The Food Price Rise Acceleration in Rural India

Rahul Goswami

For most of 2013, the central government broadcast, through cabinet ministers' utterances and official statements, showed its worry about the rate of economic growth. In the food and agriculture sector, that effort to steer towards a high economic growth rate has led, in the last four to five years, to a gulf between the growth rates of agriculture and the combination of processed and packaged foods and beverages (which the food retail industry is being arrayed around). While the agriculture sector (including fisheries and livestock) has been growing at or just above 4% a year for the last several years, the processed foods and beverages industry has been growing at around 15% a year.

The effects of this growth (setting aside criticisms of how such growth is measured) in both these allied sectors – the one much larger but the other which is a feature of urbanising India – may be seen in the transformation of cultivation and of food. That is why, not only has the consumer price index for rural citizens climbed without fail every year for the last nine years, but also there is evidence in this index data to show that the rate of increase has accelerated in the last few years.

The Labour Bureau, Ministry of Labour and Employment, compiles the CPI numbers for agricultural and rural labourers from the price data collected by the Field Operations Division (FOD) of the National Sample Survey Office (NSSO) from 600 sample villages selected from 20 states every month. However, these 20 states are not the 20 largest by population. An anomaly in the utilisation method by the Labour Bureau of the NSSO data is responsible for Manipur, Meghalaya and Tripura being included amongst the 20, but not Chhattisgarh, Jharkhand and Uttarakhand. This gap removes from any analysis three states with relatively large populations (and larger rural populations compared with urban).

Even so, the consumer price index for agricultural labourers (usually abbreviated to CPI-AL) from 2004 January to 2013 August shows a steady rise for all the 20 states in the set (see Chart 1). The average CPI-AL of these states has been rising around 50 percentage points a year for the last four years. Using quarterly averages (taken for June, July and August) for 2013, 2012 and 2011 and comparing them with the same averages a year earlier, we see that the all-India increases in the index for 12 months (2013 over 2012) is 12.96%, for 24 months (2013 over 2011) is 22.68% and for 36 months (2013 over 2010) it is 34.08%.

States that experienced the steepest increase in the CPI-AL over 36 months are Gujarat with 32%, Punjab 32.4%, Odisha 32.5%, Rajasthan 35.1%, Maharashtra 35.3%, Manipur 37.6%, Andhra Pradesh 37.9%, Kerala 38.4%, Tamil Nadu 39.2% and Karnataka 48.2%. That is why we have witnessed the widespread trend of migration by rural populations towards smaller urban agglomerations, with the impacts recorded in various data releases from Census 2011. With trade unions such as CITU having demanded a minimum monthly wage of Rs 10,000 (a national basic income) but with rural employment being fitful and underpaid (separately, inquiries such as "Recent Trends in Wage Rates in Rural India: An Update' and 'Features of Rural Underemployment in India: Evidence from Nine Villages' in the Review of Agrarian Studies have pointed to some increases in agricultural wages from 2007-08 but these are limited by the number of days in which employment is actually found and paid for), the impact on household budgets goes considerably beyond what these numbers can convey.

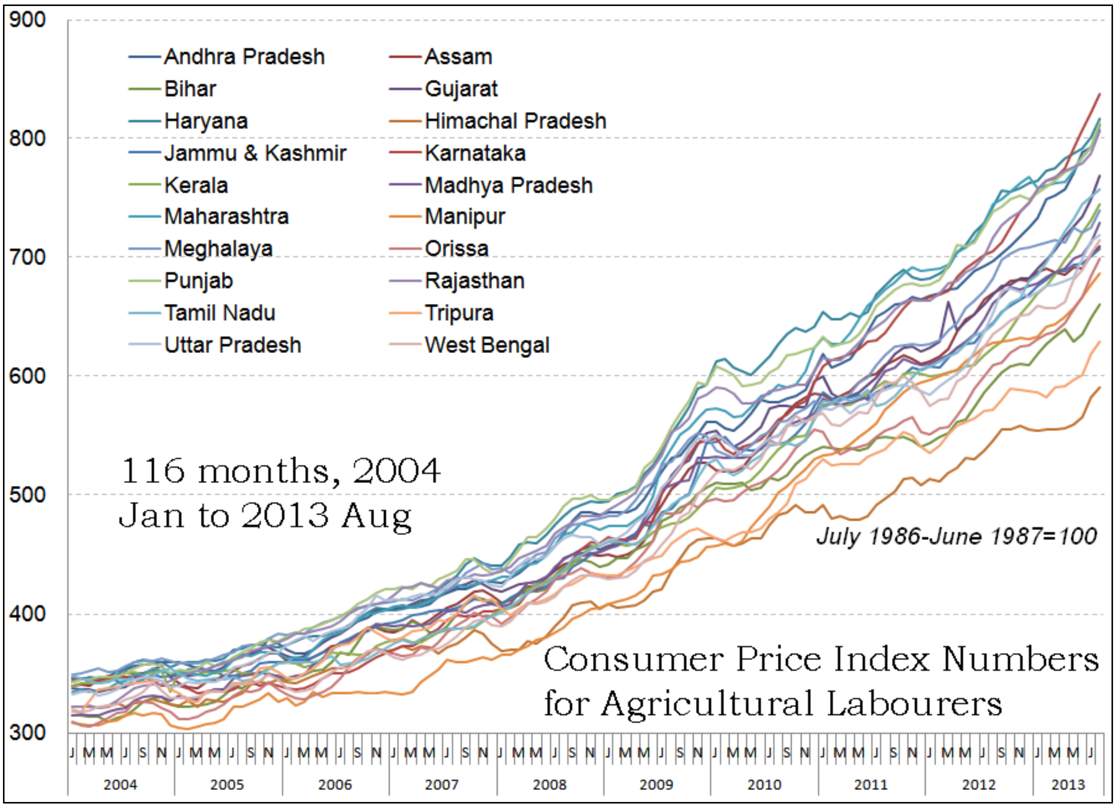

Chart 1: The rising CPI-AL in all measured states from 2004 to 2013.

It is this rising trend of CPI-AL (and RL, for rural labourers, which is a similar set) when combined with lower net increases in real wages that has been forcefully pointed out by trade unions. In early 2013 November, the All India Agricultural Workers Union (AIAWU) recognised the contribution of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to raising rural wages; at the same time the workers' union also showed that for the wages of agricultural and rural labour to keep pace with the upward march of the CPI the NREGA minima needed the following revision: 250 days (up from 100) and wages of Rs 300 per day (about twice the current average, which varies between states and according to employment scheme's labour budget calendar).

The Labour Bureau defines agricultural labour households as those which derive half or more of their total income from "wage paid manual labour in agricultural activities", while rural labour households are those whose income during the last 365 days from "wage paid manual labour" (whether agricultural or otherwise) was more than income from sources such as paid non-manual employment or from self-employment.

Significantly, the Labour Bureau data contains evidence that for all states which have CPI-AL measured, the rate at which the index is rising is accelerating. This acceleration is visible when the period 2004 January to 2013 August is divided into five phases. These are represented by the circles in the illustrated chart (see Chart 2, the phases 2004 Jan to 2005 Dec, 2006 Jan to 2007 Nov, 2007 Dec to 2009 Oct, 2009

Nov to 2011 Sep and 2011 Oct to 2013 Aug). These points (five for each state) are plotted against not the ordinary scale of the CPI-AL but against a range of point increases in the CPI-AL. Hence this shows the rise in the CPI-AL and the more recent speed of that rise.

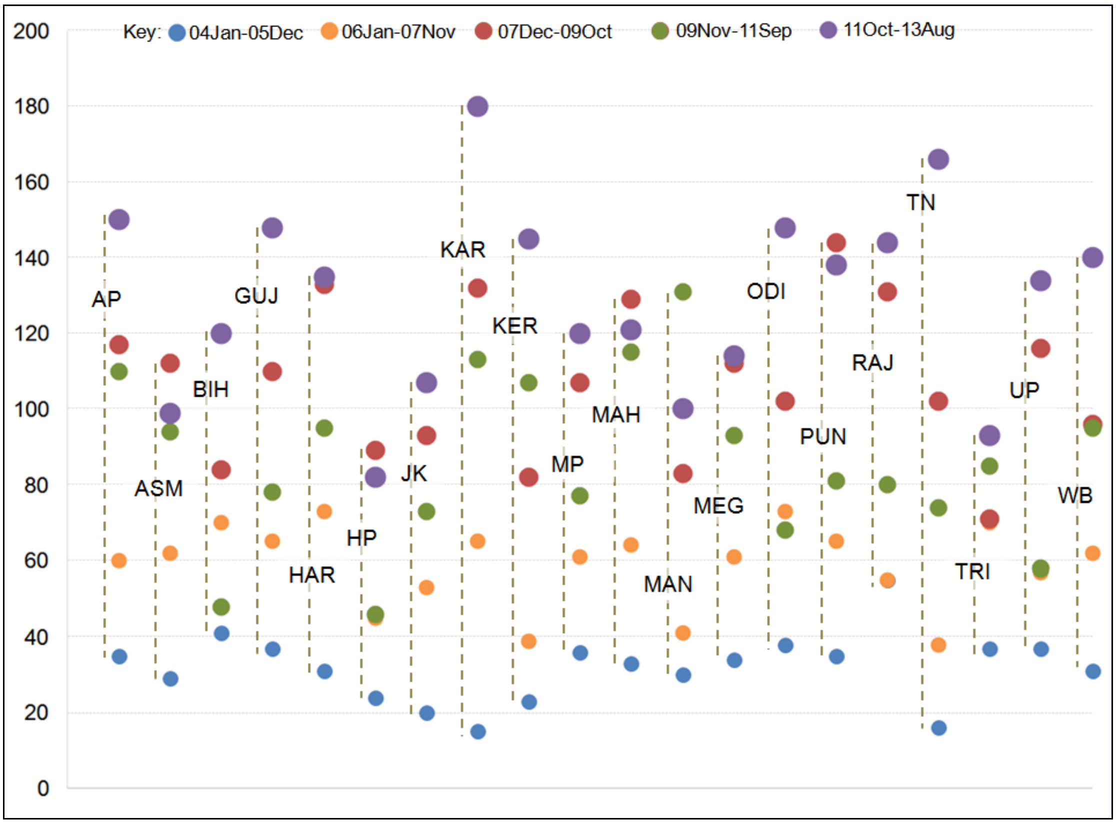

Chart 2: The acceleration of CPI-AL in all measured states from 2004 to 2013.

In the first such section (2004 Jan to 2005 Dec) the increase in the CPI-AL of the states was relatively modest, with the largest point increases being seen in Rajasthan, Odisha and Bihar, about 38 to 55 points. In the second section (2006 Jan to 2007 Nov) the point increase for the more affected states crossed 50 - Bihar, Haryana and Odisha experienced the quickest increases with the rise in points having been 70 to 73.

In the third section (2007 Dec to 2009 Oct) the acceleration has shown quite clearly the impact of the 2007-08 worldwide food price inflation with the point increase in most states having climbed above 100 - Haryana, Maharashtra, Karnataka, Punjab and Rajasthan all registered point increases of 129 to 144. In the fourth section (2009 Nov to 2011 Sep) the CPI-AL rise continued but relatively more moderately - Maharashtra, Kerala, Karnataka, Andhra Pradesh all having logged 107 to 115 as the increase, in points, of their indexes. In the fifth and latest section (2011 Oct to 2013 Aug) the rate of point increase has been the most rapid with 17 out of 20 states having logged a rise of more than 100 - Karnataka, Tamil Nadu, Andhra Pradesh, Odisha, Gujarat, Kerala and Rajasthan all registered increases of 144 to 180 points.

In the face of the rise in food prices and the accelerating upward trend of food price inflation, the response of the central government has been to repeat – this has happened during every session of Parliament this year and the last, and was repeated on cue this December – that the wholesale and retail prices of "select essential commodities" are being continuously monitored, by which is meant the 57 "reporting centres" in which prices are monitored by the Minister of Consumer Affairs, Food and Public Distribution. across the country on a continuous basis. This series has the smallest selection of urban centres (when compared with that of the Labour Bureau or the Ministry of Agriculture's retail price monitoring system), the smallest roster of food items and its data is the most unreliable.

Furthering the official explanation – which has remained monotonously the same since the 2010-11 overall food price rise – cabinet ministers, Planning Commission members, prescriptions from some policy and finance research institutions, advocacy by the industry associations (CII, FICCI and ASSOCHAM as well as their regional affiliates) and agri-business companies directly mention the need for infrastructure, more storage space, modern "supply chains", large terminal markets, "post-harvest management and marketing" and so on as providing the answers to containing the upward rise in food prices.

These are aimed at adding to the 'growth' of the agriculture sector but have also added to the acceleration of the increase in food prices as seen from the evidence of the CPI-AL. The returns desired by the providers of such answers are included in the prices paid by consumers (such as agricultural and rural labourers) for primary crop that has already been through some transformation (processing, movement, packaging and some form of 'value addition'). This transformation is as yet only partially captured by the price compiling methods that give us state CPIs – the budget and personnel to do so are too meagre, and the aggregation and analysis methods cannot keep up with the breakneck pace of retail transformation.

That is why the few schemes held up by the central government as remedial in nature – providing more storage under the National Horticulture Mission to "improve the availability of vegetables", and the Vegetable Initiative for Urban Clusters which is run as part of the Rashtriya Krishi Vikas Yojana (RKVY) – have achieved so little when it comes to the provision of vegetables and fruit at prices that rein in the upward trend of the CPI-AL (and RL). It is decentralisation and local determination – at panchayat and block level – of cultivating choices, land use, water use, seeds and inputs, that will help insulate communities from the worse effects of chronic food price inflation.