

Indian Agriculture Reform Priorities and Key Policy Research Issues

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ISSUES OF CONCERN

1) Agricultural growth

2) Food Distribution

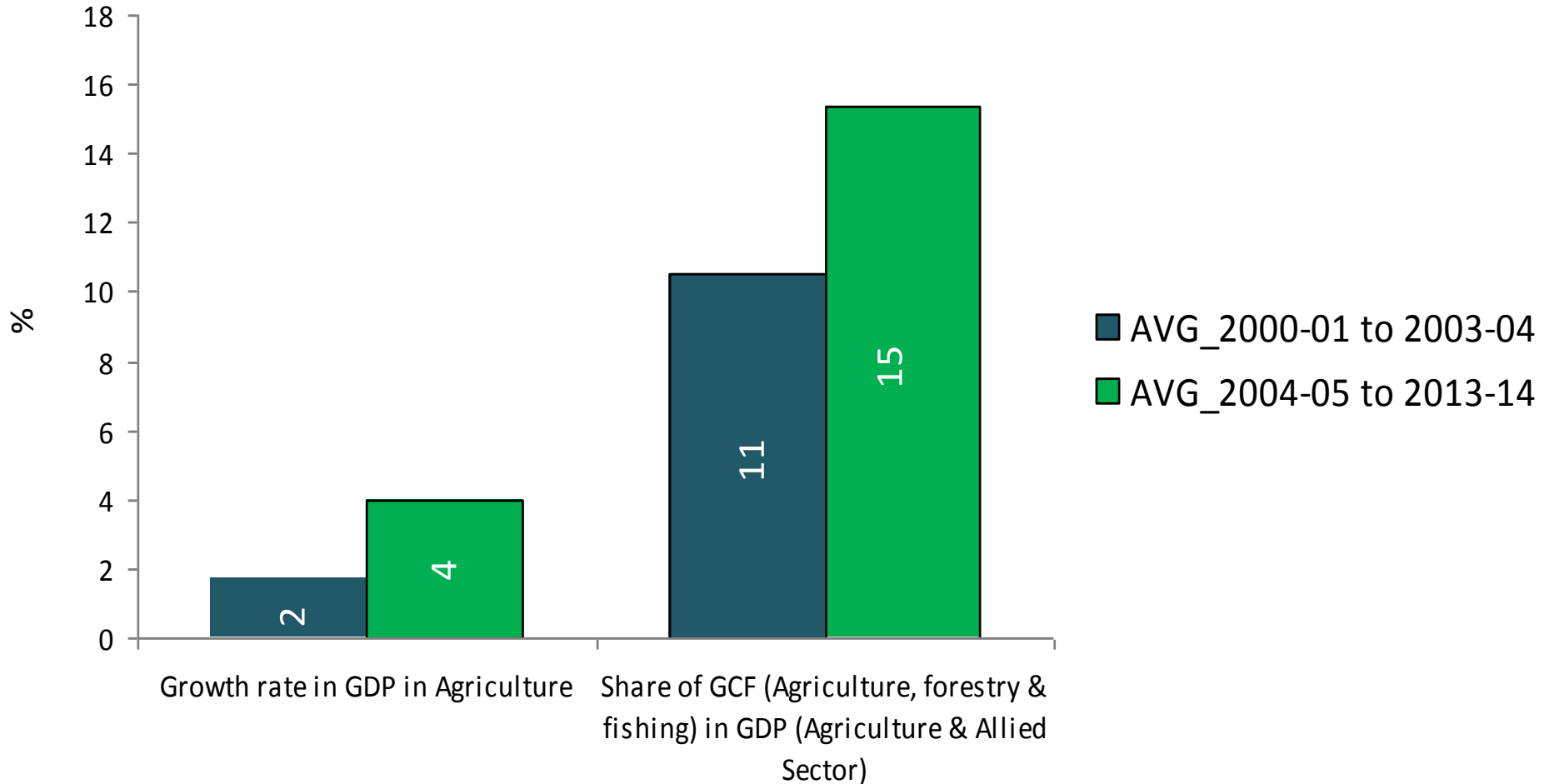
3) Food Inflation

AGRICULTURAL GROWTH

ISSUES

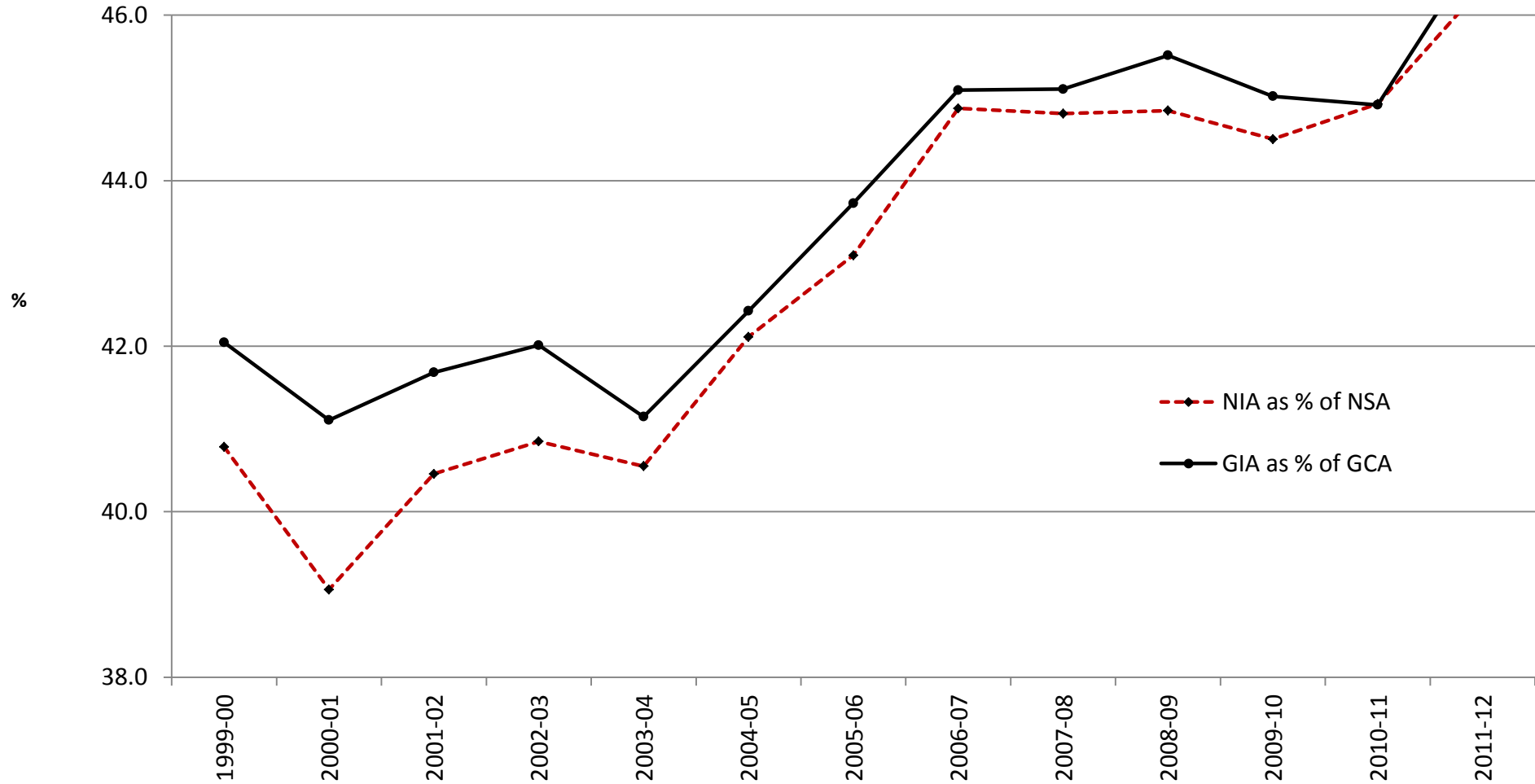
- ❑ Severe crisis during 1996-97 to 2003-04 – g.r. fell to pre-green revolution period
- ❑ Causes of turnaround after 2004-05 – mainly because of increase in public investment
- ❑ Clear policy focus on
 - 1) Investment by states through RKVY and District Agri Plans (DAP)
 - 2) Food production through NFSM
- ❑ DAP s are important given the widespread inter-district differentials in agri-growth

AGRI-GROWTH AND PUBLIC INVESTMENT

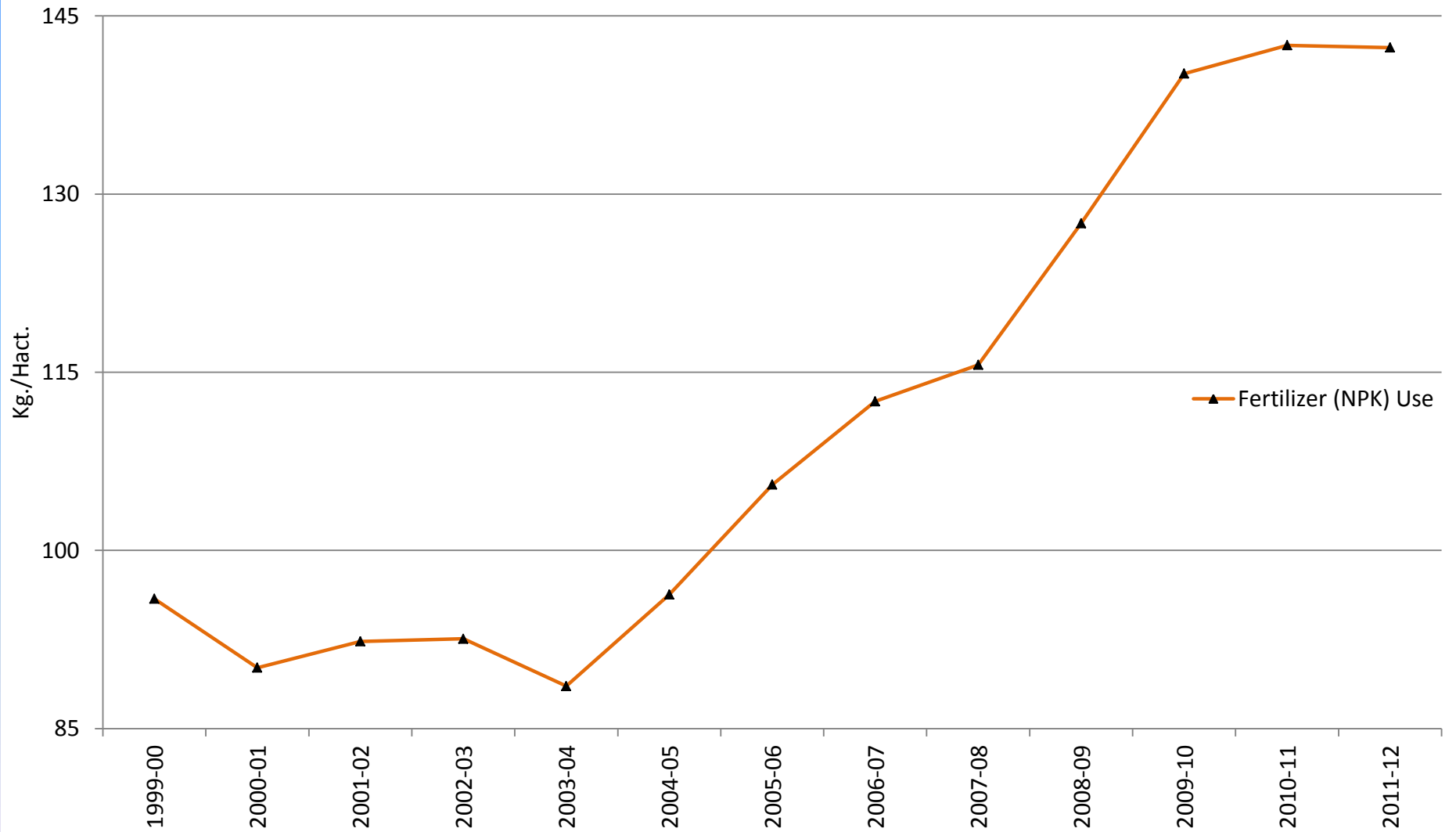


Source: cso

Improvement in Irrigation



Increase in Fertilizer Use



Source: Department of Agriculture and Cooperation, MoA, GoI ; Department of Fertilizer, Ministry of Chemicals & Fertilizer

Policy Priorities for Agri-Growth

- ❑ Public investment in agriculture needs to be sustained, which appears to be not the case in the last two budgets. RKVY and NFSM allocations appear inadequate
- ❑ This may have adverse impact on growth in future
- ❑ Local level initiatives such as DAP s under RKVY need to be encouraged for equitable growth
- ❑ DAP s are important given the widespread inter-district differentials in agri-growth (World Bank, 2015)

FOOD DISTRIBUTION

FOOD DISTRIBUTION

- ❑ Implement some of the useful recommendations of HLC
 - 1) Shifting the procurement focus of FCI to eastern states and leave the more developed states to carry out their own procurement
 - 2) Outsourcing of FCI stocking operations
 - 3) augment storage capacity, modernize the stocking systems
 - 4) end to end computerization of the entire food management system, starting from procurement from farmers, to stocking, movement and finally distribution through TPDS.
 - 5) Devise a transparent liquidation policy that can kick in when stocks rise way above the buffer norms

But a hasty dismantling of entire public management system of foodgrains, which was assiduously built over decades, may not be desirable and may even be irreversible.

FOOD DISTRIBUTION

Going beyond HLC Report

1. Evolve a clear concept, metric and methodology to measure food security
 - what percentage of food availability (in relation to consumption) would constitute food security? What percentage of population should possess economic and physical access for a country to be called food secure? Similar questions can arise in case of utilization and stability too.
2. Think through implications of cash transfers
 - i. Transaction costs
 - ii. Future form of procurement
3. States' Experiences and scope for improving PDS
4. *Ex-ante* evaluation of alternative models such as bulk handling by private sector, grain trains etc.

FOOD INFLATION

FOOD INFLATION

- ❑ Food inflation is not uniform across commodities or time
- ❑ Different commodities contribute in different years and no single commodity shows uniformly high inflation. This indicates to the possible absence of any major structural problem with any single commodity.
- ❑ Inflation in cereals, milk, eggs-meat-fish and vegetables is persistently high.
- ❑ Decomposition exercises shows that eggs-meat-fish, milk, cereals (rice and wheat) and sugar are the biggest contributors to food inflation since 2005.

CONCLUSIONS (Cont...)

- ❑ Decomposition analysis shows that inflation rate of high weight commodities is much faster than the median inflation. This is a cause for concern.
- ❑ Our econometric analysis shows that both supply and demand factors are important

$$WPI_{jt} = f(WPI_{jt-1}, CoP_{jt}, Prod_{jt}, tdu_{jt}, MSP_t, X_{jt}, M_{jt}, st_{jt}, MPCE_{jt}, WPI_t, WPR_{jt})$$

- ❑ Relative importance may vary for different commodities though.

CONCLUSIONS (cont..)

- ❑ CoP increases are important for cereals and pulses – *perhaps MSP cannot be done away with.*
- ❑ Although cereal stocks in general show a negative effect on market price, recent huge levels of procurement (> 30% of production) seem to have an adverse effect – *reintroduction of procurement price and timely liquidation policy a possible solution? Even deficiency payments can be considered*
- ❑ For edible oils and sugar domestic and international factors appear important – *may continue open trade policy*
- ❑ For fruits, vegetables and milk, *supply chain management and processing infrastructure* are important – *more private sector involvement, FDI in food processing etc*

THANK YOU