

Government Food Grain Operations

The most noteworthy recent development in Indian agriculture was the accumulation of large government surpluses of wheat and rice during the late 1990s. For both wheat and rice, the stock accumulation was caused by the combination of rising procurement, as higher MSPs were defended with increased government purchases, and flat or declining subsidized distribution, as the shift from PDS to TPDS led to less distribution from government stocks (table 2). Despite rising exports, including subsidized exports, government stocks rose to record levels during 1996/97-2001/02, far in excess of the levels targeted as necessary for food-security purposes.

Since 2001/02, both wheat and rice stocks have been declining and have generally been more closely aligned with the food-security targets of about 15.8 million tons (4 million tons of wheat and 11.8 million of rice) as of April 1. The decline in stocks has been associated with declining (in the case of wheat) or flat (in the case of rice) procurement because of lower real MSPs and poor weather, together with a recovery and rise in subsidized distribution. By 2002/03, domestic distribution rose to record levels due to large increases in both the TPDS and an array of school lunch, food-for-work, and other welfare programs (fig. 9). In 2005/06 (July/June), the State Trading Corporation (STC) contracted to import about 500,000 tons of wheat for delivery during 2005/06 as buffer stocks fell below target. In response to rising domestic wheat prices, the Government reduced the tariff applicable to wheat imports by private traders from 50 percent to 5.2

Table 2

Government wheat and rice operations in India

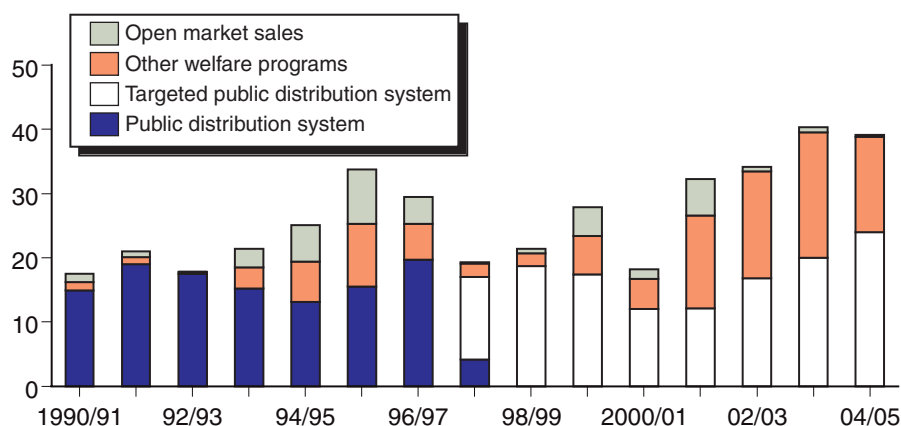
Commodity/years April/Marc)	Procurement	Domestic distribution	Imports	Exports	Ending stocks
<i>Million tons</i>					
Wheat:					
1995/96	12.33	12.72	0.00	0.10	7.76
1996/97	8.18	12.88	1.35	0.38	3.24
1997/98	9.30	7.76	1.63	0.00	5.08
1998/99	12.65	8.90	2.10	0.00	9.66
1999/00	14.14	10.63	1.27	0.00	13.19
1900/01	16.36	6.32	0.34	1.47	21.50
2001/02	20.63	13.25	0.00	2.74	26.04
2002/03	19.06	15.50	0.00	4.85	20.11
2003/04	15.80	17.59	0.00	5.65	7.15
2004/05	16.79	15.93	0.00	2.12	5.46
Rice:					
1995/96	10.03	12.51	0.00	1.49	13.06
1996/97	12.56	12.39	0.00	0.05	13.17
1997/98	16.23	11.36	0.00	0.00	13.05
1998/99	12.29	11.83	0.00	0.00	12.16
1999/00	17.45	12.71	0.00	0.00	15.72
2000/01	18.93	10.40	0.00	0.02	23.19
2001/02	20.29	13.37	0.00	1.92	24.91
2002/03	19.00	17.92	0.00	6.94	17.20
2003/04	20.78	21.95	0.00	3.09	13.10
2004/05	19.79	22.89	0.00	0.09	13.30

Sources: Ministry of Consumer Affairs, Food, and Public Distribution, GOI; Commission on Agricultural Costs and Prices, Ministry of Agriculture, GOI; USDA PS&D database.

Figure 9

Domestic wheat and rice distribution by program in India (April/March years)

Billion 1993/94 rupees



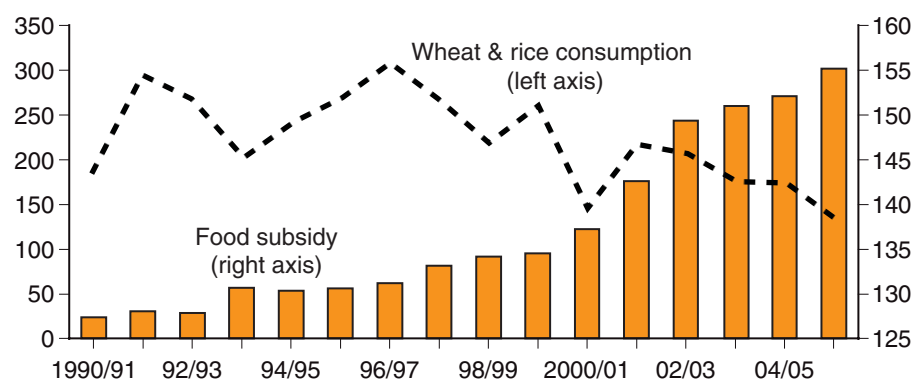
Sources: Government of India, Ministry of Consumer Affairs, Food, and Public Distribution; Government of India, Ministry of Agriculture, Commission on Agricultural Costs and Prices; USDA, Production, Supply, and Distribution database.

Figure 10

India wheat and rice consumption and food subsidy

Per capita consumption (kilograms)

Food subsidy (billion rupees)



Sources: Government of India, Ministry of Consumer Affairs, Food, and Public Distribution; USDA, Production, Supply, and Distribution database.

percent in June 2006 and then to zero in September. An additional 5-6 million tons of imports have been contracted for delivery during 2006/07, including about 1 million tons by private traders.

Government policies since the mid-1990s have led to higher costs for government wheat and rice operations (fig. 10). Initially, rising costs were driven by the need to defend high MSPs resulting in large procurement and storage costs, and the need to dispose of excess stocks through subsidized exports. More recently, although MSPs have declined gradually in real terms and stocks have fallen, costs have remained high because of record levels of distribution through the more highly subsidized BPL channel of the TPDS and various welfare programs. The cost of wheat and rice operations reached about Rs269 billion (\$6 billion) in 2004/05.