India: Ensuring Food security
(Food inflation, NFSB, Buffer stocks and agri-trade)

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Chairman, Commission for Agricultural Costs and Prices

IPC Seminar on
Achieving Food security in Volatile Times:
WTO Disciplines, Grain Reserves, and Other Public Policy Responses
May 22, 2013
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Ensuring food security critical...

- Food inflation hovering around 10% p.a during 2008-09 to 2012-13;

- An average HH still spends half of its expenditure on food; and bottom 30% spend about 60% on food

- India still has largest mass of poor and malnourished;

- National Food Security Bill: Biggest experiment to provide highly subsidized food to 67% of population
Recent trends in food inflation...

Wholesale Price Indices, 1995–96 to December 2012
(with base 2004–05:100)
Structure of food articles price inflation
(more in proteins and minerals)
National Food Security Bill (NFSB) (biggest experiment)

- Highly subsidized cereals to 67% of population (Rice at Rs 3/kg; wheat at Rs 2/kg; millets at Rs 1/kg as against the “economic cost” of FCI of Rs 26/kg for rice and Rs 20/kg for wheat)

- Requires massive efforts to procurement, stock, and distribute 61.2 mt of grains (rice and wheat)

- Will cost the exchequer roughly $23 billion p.a as direct food subsidy (indirectly may cost abt $37 billion if one accounts for various expenditures needed on logistics (storage, railways) and investments to stabilize food production)
Recent Trends in Procurement and Off-take from PDS

**Procurement**

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**NFSB**

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Central Pool Stocks with FCI–Trend

Ban on Exports during 1996-2000 and then again during 2007-11 leading to accumulated stocks

Million tonnes


Rice

Wheat

Norm

35.7

63.0

80.5
Agri-trade...net surplus by 100%
exports $40.7 billion and imports $20 billion in 2012-13

*Graph showing the trend of Agri-Imports and Agri-Exports from 1990-91 to 2012-13.*
Policies round up...

- India moving fast to provide ‘economic access’ to cheap food to larger chunk of population…(will entail increased govt intervention in grain markets; debate on physical handling of grains vis-à-vis Conditional Cash Transfers)

- Gradually moving towards open ended stable trade policies (exports bans on rice and wheat abolished in 2011…imports of edible oils (> $10b at low import duties of 2.5% to 7.5%; and pulses imports (abt $2 b at zero import duty))