CHAPTER I

INTRODUCTION

Food is one of the basic requirements of human beings. It helps the human beings in their physiological development and achieve creative and inquisitive characters. Food, in different forms, is vital for the existence of man. Throughout the long history of man, different items have been adopted as food. Food has a long history of evolution. Man in the old stone-age ate fruits and roots of certain plants. The cave man's food consisted primarily of red meat and wild fruits. Gradually, there has been quest for a variety of food items. After man learnt the art of ploughing the land with domesticated animals, grain production gained significance. Now grain has become the world's chief food. The most important cereals now
used as food in different parts of the world are wheat, rice, jowar, maize etc. Of them rice and wheat are the most popular foodgrains in India. Rice is said to be the oldest foodgrain, originated for the first time, in India and China around 1800 B.C.¹

Food is simultaneously an economic commodity and a biological necessity. In economic terms, food can be produced, purchased, stored just like cement, steel and gold etc... However, unlike other commodities, food must be provided on a regular basis in adequate amount to all human beings if they are to survive, grow and thrive.² Though clothing and housing are also essential for the development of human beings, food ranks first among the necessities of life.

According to the world Development Report of 1982, while economic development is the ultimate remedy for poverty, human development offers the prospect of improving the per capita living standards faster. Human development, in turn, is dependant on several factors,

the chief of which is nutrition and sufficient food. Hence, food in sufficient quantity is the chief requirement for the all round development of human beings.

**FOOD PROBLEM**

Food problem is one of the serious problems in the world. Food becomes a problem when it is not available in required quantities at reasonable prices at all times and in all places. It is a situation where the foodgrains may be scarce in relation to demand or they may be available at high prices. The World Bank Report of 1986 has identified two forms of food problem viz., transitory and chronic. Transitory food problem, a temporary decline in a household's access to food, results from unstable food prices, food production, or incomes. Its worst form is seen in famines. Chronic food insecurity affects households that persistently lack ability to buy enough of their own.

Food problem, anywhere, has two factors of genesis. One is the supply factor and the other is the demand factory. Supply side the food problem refers

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to the insufficient production of food relation to the
demand for food. The food production in the world,
extcept in few countries, has never been sufficient to
meet the fast growing demand of the people. The supply
of food falls short of demand due to various reasons
like failure or scanty rainfall, droughts, floods, hail-
storm etc. Which affect the production of food. The
production in agriculture is also limited due to various
institutional and technical problems. On the other hand
demand for food increases due to increase in population,
incomes, speculative motives of the people as well as
traders. In the event of inequality between supply and
demand, situations like hoarding, smuggling and black-
marketing crop up. During period of war and other
emergencies, private traders create artificial scarcity
and charge abnormally high prices for the goods, especi-
ally essential goods like rice, wheat, oils, sugar etc.
In situations like crop failures and subsequent scarcity,
the conditions of the common man deteriorate from bad
to worse.5

5. A World Bank Policy Study, 1986, Poverty, Hunger,
Issues and Options for Food Security in Developing
Countries, World Bank Publication, Washington D.C.,
1986, (Book Review by R.S. Khanna in the Journal of
Public Administration, April - June, 1986, p. 388.
Sometimes the food problem arises due to inadequate demand for foodgrains. Though the production of foodgrains is adequate, the demand for food may be inadequate due to poverty. It indicates the situation where the people do not have necessary purchasing power under the conditions of inflationary situation coupled with poverty. People cannot get required food not because of shortage of foodgrains in the market, but because of the prevalence of high prices for foodgrains. While the world is supposed to have plenty of food, some 700 million people in developing countries do not eat sufficiently well today to lead an active working life and nearly half of them are actually undernourished. They barely subsist on a minimum survival diet. Various analysis have shown that the basic cause of hunger or food insecurity which affects almost a third of the population in the third world is poverty or lack of purchasing power. As per the World Bank Policy Study of 1987, nearly 750 million people in the developing world lack necessary purchasing power to buy minimum quantities of food for an active and healthy life. Indian situation in this regard is not

for different. Nearly 40 per cent of the people are below poverty line in India. These people cannot afford to buy and consume the minimum necessary intake of calories of food (i.e. 2100 to 2400 calories) per day during normal periods. According to Dr. P.V. Sukhatme, "every 4 persons out of 10 in the world are hungry and one of them is an Indian. In India millions of people live on starvation line, they are ill-fed, ill-clothed, ill-housed and steeped in poverty."

In India good harvests and increasing buffer stocks of foodgrains which touched a record 27.2 million tonnes in 1988-89 though, compel us to consider another piquent issue to ponder. How, inspite of bulging stocks there is hunger? The fact is as pointed out by Prof. M.L Dantwala, that we have not been able to meet what is called the effective demand. "If all those who need more food were to acquire the purchasing power to buy the needed quantities much larger production would be needed to meet the demand." The present stock situation, therefore, does not indicate a real surplus. It is a surplus

which has arisen in the face of widespread poverty, hunger and lack of purchasing power.\textsuperscript{9}

\textbf{FOOD PROBLEM IN INDIA - A HISTORICAL REVIEW}

Food shortage is a recurring phenomena which periodically bedevils Indian economy. Too long have watched the three year cycle of food shortage followed by a year of bumper crops. A little reflection would suggest that the causes of the malaise are many and deep seated. The food problem in India is not for a year or two, but has been with us since a longtime.

India faced several food scarcity years and suffered from severe famines. It is observed that a major famine occurred once in every fifty years. During the last 150 years, India had experienced some 26 major famines. Out of the 34 great famines of the world, 18 have occurred in India. The frequency and cyclical order of famines showed the peculiar susceptibility of this country to crop failures and recurrent shortages of food supply.\textsuperscript{11}

\begin{itemize}
\item \textsuperscript{9} Editorial, \textit{Planning for Food Surpluses}, \textit{Monthly Commentary on Indian Economic Conditions}, Vol XXII, No. 4, 1984, p. 9.
\item \textsuperscript{10} C.B. Mamoria, \textit{Agricultural Problems of India}, Kitab Mahal Publications, Delhi, 1982, p. 700.
\item \textsuperscript{11} D.S. Chauhan, \textit{The Food Problem}, Vikas Publishing House, Delhi, 1975, p. 1-2.
\end{itemize}
Though famines from time to time created food problem, in India, they were not national concerns in those days, partly because famines, droughts and floods occurring in different parts of the country were treated as local problems never assuming the status of a national concern. Famines in those days were sporadic and local in their incidence. Each famine was confined to a limited drought affected area. A countrywide famine was rarely experienced. Famines in those days merely implied temporary cessation of food caused by failure of rains and depletion of accumulated stocks in the affected region. The scarcity of food in one part could not be felt in other parts since the ancient Indian villages by and far retained the isolated character and the needs were met mostly on mutual help and on barter basis restricting the food scarcity to a limited region.  

There was a disconcerting increase in the incidence and frequency of famines after 1860. In the short span of 50 years from 1860 to 1909, there were 20 famines or scarcity years. Never before in Indian

history had this record been equalled. Of the several famines, only 3 famines considered to be the most serious in their incidence. The several famine which occurred in 1865-66 in Orissa claimed several million lives. The efficient and correct handling of the situation could have saved the lives of several million people. It became a difficult task for the Government to manage the situation for want of necessary stocks with the Government. It tried to tackle the grave food situation by importing food supplies. But Government could not get adequate quantities of food grains quickly and move them to the famine areas due to inadequate transport facilities. The situation, it is stated, was much the result of administrative inefficiency and lack of forethought on the part of officials rather than fall in production. During the drought situation of 1896-97, it was observed that the inept handling of the situation caused price rise. The crop in that year was estimated at 3/4 of the average annual

production. A total of 6 lakh tonnes of food grains were also imported from Burma in that year. There seemed to be no absolute dearth of foodgrains. Throughout the famine period, it was reported that, foodgrains were available at high prices. Adequate care was not taken to manage the foodgrain distribution and related measures. The famines became serious not because of shortage in production, but because of inefficient handling of the situation. This clearly showed that famine was no more a matter of complete shortage of foodgrains from the market and at the same time was not a local problem.

After the advent of railways, famines came to signify general shortage of food grains. Development of railways made it possible to move foodgrains from one place to another particularly in times of scarcity from the surplus to the affected parts. Regional disparities in the availability of food grains, as also their prices, began to produce repercussions in other parts. Under the free trade conditions, it was no longer possible to confine the distress caused by the failure of rains to a limited area of drought. The

shortfall in production in one part began to cause cumulative adverse effects on prices all over the country. The famine which occurred in Bengal in 1943 was the worst of its kind. The incidence of the famine got accentuated not because of fall in production but because of failure of the distributive machinery. Actually, the Rabi, crop in that year was quite satisfactory and the production of major food grains was about 4 million tonnes higher in 1942-43 than in 1941-42. Although imports from Burma, which was the main external source of rice for Bengal, ceased due to Japanese occupation, Government allowed rice to flow out of Bengal (1,85,000 tonnes were exported in the first seven months of 1942). Thus, famines began to produce widespread adverse effects due to inept and inefficient measures of the Government in the management of food grain distribution.

**NATURE OF FOOD PROBLEM IN INDIA:**

India suffers not only from physical hunger, but also from specific hunger. It is to be noted that


there is not only inadequate diet, but also deficiency of one or more essential nutrients in the diet. Thus under-nourishment and malnourishments are the two aspects of Indian food problem. The people who are not able to get enough quantity of food are under-nourished and those whose diets are deficient are malnourished.

In India the food problem is serious in both the aspects. On an all India basis, about 40 per cent of the population is undernourished. As 2100 to 2400 calories of food a day is required for health and active life, majority of the Indians subsist on around 1000 calories a day. The incidence of malnutrition is more than undernutrition. Nearly 50 per cent of the population is malnourished. According to Dr. P.V. Sukhatme, around two thirds of mankind in the world suffer from malnutrition and the proportion of people in India who do not get enough of right type of food to eat is even higher than two thirds. He, further, observes that permanent underfeeding and periodic starvation is a rule in India. In normal times about 30 per cent of the population do not get enough to eat, while much larger section of the people have to be satisfied almost invariably with ill-balanced diet containing preponderously cereals, sugar, root vegetables and insufficient
The nature of the present day food problem in India is mostly lack of effective demand among majority people to buy required food. Though the production of food grains has increased considerably, many people still suffer from under nutrition and malnutrition. The poorer sections are not able to secure minimum quantity. In other words, the inequality in the distribution of food grains causes much of the present day food problem.

Food self sufficiency and food security are two essential aspects in solving the food problem. Food self sufficiency refers to increase in production equal or more to the requirements of people of a country. It involves the development of agriculture by solving its institutional and technological problems. On the other hand, food security is linked with the problem of poverty alleviation. Food security requires attack on two fronts. Firstly, accelerating the growth rate in the country which, however, is a time consuming process. Secondly, direct intervention by the government in food grains management through procurement, transportation, storage,

distribution and bufferstocks. Government can keep required quantities of essential commodities to assure the poor people of their legitimate share in the national production. The poorer sections of the people have to be helped in procuring the essential commodities of life.

So, the food distribution and foodgrains management must receive as much attention as accelerating food production. Hence, some countries in the world are paying careful attention to the food procurement, storage and distribution programmes so as to ensure fair distribution and combat malnutrition and reduce hunger through buffer stock operations. Making available the essentials of life at fair prices to the people has become one of the basic functions of the present modern welfare governments. The people must be provided with food security. The need of the hour is not one of more higher production aiming at self-sufficiency but one of provision of food supply at reasonable prices to all those poor who may not have necessary purchasing power.


Thus the basic objectives of any national food policy should be:

(i) Efficient growth in food and agriculture sector.
(ii) Acquisition of sufficient stocks of food grains to meet the eventualities.
(iii) Improved storage, transportation, and distribution.
(iv) Satisfactory nutritional status for the entire population.
(v) To carry out the basic food policy which includes the protection of producer as well as consumer against the falling as well as rising prices.

A. STATEMENT OF THE PROBLEM:

Though India is primarily an agricultural country, availability of food in required quantities is a serious problem to many Indians. Nearly 40 to 50 per cent of the people are underfed both quantitatively and qualitatively. The paradoxical situation is that the volume and incidence of the food problem continues to increase with the increase in production. Despite bumper harvests, food in sufficient quantity is beyond the reach of the common man. Many years of bumper crops have left sufficient quantities of food.
But these supplies often do not reach the poorer sections properly. The most disturbing element of food scene is the persistence of indefencible disparities in access to food in the country. The crux of the problem is not the self-sufficiency but that of provision of food at fair prices to the people.

Provision of food security involves the direct intervention by the Government in food grains trade. Government's direct intervention is essential for ensuring maintaining food reserves, and arranging to meet emergencies and securing access to available supplies especially for the part of the "bottom million" of the country -- the poor, deprived and the disadvantaged. For this the Government should manage the foodgrains trade through procurement, movement, storage, buffer stocks and distribution of food grains. The Government should follow a proper food policy to combat the food problem. The foodgrains trade should not be left completely to the control of private agencies who may not always ensure fair distribution of food grains at fair prices. The Government should have its own agency to carryon the basic food policy.
The one agency which has been set up to carry on food grains trade and its management is the Food Corporation of India (F.C.I.). The F.C.I. came into being in 1964 to carry out the basic food policy of the Government which aims at protecting both the producer and the consumer. F.C.I. performs various functions like procurement, storage transportation and distribution of food grains in the management of food grains trade.

B. OBJECTIVES:

The present study is undertaken with the following objectives.

(i) to trace the evolution of food policy in India in pre and post independence period and sketch the growth and development of F.C.I.

(ii) to study the organisational structure of F.C.I. in India.

(iii) to review the extent of activities undertaken by F.C.I. in Andhra Pradesh.

(iv) to evaluate the performance of F.C.I. in the fulfilment of its objectives and to suggest measures in the light of the evaluative study, for the effective functioning of F.C.I. and its role in trading in food grains.
C. REVIEW OF LITERATURE:

It is relevant to refer briefly to the previous studies made in the related areas of the subject. Literature on food problem can generally be found in books and journals in the field of Economics and Agricultural Economics. Even the dailies and weeklies (Economic and Political) also carry articles on food problem.

About the official studies on food problem, various committees and commissions right from the Foodgrains Policy Committee of 1943 to the New Food Policy Committee in 1978-79 have been undertaken. These committees and commissions studied the food situation from time to time and offered various suggestions to tackle the food problem.

At the same time host of individual studies also have been undertaken on food problem and its related aspects like procurement, storage, transportation and distribution of foodgrains.
On procurement I.S. Gulati and T.N. Krishnan produced an article in 1975. In the same line K. Subba Rao, in his book 'Rice Marketing system' dealt with the various methods of procurement. Ramachandran in his book 'India's Food Problem', 1976, has explained the need for procurement and presented a detailed study on procurement, support and incentive prices. About the storage of foodgrains, A.M. Khusro presented, an elaborate study in his book Buffer Stocks and Storage of Foodgrains. S.V. Pingale in his book, 'Scientific Storage of Foodgrains', has stressed the need for scientific storage of foodgrains and stated that grain saved is a grain produced. About the transportation of foodgrains from producing centres to the consuming centres, V.K. Garg presented a detailed study in his

book 'State in Foodgrains Trade'. He has also worked out the economics of transportation. R.N. Chopra has also stressed the need for efficient transportation of foodgrains. He has stated that nearly 9 per cent of the foodgrains produced annually are going waste for want of adequate and effective transportation means.

A plethora of studies have been undertaken on public distribution of foodgrains. A study was undertaken by Aravind Gupta on Public distribution of foodgrains in India. M.N. Vora has also stressed the need for increased distribution of essential commodities in his study on public distribution system. Many more reports are also published on public distribution and its related aspects like bufferstock operations, controls and fair price shops. Each of these books throws light on one or two aspects of food problem.


Regarding the functioning of F.C.I., two studies have been undertaken by V.K. Garg and R.N. Chopra. V.K. Garg in his book 'State in Foodgrains Trade' presented a detailed analysis about some aspects of F.C.I. He stated that F.C.I.'s performance in all its activities was poor and unsatisfactory. R.N. Chopra also gave some details about the operational problems of F.C.I. in his book. But none of the studies reveals all the functions of F.C.I. Above all no study is undertaken on functioning of F.C.I. in Andhra Pradesh State. Hence, this dissertation will be useful in evaluating the foodgrain trade undertaken by F.C.I. in Andhra Pradesh. Further, this work is of use in formulating policies for its effective functioning.

D. DESIGN OF THE STUDY:

The need for assessing the functioning of F.C.I. in the context of foodgrain trade management to combat the food problem, has gained significance. The present study is confined to the working of F.C.I. in Andhra Pradesh. It is a general study covering the important aspects of F.C.I.

29. V.K. Garg, State in Foodgrains Trade in India, Birla Institute of Scientific Research, New Delhi, 1980.
functions of F.C.I. relevant to the purchase, storage, transportation and distribution of foodgrains. The study also makes an attempt to throw light on the general aspects and functioning of F.C.I. in India with a detailed note on performance and progress of F.C.I. in Andhra Pradesh.

E. SOURCES OF DATA:

The most of the data used in this study are secondary in nature obtained mainly from the records of F.C.I. relevant journals like Southern Economist, Economic and Political Weekly, Indian Journal of Agricultural Economics, Bulletin on Food Statistics, Monthly Journal of Socio-Economic outlook Trend and from the Reports of the Government. Some statistical data are also obtained from news dailies like Economic Times, Financial Express, Hindu etc. which also carried relevant articles on the subject.

F. LIMITATIONS OF THE STUDY:

This study is mostly analytical study of the important functions of F.C.I. and its related and relevant aspects. The geographical scope of the study is confined only to Andhra Pradesh State. However,
wherever context demands the all India position in respective aspects is also presented.

1. The study describes mainly the structure and functioning of F.C.I. in Andhra Pradesh. The purpose of the study is not to present any deeper analysis of the activities undertaken by F.C.I. in foodgrains trade, but rather to present a general description of the role played by F.C.I. in foodgrain trade in Andhra Pradesh. However, the general description does not exclude the factual presentation.

2. Since the data for this study is obtained from more than one source, there may be slight discrepancies between one source and another source about the same variable.

3. Though F.C.I. trades in many varieties of foodgrains, the study is limited in its scope to cover the functions of F.C.I. with regards to paddy and rice.
G. CHAPTER SCHEME:

The study has been divided into five chapters:

Chapter I : Introduction

Chapter II : Food Policy in India and Development of Food Corporation of India An over-view

Chapter III : Organisational structure of F.C.I.

Chapter IV : F.C.I. in Andhra Pradesh

PART A : Activities

PART B : EVALUATION

Chapter V : Summary and Conclusions

Bibliography