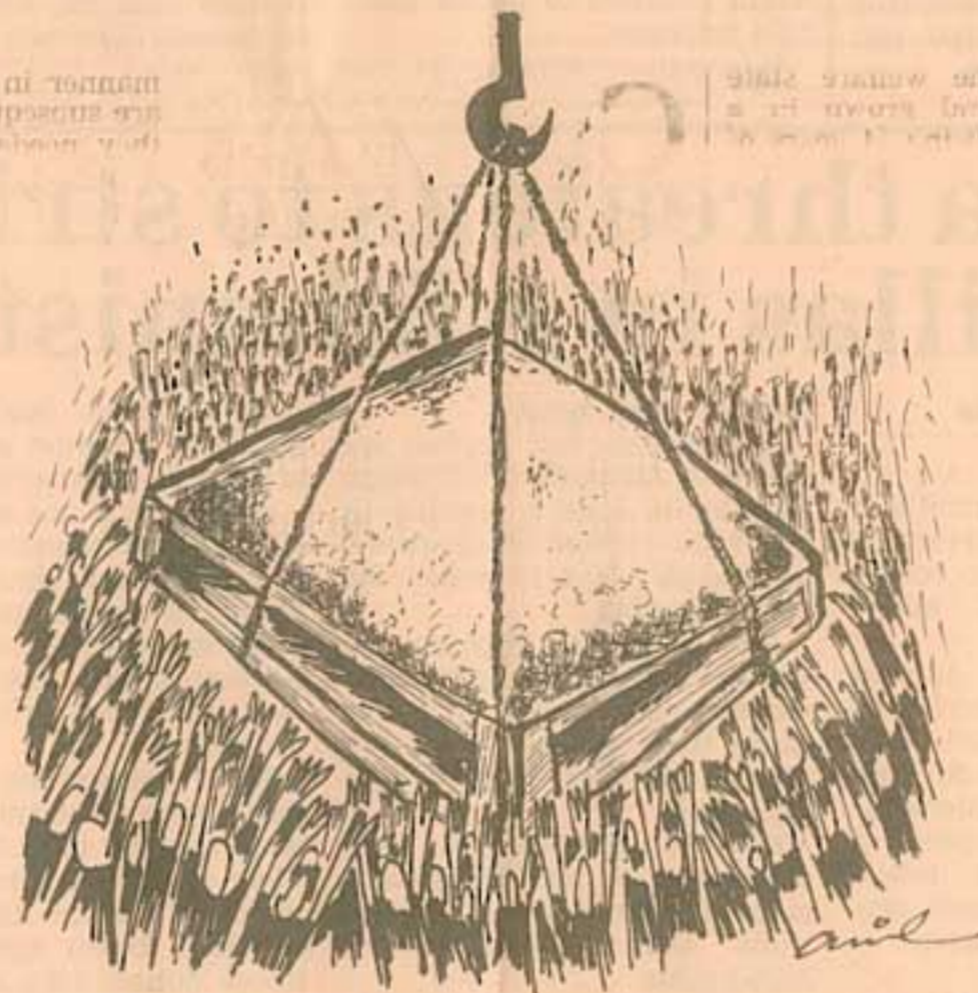
Fourth, commencing 1988-89, the weather has been exceptionally good for five consecutive years. But, con-

about three million tonnes of wheat incurring a foreign exchange outgo of about Rs 1,500 crore. To say that we will not be importing in future tantamounts to indulging in self delusion. The compulsions of feeding the existing undernourished population, the rapidly increasing numbers and chances of lower production consequent to unfavourable weather and depleting water table do not allow us to rule out the requirement for future foodgrain imports. While we must earn foreign exchange, more effective and better options are available by way of promoting non-agricultural exports and agro-products other than foodgrain.

Exporting foodgrain when we have a temporary surplus and importing as and when deficit arises is a losing proposition. The c&f landed cost of wheat imported last year from Cargill, USA, worked out to about Rs 6.60 per kg. The f.o.b. realisation by way of exports, taking prevailing international prices as the basis, will not be more than Rs 4 per kg (Re. equivalent of US \$130 per tonne).

Adding handling and internal transportation, the cost to the government of supplying one kg of imported wheat to the consumers will be about Rs 7.50 per kg. With an issue price of Rs 3.30 per kg from the PDS, this would entail a subsidy of Rs 4.20 per kg. In contrast, the subsidy on indigenously procured wheat will not be more than Rs 1.60 per kg. Even if we have to store the surplus wheat now and consequently, incur extra carrying cost, that will be far more economical way of meeting future needs than to export now and import later.

India cannot afford to take a view on export of basic staple food and its products only on the basis of temporary surpluses arising at any point of time. Apart from the purely economic considerations which clearly do not support the exports and imports theory based on domestic surplus/deficit, the much broader socio-political and strategic considerations require that, in matters of basic food, we strive to eliminate the role of imports altogether. In fact, the history of several developing countries substantially dependent on foodgrain imports bears ample testimony to the economic and political exploitation and the dastardly consequences that have followed as a result thereof.



sidering the behaviour of the monsoon in the past, this is unlikely to continue.

Indeed, if one were to consider what former ICAR director-general N S Randhawa, an eminent agricultural scientist, has to say about the rapidly depleting water table in Punjab, and in particular, the distinct possibility of this 'green belt' of the country getting converted into a desert, we have strong reasons to feel concerned about maintaining even the present state of self-sufficiency.

Our desperation for earning more foreign exchange is understandable in the context of the precarious BoP position and increasing repayment liabilities on account of huge external loans. But, have we forgotten so soon that only last year, we imported