



THE MEDIATING ROLE OF GOVERNMENT IN INDIA'S SUPPLY CHAIN MANAGEMENT DURING COVID-19: A CRITICAL ASSESSMENT

Pallabi Chakraborty

Research Scholar, IIT Guwahati, Assam.

ABSTRACT The Covid-19 pandemic has been causing havoc on every sector of the economy, including the food sector. The lockdown imposed since the last week of March, this year has reportedly caused massive distortion in the operation of food supply chain in a way that has put the food security of the nation at greater risks than ever. There are ample reports supporting the evidence of a large scale supply chain disruption in case of most of the food items, though some signs of recovery has been seen as and when the lockdown has been made flexible. This paper critically analyses the loopholes in the existing supply chain system and put forward some suggestions to ensure food for all. It stands as a challenge before the policymakers is to stabilize the economy which is already performing poorly in terms of GDP growth, employment and eradicating hunger.

KEYWORDS : Covid-19, Supply Chain Management, Food Security, Government

INTRODUCTION

The Covid-19 pandemic and its associated lockdown has led the world economy to 'de-globalization' or 'reverse globalisation', a phenomenon whereby countries and regions within countries have been compelled to lock down their borders in order to contain the spread of the virus, at least temporarily. This has caused disruption in the normal flow of goods and services, and factors of production including labour and capital. The exodus of millions of migrant workers to their homes who were supplying their valuable labour service in the food supply chains (FSCs) in urban areas has led to disruption in their operation (Dev & Sengupta, 2020; Sharma et al., 2020). FSCs have many stages that operate right from initial production to reaching to the ultimate consumers. If there arises a problem in any of these stages, the entire chain is broken and in the process the goods cannot reach out to the consumers. In the current scenario, this has created a mismatch between demand and supply of commodities, and hence fluctuations in the price level. The two most important factors cited for the food price inflation are the limits on supply due to restricted mobility induced by the sudden lockdown and the unexpected shift in consumer behaviour as can be seen from their panic-buying or hoarding of essential commodities. According to a report from OECD, 'the biggest risk to food security is not with food availability but with consumers' access to food'. The pandemic has put a threat to food security. There are primarily two reasons for this. First, of the total food consumed in India, 92% is purchased. Of this, the government (public sector) distributes only a meagre 5% via the public distribution system (PDS) and the rest is sold by private players (Reardon et al., 2020). At this crucial period where prices of the essential commodities are reported to have increased, the burden of inflation is likely to fall on the vulnerable and poor people. And the loss of millions of jobs has reduced their real income so much so that they have nothing left to sustain themselves. Second, even before this crisis, Indian economy has been witnessing a lower GDP growth rate with unemployment rate at its highest in the last 45 years and may worsen with time (Dev & Sengupta, 2020; Mishra & Rampal, 2020).

In its recent move to deregulate the excessive regulation in the agricultural markets, the government announced an amendment to the earlier Essential Commodities Act (1955) 5th June this year. This act was aimed at increasing farmers' income and make this sector competitive. Under the amended Act, agricultural food stuffs can only be regulated under extraordinary circumstances such as war, famine, extraordinary price rise, and natural calamity. On the other hand, imposing stock limit of any item will be based on its current price rise. But, some points need special mention. The amendment is expected to benefit the farmers, who form an essential component of the supply chain. At the same time, it must protect the interest of the consumers who happen to be the final components in the supply chain. As a majority of Indian consumers belong to lower income strata, a striking a balance between these remains a key challenge in the days to come.

At this juncture, it is important at this point to look at the existing problems in the system which have aggravated the impact of the pandemic all the more. This study makes an attempt to understand the loopholes in supply chain management of essential commodities, based on information available from various reports and existing

studies. We put forward some possible policy prescriptions that might be helpful in ensuring a smooth operation of the supply chain in a manner that food security is not compromised and also safety of everyone involved in the supply chain is ensured.

Related studies

A few studies have discussed repercussions the pandemic has had initially and is expected to have on the existing supply chain. Reardon et al. (2020) mentions that India's food supply chain has been facing uncertainty due to Covid-19, because 92% of food consumed is purchased from the private sector consisting of the so called Food Supply Chains (FSCs). Of this, as high as 95% is sold by the private sector, while government supplies the rest 5% via the public distribution system. As the authors hypothesize, the rising prices will signal impending shortages, and this is likely to further increase the price level, ensuring that the vicious circle is in operation. Mishra & Rampal (2020) voice their concern over the negative impact of the pandemic on hunger and food security in India. While the GDP of the nation has been declining since the last few years with the latest reporting a low 4.7% in 2019, the unemployment rate recording the highest in the last 45 years, and India performing very poorly in the hunger statistics, one can imagine how the economy is going to be affected in the long run. The authors emphasize that the need of the hour is to carefully combine governmental and non-governmental interventions to stabilize the economy. Efforts should be directed towards short run, medium run and long run policies. For example, direct cash support would ensure food availability in the short run. A medium run policy could be the central government coming in partnerships with state and local governments and with other agencies working on food security. In the long run, the employment guarantee acts should be boosted and survival of micro, small and medium enterprises (MSMEs) be ensured. Dev & Sengupta (2020) suggest that the supply chain is unlikely to restore to normalcy soon due to exodus of millions of migrant workers from urban areas and shipment and travel related restrictions imposed by nearly all affected countries. With this comes the health risk associated with the spread of the virus to the rural areas also because it can spread to the farmers, agricultural labourers and other workers working throughout the food supply chains. Various reports suggest the concern that agriculture sector, which provides employment to majority fraction of the population is badly hit due to disruption in supply chain induced by the pandemic. There are reports which point to some recovery in the supply chain, which was affected in the initial phases of lockdown. As per Lowe & Roth (26/06/2020), supply of food fell by more than 60% on average across 1804 wholesale mandis in India but steadily recovered since April and seem to have fully recovered by the end of May. However, their analysis remains silent on the distributional aspect of the recovery, i.e., to whom the food actually reached after the supply picked up. It has to be borne in mind that the food supply chain relates to a heterogeneous basket of food items, ranging from cereals, pulses, edible oils, beverages to perishable stuffs like fruits and vegetables.

METHODOLOGY

This study adopts a descriptive and analytical approach to put forth the main ideas of the paper.

A critical assessment, way forward and concluding remarks

The above studies suggest that lockdown has caused wide spread distortion in the supply of essential items putting the food security of the nation at a risk. According to some reports (Chaudhy, 26/03/2020), the availability of cereals and pulses should not be a problem because of the adequate supply in India. Coming to perishable items like potato, tomato and onion, the reduced demand from hotels and restaurants and transport and export restrictions have led to their wastage on large scale and brought losses to Indian farmers in the initial phases of lockdown. Edible oils (e.g., mustard oil) which are mostly imported have faced supply shortage leading to very high prices. Evidence from local markets shows that demand for non-vegetarian food items (fish, meat etc.) have been considerably reduced as consumers have shifted to other (vegetarian) sources of protein like pulses and soyabean. This has led to a demand side hike in prices of these items. Following the harvest in the current Rabi season, supply of some of the food items like wheat, sugarcane, etc. have increased.

But, a major and serious concern for the country at large is how to make the available production accessible to everyone. Firstly, the existing warehousing and cold storage facilities should be upgraded. Provision for accommodating more and more items should be made. This would ensure that the production do not go into waste and reach more people who really need it. Secondly, many migrant workers have returned to their local places after the initial lockdown was uplifted some time back. Some of them were engaged in the supply chain operation, be it in the initial production stage or in the processing industry or involved with logistics. These people have lost their employment and have no means of earning left. As a matter of fact, many organisations and educational institutions have taken up the responsibility of distributing essential items to people in their respective locality or by targeted approach. It is also reported that the government has initiated direct cash transfers to accounts of poor and vulnerable groups. However, these efforts have not been enough, because government has control over only 5% of total food purchased to distribute via public distribution system. A feasible way out could be that if these people are absorbed in the local food supply chain, then it would be a long run solution to unemployment. Direct cash transfers are temporary measures to prevent hunger and hence not sustainable. Thirdly, government intervention in the share of food item distribution should be enhanced. Whereas private FSCs are enjoying 95% of the share, it can be inferred that every section of the society, specially the vulnerable segment will hardly be reached. The problem is not with whether public or private agencies are dominating the food supply chain, but the outcome should be ensuring food for all (food security). Fourthly, consumers now prefer safety over cost and convenience. E-commerce platforms can take the lead in supply chain operation. For instance, in retail and restaurant delivery. This would minimize human contact in the most feasible way. Lastly, the recently announced 'Essential Commodities (Amendment) Ordinance, 2020' is a first of its kind government initiative to ensure higher incomes to farmers while protecting interest of the consumers. The current food price inflation may benefit one section of the supply chain (the producers/farmers) at the cost of the others (intermediate agents and the final consumers). Uncertainties remain as to when normalcy will prevail. Therefore, to what extent these acts are beneficial will be reflected in due course of time.

REFERENCES

1. Chaudhy, S. A. (26/03/2020). Covid-19 puts India's food supply chain to a stress-test.
2. Dev, S. M., & Sengupta, R. (2020). Covid-19: Impact on the Indian economy.
3. Indira Gandhi Institute of Development Research, Mumbai April.
4. Food Supply Chains and COVID-19: Impacts and Policy Lessons. (2020, 06 02). Retrieved from <http://www.oecd.org/coronavirus>: https://read.oecd-ilibrary.org/view/?ref=134_134305-ybqvdf0kg9&title=Food-Supply-Chains-and-COVID-19-Impacts-and-policy-lessons
5. Hobbs, J. E. (2020). Food supply chains during the COVID-19 pandemic.
6. Canadian Journal of Agricultural Economics/Revue canadienne d'agroeconomie.
7. Lowe, M., & Roth, B. (26/06/2020). COVID Lockdown: How India's Food Supply Chain First Tightened and then Recovered.
8. Mishra, K., & Rampal, J. (2020). The COVID-19 pandemic and food insecurity: A viewpoint on India. *World Development*, 135, 105068.
9. Reardon, T., Mishra, A., Nuthalapati, C. S., Bellemare, M. F., & Zilberman, D. (2020). Covid-19's disruption of India's transformed food supply chains.
10. *Economic and Political Weekly*, 55(18), 18-22.
11. Sharma, A., Adhikary, A., & Borah, S. B. (2020). Covid-19's Impact on Supply Chain Decisions: Strategic Insights for NASDAQ 100 Firms using Twitter Data. *Journal of Business Research*.
12. ¹Supply chain in case of any commodity means and includes a set of participants from production of it to final consumption, involving processing, packaging, storage, transport and distribution (Department of Consumer Affairs, 2020).
²Essential commodities are those which are must haves in the basket of every consumer as these are important to sustain.