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**Foodgrain Management and Prices in India:
Lessons and New Perspectives from Recent
Experience with Food Inflation**

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A widely discussed aspect of the recent episode of high food inflation (2008 to 2010) was the spiraling prices of foodgrains (wheat and rice) amidst piling up of grain stocks with the government. Two systemic problems associated with India's foodgrain management namely high Minimum Support Prices (MSP) and high government procurement are primarily held responsible for high foodgrain prices. In this paper, using the case of wheat, we show that the high level of procurement during 2008-09 and 2009-10 at higher MSP was necessitated by the difficult circumstances facing the government, characterised by precarious buffer stock position from 2005 to 2008 and its adverse consequences on food security. Attributing it to the dominance of the government in the foodgrain market is nothing but oversimplification of the issues involved. Our analysis of government's wheat procurement drive during 2005 to 2008 suggests that procurement at lower MSP may not always be feasible. Long-term trends reveal that government procurement of wheat is line with changes in production and does not appear to have seriously deprived the private sector of foodgrains. Finally, it is shown that a major reason for the failure of the government to make use of the grain stocks for the benefit of ordinary consumers is the poor utilisation of the grain allotted to the states through open market sales window of the government.

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