Dealing with Surplus Scenario

What is the issue?

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- India has moved from famines and agricultural shortages to surpluses.
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- This demands a shift in the policy approach to balance among production, consumption and farm income.
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What are the recent developments?

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- The country produces more food than it can consume.
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- There are 68 million tonnes of wheat and rice in stock.
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- Notably, this is more than twice what buffer stocking norms require.
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- Sugar output this year is expected to be 32 million tonnes when usual consumption is 25 million tonnes.
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- Potatoes production has increased by 80% in a decade, while the population has grown by less than 20%.
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- Farmers leave unwanted potatoes in cold stores, which is then dumped in tonnes in the open to rot.
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- Milk production has been growing at four times the rate of population growth.
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- Farmers, in protest at low prices, are pouring tanker-loads of surplus milk down highways.
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What are the concerns and challenges?

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- **Consumption** - It is flawed to have surpluses when per capita consumption of most food items is low.
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- The government could take steps to boost consumption.
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- But the consumption levels are mostly in relation to the income levels.
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- It is thus a challenge, as the main foodgrains are already being sold only at 10% of cost.
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- So, other options at absorbing the excess production should be resorted to.
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- E.g. milk could be included in the mid-day meal programmes in schools
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- **Export** - Surplus could be exported, but India already happens to be the leading exporter of rice.
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- It is also a significant exporter of some other food items.
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- When exporting rice and sugar, large quantities of water used in their production are also exported.
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- This is a concern given the country’s water shortage becoming a crisis.
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- **Productivity** - India's agriculture remains uncompetitive because of low productivity.
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- E.g. China grows two-and-a-half times the tomatoes that India does, on slightly higher acreage.
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- This is something to be addressed but when productivity goes up, the problem of surplus gets worse.
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- E.g. sugarcane: billions of rupees are already owed by sugar mills to cane growers due to higher production and low prices
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- **Approach** - The latest hike in rice procurement prices and states offering subsidies will only encourage more production.
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- All of it is aimed at helping farmers to earn minimum incomes, or protecting

them from market vagaries.
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- But there are other shortfalls that make the existing production unremunerative.
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What is to be done?

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- Lasting solutions involve changing the demand-supply mix for the surplus products.
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- There is a need for diversification of cropping into new products.
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- It may include those crops which the country imports like oilseeds and pulses.
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- The existing measures at this front are not enough and should be accelerated.
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- E.g. output growth rate for pulses, after years of stagnation, has reached a 4%, when looked at over a decade.
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- Likewise, oilseeds output growth has been slower, however a change from the earlier stagnation.
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- The recent Operation Green aimed at stabilising the fluctuations TOP production could help.
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- The policies should thus transform from a shortage mentality to that of surplus scenarios at present.
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Source: Business Standard

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