CHAPTER IV

The Food Crisis

1952 opened with a very gloomy picture on the food front. The withdrawal of food subsidies in March 1952, exacerbated the tense atmosphere in the cities. The country was considered far from self-sufficient in food and there was no question of reducing food imports.

In May of the same year, the late Sir Ali Mian Ali took charge of the Food Ministry. He undertook a hurried survey of the affected areas and made a categorical statement that there was no shortage of food in the country. Contrary to him, at all the levels there was any problem, it was one of purchasing power. Once this was realised, the next step—relaxation of controls—was but a simple process.

In 1951-1952 the policy of partial decontrol was thus introduced in Madras—a highly deficit state—in June 1952. The whole of the State was divided into six zones allowing movement of rice within the zone. This act in/bob the strange phenomenon of rising prices in the surplus districts, and of falling prices in the deficit ones. The critics raised a hue and cry and quoted the example of the 1947 experiment. The trend in the deficit districts was, however, reversed in the beginning of August and with the coming in of new crops in September, prices began to fall through the province.

This strengthened the hands of Ali Mian Ali, so that he was in a position to meet any challenge. Gradually all the States were persuaded to follow the policy of partial decontrol. With the result that within about 3 years, practically all the states, and even some cantonments, were able to meet food requirements from almost all parts of the country.
WORKING OF DECONTROL

For a correct assessment of the country's food position, it is essential that we study thoroughly the working of the decontrol experiment. Was a reduction in imports due to the return of normal conditions - stocks in the surplus areas supplying the needs of the deficit ones - or were the non-producers placed at the mercy of the producers? A reply to this question would provide the real answer to the problem at hand.

The immediate step taken in decreated areas was that ration shops were converted into fair price shops. The card holders in the original statutory rationed areas were allowed to draw their rations as usual from these fair price shops, if they so liked. The only change was that the free movement of foodgrains within the area was permitted so that the forces of demand and supply could control the market. The number of such fair price shops was determined by the needs of a particular area. Data regarding changes in the number of fair price shops and their monthly outtake of foodgrains are not available for all the States.

Table XIX, however, gives such figures in respect of Madras, Bihar and Uttar Pradesh.

1. This latter view was held by the supporters of controls. Articles by Shri A.B. Jerewala in The Statesman, controversy over 'Why Decontrol?' by P.C. Bansil and Prof. Harihath Singh in the Hindustan Standard Economic Supplement dated September 28, 1953 and November 23, 1953, and an article on our Food Policy, P.C. Bansil, Economic Weekly, Bombay, October 24, 1953.

2. Efforts were made to obtain this information from the Directorate of Economics and Statistics, Ministry of Food and Agriculture, but to no avail.

3. Adapted from Agricultural Situation, August, 1953, pp. 338 and 339.
### TABLE XIX

**Number of Fair Price Shops and Their Monthly Off-take**

<table>
<thead>
<tr>
<th>Year/ Month</th>
<th>Madras</th>
<th>Bihar</th>
<th>UTTAR PRADESH</th>
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<tbody>
<tr>
<td></td>
<td>Fair Price Off-take</td>
<td>Fair Price Off-take</td>
<td>Fair Price Off-take</td>
</tr>
<tr>
<td></td>
<td>Shops (in thousand)</td>
<td>Shops (in thousand)</td>
<td>Shops (in thousand)</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>1948 June</td>
<td>74</td>
<td>10.9</td>
<td>15</td>
</tr>
<tr>
<td>September</td>
<td>147</td>
<td>64</td>
<td>2.9</td>
</tr>
<tr>
<td>December</td>
<td>22</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>1949 March</td>
<td>56</td>
<td>3.9</td>
<td>1.1</td>
</tr>
<tr>
<td>June</td>
<td>35</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It would be seen that the number of fair price shops was governed by the rationed off-take. It was increased or decreased corresponding to an increase or decrease in the off-take of foodgrains so that the interests of the consumers were not sacrificed at any time. In Bihar, for example, when the rationed off-take fell from 15 tons in June, 1948 to 6 thousand tons in June, 1949, the number of fair price shops was reduced from 10,985 at the end of June, 1948 to 3,486 at the end of June, 1949. Same was the case in other states.

In West Bengal where controls were relaxed in January 1948, the number of fair price shops was reduced from 3,410 at the end of December, 1947 to 225 at the end of March, 1948. When, however, prices showed a tendency to rise in May 1948, the number of fair price shops was increased to 2,030 at the end of June, 1948 so that by December, 1948 prices of rice came down to those of the corresponding period in 1947 as would be clear from Table XX below.

### TABLE XX

**Price of Rice at Selected Centres (West Bengal)**

<table>
<thead>
<tr>
<th>Centre</th>
<th>December 1948</th>
<th>March 1948</th>
<th>June 1948</th>
<th>December 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in Rupees per mound)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cantai</td>
<td>14/-</td>
<td>14/-</td>
<td>21/-</td>
<td>10/-/14/-</td>
</tr>
<tr>
<td>Belpur</td>
<td>14/-</td>
<td>14/-</td>
<td>21/-/4/-</td>
<td>14/-/4/-</td>
</tr>
</tbody>
</table>
Every possible effort was thus made to see that there was no rise in the price of foodgrains after the relaxation of controls. In spite of that, there was a general rise in prices immediately after decontrol so that Economic Adviser's Index for cereals stood at 480.0 in August 1953 as compared with 448.0 in June 1952. But even then the prices were lower than those ruling in the open market during the corresponding period of the previous year. Again, the percentage rise in the case of cereals was only 7.8 as against 16.41 for food articles. This is illustrated in Table XXI.

**TABLE XXI**

**PRICE INDEX — WITH BASE SEPTEMBER 1939 AT 100**

<table>
<thead>
<tr>
<th></th>
<th>June 1953</th>
<th>August 1953</th>
<th>Percentage rise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food articles</td>
<td>349.6</td>
<td>407</td>
<td>16.41</td>
</tr>
<tr>
<td>Cereals</td>
<td>448.0</td>
<td>480</td>
<td>7.8</td>
</tr>
<tr>
<td>Pulses</td>
<td>434.0</td>
<td>504</td>
<td>16.1</td>
</tr>
<tr>
<td>Industrial raw materials</td>
<td>430.3</td>
<td>483.7</td>
<td>13.57</td>
</tr>
<tr>
<td>All commodities</td>
<td>374.6</td>
<td>410.4</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Early in 1954, food prices started falling below uneconomic levels, with the result that the Government had to announce the Policy of price support for cereals and floor prices were fixed. In the case of wheat, it was Rs. 10 per munday. Not only that, efforts were also made to find export markets for rice, a commodity which had been imported for many years in the past.

The decontrol policy reached its climax on July 9, 1954 when all controls on rice were also removed. This, in spite of a shortfall of the order of 3 million tons in the rice crop of 1954-55 as compared with the preceding year, led to further easing of the situation from the supply side. Prices continued to have practically the same trend.

For the various measures adopted by the Government, refer to Agricultural Situation in India, August 1953, p. 344.
so that the Government was faced with the problem of extending the price support policies to rice as well as other coarse grains like jowar, bajra and gram.

CONCLUSION

It may be argued that good agricultural seasons resulting in bumper crops for two consecutive years 1953-54 and 1954-55 accounted for this bright picture on the food front. There is no denying the fact that nature was exceptionally kind during these years. Cereal production in the year 1953-54 thus stood at 57.9 million tons — nearly 12 million tons above that of 1949-50 and 9 million tons over that of 1952-53.

It does not, however, appeal to reason that just two or three good monsoons were able to wipe off the supposed deficit of foodgrains which is said to have existed over such a long time. What seems plausible is that a major portion of this so-called increase was merely statistical. The Planning Commission have themselves referred to these imaginary increases because of statistical improvements, in their Progress report for the first three years. The particular example quoted by them is that of Rajasthan where the increased production over the year 1949-50 was of the order of 221 per cent.

The position was not otherwise different in other Part 'B' States where there was hardly any machinery for the collection of agricultural data in the past. Out of the total increase of 12 million tons as about 5 million or 41 per cent is accounted for by Part 'B' States. If the season was good for these areas, it was equally good for other parts of the country where increases in food production were not so marked. It is also to be noted that much effort had not been made by...
the Planning Commission to increase agricultural production by way of
irrigation facilities and provision of better seeds etc., in these backward areas. A sizeable portion of this increase was thus the one which had
not originally been accounted for.

Nature was not so kind in the year 1954-55 when cereal production
fell down by about 3 million tons to 55.3 million tons. The floods of
the year 1955 were said to be the worst over the last century. The
position in the country, however, remained as bright as before. This
being the case we would be justified to conclude that the present
bright position on the food front is not due merely to better seasons
or even special efforts made by the Planning Commission.

The adverse season of 1954-55, when there were floods over an
area of about 25,650 square miles affecting nearly 95 lakhs of people in
Assam, west Bengal, Bihar and the United Provinces, also did not
bring any change for the worse. The floods again devastated vast
areas in 1955-56 in the affected territories. The Prime Minister
speaking about the United Provinces said that "no such floods have
taken place in UP during the last 85 years". The loss suffered by
the Punjab and F.P.S.U was the worst in their histories. The food
position, however, remains quite bright.

Closing months of the year 1955, no doubt, witnessed a
increase in food prices. A major portion of that increase was, however
attributable to seasonal variations. Delayed action on the part of
the Government to release the stocks purchased earlier in the year
under the price support policy and market psychology as a result of
floods, could also be held responsible to some extent for the
phenomenon. With a record wheat crop of 8.5 million tons, there was
otherwise no scarcity felt for foodgrains in any part of country.

1. Also see Reserve Bank of India Bulletin, February 1956, pp.185-92.
These good or bad seasons are not therefore, sufficient to explain the turn in the food position of the country. The possible explanation for all this would be that with the removal of all impediments, the natural forces of supply and demand showed their full effects. Various factors which were responsible for depressing food production were also removed. The fillip to production was further given by the First Five Year Plan. The normal marketable surplus under the circumstances started showing its effect. The success of the decontrol policy would thus prove that increasing imports of foodgrains in the post-war period were not dictated by any real demand in the country.