SEMINAR ON FIXATION OF SUPPORT PRICES FOR FOODGRAINS HELD AT VALLABH VIDYANAGAR FROM OCTOBER 15 to OCTOBER 17, 1965

A CONSENSUS OF VIEWS EXPRESSED BY PARTICIPANTS

The Seminar on Fixation of Support Prices for Foodgrains held its deliberations at Vallabhb Vidyanagar from 15th to 17th October 1965. Various issues relating to the fixation of support prices and ancillary measures of food policy were discussed during these three days.

The Seminar recognised that consideration had to be given to three different types of prices in relation to food policy, viz., (1) minimum guaranteed support price, (2) procurement price and (3) market price. The support price is the price at which Government will be committed to purchase all quantities offered to it by the producers. An important function of the Support Price is to provide floor to the prices obtained by the farmers. It has thus an insurance element in it. In the present context of national shortage of foodgrains, the support price would also have an additional function to perform, viz., to induce the farmer to augment production of foodgrains through higher inputs and the adoption of improved practices.

For determining support prices, the relevant data would be: (1) costs of production of food crops; (2) prices of commodities and services entering into the consumption of farmers; and (3) relative prices of other competing crops. There are several difficulties in using these data. For instance, the costs of production vary widely from one region to another and even within a region from farmer to farmer. Similarly, little is known about the precise extent of response of farmer to variations in relative prices of competing crops. It would thus be desirable to base the process of support price fixation not on any rigid formula, but on a consideration of all these factors as far as practicable.
A essential feature of the food policy of the country experiencing shortage is a public system of distribution of foodgrains to consumers. This imposes an obligation on the State to obtain supplies of foodgrains required to work the public system of distribution; in special circumstances price charged to vulnerable sections may have to be subsidized. When adequate supplies are not available through voluntary sales at support prices, the supplies required should ordinarily be obtained by a system of compulsory levy on producers. The procurement may be partial when only the vulnerable sections of consumers in urban and rural areas are sought to be protected. Under a system of partial procurement, the procurement price, while being higher than the support price, will be determined by the quantities which it is necessary to procure and by the level of prices at which the procured quantities have to be sold to the vulnerable sections of consumers. Under the system of partial procurement, producers will be able to sell a part of their produce at prices obtaining in the market at the time.

If the gap between supply and demand is wide, and the market price is pushed up to a high level, it will be necessary for the State to undertake distribution of larger quantities for protecting even the average consumer. This implies that the quantities to be procured by the Government would have to be correspondingly larger. In a situation of increasing shortages it will be necessary for the State to obtain increasingly larger quantities of foodgrains. Situation may even arise where monopoly procurement and public distribution of all foodgrains become unavoidable. Prices under a system of monopoly procurement will have to keep in view the price of other competing crops so that a distortion of the cropping pattern is avoided. With monopoly procurement, the State assumes a direct responsibility of meeting the requirement of all consumers. It has therefore to devise a system of distribution such that shortage is equitably shared by all strata, classes and regions.

In a situation of country-wide shortage, the drawing up of the National Food Budget is imperative. The objective of the National Food Budget is to ensure that the nationally available supplies are equitably distributed between surplus and deficit States. It also implies
that the surplus States will procure quantities which, according to the National Food Budget, have to be made available to the Central Government for the needs of the deficit States. Such procurement will be in addition to the quantities needed to be procured for internal distribution within the State. The distribution of nationally available supplies, as between the States, should be entrusted to the Food Corporation of India.

The Public Distribution System can have two objectives: (1) to reduce the pressure on prices by cordon off the area with high purchasing power, and/or (2) to meet the needs of those sections of consumers which need protection both in urban and rural areas.

The Seminar emphasised the urgency of the food problem facing the country and the need for devising a bold and dynamic policy to meet the emergent situation. The need to increase per acre yield of crops becomes imperative and the farmers should be given every assistance to achieve this objective. It is equally urgent to provide for an intelligent and equitable distribution of available supplies. The task is immense and difficult, but it has to be faced with courage, determination and resolute State action.