

# INDIA'S FOOD PROBLEM

Prof. B. R. SHENOY



**FORUM OF FREE ENTERPRISE**

SOHRAB HOUSE, 235 DR. D. N. ROAD, BOMBAY-1

**"Free Enterprise was born with man and  
shall survive as long as man survives."**

**—A. D. Shroff**

**1899-1965**

**Founder-President**

**Forum of Free Enterprise**

# INDIA'S FOOD PROBLEM

By

PROF. B. R. SHENOY\*

I feel greatly honoured in being invited to deliver the A. D. Shroff Memorial Lecture this year. While A. D. Shroff will be known for his many great qualities, he will be known most as a champion of the liberty of the individual. Enveloped as we are by the thickening fog of all the false doctrines of socialism and of the policy measures based on these doctrines, the light of this liberty is becoming more and more dim. In such a context, it is encouraging to recall the work and achievements of A. D. Shroff in the cause of human freedom.

When China attacked India's northern frontiers in 1962, Pandit Nehru, India's Prime Minister, was on a visit to Ceylon. He is reported to have remarked to the Press : "I have ordered India's defence forces to throw the Chinese out." The world knows what happened. Having badly mauled the Indian army, the enemy grabbed part of Indian territory and the Chinese forces, in a still unsolved mystery, withdrew.

This is not a solitary case of over-confidence, on the part of India's leaders, in tackling our problems, with insufficient precaution and poor preparation. There are numerous examples of it in the economic sphere. We shall quote one, which, incidentally, takes us to the core of India's food problem.

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\* Professor B. R. Shenoy, eminent economist, is the Director of Economics Research Centre. This is the text of the Eighth A. D. Shroff Memorial Lecture delivered in Bombay on 30th October 1973, under the auspices of the Forum of Free Enterprise. This lecture is based on material drawn from the author's book *PL 480 Aid and India's Food Problem*, which will be shortly published by the Affiliated East-West Press, New Delhi. The author wishes to record appreciation of statistical assistance in the preparation of this text by Mr. P. Vaidyanathan.

## I. The 1972 decision to forego Concessional Imports

In January 1972, we stopped all PL 480 and other concessional imports of foodgrains, in terms of a decision taken five years earlier, on 17th January 1967. Indeed, we fancied that our food position had become strong enough to stop commercial imports as well.

Between the time the decision was taken and the time of its implementation, we had a succession of good harvests, thanks to the benefit of some wonder seeds, especially in wheat; and the output of foodgrains steadily mounted up rising to a peak of 108 million tonnes in 1970-71, from a low of 72 million tonnes in 1965-66, the first of the two years of severe and extensive drought.

This enabled us to meet much of the official domestic distribution needs from procurement and part of the imports, which remained at a high level, were used to build up stocks.

Stocks, therefore, continued to mount up and were at 8.1 million tonnes as at the close of 1971.

Add to this the fact that we had achieved a break-through in wheat production. The output of wheat kept rising without a break at an annual average of 2.5 million tonnes; and the total output of wheat more than doubled, from 11.4 million tonnes in 1966-67 to 23.8 million tonnes in 1970-71 and 26.5 million tonnes in 1971-72.

These three factors—comfortable reserves, a succession of good harvests, a break-through in wheat cultivation—created a feeling of optimism and in January 1972 we decided not to have any more concessional imports. We wrote to USA that we proposed not to lift the balance of 4 lakh tonnes of foodgrains to which we were entitled in terms of the PL 480 agreement of 1st April 1971 for 1.57 million tonnes. The reason given was the “excellent rabi crop” prospects. But it soon turned out that the decision to stop concessional

imports was premature. It was taken in a fit of over-optimism, based on an uncritical assessment of data.

Past experience has shown that if harvests are good for a year or two, we must be prepared for a bad or indifferent harvest. After a succession of good harvests, the harvest in 1971-72 turned out to be a bad one. Production declined by 3.8 million tonnes during the year, to 104.7 million tonnes, from the peak of 108.4 million tonnes in 1970-71.

When production drops, two things happen. First, procurement falls. It fell in 1972 by 1.16 million tonnes to 7.7 million tonnes from the peak of 8.9 million tonnes in the preceding year (1971). (See statistical table appended at the end). Secondly, the pressure on the public distribution system increases. Fair price shops rose in 1972, by as much as 36 per cent and the offtake went up by 35 per cent to 10.5 million tonnes in 1972.

The situation could be met by reduced rations, an increase in the price or a combination of the two. To do this, however, would have been odd in the background of the supposed achievement of food self-sufficiency, which had been duly advertised.

On top of these domestic developments, there was a food crisis in Bangla Desh and to meet the teething troubles of a new state, we had to export to Bangla Desh about 909,000 tonnes of foodgrains.

The only way out of this complex, much of which we created ourselves, was to raid the reserves. Reserves, consequently, fell by 4.7 million tonnes—1.1 million tonnes to cover the fall in procurement, 2.7 million tonnes on account of the increase in the offtake and 0.9 million tonnes for export to Bangla Desh. This, at one stroke, reduced the stocks to less than one-half, to 42.3 per cent. The additions to stocks of the preceding three years were totally lost and the closing stocks at the end of 1972 fell to 3.4 million tonnes.

With this march of events—the rapid depletion of stocks, the decline in output, the drop in procurement and the increased offtake in the public distribution system—the earlier optimism was soon transformed into pessimism. In a matter of months following the brave decision to stop concessional imports, the spectre of the “possibility of a break-down of the public distribution system” before the “arrival of the next wheat crop in April-May 1973,” began to haunt the minds of policy makers. Any such predicament, coming on the heels of the announcement of food self-sufficiency, would have been disastrous. To avert this calamity, it was “decided, towards the later part of 1972, to import two million tonnes of foodgrains” to replenish the buffer stocks. As the potentially ugly situation called for swift caution, this decision was executed with great alacrity and “a sizeable portion” of the imports requisitioned “was received in February-March 1973”.

The situation deteriorated further during the agricultural year ending June 1973. The figure of the output for 1972-73 is not yet officially out. But it is feared that it may be of the order of 95-96 million tonnes, though some place it at 100 million tonnes. In any case, it seems to be big drop from 1971-72. As in 1971-72, this is having its double effect: (i) Procurement has fallen. The procurement target, to begin with, was 8.1 million tonnes. Experiencing the difficulties of procurement, the target was lowered to 6.0 million tonnes. Actual procurement is still lower. As on 3rd August 1973, it was 4.3 million tonnes. (ii) The offtake from the public distribution system is tending upward. Though actual figures are not yet available, the offtake from the Central pool to States and others amounted to 6.11 million tonnes in the first 7 months of 1973 as against 4.99 million tonnes during the corresponding period of last year, a rise of 22 per cent.

Thus, the decision to forego concessional imports has turned out to be a debacle, perhaps even more so than the military reverses on our northern frontiers in 1962. Present indications are that we have not yet seen the last of the consequences of that ill-fated decision.

## II. Arithmetic of the Current Food Situation

The arithmetic of the current food situation is far from pleasing. We may state it briefly. The demands on the public distribution system have to be met from the closing stocks of 1972, carried forward—3·4 million tonnes—plus net imports and plus procurements. Though precise figures are not yet available, imports during the current year (1973) until September are placed at 2·0 million tonnes. To this may be added the purchases of 2·0 million tonnes by the India Supply Mission, Washington. Together with the procurement of 4·3 million tonnes, the total availability comes to about 11·7 million tonnes.

The demands on the public distribution system are presently an unknown quantity. What is more certain is that this demand may be larger than that of last year, even as the demand last year was larger by 2·7 million tonnes than the demand in 1971, the year of the peak output. If we may assume that the increase this year may be of the same order as the increase in 1972, then, the offtake this year may be 13·2 million tonnes, as against 10·5 million tonnes in 1972.

To the extent that this arithmetic is dependable, the demand is 13·2 million tonnes and the overall supply 11·7 million tonnes. This leaves an uncovered gap of 1·5 million tonnes, which can be made good only through imports, on the assumption, it will be noted, that the entire amount of the reserves are drawn upon to meet the needs of 1973, and we pass on empty godowns for 1974. If, on the other hand, we wish to leave the reserves undiminished—as they are none too high—the uncovered gap, to be met from imports, rises to 4·9 million tonnes. The total imports of the year would be then 8·9 million tonnes. If we use up all our reserves, the imports of the year would be still 5·5 million tonnes, or 31 per cent higher than the annual average imports during the 21 years, 1951-71, which amounted to 4·25 million tonnes.

### III. Balance of Payments Difficulties and Food Imports

But imports on any appreciable scale are far from easy, the main hurdle, which has been insuperable, being the state of the balance of payments. The weakness of our balance of payments position is best evidenced by our continued indebtedness to the IMF, despite mounting foreign aid. Except in one year, 1956, we have been continually in debt to the IMF, since 1948.

Add to this the fact that the world prices of foodgrains have been on the uptrend during the current year. In March 1973, Canadian wheat was 44 per cent higher than in the third quarter of 1972 and US wheat 49 per cent higher.<sup>12</sup> Thereafter, prices have risen still higher: the price of wheat in USA shot up to \$ 125 — \$ 160 and the freight rose from \$ 15 to 40, per tonne.

At these prices, the total landed cost of a million tonne wheat would be \$ 140 — \$ 200 million, or Rs. 105 — Rs. 150 crores, at the pre-crisis parity of \$ 1 = Rs. 7.50; and the cost of 1.5 million tonnes would be Rs. 158 — 225 crores and that of 4.9 million tonnes, Rs. 515 — 735 crores.

We just do not have enough free foreign exchange to purchase even 1-1/2 million tonnes of foodgrains. The RBI "Annual Report on Currency and Finance, 1972-73" states that orders had been placed for the purchase of 4.5 million tonnes of foodgrains, but that the India Supply Mission, Washington, was able to acquire only 2.0 million tonnes. It is strange that, in face of the heavy food deficit, purchase orders remained unimplemented. This lends support to the press report that the orders for the balance had to be cancelled, or held in abeyance, for want of foreign exchange.

Government, therefore, had little difficulty in accepting a loan of 2 million tonnes of foodgrains, mostly wheat and little rice, from USSR. Presumably, this loan, which is repayable in "kind", was made possible by Russia's purchases of 28 million tonnes of foodgrains in 1972-73, USA alone providing 10 million tonnes.



#### IV. The Decision to forego Concessional Imports Premature

The Russian loan, as it involves no immediate cash payment, is a case of concessional imports. By accepting it we have gone back on the January 1972 decision.

The criticism that the decision to forego concessional imports was unwise cannot be dismissed as a case of wisdom after the event. The data on which this criticism is based were all before the Administration throughout the period which intervened, between the resolution to end PL 480 and other concessional imports, in 1967, and the execution of that decision, in January 1972.

First, throughout the period of over two decades, 1951-72, domestic production had been insufficient to meet the market demand in full, except in one year, 1971, when there was a nominal market surplus (558,000 tonnes). Continued market deficit, necessitating imports to maintain the level of domestic consumption, is not a safe enough background for going without imports, whether on concessional terms or on full payment.

Secondly, even with imports, *per capita* consumption remained below the nutritional norm, moving in both directions below this norm. It follows that, in the absence of imports, *per capita* consumption would be worse.

Thirdly, the entire amount of the foodgrains reserves in 1967, when the decision to stop imports was taken, and virtually all the reserves in 1972, when this decision was executed, were built up from imports. In an economy where the domestic output of food is rarely, if ever, able to meet in full the domestic demand, adequate reserves are a high priority social obligation, more especially because consumption is already below the nutritional norm and short supplies must mean more extensive malnutrition or worse. Clearly therefore, as imports are the only means of building up reserves, it does not make much sense to forego imports, until the green revolution becomes a reality, from the make-believe, which it is today, after meeting the home demand—i.e. we move into the ranks of habitual food exporting countries.

## V. Futility of "Buffer" Stocks from Domestic Production

It is frequently believed that the problem of food shortage may be effectively met if only Government could build up, from domestic production, through monopoly procurement, compulsory levies, confiscation, open market purchases, or otherwise, large enough reserves, which could be mobilised to meet undue scarcities and to prevent prices from getting out of control.

Logic and experience suggest that this is an illusion. The problem is one of aggregate output falling short of aggregate demand. This has been the case, except in 1971, throughout the period, 1951-72, regardless of whether the crops were good, medium or lean. In such a context, there is no surplus from current production for any one to collect and mobilise; and the deficit being chronic, trade stocks are unlikely to be larger than the normal pipe-line stocks. Under these conditions, what Government would acquire, through any of the devices cited above, is unlikely to be anything other than part of the pipe-line stocks. Overall shortages cannot be corrected by Government gaining hold of part of these stocks, instead of leaving them, with the trade, with farmers or with consumers; nor can this have any effect on price trends, as the shifting of the location of the supplies—into Government godowns from the normal places of their storage by the public—cannot alter the forces of supply and demand, which determine price trends.

That Government stocks built up from pipe-line stocks cannot provide buffer protection against scarcities and price hikes would hold true however large such stocks may be, for the reason that overall shortages would remain regardless of where the existing stocks are located. In fact, as stocks immobilise supplies, unduly large stocks, by withdrawing supplies from the market, might add to the short-supply position, instead of relieving it. The Union Minister of Agriculture, Mr. Fakhruddin Ali Ahmed, addressing the Agriculture Ministry's Consultative Committee of M.Ps., observed that the Government proposed to build up buffer

stocks of 10 million tonnes, diverting 2.5 million tonnes of the procurement in 1973-74 into reserves.

To quote an apt analogy of the late Mr. C. Rajagopalachari, such stocks are but a case of transfer of blood from the right arm to the left. This does not constitute blood transfusion and cannot cure anaemia.

When every issue of fresh coins, in a background of clipped and debased coinage, disappeared from circulation, some irate monarchs of the Middle Ages had clipped the fingers of the guilty. Such drastic measures, however, had proved futile in the fight against Gresham's Law until the coming of milled coinage and, what was more fundamental, the abandonment of debasement by the mints themselves. Confiscation of foodgrains from hoarders, as was done in UP recently, and parading foodgrains traders with handcuffs, because their stocks exceeded the permissible amounts, as was done in Calcutta later, are no solution to the problem of food shortages, nor to the phenomenon of the price rise. These drastic measures may, indeed, be popular with the masses, who are made to believe that food shortages and the rise in food prices are caused by hoarding; and might bring political advantage.

## VI. Need for Zero-Inflation Budgets

The rise in prices, which is general, is a monetary phenomenon. A monetary phenomenon calls for monetary remedies. It cannot be corrected by lathi charges and tear-gas bombs, mob-raids on grocers' shops and stores, by the price harassed house-wives *gheraoing* the Food and Civil Supplies Minister, as was done recently in Bombay, by price vigilance committees or by price-control edicts issued under DIR, as was done recently in Maharashtra and Punjab. The utter failure of these edicts, which were promulgated with great fanfare, is but the latest illustration of the utter futility of these devices.

The one and only remedy—this might seem an extreme statement to make, but it fits the situation—to a general

rise in prices is the economic remedy of fiscal and monetary measures appropriate to zero-inflation; and this remedy is in the hands of the Minister of Finance. It is by gheraoing him and his security printing establishment alone that prices can be held from rising any further !

And the one and only remedy—this might again seem an extreme statement, but it fits the situation—to food shortages is to make good these shortages through imports—not by transferring the anaemic patient's own blood from the right arm to the left. If food shortages arise, food prices must and will rise. Equally, if food prices rise, food hoarding will take place. Hoarding and price rise are but the obverse and reverse of the same coin. If hoarding by the trade and by farmers is effectively terminated by, say, breaking the heads of all foodgrains dealers and farmers and by throwing their stocks on the streets for anyone to pick up, prices cannot and will not fall; nor will hoarding end. Hoarding will be now done by the third vested interest in the community, the house-holders belonging to the middle and the upper income groups, who have the requisite finance and facilities for holding stocks. The stocks of traders and farmers will, then, be parcelled out into house-hold stocks. The phenomenon of hoarding will continue. To try to prevent hoarding when prices are on the uptrend is to confuse consequence with cause; and is almost like attempting to separate liquidity from water. The cause of hoarding is the price rise and the cause of the price rise is the budget deficit.

It follows that if we must terminate this most unseemly phenomenon of raids on grocers' shops and food-stores and of the street fights, which often ensue, the only means of doing so is two-fold: first, to put a stop to budget deficits and, secondly, to import the amount of food necessary to cover market deficits and for building up adequate buffer stocks. All other exercises, in the absence of these basic correctives, are destined to end up in frustration and bitterness, as has been demonstrated times without number.

## **VII. Need for Reviving PL-480 and other Concessional Imports**

Not only are food imports an inescapable necessity until the coming of the green revolution; imports on credit terms are inescapable too, in view of the precarious state of our balance of payment position. Market deficits, made good by imports, have not, by any means, been tapering, as one might be led to think from the spread of HYV (high yield variety) seeds. Apparently, demand has been growing faster than the new agricultural technology and we find that, while the annual average market deficit was 2·7 million tonnes in 1950's, this average about doubled to 5·5 million tonnes in 1960's. In the meanwhile, there has been no improvement in the balance of payments position. In the first half of 1960's, the current account balance of payments had been positive in four years out of the five. Thereafter, current account payments have been uniformly negative, and the annual average for each quinquennium has tended upward. This average moved up from Rs. 329·2 crores in the second half of 1950's to Rs. 388·9 crores in first half of 1960's and to Rs. 512·8 crores in the second half. Though foreign aid tended upward during this period, we had to rely on IMF borrowings to cover the deficits. The use of IMF credit averaged \$ 61 million during the 7 years, 1948-54. The corresponding average for the 10 years, 1961-70, was \$ 247·5 million.

During the six years preceding official action to stop concessional imports (1966-71), PL 480 imports, financed on credit terms, accounted for as much as 68 per cent of total foodgrains imports (gross) and gifts of foodgrains another 17 per cent. It is only the balance of 15 per cent that was paid for in cash. Moreover, foreign aid received during this period (Rs. 932 crores) was close to double the amount of the balance of payments deficits (Rs. 494 crores). Even so, our external accounts of the period were characterised by acute balance of payments difficulties and we had to borrow \$ 144·1 million from the IMF to meet our external obligations. The danger of foregoing concessional imports in the context of such a sickly state of our balance of payments position,

came to light in a matter of months. As noted earlier, we had to suspend, despite the great need for food, commercial purchases of foodgrains in USA, in the middle of 1973, because our balance of payments position would not bear the incidence of the high prices of wheat.

The disarray of the arrangements on the food front was not caused by the cessation of concessional imports in January 1972. The policy action merely brought to the forefront the serious and critical character of the malady, which had been hitherto concealed by the easy accessibility of PL 480 and other concessional imports. It brought out two hard facts: first, our dependence on imports to make good the market deficits, though these deficits were marginal and well within the economically viable production potential of Indian agriculture; and, secondly, our inability to cover these deficits through commercial purchases, because of balance of payment difficulties.

This demonstrates the urgency of scrapping the 1972 decision to forego concessional imports. Our needs cannot adequately be met from concessional imports other than those under PL 480, which is the world's largest programme for providing foodgrains on credit terms. Wisdom lies in reviving PL 480 imports against dollar credits (or as gifts under Title II of PL 480), this being supplemented by concessional imports from other countries and international agencies. Failure to do so entails extensive malnutrition or worse, and involves risks of political instabilities. An old Chinese proverb warns that when the price of rice rises above the reach of the common man heavens decree a change of rulers.

## **VIII. Nutritional Deficit**

India's food deficit may be assessed by reference to nutritional needs and market needs. For assessing nutritional needs we may assume that the army and navy rations represent the nutritional standard, as these rations are determined with the objective of the strength and vigour of the army and navy personnel of all ranks.

Taking the figures for 1972, we find that India's *per capita* consumption of cereals—if we may assume this to be the same as *per capita* availability—was 14·76 ozs., per day. *Per capita* consumption differs from per adult consumption. The *per capita* figure is a national average and, hence, is an average of the consumption of adults, of children and of the rest of the population. *Per capita* consumption is, therefore, lower than the average per adult consumption. The *per capita* consumption of 14·76 ozs., is equivalent to an average per adult consumption of 17·50 ozs.

Army and navy rations, which are on a per adult basis, amount to 21·16 ozs. Taking this as the nutritional norm, the nutritional needs of the country, in 1972, when the population was 562·5 million, amounted to 98·55 million tonnes. The net domestic production of cereals, during the year, was 81·9 million tonnes. This makes a nutritional deficit of 16·65 million tonnes of cereals, or 20·3 per cent of the (net) domestic production of the year.

This arithmetic makes no allowance for the fact that the army-navy rations assume the consumption of items of food other than cereals in accordance with the defence services diet code. Currently, this being not the case, the nutritional norm of cereals would be higher than the army-navy rations. Consequently, the nutrition deficit may be correspondingly larger than 20·3 per cent.

The nutritional deficit in pulses is much larger. The army-navy rations of pulses is 3·18 ozs., per day. On this basis, the national average per adult consumption would be 2·08 ozs., per day. To meet the needs of the Indian population, in 1972, we would, therefore, require 14·78 million tonnes of pulses. The net domestic production of the year being only 9·68 million tonnes, the nutritional deficit in pulses, in 1972, was about 52·8 per cent of the net domestic production.

## IX. Market Deficit

The market deficit is basically different from the nutrition deficit. This deficit is the shortfall of the domestic supplies

to market demand. It is made good by imports and drafts on stocks; and may, therefore, be defined as the sum of net imports and changes in stocks.

As already noted, we have had market deficits in foodgrains throughout the period, 1951-72, except in 1971, when a nominal market surplus emerged, the result of an all-time peak in production. If we exclude the abnormal draught years in 1951, 1966 and 1967, and the years of excessive wheat dumping under PL 480, India's market deficits have been marginal in magnitude, in relation to gross domestic production. During the five years ending 1971-72, market deficits varied from 2.8 to 4.5 per cent of gross domestic production.

Both market deficits and nutrition deficits call for attention. All talk of human welfare becomes meaningless when the masses suffer from malnutrition. To reach the nutritional norm of food consumption, the incomes of the masses must rise sufficiently to permit a nutritional diet. This depends on an increase in per worker production and takes us to the problems of economic growth.

Serious as the problem of growth is, especially in view of the abject poverty of the Indian masses, our prime concern here is the market deficit in foodgrains, chiefly, cereals. To leave the market deficit uncovered is to cut down the already low level of mass well-being, as it will push down further the sub-standard *per capita* consumption of cereals; and what is worse, this may impinge adversely on the vigour, effort and output of workers and, hence, on GNP, i.e., the pace of economic growth.

## X. Scope for Expanding Production

At first sight, it might seem that market deficits, being of so minor an order, should cause little concern. Given the necessary effort these deficits could easily be relegated to the limbo of the past. First, as agriculture accounts for about one-half of the Indian national product, the effort needed to cover a deficit of 4.5 per cent may not be considerable. Secondly, the national average per hectare yield of foodgrains in India compares very poorly with the yields



in the agriculturally advanced countries, though there is not the same contrast between the yield potentials in India and in these countries. In 1971, the national average yield of wheat, 13·1 Qtls., per hectare, was about 83 per cent of the world average (15·8 Qtls., per hectare), and the yield in Europe, where agriculture is highly developed, was 2·2 times the Indian yield. During the same year, in respect to paddy (unhusked rice), the Indian yield (17·2 Qtls., per hectare) was about 75 per cent of the world average (22·8 Qtls., per hectare). In 1969, the Australian yield of paddy (75·9 Qtls., per hectare), a world record, was 4·7 times the Indian yield (16·1 Qtls.) during the same year.

Thirdly, none doubts that the Indian yields are capable of being easily stepped up substantially, as a vast gap exists between the available know-how and the know-how actually in use on a large proportion of farms. In paddy, during 1970, the highest yield on demonstration farms, in Orissa, was 7·9 times the national average yield in that year (16·8 Qtls., per hectare); and in all-India crop competitions 9·4 times. In wheat, during the same year, the highest yield on demonstration farms, in Madhya Pradesh, was 7·4 times the national average yield (12·1 Qtls., per hectare); and the highest yield in all-India crop competitions 12·4 times. In respect to other cereals and other foodgrains, too, the production potential may be a multiple of the actual yields.

Even simple innovations are known to yield ample returns. A survey in Mysore, conducted a decade back, showed that better seeds alone added 7 to 15 per cent to the output of rice; transplanting, in place of broadcasting, 20 to 50 per cent; rotating paddy with gram, 15 to 50 per cent; and pest and disease control 10 per cent. Better ploughing, more fertilizers and better irrigation—for all of which there is ample room—should lift up the yields much higher. In all cases, the ampler returns should begin to appear in the first crop year.

Experiments of the production response to better seeds, to fertilizers, to irrigation and other improved methods of cultivation are being conducted continually, not only on demonstration farms but on the plots of cultivators as well.

## DOMESTIC PRODUCTION & IMPORTS OF FOODGRAINS &

Year	Net Imports of Food-grains ('000 tonnes)	Gross Production of		Closing Stock of Food-grains with Government ('000 tonnes)	Market <sup>1</sup> Deficit in Food-grains ('000 tonnes)	Current Account Balance of Payments <sup>2</sup> (+) Surplus (-) Deficit (Crores of Rs.)
		Food-grains ('000 tonnes)	Wheat ('000 tonnes)			
	1	2	3	4	5	6
1947				655		
1948				1061		— 252.1
1949				1606		— 47.1
1950				741		+ 38.9
1951	4801	55011	6822	1330	4212	— 162.6
1952	3926	55603	6343	1948	3308	+ 60.2
1953	2035	61784	7612	1465	2518	+ 47.4
1954	832	72326	8102	1667	630	+ 6.0
1955	513	70739	9148	921	1259	+ 6.7
1956	1372	69335	8869	319	1974	— 312.8
1957	3620	72457	9504	1175	2764	— 431.4
1958	3210	66629	8001	906	3479	— 327.0
1959	3851	78803	9949	1398	3359	— 185.6
1960	5119	77120	10327	2801	3716	— 389.3
1961	3486	82326	10995	2636	3651	— 278.2
1962	3629	82397	12063	2281	3984	— 354.0
1963	4536	80330	10772	2259	4558	— 349.4
1964	6252	80699	9849	1016	7495	— 452.0
1965	7439	89367	12252	2079	6376	— 510.7 <sup>a</sup>
1966	10311	72347	10394	2216	10174	— 843.9
1967	8659	74231	11393	1956	8919	— 806.4
1968	5671	95052	16540	3991	3636	— 365.2
1969	3824	94013	18651	4453	3362	— 217.6
1970	3547	99501	20093	5569	2431	— 331.4
1971	2009	108422	23832	8137	—559	— 40115
1972	—488	104656	26477	3441	4208	
1973				3664		

1 Net Imports adjusted for changes in (Government) Stocks.

2 Figures relate to year commencing 1 April.

3 Total issues through the Public Distribution System.

4 Includes external assistance utilised during earlier years.

5 As on 1 August 1973

## THE STATE OF THE BALANCE OF PAYMENTS DIFFICULTIES

Concessional Imports of Cereals ('000 tonnes)		(7+8) as % of (1)	Total Foreign Aid at Official Exchange Rate <sup>2</sup> (Crores of Rs.)	Offtake <sup>3</sup> from Public Distribution System ('000 tonnes)	Use of IMF Credit (Million US \$)
PL 480	Others				
7	8	9	10	11	12
				7180	
				5212	41
				7815	72
				7675	72
			85.34	7991	72
			45.7	6800	72
			19.5	4598	72
			10.8	2154	26
			40.4	1636	—
147.2(W)		10.73	118.3	2082	—
2744.2		75.81	270.5	3050	173
2001.5		62.35	341.9	3980	177
3176.9		82.50	295.2	5164	132
4340.6		84.79	408.0	4937	63
2330.6		66.86	352.0	3977	188
2887.4		79.36	498.8	4365	217
4180.0		92.15	653.0	5178	198
5416.2		86.63	845.6	8665	154
6354.3		85.42	832.2	10079	287
8059.4	297.33(G)	81.05	1136.7	14085	361
5962.4	1372.5 (G)	84.71	1201.8	13166	456
4209.1	525.8 (G)(W)	83.49	938.8	10221	374
2568.2	837.9 (G)(W)	89.07	865.6	9385	240
2451.5(W)	824.0	92.35	800.9	8841	10
1209.8(W)	475.6 (W)	83.89	851.0	7816	
Nil	243.3 (W)		N.A.	10480	
				+909* }	

N.A. = Not available

W = Wholly Wheat

G = Wholly Gift

\* = Exports to Bangla Desh.

In a recent study on “**25 Years of Research in Soil, Fertilizer and Water Management in India**”, Mr. J. S. Kanwar, of the Indian Council of Agricultural Research, has set out certain yield benefits of scientific agriculture. He states, for instance, that, under controlled dosages of fertilizer and the use of HYV seeds, wheat yields may increase by 80 per cent to 158 per cent over untreated plots and rice yields by 77 to 127 per cent. In the case of wheat, in 1968-69, the yield from irrigated land was 22·0—121·6 per cent higher than the yield from unirrigated land; and in the case of paddy by a minimum of 40·4 per cent (Kerala) to a maximum of 307·3 per cent (Jammu and Kashmir).

This is ample evidence of the dramatic scope for the expansion of food production in India. A realisation of even a fraction of this growth potential should easily achieve more than self-sufficiency. An increase of 6 per cent in production, which should present little or no agronomic, social, administrative or technological problems, should bring 5·33 million tonnes of cereals on the basis of the production of cereals during the five years ending 1971-72 (an annual average of 88·9 million tonnes). This should more than cover the maximum market deficit of the period, 4·2 million tonnes, which occurred in 1972. Any one of the improvements listed in the Mysore survey, quoted above, should yield more than a six per cent increase in production and should wipe out the food deficit altogether. An extensive use of the new agricultural technology should enable exports of foodgrains, in place of imports.

## **XI. Official Efforts for Food Self-sufficiency**

Nor is it as if official efforts for promoting agricultural development have been lacking. As early as 1948, Pandit Nehru, India's first Prime Minister, had urged food self-sufficiency by 1951 and this has remained the policy objective of Government of India ever since. The Revenue expenditures of the Centre, States and Union territories rose more than ten-fold, from Rs. 23·2 crores in 1950-51 to Rs. 269·6 crores (Budget Estimates) in 1972-73. Reading the “Highlights” and other sections of the annual **Administration Reports** of

the Department of Agriculture, Ministry of Agriculture, Government of India, it would seem that the Government has been doing virtually all that may reasonably be expected of the Administration for the betterment of Indian agriculture, and, more specifically, for wiping out the market deficits in cereals. In 1967, addressing a public meeting at the Ramleela grounds, on the occasion of the death anniversary of Mahatma Gandhi (30 January), the Prime Minister, Mrs. Indira Gandhi announced that the Government has adopted a four-year crash programme for achieving food self-sufficiency by 1971. And yet, food self-sufficiency has eluded grasp. Except for the nominal net exports of 488,000 tonnes in 1972, there has not been, as already noted, a single year since 1946 when we did not import food. The annual average imports of cereals during the 21 years ending 1971 amounted to 4.25 million tonnes and their average annual C and F value Rs. 203.73 crores.

The net exports in 1972 were artificial. They did not by any means represent a market surplus. They resulted from the "political aid to help the new nation—Bangla Desh—to overcome its teething troubles", the quantum of the exports being 909,000 tonnes and its value Rs. 75 crores. This amount was released from Government stocks. If we exclude this extraordinary transaction, there was a net import of foodgrains in 1972 as well, the quantity being 421,000 tonnes, and its value about Rs. 35 crores.

Of the total quantum of cereals imported, wheat (including wheat flour) accounted for 81 per cent, rice 12 per cent and other cereals the balance of 7 per cent. Food imports were comparatively small only in three years, 1954, 1955 and 1972. If we exclude the period of the heaviest PL 480 dumping, 1964 to 1967, the average annual imports of the 12-year period, 1961-1972, amounted to 3.4 million tonnes.

The foregoing review raises the question: If 7.5 out of every 10 hectares of the sown area is under foodgrains, if 70 out of every 100 of the working population is engaged in agriculture, if the yields from efficient cultivation, with the use of modern technology, are a multiple of 7 to 12 times

the national average yields in the case of paddy and wheat, if the new technology is widely known among farmers, if Government's policy measures are designed to achieve food self-sufficiency and, finally, if the market deficit in food supply is but marginal being under 5 per cent of the gross domestic production of foodgrains, how is it that this deficit has defied solution? And this deficit, it will be noted, has lasted from 1948, when Pandit Nehru had directed attainment of food self-sufficiency by 1951.

## **XII. Capital Starvation of Agriculture**

The answer lies in the capital starvation of agriculture. This capital starvation has resulted from, first, the prevailing system of resource allocation and, secondly, the hurdles in the way of the free flow of investible funds into the market for farm loans.

Under the prevailing system of resource allocations, which may be said to date with 1955-56, 60-65 per cent of the total investible funds—the sum of domestic savings, foreign aid and drafts on currency reserves—are appropriated by the public sector and the rest of the economy has somehow to make do with the balance of 35-40 per cent. This necessarily involves undue hardship as, during the past about two decades, the private sector accounted for 87-92 per cent of the national product and public sector undertakings 3·5—6·3 per cent. The needs of the private sector are vastly larger than that of the public sector. But it gets vastly less.

As the industrial and allied parts of the private sector—being favoured by official policies—receive priority resource allocations and, hence, are largely unaffected by the public sector taking the lion's share of the resources, this has resulted in the neglect of agriculture, financially the weakest part of the Indian economy.

The taste of the neglect of an industry is in the pudding of its production. Applying this principle to agriculture, the taste of the capital starvation of agriculture is in the statistics of agricultural production. We find that, during the decade

ending 1960-61, agricultural production rose at an annual rate of 4.1 per cent (compound). Since then and as at the close of 1971-72, the growth of agricultural production slowed down by about one-half to an annual rate of but 2.1 per cent (compound). This is perhaps the most conclusive evidence of farmers being denied their due share of investment funds.

We have other evidence of it in two surveys conducted by the Reserve Bank of India and in the trends in the interest rates which are relevant to farm finance.

### **XIII. Hindrances to Farm Finance**

The hurdles in the way of the flow of funds into farm finance have arisen from two measures of "reform" which we adopted simultaneously with this development: first, legislation narrowly circumscribing the activities of private bankers and money lenders who had traditionally been attending to the credit needs of farmers; and, secondly, legislation, which came mostly in 1950's, restricting the transfer of land to non-cultivating classes.

Both reforms were designed to "protect" the farmer, one against usury and the other against his being dispossessed of land, the main source of his livelihood. These reforms have done no small damage to the former. The legislation on money lending has added to the irksomeness of the business of agricultural credit and the restricted transferability of land has crippled the credit-worthiness of farmers by correspondingly freezing almost the sole mortgageable asset they have. This has greatly enhanced the risks of the already risky occupation of money lending and reduced its profitability.

The adoption of these reforms by the several States progressed at a time when industrialisation received pampered attention. And finance of industries and allied activities became much more attractive than farm finance. Rural bankers and the more respectable among the rural money-lenders, therefore, reduced their farm credit operations and migrated, with their funds to urban areas to finance the rapidly

expanding industrial activity. Some switched over to other trades, including participation in industrialisation.

In the past, bankers and moneylenders were the principal channel for the flow of national savings, from the national money and capital markets, to the markets for farm credit. The reduced operations or the abandonment of the business of farm credit by the more respectable among bankers and moneylenders, correspondingly reduced the flow of national savings into farm finance.

Efforts to fill the resulting farm credit vacuum have not been met with success. When the *Kambal* (blanket) is too short, to cover the head would be to leave the feet bare and *vice versa*. The overall availability of funds for farm finance being far less than its legitimate share, on the basis of the magnitude of the productive activity of the farms, *prima facie*, it is not possible to fill the vacuum. A close review of the available data shows that the farm credit effort of the Reserve Bank, the Cooperatives and State Governments have achieved little more than change the agencies purveying farm credit. The overall shortflow of funds into the farm sector remains. Any amount of gymnastics by the user to cover the whole of his person cannot alter the fact that he has been provided with a short *Kambal* !

#### **XIV. Increase in the Agricultural part of Plan Investments**

Critics of this analysis will, doubtless, quote statistics of the increase in the agricultural part of the total plan investments. Even taking these investments at their face value—i.e. ignoring the familiar leakages from it—we find, first, that, consistently with importance of agriculture in the Indian economy, both on the basis of its contribution to the national product and the proportion of the labour force employed in agriculture, agriculture should have received a much larger percentage of the total investible funds than the peak of 21 per cent, reached in the Fourth Plan, even when due allowance is made for the generally low capital-output ratio in agriculture.



Secondly, when due allowance is made for the heavy debits on investments on account of corrupt payments and corrupt practices, for overstaffing and for the manifold management inefficiencies, the *de facto* and effective investments in agriculture would be much less than the amounts appearing in the budgets.

Thirdly, a distinction must be made between farm finance and finance of social and other overheads of agriculture. Virtually all public sector investments relate to the latter and hardly any to farm finance proper. Though public sector investments in agriculture have tended upward, these investments have not added to capital formation on farms nor to agricultural inputs, which constitute the core of the problem of the development of agriculture.

## **XV. Decline in Private Investments in Agriculture**

From the standpoint of this core of the problem, private sector investments in agriculture impinge on it much more than public sector investments in agriculture and are, therefore, more relevant to a solution of the problem. We find that private sector investments in agriculture—which are routed through agriculturist moneylenders, cooperatives, professional moneylenders, relatives, traders and commission agents, landlords, commercial banks and others—have tended downward, both as a proportion of total private sector investments and as an absolute magnitude expressed on a *per capita* basis. As a proportion of total private investments, investments in agriculture declined from 20·2 *per cent* in the Second Plan, to 19·5 *per cent* in the Third Plan and to 17·8 *per cent* in the Fourth; and the *per capita* agricultural investments, at constant prices, declined from Rs. 16·59 in the Second Plan, to Rs. 16·36 in the Third and to Rs. 15·54 in the Fourth.

So long as these developments—the appropriation of disproportionately large investment resources by the public sector, the heavily weighted allocations of resources, in both the public and private sectors, to manufacturing industry, and the legislative hurdles in the way of the flow of credit and

capital into the farm sector—remain operative and are not effectively terminated or repealed, there is little hope of (a) agriculture getting its due share of investment resources and (b) of overall economic development keeping pace with the expansion of investments. Capital starvation of agriculture and near-stagnant or uncertain overall economic growth are inevitable under the prevailing conjunction of policy measures and resource allocations.

## XVI. Price Sensitivity of Farmers

We would be missing what is perhaps the most important aspect of India's food problem if we did not refer to the price factor. The subject is a vast one. But we may review its essential aspects, which are intimately related to the subject of our discussion. Of the several prices, the crucial ones are the procurement price, at which farmers are called upon to surrender their produce, the issue price, at which consumers obtain their rations from the fair-price shops, the open market price, if open market transactions are permitted, and the black market price, where open transactions at other than controlled prices are banned. The actual receipts of farmers are the sum of the sales at procurement prices and at the prices ruling in the free market; and the actual cost to consumers is the sum of the purchases from fair-price shops and from the open market. In each case, the "mixing" price of the transactor would depend upon the relative amounts of the transactions in the official and the free market.

Procurement prices have a crucial bearing on production and on the success of the procurement drive; and the issue prices influence the pressure of demand on the public distribution system. If the gap between the official prices and the free market prices of wheat is significantly large, procurement of wheat will suffer, as has happened in 1973. As noted earlier, the procurement target for the year was 8.1 million tonnes; the great difficulty in procurement led to a lowering of the target to 6.0 million tonnes; and actual procurement as on 3rd August 1973 was 4.3 millions tonnes.

Low procurement prices, *via* their impact on profits, would affect production adversely. Wheat farmers have

demonstrated their high sensitivity to prices and profits. We shall cite three outstanding instances. First, with the announcement of the first PL 480 agreement in August 1956 and the subsequent inflow of large shipments of wheat, the price of wheat was repressed. This impinged adversely on the profitability of wheat production *vis-s-vis* other crops. Thereupon, sensing continued imports and price repression, wheat farmers rearranged their cropping programme in the very next sowing season (1957-58). They transferred, during the season, no less than 1·8 million hectares of land from wheat to other crops and the output of wheat declined by 1·4 million tonnes.

Secondly, during the three years, 1963-64 to 1965-66, wheat prices rose by 64 per cent. Yet, the wheat acreage continued to decline, reaching a low of 12·6 million hectares in 1965-66, as other prices accelerated faster and yielded better returns.

Thirdly, with the end in sight of PL 480 dumping in 1967, wheat was released from price repression, and the area under wheat spurted up by 2·2 million hectares in 1967-68 and the output of wheat by 5·2 million tonnes. Thereafter, the area under wheat rose continually from 15·0 million hectares in 1967-68 to 19·2 million hectares in 1971-72; and the output of wheat more than doubled to 26·5 million tonnes.

The principle of the determination of procurement prices is cost plus normal profits. The instances, quoted above, of the reaction of wheat farmers to price changes shows that what farmers take note of is **relative** prices and profits. If the cost plus formula should yield less profits in wheat than in other crops, production of wheat will be adversely affected. It would be perilous to ignore this basic principle.

## **XVII. Stagnation of Wheat Price in a background of Price Inflation**

It is, therefore, unfortunate that, since the takeover of the wholesale trade in wheat in April 1973—from the *rabi* marketing season—the wheat wholesale prices index has

stagnated at 227 (1961-62=100) in the context of other prices merrily marching ahead. From the last week of March to the last week of August 1973, the general index has been rising at an annual rate of 35.2 per cent and the agricultural commodities index at 43.2 per cent.

On 20 September 1973, Government of India raised the support price for wheat to Rs. 80 per Qtl. for the red variety from the previous price of Rs. 71.74 per Qtl; and to Rs. 85 per Qtl. for the Mexican variety from the previous price of Rs. 76 per Qtl. This represents a price raise of 8.1—12.7 per cent, a fraction of the current pace of acceleration of the prices of other commodities.

It is not clear why wheat farmers should be selected for this price penalty. Past experience of this price sensitiveness shows that we are taking a great risk of the acreage under wheat slumping substantially in the current sowing season; and the output of wheat declining disastrously. We may be then in for a great deal of trouble in 1974. Both logic and experience show that the only way of averting a disaster on the food front is to allow wheat prices to follow the course of other prices. Wheat has been spearheading the spread of the new technology in agriculture. Viewing the four years, 1968-1972, as a whole, foodgrains output rose by 9.6 million tonnes. The whole of this increase is accounted for by the expansion of wheat production, which amounted to 9.9 million tonnes. If the output of wheat had not gone up, foodgrains production would have remained at 95 million tonnes, the level attained in 1968, and our import needs would have sky-rocketed. The food position in 1972 would have been somewhat like that of 1973, if wheat production had not gone up during the year by 2.6 million tonnes, when the output of the rest of the foodgrains was declining. The drop in the output of foodgrains in 1972 would have been then, not 3.8 million tonnes but 6.4 million tonnes; and the mishap which followed the cessation of concessional imports in January 1972, would have been more disastrous.

We have seen that we have achieved a breakthrough only in wheat, among foodgrains, and that the green revolution, if it is applicable to any crop, that crop is wheat.

In a context of acute foreign exchange difficulties and the short supply of foodgrains, wheat farmers merit being rewarded, not penalised. Past performance shows that our best hope of being saved from the food muddle lies in not placing any hurdles in the way of the expansion of wheat production. We cannot rely on other farmers with the same assurance. By growing more wheat we would be relieving the strain not only on the food front but also on the balance of payments front.

## XVIII. Summary and Conclusions

To summarise the argument and conclusions of this discussion:

1. The January 1972 decision to do away with concessional food imports and the reluctance to import food even on commercial terms, as though we had reached the take-off stage on the food front, was premature. The available data did not augur well for the success of the decision:

- (a) During the 22 years, 1951-72, there was not a single year when we did not have to import food, the annual average imports of foodgrains during the two decades, 1951-70, being 4.4 million tonnes. This was not a good enough background to hope that we could manage without imports.
- (b) Even with these imports, *per capita* consumption of food was much below the nutritional norm. To forego imports would be to add to malnutrition.
- (c) During the six years preceding the decision to stop imports, 68 per cent of the total foodgrains imports were financed on credit terms, gifts accounted for another 17 per cent, and only 15 per cent was paid for in cash. Even so we suffered from acute balance of payments difficulties, and had to borrow \$ 144 million from the IMF, despite the fact that, during the period, foreign aid was close to double the amount of the current account balance of payments deficits.

2. The unwisdom of the 1972 decision came to light before the year was out. The fall in the domestic production of foodgrains by 3·8 million tonnes, on the one hand, reduced procurement receipts and, on the other, added to demands on the public distribution system. On top of it came the demand for food from Bangla Desh, which was provided with 909,000 tonnes of foodgrains. This led to a depletion of food stocks by 4·7 million tonnes. The additions to reserves in the preceding 3 years were totally lost. Apprehending further depletion of stocks, the India Supply Mission, Washington, was asked to purchase 2·0 million tonnes of foodgrains.

3. The situation deteriorated further in 1973. The procurement target of 8·1 million tonnes was scaled down to 6·0 million tonnes and actual procurement as on 3rd August 1973 was 4·3 million tonnes. The India Supply Mission was asked to purchase 4·5 million tonnes. But because of the rise in prices and the balance of payments difficulties, the Mission could buy only 2·0 million tonnes.

4. If we may place the overall offtake in 1973 at 13·2 million tonnes, with procurement at 4·3 million tonnes and the carry-forward stocks of 1973 at 3·4 million tonnes, even if the whole of the stocks are drawn upon, the deficit for the year is 5·5 million tonnes. As against this we have imported 2 million tonnes and the outstanding purchases abroad amount to another 2 million tonnes. This leaves an uncovered gap of 1·5 million tonnes. The uncovered gap, to be met from imports, would be 4·9 million tonnes if the carry-forward stocks, which are none too large, are not drawn upon.

5. We had, therefore, little difficulty in accepting a loan, repayable in kind, of 2·0 million tonnes of food-grains from USSR. The offer came in September 1973, when our stocks, according to the RBI "**Report on Currency and Finance, 1972-73**", were virtually all exhausted.

6. The only way of covering a food deficit is through imports. This deficit cannot be met by domestic procurement. Procurement by levies, confiscation or otherwise can

only bring in part of the pipe-line stocks. Such reserves cannot provide protection against scarcities or price hikes in the way that buffer stocks built up from imports can.

7. Price rise is a monetary phenomenon and can be remedied only by monetary-fiscal measures.

8. Thus, adequate imports and zero-inflation budgets are the only correctives, in the short-run, to India's food problem.

9. In the present state of our balance of payments and the high prices of foodgrains abroad, it is exceedingly unlikely that we may be able to make good the market deficits by cash payments. We have, therefore, no escape from seeking gifts, other concessional imports and imports on credit terms. The alternative is mass malnutrition or worse. It would be, therefore, wise to revive, pending the arrival of the green revolution, PL 480 imports, the world's largest programme for providing foodgrains on credit terms.

10. The nutrition deficit and the market deficit constitute the two aspects of India's food problem. Taking the army-navy rations as a measure of the nutritional norm, the nutritional deficit in cereals, in 1972, was 17 million tonnes or about 20 per cent of domestic production. The nutritional deficit in pulses is much larger, being 53 per cent.

11. The market deficit—the shortfall of market supplies to domestic demand—during the five years ending 1971-72 varied from 2.8 to 4.5 per cent of domestic production.

12. The longer-run solution to both nutrition deficit and market deficit is the expansion of domestic production. Though the market deficit is marginal, it has defied solution for more than two decades, despite the fact that, with the adoption of the new technology, the output of rice, wheat and other foodgrains can be multiplied several times the national average production of these crops.

13. The explanation lies in the capital starvation of agriculture, which has resulted from (a) the appropriation of 60-65 per cent of the total investible funds by the public sector and (b) the legislative restrictions on the activities of rural money lenders and on the transferability of land, which have added to the risks of money lending and hence hinder the free inflow of funds into the market for farm finance.

14. The longer-run solution to India's problem thus rests on the correction of the capital starvation of agriculture and, therefore, on a drastic scaling down of public sector appropriations of investible funds and on the removal of hindrances to the flow of capital into farm finance.

15. Our food problem is an integral part of the wider problem of the backwardness of Indian agriculture and the backwardness of Indian agriculture is an effect of the prevailing Indian economic policies. It is, therefore, not possible to tackle the food problem without correcting the backwardness of Indian agriculture and this calls for a basic policy transformation of our economic policies. As a basic transformation is not by any means an easy task, we have not been able to achieve food self-sufficiency, though the market deficit being but marginal, this may seem, at first sight, a comparatively simple matter.

*The views expressed in this booklet are not necessarily  
the views of the Forum of Free Enterprise.*



## A. D. Shroff

A. D. Shroff was a champion of free enterprise and a great leader of business and industry, and an economist whose predictions have proved right over the years.

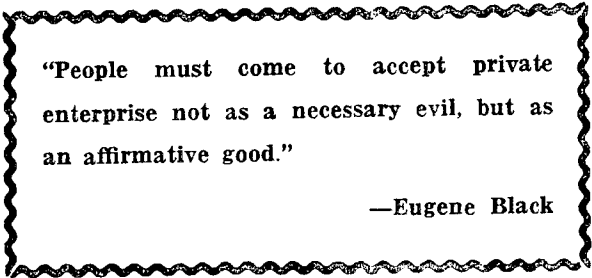
He was associated with promotion of planning in the country even before Independence. When Netaji Subhas Chandra Bose was the President of the Indian National Congress in 1938 he appointed a National Planning Committee with Pandit Jawaharlal Nehru as the Chairman. Mr. Shroff was one of the members of the Committee.

After graduating from Sydenham College in Bombay and the London School of Economics, Mr. Shroff started as an apprentice at the Chase Bank in London. On return to India, he joined a well-known firm of sharebrokers and was also teaching advanced banking at the Sydenham College of Commerce & Economics. For over forty years, he was associated with a number of industrial and commercial enterprises, many of which owe their origin and development to him. He was a Director of leading concerns like Tatas, and his range of interest covered insurance, radio, investment, shipping, banking, and a number of other industries.

He was one of the eight authors of the well-known Bombay Plan presented to the country by private enterprise in 1944. He was also an unofficial delegate at the Bretton Woods Conference in 1944 which set up the World Bank and the International Monetary Fund.

He served on a number of committees including the well-known Shroff Committee on Finance for the Private Sector set up by the Reserve Bank of India.

In 1956, he started the Forum of Free Enterprise which has stimulated public thinking in the country on economic affairs and particularly on free enterprise and its close relationship with the democratic way of life.



**“People must come to accept private enterprise not as a necessary evil, but as an affirmative good.”**

**—Eugene Black**

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