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What is eating into Indian food basket?

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The most powerful person on this planet seems to have got it wrong once again. By assigning the cause of global food price crisis to India, George Bush has again missed the point. The problem, though, is real.

Average food prices have risen 45 percent in the past nine months. And just as rising rice prices fueled rice riots and toppled the Japanese government in 1918, today's price hikes now threaten political stability in the global south. A few weeks ago the unrests led to several deaths in Haiti leading to the dismissal of the prime minister. The price hikes have also sparked riots in Egypt, Ethiopia, the Philippines, Cameroon, Burkino Faso, Indonesia, Ivory Coast, Mauritania, Mozambique, and Senegal. According to media reports, many governments are now racing to sign secret bilateral deals with food exporters to secure supplies.

The World Bank, U.N. Food and Agriculture Organization (FAO), and International Monetary Fund warned at meetings recently that rising food prices threatened to wipe out a decade of efforts to combat global poverty. Jacques Diouf, the FAO director-general, warned that the social unrest could spread to countries where 50-60 percent of a family's income is spent on food. Most sub-Saharan African countries fall into that category.

And the causes are a plenty. Droughts, the Western push to use biofuels made from corn to reduce dependence on fossil fuels, increased demand for meat and dairy products from the richer Asian countries etc.

These explanations, however, highlight external causes and ignore causes - rooted in the policy choices of developing world governments - that have led to the stagnation of agricultural sectors.

According to Robert Paarlberg, professor of political science at Wellesley College, most of the world's hungry people do not use international food markets, and most of those who use these markets are not hungry. Fact is, international food markets, like international markets for everything else, are used primarily by rich, not the poor. In world corn markets, the biggest importer by far is Japan followed by the European Union. Next come South Korea. Surely, citizens in these countries are not underfed. In the poor countries of Asia, rice is the most important staple, yet most Asian countries import very little rice. Hunger is caused in these countries not by high international food prices, but by local conditions, especially rural poverty linked to low productivity in farming.

The focus of this article, however, is more local. India and its botched up agricultural policies. While Bush's comments made our politicians and policy makers see red, they took the oft beaten track of blaming this on global phenomenon while they continued to ignore the local problems. Not surprising, since every Indian government, past or present, needs to take the blame for the current impasse.

India boasts a food grain reserve of over 60 million metric tons but, at the same time, more than 200 million people remain undernourished. Nor surprisingly, the noted economist Prof. M S Swaminathan once commented, "the reason why we have been food sufficient in the past is not that we have produced enough but because a large part of population is undernourished."

How prophetic. Indeed, the numbers speak for itself.

First, undernourishment

Not only are the rest of the BRIC countries far ahead of India in this count, even, most of the countries experiencing food riots recently are better off. More importantly, most of the countries, which are currently better off than India had a far worse record in earlier periods.

Table: Prevalence of undernourishment in total population

(%)

Country Name	1969-1971	1979-1981	1990-1992	1995-1997	2001-2003 provisional	2002-2004 preliminary
Mozambique	58	59	66	58	45	44
Cameroon	27	23	33	34	25	26
Thailand	29	23	30	23	21	22
India	39	38	25	21	20	20
Senegal	23	23	23	25	23	20
Philippines	51	27	26	22	19	18
Viet Nam	32	37	31	23	17	16
Burkina Faso	58	62	21	19	17	15
China	46	30	16	12	12	12
Ghana	24	65	37	18	12	11
Mauritania	53	40	15	11	10	10
Brazil	23	15	12	10	8	7
Malaysia	5	3	3	<2.5	3	3
Russian Federation					3	3

Source: FAO

Second, highly unequal distribution of food

This, to a certain extent, explains the undernourishment. India is a country with high inequality in terms of access to food. Although the reference periods vary, the data has ominous signs.

In fact, other than Sierra Leone and Liberia, all the countries had a better Gini Coefficient as well as Coefficient of Variation as compared to India.

Table: Inequality in access to food

Country Name	Dietary Energy Consumption				
	Last survey year	Gini coefficient (percent)		Coefficient of Variation (percent)	
Sierra Leone	1995	19	a	36	a
Liberia	1995	19	a	35	a
India	1990	18		34	
China	1990	17		32	
Viet Nam	1993	17		32	
Brazil	1974-1975	17		31	
Mozambique	1995	17	a	31	a
Philippines	1987	17		31	
Burkina Faso	1995	16	a	29	a

Mauritania	1988	16		29	
Thailand	1990	16		28	
Ghana	1992	15		27	
Senegal	1995	14	a	26	a
Cameroon	1995	14	a	26	a
Russian Federation	1993	12		22	
Malaysia	1989	12		22	

Source: FAO

Note: a - estimated

The stagnation

Indeed, the story of Indian agriculture is a story of ill-conceived and, quite often, inappropriate policies. The fact that Indian agriculture has been stagnating for long is quite clear.

The CAGR (compound annual growth rate) of food grain production has fallen from 3.1 percent during the 1980s to a mere 1.1 percent in the 1990s. What is important to note is that this annual growth has been less than the population growth during this period. Till 2006-2007, the situation has hardly improved.

A closer look at the data reveals that the deceleration was much sharper after 1996-97. Since then till 2006-07, the CAGR has been less than one percent. An almost similar trend was visible across major states. Clearly (demand or no demand) the country started facing severe supply side problems since the mid-'90s, which became acute by the turn of the century.

The deceleration, since 1996-97, has been mainly due to sharp decline in usage of critical inputs like technology usage, irrigation, fertiliser and electricity consumption. Not surprisingly, agricultural productivity had been a casualty in India (refer to my previous article, 'Inflation, who's to blame')

Table: Trend growth rate in major agricultural inputs

(%)

Period	1980-81 to 1990-91	1980-91 to 1996-97	1996-97 to 2005-06
Technology ^a	3.3	2.8	0.0
Gross irrigated area	2.3	2.6	0.5 ^b
Electricity consumed	14.1	9.4	-0.5 ^c
NPK use	8.2	2.5	2.3

Source: Economic Survey

a - Yield potential of new varieties of paddy, rapeseed/mustard, groundnut, wheat, maize

b - Upto 2003-04

c - Upto 2004-05

Despite this, our policy makers were content in pointing towards our self-sufficiency in food grains ignoring the fact that the problem had a lot more to do with lack of purchasing power rather than satiated demand. Fact is, when international prices go up, the disposable income of some urban dwellers is squeezed, but most of the actual hunger takes place in the villages and in the countryside, and it persists even when international prices are low.

Government intervention in food grain markets meant primarily for promoting food security has reached a stage where consumers are being deprived of basic food, when a large proportion of the output is

diverted from the market to government warehouses. High prices for grains paid to producers, completely ignoring demand-side factors and costs involved in building and holding grain stocks have put them outside the reach of consumers. Stocks are being liquidated by releasing them to private trade for export at a heavy discount. This implies a sort of taxation for domestic consumers.

Urban undernourishment, however, is also a reality. According to the *Food Insecurity Atlas of Urban India*, brought out by the M.S. Swaminathan Research Foundation (MSSRF) and the World Food Programme (WFP), more than 38 percent of children under the age of three in India's cities and towns are underweight and more than 35 percent of children in urban areas are stunted (shorter than they should be for their age). The report states that the poor in India's burgeoning urban areas do not get the requisite amount of calories or nutrients specified by accepted Indian Council of Medical Research (ICMR) norms and also suggests that absorption and assimilation of food by the urban poor is further impaired by non-food factors such as inadequate sanitation facilities, insufficient housing and woeful access to clean drinking water.

Agricultural investment takes a backseat

Paradoxically, our response has been falling investment in agriculture.

Table: Gross Capital Formation in agriculture (@ 1999-2000 prices

(Rs. Crore)

Period	GCF (total)	GCF (agriculture)	Share of agriculture in total GCF (%)
1999-00	506244	43473	8.6
2000-01	488658	39027	8.0
2001-02	474448	48215	10.2
2002-03	555287	46823	8.4
2003-04	665625	44833	6.7
2004-05	795642	49108	6.2
2005-06	950102	54905	5.8
2006-07	1053323	60762	5.8

Source: Economic Survey

For a country, nearly 70 percent of whose population depends on agriculture and nearly 20 percent of the country's GDP comes from agriculture, a 5.8 percent share of agriculture in gross capital formation (lowest ever share recorded).is nothing less than criminal.

On the other hand, unable to tackle the problems, our subsidies are growing. So we have a situation wherein measures that can have only short-term impact (read subsidies) have become a regular feature, while investments that can have a long-term impact are losing importance.

Time indeed it is to get our priorities right.

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