AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Vol XXI
No. 1

JANUARY-
MARCH
1966

ISSN 0019-5014

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS

INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

ment drive, the quantities of foodgrains that each producer must sell to the Government established centres out of each crop after having met the household food, feed and seed requirements. No doubt, this will be a very bold policy action and the arrangement would require detailed estimates of household requirements in respect of each producer and the enforcement of individual estimates for each crop season. It will require elaborate administrative preparation and a large staff. But this can be one of the fruitful steps in the direction towards concrete policies—the success or failure of which would depend upon the machinery set to administer it and measures taken to control the action of traders who will try their level best to get the maximum share of the produce from cultivators at the harvest time. The more the quantities procured at the harvest time the better will be the prospect to maintain the regular food supplies to consumers at assured prices throughout the year. In a country like India where major proportion of the disposable income is spent on food, any policy to economise the household food budget will be of immense help in maintaining the tempo of agricultural growth at early stages of economic development.

Thus, in order to make the national food policy more operational and effective, both at production and distribution levels, there is an urgent need to set up a separate Food Administration under the Ministry of Food and Agriculture, Government of India.

FOOD POLICY AND GROWTH OF FOODGRAIN PRODUCTION IN MADRAS STATE

P. KAMALA DEVI

Senior Research Investigator
Agricultural Economics Research Centre
University of Madras, Madras-5

HISTORICAL PERSPECTIVE

The evolution of food policy in India could be traced back to the years of the World War II. As in many other countries food controls were instituted in India primarily as a short term measure to tide over the emergency conditions which arose during the war. The aim was to secure maximum supply, equitable distribution and proper controls of prices in relation to foodgrains available. There was a general scarcity all over; imports were practically cut and prices were rising up fantastically. The Government had to interfere and take various measures to check the prices and to ease the fear of the public. The tragedy of the Bengal Famine in 1943 further brought to light the necessity for a sound foodgrains policy.

The present study has the following points as its objectives :

(1) To review briefly the important features of the food policy of the Government of Madras,

(2) To study the probable impact of the various policy measures on the trends in acreage and production of foodgrains in the State.

Food controls started in Madras on June 22nd, 1942, when the Government of India promulgated the Foodgrains Control order of 1942 under the Defence of India Rules and delegated powers to the Provincial Governments to administer it. Subsequently, various control orders were issued and enforced by the State Government, with the concurrence of the Government of India. In addition to these control and movement orders, there were also procurement orders, rationing and price control orders issued from time to time to regulate procurement operations, rationing and control prices. There were no well-defined code of principles, but merely a day to day adjustment of changing supply and demand conditions regulated by the State.

Since 1943 there was a steady rise in the prices of rice. The international aspect of rice scarcity and rising prices had its necessary impact on imports and their prices in India. Prices rose about 50 to 60 per cent over the pre-war level. The first few steps taken by the Government of Madras were mainly to check the rise in prices. But it was felt that regulating prices may stand in the way of increasing production and may actually discourage producers. It was suggested to fix a floor price in order to forestall a serious fall in agricultural prices. The Government of India on May 20, 1942, gave an assurance that "should any developments take place which affect the salability of food crops, they will buy such quantities of foodstuffs in the open market, whether in British India or in the States as are calculated to prevent a serious fall in prices." In July, 1943 the Food Grains Policy Committee was appointed by the Government of India, with Sir T. E. Gregory as the Chairman, to suggest suitable measures for securing, for the duration of the war, maximum supply, equitable distribution and proper control of prices in relation to foodgrains.

Madras had been a net importer of rice from a very long time. By the middle of 1942 there was a steep rise in foodgrain prices due to competitive buying by merchants from Travancore and Ceylon. A series of measures were taken in order to deal with the situation. In May, 1942 the Madras Government introduced a scheme for the distribution of rice through the allocation of supplies from specified surplus areas to specified deficit areas and also for export, determining the quantities to be moved and the railway routes to be followed. The local government was to purchase all the foodgrains intended for export and on 1st June, 1942 exports of rice and paddy from the Province were prohibited except under permit. Rationing was introduced in the city of Madras on 5th September, 1943. The total population was under statutory rationing.

Even after the war ended in 1945, the food supply did not improve due to adverse seasonal conditions in the next two years. Imports were very uncertain and the situation was quite unsatisfactory, even though the food controls continued. The Madras Government introduced a bonus scheme of a cash grant paid direct to the producers proportionate to the amount of paddy or millets delivered to the Government in 1946-47. The bonus scheme was not a complete success and it was just regarded by the producers as a species of deferred payment for the comparatively low procurement prices.

The Thakurdas Committee in 1947 recommended progressive decontrol and it was tried from 10th December of the same year. But the attempt was a failure and since food prices were soaring up, the Government had to come back

to controls by 30th September, 1948. Prices had risen so much by this time that the procurement prices had to be fixed at 25 to 50 per cent higher than those prevailing, prior to the adoption of the policy of decontrol. The Government of India suggested a 10 per cent cut in the retail prices of foodgrains in order to counteract the inflationary potential as a result of the devaluation of the Rupee in terms of Dollar along with the Pound Sterling. In Madras the procurement prices of paddy fell by 3 annas for first sort and 4 annas for the second sort from 4th December, 1949. There was a general discontent among the producers because the procurement prices were too low to give enough incentive to greater effort. But the Madras Government could not pursue an isolated price policy independent of the Centre and hence refrained from increasing the prices of foodgrains. But it decided upon a scheme of bonus to producers which would satisfy the demand for higher prices.

These prices continued till December, 1951. It was found by the Government that as a result of the reduction in price in 1949 there was a decline in the quantity procured. Hence by an Order No. 2292, dated 30th November, 1951, the Government increased the procurement prices in the intensive procurement districts. The prices of millets also had been changing according to changes in the prices of paddy.

Here it could be remembered that the objective of a price policy would have to be to fix standard purchase prices, *i.e.*, "prices at which the cultivator would find it profitable to sell and yet on the basis of which the retail prices to the consumer will not be pushed very high."[1]

By the first quarter of the year 1952 the Korean boom had been over and there had been a marked fall in prices. Due to good weather conditions there was scope for a good harvest also and certain relaxations of control were allowed from the middle of June, 1952. Suspension of procurement in respect of all cereals was effected from 7th June, 1952 and of statutory rationing from 15th June, 1952, and in their place fair price shops were instituted. With the de-rationing of foodgrains a zonal scheme of movement for paddy and rice was introduced. The decontrol of rice was formally announced on 10th July, 1954. Decontrol of food, after the war, started in the middle of 1952 and was complete through a series of intermediate steps by the end of the third week of March, 1955.

Consequent on the decontrol of rice completely, the prices of agricultural commodities began to decline. In order to safeguard the interests of the producers and also to give them enthusiasm to cultivate on large scale, the Government intended to introduce a "price support scheme" under which the Government of India would purchase foodgrains whenever the prices fell below a certain level. In 1957, Government created separate rice and wheat zones.

Sometime before the Southern Zone was formed, the prices of rice had been showing a rising trend. Rice from Andhra, the only surplus area in the South, was being directed more and more to West Bengal and Bombay. Purchases by these States were pushing up prices. It is in this background that the Southern Rice Zone was formed. In the following years, production showed a consider-

1. D. R. Gadgil, "Price Policy for Foodgrains," *The Economic Weekly*, September 26, 1964.

able improvement. Maximum controlled prices for rice and paddy were fixed on 28th January, 1959. A 50 per cent levy on mills, 25 per cent levy on wholesale dealers in rice and 50 per cent on wholesale dealers of paddy were imposed from 31st January, 1959 throughout the State. Subsequently millers were required to sell, on what was called "link-up" basis, 25 per cent of their production to bulk consumers at controlled rates in addition to the Government levy. The pace of market arrivals which seemed to be quite encouraging before the imposition of price control and levy, was adversely affected thereafter. Even in surplus markets of Tanjore and Kumbakonam, where during the pre-price control period of 1958-59 season arrivals tended to be considerably higher than those in the corresponding period of the pervious year, the market arrivals stopped after the price control and levy were imposed.[2] On 28th February, 1959 movement of paddy outside the Tanjore district was banned to prevent disposal of paddy from the main procurement area. This measure resulted in a further set-back to arrivals in the district. On the whole, the flow of market supplies in 1958-59 season was, despite some improvements in production, one-third smaller than in the previous season. But the creation of Southern Zone to a great extent achieved the objectives of attaining regional self-sufficiency, reduction and rationalization of Government commitments and avoiding cross movements, in the year 1958-59, though not in 1957-58.

A number of regulatory and anti-speculative measures were brought into force in 1957 and tightened further in 1958. The National Development Council decided in November, 1958, in favour of State trading in foodgrains. The ultimate pattern envisaged the collection of farm surpluses through service co-operatives at the village level and the apex marketing societies for distribution through retailers and consumers co-operatives.

IMPACT ON ACREAGES AND PRODUCTION

Since food production and food control are intimately connected, the various policy measures taken by the Government are likely to have its impact on the acreages and production of various foodgrains in the State. Measures like the Grow More Food Campaign (G.M.F.) have also been taken directly to increase production. The G.M.F. campaign had been launched by the Government of India in the summer of 1942 in the midst of the World War II and schemes in Madras came to be implemented from 1943. The scheme was broadly divided into (1) Permanent Improvement Schemes and (2) Intensive Production Schemes. The G.M.F. campaign had in the long run achieved very good results. There had been an overall improvement in the field of agriculture. The area under cultivation as well as the yield per acre had increased.

The period of study for the purpose of this paper covers the twenty years starting from 1942-43 to 1962-63. It could be studied as two separate periods, *viz.*, 1942-43 to 1952-53 which is the rationing period and the later one which is the post-rationing period. The necessary data during this period, *viz.*, the area under paddy, area under all cereals, production of all cereals etc., were collected and are given in Table I. These details were collected for the earlier years from

2. Measures of Food Control, Procurement and Controlled Distribution of Food and Their Effects on the Agrarian Economy, The Agricultural Economics Research Centre, University of Madras, Madras, 1961.

the Quinquennial Abstract of the Madras Province and for the later years from the Season and Crop Reports of the Madras State for the area of the present Madras State. The deflated series of wholesale price index of rice were also calculated, with the wholesale price index of food articles (1952-53 as base) as the weights.

TABLE I—AREA UNDER AND PRODUCTION OF CEREALS AND DEFLATED WHOLESALE PRICE INDEX OF RICE IN MADRAS STATE : 1942—1963

Year	Area under paddy (acres)	Area under all cereals (acres)	Production of all cereals (tons)	Deflated wholesale price index of rice Base 1952-53 = 100 Weights: wholesale price index of food articles
1942-43	4,764,154	10,340,370	5,063,690	0.66
1943-44	5,084,822	10,423,713	4,927,170	0.47
1944-45	5,169,419	10,287,295	5,188,520	0.54
1945-46	4,652,687	9,376,446	4,099,110	0.54
1946-47	5,152,285	9,910,234	4,852,049	0.52
1947-48	4,666,179	9,025,793	3,766,210	0.51
1948-49	4,749,623	9,557,210	3,778,520	0.61
1949-50	4,635,609	9,671,967	3,839,050	0.53
1950-51	4,166,307	8,900,147	3,600,270	0.50
1951-52	4,386,947	9,783,143	3,984,010	0.53
1952-53	4,176,991	9,987,666	3,817,480	1
1953-54	5,003,767	11,611,098	5,830,380	0.85
1954-55	5,202,785	11,180,655	5,306,810	0.69
1955-56	5,323,570	10,922,382	4,014,890	0.73
1956-57	5,724,105	11,173,806	4,642,180	0.76
1957-58	6,600,252	10,648,306	4,731,290	0.70
1958-59	5,615,633	10,928,337	4,611,640	0.70
1959-60	5,721,007	11,140,861	4,971,980	0.72
1960-61	6,221,157	11,551,883	5,183,250	0.75
1961-62	6,270,965	11,561,303	5,504,810	0.80
1962-63	6,340,000	11,588,000	5,451,000	0.73

Source : (For area and production) Season and Crop Reports of the Madras State.

Among the various food policy measures that are likely to have their effects on agricultural production, prime importance is given here to the price aspect. If the procurement prices are reasonable, they would not be a disincentive to the producer. In the same way the minimum support prices give the farmer a certain amount of security and relief.

The co-efficients of correlation between series of deflated price index of rice and (*i*) area under paddy (y_1), (*ii*) area under all cereals (y_2) and (*iii*) production of all cereals (y_3) with one year lag were computed. At 5 per cent probability level the three co-efficients (0.7, 0.8 and 0.5 respectively) are all significant. The rate of change in the three variables associated with the unit change in the price index of rice is quite high as seen from the following equations:

$$Y_{1t} = 1.6 + 4.6\, x_{t-1}$$
$$Y_{2t} = 7.1 + 5.1\, x_{t-1}$$
$$Y_{3t} = 3.4 + 2.7\, x_{t-1}$$

A unit change in the price index of rice corresponding to the price index of all food articles, is associated with high changes in acreage and production of cereals in the next year.

A fall in price in the year 1943-44 has been followed by a big fall in the acreage under cereals in the year 1944-45. In the same way a fall in the prices in the years 1946-47, 1950-51, 1954-55 and 1955-56 has been followed by decline in acreages of the succeeding years. The opposite, *viz.*, an increase in the price causing an increase in the acreage also, has happened in quite a number of years. This would bring to light clearly the effect of prices on acreage of foodgrains. The decline in acreage invariably has its effects on production also though to a lesser extent. There was a marked increase in the acreage under paddy in the years 1943-44 and 1946-47. The first one was just before rationing was introduced and this could very well be attributed to the fantastic rise in prices after the war broke out. The increase in the acreage in the year 1946-47 may be attributed to the introduction by the Government of a bonus scheme of a cash grant paid direct to the producers proportionate to the amount of paddy delivered to the Government. The fall in acreage in the following six years could be on account of the strict price control. The procurement prices were too low to give any incentive to producers. In the year 1950-51 acreage was at its lowest and an increase in the procurement prices in November, 1951 was perhaps responsible for the increased acreage in the following year.

It would be naive to imagine that prices are the only important factor which determine the farmers' actions. Price is only one of the various factors which can induce the farmer to put in more effort and increase his area of cultivation and the yield per acre. "The price factor comes in where the farmer has to have the assurance that, if he does achieve increased yields, their benefit in monetary terms does not prove illusory as a result of increased supply causing a sharp fall in prices."[3]

There was a continuous increase in area under paddy in the post-rationing period. Weather conditions were very much favourable in the first few years and coupled with this the Government had introduced a "price support scheme" under which the Government of India agreed to purchase foodgrains whenever the prices fell below a certain level. The Southern Rice Zone was formed in the year 1957 and this had a positive effect on the acreage. The fixing of maximum controlled prices in the year 1959 of course had a retrogressive effect

3. *The Hindu*, dated October 22, 1965.

on market arrivals. The measures introduced later were merely with regard to movement controls, etc., and could not have had any serious effect on the producer.

The various measures taken by the Government like the Grow More Food campaign, the Package Plan, etc., were to a very great extent responsible for the increase in production of food crops. But as in the case of acreage, production also was showing a decline in the rationing period. There was definitely a steady rise in acreage as well as production in the latter half of the period of our study.

Mention may be made of the main features of the Government's revised food policy, announced on the 19th April, 1965. They are (1) to ensure a reasonable support price which will induce farmers to adopt improved methods of cultivation for increasing production, (2) to ensure that consumer prices do not rise unduly high, and (3) to avoid excessive price fluctuations and to reduce the disparity of prices between States. The setting up of the Food Corporation is one of the essential and important steps in the implementation of the Government's food policy. It will be the "first organized attempt to take up State trading in foodstuffs on an appreciable scale." The establishment of the Corporation is expected to facilitate effective implementation of any policy of ensuring that the primary producer would obtain at least the minimum price that may be announced from time to time and to protect the consumer from the vagaries of speculative trade.

CONCLUSIONS

The conclusions that emerge out of the present study could be briefly stated as follows :

1. There has been no effective and consistent food policy in the Madras State and the measures taken since 1942-43 are more on an '*ad hoc*' basis in the nature of day to day decisions dictated by a series of crises.

2. Though in the interest of controlling inflation and to protect the consumers the procurement prices were fixed at a low level, it was found imperative that the State had to introduce a system of cash bonus to provide some incentive to the farmers. This evidence supports the hypothesis that support or procurement prices should not be fixed too low as to act as disincentives.

3. Rationing and control periods were marked with decline in acreage and production of foodgrains. This evidence invites serious attention to the implications of monopoly procurement.

4. The changes in relative prices are closely reflected in the changes of acreage and production of foodgrains. This further supports the plea for a long run price policy, fixation of attractive support prices and reasonable procurement policy.

In the light of the above conclusions it is found that a long-term and consistent food policy, wherein there is proper co-ordination between the price and production policies is necessary for agricultural development.