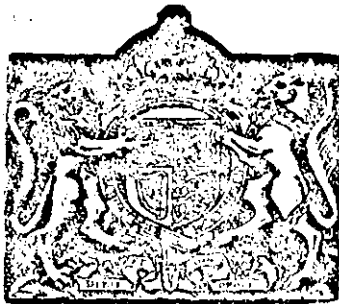


# INTERIM REPORT

# FOODGRAINS POLICY COMMITTEE



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BY THE MANAGER OF PUBLICATIONS, DELHI, INDIA  
NAGAR GOVERNMENT OF INDIA PRESS, NEW DELHI, INDIA  
1948

*Price As. 8 or 9d.*

#### ERRATA

Page 6, under the table **STATUTORY URBAN RATIONING**, for

“ Bengal” read “West Bengal”.

Page 21, paragraph 5, 2nd line, for “term” read “terms”.

Page 29, under **III. IMPORTS FROM ABROAD AND BASIC PLAN**,  
sub-para. (v), 1st and 2nd line, for “Government” read  
“Governments”.

Page 34, against serial No. 54, under Delhi, for the figure “105” read “104”.

Page 39, in the second column of the statement, in the 2nd column, for  
“food grain” read “foodgrains”.

Page 49, paragraph 2, in the 12th line, for “Inversly”, read “Inversely”.

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## INTERIM REPORT

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## INTRODUCTION

1. We were appointed a Committee in virtue of the decision of the Government of India set out in a letter of the Ministry of Food, No. 432/S, dated 27th September 1947; with the following terms of reference.—

“To examine the present position in regard to foodgrains in India and the prospective position in the next five years in the light of considerations of production, procurement, imports, distribution and controls and advise Government—

(i) on the measures which can be taken to increase domestic production and procurement,

(ii) the extent to which reliance can and should be placed on imports,

and (iii) in the light of the above, the modifications which may be necessary in the foodgrains policy so far pursued.”)

2. The object which the Government of India had in view in setting up this Committee, has been described in the letter cited above in the following terms:—

“Several years have elapsed since the publication of the Foodgrains Policy Committee's Report and the adoption by Government of a food policy based on it. The number of rationed population has increased to 143 millions, monopoly procurement is in force in the greater part of the country, movement of foodgrains is according to plan and imports have been obtained of the order of 2 to 2½ millions a year, though it has not been possible to build up a food reserve for the country. (In spite of the implementation of the major recommendations of the Foodgrains Policy Committee's Report, there is a continuing food crisis arising from failure of domestic supplies.) At the same time public dissatisfaction has been growing with the system of food controls in recent months and (it is sometimes suggested that the food crisis will disappear if all controls were removed.) On the other hand there is also a feeling that everything possible has not been done to implement the policy in regard to controls and what is required is a stronger and more comprehensive enforcement of food controls. Public dissatisfaction has also been expressed at the failure to increase domestic production of foodgrains sufficiently to obviate the continuing food shortage. (The Government feel, therefore, that the time has now come for a thorough review of the food situation in the country in the light of domestic production and possibilities of imports and for a full examination of the methods of procurement and distribution adopted in pursuance of the accepted policy and of the plans for increasing production.)”

3. The Committee held its first meeting on the 30th of September, 1947. A press note was then issued announcing the terms of reference, and (inviting all persons and organizations interested in the subject to communicate their views and suggestions, on matters falling within the terms of reference, so as to reach the Committee on or before the 15th of October.) The Committee also took a decision at this meeting that in advance of other matters referred to it, the question of policy to be pursued and the measures to be taken in respect of the procurement and distribution of foodgrains during 1948 should be considered.) (It was necessary to reach conclusions on these matters with the greatest possible expedition, because the main Kharif crops are due to be harvested in a few weeks and decisions would have to be taken by all the Governments concerned regarding the procurement of the new crops.)

4. Before reaching conclusions, we thought it was essential that we should have the benefit of detailed discussion of the problems involved with the responsible Ministers concerned, in different Provinces. At our invitation, the

(Prime Ministers of the Central Provinces, Orissa and Assam, the Food Ministers of Bombay, Madras, Bihar and the East Punjab and the Finance Minister of West Bengal came to Delhi and gave us a picture of the conditions prevailing in their Provinces and their views on the policy to be followed and measures to be taken.) We desire to place on record our grateful appreciation of the readiness with which these Ministers accepted our invitation at such short notice. They discussed their problems with us frankly and fully and this has greatly facilitated our task.

5. We had before us detailed memoranda from the Ministries of Food and Agriculture, which we discussed very thoroughly amongst ourselves. We were also furnished with supplemental information wherever this was found necessary and could be made available at short notice. Further we also discussed certain special aspects of the questions before us with the Secretaries of the Food and Finance Ministries and also with representatives of the Ministries of Transport, as well as of Industry and Supply.

6. We had the privilege of meeting Mahatma Gandhi who gave us the benefit of his guidance and advice.

7. We held 16 meetings in all, and concluded the first phase of our work on the 17th of October. A summary of the conclusions reached by us was immediately forwarded to the Ministry of Food.

8. A detailed statement of the considerations which led us to these conclusions is contained in this Interim Report, which is arranged as follows:—

The FIRST Chapter is devoted to a brief review of the origin, growth and present position of food controls in the country, together with a critical analysis of the main defects in their operation today. The Chapter concludes with an exposition of our view that an entirely new approach is immediately called for, with the definite objective of liquidating, by orderly and planned stages the commitments undertaken by Governments as a result of these controls.)

We then separate the question of reduction of Government commitments into two parts, *viz.*, the reduction of Central Government commitments in relation to Provinces and secondly of the commitments undertaken by Provincial Governments in relation to the people. Our views regarding the policy to be pursued and measures to be taken in these two aspects are set out in Chapters II and III.

Then we deal in Chapter IV, with the very important (question of prices of foodgrains.) This question has, in our opinion, a vital bearing both on production and on procurement.)

In Chapter V, we set out our views (regarding the types of control which should be retained, and those which should be removed during 1948, consistently with the policy we recommend, of reduction of Government commitments.)

In the last Chapter, we make a few (observations on the question of supplemental foods, mainly from the point of view of meeting the shortage of cereals.)

9. (A summary of conclusions is annexed to this Report.) We have also attached a Statistical Appendix exhibiting certain essential statistics relating to the foodgrains position of different units of the country.

10. We reserve for our Final Report all other matters committed to us for examination, including the whole question of increasing the production of food, which is obviously a matter of paramount importance. We shall also give (in our Final Report our further conclusions regarding the questions we have dealt with in this Interim Report.)

## CHAPTER I

### REVIEW OF FOODGRAINS CONTROLS.

1. The elaborate structure of food controls, at present in force throughout the country, derives its origin from exceptional conditions which prevailed during the War. The need for controls was, in fact, not felt during the first two years of the War. (The first step in the direction of controls was taken by the Central Government on the 5th December 1941, when statutory control of wheat prices was notified.) (Very soon the emphasis shifted from wheat to rice, mainly because of the outbreak of the War in the East.) The Japanese conquest of Burma in March 1942 had three very important consequences.

*First.* Rice imports ceased and the import of other grains very seriously restricted.

*Secondly.* There was a very serious (shortage of transport, due to rapid expansion and reorientation of military requirements.

*Thirdly.* The threat of invasion as well as measures taken against this contingency caused unsettlement and alarm over large areas!

2. As a result of these altogether exceptional circumstances, supplies of rice available in the market diminished and the demand increased mainly from those parts of the country which were dependent on imports from Burma. There was a (steep rise in prices in many places.) The Governments of the country, who were largely unprepared for the emergency, took certain steps to meet the situation. (Movement of supplies from one Province to another was cut off by bans imposed by Provincial Governments.) In many places movement from district to district within a Province and even from one part of a district to another was cut off. (These steps naturally threw the responsibility on Governments to feed the people who could not receive their supplies through the normal trade channels.) Up to that time purchases of grain on Government account had been limited to the requirements of the Army. They used to be made in the open market on a voluntary basis. In or about the middle of 1942, the first steps were taken, towards procurement of the type now familiar—that is, the buying of grain, on behalf of Government, under conditions of control which limit or eliminate competition by private buyers. The earliest steps were taken in Madras, and other Provinces took similar action at different times. (Various forms of Government control over distribution also came into vogue, among them urban rationing in Bombay and rural rationing in Travancore and Cochin)

3. While these measures were being taken, (largely in an uncoordinated manner, the difficulties multiplied.) Certain areas in Bombay and Madras, where the rainfall is normally insufficient and uncertain and where scarcity conditions are, in consequence, liable to develop periodically, sustained one of their usual seasonal failures during this period. At the same time, there was a poor rice crop in Bengal. Coinciding, as this did with the disruption of the movement of supplies through the normal trade channels, and the prevalence of other exceptional conditions which need not be recapitulated, there was famine in Bengal which took a heavy toll of lives. The principal result of the famine, so far as the country as a whole was concerned, (was still further to aggravate the prevailing psychology of shortage and to create a nervous apprehension about supplies and prices.) As a result, (further extension of controls was undertaken over wider areas in the country.) The War ended in 1945. But, this (did not lead to any relaxation of controls.) On the contrary, there was further extension and intensification of controls during 1946. This was attributed at the time, mainly to the low yield of the rice and

millet crop which was harvested at the end of 1945. It was believed that intensification of control was necessary in order to prevent the shortage developing into a famine. Again, in 1947, some further intensification of controls was attempted in certain areas, mainly for the same reasons.

4. We have so far traced the origin and growth of these controls and now proceed to describe the main features of these controls as they operate today. These controls may be broadly divided into two groups, which may be conveniently described as "All India Control" and "Local Control". There are two principal features of "All India Control", *vis.*, *first* the procurement of foodgrains from abroad on a monopoly basis by the Central Government, and *secondly* the implementation of what has been called the All India Basic Plan. There are two principal features of "Local Controls" in each Province and State. *First*, there is what is called "Rationing and Controlled Distribution", which broadly determines the commitments of the Provincial (or State) Government concerned, to its own people. *Secondly*, there is "Procurement" which means the securing from local resources, of the quantities of grain required for meeting these commitments, as well as (in the case of surplus units) for meeting the export quotas under the All India Basic Plan. There are numerous other controls, such as control of wholesale prices and retail prices, control of movements from one district to another, or of movements from area to area in the same district, control of stocks held by consumers, traders, producers and so on. All these are broadly ancillary to the two main purposes which we have described already.

5. It is necessary for a proper understanding of the present structure of Food Controls that the manner in which the All India Basic Plan is prepared and implemented should be clearly understood. This is described below from an account given to us by the Ministry of Food:—

\* \* \* \*

"The Basic Plan means no more than a sort of a ledger account of assets and liabilities which is prepared for each crop. Briefly, India has two main groups of crops:

- (a) the KHARIF or the Winter crop of rice, millets and maize which begins to come into the market at the end of December,
- and (b) the RABI or Spring crop of wheat, barley, and gram which comes into markets at the end of April.

For each of these crops every Province and State provides the Central Government with estimates of production and consumption and of the extent to which they are surplus or deficit in any particular grain. The Central Government compiles these returns and makes out a balance-sheet. It then tries to allocate the surplus as best it can to the deficit areas according to ascertained needs.

There are certain features of this system to which attention may be drawn at once. The whole plan operates by consent: that is to say, the different Provinces and States agree amongst each other and with the Central Government to play the game in the interests of India as a whole, to try and find out what their true production is and what their true consumption will be, to declare their true surpluses or deficits, and above all, if they are surplus, to place that surplus unreservedly at the disposal of the Centre for distribution. This last point is of importance and distinguishes the system in India from the international system under which India obtains its imports as allocated by the International Emergency Food Council. Under the Indian system, a Central authority knows all the facts, is voluntarily entrusted by the constituent units with the absolute duty of deciding where the surpluses are to go and what proportion. Once, having declared a surplus, the Provinces and States have no say, and desire to have no say, as to where that surplus goes.



What is the surplus or the deficit is a matter of agreement between the State or Province and the Centre. It is clear on the one hand that the Province or State must be allowed to keep within its boundaries that quantity of cereals which is necessary to feed the population at the required standard. At the same time considering India as a whole, the other Provinces and States are entitled to know that the individual Province or State declaring a surplus, or deficit, has done so on a reasonable estimate of availabilities, has made a real effort to make that estimate as good as it can be, and has accepted scales of ration which are not extravagant, and pay due regard to the All India position and the needs of other areas. The Central Food Administration has therefore the duty to itself and the responsibility *vis-a-vis* other administrations to scrutinise and check estimates of production and surpluses and to screen the estimates of consumption and deficits. This is a long and delicate process; and it is perfectly clear that the procurement and movement of the crop could not stand still while prolonged arguments or negotiations were going on between the Centre and the Provinces. The manner in which this difficulty is overcome is as follows. As soon as all the estimates of the Provinces and States for a crop have been received, the Food Department prepares its balance sheet and makes allocations without questioning either the surplus declared or the deficit claimed. This enables movements of the surpluses to be planned at once, and the supplying and recipient Governments to get into contact and complete the inspection and sale of early consignments of grain; and it enables the procuring Government to start procuring at the most favourable time, that is to say, when the crop begins to flow into the market at the beginning of the season. To achieve this, of course, the estimates of production have to be given before the crop is harvested and are generally speaking, estimates which are based on the acreage sown plus an estimate by eye of the crop about three-quarter of the way through the crop season. After the crop has been harvested and begins to move, it is possible to compile more precise statistics of actual production, and it is then that the Central and Provincial Governments discuss the revision of their declared surpluses and deficits. From this emerges a revised Basic Plan for a crop, deficits may be adjusted up or down, surpluses may be similarly altered, and adjustments take place in the light of the position now more accurately revealed.

Since the failure of Kharif crops in the South in the end of 1945 and the Rabi crops in the North in 1946, the supply position in the country had been rendered so difficult as to necessitate working on a system of monthly budget for the important deficit areas simultaneously with the annual Basic Plan described above. For one thing, extension of rationing throughout the country, has enabled the Food Department to assess requirements of deficit areas still more accurately. Secondly, estimates of procurement in various areas are now much more accurate because of the improvement in the systems of procurement and the general adoption of the monopoly procurement system in important surplus and deficit areas to be described shortly. Internal failure of crops combined with the uncertainty and insufficiency of imports from abroad has made it unavoidable for the Central Food Administration to work since April 1946 on a more refined system of monthly budgets. In these arrangements, the stocks held by Provinces and States at any point of time in the deficit areas, the estimates of what the local Government procure in these various areas month by month, the estimates of supplies which they will receive from surplus parts of India, from imports month by month, and finally the calculations of offtake against Government supplies necessary to maintain rationing, provide the necessary data for allotting monthly availabilities. The idea is to keep these areas at any point of time at about equal stock levels with reference to their requirements so that some equality of sacrifice is secured in the country. The monthly system therefore only means splitting up of the Basic Plan into much shorter periods. On the whole, last year's experience has shown that estimates made in our monthly budgets have been fairly accurate.

Having made its Basic Plan reviews for each crop, the Central Food Department has so far invariably been faced with heavy deficits; and the gap has to be filled by imports. What India would like is imports of rice to replace rice imports which were lost when Burma and Siam were lost. Production and export in these two countries have not yet returned to normal, and India cannot possibly expect to get at present in terms of rice, quantities necessary to close the gap. What she usually gets or has to accept are imports of wheat, maize or millets, and these have to be largely used in substitution for rice.

It had been recommended by the Foodgrains Policy Committee in 1949 that the Government should aim at building Central Reserve of half a million tons of foodgrains. The imports received year by year have been so small in comparison to the total requirements that there was no possibility whatsoever of building any such reserve. In fact from year to year the problem has been to maintain a uniform ration of 12 ozs. in various parts of the country. Ration scales in the country over "these years have from time to time been adjusted in relation to the total quantities available internally and from abroad."

6. It is not our intention to burden our report with a minute description of the numerous systems of local controls which are in force in different parts of India. It is, however, necessary that certain observations should be made at once in order to clarify the position regarding "Rationing and Controlled Distribution". According to the figures supplied to us, the total rationed population is reckoned as over 143 millions out of a total population of 334 millions (exclusive of Pakistan). This figure of rationed population is likely to mislead, unless it is clearly realised that the number who actually depend on Government stocks for meeting their requirements is very much less. We now proceed to explain this point.

7. The people whom we regard as 'rationed' in the strict sense of the term, are those who live in urban areas, where rationing is organized on a statutory basis. The total number of cities and towns where statutory rationing prevails is 468, and the total population involved is 39.93 millions. This is the enumerated ration card population from which, no doubt some allowance should be made for bogus ration cards. Over two-thirds of this number are to be found in the four Provinces of Bombay, Madras, United Provinces and West Bengal, as shown below:—

#### STATUTORY URBAN RATIONING

Province	No. of towns and cities	Population (in millions)
Bombay	119	8.43
Madras	85	6.68
United Provinces	52	6.10
Bengal	14	5.92
Total	270	27.13

8. It is thus clear that there are over ten crores of people who are officially

reckoned as part of the rationed population but who are not residents of statutorily rationed urban areas. These are divisible into the following classes:—

Classification	Population (in millions)
(a) Non-statutory rationing (urban) ...	3.71
(b) Statutory rationing (rural) ...	13.70
(c) Non-statutory rationing (rural) ..	65.45
(d) Controlled distribution (urban) ...	4.07
(e) Controlled distribution (rural) ...	10.72
<b>Total</b> ...	<b>103.65</b>

9. The largest of these five groups is the one described as "Non-statutory rationing (rural)". The total of 65.45 millions in this group is almost entirely accounted for by the inclusion in it, of the entire rural population of Madras, Bombay and Mysore. Again, nearly the whole of the second largest total of 13.70 millions under "Statutory rural rationing" is accounted for by the inclusion in it, of the entire rural population of Travancore, Cochin, and the adjoining West Coast districts of the Madras Province. It is obvious that a large proportion of the rural population of Madras, Bombay, Mysore, Travancore and Cochin must be producers who feed themselves. They do not depend on Government stocks for their supplies. We have been told that they are included in the total of the rationed population for the reason that the quantities which may be retained by rural producers in these areas are fixed with reference to their requirements on scales determined by Government, and they have been placed under legal obligation to deliver their surplus stocks to Government on a wholly and largely compulsory basis. While this is no doubt a good explanation of why they are included in the statistics of "Rationed population", it is clear that the numbers involved should be excluded, before we can appreciate the real magnitude of the responsibility which these Governments are attempting to fulfil. The exact number of persons who feed themselves all the year round and in addition provide the supplies needed by the Governments concerned, is not known. We understand that separate statistics in regard to this population are not available. Apart from this class, the total number included under these two categories of Rural Rationing must also comprise partial producers—that is, persons who normally secure from the lands which they own or work, a certain amount of grain with which they feed themselves and their families for a part of the year. In their case, the obligation of Government is limited to supplying them for the remaining part of the year only, and not all the year round, as in the case of the statutorily rationed urban population.

10. There remain three other categories, consisting of—

- (a) Non-statutory rationing in urban areas;
- (b) Controlled distribution in urban areas; and
- (c) Controlled distribution in rural areas.

The nature and extent of commitments involved under these heads appear to be different in different parts of the country. Broadly, however, it is clear to us from the quantities of Government stocks distributed and the numbers involved, that only a small fraction of the requirements of these people could be met from Government stocks, and the people concerned must be getting their supplies predominantly from the free market.

11. We would like to stress the fact that the total number of people who depend entirely upon Government for their food supplies throughout the year is only of the order of 50 millions; while those who depend upon Government for their food supplies for a part of the year will number another few millions. In any case, it is entirely incorrect to suggest that 143 million people are rationed in India with the implied suggestion that they all depend upon Governmental supplies. Statements of this kind lead to an accentuation of the panic psychology in India and do not add to her prestige abroad. We would, therefore, strongly urge on Government the discontinuance of the present practice of mentioning the number of the rationed population as 143 millions.

12. There are various systems of procurement adopted in different parts of India. In some cases, purchases are made on Government account direct from the producer by agents appointed for that purpose; and in others, they are effected from middlemen (traders or millers). In all cases, some methods of control are adopted in order to obviate or limit competition and to maintain a price limit. These systems may be broadly classified into those which involve: (a) a monopoly plus a levy; (b) a monopoly without a levy; (c) a levy without a monopoly; and (d) others where there is neither a monopoly nor a levy. We use the term 'levy' in a broad sense, as covering every case where the producer is legally obliged to sell. It includes such systems as in Madras where the assessed surplus over and above his requirements assessed in accordance with a prescribed scale, is at the disposal of Government, or as in Bombay where a fixed quantity assessed on the holding, and not necessarily covering the full surplus, is payable. Broadly speaking, a combination of the monopoly and the levy is to be found in Bombay, Madras, Mysore, Travancore and Cochin. The monopoly without the levy is found in Orissa, parts of the Central Provinces, and parts of Assam. A levy without a monopoly is found in the United Provinces. The general trend within the last few years has been to pass over from procurement from the trade to procurement from producers, and to assure purchases either by some kind of monopoly, or a levy, or both.

13. There are a number of complaints which have always been made against the working of these controls. We do not propose to enlarge on them at any considerable length as they are mostly familiar. There is, for instance, the high cost of administration involved. We have not been able to collect figures in this respect; but it seems to be generally recognised that the cost is high and has been on the increase. Then, there is the complaint about the quality, which is widespread and well-founded. Whether it is a case of imports from abroad, or of supplies made available under the Basic Plan from the surplus areas to deficit areas in the country, or of supplies locally procured for local distribution, the story is the same. There has been a great deterioration in quality. This is due to various causes among the most important of which is the fact that the purchaser has no option in the matter, and has to take the grain which is offered to him.

Then, there is the question of losses sustained in storage and transit of large quantities by agencies not always accustomed to handle the grain, and who do not exercise the degree of care and responsible supervision which is normally to be expected from persons who operate on their own account.

Then again, there is the problem of corruption in the large army of functionaries employed on the procurement, movement, storage, and distribution of supplies—an evil for which, as far as we can see, no effective—or satisfactory remedy has yet been found.

14. (These deficiencies are real, and they are potent sources of public dissatisfaction.) They are also, in our opinion, largely inherent in any system of Government trading. We would not lay undue emphasis on this, however,

as long as controls are clearly essential and are substantially fulfilling the purposes for which they are intended. It is in this latter respect, however, that we find the course of events during recent years has been such as to give us cause for grave concern. The main features to which we wish to draw attention prominently are as follows:—

- (i) Decreasing procurement, attended by increasing difficulties;
- (ii) decreasing scales of ration, attended by increasing difficulty in maintaining those scales and depletion of Government stocks; and
- (iii) steadily increasing demands for imports from abroad.

15. We have been furnished by the Food Ministry with figures showing the production and procurement of major foodgrains during the current year, as well as three preceding years. Taking these figures for the country as a whole (and excluding Madras for the moment from consideration) the position is shown in the following table:—

Year	Production† (Millions of tons)	Procurement* (Millions of tons)	
1944	46.54	4.10	8.8 %
1945	44.01	3.78	8.6 %
1946	40.33	3.67	9.1 %
1947 (upto 25.9.47)	41.07	2.83	

These figures clearly show that the quantities procured, taken as a whole, have been diminishing in spite of the fact that during the same period both procurement controls and Government commitments have been on the increase. It is true that the production figures for the last 2 years are relatively low, but some of us doubt whether production had been in fact as low as these figures would indicate. We believe it to be possible that there might have been a general tendency in villages to understate the yields, rather more than is usually the case with these statistics. Such a tendency is to be expected partly because the allocation of supplies to different areas was dependent on these statistics, and mainly because of the extension and intensification of procurement from producers at prices which they regarded as unduly low. In any case, even taking these production figures as they stand, the fact remains that procurement has been diminishing while commitments have increased. The whole basis of the theory on which increased commitments are accepted by Government is, as far as we understand it, that increase in commitments would be accompanied by more than corresponding increase of procurement, and the dependence on external supplies from abroad would be thereby diminished. The figures which we have cited indicate that this is the opposite of what has been happening.

\* The procurement figures represent the procurement of Kharif grains during the 12 months ending 31st of October of the year to which they relate and procurement of Rabi grains during the 12 months beginning with the 1st May of the year to which they relate.

† The production figures given against each Calendar year represent the aggregate production of rice, wheat, millets, maize and barley for the preceding official year. Thus the production figure given against 1944 relates to the production of these grains during 1943/44, and similarly for succeeding years.

16. This phenomenon of falling procurement, which is clearly brought out by the figures mentioned above, is also reproduced to a greater or less extent in almost every unit in the country except Madras. Thus the procurement figures for Bombay are:

452,000 tons in 1944  
 606,000 ,, in 1945  
 399,000 ,, in 1946  
 and 386,000 ,, in the current year.

The figures of the Central Provinces are:

397,000 tons in 1944  
 436,000 ,, in 1945  
 385,000 ,, in 1946  
 and 276,000 ,, in the current year.

In Assam the figures are:

187,000 tons in 1944  
 152,000 ,, in 1945  
 152,000 ,, in 1946  
 and 104,000 ,, in the current year

The Bengal figures are:

1,029,000 tons in 1944.  
 642,000 ,, in 1945  
 668,000 ,, in 1946  
 and 337,000 ,, in the current year.

17. The only material exception has been Madras where the figures are:

833,000 tons in 1944  
 773,000 ,, in 1945  
 1,384,000 ,, in 1946  
 and 1,337,000 ,, in the current year upto 25.9.47.

We are informed that the procurement figures which were already nearing the level of last year on 25th September, 1947, will exceed them during this year. While we are glad to note this fact, we are bound to draw attention to certain other facts which affect the inferences to be drawn. First, we have not been able to ascertain to what extent the commitments of Madras increased since 1944 and 1945, and whether the increased procurement was more than sufficient to cover this. It seems reasonable to suppose that this was not the case, having regard to the considerable increase in the volume of imports made available to Madras during this period. Secondly, procurement has been made effective this year, in the face of most exceptional difficulties, and this required the concentrated attention of almost all the Ministers of the Province and the employment on procurement work of practically all the agencies at the disposal of the Government and not merely those engaged in food Administration. It is quite impossible, as was indeed stated before us by the Madras Food Minister himself, that this kind of abnormal strain should continue to be a normal recurring feature of the administration of that Province. There are a great many other things to do, besides procurement of foodgrains, which need the attention of Ministers and public servants. It is evident to us from all these facts, and from the views expressed by Ministers when we questioned them about procurement, that any substantial increase in the present level of procurement in the country is not to be expected.

18. Right upto the end of 1945, the Government of India regarded 1 lb. per adult per day as the normal cereal ration to be allowed under the rationing system. This scale was, in fact, generally maintained, though there was some difficulty for a relatively short period during 1943 in certain isolated areas. During 1946, the over-all cereal ration was reduced to 12 ozs. per adult per day throughout the country. In the main, this reduced ration was maintained in most parts of the country last year, but with considerable difficulty. The composition of the ration had to be altered to include unfamiliar foodgrains to a substantial extent, thereby reducing the total offtake. The position has further deteriorated during 1947. Over large areas the ration has been reduced to 10 ozs., at times to 8 ozs., even to 6 ozs. In many areas, resort has been had to the supply of unfamiliar foodgrains, so as materially to decrease the offtake. In some rural areas, there has also been intermittent stoppage of supplies. Throughout this year the stocks in the hands of many Governments have been unduly low and diminishing. There have been frequent announcements of imminent breakdown of the rationing system and consequent famine, though so far, we observe, this has not actually materialised.

19. It seems to us clear from all this that the system of food controls is unable to fulfil the purposes for which it was intended: what is more, it looks as if the system will fail increasingly. The country appears to have fallen into a rut, in which this condition of continuing food crisis is likely to perpetuate itself in an artificial manner. We use the word, 'artificial' advisedly. For, as already explained, it is not as if the entire population is being rationed and supplied exclusively from Government stocks. There are large areas where no rationing prevails, and where the population secures its supply from the free market. Even in areas which are under some form or other of rural rationing, the system does not aim at securing the full available surplus (e.g., Bombay). In other areas where the system does aim at securing the full surplus, the administrative difficulties involved in working the system appear to be very great. In these circumstances, we believe a great deal of grain tends to remain in the villages. This inference is supported by the common experience of most people about the ease with which grain is obtainable in the free market. The result of every decrease in the scale of ration allowed is that the relatively small proportion of the population which is effectively rationed in urban areas tends to suffer. The demand on the free market increases. This widens the gap between the controlled price and the price actually prevailing in the free market. The tendency for the free market to convert itself into an illegal black market thereby increases. (The more grain is sold in the black market, the greater the drop in procurement and this necessitates a further decrease in the scale of ration. A vicious circle is thus set up, the inevitable result of which must be increasing maldistribution of available stocks, exaggeration of such shortage as may be prevailing in parts of the country, a distorted and alarming picture of the imminence of famine entirely unjustified by the actual supply situation and general increase in the dissatisfaction of all sections of the public with the measures taken by the Government to deal with the food situation.

20. The undesirable results of the vicious circle we have described are many. Perhaps the most serious among all of them is the demand thereby created for colossal quantities of imports from abroad. It is true, as we have already observed, that for a year or two following the fall of Burma our imports were reduced to very small dimensions. But this was sometime ago. According to the figures supplied to us, overseas imports amounted to 763,000 tons

from abroad should be liquidated by orderly and planned stages. *Secondly.* The commitments undertaken by the Governments of the country under the present system of food controls—involving as they do an undesirable degree of dependence of the people on administrative agencies of Governments—should be liquidated by similar orderly and planned stages.

23. We realise that the extent to which these objectives can be secured during the next year may be limited. But we also believe that unless this policy is accepted immediately and the process of liquidation begun without delay, the present crisis will continue indefinitely and the conditions necessary for the fullest utilisation of our resources of land and man power for increasing the production of food or of anything else would not be established. The real solution is not imports or controls on procurement and distribution. It is only a substantial increase of domestic production within the earliest possible time that can solve the Indian food problem.



## CHAPTER II

### REDUCTION OF CENTRAL GOVERNMENT COMMITMENTS.

1. We have explained in the last Chapter the objectives of policy that we have in mind. It has been suggested by some persons that, in pursuance of these objectives, the present system of controls should be ended forthwith. We do not, however, think that this is possible. After all, the precise degree of shortage prevailing in the country is not known for certain—there are no reliable data for estimating this. In any case the process of transition from controls to decontrol cannot be sudden and unplanned. A good deal of preparation is necessary and the transition effected by orderly and planned stages. We are, however, definite that the time has now come to start this process of transition towards decontrol; and we suggest that a beginning should be made with a reduction in and strict limitation of Central Government commitments in 1948. We thus proceed on the basis that (Government commitments should be reduced and limited but not eliminated in 1948.) Some among us would not, however, rule out the possibility of a decision being taken sometime in the middle of 1948 to end the system of controls altogether and would like, therefore to have the position considered afresh after the next Rabi harvest. There are others among us who are of the view that no further change should be effected in 1948 beyond those recommended in this Interim Report. We now proceed to outline below our position regarding the nature and extent of reduction in Government commitments that we would recommend for 1948.

2. Government commitments can be divided into two parts:

*First*, there are the commitments of the Central Government to the deficit Provinces and States, and

*Secondly*, there are the commitments of the Governments of Provinces and states.

We shall consider the latter in the next Chapter, and confine our attention, for the present, to the commitments of the Central Government. These include: *First*, the securing of imports from abroad, *Secondly*, the securing, in terms of an All-India Basic Plan, of surpluses from surplus Provinces and States in this country, and *Thirdly*, the distribution of these supplies to the deficit Provinces and States.

3. The first step to take, in our opinion, is to fix a definite ceiling for imports to be secured from abroad during 1948. What this ceiling should be is a matter for separate consideration. The immediate point we wish to make is that the present policy of securing all the imports which can possibly be obtained should be definitely given up. The Government of India should no longer press their claim to the entire quantity to which the country may be entitled on a statistical basis, in the allocation of world supplies. Purchases should be made without undue advertisement of the needs of this country within a pre-determined ceiling, and on the best terms obtainable. We believe that a purchase policy pursued on these lines would help to secure imports at more reasonable prices than at present, and enable some discrimination to be exercised in the selection of grains which are purchased.

4. Next, we would recommend a clear-cut decision being taken and announced that it is the settled policy of the Central Government to terminate its dependence on imports from abroad at the earliest possible date. This is, in our opinion, essential in order to leave no room for doubt in the minds of Governments and the people of deficit areas in the country about the position in the immediate future. They should realise clearly that they have no way out except to increase their production of food with the greatest possible speed and utilise all resources available to them to the fullest possible extent.

5. Our next recommendation is that out of the quantities actually imported from abroad, not less than a specified quantity should be retained by the Central Government as an Emergency Reserve. Mention has been made of the recommendation of the Foodgrains Policy Committee of 1943 that the Government of India should aim at the building of a Central Reserve. We have been told that the imports received so far have been so small in comparison to total requirements, that there was no possibility whatsoever, of building any reserve. We fear that this possibility will continue to be absent unless the Government of India and other Governments concerned make up their minds definitely here and now that a reserve must be built up out of imports secured in the next year. We would emphasise the importance of this reserve, because it is an essential part of the policy we recommend, viz., the liquidation of Government commitments by orderly and planned stages. (There is always an inherent risk in any transition from controls to decontrol, and it is only by the maintenance of a Central Reserve, that can be freely drawn upon in an emergency, that such a risk is minimised, if not eliminated.)

6. Our further proposals for the purpose of completing the process of defining and limiting the Central Government's commitments are as follows:—

(i) The Central Government should determine, in agreement with Governments of surplus Provinces and States, a "Basic Export Quota" for each. The Provincial (or State) Government concerned should accept responsibility for procuring and making available this "Basic Export Quota" during 1948; and should endeavour to make available as much grain as possible in the form of "Supplementary Export Quotas". In connection with the latter, it has been suggested that some financial inducement may be offered by the provision of bonus payments to surplus Provinces and States who offer "Supplementary Export Quotas." We commend this suggestion for the consideration of the Government of India.

(ii) The Central Government should determine, after consultation with Governments of deficit Provinces and States, the "Ceiling Import Quotas" to be made available to each during 1948. Decision should be taken and announced that the "Ceiling Import Quotas" will not be exceeded during 1948. The Government of the deficit Province or State concerned should accept responsibility for management of its food affairs, without making larger demands on the Centre and to endeavour to reduce its requirements from the Centre as much as possible. In this connection, again, the possibilities may be explored of financial recognition being given to those Provinces and States who are able to reduce their import requirements below their "Ceiling Import Quotas."

7. (These recommendations mean broadly the restoration of the position regarding the working of the Basic Plan as it obtained during 1944 and 1945.) We believe that the system of monthly allocations which subsequently came into vogue, tended to diminish the feeling of primary responsibility on the part of Provinces in respect of their own food affairs, put a premium on importunity and penalised self-reliance and self-help. (The system also helps to create and maintain an atmosphere of continual crisis. Our proposal is designed to let deficit administrations visualise clearly, at the beginning of the year, the nature and extent of outside help they are likely to receive in the course of the year, and to plan their course of action accordingly, and not to drift from month to month in the expectation that something might turn up later in the year.) We realise that the course we recommend depends, for its complete success, on a high sense of duty on the part of administrations of surplus areas; to procure the "Basic Export Quotas" and improve upon them to the maximum possible extent. We earnestly hope that in the interest of the country as a whole, they would make the necessary effort; and that in order to enable them to do so and to increase their production rapidly, the Government of India would render all possible assistance.

8. We now turn to the question of the actual quantities to be fixed as the ceiling for import during 1948 and the portion thereof to be retained by the Central Government as an Emergency Reserve. The settlement of these figures is correlated on the one hand with the question of foreign exchange and on the other with the quantities to be fixed as "Ceiling Import Quotas" in deficit areas and "Basic Export Quotas" in surplus areas. Our views in respect of the latter are given below. After taking all relevant considerations into account we arrived at certain figures which we have communicated separately and confidentially to the Ministry of Food. In our opinion, the figures we have proposed should prove adequate having regard to the general policy in view and we recommend their acceptance accordingly. We need hardly add that if for reasons beyond their control, Provincial Governments are not able to keep within these figures, then the Emergency Reserves we have suggested above would be available for giving them supplementary quotas.

9. We have carefully reviewed the quantities of foodgrains which were actually exported from surplus areas to deficit areas in the country and the quantities imported into deficit areas both from surplus areas in the country as well as from abroad. These quantities are known from the results of operation of the All-India Basic Plan during the last 3 years and the current year. We discussed among ourselves the export possibilities and import requirements as indicated by these figures. On the basis of this examination we recommend the following:—

<i>Basic Export Quotas</i>	(Figures in thousands of tons)
Coorg	12
Assam	50
Central Provinces	150
Orissa	150
Indian States	120
	482
<i>Ceiling Import Quotas</i>	
Bihar	0
Bengal	150
Madras	150
Bombay	350
Central Provinces	50
United Provinces	0
Delhi	120
Miscellaneous Areas	100
Defence Services	80
East Punjab	100
Indian States	400
	1,500

We realise that it is not possible to propose any set of figures which would satisfy everybody. We consider it our duty, however, to put forward these figures; as, otherwise, there is the definite danger of surplus areas under-estimating their capacity to export and deficit areas overstating their requirements to such an extent as to defeat the main objectives of policy which we have already recommended. We, therefore, recommend the acceptance by all the Governments concerned of the figures mentioned above. If the Provincial Governments make an earnest and sustained effort, they would find that the figures

of exports mentioned above are within easy reach of achievement by the surplus Provinces, while those of imports, together with grain produced domestically would prove to be adequate for meeting their rationing commitments reduced as suggested in the next Chapter. We are encouraged in taking up this position by the fact that the Kharif harvest of this year available for consumption in 1948 is expected to be better than the Kharif harvests of the two previous years.

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## CHAPTER. III

### REDUCTION OF PROVINCIAL GOVERNMENT COMMITMENTS.

1. We now turn to the question of the measures to be taken by Provincial Governments during 1948 in order to give effect to the general policy we have recommended of liquidation of Government commitments as early as possible. We considered and discussed amongst ourselves a number of suggestions on this point and consider it would be useful to indicate briefly the nature of these suggestions and their implications.

**First.**—The first suggestion was that we should, on a review of the actual procurement performance in the country as a whole during the last few years, determine broadly a definite target of procurement and adjust the commitments to that target. The determination of this target would be based primarily on its actual feasibility. Thus, for instance, a figure of 2½ millions of tons per annum might be regarded as procurable with ease and certainty, without causing discontent amongst producers and without taking the time, energy and resources of popular Ministries and the administrative services in the abnormal manner we have commented upon already. The total commitments to be accepted would then be the number of people for whom a 12 oz. ration can be assured with the supplies thus procured. Once the over-all target is decided upon, it would then be a matter for the Administrators concerned to break it up into separate quantities for separate local areas and different grains concerned and correlate these local targets to corresponding local commitments. The result of such a settlement of procurement targets and commitments would be the transference of all other existing commitments to the free market. The Governments could then meet their liabilities with ease and success, and the allocation of responsibilities as between the Government and the free market would become quite clear.

**Second suggestion.**—In the course of discussion of the suggestion mentioned above, some of us felt that the local break-up of a pre-determined target would not be such as to cover the categories of the population whom it would be necessary or prudent to provide for under a continued rationing system. From this point of view, the suggestion was made that the reduction of Government commitments, to be effective during 1948, should take the form of limiting the commitments to the statutorily rationed urban population as a whole. All other existing Government commitments in respect of rural rationing and controlled distribution may be liquidated. It was felt that this would represent a substantial instalment of the process of liquidation of Government commitments to be undertaken during 1948, even though the total procurement which would be necessary to honour such commitments might exceed the limit visualised under the first suggestion.

**Third suggestion.**—In the course of examining this suggestion some of us felt that part at any rate of the existing commitments under rural rationing and controlled distribution was likely to be inescapable during next year. There are deficit rural areas whose production at present is so far short of their requirements that special arrangements for the provision of supplies needed by them would be necessary for substantially the same reason as urban areas. Instances in point are such areas as the Ratnagiri District in Bombay, the Malabar District in Madras, Travancore and Cochin and so on. There may be other rural areas where there may be local concentrations of industrial or other classes who are not producers of food. Some provision would be necessary in such cases.

2. After discussing these suggestions in detail, we have come to the conclusion that while the policy should be one of reduction of Government commitments, statutory rationing in urban areas should continue in 1948. As regards substantially deficit pockets in rural areas, Provincial Governments should be left free to retain statutory rationing. It is in the fields of non-statutory rationing and controlled distribution that an immediate reduction can be effected, but the actual basis of reduction will have to be left to Provincial Governments to work out with reference to local conditions. Our recommendations to the Provincial Governments, therefore, are made in the following terms, viz.,

- (i) acceptance of policy of reduction of Government commitments under rationing and controlled distribution;
- (ii) the beginning to be made with those rationing commitments which were accepted in recent years and reduction to be effected in the reverse order to the original process of extension; and
- (iii) the basis of reduction to be decided with reference to local conditions with the definite aim of liquidating Government commitments as early as possible.

3. It will be seen that we have indicated a general principle of priority in selecting commitments to be reduced, which we believe to be sound. Those areas in which commitments were accepted earliest may be reasonably presumed to be those which have the greatest justification behind them.) Likewise those areas where commitments were accepted in recent years must be places where until recently it was possible to manage without special arrangements made by the Government and a similar condition could be restored immediately. We hope that Provincial Governments, in taking their decision, will be guided by this principle and at the same time give due weight to the various considerations we have mentioned in the preceding paragraph.

## CHAPTER IV

### PRICES

1. At a very early stage in our deliberations, we reached the conclusion that the question of prices is crucial from the point of view alike of procurement and production. There was a striking unanimity of opinion on this point among all the Provincial Ministers who discussed their problems with us. To all of them—whether they came from surplus or deficit areas—we put this question:

“It is essential that you must increase production substantially. It is also essential that procurement must be improved. The surplus area must increase its deliveries and must increase its exports, and the deficit area must diminish its imports. What would you suggest should be done?”

In almost every case, the very first answer was that the price paid to the producer must be increased. The emphasis laid on this answer differed—the Ministers from some Provinces were firm and decisive and others hesitant. But the replies from all alike showed that there was a feeling among the producers in most parts of the country that the procurement prices should be increased. Whether this feeling is justified or not, it exists and must be reckoned with. There are many grounds on which this feeling rests; and the emphasis laid on each of these grounds varies in different parts of the country, reflecting the variations in local conditions. We now proceed to describe each of these grounds and offer our comments on them.

2. **First.—Procurement price uneconomical.**—The allegation is that the price paid to the producer is not sufficient to cover his material cost of production and leave a margin of fair return for the capital, labour and enterprise involved. There are various estimates of the cost of production which, according to those who have framed them, establish this proposition. On the other hand, it has been stated that this is entirely incorrect and is definitely disproved by the fact that the agriculturists as a class are financially better off as a result of the increase of prices which has taken place during the War and since. The burden of debt on this class has generally decreased greatly, and the burden of monetary obligations by way of land revenue and rent now sit lightly on them. We are inclined to the view that it is profitless to pursue discussion on the basis of a direct relationship between the price per maund of grain and the cost of production per maund of grain, because there exists no generally agreed basis of the manner in which this relation should be determined, nor indeed are the necessary basic statistical data actually available.

3. **Secondly.—Increase in the cost of production.**—There is another form in which the argument based on the cost of production is put. The allegation in such a case is that the present procurement price of grain was fixed some time ago, and since then, the cost of materials, the cost of labour, etc., as well as the cost of essential commodities which entered into the cost of living of the agriculturist, have substantially increased. The claim is made for an increase in the price of grain in a manner sufficient to offset this increased cost. From what we have heard from the Ministers and from such other information as was readily available, many of us gathered the impression that there is a good deal of substance in the case as thus put forward. The exact weight to be attached to this contention naturally varies. But it includes not merely a consideration of the proportion in which the increases have taken place in various items of the cost of production and living, but the weight to be given to these factors in so far as they enter into the price of grain: and furthermore there is the important question as to whether the price as originally fixed was fair, too high, or too low, at the time it was fixed. Again,

it may be objected that it does not necessarily follow that the price of grain should be altered at relatively short intervals with reference to temporary variations in the prices of other things. The force of this objection would, however, depend on whether, in fact, there was any assurance that these changes are only temporary or whether they are likely to persist for some time.

4. **Thirdly.—Disparity between prices in different areas.**—This apparently is a sore point for a number of Provinces. In Madras, for instance, there is a very strong and widespread feeling that the price of paddy was held in check at an early stage during the War and has since been held by stringent control without raising it further. On the other hand, in the other two major rice producing Provinces, viz., Bengal and Bihar, prices rose very high during 1943 and were brought down slowly in the course of the next year, and have since remained at higher levels than in Madras. The gravamen of the complaint is that not only the price per maund in Madras is less than in Bengal and Bihar, but also that the proportionate increase in the price over the pre-war price is also less.

Similar considerations apply to Orissa also, where the price per maund is even lower than in Madras. If the proportionate increase as compared with pre-war prices is taken into account, the position may be slightly different; but even so the Orissa claim appears to be quite as strongly based as that of Madras. Very similar considerations apply to the Central Provinces also.

5. **Fourthly.—Disparity in prices between different grains.**—In general it is alleged that the increase in the price of rice, both in term of price per maund as well as proportionately to the pre-war level is lower than in the case of wheat. It is argued that this disparity is particularly unjustifiable in view of the fact that the foodgrains shortage in the country is essentially a rice shortage and not a wheat shortage to anything like the same extent; and also since wheat imports have been and continue to be more readily available than rice imports.

6. **Fifthly.—The procurement price is lower than the free market price.**—This is a consideration which seems to apply practically everywhere. Today, the position is that any producer who is willing to run the risk of evading the control regulations and withholding the stocks from the Procurement Agents of the Government in order to sell them to private buyers, can obtain a substantially higher price than the official procurement price. On the basis of this fact (which is indisputable) it is argued that it is only fair and just that the price should be increased. The assumption behind this argument, of course, is that every producer is entitled to be paid what according to the law of supply and demand he is likely to get in the free market. We are afraid, for obvious reasons, that we cannot endorse this contention. This same contention is sometimes put forward in a different form, viz., that it is essential that this increase should be given, as otherwise Government procurement is bound to suffer. Stated in this form, the contention has been strenuously supported and equally strenuously opposed. (The correct position, in our opinion, lies between the two extremes. We agree that a mere increase in the price unaccompanied by other measures will not secure any increase in procurement. For, no reasonable or practicable increase, which can be given by Government, will suffice to catch up with the prices in the free market under present conditions. At the same time, we are also convinced that no matter what other measures are taken, procurement will not improve in many large areas of the country unless some increase in the present price is provided. Procurement, to be successful, does in the last resort involve compulsion and the exercise of the legal authority of the Government. But this compulsion is only a contingent sanction. The normal operation of



procurement does require a general conviction on the part of producers that they are being fairly treated and an equally clear conviction on the part of the Provincial Governments that the producers are being given a fair deal. At present both these essential requirements of successful procurement are lacking. A change in the present position is, therefore, called for.

7. **Sixthly.—Disparity in prices for alternative crops.**—Today it is profitable to increase the production of groundnut or tobacco and decrease the production of millets on lands which are equally suitable for the cultivation of these alternative crops. Likewise, it is now profitable to increase the production of jute, etc., and decrease the production of paddy on lands which are equally suitable for growing these alternative crops. (From this, it is argued that an increase in the prices of foodgrains is necessary and justified in the interest of production. The protagonists of this view sometimes tend to mix up this issue with a quite different one, namely, that the prices at present paid for foodgrains are insufficient to enable the farmer to incur the extra expenditure necessary for *increasing* the production of foodgrains through such means as the use of fertilisers, better irrigation, bringing waste lands under cultivation, and so on.) There are some who argue that a general increase in the price of foodgrains will have no effect on the production of foodgrains. In favour of this view, it is contended that what is required for securing larger use of fertilisers on foodgrains, more irrigation or reclamation of waste lands, is specific assistance adjusted to the individual needs, whereas a general increase in the price will confer a needless benefit on a large mass of people who are not in a position to increase production in this manner and will prove wholly insufficient to meet the actual requirements of those who are in such a position. They also tend to argue that the answer to the problem of alternative crops is not the increase in the price of foodgrains, but stricter controls of prices of those alternative crops. Having weighed all these considerations, we are inclined again to take the middle view. We agree that any reasonable or practicable increase in the price of foodgrains is not by itself sufficient to ensure that the production of foodgrains will be increased. At the same time, we are also satisfied that some increase in the price is essential in order to enlist and retain the active goodwill and co-operation of the producers in the intensified efforts which the Governments of the country must make towards securing a substantial increase in the production of foodgrains.

8. The upshot of all these considerations is that some increase in the price of foodgrains has got to be given, both in the interest of production and in the interest of procurement; that the amount of this increase will not necessarily be the same for all grains for all areas, and cannot be settled on the basis of any abstract statistical or economic formula which will satisfy everybody; and that it must be settled largely on the basis of what the Governments concerned would regard as a reasonably fair deal to their producers.

9. So far we have said nothing about how, if the price of foodgrains is to be increased, the cost of the increase is to be met. We now proceed to consider this important issue. There are only three possibilities:

*First.*—The cost may be passed on to the consumer; or

*Secondly.*—It may be met from the Provincial revenues; or

*Thirdly.*—It may be met from the Central revenues.

In the course of discussion amongst ourselves, we have encountered sharp differences of opinion on this point. Some of us would not pass on any increase in the price to the consumer, and would insist that the entire cost should be met from the revenues of the Province, if the Government concerned should decide to increase the price. Others would like that the cost of whatever increase is given, should be shared by the Central Government and the Provincial Governments concerned. Yet, others would prefer to pass it on entirely

to the consumers after making sure that the increase proposed is not excessive. On the whole, we have come to the conclusion that there should be a fair distribution of the necessary cost, bearing all these three possibilities in mind. We would accordingly make our recommendation in the following terms:—

- (1) An increase of procurement prices for controlled foodgrains is necessary. The amount of increase to be allowed in different areas to be settled in accordance with the principles and procedure set out below.
- (2) Provincial Governments to propose whether and if so, what increase they consider to be necessary; and forward their proposals to the Central Government with a statement of the circumstances justifying the increase proposed, whether and if so, to what extent the increased cost is recoverable from consumers, and the net cost, if any, which is not so recoverable.
- (3) The Central Government, to approve the proposal after satisfying itself—
  - (a) that the increase proposed is not excessive in the circumstances of the case;
  - (b) that it does not involve unduly wide differences in the procurement prices in force in areas adjoining the common boundary of different units; and
  - (c) that the increase does not exceed Rs. 2 per maund in any case.
- (4) Before passing on the cost of increasing the procurement price in whole or in part to the consumer, both the Central Government and the Provincial Government should satisfy themselves that this can be done without raising the consumer price to an unduly high level.
- (5) The Central Government to reimburse to the Provincial Government one-half of the net cost of the increased procurement price which is not recoverable from consumers.

10. The terms of this recommendation have been framed in such a way as to enable the Provincial Governments concerned and the Central Government to reach quick agreement on the amount of increase to be allowed, and the manner in which the cost involved is to be met. We wish to emphasise the importance of this agreement at a very early date, which must be a matter of a few days in respect of Kharif grains. We would also express the earnest hope that, after an agreement is reached, the settlement should be regarded by the Governments and the people concerned as definite and final; for nothing is so prejudicial to the success of procurement as uncertainty or public controversy regarding prices fixed by Governments.)

We hope that the recommendations made above will be of real assistance to Provincial Governments in procuring the supplies required for honouring their reduced commitments and, in the case of surplus areas, for export.

## CHAPTER V.

### RETENTION AND REMOVAL OF CONTROLS.

1. We have already stated our view that there should be in 1948 some reduction in the commitments of the Provincial Governments. At the same time, we have urged the continuance of ration in urban areas and suggested that the Provincial Governments should be left free to retain rationing in such rural areas as are heavily in deficit; this would mean that they will continue to procure substantial quantity of foodgrains from their own producers. We now proceed to examine the changes which are likely to be called for in local controls consistently with the policy of reduction of commitments as also with that of securing an efficiency of procurement of the quantities required to meet their remaining commitments.

2. In regard to cereals, (we suggest the continuance of controls in all the areas where rationing will continue.) The only exception we would make is barley and other minor cereals which are neither procured nor rationed at the moment for which we recommend decontrol. As regards pulses, we prefer to postpone any statement of our views on the possible discontinuance of control in respect of gram because of the present state of affairs in East Punjab where gram is both an important item of production and of consumption. Regarding the other pulses, we do not think that the necessary conditions for satisfactory control exist either in respect of statistics or procurement. We also understand that those in favour of controls are dissatisfied with the way in which the control of pulses is being operated at present. We recommend, therefore, that in respect of pulses other than gram, controls should be removed and complete free-trade established. There should be no restriction upon the movement of these pulses either from one Province to another or from one area to another within the same Province. Nor should there be any control over their prices. At the same time, we are of the emphatic opinion that all dealers in pulses should have the obligation to take out licences, submit return of stocks, and conform to the conditions and restrictions designed to prevent hoarding. There should be legal provision for the enforcement of this obligation which we consider necessary, for some time as a safeguard against hoarding and speculation. This would also apply to barley.)

3. We have devoted some thought to the question of the system of procurement to be followed so as to be most effective under conditions of progressive liquidation of Government commitments.) A suggestion has been made which we think, should be described here in clear terms so as to enable proper consideration being given to it by the Governments concerned. The suggestion is this: As soon as the decision is taken to reduce the commitments to the extent considered appropriate in the prevailing local conditions, the quantities to be procured locally in order to meet these commitments (and, in surplus areas, for export purposes) should be settled, as the procurement target. A compulsory levy should then be devised which would define specifically the obligation of every producer in the Province (except such as may be exempted to deliver a fixed quantity of grain within specified dates during the crop year. The exemption limit should be fixed so as to exclude all persons who are unlikely to produce more than sufficient for the consumption of their family for seed, and for cultivation expenses met in kind. The quantity compulsorily procurable from other producers should be fixed on the basis of acreage, or revenue payable, or other similar factor the determination of which would be easy and certain in each case, and would involve no exercise of discretion on the part of subordinate officials. (The rate of assessment of the levy on this basis should be so fixed as to yield the total amount of grain required as the procurement target.) Thereupon, the obligation to provide the stocks required

by Government would be definitely localised and allocated to individuals.) As soon as this is done, all restrictions on movements and prices, within the Province, should be removed. The producer should be free to dispose of his produce in whatever manner he thinks fit, subject only to the obligation to deliver his assessed levy at a fixed price.

4. In the course of our examination of this suggestion, it was pointed out that the complete removal of restriction on movements and prices might lead to hoarding, speculation, and a steep rise in prices. The view was expressed that, consistently with the main principle underlying the suggestion, it should be possible to provide against this contingency, by requiring all dealers in food-grains to take out licences, to submit returns of stocks, and to conform to anti-hoarding restrictions. Such a provision, however, to be effective, would have to be extended to the growers also. Otherwise, they are likely to have stocks of their own for sale, which could not be readily distinguished from those of licensed dealers.

5. While there were many attractive features in the suggestion as thus amplified, we felt on the whole that we were not in a position to make a definite recommendation on the subject; as it may well be found that monopoly purchase in selected districts or a combination of both monopoly purchase and a compulsory levy might be the more suitable method in conditions prevailing in particular Provinces. It followed from this that we could not immediately here and now make an unqualified recommendation regarding the removal of all controls over movements within the Province. We nevertheless agree that the policy of reduction of commitments which we have recommended does definitely involve a corresponding removal of movement restrictions. Equally definitely it does involve the removal of price control. Once the decision is taken that the responsibility for the distribution of supplies must be restored to the trade in respect of certain categories of people, and the obligation of Government to provide them with supplies is given up, the imposition of restrictions on the normal operations of the trade will necessarily imperil their supplies. We recognise this and we also believe that in the circumstances some increase in price is bound to take place. While this would undoubtedly mean a higher price than the present controlled prices, it would also mean a fall in the present free market prices. As we hold the view that even at present a large proportion of the supplies required by these people are being provided by the free market, we do not think the change will be for the worse. In any case, we do not believe, as is sometimes asserted, that in the conditions we envisage, a steep rise in prices of a prolonged character entailing famine is likely to occur. We hold this view because we do not believe there is such a shortage in the country as is asserted by those who advance this view, and the course we recommend is calculated to bring out and put into circulation stocks which at present are withheld from procurement by agencies employed by Government.

6. We should, at this stage, also draw attention to one other corollary of our proposals. A reduction of Government commitments in respect of controlled foodgrains, and the decontrol of pulses and certain other grains would involve a larger volume of movement of grain on private account than at present. It is essential that a sufficiently high priority on the railways should be allotted for the transport of such grain, otherwise the object in view may be defeated.)

7. To sum up, our recommendations in relation to "Retention and Removal of Controls" over controlled foodgrains are as follows:—

1. In order to secure supplies necessary for meeting Government commitments, within the Province (reduced in the manner recommended already) and in order to meet the requirements for export from surplus Provinces, freedom

should be given to individual Provinces to use the method of compulsory levy or monopoly purchase in selected districts, or a combination of both; details regarding the assessment and collection of the levy as also of the operation of monopoly purchase, to be settled by Provincial Governments with reference to these commitments and other relevant local conditions.

2. All grain traders, and those grain growers who fall within a category to be defined (so as to cover holders of stock exceeding 50 maunds of controlled foodgrains), to be licensed, and made subject to the following conditions:—

- (a) Submission of returns of stocks; and
- (b) Anti-hoarding restrictions.

3. The control of movements across Provincial boundaries to remain. Restrictions on the movement of foodgrains within the Province should generally be removed, excepting in so far as they are necessary in the opinion of the Provincial Governments concerned to enable them to complete their purchases.

4. Apart from the liability to deliver either on a monopoly or a compulsory levy basis, at a fixed price, control over prices to be removed.

5. A sufficiently high priority on the railways, to be allotted for transport of foodgrains on private account; the quantities of which would be increased through complete decontrol of certain grains and the reduction of Government commitments in respect of controlled foodgrains.

## CHAPTER VI.

### SUPPLEMENTAL FOODSTUFFS.

1. Though there is no specific mention in our terms of reference, we believe at the whole question of production, prices, distribution and consumption of supplemental foods is closely related to the problem of meeting shortages in cereals. We reserve for the Final Report our detailed consideration of the subject. Mention is made here only of certain suggestions which have emerged in the course of our discussions.

2. The first suggestion is that arrangements should be instituted for ensuring that some part of his cereal ration is surrendered by a consumer who buys meat, in proportion to the quantity of meat purchased by him. The purpose underlying the suggestion is to secure greater equality among consumers, and to save cereals. It has not been possible for us within the short time at our disposal, to examine the suggestion in detail, particularly as regards the nature of the arrangements which will have to be made, their feasibility and the amount of cereals likely to be saved. We commend the suggestion to the Provincial Government for their examination with reference to these aspects.

3. We also similarly suggest for examination with reference to local conditions whether such supplemental foods as ground-nuts, bananas, sweet potatoes, carrots, turnips, etc., can be made available at reasonable prices, in such a manner as to bring about a reduction of cereal offtakes.

PURSHOTAMDAS THAKURDAS.

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SHRI RAM.

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S. Y. KRISHNASWAMI.\*

D. R. SETHI.

D. N. MAHTA.

R. A. GOPALASWAMI.\* (Secretary).

NEW DELHI,

2nd December 1947

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\*Signed Subject to Minute of Dissent.

†Signed Subject to Separate Note (No. I).

‡Signed subject to Separate Note (No. II).

§Signed subject to Supplemental Note.

## SUMMARY OF CONCLUSIONS.

### I. REDUCTION OF GOVERNMENT COMMITMENTS.

Recommendations to be made to Provincial Governments regarding Food Control Policy:—

(i) Acceptance of policy of reduction of Government commitments under rationing and controlled distribution.

(ii) The beginning to be made with those rationing commitments which were accepted in recent years and reduction to be effected in the reverse order to the original process of extension.

(iii) The basis of reduction to be decided with reference to local conditions with the definite aim of liquidating Government commitments as early as possible.

#### Conclusions reached by 3 Members.

We would substitute the following recommendations:—

(i) No relaxation of any existing control over foodgrains during 1948.

(ii) Relaxation of foodgrain control to begin as soon as possible, after supplies sufficient for honouring all commitments on 12 oz. basis, throughout the year, in all parts of the country are assured; together with a margin for emergencies.

(iii) Education of the public on Foodgrains Control Policy; and Resolute Enforcement.

### II. PRICES OF CONTROLLED FOODGRAINS.

(1) An increase of procurement prices for controlled foodgrains is necessary. The amount of increase to be allowed in different areas to be settled in accordance with the principles and procedure set out below.

(2) Provincial Governments to propose whether and if so what increase they consider to be necessary; and forward their proposals to the Central Government, with a statement of the circumstances justifying the increase proposed whether and if so to what extent the increased cost is recoverable from consumers, and the net cost, if any, which is not so recoverable.

(3) The Central Government, to approve the proposal after satisfying itself—

(a) that the increase proposed is not excessive in the circumstances of the case;

(b) that it does not involve unduly wide differences in the procurement prices in force in areas adjoining the common boundary of different units and

(c) that the increase does not exceed Rs. 2-0-0 per maund in any case.

(4) Before passing on the cost of increasing the procurement price in whole or in part to the consumer, both the Central Government and the Provincial Government should satisfy themselves that this can be done without raising the consumer price to an unduly high level.

(5) The Central Government to reimburse to the Provincial Government one-half of the net cost of the increased procurement price which is not recoverable from consumers.

### Conclusions reached by 3 Members.

We support these proposals as they stand. We would have preferred a modification of these proposals on the following lines:—

*Firstly.*—The ceiling for increase in the procurement price to be Rs. 1-8-0 per maund of rice, Re. 1-0-0 per maund of paddy, and 0-12-0 per maund of any other controlled foodgrain.

*Secondly.*—The cost of such increase in so far as it is not recoverable from consumers, to be borne exclusively by the Provincial Government concerned.

*Thirdly.*—The Central Government to pay a Food Bonus to every Provincial Government, assessed at the rate of 8 as. per maund of controlled foodgrain procured, plus another 8 as per maund of controlled foodgrain exported.

And *Fourthly.*—The grant of the Food Bonus to be subject to the condition that it should be utilised exclusively on financing Provincial Schemes for the procurement and distribution at concessional prices to foodgrain producers, of manures, fertilisers and other commodities essential for the production of foodgrains.

### III. IMPORTS FROM ABROAD AND BASIC PLAN.

The following recommendations to be made to the Central Government regarding Import and Basic Plan Policy:—

(i) A ceiling to be fixed for imports from abroad during 1948.

(ii) A decision to be taken and announced that the policy of the Central Government is to terminate its dependence on imports at the earliest possible date.

(iii) Out of the quantities actually imported from abroad, not less than a specified quantity to be retained by the Central Government as an 'Emergency Reserve.'

(iv) The Central Government to determine, in agreement with Governments of surplus Provinces and States, a 'Basic Export Quota' for each. The Provincial (or State) Government concerned to accept responsibility for procuring and making available this 'Basic Export Quota' during 1948; and to endeavour to make available as much grain as possible in the form of 'Supplementary Export Quotas.'

(v) The Central Government to determine, after consultation with Government of deficit Provinces and States, the 'Ceiling Import Quotas' to be made available to each during 1948. Decision to be taken and announced that the 'Ceiling Import Quota' will not be exceeded during 1948. The Government of the deficit Province or State concerned to accept responsibility for management of its food affairs, without making larger demands on the Centre and to endeavour to reduce its requirements from the Centre as much as possible.

Conclusions reached by 3 Members.—Agree.

### IV FIXATION OF 'IMPORT CEILING'

The ceiling referred to earlier under item III (i) has been communicated separately and confidentially to the Ministry of Food.

Conclusions reached by 3 Members. To be on the safer side, we prefer a slightly higher ceiling which has been communicated separately and confidentially to the Ministry of Food.

### V FIXATION OF 'RESERVE'.

The reserve referred to earlier under Item III(iii) has been communicated separately and confidentially to the Ministry of Food.



Conclusions reached by 3 Members.—Agree.

## VI. FIXATION OF 'BASIC EXPORT QUOTAS' AND 'CEILING IMPORT QUOTAS'.

Recommended figures for 'Basic Export Quotas' and 'Ceiling Import Quotas' referred to earlier under Item III(iv) and (v), to be as follows:—

Basic Export Quotas.	(Figures in thousands of tons)			
Coorg	...	...	...	12
Assam	...	...	...	50
Central Provinces	...	...	...	150
Orissa	...	...	...	150
Indian States	...	...	...	120
				482

### Ceiling Import Quotas.

Bihar	...	...	...	0
West Bengal	...	...	...	150
Madras	...	...	...	150
Bombay	...	...	...	350
Central Provinces	...	...	...	50
United Provinces	...	...	...	0
Delhi	...	...	...	120
Miscellaneous Areas	...	...	...	100
Defence Services	...	...	...	80
East Punjab	...	...	...	100
Indian States	...	...	...	400
				1,500

Conclusions reached by 3 Members. We would not recommend any particular set of figures at this stage. The figures can be settled on a basis equitable as between different deficit areas only after discussion with the representatives of the areas concerned.

## VII. SPECIFICATION OF CONTROLLED FOODGRAINS.

- (1) The following foodgrains to continue to be subject to controls, viz.,—
  - (i) Rice (including paddy).
  - (ii) Wheat (including atta and flour).
  - (iii) Millets (including jowar, bajra, and any other millet at present produced and distributed in rationed areas).
  - (iv) Maize.

(2) Whether or not controls should be retained in respect of gram to be considered further later.

(3) All controls to be removed and complete free trade established in respect of all cereals except those mentioned above and all pulses other than gram.

**Exception:** The control referred to later under Item VIII (2) to apply to these grains and pulses also.

**Conclusions reached by 3 Members.** Barley should be included among controlled foodgrains; otherwise, no comments.

## VIII. NATURE OF CONTROLS TO BE RETAINED AND REMOVED IN RESPECT OF CONTROLLED FOODGRAINS.

(1) In order to secure supplies necessary for meeting Government commitments, within the Province (reduced in the manner recommended, already) and in order to meet the requirements for export from surplus Provinces, freedom should be given to individual Provinces to use the method of compulsory levy or monopoly purchase in selected districts, or a combination of both; details regarding the assessment and collection of the levy as also the operation of monopoly purchase, to be settled by Provincial Governments with reference to these commitments and other relevant local conditions.

(2) All grain traders, and those grain growers who fall within a category to be defined (so as to cover holders of stocks exceeding 50 maunds of controlled foodgrains), to be licensed, and made subject to the following conditions:—

(a) Submission of returns of stocks; and

(b) Anti-hoarding restrictions.

(3) The control of movements across Provincial boundaries to remain. Restrictions on the movement of foodgrains within the Province should generally be removed, excepting in so far as they are necessary in the opinion of the Provincial Governments concerned to enable them to complete their purchases.

(4) Apart from the liability to deliver either on a monopoly or a compulsory levy basis, at a fixed price, control over prices to be removed.

(5) A sufficiently high priority on the railways, to be allotted for transport of foodgrains on private account; the quantities of which would be increased through complete decontrol of certain grains and the reduction of Government commitments in respect of controlled foodgrains.

**Conclusions reached by 3 Members.** In so far as these proposals involve relaxation of existing controls during 1948, we are unable to agree. In so far as they require the institution of new systems of control during 1948, we feel that there is insufficient time for necessary administrative preparations so far as Kharif grains are concerned. We would not advise any material change in the system of procurement during the middle of a crop year.

## IX. SUPPLEMENTAL FOODSTUFFS.

(1) **Meat consumption in statutorily rationed urban areas.**—A suggestion has been made that arrangements should be instituted for ensuring that some part of his cereal ration is surrendered by a consumer who buys meat, in proportion to the quantity of meat purchased by him. The purpose underlying the suggestion is to secure greater equality among consumers, and to save cereals. Details regarding the nature of the arrangements to be made, their feasibility, and the amount of cereals likely to be saved, have not been examined by the Committee. The suggestion is commended to Provinces for examination with reference to these aspects.

(2) The question whether such supplemental foods as groundnuts, bananas, sweet potatoes, carrots, and turnips, can be made available at reasonable prices, in such a manner as to bring about a reduction of cereal offtakes, to be also suggested for examination.

**Conclusions reached by 3 Members.**—No comments.

## FOODGRAINS STATISTICS

(Figures in thousands).

	Assam	Bengal	Bihar	Bombay	C. P. & Berar	Madras	N.W. F. P.	Orissa	Punjab	Sind	U.P.	Ajmer	Balu-chistan	Coorg	Delhi	Hydera-bad	Mysore	Travan-core	Cochin	Defence Services	Other Surplus Areas	Other Deficit Areas	Overseas	Total	Remarks		
<b>A.—Population.—</b>																											
1. Total Population, 1941	10,205	60,306	36,340	20,850	16,813	49,342	3,038	8,728	28,419	4,535	55,021	584	502	169	918	16,339	7,329	6,070	1,423	..	..	..	..	..	326,381		
2. Urban Population, 1941	281	5,939	1,956	5,412	2,093	7,865	552	321	4,359	892	6,855	214	101	11	696	2,194	1,346	691	268	..	..	..	..	..	42,046		
3. Rural Population, 1941	9,924	54,367	34,384	15,438	14,720	41,477	2,486	8,407	24,060	3,643	48,166	370	401	158	222	14,145	5,983	5,379	1,155	..	..	..	..	..	284,335		
4. Estimated Total Population, 1945	10,837	64,383	37,929	21,993	17,410	51,397	3,283	9,009	30,354	4,794	57,666	615	517	171	1,031	17,100	7,638	6,460	1,510	..	..	..	..	..	344,097		
5. Statutory Rationed Population, Urban, 1-9-1947.	325	5,915	976	8,425	673	6,683	..	..	1,500	..	6,102	280	..	..	1,086	2,144	1,351	479	257	..	..	..	..	..	36,198		
6. Statutory Rationed Population, Rural, 1-9-1947.	..	..	909	..	..	3,907	..	..	..	..	..	..	..	..	58	760	..	6,161	1,376	..	..	..	..	..	13,171		
7. Non-statutory Rationed Population, Urban, 1-9-1947.	..	..	..	..	838	..	..	373	..	..	..	13	..	..	..	518	..	..	..	..	..	..	..	..	1,742		
8. Non-statutory Rationed Population, Rural, 1-9-1947.	..	..	..	14,353	675	41,951	..	..	..	..	..	..	..	..	..	6,200	..	..	..	..	..	..	..	..	63,179		
9. Population covered by controlled distribution, Urban, 1-9-1947.	..	..	585	..	617	..	..	..	..	..	474	13	..	..	..	..	..	..	..	..	..	..	..	..	1,889		
10. Population covered by controlled distribution, Rural, 1-9-1947.	..	..	..	..	6,448	..	..	..	..	..	977	..	..	169	..	500	..	..	..	..	..	..	..	..	8,944		
<b>B.—Cultivation of Cereals (Acres).—</b>																											
11. Area under Cereals, 5 years ending 1938-39 (average).	5,179	21,935	14,405	17,261	15,210	23,032	1,898	5,566	15,950	3,557	26,711	219	377	87	130	14,920	3,959	..	..	..	..	..	..	..	170,396	The Bengal figures of acreage under rice are underestimated by about 3 million acres. The average for Bihar relates to the four years ending 1938-39.	
12. Area under Cereals, 5 years ending 1943-44 (average).	5,370	23,763	14,048	17,522	15,609	23,282	1,945	5,512	17,646	3,892	28,019	243	389	90	155	13,350	4,020	..	..	..	..	..	..	..	174,833		
13. Area under Cereals, 1944-45	5,508	30,013	14,354	18,314	15,906	23,550	2,124	5,644	18,388	4,108	28,419	330	397	90	153	14,266	4,024	..	..	..	..	..	..	..	185,583		
14. Area under Cereals, 1945-46	5,303	27,191	14,312	16,823	15,705	21,705	1,966	5,586	18,131	3,883	29,185	288	379	90	150	11,830	3,900	..	..	..	..	..	..	..	176,427		
15. Area under Cereals, (excluding small millets) 1945-46.	5,303	27,191	14,312	16,136	14,131	17,988	1,962	5,456	18,131	3,875	27,479	288	379	90	150	11,112	3,566	..	..	..	..	..	..	..	167,549		
16. Area under Cereals, (excluding small millets) 1946-47.	5,153	27,866	14,475	18,599	16,097	18,873	1,736	5,613	18,813	3,952	27,181	..	..	..	..	9,783	3,423	..	..	..	..	..	..	..	..		
<b>C.—Production of Rice (Tons).—</b>																											
17. Production of Rice, 5 years ending 1938-39 (average).	1,696	8,377	2,902	834	1,660	4,693	..	1,469	329	439	1,980	..	..	55	..	365	210	..	..	..	..	..	..	..	25,009	The average for Bihar relates to the four years ending 1938-39.	
18. Production of Rice, 5 years ending 1943-44 (average).	1,851	8,622	2,859	775	1,419	4,824	..	1,338	340	480	1,904	..	..	62	..	346	235	..	..	..	..	..	..	..	25,055		
19. Production of Rice, 1944-45.	1,883	10,476	2,672	825	1,724	5,054	..	1,337	449	565	1,540	..	..	62	..	448	273	..	..	..	..	..	..	..	27,308		
20. Production of Rice, 1945-46	2,016	9,597	2,460	839	1,623	3,827	..	1,286	454	688	1,852	..	..	65	..	432	216	..	..	..	..	..	..	..	25,355		
21. Production of Rice, 1946-47.	2,026	10,671	2,765	765	1,400	4,795	..	1,401	468	633	1,781	..	..	61	..	360	271	..	..	..	..	..	..	..	27,397		

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FOODGRAINS STATISTICS—contd.

(Figures in thousands).

	Assam	Bengal	Bihar	Bombay	C. P. & Berar	Madras	N. W. F. P.	Oriasa	Punjab	Sind	U. P.	Ajmer	Baluchistan	Coorg	Delhi	Hyderabad	Mysore	Travancore	Cochin	Defence Services	Other Surplus Areas	Other Deficit Areas	Overseas	Total	Remarks		
<b>D.—Production of Wheat (Tons).—</b>																											
22. Production of Wheat, 5 years ending 1938-39 (average).	...	43	417	311	670	...	254	1	3,290	317	2,593	7	..	..	16	174	..	..	..	..	..	..	..	..	8,093	The average for Bihar relates to the four years ending 1938-39.	
23. Production of Wheat, 5 years ending 1943-44 (average).	...	45	460	277	491	...	218	1	3,718	408	2,755	6	..	..	13	126	..	..	..	..	..	..	..	..	8,518		
24. Production of Wheat, 1944-45	...	47	435	306	503	...	265	2	3,905	352	2,646	9	..	..	12	72	..	..	..	..	..	..	..	..	8,644		
25. Production of Wheat, 1945-46	...	42	353	245	433	...	254	2	3,248	374	2,305	7	..	..	12	52	..	..	..	..	..	..	..	..	7,327		
26. Production of Wheat, 1946-47	...	47	371	101	128	...	241	2	3,168	401	2,330	8	..	..	9	6	..	..	..	..	..	..	..	..	6,811		
<b>E.—Production of Jowar and Bajra (Tons).—</b>																											
27. Production of Jowar and Bajra, 5 years ending 1938-39 (average).	...	3	40	1,938	984	1,934	28	11	407	196	818	5	..	..	11	1,388	125	..	..	..	..	..	..	..	7,888	The average for Bihar relates to the three years ending 1938-39.	
28. Production of Jowar and Bajra, 5 years ending 1943-44 (average).	...	3	38	1,819	1,164	1,895	33	10	568	256	1,047	9	..	..	21	1,553	128	..	..	..	..	..	..	..	8,544		
29. Production of Jowar and Bajra, 1944-45.	...	3	33	1,679	1,095	1,505	31	9	666	256	1,053	12	..	..	18	1,411	93	..	..	..	..	..	..	..	7,864		
30. Production of Jowar and Bajra, 1945-46.	...	1	37	1,055	1,044	1,082	28	9	691	190	1,108	4	..	..	18	991	63	..	..	..	..	..	..	..	6,321		
31. Production of Jowar and Bajra, 1946-47.	...	4	38	1,495	857	1,351	26	10	1,031	229	975	8	..	..	17	1,016	97	..	..	..	..	..	..	..	7,154		
<b>F.—Production of other Cereals (Tons).—</b>																											
32. Production of other Cereals, 5 years ending 1938-39 (average).	...	55	1,056	451	241	1,573	258	149	583	6	2,514	25	..	..	5	255	514	..	..	..	..	..	..	..	7,685	The average for Bihar relates to the four years ending 1938-39.	
33. Production of other Cereals, 5 years ending 1943-44 (average).	...	70	1,039	426	225	1,591	249	170	705	7	2,494	25	..	..	7	206	596	..	..	..	..	..	..	..	7,810		
34. Production of other Cereals, 1944-45	...	101	949	370	178	1,374	248	127	760	9	2,844	31	..	..	6	176	581	..	..	..	..	..	..	..	7,754		
35. Production of other Cereals, 1945-46	...	77	875	323	180	1,067	289	143	709	6	2,728	21	..	..	6	152	580	..	..	..	..	..	..	..	7,156		
36. Production of other Cereals, 1946-47	...	86	785	357	164	1,205	279	143	687	4	2,696	25	..	..	1	160	580	..	..	..	..	..	..	..	7,172		
<b>G.—Production of all Cereals (Tons).—</b>																											
37. Production of all Cereals, 5 years ending 1938-39 (average).	1,696	8,478	4,415	3,534	3,555	8,200	540	1,630	4,609	958	7,905	37	..	..	32	2,182	849	..	..	..	..	..	..	..	48,620	The average for Bihar includes some relating to the four years ending 1938-39 and some to the three years ending 1938-39. The Bengal figures are under-estimated by about 1 million tons.	
38. Production of all Cereals, 5 years ending 1943-44 (average).	1,851	8,740	4,396	3,297	3,299	8,310	500	1,519	5,331	1,151	8,200	40	..	..	41	2,231	959	..	..	..	..	..	..	..	49,865		
39. Production of all Cereals, 1944-45	1,883	10,627	4,089	3,180	3,500	7,930	544	1,475	5,870	1,182	8,083	52	..	..	36	2,107	947	..	..	..	..	..	..	..	51,505		
40. Production of all Cereals, 1945-46	2,016	9,717	3,725	2,462	3,280	5,976	571	1,440	5,102	1,258	7,993	32	..	..	36	1,627	859	..	..	..	..	..	..	..	46,094		
41. Production of all Cereals, 1946-47	2,026	10,808	3,959	2,718	2,549	7,351	546	1,556	5,354	1,267	7,782	41	..	..	27	1,542	948	..	..	..	..	..	..	..	48,474		
42. Estimated production of Rice, Wheat, Millets, Maize and Barley, 1947-48. (For Indian Dominion only).	1,156	2,728	3,919	1,920	3,122	6,454	...	1,362	2,046	...	6,691	42	..	..	31	541	337	..	..	..	..	..	..	..	30,349	Does not include Summer Kharif Crop.	

## FOODGRAINS STATISTICS—contd.

(Figures in Thousands)

	Assam	Bengal	Bihar	Bombay	C. P. & Berar	Madras	N.W.F.P.	Orissa	Punjab	Sind	U.P.	Ajmer	Baluchi- stan	Coorg	Delhi	Hydera- bad	Mysore	Travan- core	Cochin	Defence Services	Other Surplus Areas	Other Deficit Areas	Overseas	Total	Remarks	
<b>H. Procurement of Cereals (Tons)—</b>																										
43. Procurement of Cereals, Kharif 1943—44/Rabi 1944—45	187	1,029	178	452	397	833	24	129	689	499	322	...	29	16	..	14	95	84	..	..	..	..	..	..	4,977	
44. Procurement of Cereals, Kharif 1944—45/Rabi 1945—46.	152	642	64	606	436	773	16	136	833	295	292	...	39	13	..	7	170	75	..	..	..	..	..	..	4,549	
45. Procurement of Cereals, Kharif 1945—46/Rabi 1946—47.	152	668	82	399	385	1,384	9	118	539	386	502	...	21	11	..	234	93	66	..	..	..	..	..	..	5,049	
46. Procurement of Cereals, Kharif 1946—47/Rabi 1947—48 (upto 25-9-47).	104	337	133	386	276	1,337	3	110	360	430	344	...	15	12	..	215	42	64	..	..	..	..	..	..	4,168	
47. Estimated procurement of Cereals, Kharif 1947—48 (for Indian Dominion only)	200	500	350	480	360	1,730	...	110	...	...	160	...	..	17	..	49	160	90	..	..	..	..	..	..	4,206	
																	(Excluding Rabi, Jowar & Rice)									
<b>J. Net Imports or Exports (Tons)—</b>																										
48. Net imports (+) or net exports (—), Kharif 1943—44/Rabi 1944-45	-56	+398	+28	+496	-131	+104	+49	-60	-689	-312	+97	+18	-14	-16	+99	-2	+36	+226	..	+627	-317	+182	-763	-2,360		
49. Net imports (+) or net exports (—), Kharif 1944—45/Rabi 1945—46.	-64	+146	+57	+527	-234	+117	+48	-86	-659	-230	+176	+19	-20	-13	+104	-7	+75	+226	..	+633	-277	+373	-911	-2,501		
50. Net imports (+) or net exports (—), Kharif 1945—46/Rabi 1946—47.	-61	+287	+240	+568	-137	+585	+44	-80	-182	-219	+259	+25	+15	-11	+97	-49	+176	+319	..	+205	-176	+122	-2,107	-3,022		
51. Net imports (+) or net exports (—), Kharif 1946—47/Rabi 1947—48 (upto 25-9-47.)	-31	+105	+41	+401	+155	+200	+23	-102	-93	-263	+38	+9	-3	-12	+59	+64	+69	+321	..	+77	-87	+444	-1,415	-2,006		
52. Estimated net imports (+) or net exports (—), Kharif 1947—48.																									+2,006	
<b>K. Procurement plus net imports or minus net Exports (Tons)</b>																										
53. Procurement plus net imports or minus net exports, Kharif 1943-44/Rabi 1944-45.	131	1,427	206	948	266	937	73	69	...	187	419	18	15	..	99	12	131	310	..	..	..	..	..	..	5,248	
54. Procurement plus net imports or minus net exports, Kharif 1944-45/Rabi 1945-46.	88	788	121	1,133	202	890	64	50	174	65	468	19	19	..	105	..	245	301	..	..	..	..	..	..	4,731	
55. Procurement plus net imports or minus net exports, Kharif, 1945—46/Rabi 1946—47.	91	955	322	967	248	1,969	53	38	357	167	761	25	36	..	97	185	269	385	..	..	..	..	..	..	6,925	
56. Procurement plus net imports or minus net exports, Kharif 1946—47/Rabi 1947—48 (upto 25-9-47).	73	442	174	787	431	1,537	26	8	267	167	382	9	12	..	59	279	111	385	..	..	..	..	..	..	5,149	
<b>L. Rationing and Controlled Distribution (Tons) (upto 25-9-47).</b>																										
57. Average monthly off-take of statutorily rationed urban areas.	...	39	11	60	...	48	...	...	...	...	49	...	..	..	..	..	8	4	..	..	..	..	..	..	219	
58. Average monthly issues from Govt. stocks.	...	84	31	113	...	170	...	...	...	...	66	...	..	..	..	..	19	38	..	..	..	..	..	..	521	
59. Govt. stocks, end June, 1946	...	...	21	357	106	442	...	63	...	...	266	4	..	..	23	146	78	9	5	..	..	..	..	..	1,520	
60. Govt. stocks, end December, 1946	...	...	24	235	70	249	...	40	...	...	67	4	..	..	14	6	48	24	10	..	..	..	..	..	791	
61. Govt. stocks, end June, 1947	...	...	53	198	171	242	...	...	...	...	112	4	..	13	11	7	71	26	5	..	..	..	..	..	1,213	



## MINUTE OF DISSENT

### SECTION I

**Nature of Dissent.**—We regret we are unable to agree with our colleagues on the most important among the recommendations made by them and we have also to differ from them on other consequential recommendations. Our conclusions are recorded in the Summary.

2. When the conclusions of the Committee were communicated to the Government of India, we\* briefly stated our reasons for dissent as follows:—

- (i) We accept the objectives of policy which the Committee has in view, viz., reliance on imports should be terminated as early as possible and control should be removed as early as possible. (We are concerned about the administrative implications of such a policy. We are anxious that the steps taken to secure these objectives should not be such as to bring about a run-away price of grain, food-riots and famine.)
- (ii) We differ from the other Members of the Committee in our appreciation of the degree of shortage prevailing. We feel that notwithstanding superficial indications to the contrary gained from black-market activities, there is a very real shortage of stocks in the country as a whole, and in particular in the deficit districts of Madras, Bombay, Mysore, Travancore and Cochin. This is due to the fact that reserves have been depleted during five successive years of poor imports followed by two successive years of poor crops. In these circumstances, we apprehend that relaxation of control is likely to lead—through hoarding, speculation, and loss of public confidence—to the serious consequences already mentioned.
- (iii) To the extent to which the duration of controls is sought to be shortened, there is bound to be increased need for imports. (Alternatively, the duration of controls is bound to be prolonged to the extent that imports are effectively limited.) To combine, at the same time, an attempt even partially to remove controls with an attempt to reduce imports in the very first year after the War when a reasonably good crop is expected, involves risk on two fronts—which is so serious that, we feel it to be our duty to advise Government against it.
- (iv) In these circumstances, we feel that the correct policy for Government to pursue during the year 1948, is to accept the need for maintaining the existing framework of controls; to use all the influence at the command of the popular Governments at the Centre as well as in the Provinces, to secure the maximum possible procurement and the maximum possible austerity in consumption; to acquire, thereby, effective command over a sufficiency of stocks; to plan properly the method of relaxation and removal of controls and to complete the necessary administrative preparations therefor. Given such preparations, the necessary minimum of stocks, and an indication towards the end of 1948 of a reasonably satisfactory Kharif crop, conditions would be favourable for launching a policy of decontrol with a fair prospect of success.

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\* This statement was signed by Messrs Gopalaawami, Gupta and Bakhle.

3. The most important, among the recommendations made by our colleagues runs as follows:—

- (i) Acceptance of policy of reduction of Government commitments under rationing and controlled distribution.
- (ii) The beginning to be made with those rationing commitments which were accepted in recent years and reduction to be effected in the reverse order to the original process of extension.
- (iii) The basis of reduction to be decided with reference to local conditions with the definite aim of liquidating Government commitments as early as possible.

Our own recommendations are as follows:—

- (i) No relaxation of any existing control over foodgrains during 1948.
- (ii) Relaxation of foodgrain control to begin as soon as possible, after supplies sufficient for honouring all commitments on 12 oz. basis throughout the year, in all parts of the country are assured together with a margin for emergencies.
- (iii) Education of the public on Foodgrains Control Policy; and Resolute Enforcement.

4. The real issue is the question of control *versus* decontrol. The choice is now to be made between one of three courses as indicated below:—

- (i) Should decontrol of cereal foodgrains be begun and completed during 1948?
- (ii) Should decontrol be begun in 1948 and carried out in gradual stages subsequently?
- (iii) Should the present controls be continued during 1948; and decontrol begun later and carried out in gradual stages subsequently?

The recommendation made by our colleagues is so worded as to cover either the first or the second of the three courses mentioned above; and, as would be clear from the report, our colleagues are not agreed among themselves on this point. We for our part definitely recommend the third course.

5. In the next Section we describe what in our view are the problems which have arisen and require solution. We do not share the view of our colleagues that these problems indicate that controls have failed. On the contrary they indicate, in our opinion, the intensity of the food shortage which has been prevailing during the last two years. On the basis of this view, we explain the reasons why, in our opinion, it is essential that controls should be continued during 1948. We, then, refer to the suggestion made by some of our colleagues that partial relaxation of control should be carried out during 1948, and explain our objections to that proposal. We believe our colleagues have underrated the importance of rural rationing, and the last Section of the Minute is devoted to an exposition of the purposes which rural rationing intended to serve and the numbers of people who are dependent on it securing foodgrains at reasonable prices.

## SECTION II.

### PROBLEMS OF FOOD ADMINISTRATION.

**1. Government commitments under present policy.**—The policy at present in force is based on the acceptance of certain commitments by the Governments of Provinces and States towards their people, and, by the Central Government towards the Governments of Provinces and States. The former arises out of rationing and controlled distribution schemes whereby Provincial Governments make available to the rationed population (as well as to areas, where controlled distribution schemes not amounting to rationing are in force), supplies of foodgrains required for their consumption, at prices fixed so as to be within the means of all. The Governments concerned also undertake procurement of foodgrains in their own areas. In many Provinces and States, the quantities thus procured are less than the quantities required for honouring the commitments. In certain other Provinces and States, on the other hand the commitments locally undertaken are generally small and the quantities procured are normally in excess of these requirements. The former are areas which even in normal times used to get supplies from outside; or are normally self-sufficient areas which have had a specially bad crop. The latter are areas which even in normal times used to have a surplus for export; or are normally self-sufficient areas which have had a specially good crop. Since the country as a whole is normally deficit in foodgrains, the deficits of deficit areas taken together normally exceed the surpluses of surplus areas. There is, every year, a gap which requires to be bridged by importation of foodgrains from abroad. The Central Government's commitments arise under what is called the All-India Basic Plan. They include:

*First.*—The allocation of surpluses of surplus areas to meet the deficits of deficit areas;

*Secondly.*—The importation from foreign countries of the quantities necessary for bridging the gap between the aggregate deficits of deficit areas and surpluses of surplus areas; and

*Thirdly.*—To make an equitable distribution of these imported supplies among the deficit areas, when (as has always been the case) these supplies were insufficient to bridge the gap.

**2. Foodgrain controls.**—There is an organized administration in all Provinces and most States, as well as at the Centre, for performing these functions. This administration is vested with power to control, in various ways, the transactions of traders, producers, and consumers in respect of supplies, prices, movements, and distribution of foodgrains. These controls are designed to maintain a pre-determined price level, and to keep supplies moving in accordance with the All-India Basic Plan, and within the framework of that plan, in accordance with local schemes of procurement, rationing and controlled distribution. (These controls started from small beginnings in the second half year of 1942, extended throughout 1943, and further improved in later years.) The principles of policy and general structure of organisation and methods of administration were laid down after exhaustive review by a Foodgrains Policy Committee appointed by the Government of India during the middle of 1943. The recommendations of the Committee were accepted and acted upon by all the Governments concerned. Two years later, the Famine Inquiry Commission reviewed the position again and endorsed the recommendations of the Foodgrains Policy Committee and emphasised the need for continued adherence to them as long as the shortage of foodgrains continued.

**3. Post-war continuation of controls.**—The system was evolved during the War in order to meet emergency conditions then prevailing. Though the War



ended in 1945, these controls were not only not relaxed or removed; they were continued, intensified, and extended. This was done in spite of the fact that during last year and the current year imports from abroad became available in quantities exceeding pre-war average figures. The reasons for this were that just at the time when shortage of imports was about to be relieved, seasonal conditions were adverse and the yield of crops suffered to an unusual extent for two successive years. The major foodgrains of the country are rice, wheat, and millets. Within the last two years, one rice crop was very poor and the next normal; one wheat crop was poor and the next very poor; and one millet crop was very poor and the next was poor. As a result, food administration has been rendered far more difficult after the War than during the War. A number of very serious problems have arisen which are described below.

**4. Procurement problems.**—It has been found necessary to have recourse, to an increasing extent, to systems of compulsory procurement as distinguished from voluntary purchases. It has also been necessary to resort to systems of purchases direct from the producer on a monopolistic basis, instead of from the trade. The quantities procured have increased in some places, diminished in others; but, on the whole, there has been a diminution of internal procurement while commitments have greatly increased. At the same time, the policy has been to prevent prices from rising higher than the level reached during the War. As producers have been compelled to sell their crops, which were smaller than in 1945, at the same prices as before, while they could secure much more in the prevailing shortage, they became discontented. Thus for instance the market price prevailing on the 11th November was Rs. 24 per maund for wheat at Hapur (United Provinces) against the statutory maximum price of Rs. 10-4-0. The price of rice at Jainagar (Bihar) was Rs. 23 per maund which was more than twice the official procurement price. In many areas for which reports are not available the disparity between blackmarket prices and official prices is very much higher. The discontent of producers was further aggravated by the fact that the prices of commodities which they had to buy were also in short supply, and their prices were allowed to rise and no effective steps were taken to make them available in necessary quantities, at reasonable prices. This discontent, which was genuine and widespread, has been further aggravated by political agitation based on it but having other ends in view. In some places (*e.g.* Bihar), the difficulties have been so serious that the attempt to procure was practically given up in the middle of this year. In other places (*e.g.*, Madras), the procurement effort has been redoubled in the face of difficulties, but this has taxed the energies of popular Ministers, as well as of the entire administrative resources of the Government to the utmost. Such abnormal strain cannot continue to be a permanent feature of administration.

**5. Rationing problems.**—During 1944 and 1945, it was found possible (with only few exceptions here and there for short periods) to maintain a ration of 1 lb. per day per adult, throughout the rationed areas in the country. It became impossible to maintain this scale after the end of the War. At the beginning of 1946, the overall cereal ration was reduced from 1 lb. to 12 ozs. Even at this level, it has not been possible to maintain the ration scale. It had to be reduced to 10 ozs., some time to 8 ozs., occasionally even to 6 ozs. The duration of these reductions and the areas affected by them have been on the increase. In the middle of this year, it became very doubtful whether the rationing system could be maintained at all. The possibility of breakdowns, and consequent hunger and starvation of the people dependent on Government for supplies, had to be faced frequently. In order to maintain the efficiency of the system, (it is necessary that the supplies available by internal procurement and by imports from abroad should be adequate for honouring all the commitments and it is also necessary that there should be an adequate margin of working stocks. Neither of these conditions has been fulfilled and the working stocks have been steadily falling.

**6. Problems relating to imports from abroad.**—These conditions have compelled the Government of India to appeal to foreign countries for the maximum possible imports that can be secured. The allotments which have been made by the International Emergency Food Council, though on an increasing scale, have always been far short of the demands placed by India on world supplies. The demand from India and other needy countries on the world's exportable supplies largely exceeds these supplies. In consequence, almost all the countries which have foodgrains to export have been charging very exorbitant prices for the supplies made available to this country. The price of Burma rice was about Rs. 10 per maund at the beginning of 1946. It rose to Rs. 14 by June and was further increased to Rs. 17 per maund early this year. The Brazilian and Egyptian rice are still more costly being Rs. 23 and Rs. 22 per maund respectively. Australian wheat has risen from Rs. 8 to Rs. 12 per maund. Turkish wheat is much more costly, being over Rs. 16 a maund. Argentine maize has risen from Rs. 10 last year to Rs. 13 a maund this year. These exorbitant prices are still on the increase. An effort has been made to secure supplies on reasonable terms by offering other inducements by way of supply of such commodities as jute, textiles, linseed, etc. This has not so far helped to ease the position to any appreciable extent. Importation of foodgrains has, therefore, become a very serious problem for the country. There are two aspects to this problem:

*First*, these imports consume a very large proportion of the foreign exchange resources of this country, thereby seriously reducing the margin available for other purposes. Our foreign resources are limited and there is a particularly serious shortage of Dollars.

*Secondly*, they involve a heavy expenditure on food subsidies. The foodgrains imported at very high prices from abroad have to be made available to consumers in this country at internal prices. Otherwise, there would be a rise in internal prices with disturbing consequences on the general level of wages and prices of other commodities. A heavy subsidy is, therefore, involved which (in the case of the Provinces) has so far been met by the Central Government in full. The size of this problem is indicated by the following figures:—

Period.	Quantity of imported food grain (Lakhs of tons).	Total cost (in crores)	Cost of subsidy met by the Government of India (exclusive of subsidy met by States) (In crores).
April 1945 to March 1946	9.31	26.00	Nil.
April 1946 to March 1947	26.58	88.70	20.59
April 1947 to December 1947 (estimated)	19.12	77.97	17.35

**7. The problem of general unpopularity.**—The foregoing difficulties react upon one another so as to aggravate them. Thus, as ration scales decrease the blackmarket thrives actively, more and more people break the controls and sell in the blackmarket, and procurement drops still further in consequence. In these circumstances, (rationing and controls emphasise the feeling of insecurity and indirectly aggravate hoarding.) As the price of imported foodgrains rises, the discontent among producers is still further aggravated by the knowledge that the increase of price denied to them is being paid to foreign countries. The resulting position has been to render foodgrain controls unpopular among increasingly large sections of population. The traders as a class never used to like them. During 1944 and 1945, however, producers were not discontented because they had recently received price increases, and the prices of other

commodities and wages of labour had not moved against them. During 1946 and the current year, the producers who have a surplus to sell have generally become discontented. During 1944 and 1945 consumers grumbled, with reason, about quality; but they nevertheless supported rationing, in view of the great improvement it effected over conditions prevailing in 1943. When, however, the ration scales were reduced so as to become inadequate, they also became discontented. The widespread unpopularity, which has thus been brought about, is a factor to be reckoned with in the proper functioning of popular Ministries, in the next few years.

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## SECTION III

## CASE FOR CONTINUANCE OF CONTROL DURING 1948

1. The problems which have arisen do not indicate that foodgrain controls have failed. They reflect merely the fact that the intensity of foodgrain shortage has been greater during 1946 and 1947 than in 1945, notwithstanding that imports from abroad have increased.

2. This is seen from the following figures:—

*Yield of Cereals (All India).*

(Figures in lakhs of tons).

	Rice	Wheat	Jowar and Bajra	Total (four cereals)	Difference from average
Average 5 years ending 1943—44 . . . . .	282	106	112	500	..
1944—45 . . . . .	301	108	109	518	+18
1945—46 . . . . .	284	92	88	464	-36
1946—47 . . . . .	302	81	85	468	-32

These figures show that whereas the crop which came in the market during 1945 was 18 lakhs tons better than the average of the preceding 5 years, the following two crops were smaller than the average by 36 lakhs tons and 32 lakhs tons respectively. The total shortfall during the last year and this year was thus 68 lakhs tons. But the increase in imports (as compared with the average of the same five year period ending 1943-44) was only 21 lakhs tons.

3. The imports secured during 1946 and 1947 are not abnormally heavy. The country as a whole is normally deficit in rice. Its rice deficit has been growing steadily for over a generation. It used to be surplus in wheat, and other foodgrains including pulses. But the surplus was steadily diminishing. The trend was such that by this time, if there had been no War, the rice Deficit would have increased over the pre-war level and the surplus in other grains would have vanished. These facts are indicated by the following figures:—

(Lakhs of tons)

Period	Net imports of Rice and paddy	Net imports of all foodgrains including pulses
(1) Average 5 years ending 1938—39 . . . . .	16	14
(2) Average 5 years ending 1933—34 . . . . .	11	10
(3) Average 5 years ending 1928—29 . . . . .	8	2
(4) Average 10 years ending 1923—24 . . . . .	7	..

4. Against the background of this past history of imports, the net imports into this country during the War and since have been as follows:—

Net Imports (Lakhs of tons)

	Rice and Paddy	All grains
1939—40 . . . . .	21	22
1940—41 . . . . .	11	10
1941—42 . . . . .	7	4
1942—43 . . . . .	Minus 3 (Net Export)	Minus 4 (Net Export)
April 1943 to end of 1945 . . . . .	1	18
1946 . . . . .	3	22
First six months of 1947 . . . . .	3	12

5. These figures show why there was food shortage in 1945, in spite of a good All-India crop. From about the middle of 1941 to about the end of 1945 the country was being starved of imports which were normally necessary to balance internal production and consumption. Nevertheless, it was consuming more than it produced and imported. Except for the Bengal Famine, and occasional low rations in the South, there was no effective reduction of consumption as long as the one-pound ration was maintained. On the other hand, consumption actually increased because the population was increasing, higher prices enabled the poorer producers in rural areas to eat more and sell less, and the millions in the Army and War Industries had steadier employment and better wages and did not have to go hungry. The controls which were in operation simply enabled the country to draw upon its working stocks and hold on, with its "carry-over" diminishing from year to year.

6. All would have been well, if increasing imports had coincided with good harvests. But instead, the poor crops of 1946 and 1947 visited the country when it was already holding a much smaller "carry-over" than it used to in normal times. That is why no real comparison is possible between the food situation in 1946 and 1947 and the situation at any time during or before the War. The country as a whole and more particularly the South, which is normally deficit, is holding smaller "carry-over" stocks than at any time before.

7. The next year (1948) may be expected to be somewhat better than 1947. But even if the crop is as good, the total supply position would not be as good as in 1945, because of the very serious further depletion of stocks which has taken place since 1945. It will take time—about two years of good crops and good imports—for the carry-over to be rebuilt to the level of 1945. Therefore, the restoration of the one-pound ration of 1945 is not likely to be possible for another two years. If that is correct, there can be no question of there being a sufficiency of stocks during next year to go round to everyone without any restriction on purchases or on the scale of consumption—even assuming that imports of the same order as last year do materialise.

8. If this analysis is correct, and there is a real shortage in 1948, it would be extremely rash to relax controls and allow prices to rise. That controls were essential during the period 1942 to 1945, no one can seriously dispute. The Foodgrains Policy Committee of 1943, the Famine Inquiry Commission of 1944-45, and all the Governments were unanimous on this point. If controls were needed in 1945, they would be still more needed in 1948, because the supply position would be worse and the railway transport position not much better.

9. Free-trade in a market which is seriously short of grain and known to be short, must necessarily jeopardise the lives of the poor. The process by which this happens, has been explained by the Famine Inquiry Commission in the following terms:—

“ \*\* \*\* ” It is necessary to emphasize the sharply contradictory character of the reaction of the markets to rising prices in different conditions. A rise of prices which is believed to be likely to continue influences the minds of producers, traders, and consumers very differently from a rise of prices which is generally expected to be temporary. In the latter case, sellers—both producers and traders—are anxious to sell before prices fall; and buyers—both traders and consumers—reduce, so far as possible, the quantities they buy. Such a reaction automatically corrects the temporary mal-adjustment between the available market supply and the demand which caused the upward movement in prices. If the mal-adjustment is corrected by an increase in supply in the market and a reduction in demand, prices fall again. This does not, however, happen when the rise in prices is sharp and unusual, and is also expected to continue. In these circumstances, it produces an exactly opposite reaction in the minds of buyers and sellers. Buyers are anxious to buy before

a further rise occurs and therefore increase their purchases, while sellers are reluctant to sell because they wait for still better prices. This further decreases the supply available in the markets and increases the demand on the diminishing supply. Prices move up still further in consequence. This reinforces the fears of buyers and the greed of sellers and intensifies the market disturbances. Given sufficient time for the psychology of greed and fear generated in this manner to penetrate, on the one hand, to the primary markets and the producers—the ultimate source of supply—and, on the other hand, to the retail shops and the consumers—the ultimate source of demand—prices may rise to such an extent that large sections of the population find themselves unable to buy." \*\* \*\* \*

10. The hope that a run-away price of grain would increase the production of food, is likely to prove vain. The opposite might easily be the case. It will undoubtedly reduce consumption—but through a most dangerous method which might easily develop into uncontrollable famine.

11. Once such a development takes place, control will be lost in a few days and cannot be regained for months. In the conditions likely to prevail in the country during 1948, a run-away price of grain will involve not only famine, but food-riots and disorders also. If these consequences are conceded as at least probable, it would be necessary to weigh against them, the difficulties involved in facing and solving the problems which have arisen in food administration. These problems are undoubtedly serious; but they are by no means beyond solution.

12. **Procurement difficulties.**—The causes of procurement difficulties are known and have been detailed in Section II. What is now required is to increase the procurement prices in a reasonable manner and make available at fair prices, the commodities required by the producer, more particularly those which are necessary for increasing his production (e.g., manures, cattle-feed, implements, etc.). The mass of the producers in the country are reasonable people and desire only just treatment. They can be satisfied. The true hoarders and black-marketeers can then be isolated and dealt with according to their deserts.

13. **Rationing difficulties.**—If the above condition is fulfilled and imports of the order we have recommended are forthcoming, it should be possible to maintain steadily throughout next year a 10 oz. ration in seriously deficit areas, and a 12 oz. ration in other areas; and to increase the volume of stocks held by Governments at the end of 1948 as compared with the stocks held at present.

14. **Imports.**—The cost of imports is at present an exceedingly difficult problem; but it is of a temporary nature. These excessive prices are not going to last for ever. Bad crops will not be repeated year after year, and will be succeeded by good ones. The recovery of war-ravaged areas is proceeding throughout the world, and presently the exportable surpluses are likely to increase, and the demands of deficit countries are likely to diminish. It may be reasonably anticipated that probably by 1950 (and almost certainly by 1951), the position would change, and grain-exporting countries would be more anxious to find buyers than grain-importing countries to find sellers. A break in prices is bound to come. In the meanwhile, the situation would be met by a reasonable ceiling on imports, and a really effective drive in the country to increase food production rapidly. In any event, it is not possible to eat the cake and have it. If the lifting of controls is to be hastened, imports should be increased. If imports diminish, the controls must necessarily last longer. To choke off imports and lift internal controls simultaneously would be to invite disaster.

15. **Unpopularity of controls.**—If it is true that the consequences of decontrol would be a run-away price of grain and disorders and famine, it is obvious that Government are not likely to be any more popular with decontrol than at present. Already there are sufficient indications that classes likely to

be hit by decontrol are raising their voice against it. The only remedy would appear to be to educate the public on the true nature of the shortage prevailing, the indispensability in the common interest, of controlled behaviour on the part of all good citizens, and the need for genuine public co-operation in securing maximum production, maximum procurement, maximum efficiency in distribution and austerity in consumption. The food crisis is real. It must be faced and overcome by the united efforts of all the Governments and all the people.

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## SECTION IV

### THE CASE FOR AND AGAINST PARTIAL RELAXATION OF CONTROLS DURING 1948.

1. **The case for partial relaxation of controls.**—The advocates of partial relaxation agree that any substantial measures of decontrol is inexpedient during 1948; the commitments undertaken by Governments in respect of urban rationing must remain; so also the commitments undertaken by Governments in respect of rural rationing in such areas as Travancore, Cochin, or some of the heavily deficit districts of Madras and Bombay. But they feel that there should still remain a considerable volume of rural commitments which can be curtailed. In their view it is necessary that these commitments should be curtailed, as otherwise there would be no prospect of available resources being sufficient to honour all commitments at anything like an adequate scale of rations. (In this view, controls are not in themselves wrong; but they have been pushed to unnecessary extremes, and might be pruned with advantage during 1948.) The areas in which such curtailment can be undertaken and the nature and extent of relaxation of controls involved thereby should be examined.

2. **The case against.**—Even if the proposal is sound, it is now too late to give effect to it, because rural commitments of this character exist only in areas where the Kharif crops are the principal source of food supply and the Kharif crop year has already begun. It is a well-known result of experience that any material change in the system of supply and distribution in the middle of the crop year is detrimental to the efficiency of controls.

Actually the proposal is, even on merits, open to objection. It would be a sound thing to undertake if the supply position (indicated by the "carry-over" plus the crop plus imports) is as good as it was in 1945. But this is unlikely to be the position during 1948. If the proposal is tried in a surplus district during next year, no harm to the local inhabitants will follow, but it is likely to have an adverse effect on deficit districts to which supplies are sent from that surplus district. The gain achieved by reduction of commitments is likely to be more than offset by reduction in procurement (for those who cease to have ration cards will nevertheless buy and eat); and consequently the exportable surplus will turn out to be less than it might have been if the commitments had not been reduced. The Government concerned will find itself with resources even more inadequate than before for honouring the remaining commitments. If the proposal is given effect to in a deficit district, it will be found that the loss in procurement in the district is greater than the gain achieved by reduction of commitments and the district would therefore require an even larger supply from outside than it would have done if the commitments had not been reduced. All this is somewhat technical. Fortunately, a good illustration of the truth of these propositions is afforded by the example of the Central Provinces. This Province is undoubtedly surplus in grain. According to our colleagues, it should export 150,000 tons of rice and import 50,000 tons of wheat. The Government of that Province, which has been maintaining controls efficiently all these years and helping other areas effectively, has now agreed to liquidate all its commitments internally, and it has offered to export 45,000 tons of rice on condition that it is supplied from outside with 70,000 tons of wheat. The reduction of commitments thus converts a net exportable surplus of 100,000 tons into a net import requirement of 25,000 tons. That is a fair sample of how "reduction of commitments" may be expected to work in practice. The country cannot afford to relax in that manner during 1948.



## SECTION V RURAL RATIONING.

1. Our colleagues have, in our view, seriously underrated the importance of the purposes which rural rationing is intended to serve and the numbers of people who are dependent on it for securing foodgrains at reasonable prices. In concluding our minute of dissent, we desire to place on record what we believe to be the true position.

2. According to official statistics, the 'rationed population' of India was 143.58 millions on 1st September 1947. This figure includes Hyderabad, and is exclusive of Pakistan. The urban population included in this total is 47.71 millions who live in 468 statutorily rationed cities and towns, 265 non-statutorily rationed towns, and 275 towns where controlled distribution not amounting to individual consumer-rationing prevails. We are left with a total of 95.87 millions who live in rural areas which are either rationed, or are provided with Government supplies under controlled distribution. The areas under controlled distribution account for a total rural population of 16.72 millions. There remain 79.15 millions, who live in rural areas, where individual consumer-rationing prevails. In these areas non-producers depend entirely on rural ration shops all the year round, and "partial producers" for varying periods in the year, this depending on the extent to which they are able to feed themselves with their own grain stocks. In all these areas private trading in grain is legally prohibited—subject only to the saving, in Bombay, of sales within village limits, direct from the producer to the consumer in the same village, within restricted quantities.

3. It is necessary to emphasise the fact that an organised system of rationing of rural areas is a specialised feature of food administration in certain parts of the country, and not of others. The rationed rural areas (where 79.15 million people live) are as follows:—

All villages of Madras (45.86 millions), all villages of Bombay (14.35 millions), all villages of the three States of Mysore, Travancore and Cochin (13.74 millions), and certain rural pockets elsewhere (5.20 millions). The systems in force in Travancore, Cochin and the Malabar district of Madras are called 'statutory rationing'. Those in force in Bombay, Mysore and all the villages of Madras (except Malabar district) are called non-statutory rationing. (The difference between the two consists mainly in legal and administrative technicalities.) In both cases, there are large numbers of surplus producers who feed themselves and their families with their own stocks and sell their surplus to the Government and do not depend on rural ration shops. In both cases there are "partial producers" who depend on ration shops for part of the year and non-producers who depend on them all the year round. In neither case is normal private trade in grain available as a legal source of supply—the sole exception being small transactions permitted in Bombay between producers and consumers living within the same village limits. It is true that the administration of rationing in rural areas presents much more difficult problems than in urban areas. But these difficulties are encountered in much the same measure, whether rural rationing is called 'statutory' or 'non-statutory'.

4. It has been mentioned already that the total population in rationed rural areas is 45.86 millions in Madras, 14.35 millions in Bombay, and 13.74 in Mysore, Travancore and Cochin—that is 74 millions in all, in these two Provinces and 3 States. There are no figures showing how many of them are 'surplus-producers' who do not depend on ration shops either all the year round or during any part of the year. There is, however, indirect evidence from which it can be inferred that the number of surplus-producers must be much less than 41 millions and the

number of persons dependent on ration shops must be much more than 33 millions. The data which lead to these conclusions are given below. They relate to Madras, Bombay, Mysore, Travancore and Cochin—

- (i) The total population in rationed urban areas—18 millions.
- (ii) Average monthly offtake during the first 9 months of 1947 of these rationed urban areas—120 thousand tons.
- (iii) Average monthly offtake during the first 9 months of 1947 of the rationed rural areas—220 thousand tons.
- (iv) The number, in terms of urban population, who could have been supplied by the rural offtake (computed as  $220/120 \times 18$  millions)—33 millions.
- (v) The total population of rationed rural areas—74 millions.

5. It is thus clear that rural rationing is of material importance mainly to that part of the country which has been hardest hit by food shortage, viz., Madras, Bombay, Mysore, Travancore and Cochin, and its abandonment is calculated to jeopardise the food supply of at least 33 millions of the rural poor in that tract. The Governments of these areas did not accept these very difficult commitments in a light-hearted spirit. They did so because they then had, and they still have, no other alternative consistently with their inescapable obligation to ensure that the people do not starve. This is clear from a Memorandum made available to us by the Food Ministry, an extract from which we reproduce below:—

“Rural rationing in deficit units.—Those deficit areas adopted rural rationing first, whose local production was relatively the least and whose dependence on external supplies was consequently the greatest. Hence the rapid move towards rural rationing of Travancore and Cochin and a little later of Bombay. Other areas whose dependence on external supplies was less were able to manage with controlled distribution, the intensity of control increasing as stocks in those areas diminished. In due course, however, they were obliged to pass over to rural rationing, when reserves were exhausted and adverse seasonal conditions reduced local production and sharply intensified the prevailing shortage. There are two reasons why, when shortage is intensified in rural areas, rationing becomes unavoidable. First, there is the direct and obvious need for restricting drastically the stocks which each consumer may keep with him, and then to restrict (or at least get prepared to restrict) the normal scales of consumption. These results cannot be secured without strict rationing. Secondly, intensified shortage demands limitation of the stocks kept with himself by the surplus producer. He has to be called on to give up his surplus promptly and in full. The stocks purchased from him have to be moved quickly to relatively distant areas for consumption, even though it is certain that the villages from which stocks were removed would require replenishment later in the same year. This has to be done even though the process is seemingly irrational and undoubtedly expensive to all concerned. It is not possible to let the towns starve, shortly after the harvest, and at the same time leave stocks lying in villages on the ground that they would be required to feed them in later months. Those stocks must be used up immediately and the villages fed on imports which would reach the deficit units later in the year. This can only be arranged by a system of strict rationing. The villagers would not let the grain move, in the first instance, unless they saw in actual operation a rationing system through which imported supplies could be pumped into their village when needed. For this reason, a system of full monopoly procurement direct from the producers and a system of rural rationing are organically inter-connected. Both are necessary for securing that the deficit unit holds on, without breakdown, in spite of the fact that stocks are low, imports are inadequate and arrive at irregular intervals. The latter is also necessary in order to enable the former to be operated.

**"Rural rationing in surplus units.**—This is seemingly the most irrational, among the different settings in which rationing is to be found. There is, in fact, no surplus Province or State in which rural rationing is in force. But there are surplus districts of certain deficit Provinces and States where rural rationing is in force. In these cases the only reason why rural rationing had to be adopted was that it had been decided to adopt the system of full monopoly procurement direct from the producers. The question in such cases is this: Does the prevailing food situation in the Province or State concerned viewed as a whole, require the maximum possible intensification of procurement in the surplus district in question or does it not? If the answer is 'yes', then a system of full monopoly procurement direct from the producers becomes necessary. Once the system is adopted, then rural rationing also becomes necessary for reasons explained already. If on the other hand, conditions prevailing in the Province or State concerned are such that controlled procurement from the trade, or a system of levy on producers not amounting to full monopoly, would suffice, then rural rationing in surplus districts can be dispensed with.

While concluding this description of the different forms of control over distribution and the circumstances which gave rise to them in the recent past, attention may be drawn to the lessons they offer for the immediate future. These appear to be as follows:—The shortage prevailing to-day is the outcome of four successive years of import-starvation followed by two successive years of extensive crop failures. This shortage is distributed unevenly between different parts of the country. The degree of shortage in different areas varies, this depending partly on the extent to which the area in question, has borne the burden of general inadequacy of imports from outside and partly on the intensity of crop failures. The large variations which exist in the degrees of control exercised in different areas materially correspond to the variations in the degree of shortage prevailing. If the over-all shortage persists much longer in its present intensity, it must be more evenly distributed by the adoption of the more intensive forms of control over wider areas—otherwise, the areas which have borne the burden too long will break. Relaxation of controls and reversion to conditions prevailing before 1942 can take place (without causing breakdown of food distribution) only if and in so far as the supply conditions prevailing between 1942 and 1947 are reversed. That is to say, the effects of crop failure must be offset by good harvests. The effects of import-starvation must be offset by abundance of imports, or by raising the normal level of internal production or both. As a result, working stocks carried by all parts of the country must be rebuilt to the normal size. These are inescapable minimum requirements."

R. A. GOPALASWAMI,  
R. L. GUPTA,  
D. S. BAKHLE,  
S. Y. KRISHNASWAMI.

### Separate Note (No. I)

I regret that I could not attend the meetings of the Committee as I did not receive notice, though the Department tried to locate me. This prevented me from having the privilege of discussion with my colleagues, the Provincial Ministers and departmental Officers. I received the papers on the 11th instant and in the short time I could not give them the careful study which they deserved. I have studied the majority and minority reports and am in general agreement with the minority view. I have written this short note to emphasize some aspects and to strengthen the conclusions.

2. The failure of the rationing system including the reduction in quota is not so much proved by statistics as is generally supposed to be e.g., statement D.N. 25 prepared by the Ministry of Food shows that the average cereal available in 1945-46 was exactly the same as for the five years ending 1941-42 and in 1946-47. Though internal production was less yet the imports were substantially higher being 9.31 lakh tons in the former and 26.58 lakh tons in the later year. But the part played by internal procurement has not been stressed. Madras Government deserves greatest credit for its contribution towards internal procurement. While its share in internal procurement was 20 per cent in 1944 in 1947 upto 25 9/47 it was responsible for 47 per cent of internal procurement. Be it further noted that Madras prices are lowest in India being about 35 per cent lower on the average. Inversely the other Provinces reduced their procurement from 80 to 53 per cent. In actual figures it is still more glaring. Other Province than Madras reduced their procurement from 32,70,000 tons in 1944 to 14,90,000 tons in 1947 (25th September 1947).

3. The suggestion that India can live without importing food-grains is not supported by facts. The figures quoted by the minority in para. 3 shows that annual rice and fodder imports had gone up from 8 to 11 and then to 16 lakh tons in the three quinquennium between 1924-25 to 1938-39. Working on that basis in the five years ending 1948-49 our average imports have to be of the order of 27 lakh tons even on the basis of past consumption. But another factor must be borne in mind when we consider the minimum import requirement. In three quinquenniums half the periods were years of depression when the producers had to sell the maximum quantity to purchase their needs and pay for their commitments. But with increased prices the need for maximum sales is removed and with prosperity the actual consumption of food grains by the producers who had remained half starved has also increased. Taking all factors into consideration I am of the opinion that in the calendar year 1948 our imports should not be less than 3 million tons if we are anxious to avoid catastrophe.

4. The increase in population of Indian Union is probably of the order of five million per annum. the high prices of cash crop and vegetables are responsible for diversion of food grain producing areas to these more paying crops. The steep rise in sugar cane prices this year is bound to reduce the next rice crop of sugar belt of U. P. & Bihar. The encouragement of cotton growing will effect the rabi crop in central areas. The jute cultivation in West Bengal may affect the rice crop of 1949. Quite apart from these new disturbing factors the opinion of our experts as far back as 19th April 1947 in D.N. 9 on page 32 was definitely that 'There is little prospect of the acreage or the average per acre output in agriculture in India increasing during the next three years.'

5. The argument that foreign exchange for food imports cannot be found is brought forward for giving up the control. In the first place even if our Government commitments are reduced it will not mean reduction in consumption. If there will be any reduction it will be among the poor classes of people, for instance the Bengal Famine was the result of the high price. If there is scarcity—as all available data prove—it will have to be met by imports. The Centralised Government purchase is according to universal experience a better

and cheaper method of procurement than private trade's bid against each other which will be the feature of private imports in 1949 according to the present policy. (The savings to the Government are also illusionary as the rise in price of food grains is bound to increase the pay roll of Government servants according to the formula of Central Pay Commission). It will increase the work cost of all Government activities like Building, roads, rails etc. It will increase the capital cost of all new industries, public, utility of private industrial developments. The greatest harm will be done to current production as rise in cost of living cannot automatically be compensated by increased wages in all industries. It will lead to strikes and millions of men hour will be lost in the process. But this will not be the end of strife, for if prices start falling by 1950-51 there will have to be counter movement of lock outs to reduce wages. All this turmoil will be the result of decontrol before condition calling for its improvisation have disappeared. Controls are not desirable and should not be continued even for a day after normality has returned.

6. The lack of statistical data prevents any authoritative conclusion on the effect of controlled prices of food grain on the majority of Indian family Budget. But from my personal study I am driven to the conclusion that common man will have to pay more during decontrol than in the control price regime. In the urban areas very few are such wage earners whose cost of living increase can be balanced by increased wages.

HUSSAIN IMAM.  
22-12-47.

## Separate Note (No. II)

I have been (unable to agree with the two sets of recommendations made by the majority and the minority. I had written to Dr. Rajendra Prasad, Food Minister, on the 25th of October, 1947, outlining my position. I am reproducing those parts of the letter which outline my position.—

“When the Food Committee’s report on the interim recommendations will be formally presented to you, I will then make my detailed observations. Meanwhile, I may be permitted to sketch roughly such suggestions as I had offered in the Committee, for I understand action is already being taken on those recommendations. My Chairman has presumably informed you of my inability to agree with these.

“With regard to imports of foodstuffs, I had asked for their complete stoppage apart from 9 lakhs of tons already transacted and apart from any such imports as we might be able to secure from our neighbours in Asia like Nepal or Indonesia. I would call this the East Asian bloc and would treat it for our food purposes, as for any of their needs which we might supply, on a par with our own country.

“Arguments for this position elaborated by me during the proceedings of the Committee are roughly (1) stoppage of imports would throw us on our own resources and make us grow more food, (2) available statistics of requirements and production are shaky so that it is difficult to say how much is overall shortage and how much is shortage in one area against availability in another and (3) paying such high prices for our imports as we do (sometimes as now only a short time before the harvest) is scandalous.

“With regard to rationing and procurement, I had suggested their gradual curtailment with a view to total abolition six months hence. My argument for this is spread over the entire proceedings of the Committee, in particular the evidence of various witnesses. Persons employed in the Food Administration are to be turned over to growing more food or to managing certain co-operative sales and purchase mechanisms.

“In order that the private trader, wholesaler and retailer, might not fill the picture again and also that the law of supply and demand may not operate so as to cause scarcity, I had suggested the institution of grain banks. To start with certain groups of villages and districts might be selected for this purpose as in prohibition. How far the law could be weighted in favour of grain-banks as against the private trader and how far these would be required to engage in free competition with of course such moral authority as they might possess could be a subject for careful consideration. A start could easily be made in such villages where Panchayats under the various Provincial Acts are in operation. These grain banks would be owned by the Panchayats, run by trained officers under the general control of the Panchayat and India Government would have first right over sales apart from the minimum quantities which members of such banks could draw. I am convinced that such grain banks could be established immediately.

“For the next six months, I had also suggested an increase in procurement prices not only with a view to give more to the farmer but also because these fixed prices, I fear, are congealing our economy whereas, even at the cost of a little instability, we should work for an expanding economy.

“I would arm the Government with only one right of control, that is, price control. With the positive instituting of grain banks and assuming that price control does not break away completely from what would be the market prices, price control without supply control or compulsory procurement would be possible

of achievement. In the confident hope that inefficiency and corruption would be lessened, I would do away with all controls except when necessary, price control.

"A great drive for increased production particularly of supplementary foods must be immediately undertaken. A purpose and a plan with of course adequate equipment can dissipate the inertia that has numbed our minds and altogether disabled us. Somehow and anyhow to bring increasing quantities of land under cultivation and to increase them yet more should be our guiding principle. When there is land and there are men, no reasoning can ever justify lack of food.

"I have also suggested co-operative and semi-co-operative farming whose relevance, I concede, is more with the long-term plan."

2. The Food Committee has yet to meet for considering the long-term policy. An elaborate argument for the position that I have taken up must wait until the final report is prepared. Short-term and long-term policies are always mixed up, but that is even more so with regard to food. Further more, I am convinced that the Food Committee must hold public sessions. I had suggested this even with regard to our earlier meetings. We have not only to reach a correct policy on food but we have also to work it out. Public sessions of the Committee would be a very powerful means of educating our people into matters relating to food. Whatever dangers there may be in holding public sessions of the Food Committee are definitely less compared to those of a hush policy and of giving the results of our enquiry to the people without actually letting them see from day to day the process through which we arrive at those results.

3. An unfortunate aspect of our enquiry is the excessive emphasis on control *versus* de-control. During the enquiry itself this emphasis was not so predominant, but in the preparing of the reports as also the reaction of the people this debate has achieved a monopoly of attention. I have no intention of entering into this debate here. In passing I would refer to the fact that both the majority and the minority have taken up the fundamental position of de-control. The dispute is only about the time and the manner to do it. No one has made the effort to advocate the philosophy of controls. Nevertheless, the debate on the immediate present has assumed such proportions that even on such a minor point as the beginning of controls the majority and the minority have given two different dates. One date is the second half of 1942 and the other is 5th December 1941.

4. It is none of my business to explain or justify the policy of food control as it was worked out by the British Government. To say that this policy was born of scarcity and was intended to remove maladjustments is not correct. A most amazing aspect of this controversy is that men who cried loudest in calling the Bengal Famine a created famine are equally loud today in ascribing it to absence of controls. If the famine was created, then obviously the Administration must have either openly or covertly pursued a policy of controls and actually a series of measures including interference with trade and monopoly purchase and appointment of 4 or 5 big rice agents by the Government of Bengal had preceded the occurrence of the Bengal Famine. Advocates of control harm their own cause very greatly by mixing up the Bengal Famine with this debate about control and de-control.

5. Control is rather a tempting word. It conjures up visions of planning and check on greed and a planned society in which men and women labour for the common good. Between these visions and the policy of food controls as it is now being worked out I have found no relationship nor resemblance. When political groups condemn the present working of controls and ask for a more effective system of controls, they merely sloganise and give expression to ignorant prejudices until they have outlined in detail the system of controls that can truly be effective. I have no intention of climbing on the band wagon of prejudice and of imagining that I am travelling on the road to a planned economy or socialism. And yet we have to think out the steps that we must

take here and now in order that as soon as possible we achieve a society in which men and women have enough to eat and their food is not snatched away from them by ignorant or greedy persons.

6. The problem of greed is a rather difficult one to tackle. I do not imagine that traders can be wholly reformed by an appeal to their good sense. The impulse to profit tends to become passionate greed. I will assume for purposes of argument that the very large majority of traders in our country tends to fall victims to this. At the same time, any governmental effort to check this greed must necessarily be manned and officered by a whole host of person and, unless these are incorruptible and trained in a code of public service, greed instead of diminishing will increase. What began as an effort to check greed becomes a measure of increasing it. European countries like Germany and England have evolved through several centuries a tradition of public service under which not one man in the subordinate services is dishonest and in the higher services as well exceptions alone go in for profit and gratification. Nothing is more absurd than to outline a policy of control on the assumption that we already have such a class of public servants.

7. The search for increasing production and better distribution must, however, continue. But there is no doubt that this cannot be along lines that have so far been pursued. In fact, the direction itself may have to be changed. We have probably to gear back and then travel in a totally new direction in order to achieve the full and co-operative common wealth that we desire. Obsession with the debate on control and de-control on the basis of elements of present policies is obscuring the real issues. By casting aside old notions and hacking out a new approach, something may yet be done.

8. This new approach hinges around the co-operative handling of foodgrains in certain selected areas of the country. I will not here take up the question of co-operative production. That will have to wait until the long-term report is prepared. But the co-operative handling of foodgrains, to my mind, is such an obvious proposition that it must be immediately undertaken. Even if it is not possible to do away with food trade altogether in all parts of the country, the effort can be started in a considerable number of selected districts. Numerous objections can, of course, be raised and the most facile but a terribly effective objection has been that such a scheme takes time to work out. Given an aggressive policy of co-operative trading and a Food Ministry which is sufficiently enthused about this policy so as to brush aside all doubts and make a determined effort, I see no reason why the village Panchayats should not at the very start undertake this function of buying and selling of foodgrains. So shall we be able to transfer the large numbers of men who are today engaged in food administration at the Centre and in the Provinces to these co-operative grain-banks run by the village Panchayats. (In course of time we shall also have trained a public service for food which will match any other country in honesty and efficiency. What is lacking today is a plan and a will and a purpose.) Let us have these. The only system of control that I can think of and that would be related to our visions of a planned and expanding economy would be this co-operative training in foodgrains. We start over a small sector but we expand as we go along. This will also give the country an opportunity to compare the two sectors of grain economy in the country, the one of free trade and the other of grain co-operatives.

9. The village Panchayats shall in any case be set up and will presumably be a main basis of governance in our country. But these village Panchayats have hitherto been thought of more in terms of law and order and dispensing of justice. An important reason of their comparative failure lies in this. When these village Panchayats undertake economic functions, they strike deeper roots. They become very powerful agencies of reform and reconstruction. At the same time, a million eyes are trained on the economic doings of a Panchayat so that the possibilities of corruption are reduced to a minimum, even if efficiency may



not be achieved right at the start. A civil service for food is of course wholly indispensable for the working out of this scheme. I contemplate a very fruitful inter-action between the Panchayat and its grain co-operatives so that democracy and economic reconstruction draw vigour from each other. I would be content if 1/10th of our country is brought under the operation of these grain co-operators as a first instalment. This will open out such a vision of plenty and new life and a co-operative common wealth that the people and public servants will put themselves heart and soul into making the experiment successful.

10. Any other forms of control are difficult to understand and as such I am opposed to them. Whether it is a case of importing foodgrains from outside the country or of restricting the movement of foodgrains from one province to another, any system of quotas and permits and licences tends to degenerate into a scramble for money or power equally at the highest and the lowest levels and all over.

11. Regions of scarcity will react pathologically to any plan of de-control. In this matter of control versus de-control of foodgrains, the dividing line seems to be not so much the two ideologies of capitalism and socialism but the varying requirements of regions of scarcity or of sufficiency and surplus. Any such regional views are necessarily mistaken from the view point of the country as a whole. To regions of scarcity which unthinkingly justify the present system of controls, my argument would be somewhat as follows:—

Controls have not prevented millionaires from turning into multi-millionaires. On the contrary, they have positively helped the bigger ones among them to the detriment of the small man who do not have enough pull with the Government or the trading circles. They have also permitted the popular ministers to conceal their incompetence, for otherwise the people would demand why more food is not grown. The fear that under free trade prices would shoot up particularly in the regions of scarcity is unreasonable. With the grain co-operatives it will be much easier for the Government to look after regions of scarcity than has been possible under the present system of controls. Prices would be kept under check and the population will feed itself. I would appeal to the politicians and publicists in the regions of scarcity not to get bogged into this slimy waste of the present controversy but to venture into the new direction of grain co-operative.

12. A very important sphere of reform would be nutritional re-arrangement and the starting of community kitchens. These will give us much better value out of the existing food stock and also eliminate waste whether of vitamins or fuel or calories. That this problem of nutrition and community kitchens does not receive as much attention as the problem of de-control is a misfortune.

13. The foundation on which all else can be built is production and yet more production. To achieve increasing production an article of faith with regard to food must be that India has considerable areas of uncultivated lands and considerable numbers of unemployed people and that, therefore, increasing quantities of food must be produced or else the entire Government from Minister down to the lowest paid officer is incompetent and inefficient. No hearing should ever be given to reasons for failure.

14. Any elaborate outlining or arguing or even a comprehensive statement must wait until the final report is prepared. In a rough way elements of the position that I have taken up are (a) Increasing production, (b) no imports, (c) no controls, (d) grain co-operative, (e) price regulation, (f) better use of available food.

22nd December, 1947.

RAM MANOHAR LOHIA

## Supplemental Note

1. In Chapter I (page 8), it is said that the deterioration in the quality of grain is due to the fact that the purchaser had no option in the matter of accepting grain which is offered to him for sale. This is not correct. As a matter of fact the grain that is purchased is of a fairly good quality and the deterioration takes place after the purchase and before distribution.

In the same Chapter (page 9), it is stated that the whole basis of the theory on which increased commitments are accepted by the Government is that increase in commitments would be accompanied by more than corresponding increase of procurement, and the dependence on external supplies from abroad would be thereby diminished. This is also not correct. Rationing of food grains has been extended to towns and areas where in its absence it would have been difficult for the consumer to get grains at reasonable rates. Thus the rationing started from big cities and large concentration of labour and extended to small towns and deficit rural areas. Obviously rationing at these places could not increase procurement and diminish dependence on external supplies.

2. In Chapter II (page 15), it is suggested that some financial inducement may be offered by the provision of bonus payments to surplus Provinces and States who offer "Supplementary Export Quotas," while I approve of the suggestion I would like also to state that this bonus should be transferred to those growers who surrender more than their share to the Government so that the bonus goes to the person who sacrifices for the national cause. I would suggest the same thing regarding the suggestion made at the bottom of the same page for "exploring the possibilities of financial recognition being given to those Provinces and States who are able to reduce their import requirements below their ceiling import quotas". In both these cases the Government will be placing further burden on their producers who should be the persons who should get the benefit of financial aid from the Central Government.

3. In Chapter IV (pages 22), it is stated "We agree that any reasonable or practicable increase in the price of foodgrains is not by itself sufficient to ensure that the production of foodgrains will be increased. At the same time, we are also satisfied that some increase in the price is essential in order to enlist and retain the active good will and cooperation of the producers in the intensified efforts which the Government of the country must make towards securing a substantial increase in the production of foodgrains." I have no hesitation in differing from the above. An increase in the price of foodgrains will surely favourably affect the production of foodgrains and it is for this reason that I lay stress on an increase in the price of foodgrains to the extent of procurement and leaving the market free for the agriculturist to sell the rest of his grain at whatever price he can fetch in the market.

4. In Chapter V (page 24), it is said "There should be no restriction upon the movements of these pulses either from one Province to another....." I think there is no occasion to treat pulses on a different basis from other foodgrains. While movements within the Province should be free. Restriction on movements of pulses from one Province to another may be placed as in the case of other foodgrains.

In the same Chapter (page 24), it is said "The quantity compulsorily procurable from the producers should be fixed on the basis of acreage, or revenue payable, or other similar factor, the determination of which would be easy and certain in each case and would involve no exercise of discretion on the part of subordinate officials. The rate of assessment of the levy on this basis should be so fixed as to yield the total amount of grain required as the

procurement target." That the amount payable by each grower should easily determinable and there should be no discretion given to subordinate officials in determining that amount are some of the points to be borne in mind in formulating the procurement scheme but they are not the only points or rather they are not the main points. The fundamental points to be borne in mind while formulating a procurement scheme is whether it will be fair to the grower to demand from him the amount so levied. It is idle to emphasise the simplicity or the rigidity of the scheme when the very amount demanded is unfair and leaves little or nothing with the grower for his domestic use. Any principle on which a procurement scheme is based and which does not leave enough grain with the cultivator for domestic use cannot be called fair and just. There is no relation between area under a particular crop and the total area owned by a cultivator. In some places Kharif is the main crop while in others it is the Rabi, while in others again Sugarcane, oil seeds and other cash crops may be the main crop. So it is highly unfair to make the quantity procurable from each cultivator dependant on the amount of the land he possesses or the revenue he pays. It is wrong to think that the revenue payable in a particular crop has any relation whatsoever with the area under that crop. The annual revenue is payable in two instalments one realisable in Rabi and the other in Kharif. When levying the quantity of grain procurable from any cultivator the main consideration should be whether it will leave him with enough grain to meet his domestic requirements. Any system which ignores the domestic requirements of the cultivator will not work well but if the quantity to be levied is to be co-related with the amount of land possessed by the cultivator it is to be legislated that he will sow different crops in some proportion. I refer to the Bombay case in this connection. Then again to so levy the quantity to be procured from each grower as to arrive at the procurement target for the Province is not a correct proposition. It will work well so long as the procurement target for the Province is less than the surplus amount of food grain available in the Province but in case the surplus amount of food grain available in the Province is less than the Provincial target the procurement will be to the disadvantage of the cultivator who will not be left with enough grain to meet his domestic needs.

In the same Chapter (page 25), it is suggested that all dealers in food grains should take out licenses and submit return of stocks and conform to anti-hoarding restrictions, and that this should also apply to growers. Such a clause will not only cause a great hardship to the growers it will also lead to a lot of corruption. The result will be that it will discourage the production of foodgrains. To make it applicable to all holders of stocks exceeding 50 maunds of controlled foodgrains as suggested at page 53 of the Report is therefore not a good suggestion. Although a grower may be not intending to have 50 maunds of controlled foodgrains by disposing of the surplus he is likely to have more than 50 maunds at the time of harvest. This will leave him at the mercy of Police Officers and others. Then again as most of the growers are illiterate they will not be able to comply with this. It will be better if this clause is not applied to growers as such but made applicable to dealers in foodgrains. There may however be a few cases of big growers who they are a very few in each district and if it is intended to cover their cases as well then the harvesting season should be declared as beyond the operation of this clause and the lower limit be raised from 50 maunds to 100 maunds of controlled foodgrains.

21st December 1947

PHOOL SING