Dealing with Surplus Scenario - II

Click here for Part I

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What is the issue?

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Markets should develop capacity to absorb higher milk and foodgrain output.

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What are the recent developments?

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- Falling producer prices of food crops and milk have emerged as a major issue over the last year.
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- The Centre has awarded increases in support prices (e.g. MSP) in the case of cereals and pulses.
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- The Maharashtra government has accepted the protesting dairy growers' demand to buy milk at Rs.25 a litre.
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What is the concern?

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- **Procurement** - Higher support prices sometimes lead to negative outcomes.
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- This is especially true if they are not backed up by procurement and additional demand.
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- Evidently, the total pulses procurement was over 4 million tonnes in 2017-18.
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- But this procurement amounted only to less than a fifth of pulses output.
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- So it could not arrest a fall in prices to well below the support price level.
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- Contrastingly, wheat and paddy prices for farmers are encouraging.
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- This is because, in this case, procurement accounts for a third of the output.
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- **Approach** - Falling producer prices is often mistaken to be a case of excess production.
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- However, this could not be relevant in all cases as malnutrition is still rampant in India.
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- Evidently, the net per capita daily availability of foodgrains (including cereals and pulses) has only now crossed the 500-gm mark.
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- For milk, the per capita daily availability of over 350 gm is just a little more than the dietary recommendation.
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- **Inequality** - Clearly, there are inequalities in food intake across income groups.
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- This is particularly true in the case of vegetables, fruit, milk and eggs.
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- So it is clear that the population can absorb a higher output of food, eggs and milk.
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- The real issue is thus of sorting out market limitations through a range of steps.
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What could be done?

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- The procurement and public distribution system need to be strengthened and streamlined.
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- An efficient PDS -
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i. opens up additional demand
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ii. addresses nutritional deficiencies
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iii. helps stabilise the market by utilising a part of the produce
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- Public kitchens, which have begun in the southern States, should be promoted elsewhere.
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- States can introduce milk and its products in mid-day meals and in railway stations at cheap rates.
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- In all, Indian agriculture needs a distribution system that can cope with much higher levels of output.
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Source: BusinessLine

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