



# YASHWANT THORAT

CEO of the Rajiv Gandhi Trust

## Mostafa TERRAB, Chairman & CEO of OCP Group

I was very intrigued by your question at this stage, as to whether the current levels of agricultural prices are a threat or an opportunity, and maybe Dr. Thorat has a view on that. Dr. Thorat, India has gone through a first Green Revolution quite successfully in many respects. That Green Revolution was supported by a heavy policy component, I recall, and there is a lot of talk about a second Green Revolution in India. Could you give us your perspective on India's situation?

## Yashwant THORAT, CEO of the Rajiv Gandhi Trust

While Louise was speaking, I was just thinking of the advantage of being able to raise questions without necessarily having the answers.

Regarding prices, there are at least six or seven questions. The first question relates to the impact of the 2006-2007 world food price crisis on world security. Why are some countries able to cope better than others? Secondly, what do recent trends tell us about the likelihood of high and volatile food prices? Thirdly, do such high and volatile prices affect small and marginal landholders? Do they present any incentives, or is it only a negative factor? What is the role of trade policies and domestic stocks in mitigating price volatility? What steps can be taken by countries and small and marginal landholders to manage the risks of production and price spikes? How can targeted safety nets be designed to protect the vulnerable? Finally, what types of investments are needed to ensure sustained productivity in the agricultural sector?

I was looking at some of the data that is coming through, and one of the things that is quite clear now is that the impact of food prices, both high and volatile, is likely to continue. The G20 and the board of governors of central banks have been trying to find ways to reduce price volatility, and to reduce the effects when such volatility occurs within national borders. I was reading a report by the FAO which says that the impact of world price changes on households are not generic; they are very highly context specific, and the impact of food price rises are dependent on the commodity, the national policies that affect price transmission from world markets to domestic markets, the demographic characteristics and production characteristics.

These findings are extremely interesting. They are that small, import dependent countries, especially in Africa, have been deeply affected by the crisis. Further, high and volatile food prices are likely to continue. Price volatility makes small farmers increasingly vulnerable. High prices worsen food security in the short term but in the long run, they lead to investments being made in agriculture and to better food security, because countries feel they have to invest and increase productivity. Safety nets are crucial, and investment in agriculture continues to be critical to food security.

Professor Terrab has mentioned that India went through one Green Revolution, and that is true; today we consume 15% of the world's cereals, and therefore any changes in our domestic consumption have an impact on world prices. However, I rather suspect that what has happened in India is fatigue, land fatigue, policy fatigue, and technology fatigue, and somehow, having broken through the first Green Revolution, we are still thinking in the same classical ways of how to increase production. India's land is becoming increasingly bad on account of wrong fertiliser use, and I think this is an area where companies like OCP can play an extremely positive and beneficial role in providing the necessary and the right kind of education.



I will stop at this, and I will come back to India at a later stage. Suffice it to say that between India, China and a couple of other countries, we account for the world's largest hungry population, and therefore, for us to continue agricultural production consistent with minimum support prices and market stability measures, is crucial. However, unless we have technological breakthrough and a supportive and facilitating policy environment, I personally find that it is not going to be as easy as we think it is.