

## **Round Table Discussion on Issue of Recent Rise in World Food Price**

A roundtable discussion was organized on the issues of recent rise in world food prices with the US Senator Robert Casey and delegates from American Embassy on May 30, 2008 at ICRIER. A select group of agricultural experts and economists from Government, Semi-Government, and private Institutions were present to discuss the phenomenon behind the rise in food prices and to learn of its impact on India and the world.

In his opening remarks the Senator said that one fifth of the population faces challenge of food security. He raised the issue that higher food prices problem leads to other economic challenges like tariff, political instability and can spark the potential for humanitarian disasters etc. He asked Indian experts for a strategy to resolve this problem. In view of this, Dr. Nigam acknowledged that this year had been a good year for Indian agriculture and talked about the importance and achievement of National Rural Employment Guarantee Scheme. He pointed out the positive aspects of Government initiatives in context of systematic budgetary allocation, irrigation improvement, road and infrastructure improvement etc.

Dr. Joshi from NCAP initiated his discussion with a talk on demand-supply mismatch in foodgrains. He said that for the past 3 years, this mismatch situation is happening gradually getting globally. During last 15 years, most of the programmes like Millennium Development Goals (MDGs), World Bank Report, IMF Report have focused on poverty alleviation i.e., raising demand or purchasing power of the people, as main objective. Lot of importance has been given on the demand side and ignored supply side management, which involves investment in agriculture to raise production. This fact has been anticipated by India but not by world. He said that the higher economic growth in the world is the important factor for causing inflation. Another factor contributing to inflation is climate change. It has adversely affected the global food production. India also has witnessed the same. Not only this, crude oil price is also increasing which contributed towards raising transportation cost, input cost, and eventually food prices. He also pointed that India experiences higher prices from March onwards every year. But this time, period has been extended because of previously mentioned factors. Nevertheless, good news is that GOI has taken lot of measures like investment in irrigation, smoothening of delivery mechanism system for seeds, fertilizers and other inputs, reforming credit structure which includes doubling of credit in three years and at the same time scope of NREGS has also increased. Insurance is another area where government has worked on in the interest of farmers. Trade policy and PDS too are the part of improvement. Through PDS, correct price signals are given to the open market.

In the discussion, the peer of senator questioned the efficiency of PDS. In that context, Dr. Nigam added the importance of smart card and suggested to implement the same. In addition to the measures taken up by the government in view of supporting agriculture system, he pointed out the significance of financial inclusion and stated that the government has insisted many of the states for opening bank accounts.

During the discussion, Dr. Surabhi Mittal, Senior Fellow, ICRIER pointed out that other reason for fuelling up prices in the world market is diversion of farm output to the manufacture of crude oil substituting bio fuels,. She was of the view that diversification of land towards high value agriculture is also accounting for supply constraint. With increasing purchasing power, basket of goods consumed is changing towards high value agriculture commodities and hence it is not a problem. On commodities market front, continuation of future market has been suggested.

Dr. Praduman Kumar, Ex-Professor, Indian Agriculture Research Institute, said that consumption patterns towards livestock is increasing and as a result, consumption for staple food is declining. High energy cost and low energy efficiency is accountable for inflation. Technological contribution to the total output has been declined as investment in technology has decreased. He said that dissemination of existing technology is not fully utilized in India and causes increase in cost of production.

Dr. C. S.C. Sekhar, Assistant Professor, Institute of Economic Growth, talked about export orientation of wheat. He said that wheat and rice are different when the aspect of export comes. In case of wheat, when price of wheat increases globally, countries raise their production and export more of the same. On contrary, most of the rice exporting countries is also rice consumers. So when price of rice increases, these countries cut down their exports and hold back their stocks. In this way, they secure their country from food crises. It was suggested that this model should be adopted in case of wheat also. It was said that, probability of US in shifting wheat from rice is almost zero as both are produced in different regions. In addition, US do not have stock holding policies in case of wheat. On this Dr. Nigam argued that “Except US all other countries are major exporter. US should curtail its stock as domestic demand is low”.

Concern over crude oil exports were also shown in the discussion. It was said that crude oil exporting countries are exporting the same at prices higher than their production costs. In this regard, formulation of a controlling agency for crude oil was suggested. In India, heavy investment in agriculture was felt crucial especially in the areas of irrigation, subsidy, R & D and development of cold chains. In this context, US was found to be the only solution to this global problem as it has everything, land, finance, technology, market instrument, forward as well as backward markets and every infrastructure. It was felt that India could not give significant solution to this food problem, even if it imposes succession laws, it would only improve the situation to some extent but not significantly.