FOOD POLICY IN INDIA AND DEVELOPMENT OF FOOD CORPORATION OF INDIA (F.C.I)- AN OVER-VIEW

CHAPTER II

Food problem is one of the most serious problems in India. The problem has remained unsolved in India not for one or two years but for decades and has been daunting our country since long time. Even after 43 years of planned development, food is a serious concern of millions of Indians.

Though food problem in India is the result of many social, economic and political factors, its aggravation and continuous persistence can be attributed to the absence of proper food policy. The gravity of the food problem has never been realised in true sense except at times of serious crisis. The Government has never
followed a proper food policy, which included the reorganisation of agriculture and other related measures. At best the Government has taken only temporary and situation-warranted measures to solve the food problem. Hence, the food problem in India is described by Dantwala\(^1\) as a chronic malady rather than a serious crisis. He has said that organized and long-term measures are required to tackle the food problem.

**FOOD POLICY IN PRE-INDEPENDENCE INDIA**

In the later half of the Nineteenth century and in the beginning of the present century, the food problem was sporadic, occasional and local in its incidence, caused mostly by famines and floods. Gradually the problem began to assume the nature of a general shortage of foodgrains, engulfing the entire country necessitating the active participation of the Government. But for various reasons the Government could not pay proper attention to the food problem till the Second World War. The foodgrain trade was free from Governmental controls until the Second World War. In normal years the production was adequate to meet the

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requirements of its people. The surplus produce was brought to the market from where through the traditional and well established commission agents, wholesale traders and retailers, the produce was made available to the farthest corners of the country. In those conditions the scope and necessity for Government participation in foodgrain management was limited.  

The first ever serious food problem occurred in 1937 with the separation of Burma from our country. The severity of the problem was felt with the forced imports of foodgrains from Burma. To tide over the situation, India had to import 15 to 20 lakh tonnes of rice from Burma to augment its internal supply.  

It was in 1943 the grave famine occurred in Bengal. That was mainly due to the failure of the Government's policy rather than overall shortage of foodgrains. The Rabi crop in that year was quite satisfactory and the production of major foodgrains was about 4 million tonnes higher 1942-43 than in 1940-41.  

2. V.K. Garg, State in Foodgrains Trade in India, Birla Institute of Scientific Research (Economic Research Division), New Delhi, 1980, p. 15.  
3. Ibid., p. 16.
Even though imports from Burma, which was the main source of rice for Bengal, ceased due to Japanese occupation of Burma, Government allowed rice to flow out of Bengal.

The food situation began to worsen from the year 1943. The situation was termed as "food crisis". Many people perished due to starvation. The casualties could have been lesser had the Government taken proper steps to manage foodgrain distribution. Government began to react to the situation in a casual way. Towards the end of 1943, Government began to assume an active role in the management of foodgrain trade through pricing, procurement, storage and distribution. To that effect at the Central Government level, the Department of Food under the Ministry of Agriculture (now the Ministry of Agriculture and Irrigation) was established. The Department was assigned, interalia, the functions of importing foodgrains, procuring within the country, controlling and regulating prices, maintaining central reserves and constructing and hiring storage accommodation.4

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Further, to examine the various aspects of the food problem in depth and to make suitable recommendations to tackle the food problem, the Government appointed the first Foodgrains Policy Committee in 1943. Subsequently, Prices Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries (1944) and Famine Enquiry Commission (1945) were also established to suggest measures to solve the food problem in the country.

After examining the food situation carefully, the Foodgrains Policy Committee of 1943 favoured and recommended the following measures to solve the food problem.

1. Intensifying the Grow More Food Campaign to increase internal supply of foodgrains.
2. Building of reserves of specified quantities of foodgrains to ensure timely distribution.
3. Ensuring minimum remunerative prices to farmers.
4. Preventing prices from exceeding specified maximum.
5. Setting up of an Agricultural Price Commission to lay down price policy.
6. Setting up of a commodity corporation to carry on trade operations on business lines, building up of reserves and enforcing minimum and maximum prices.6

Basing on the recommendations of the Policy Committee, the Government intensified the 'Grow-More food Campaign'. The Campaign did not fix any target for increase in production of foodgrains, but laid down the lines along which efforts for increasing production might be made. The campaign advocated the following three ways for increasing production, viz.

a. Switch over from cash crops, mainly short staple cotton, to food crops.

b. Intensive cultivation of cultivated lands through irrigation, better seeds and manures, and better farming practices.

c. Extensive cultivation by bringing under plough current fallows and culturable waste lands.6

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Unfortunately the results of the campaign were not very impressive because the whole programme was not supplemented by a comprehensive integrated plan for overall agricultural development and reorganisation. Further, the failure was also due to lack of an agency for conveying the message of the campaign to the actual cultivators.

Alternatively, other measures taken up to meet the food shortage were formulation and administration of food controls, introduction of procurement system from villages, equitable distribution through statutory rationing and controls on prices. As a result of all these measures, food rationing was in progress in all big towns and cities covering about 145 million people.

Meanwhile the country got its independence in the wake of which some areas which were surplus in food in Punjab, Sindh and Bengal were merged into Pakistan. The absence of this surplus aggravated the problem of food scarcity. The governmental measures did not help in checking the price rise. Government had no alternative but to import more food-grains. Thus the imports of foodgrains steadily increased from
1.6 million tonnes in 1944 to 2.8 million tonnes in 1947.7

FOOD POLICY IN THE POST INDEPENDENCE PERIOD:

After Independence the National Government tried to solve the food problem with reinforced controls and rationing. The distribution of food grains on largescale was also resorted to supply them at reasonable prices. To examine the different aspects of the food situation, another Foodgrains Policy Committee was appointed in September, 1947. After reviewing the entire situation, the committee expressed the view that under conditions of overall shortage of foodgrains it was difficult for any government to undertake commitments to consumers on largescale by means of procurement of internal supplies alone and that way growing dependance on imports was built into the system of controls and rationing as a practice.8

8. Ibid., p. 475.
The Committee recommended a new approach to the food problem. In view of the high cost of imported foodgrains, the committee suggested the gradual liquidation of imports and also the commitments undertaken by the government to the consumers in a phased way. The Committee, further, believed that only a substantial increase of internal production with in the earliest possible time alone could solve the food problem. The Committee, as a first step recommended for decontrol. The recommendations of the Committee were readily accepted and decontrol was introduced. The immediate result was an uprising in prices and government was forced to introduce controls again. So the recommendations of the committee were given proper trail.

To examine the food situation again, the government appointed the Foodgrains Procurement Committee in 1950. The intention of the government was to find out the ways through which internal procurement could be increased speedily to suit the demand for foodgrains. The Committee, in the wake of government's inability to mop up necessary quantities through Public procurement due to the existence of a free
market with market price ruling always above the procurement price, recommended for a logical, consistent and complete system of controls with no room for a free market whatsoever. The Committee also recommended for a monopoly procurement at village level and abolition of free movement of grains with complete statutory or near statutory rationing everywhere.

The recommendations of the committee were rejected by the government on administrative and political grounds. The government followed an ad hoc policy with partial procurement, some rationing and some informal rationing and some degree of free market. The government was left with no other alternative except to depend upon imports to increase the internal supply. Thus, imports became an integral part of our internal supply. In the year 1949-50 alone the government imported 4.7 million tonnes of foodgrains causing heavy drainage on our foreign exchange reserves.

FOOD POLICY SINCE 1950-51 TO 1964-65:

The Government was eager to reduce our dependence on imports of foodgrains and self-sufficiency in food was thus made one of the goals of the First Five Year Plan. The good harvests from 1952-53 onwards improved the stock position. The bright cropping conditions brought considerable decrease in prices. This made the off-take of foodgrains from ration shops decline. With the fast improvement in food situation, the government relaxed the controls and reduced the imports also. The bumper crop in 1953-54 gave a record food production of 69.8 million tonnes. The rationing was completely abandoned throughout the country towards the end of 1954. The government felt so optimistic that instead of building up reserves for possible lean years, it allowed increased imports.

The above rosy picture did not last long. From about the middle of 1955, the prices of food grains again began to show a rising trend. The Government tried to control the prices by adopting measures like opening more fair price shops, prohibiting exports and imposing restrictions on bank credit. There was
some fall in prices due to substantial increase in production from 65.29 million tonnes in 1955-56 to 68.69 million tonnes in 1956-57. Despite good production prices continued to rise gradually from 1957 onwards. The basic causes for the rise in food grain prices were the increased purchasing power in the hands of the people, extensive hoarding and speculation by the producers and the wholesale etc. The government was left with no alternative except to import foodgrains to augment food supply. To have more imports, the Government of India entered into an agreement with U.S.A. under "Public Law" (P.L. 480) in 1957 to import wheat and rice.

The Government setup another committee called the "Foodgrains Enquiry Committee" in 1957 to review the food situation again. The main aim in setting up the committee was to examine the causes for rising trends in food prices. According to the resolution of the government, the committee was intended "to make recommendations to ensure a level of prices

which would provide necessary incentives to the producer with due regard to the interests of the consumer and the maintenance of the reasonable cost structure in the economy." The committee concluded that the solution to the food problem lies between two extreme alternatives of complete free trade and full control. The Committee recommended a stable and long-term food policy based on heavy imports. It made the government to review the agreement under P.L. 480 to import wheat and rice in 1958 and 1959 respectively. The government imported 16 million tonnes of wheat and 1 million tonnes of rice under the agreement to maintain the prices at reasonable level.

The 1957 Committee, further, recommended the setting up of a "Food-grains Stabilisation Organisation" under the Ministry of Agriculture to reduce the regional imbalances in the availability of foodgrains. It recommended that the Food Stabilisation Organisation should take over not only the work being done departmentally by the Director General of Food, but also function as the "trader in the foodgrains market

with branches or agencies of its own in all important mandies." It was also decided that Stabilisation Organisation should also take up buffer stock operations so that whenever the prices tend to fall, the organisation should step in and purchase foodgrains at reasonable prices. Similarly when prices tend to rise the organisation should sell at reasonable prices.

However, the government did not initiate the setting up of Stabilisation Organisation. The government continued to handle the foodgrain trade through its departmental setup. The Public distribution, intended to protect the Vulnerable sections, depended mostly on imports from U.S.A. Prices of foodgrains remained constant without further spurt. The government used the imports from USA, to protect the poorer sections by providing them foodgrains at cheaper prices. Thus the food policy of the government was influenced by the imports to a large extent.

Thus, in the late 50s and early 60s controls of various types like control on prices, movement, and

stocks, levy on farmers and traders, monopoly procurement, etc... were imposed, relaxed and re-imposed. There was little evidence of any long-term measures being taken by the government to solve the food problem. Management of foodgrains trade continued to be governed mostly by ad-hoc actions with departmental setup. Even though government initiated some effective measures, those measures were not implemented properly by the departments. Management of food policy was ineffective due to lethargic and indifferent behaviour of bureaucracy of the government department, involved procedural delays and that operational decisions could not be made speed and elasticity essential for market operations. Additionally, departmental administration did not provide the financial incentive indispensable for efficient working of commercial enterprise ... It was therefore, decided to separate the policy making and the executive functions of the Food Department by creating a separate organisation to handle the executive functions, such as open market purchases, sales and maintenance.\(^{14}\)

\(^{14}\) K.K.S. Chauhan, Commercial Manager, F.C.I. The Foodgrain Management Information System in the Food Corporation of India - A Study conducted for FAO.
It was in the above background that the Government of India finally decided in 1964 to set-up the Food Corporation of India (F.C.I.), on November 20th 1964. The then ministry of Food and Agriculture moved in the Parliament a "Bill to provide for the establishment of Food Corporation for the purpose of trading in food stuffs and for matters connected therewith and incidental thereto."\(^{15}\)

The objectives and reasons attached to the bill made it clear that the underlying idea in setting up a State Agency was that it would function in a commercial manner in buying and selling food grains, so that the producer will be able to obtain the minimum price that may be announced from time to time and the consumer is protected from the vagaries of speculative trade. The statement of objectives and reasons further states that "the Agency will also be used to buildup gradually the buffer stocks and that the Corporation will be encouraged to function generally as an autonomous organisation working on commercial lines."\(^{16}\)

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The Food Corporation of India (F.C.I.) came into being on January 1, 1965. Since then, foodgrain trade in the public sector gradually passed into the hands of F.C.I. The Corporation in-herited the then existing physical facilities and personnel of the earst-while Department of food.

The F.C.I. is now a principal, autonomous agency of the Government of India for handling procurement, imports, storage, movement and distribution of food grains and for implementing the national food policy. It carries out these functions through its own network and also makes use of the services of other agencies of the State or Central government agencies.

Some of the State Governments have in turn, setup their own corporations which act as agents to F.C.I. for procurement and are responsible to the respective State Governments for internal distribution. Besides these corporations, Food departments and Co-operatives, there are other Public organisations such as the Central and State Ware-housing Corporations which also handle the work of storage and movement of foodgrains on behalf of F.C.I. The food-grain trade by States, thus comprises not only F.C.I.
but also other agencies whose network is also fairly widespread.

The F.C.I. is thus assigned the responsibility of foodgrain trade on behalf of Central Government. The Corporation has been trying to implement the basic food policy of the government, which aims at the protection of both producer and consumer.