

## India's monsoon dependence is wrong

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In a press conference following the announcement of the recent Monetary Policy measures, the governor of the Reserve Bank of India said that the efficacy of his monetary policy depended on a normal monsoon.

This gives us, Indians, a sense of déjà vu. And it seems that the malaise is spreading, as it seems that even the successful hosting of the Commonwealth games in India later this year will critically depend on divine intervention.

But, coming back to inflation numbers, the biggest question is, why is this sector so dependent on monsoon, more than 60 years after independence?

The problem is structural. Although last year's nearly three decade-long record low rainfall led to a 7 per cent decline in foodgrain production, it has not been the cause for high food inflation in India. The fact is that food inflation remained in double digits for a much longer period of time (much before the recent monsoon failure). Further, the fact that food inflation remained stubbornly high despite a good Rabi (winter season) harvest clearly indicates structural failures.

Inadequate investment in the agricultural sector, which still accounts for the livelihood of nearly 70 per cent of India's population, has been the biggest bane for this sector. Not surprisingly, for the last two decades, India's foodgrain production has been lagging behind population growth rate. In the decade of the 80s, while the population grew at a compounded annual growth rate of 2.1 per cent, foodgrain production rose by 3.1 per cent CAGR. Thereafter, the growth rate of foodgrain production slowed down considerably.

In the the 90s, while the population growth rate moderated to 1.9 per cent, growth rate in foodgrain production reduced to 2.1 per cent. In the current decade, the situation worsened even further. While the population growth rate moderated a little to 1.8 per cent, foodgrain production plummeted to a mere 0.4 per cent. This is also thanks to the fact that this decade saw the maximum incidences of monsoon failure, 19.2 per cent shortfall in 2002-03, 13.8 per cent shortfall in 2004-05 and a whopping 29.2 per cent during 2009-10.

This not only indicates our inability to reduce the dependence on monsoon (mainly because of lack of adequate investment in irrigational infrastructure) but also our inability to increase productivity of foodgrain (again because of inadequate investment).

As per the data made available by the Reserve Bank of India (RBI), while CAGR of foodgrain (kg/hectare) productivity peaked at 4.41 per cent in the decade of the 80s, it started to slide ominously thereafter. In the 90s, the growth rate fell to 2.36 per cent and during the first eight years of the current decade, it fell further to 1.06 per cent.

Even more galling is the utterly inadequate distribution mechanism. This can be inferred from the fact that despite having more than adequate requirement of buffer stock of foodgrains, the government has been clearly unable to bring the stocks to the market to cool the inflation.

Rather, they prefer to allow foodgrains to waste due to abysmal storage facilities. Even officially it is acknowledged that 10 per cent of foodgrains is wasted every year. And on July 26th the Supreme Court of India admonished the government for its utter failure to preserve foodgrains. As per the report, more than 11,700 tonnes of grains worth Rs68.6m was found damaged in various government godowns. In fact, a Bench of Justices Dalveer Singh and Deepak Verma commented: "If you cannot store them (food grains), give it to the people to eat."

One should not be surprised at the current state of affairs. Even if the food price moderates going forward, the government cannot claim any credit for that. It would either be because of sporadic bountiful harvest because of occasional appropriate monsoon or because of base effect but surely not because of any real effort by the government.

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