

# Tracking food-supply chain

In lockdown, how prepared is India to meet supply requirements of the most essential of items, food?

**HARISH DAMODARAN & PARTHA SARATHI BISWAS**  
NEW DELHI, PUNE MARCH 24

ON TUESDAY, Prime Minister Narendra Modi said the Centre and state governments will take all steps to ensure the supply of "essential items" during the nationwide 21-day lockdown to combat the novel coronavirus. How prepared is India to meet the supply requirements of the most essential of items, food?

## What is the domestic availability situation in foodstuffs? To what extent would the restrictions impact it?

There's no real issue with the production or supply of most agri-commodities, starting with foodgrains. As on March 1, stocks of wheat and rice with the Food Corporation of India (FCI) was around 77.6 million tonnes (mt) — over three-and-a-half times the minimum operational buffer-cum-strategic stock of 21.04 mt required to be maintained for April 1. And the bumper new wheat crop will arrive in *mandis* from next month.

The National Agricultural Cooperative Marketing Federation of India (Nafed) was holding 2.25 mt of pulses stocks as on March 19 — even as fresh market arrivals of *rabi* pulses such as *dhana* (chickpea), *masur* (red lentils) and *matar* (field pea) have started.

The outbreak's impact will not be on production, given that most *rabi* crops are close to ripening, if not already harvested. Only the marketing of the produce at the *mandis* and reaching it to the consumer will be impacted. This will not be a "supply",

but a "supply chain" problem — arising from the restrictions on movement. But for the rice, wheat, and pulses with FCI or Nafed, even that should not be a concern — as the grain has to be only moved from godowns and supplied to ration shops. This can, in fact, be an opportunity for the Centre to significantly offload its surplus foodgrain stocks — including to regular grocery shops at open market rates.

## What about milk, sugar, and edible oils?

These, again, are produce not brought to be sold in *mandis*.

Dairies procure milk directly from farmers or through bulk vendors. The sugar that mills produce comes from cane sourced directly from growers. Two-thirds of the edible oil consumed by India is imported. There too, the problem of the crop having to first come to an APMC (agricultural produce market committee) *mandi* does not arise.

In the current lockdown situation, there are actually mitigating factors on the supply requirement front, particularly for the three food items. The most important of them is the demand destruction due to the shutting down of HORECA (hotels, restaurants and catering) businesses. With hardly any business-to-business (B2B) sales happening, the demand for milk products, sugar and edible oil is now only in the business-to-consumer (B2C) segment.

This has had two effects.

On the one hand, direct consumer sales of milk, curd, sugar, and branded oils have gone up in the past few days, with households buying more in anticipation of shortages. R S Sodhi, managing director of the Gujarat Cooperative Milk Marketing

Federation, claims that the daily sales of Amul milk are currently about 37 lakh litres in Delhi-NCR and 22 lakh litres in Maharashtra, as against the normal levels of 31-32 lakh litres and 18-19 lakh litres respectively.

But on the other hand, sales of skimmed milk power (SMP) to ice-cream companies and cheese to pizza makers have crashed, as consumers aren't eating out and focusing on basic foods. This has led to SMP prices falling to Rs 250 per kg from Rs 320-330 per kg till about 15 days ago, with some Maharashtra-based dairies mainly into B2B sales slashing their procurement price for cow milk from Rs 32-plus to Rs 20 per litre.

In sugar too, mills are seeing less buying from the sweetmeat, soft drinks and HORECA segments. Oil marketing companies are not lifting ethanol, a byproduct of sugar manufacture used for 10% blending with petrol. The reason: People aren't taking out their vehicles that much.

The demand destruction on account of B2B is, nevertheless, ensuring that existing supplies are enough to meet the requirements of household consumers.

## So, the supply of which food products are likely to be affected?

Basically fruits and vegetables (F&V), which are sold through APMC *mandis*. Fruit traders and commission agents at Navi Mumbai's Vashi market have announced suspension of operations from Wednesday. Such closures are, however, more likely in terminal markets close to cities than the primary APMCs, where the bulk of the farmers bring their produce.

The fear of the pandemic is, as of now, less

in the rural areas — although Jitender Singh Hooda, a sugarcane farmer from Kheri Bairagi village of UP's Shamli district, anticipates a 25-30% harvesting labour shortage in the coming days. Many migrant labourers have returned to their villages in Bihar, which will hit harvesting when crushing operations in Uttar Pradesh are at their peak, he said.

## What steps should the government take in the coming days?

In his first address to the nation on dealing with COVID-19, the Prime Minister said all necessary steps would be taken to ensure "no shortage of essential items like milk". That specific reference has, perhaps, helped in the largely unhindered supplies of milk from the rural hinterland to urban centres across India. But the same approach has not been seen in other food items.

Inter-state movement restrictions have resulted in tomato-laden trucks from Madanapalle in Andhra Pradesh not crossing over to Bengaluru or brinjal and beans from Chikkaballapur in Karnataka not reaching consumers in Hyderabad. Alphonso mangoes and grapes not being allowed to move freely will hurt growers in Ratnagiri and Sangli just when their crop is being harvested.

There are reports of F&V collection and distribution centres of online grocers being shut by force; sugar mills in Uttar Pradesh running out of lime, sulphur and HDPE bags procured from Rajasthan and Gujarat; and labourers engaged in grading and packing of produce not being permitted to go to their workplaces.

Impediments such as these need to be removed soon.