food Prices and Distribution

THE Food Minister's statement at the meeting of the Informal Consultative Committee of his Ministry on Monday that recent experience had shown that private trade channels *could not succeed* in keeping foodgrain prices at a reasonable level was touching for its innocence. It apparently came as a revelation to him that traders "left to themselves *can* exploit a situation of scarcity, whether actual or artificially created, to put up prices". To the less innocent, what the experience of the last year underscores is the failure of the Government to check the natural proclivity of trade to profiteer. It is difficult, therefore, to take the Minister's intention, announced at the meeting, to ''control the normal trade channels in important respects'' too seriously.

In 1963 the prices of rice went up by about 22 per cent between January and October even according to the wooden official index of wholesale prices. This, of course, is no measure of the hardship caused to the people as the actual increase in consumer prices in areas of acute shortage and during specific periods was far more. Once rice prices began to ease in response to the arrival of the new crop in the market; the prices of wheat began to rise. Between September 1963 and the third week of last month the index number of wholesale prices of wheat went up by no less than 36 per cent, reflecting the shortfall in production in 1962*63 and reports that the 1963-64 wheat crop had been affected by inadequate winter rains and the long cold spell in north India.

According to the statement laid before the Lok Sabha by the Food Minister sometime back, in order to exercise greater control over the foodgrains trade, the Centre had asked the Stale Governments to impose certain additional conditions on licensed wholesale dealers, whereby the dealers were required to furnish security deposits ranging from Rs 500 to Rs 1,000 depending on their turn-over, maintain storage of foodgrains at places declared by them, exhibit prices at their shops and make sales only to retailers registered with them and in accordance with the official directives issued from time to time. On paper these arrangements appear sufficient for the Government to keep a close watch over private trade. That they did not succeed in their objective could only be because they were not effectively implemented by the State Governments. Sardar Swaran Singh conceded as much when he said at the Consultative Committee meeting that the Government was postponing announcement of maximum prices of wheat and rice because the machinery for enforcement did not exist at present.

Limits of State Trading

THE other part of the Government's policy to keep prices in check consists of distribution of foodgrains from Government stocks built up by imports and internal procurement through fair price shops. In the case of rice, imports are perforce limited and internal procurement has not been very successful either. Further, as the Food Minister admitted in his reply to the debate in the Lok Sabha on the food situation, purchase of rice by -he Government in a situation of scarcity adds to the pressure on prices. Though Government purchases are made at Government-fixed prices, dealers and millers "load that component of the rice which is free from levy with the loss that they have incurred on the component which has been procured at a price which is markedly lower as compared to the prevailing price''. It is a reflection on the ineffectiveness of the procurement policy that, the Government has had to reduce the extent of procurement in some States and to raise procurement prices. But even at the higher prices it is unlikely that the Government will be able to build up rice stocks large enough to exert an appreciable and lasting influence on prices.

Circumstances are more favourable to state trading in wheat because of the very large P L 480 imports from the United States, According to the Food Minister, in 1962-63, 38 lakh tonnes of imported wheat were distributed through fair price shops; this was equal to, or even slightly more than, the total quantity marketed from out of the internal output. Thus about half the total quantity of wheat sold emanated from Government stocks. The Government is thus in a much better position to control the price of wheat than that of rice. That this control was not effectively exercised during the last few months is largely due to the bottlenecks in the distribution of imported stocks. According to the Food Minister, even after prices had begun to move up, most of the State Governments "took some time before they started organising in a big way for receiving imported wheat and to make arrangements for its distribution".

It is in this context that the decision, announced this week, to divide the country into nine wheat zones and to prevent inter-zone movement of wheat has to be judged. To the extent that movement between the zones can in fact be prevented, it will be possible for the State Governments to form a much better idea of the extent to which they would have to draw on imported stocks and to take steps in time for their efficient distribution.

Oil : Collaboration Offers

THE pattern of expansion of oil refining has been the subject of much speculation since the exit of Shri K D Malaviya from the Government. Interested quarters have been hoping that Malavivaji's hard line will now be replaced by a more accommodating approach to the foreign companies. Specifically it is hoped that the private refineries will be allowed to expand their capacity — a step which the ex-Oil Minister had resolutely opposed.

If there has been any rethinking within the Government on this issue, the new Oil Minister pave no indication of it in his reply to the debate in the Lok Sabha on the demands for grants of his Ministry. The oil companies may take heart from bis announcement that the target of refining capacity will be kept 10 to 15 per cent in excess of demand. Rut the pattern that seems to be in favour is that of the pro nosed refinery in Cochin — that of setting up separate Government companies with minority foreign participation. Shri Humavun Kabir informed the House that nine "collaboration" offers had been received for the pronosed refineries at Mndras and Haldia and were under the Government's consideration.

What makes the situation interesting is that both Esso and Shell