

The grain mountain

India's foodgrain policy takes some steps forward

The Cabinet Committee on Economic Affairs (CCEA) has approved a revised buffer stocking policy for foodgrain which, even while requiring holding of higher strategic food reserves than stipulated earlier, nevertheless provides a window for shedding excess stock — through domestic sales and exports. The central grain pool, according to the new norms, should have 41.1 million tonnes of rice and wheat on July 1 and 30.7 million tonnes on October 1 every year. These limits were, respectively, 32 million tonnes and 21 million tonnes earlier. The stocking norms for the quarters beginning January 1 and April 1 have been altered only marginally.

The food ministry has been authorised to dispose of any surplus stock through open sale in the domestic market or export without seeking the Union Cabinet's approval. This marks a welcome departure from the earlier practice of maintaining excessive, unmanageable and fiscally burdensome food inventories created by purchasing all the grain on offer at the minimum support price. Under this system, the government had ended up buying, on average, 33 per cent of the rice and 30.4 per cent of the wheat produced in the country between 2008-09 and 2013-14. Besides bloating the food subsidy bill to unsustainable levels — the carrying cost of each tonne of foodgrain works out to nearly ₹5,000 at current prices — this had seriously distorted the country's food market. The new policy can iron out these distortions, restore the relevance of private trade in the food sector and rein in food inflation by augmenting grain supplies in the open market.

The old buffer limits were fixed almost a decade ago when the requirement of foodgrain for the public distribution system (PDS) was lower. However, after the enactment of the National Food Security Act, 2013, which seeks to provide 5 kg of foodgrain every month to some two-thirds of the country's entire population at highly subsidised rates, this requirement has risen sharply. When this law becomes fully operational — at present it is being implemented only in 11 states — the annual foodgrain requirement for PDS and welfare schemes may swell to over 61 million tonnes. This apart, changes in the food stocking policy and an increase in the size of the needed grain reserves have become necessary also to enable India to show better compliance with the public stockholding norms for food security laid down by the Agreement on Agriculture (AoA) under the World Trade Organisation (WTO). New Delhi is also seeking an amendment in the grain stockholding and food subsidy caps stipulated in the AoA.

However, the anticipated gains from the new policy will accrue only if it is implemented earnestly and is supported by more reforms in food management. Though the government has already taken some steps — such as discouraging states from offering bonus on top of the minimum support price — to reduce needless acquisition of foodgrain for the central grain kitty, but these alone may not suffice. The current practice of open-ended food procurement, which is the root cause for excessive stock accumulation, may need to be curbed by making a distinction between procurement and market support operations. Otherwise, food sector reforms may remain incomplete.