

A case for a revamped, need-based PDS

The recent Economic Survey has flagged the issue of the growing food subsidy bill in India. As per the government's own admission the food subsidy bill is increasingly becoming unmanageably large.

National Food Security Act:

- The National Food Security Act (NFSA) came into force in July 2013.
- It extended entitlements of food grains to almost two-thirds of the country's population.
- The law requires the authorities to provide to each beneficiary 5 kg of rice or wheat per month.

The withdrawal of food grains by States from the central pool under various schemes has increased over the years.

- During the last three years, the quantity of food grains annually drawn by States has hovered around 60 million tonnes to 66 million tonnes.
- However, by December 2020, the Centre set apart 94.35 million tonnes to the States under different schemes including the NFSA and additional

allocation, meant for distribution among the poor free of cost.

Concerns:

1. Rising food subsidy:

- Food subsidy has been on a perpetual growth trajectory.
- During 2016-17 to 2019-20, the subsidy amount, clubbed with loans taken by the Food Corporation of India (FCI) under the National Small Savings Fund (NSSF) towards food subsidy, was in the range of Rs. 1.65-lakh crore to Rs. 2.2-lakh crore. In future, the annual subsidy bill of the Centre is expected to be about Rs. 2.5-lakh crore.
- The COVID-19 pandemic has further expanded this with the revised estimate of the food subsidy pegged at about ₹23-lakh crore, excluding the extra-budgetary resource allocation of ₹84,636 crore.

2. Issue prices:

- Though the NFSA in 2013, envisaged a price revision after three years, the Central Issue

Price (CIP) has remained at Rs. 2 per kg for wheat and Rs. 3 per kg for rice for years now.

3. Political compulsions:

•It would be extremely difficult to reduce the economic cost of food management in view of rising commitment towards food security and the government's reluctance to not disturb the NFSA norms or increase the prices owing to political compulsions.

4. Financial viability:

•The insistence of keeping the retail prices of food grains at fair price shops at the present low levels, even after the passage of nearly 50 years and achieving substantial poverty reduction in the country goes against the financial sustainability of the system.

•As per the Rangarajan group's estimate in 2014, the share of people living below the poverty line (BPL) in the 2011 population was 29.5% (about 36 crore).

•The mere increase in the CIPs of rice and wheat without a corresponding rise in the issue prices by the State governments would only increase the

burden of States, which are already reeling under financial stress.

Way forward:

- PDS is a useful tool to counter the challenge of extreme poverty and hunger and hence the dismantling of it is not a solution.

- Also, given the fact that the PDS system helps support the farmers through government procurement of their produce, it might not be advisable to replace the in-kind provision of food subsidy of the PDS system with Direct Benefit Transfer (DBT).

- The Centre should have a relook at the overall food subsidy system.

1. Revising NFSA coverage:

- The centre should revisit NFSA norms and coverage. The government could look at decreasing the quantum of coverage under the law, from the present 67% to around 40%.

- For all ration cardholders drawing food grains, a "give-up" option, as done in the case of cooking gas cylinders, can be made available.

• Though the States have been allowed to frame criteria for the identification of PHH cardholders, the Centre can play a critical role in nudging the states into pruning the number of beneficiaries under the NFSA system.

2. Relook at the pricing mechanism:

• With respect to the pricing mechanism, the existing arrangement of flat rates should be replaced with a slab system. Leaving the poor and needy sections, other beneficiaries can be made to pay a little more for a higher quantum of food grains.

Conclusion:

• A revamped, need-based PDS is required not just for cutting down the subsidy bill but also for reducing the scope for leakages. There should be a political will to take the necessary steps.

* Stepping out of the shadow of India's malnutrition.

- Two recent reports -

1. The State of Food Security & Nutrition in the World 2020 → by FAO of UN
2. 2020 Hunger Report → by Bread for the World Institute

- Findings w.r.t. India -

- India → is one of the most food-insecure countries in the world.
 - ↳ highest rates of stunting & wasting among other S-Asian countries.
- Though reduction in poverty substantial
 - ↳ but malnutrition → not declined
- Even Afghanistan did better in reduction of malnutrition along with Pak, Nepal Bangladesh & China.

- Food Insecurity Experience Scale survey

- ↳ covers ~90% of world's population
- ↳ direct estimates not available for India

- ↳ 3 year moving average given separately for S. Asia and S. Asia, excluding India.
- ↳ Difference b/w the two, gives data for India -

	2014-16	2017-19
Food insecurity % as % of total population	29.1% ↓ ~375 millions	32.9% ↓ ~450 millions

- Issues in the NFSA, 2013

- Non-inclusion of nutritious items like pulses
- Exclusion of potential beneficiaries

- "Hunger Watch" by Right to Food Campaign

- ↳ 1 out of 3 respondents reported low food consumption and massive compromise on food quality.

- Measures needed -

- Immediate universalisation of PDS
- Distribution of quality food items.
- Innovative interventions like Community Kitchens.

- UN's World Food Programme → got Nobel Peace Prize this year → should bring focus on these issues.

* The long road to food security

- Global Hunger Index 2020

↳ India @ 94th / 107

↳ much behind Bangladesh, Pak & Nepal

- UN-FAO Report

↳ 194 mn people go hungry everyday in India

- All this is the scene despite SC's declaration of Right to Food as part of Art 21 of Constitution i.e. Right to life.

- Self-sufficiency in agri production achieved

↳ yet food insecurity exists

↳ India's production is far more than that required to feed the entire population (2018-19 ⇒ production was 283 million tons of food grains)

↳ India is 1st in millets production
2nd in Rice & Wheat "

↳ horticultural crops (fruits & vegs) are also in surplus.

Concern -

- 62000 tons of food grains → damaged in FCI warehouses b/w 2011-2017
- 8600 tons lost alone in 2016-17
- Genuinely poor families
 - ↳ many don't even have ration cards
- All this exposes India's poor management of food ecosystem

Solutions -

- For food security ; 2 pronged policy needed

(1) Govt must ensure remunerative prices for farm produce

↳ MSP should be made available to max. products

(2) Improvement of PDS & public procurement

- Revamping Annapurna scheme

↳ Under this, 10 kg of food grains distributed per month free of cost to destitutes > 65 years

↳ Centre's target is 20% of number of persons eligible for National Old Age Pension, but not receiving such pension.

↳ but many states, like Kerala, pension covers all. So almost all eligibles are excluded from Annapurna Yojna.

↳ This issue needs resolution

• Pulses inclusion

↳ have important role in preventing illness like cancer, diabetes etc

↳ World Food Prog includes 60g of pulses in its food basket.

↳ Thus, it must be included in the PDS.

Centre allots 5 kg of grains free to poor

The Union government announced that 5 kg of foodgrains would be provided to 80 crore beneficiaries under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY).

- The foodgrains will be allocated free-of-cost @ 5 Kg per person per month to nearly 80 Crore beneficiaries covered under the National Food Security Act, 2013 (NFSA) over and above NFSA foodgrains.
- It would be on the same pattern as the earlier PM-GKAY.

Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY):

- PMGKAY is a food security welfare scheme announced in March 2020, during the COVID-19 pandemic.
- It is operated by the Department of Food and Public Distribution under the Ministry of Consumer Affairs, Food and Public Distribution.
- The scheme aims to feed the poorest citizens of India by providing grain through the Public Distribution System, to all the priority households (ration cardholders and those identified by the Antyodaya Anna Yojana scheme).

procurement, which still covers only a very low proportion of India's crops, regions and farmers.

All the above reasons provide a strong case for state intervention in multiple agricultural markets.

India's food security system

- The Food Corporation of India and the Agricultural Prices Commission (Commission for Agricultural Costs and Prices, or CACP since 1985) were set up in 1965.

- The idea was that as farm output rises with the Green Revolution, farmers are assured that their surplus would be bought by the government at a price high enough to leave them a margin.

- The crops procured were then made available to consumers at subsidised rates through the Public Distribution System (PDS).

- Thus, government intervention protected farmers during bumper crops and dipped into the buffer stock to protect consumers during droughts.

This is how India got its much-vaunted food security over the past several decades.

Way forward

- We need to expand the basket of public procurement to include more crops, more regions and more farmers.
- Procurement must be local and follow the logic of regional agro-ecology.
- The locally procured crops should then be incorporated into Anganwadi supplementary nutrition and school mid-day meal programmes.
- This would mean a large and steady market for farmers, while also making a huge contribution to tackling India's twin syndrome of malnutrition and diabetes.
- To incentivise farmers to make this change, governments must include them in procurement operations.
- Huge volumes of water could be saved if cropping patterns are diversified to include a variety of millets (rightly called 'nutri-cereals' now), pulses and oilseeds.
- Public investment in specific infrastructure required for millets and pulses, especially those grown through natural farming, would also help expand their cultivation.

- India has a network of 2,477 mandis and 4,843 sub-mandis to safeguard farmers from exploitation by large retailers.
- This network needs to be greatly expanded as today, only 17% of farm produce passes through mandis.
- To provide farmers access within a radius of five kilometres, India needs 42,000 mandis, which are also in need of urgent reform.

* A bullet train to hunger

→ Socio-economic impact of the pandemic:

- The pandemic and associated lockdowns have brought miseries upon millions of poor and vulnerable in India.
- Apart from the healthcare crisis, the poor are having to deal with hunger and nutritional insecurity and also a sense of uncertainty about their livelihoods.
- As per the State of Working India report 2021 of Azim Premji University, nearly half of formal salaried workers moved into informal work between late 2019 and late 2020 and the poorest 20% of the households lost their entire incomes in April and May 2020. This indicates massive job and income losses.
- Considering even the low national minimum wage threshold of Rs. 375 per day (Anoop Satpathy Committee), 23 crore individuals have been pushed below these minimal earnings. Consecutively, poverty rates have increased.
- The 'Hunger Watch' (HW) has noted the impact on nutritional security due to the pandemic. The access to nutritional food has decreased owing to reduced incomes.
- The survey focussed on understanding the hunger and livelihood situation among marginalised communities such as daily wage workers, single women households, people with disability, etc.
- As per conservative estimates, there are at least 33 crore poor households in India. The lack of access to food can plunge this section of the population into irredeemable levels of starvation and malnutrition.
- The impact has been even worse on sections of the society considered most vulnerable like the minorities,

scheduled castes and scheduled tribes, old age people, women. The pandemic has had a disproportionate impact on some of these more vulnerable communities.

The rural-urban divide:

- Several surveys and reports have indicated a higher impact on the urban population as compared to the rural population due to the pandemic.
- Incomes reduced by half/quarter for more than half the urban respondents while it was a little over one-third for rural respondents. In October, in rural areas, 26% had no income while 30% had no income in urban areas.
- Poverty rates in rural areas have increased by 15 percentage points and by 20 percentage points in urban areas.
- For one in five rural respondents, the nutritional quality of food remained "more or less the same" in October compared to pre-pandemic levels. This was doubly worse for urban respondents.

Social security schemes: Food security schemes:

- Under the National Food Security Act (NFSA), 75% of the rural population and 50% of the urban population are entitled to 5 kg of foodgrains each month at subsidised prices.
- Under the Pradhan Mantri Garib Kalyan Yojana, an additional entitlement of 5 kg of foodgrains per individual and 1 kg of pulses per household for free was given to those who hold Antyodaya Anna Yojana (AAY) cards under the NFSA. AAY cardholders fall under the extremely poor category.

- Supplementary rations were also made available under various State schemes.

— Concerns:

- The NFSA suffers from exclusion issues due to identification errors as well as using old population estimates.
- PDS entitlements fall far short of minimal nutritional requirements for a healthy society.

— MGNREGA:

- There has been a 47% increase in person-days of work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2020-21 compared to 2019-20 and a record 72 lakh households completed 100 days of work in one year.
- The avenue for guaranteed employment in rural areas has perhaps cushioned the impact of income loss in rural areas as compared to urban areas.

— Recommendations:

- The pandemic has highlighted the importance of expanding social security nets. NFSA and MGNREGA have demonstrated the role they can play in addressing social and economic distress.
- The government must bear the responsibility of social protection and must consider implementing the following measures.
- The Central government must expand the coverage and quantity under the NFSA for at least one year. Given that there are over 100 million tonnes of food grain stocks in the Food Corporation of India warehouses (as

of May 1), the government can even consider universalizing the scheme.

- Increase MGNREGA entitlements to 200 days per household.
- Initiate consultations for an urban employment programme.
- Offer a wage compensation of Rs. 7,000 per poor household for the next few months.

Lessons from India's food security response

-India has achieved self-sufficiency in food production.

- Record harvests over the last few years.
- In 2020, India produced over 30 crore tonnes of cereals and had built up a food stock of 10 crore tonnes.
- India has also achieved record exports of rice and wheat in FY21.

-Issues

- Large degree of variability between the different regions as well as sections of the population when it comes to nutritional security
- The COVID-19 pandemic seems to have only exacerbated this nutritional insecurity.

-Impact of the COVID-19 pandemic:

- Disruptive impact on the food security of the poor and marginalized sections.
- Escalation in global hunger in 2020.
- "The State of Food Security and Nutrition in the World" estimates that around a tenth of the global population - up to 81.1 crore persons - were undernourished in 2020.

-Governmental efforts:

- India's Targeted Public Distribution System (TPDS)
 - distribution of subsidized and free food grains
- Increased the entitlements given to National Food Safety Act (NFSA) beneficiaries in 2020 under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)
- Under the Atmanirbhar Bharat package, 8 crore migrants were provided 5 kg of foodgrains per month, free of cost.
- One Nation One Ration Card (ONORC) scheme will allow the beneficiaries to access their food entitlements from anywhere in the country.

-Recommendations:

1. Supporting the vulnerable:

• Food support intervention should focus on at-risk groups, including PwDs, the elderly, single women-led households, transgender persons, HIV-affected persons, displaced persons, refugees and orphan children.

2. Climate proofing agricultural sector:

- Eg : Use of efficient irrigation systems, and the promotion of crops as per the agro-climate zones.

3. Tackling food losses and wastage:

• A third of all food produced is wasted.

• It also accounts for around 3.5 gigatonnes of the CO₂ equivalent annual greenhouse gas emissions.

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* Reimagining food systems with lessons from India

- Global Hunger:

- Global food systems are in a state of crisis in many countries.
- Severely affected poor and the vulnerable.
- It is projected that the pandemic would double the global hunger figure.
- The State of Food Security and Nutrition in the World report estimates that around a tenth of the global population was undernourished in 2020.

- UN Food Systems Summit (UNFSS) 2021:

- To find solutions and to transform the way the world produces, consumes, and thinks about food and help address rising hunger.

- The food system transformation is essential in achieving (SDGs) 2030.
- 11 out of 17 SDGs are directly related to the food system.
- Five identified action tracks namely:
 - Ensure access to safe and nutritious food for all
 - Shift to sustainable consumption patterns
 - Boost nature-positive production
 - Advance equitable livelihoods
 - Build resilience to vulnerabilities, shocks, and stress.

- Concerns:

- Climate change and unsustainable use of land and water resources

- Dietary diversity, nutrition, and related health outcomes are other areas of concern as focus on rice and wheat has created nutritional challenges of its own.
- Despite being a net exporter and food surplus country, India has a 50% higher prevalence of undernutrition compared to the world average.
- Food wastage in India exceeds ₹1-lakh crore.

– Lessons from India:

- India's greatest contributions to equity in food is its NFSA 2013.
 - Includes (TPDS), (MDM), and the (ICDS).
- India's food safety nets collectively reach over a billion people.
- Fortify rice supplied through PDS with iron.

- Agri research institutes are about to release varieties of many crops having much higher nutrition .
- The proportion of the undernourished population declined

2004-06	21.6%
2018-20	15.4%

- Conclusion

- The Nobel Peace Prize 2020 conferred on the UN WFP highlighted the importance of addressing hunger to prevent conflicts and create stability.