

# India: Rising food prices threaten social calamity

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Concerned about India's soaring food prices, the country's Congress Party-led United Progressive Alliance (UPA) government imposed a ban on all rice exports earlier this month.

The only exception is exports of basmati rice. India's best-known strain of rice, basmati rice is more expensive and generally consumed only by the better-off and then usually on special occasions.

The same cabinet meeting that imposed the rice-export ban also extended a ban, first imposed in June 2006, on the export of many varieties of lentils (beans and split legumes). Rice or wheat mixed together with lentils forms the daily staple of the majority of Indians.

Two factors lie behind the rice export-ban. First and foremost, fears in ruling class circles that rising food prices will provoke social unrest. India's elite and much of the international financial press are trumpeting India's "rise," yet the overwhelming majority of India's population is hard-pressed to adequately feed, clothe, and house itself even in "normal times." More than 800 million of India's 1.1 billion people live on less than \$US2 per day and 300 million on less than \$1 per day.

The other factor is the imminence of general elections. The UPA's five-year term in office will end thirteen months from now, but there has been much press speculation that elections could be held before the end of 2008, because of differences between the government and the Left Front, over the proposed Indo-US civilian nuclear cooperation treaty. The Stalinist-led Left Front is providing the minority UPA government with the parliamentary votes needed to remain in office.

With the help of the Left Front, the UPA has tried to posture as a friend of the "common man," while pursuing neo-liberal policies. In its most recent budget, the UPA announced, with great fanfare, its intention to "forgive" loans of 600 billion rupees (\$15 billion) that the country's poorest farmers owe to banks and cooperatives. On

average, this measure will provide less than \$400 each to some 40 million farm families. Crushing-debts have led to an epidemic of farmer-suicides that is estimated to have resulted in 150,000 or more deaths since 1999.

Yesterday the government announced that wholesale prices in the last week of March were 7.4 percent higher than a year before, the steepest increase in 40 months. The increase for most staple foods was significantly higher.

The price of petroleum products, including gasoline and kerosene oil, has also risen, but the Indian rupee's rise against the US dollar has somewhat cushioned the impact of rising world oil prices.

India's soaring prices are a product of both international and domestic factors. According to the World Bank, international prices of agricultural commodities rose 73 percent between August 2007 and March 2008. Global wheat prices, for example, have shot up by more than 100 percent over the past year, due to poor weather conditions in some wheat-producing areas, a shift to growing crops used in making bio-fuels, and increased demand from an expanding middle class in China and India. Prices have also been driven up by speculation, as international traders look for new sources of profit under conditions where money markets have been rocked by the fallout from the US subprime housing mortgage crisis.

India's rapid economic growth and accompanying shortages have also fueled rising prices.

Successive Indian governments have expended enormous energy catering to the profit interests of domestic and international capital, while simultaneously promoting brutal market relations in agriculture. Since 1991, when the Indian bourgeoisie abandoned state-led development and national economic regulation in favor of India's full integration into the world capitalist economy, state support for agriculture, including irrigation, has been slashed, price supports reduced if not eliminated, and the Public Distribution System (which provides cheap food)

drastically curtailed.

The results have been a veritable disaster. Government surveys show that calorie consumption in rural India has fallen since 1991.

While India recorded a GDP growth rate of 8.5 percent in 2006-07, agriculture grew only by 2.6 percent. For the five years from 2002-07 the average annual growth rate in agriculture has been a meager 2.2 percent, hardly more than India's 1.5 percent annual population growth.

A pivotal factor in India's agricultural crisis is the growth in marginal land-holdings. In 1960 there were 51 million separate landholdings, covering 131 million hectares. By 2003 the number of landholdings had virtually doubled, to 101 million, while the total amount of land under cultivation had fall to just 108 million hectares.

Since 2003, the amount of cultivated land has declined still further as India's central and state governments seize agricultural land for use by domestic and international corporations in the form of special economic zones. West Bengal's Left Front government has been in the forefront of this process, using police and goon attacks at Nandigram, which resulted in more than 20 deaths, to crush peasant resistance to land expropriation.

During a visit to New Delhi earlier this month, the director-general of the United Nations' Food and Agriculture Organization (FAO), Jacques Diouf, warned that unless governments in developing countries take urgent steps, soaring food prices will put basic foodstuffs beyond the reach of the poor. He called on governments to pay urgent attention to the needs of agriculture, including water management, and to otherwise increase investment in agriculture.

Food price increases and hunger have led to protests and riots in recent weeks in countries in Asia, Africa and Latin America, including Indonesia, the Ivory Coast, Egypt, Mozambique, Indonesia and Haiti.

For its part, the Left Front has threatened to organize protests and possibly a one-day general strike if the UPA government does not take the "relevant steps" to limit price increases and bolster the Public Distribution System. "If they are not heeding," declared Communist Party of India (Marxist) Politburo member Sitaram Yechury, "then we will go to the people."

Over the last four years, the Left Front has regularly organized such protests. They are aimed not at mobilizing the working class as an independent political force advancing its own socio-economic program to meet the needs of India's toilers, but rather at harnessing the

masses to the Stalinists' policy of supporting the UPA government.

Speaking at a Global Agro Industries Forum—that is, a meeting to promote agri-business—on Thursday, Indian Prime Minister Manmohan Singh voiced concern about the impact of rising prices.

"We in India," said Singh, "are deeply concerned about rising commodity and food prices. Sharply rising food prices can slow down poverty alleviation, impede economic growth and retard employment generation."

But Singh was especially concerned about the political impact of the food price spiral. "The constituency for economic reforms [i.e., pro-investor policies], so necessary to stimulate economic growth would also diminish. Pressures would mount for restrictive trade practices."

Singh was adamant that the UPA would not be "returning to an era of blind controls," that is, controls on prices and food distribution.

Rising inflation puts the Indian elite in an economic quandary. In order to maintain a high growth rate, the government has sought to keep interest rates relatively low, thereby making cheap-credit readily available. But now to check inflation, the government is under pressure to dampen economic demand by raising interest rates.

The *Times of India* recently quoted the Reserve Bank of India Governor Y.V. Reddy as saying, "Considerable weight is currently accorded by RBI to price and financial stability while recognizing twin objectives of growth and stability." Reddy emphasized that an inflation rate of over 5 percent would oblige the bank to act.



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