



What are the facts relating to food prices compared with a year ago? Prices of vegetables, coconuts and coconut oil, according to the data collected by the Department of Statistics, have sky-rocketed, exceeding 50%-75% compared with a year ago. Bread and wheat flour prices have soared 25-30%; fresh fish and maldivian fish over 20%; beef, eggs and milk foods around 10%; sugar and potato prices little change. On the other hand, rice prices have fallen by 25%; lentils by 10% or more; and chicken by 17%. The net effect on the weekly food budget of a family of, say, five is higher than it was a year ago but more modest (15%) than perceptions of an astronomical increase in the price of the weekly food basket of families. There is no doubt however that the increase in food prices is causing extreme hardship to low income groups especially in the informal sector (e.g. self-employed and their families including children). They can no longer afford to purchase what they normally consume by tradition and habit.

The majority of people who follow the news media recognize that the price increases stem from the severe

loss of domestic output following the damage to crops from exceptional rain and the rise in world market prices for food imports. Spiralling food prices, the news media inform us, could go even higher because of more recent natural disasters both at home and in food producing countries. All that however is cold comfort to low income groups. Something has to be done if discontent is not to be turned into outrage.

But what? One scours the economic pages of the newspapers in vain for ideas if not answers. The Government has been tinkering at the edges to reduce food prices, but with little success. The Official Opposition as far as one knows has not expressed a single idea of interest on how to deal with the food crisis. The JVP has, surprisingly, failed to propose a credible emergency, affordable food policy in the interest of

its core supporters. Perhaps it feels it should sit back, say nothing and let the rage of the population build up against the Government for being so passive in dealing with the crisis.

An option that would alleviate the hardship experienced as a result of high food prices is the issuance by the Government to every citizen of a book of monthly food stamps for a twelve month period; universality is required to foster the solidarity and cohesiveness of society. These could be used to pay in part (say 20%) or in full the price of one or more of a selected list of food items -- rice, lentils, wheat flour, potatoes, onions, dried red chillies and milk.

In place of hunger

Why only a list of seven items where the price increases (except onions) have been relatively modest rather than any food item. The reason is that these are essential in a family food basket. The lower the demand for high price food items the quicker the prices would tumble as supplies recover.

Likewise it may be asked why not a cash allowance to everyone rather than food stamps so that people could buy what they wished? The reason is that the money spent by the Government is to provide a basic need of people—food to alleviate hunger—not a handout to be used as one wishes.

Furthermore why a time limit of one year for food stamps? The expectation is that food prices would fall when the new crops reach markets. It also gives time for a national campaign to

grow more vegetables in home gardens. Above all subsidies (food stamps) should not be considered an acquired right e.g. when food prices fall to previous levels. The scheme could be reviewed in 2012.

How much would it cost? By way of example if food stamps to the value of Rs 100 a month is given to every citizen (Rs 500 a month for a family of five) the cost would be in the region of Rs 24 billion (20 million people by Rs 1200) for the year. The extra amount for administration of the food stamp scheme would be minimal as there is no government purchases to be made, no storage costs and minimal distribution costs as it would be done through thousands of authorized private retailers and cooperatives. Some may argue that Rs 100 a month is too little. Let the best not be the enemy of the good.

How could a large sum of additional expenditure be spent when the Government is committed to reduce the Budget deficit? It could be funded by contributions from all or some of the following (a) a small reduction in some government programmes over and above already envisaged (b) a very small debit tax on all (repeat all) foreign exchange transactions; it would not be worthwhile to avoid the tax because of its minimal nature. (c) sale of the "family silver". The sale of national assets (real estate) envisaged in 2011, without a murmur of dissent from anyone, is astounding—some estimates put it as high as Rs 100 billion in 2011 (d) utilizing profits from the sale of some of the recently acquired Central Bank gold. The book profit on recent gold purchases has been reported to be in the region of Rs 10 billion.

The question is not whether the country can afford a food stamp scheme to alleviate hunger. The question is whether the powers that be wish to do so. Food stamps to every citizen are a far better idea than a wage hike in the formal government and private sector to offset food price increases. It helps millions of others (including the young) who are in the informal sector.