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No Food Policy Yet

THE announcement of official prices of foodgrains, made by the Food Minister on Tuesday, does not give the country the food policy it so desperately needs. That producers should get as high prices as possible consistent with fair prices for consumers is not a new idea. If the many attempts in the past at fixing prices of foodgrains came to naught, it was because the Government failed to create the machinery necessary to enforce the desired prices. Interest therefore centres on how the prices now announced will be enforced—a subject on which Subramaniam had practically nothing to say (except that he hoped that the foodgrains trade would cooperate with him!).

Will the Government continue to operate through sporadic and scattered procurement from producers and hastily-formulated schemes of rationing after acute scarcities have already manifested themselves and prices have risen sky-high or will we see at last a policy based on a systematic purchase programme aimed at securing control over a substantial proportion of the total marketed surplus and a comprehensive scheme of rationing to distribute available supplies equitably? Subramaniam has yet to answer this question unequivocally.

However, it is gratifying that the Government has abandoned the attempt to keep down consumer prices by fixing the trader's profit margin and has instead decided to tackle the problem directly by fixing prices at the producer's and consumer's ends which, of course, automatically sets a ceiling on the trader's margin. The volume of trade in foodgrains and the number of traders and transactions render the elaborate scrutiny of accounts which regulation of profit margins calls for obviously unpractical. What is surprising is that it took the Government so long to realise this.

In order to effectively enforce the retail prices the Government will have to have very substantial quantities of foodgrains to operate with. Hitherto the State Governments had pursued desultory procurement programmes which yielded negligible quantities of foodgrains since the private trader, assured of continuously rising prices at the consumer's end, was able to out-bid the Government and corner practically all supplies. Obviously, no policy of large-scale Government procurement can work unless the competitive strength of the trader is curbed and this can be done most effectively if the price he can realise from the consumer is fixed. The announcement of fixed retail prices along with producer's prices is, therefore, an important step in the right direction. In fact, the Government has gone further and prescribed the maximum producer's prices. Should prices tend to rise above the maximum the Government will step in to requisition supplies.

But what about the machinery to make the purchases? The Food Minister is, of course, pinning his hopes on the Foodgrains Trading Corporation. Why then has the setting up of the Corporation been so delayed? In an outburst of enthusiasm Subramaniam went so far as to announce the name of the Chairman of the Corporation early in September. However, there seems to have followed a spell of re-thinking and it has now been decided to make the Corporation a statutory body instead of a company. Legislation for this purpose has been postponed to the next session of Parliament and the Corporation will come into being in January next. However, it will be

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some time after that before the Corporation gets into its stride; by then much of the current crop would have left the producer's hands.

The Government has, therefore, to address itself immediately to the task of directing purchases till the Corporation starts operation. In any case, even after the Corporation is set up, the task of procuring foodgrains from the producers will inevitably have to be decentralised. As Professor D R Gadgil has pointed out in his article on "Price Policy for Foodgrains" in our issue of September 26, if the Government is serious about buying up a substantial part of the foodgrains marketed by the farmers, the first requirement is to make arrangements to purchase and store foodgrains at a very large number of points all over the country. According to Professor Gadgil, "the extent to which the purchase price will be effective will depend on the extent to which the alternative purchaser to the trader operates within or near the location of the cultivator. Therefore, a set of dispersed purchase points at which the Corporation or the co-operative is equipped to grade, weigh and store produce and pay for it or make advances against it must be maintained. The minimum number of such points for satisfactory administration would seem to be between 40 and 50 per district".

If, as appears unavoidable, the Foodgrains Corporation is going to depend largely on co-operatives for procurement, there is no reason why they should not be mobilised for the task in advance of the formation of the Corporation. Unfortunately, so far there is little to indicate that the Government has taken any preparatory action. This inaction naturally gives rise to the suspicion that the Government is still thinking only in terms of purchases in a few regions in the surplus States. However, to maintain the fixed retail prices the Government will have to deploy its stocks of foodgrains not in a few pockets of shortage but over the whole country. This will be possible only if at the time of the harvest the Government's purchase operations have been on a significant scale in every State. If the Foodgrains Corporation is launched with the idea, which has prevailed so far, that Government procurement need be only marginal, then the very first precondition for maintaining the retail prices now announced will remain unfulfilled.

If the Government's policy on procurement and the agency to carry it through remain uncertain the same can

be said of its ideas on distribution of foodgrains. The retail prices now announced are claimed to be, if anything, slightly lower than the prices at which foodgrains can at present be had from fair-price shops which operate with Government supplies. They are certainly much lower than the current free-market prices. If the Government intends to maintain prices at a level lower than free-market prices, it must necessarily make arrangements for controlled distribution or rationing. But on this subject Subramaniam has been far from unequivocal. While announcing the new controlled prices, Subramaniam gave the impression that he was for 'informal' (*sic*) rationing in the major cities, following the recommendations of the Jha Committee. But only two days later, on Thursday, he volunteered the clarification that if a State Government was opposed to rationing it would not be forced to accept it.

Revitalising Co-operatives

IT is important, said the Governor of the Reserve Bank of India in his inaugural address at the Silver Jubilee Celebrations of the Maharashtra State Co-operative Banks' Association last week in Bombay, that whatever be the statutory position, "in the matter of evolving appropriate banking practices and progressive policies, in the matter of raising resources as well as employing them fruitfully, and observing canons of sound banking, the co-operative banks should seek an area of common understanding and purpose with the rest of the banking structure of the country". He stated further that in some areas co-operative finance is becoming so important a constituent of total bank credit that monetary and credit policy, at the national level, to be fully effective and comprehensive would require that co-operative banks should not be totally left out of the over-all system of discipline which is represented by the advice and direction received by commercial banks from the Reserve Bank.

At a Seminar held to mark the Silver Jubilee Celebrations which Shri Bhattacharyya inaugurated, a controversy arose over the Reserve Bank's role in promoting further development of the co-operative sector. Professor D R Gadgil, Chairman of the Seminar, is reported to have stated that it was the Planning Commission's insistence on a 100 per cent coverage by co-operatives that had strained the movement and led to certain segments of it moving faster than the others. This was

It cannot be that the compulsions of demand and supply are unknown to the Food Minister. What his offer to exempt certain States from rationing shows is that he has once again floundered against the parochialism of the States, particularly the food surplus States. Soon after assuming office as Food Minister, Subramaniam had, it will be recalled, announced his decision to do away with the pernicious zonal system, but later he had to beat an ignominious retreat. It is futile to expect reasonably uniform prices for consumers all over the country unless the basic decisions about the quantum of procurement, both aggregate and in the different States, the deployment of the stocks thus acquired and the control of consumption can be taken by the Central Government. Surely, we have enough experience now to make yet another misadventure totally unnecessary to prove this point?

not, therefore, something for which the authorities could now blame the movement.

The views of the Reserve Bank in this matter have been made abundantly clear from more than one platform in the last decade. The Bank has always held that the capacity of the co-operative structure to absorb funds from it is not a matter that can be decided on the basis of the targets of co-operative credit that may be fixed by New Delhi, however necessary they may appear to be in order to remove the rapacious village moneylenders from the rural scene or to promote agricultural production.

The adoption of a comprehensive all-India plan to revive the co-operative movement and to make it the instrument for implementing various aspects of agricultural development plans is barely ten years old. It dates from the acceptance by the Government of the basic recommendations of the Rural Credit Survey Committee. Since then much has been attempted at the State and all-India levels, but there have been too many changes of policy and too imperfect implementation of these. As a result, the movement finds itself today in the position of not really satisfying anybody, except in a few regions or during stray periods. This is a matter for serious concern. In the years to come the movement will be asked to carry the burden of much heavier tasks than hitherto. Thus in the working of the Foodgrains Trading Corporation co-operatives will be required to