

Food Security in India

The Imperative and its Challenges

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The imperative of food security

- 46% of children stunted, 56% of married women have anemia.
 - Increasing inequalities – lopsided growth, 2011-12 data shows progress.
 - Income growth does not seem to translate (quickly or fully) to better nutritional intake or status (Bhagowalia, et al,2012, Haddad et al).
 - High food inflation, 18.2 % in October 2013.
- Broad agreement on this, but deep disagreement on what and how to do.

Outline

- Historical Background
- Structure of the public food management system
 - production, storage & movement, distribution
- Current debates on food security
 - The National Food Security Act (NFSA), 2013
 - India and the WTO, Bali Ministerial
- Challenges for India

Food Security

“a situation...when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life” (FAO, 2002).

Yet, the debate in India is all about rice and wheat, despite recent attempts...

Historical Background

- 1960s and PL-480 imports from US, ship-to-mouth
- Green Revolution
 - input intensive hybrid seed technology
 - rice and wheat revolution
 - geographic concentration
- Policy focus
 - Keep food prices low for urban poor
 - Input subsidies
 - Self-sufficiency centric
 - Averse to international trade
- `One foot on the accelerator and another on the brake'

The public food management system

- Procurement at Minimum Support Prices (MSP)
 - Price floor/ support price.
 - Procurement for strategic reserves, public distribution systems, price stability
 - Price fixed by the Commission on Agricultural Costs and Prices (CACP) based on detailed Cost of Cultivation Studies.
 - Economic, not a political decision.

Storage, Transport and Distribution

- Responsibility of the Food Corporation of India with state level civil supplies agencies.
- Procured in a few states and distributed to far flung areas.
- Economic costs are high
 - Inefficiency distinguished from expensive (labour laws/ minimum wages) distinguished from corruption and leakage.
- Essential Commodities Act, 1955. Amended 2009
- APMC Act restricts private trade, some states.
- Levies on millers, disincentive for modernizing mills.

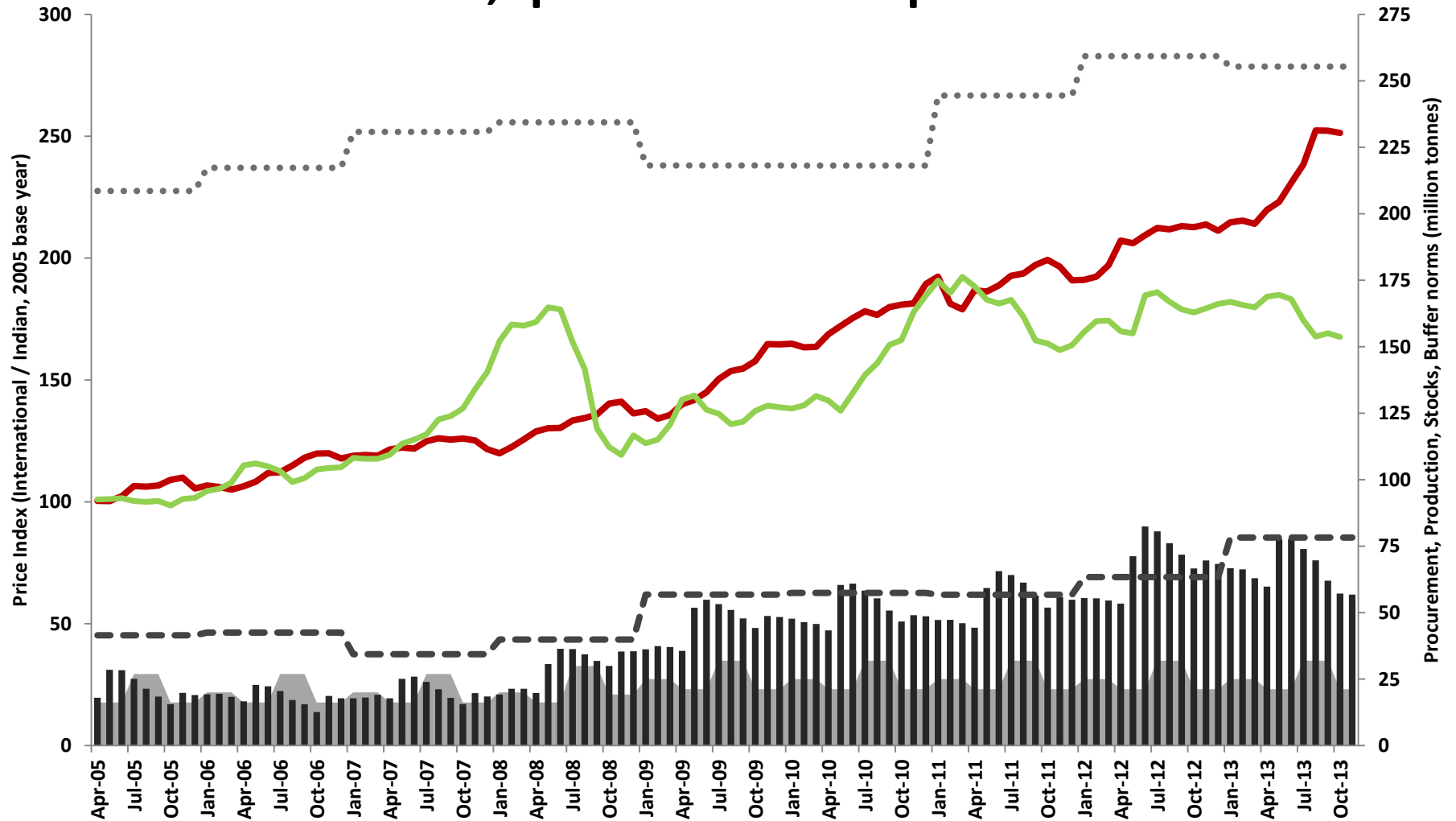
The Public Distribution System (PDS)

- Network of fair price shops sell rations.
 - Targeted PDS since 1997.
- Long standing claims of leakages and inefficiency
 - 54% did not reach the beneficiaries, 2004-05.
 - Cost of delivering Re.1 worth grain is Rs. 3.65.
- Huge variation in performance across states.
 - States where leakage is only 5-7%, e.g. Tamil Nadu, Kerala, etc. Others such as Bihar and UP where leakage is over 70%.

Current debates have a longer history

- 2000s: Huge stocks coexisting with famine and hunger.
- Right to Food Campaign
 - PUCL versus Government of India, Supreme Court 2001.
 - Converted many policies to entitlements.
 - Mid-day meals at schools, ICDS, Maternity Entitlements
 - National Food Security Act, 2013.
- Food price crisis, 2008
- Experience with international trade in early 2000s was problematic.
- “Food security is *non-negotiable*”

Food stocks, prices and procurement



Buffer stock norms (million tonnes)

Stocks (million tonnes)

India WPI Food Articles

International Food Price Index (IMF)

Production (million tonnes)

Procurement (million tonnes)

National Food Security Act, 2013

- Promulgated in September 12, 2013.
- Emphasizes food *and nutritional* security
- Life cycle approach
 - Infant, children (ICDS)
 - Mid-day meal
 - PDS
- Scale is not very different from present.
 - Hence, not very different from existing schemes
 - 1.27% of GDP
- Flexibility for states to experiment

Evidence on other programmes

- Mid-day meal improves calorie intake, student attendance (Afridi, 2012)
- Maternity Entitlements impact IMR positively (Lim, et. al)
- ICDS reduces prevalence of stunting (Jain, 2012)

PDS is the bone of contention

- Priority households are entitled to 5 kgs of foodgrains per person per month.
- Antyodaya households to 35 kgs per household per month.
- The combined coverage of Priority and Antyodaya households (called “eligible households”) shall extend “up to 75% of the rural population and up to 50% of the urban population”.
- Rs 3/2/1 per kg for rice/wheat/millet, subject to revision after three years.

One view of food management

- Economic argument
 - Too expensive (Rs.90,000 crores)
 - Fiscal deficit
- Strident call to move to cash transfers
 - Dismantle the PDS and replace with cash transfers
- Nutritional Concerns
 - Rice-wheat focus
 - a more complete food basket in some states but not all (AP, TN, Chhattisgarh, etc., now Karnataka)
- WTO concerns

Another view on food management

- Political priority in many states.
- PDS performance is improving in most states in the country.
- Diversion ratio declined from 54 per cent in 2004–05 to 41 per cent in 2009–10 (Khera,2011), even lower in 2011-12. IEO figure is one-third.
 - Many good examples, Odisha, Chhattisgarh, etc.
 - Bihar showing impressive improvements.

Public Distribution System

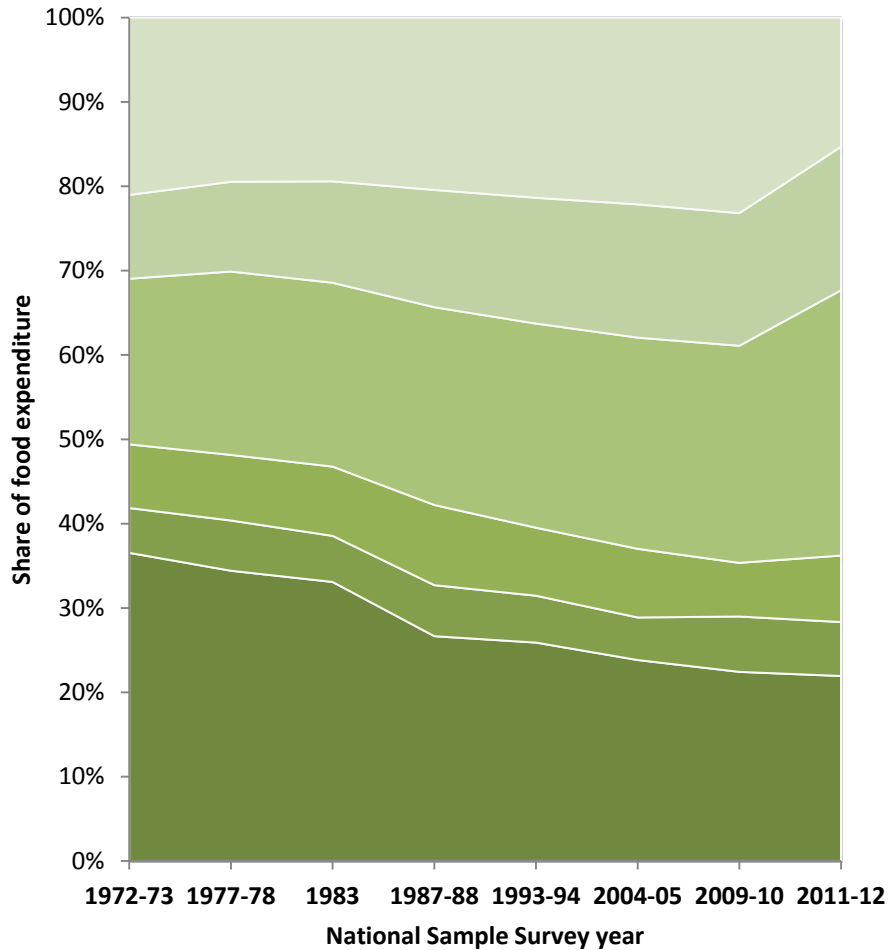
- Field Survey evidence from ten states : **Two thirds** preferred food and **less than a fifth** preferred cash, others either having a conditional preference for one or the other or no clear preference at all.
- Where PDS functions well, people prefer food.
- Fear of food unavailability, mistrust of the government with cash, market access issues, intra household conflicts, etc.
- Issues with intra-household allocation, access and infrastructure.

PDS performance and implicit transfers

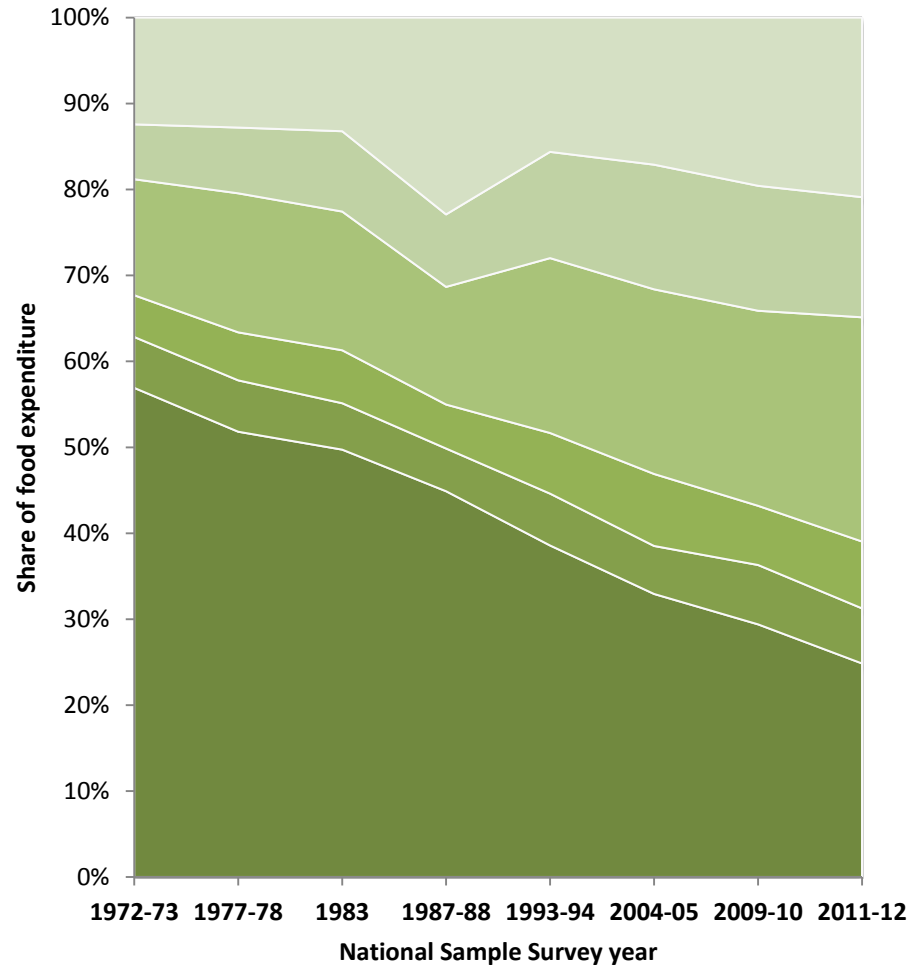
- Implicit transfers through the PDS, in fact, enables diverse diets.
- Implicit transfer of income implies possibilities of diversification.
 - 11% decline in Head Count Ratio of poverty
 - 18% decline in Poverty Gap Index
- Greater in states where it is implemented better.

Food Consumption Expenditure

URBAN food expenditure patterns



RURAL food expenditure patterns



■ Cereal and cereal substitutes

■ Pulses

■ Edible oils

■ Milk, eggs, meat, fish

■ Fruits and vegetables

■ Others

■ Cereal and cereal substitutes

■ Pulses

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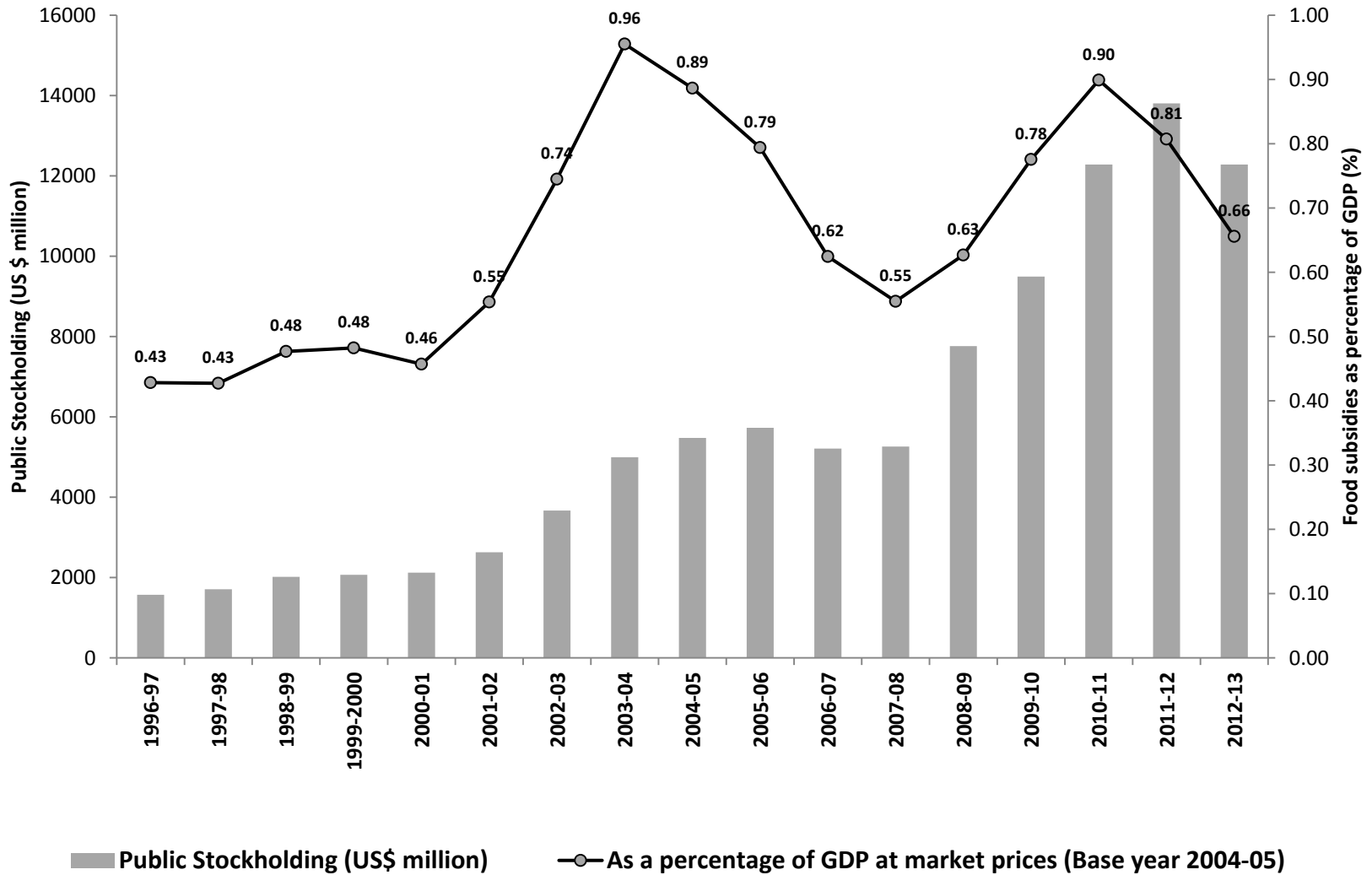
■ Fruits and vegetables

■ Others

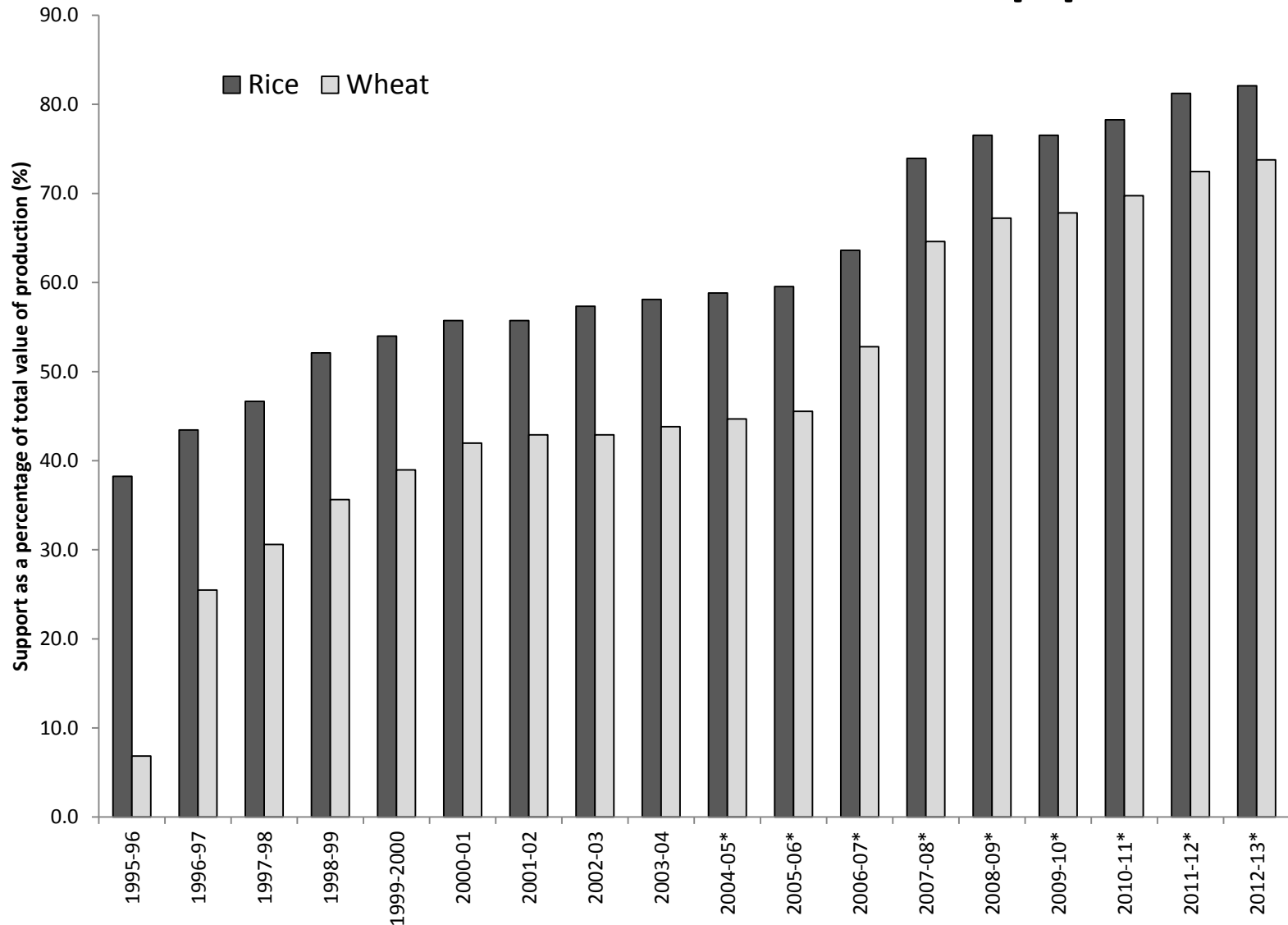
Major Challenges ahead

- The WTO Agreement on Agriculture
 - Independently of NFSA, India breached commitments
 - But this is because of a peculiar way of measuring support
 - Can the AoA accommodate the NFSA?
- Nutritional Challenge
 - Moving from food to nutrition
- Sustainability Challenges
 - Implications of procurement for agriculture
 - Implications of changing structure of agriculture for food security

How costly?

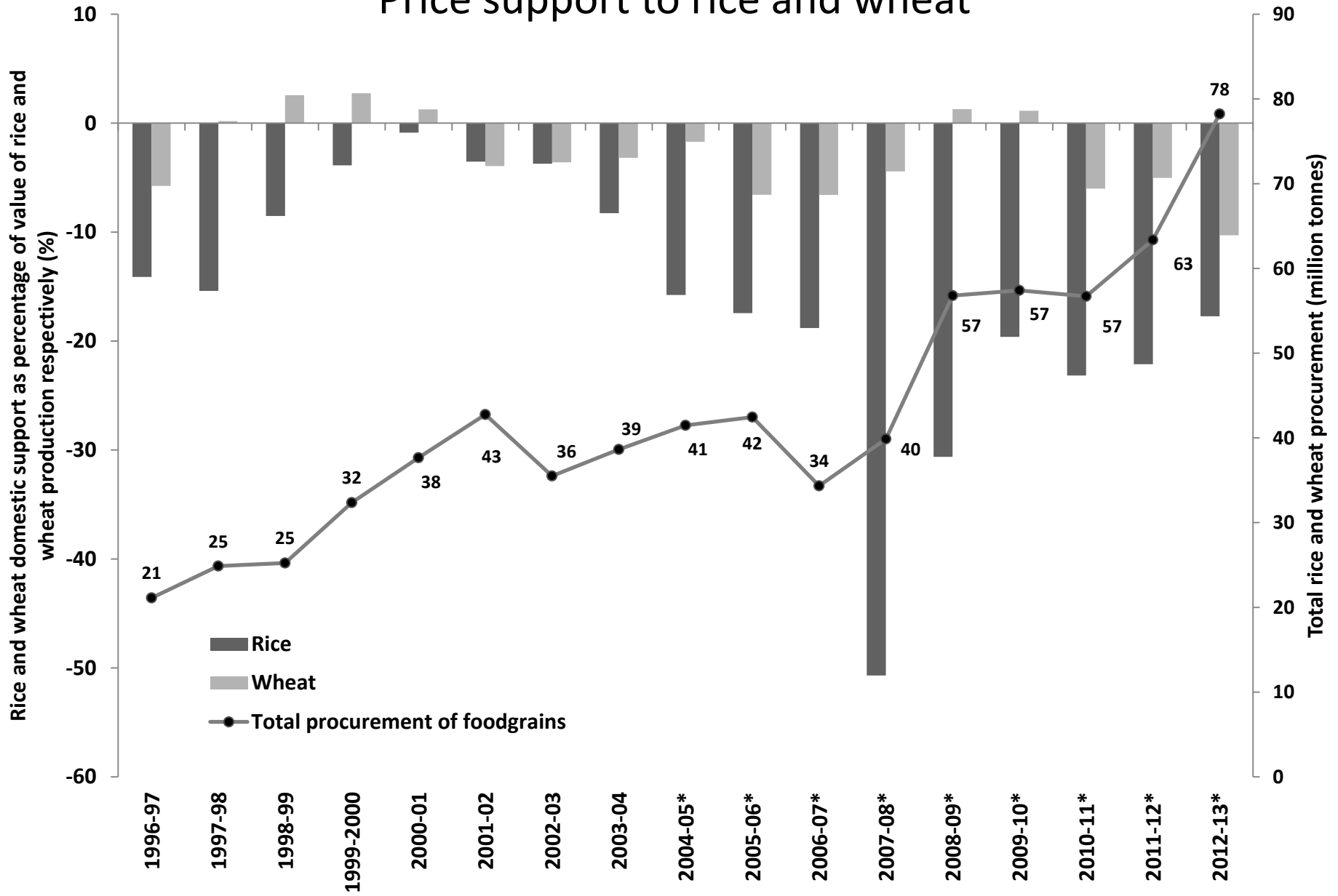


WTO's mismeasure of support



How protectionist?

Price support to rice and wheat



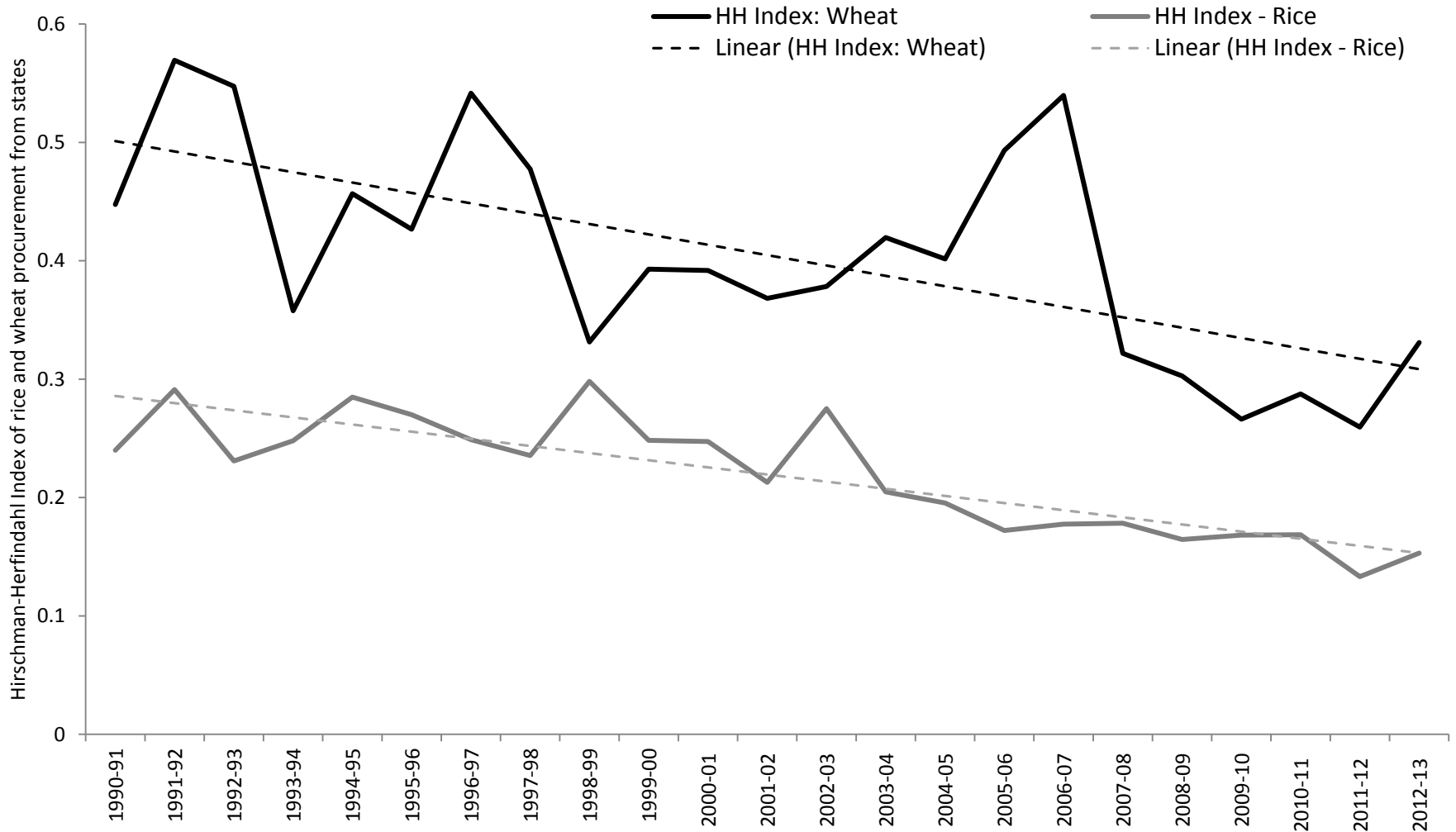
Procurement problems

- Crowding out private trade
- Prevent diversification into high value agriculture

But,

- Decentralized procurement (1997), now effective.
- Segmentation of markets.
- Insurance mechanism, enables diversification.
- Increase in marketed surplus / yields.

Decreasing concentration of procurement



Way forward for India

- Institutional reform of stockholding.
 - Revisiting the food management architecture.
- Ending open ended procurement.
 - State-centre coordination.
- Technological solutions for last mile problems.
 - Positive experience with smart cards, portability and biometrics.
 - Cautious and gradualist approach.
- Internal market reforms.
- External trade policy reform.