

# THE HINDU Business Line

## Food output: Demand-supply paradigm

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*Business Line* The proposed food security measures will have significant implications for agricultural output.

*The new food security schemes point to the capacity of agriculture to produce more when the incentives are right. Supply of cheap foodgrains will trigger demand for other food products, which the farm sector will have to meet.*

The many rural development programmes in operation have complex effects on the rural economy. Programmes such as Bharat Nirman are expected to improve connectivity of markets, provide access to more efficient sources of energy and in general improve quality of life that may improve productivity of labour in the longer term.

The NREGA is affecting both the purchasing power and supply of labour to other requirements in the rural economy.

The programmes can cumulatively be expected to stir the local economies, and not merely be a passing phenomenon. The proposed food security measure will also have a variety of effects on agriculture.

The overall impact on agriculture would be to compel adoption of technologies that make farming compare favourably with the non-farm alternative occupations within the village.

Agriculture will face increasing competition from non-farm activities, not only for land and water but also labour. The push for this diversification of the rural economy is a reflection of the limits of agriculture in meeting the income needs of the rural population.

### FOOD SECURITY THRUST

The need to provide food security is imperative. Energy consumption is estimated at well below nutritional needs for a vast majority of population, suggesting the need for a revamp of food policy. However, some of the confidence in the new programmes also stems from the capacity of agriculture to produce more when the incentives are right. An important driver of food security is rising food stocks with the government. There will still be debates on the affordability of the proposed methods of achieving food security, but not on its need. The extension of PDS coverage to nearly double the number of consumers would make supplies available at a lower price than was the case for many of them till now. In place of the current offtake of about 30 million tonnes from PDS, the envisaged 35 kg per month per household may require 60 million tonnes to be distributed through the PDS.

However, this is only 20-23 per cent of total production of grains in the country now. The price at which grain is sold in the PDS may be half the market price in the case of rice and wheat. Most of the new consumers with entitlement to cheaper PDS quotas would be rural households.

Many of the reforms in the implementation of PDS will require not only increasing entitlements, but also changing the methods of supplying grains at the village level in the case of rural areas.

The methods refer not only to the management of stocks, but also include financial support to the implementing agencies, government or private.

### FOODGRAINS OUTPUT

The new measures to bring about food security will have significant implications for agriculture, both in terms of what is produced and where it is produced.

The likely increase in demand for foodgrains, which form the core of food security programme, will mean that more foodgrains will need to be produced or imported.

If the programme also pushes for acquiring supplies at lower cost, it will put pressure on agriculture to improve productivity, or to lower the cost of production. There have already been experiments with decentralised procurement

of grain for the PDS.

Supply of cheaper food would increase consumption to a significant extent. A consequence of a weak supply system has been to deny, in many cases, access to cheaper food for the needy.

Whether it is the inability of the state-level agencies to lift the assigned quotas of grains from the Centre, or lack of storage capacity at lower levels of distribution, these supply-side weaknesses limit distribution efforts.

There would be greater offtake of PDS supplies of foodgrain if the supply systems were to be better. In this sense, the proposed food security through higher PDS supplies would not translate into a shift in demand from market to the PDS.

Beyond the logistics or distribution challenges posed by the food security programme, agricultural policies would have to address people's diverse food preferences. As the real income of the population increases, consumers will look for diverse sources of food.

The offtake from the PDS will also depend on the demand for foodgrains. Supply of cheaper foodgrains will trigger demand for other food products. The farm sector will have to gear up to meet this change in demand.

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