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Food Security in India: Looking at Some Policy Issues

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Claim

- The enactment of Food Security Act (FSA) has grabbed a lot of attention inside and outside India. Government has claimed it to be a landmark step towards ensuring food security.
- Notwithstanding the FSA, food security policy and official thinking has problems which might jeopardize rather than ensure food security.
- The contradictions are rooted in economic philosophy of the neo-liberal regime.

Basic Debate

“Reforms” have led to growth is accepted. Although questions being raised about sustainability.

But at what distributive costs?

Inequality has increased during this period. But is the bottom of pyramid better off in material terms than it was earlier?

Food Security is perhaps the most basic indicator.

The Poverty of Poverty Estimation - I

Rapid Decline in Poverty during the “reforms” as per official estimates.

Year	Rural	Urban	Total
2011-12 (MRP)	25.7	13.7	21.92
2009-10 (MRP)	33.8	20.9	29.8
2004-05 (URP)	28.3	25.7	27.5
1993-94	32.27	32.36	35.97
1983-84	45.65	40.79	44.48
1973-74	56.44	49.01	54.88

The Poverty of Poverty Estimation - II

The Poverty Line Expenditure is abysmally low. For 2011-12 it is Rs 27.2 for rural areas and Rs 33.3 for urban areas. (per day)

Year	Rural	Urban
2011-12 (MRP)	816	1000
2009-10 (MRP)	672.8	859.6
2004-05 (URP)	356.3	538.6
1993-94	205.8	281.3
1983-84	89.5	115.6
1973-74	49.6	56.6

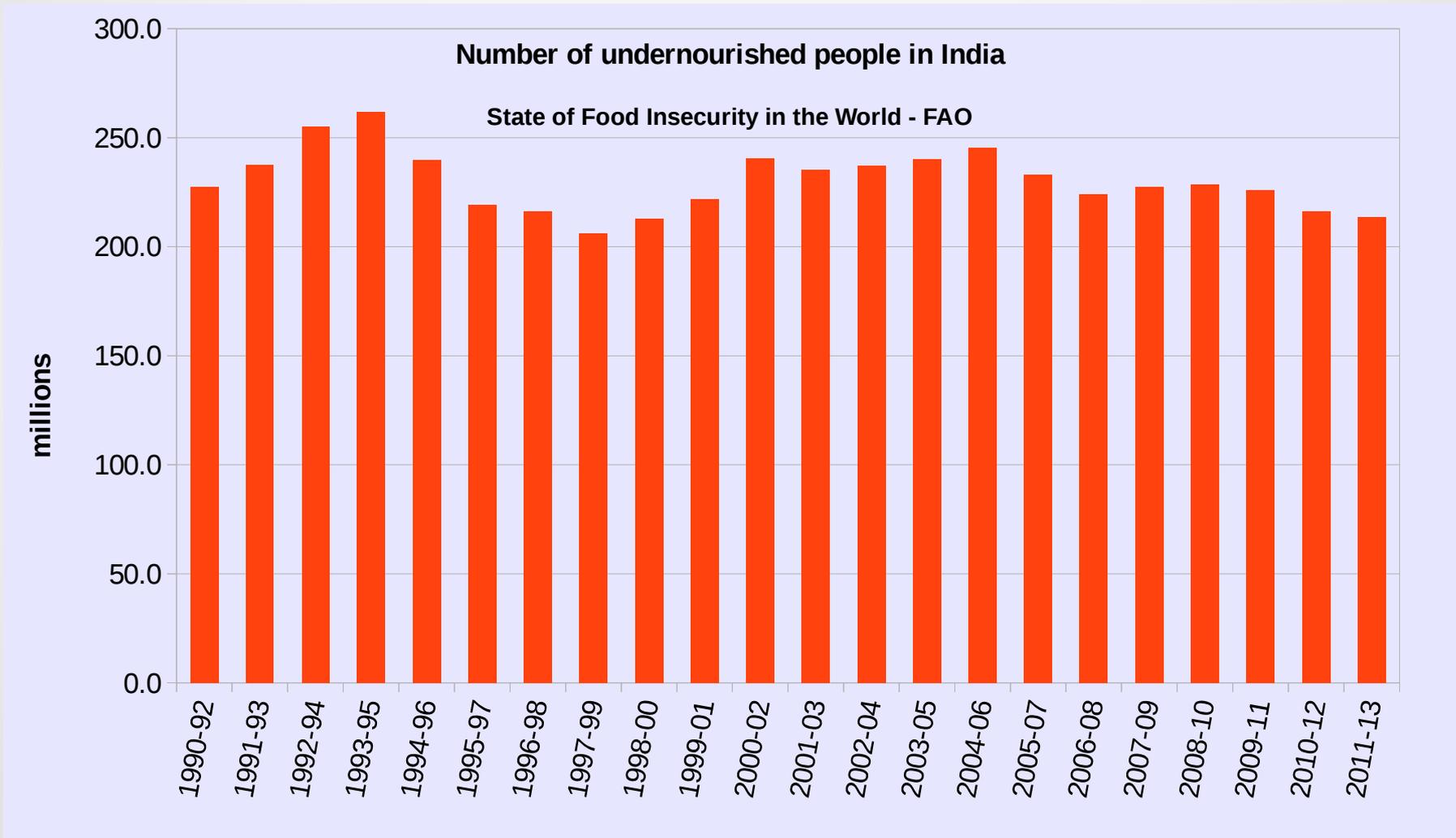
The Poverty of Poverty Estimation - III

Not only are poverty benchmarks low, they are non-comparable across states and time. Does not mean anything in terms of nutritional status.

Neoliberalism and Rural Poverty in India – Utsa Patnaik (2007)

Poverty-Hunger Divergence in India – Basu and Das (2014)

Trends in Undernourishment



What does the FAO indicator capture?

Nutrition levels fulfill requirements of a “Sedentary” Life Style

Sedentary or light activity lifestyle involves 8 hours of sleeping and sitting (office work, selling produce, tending shop); 2 hours of light leisure activities and 1 hour each of personal care (dressing, showering); eating; cooking; general household work; driving car to/from work and walking at varying paces without a load.

FAO has described it as an “extreme measure”

Poor have Vanished but Hunger hasn't!

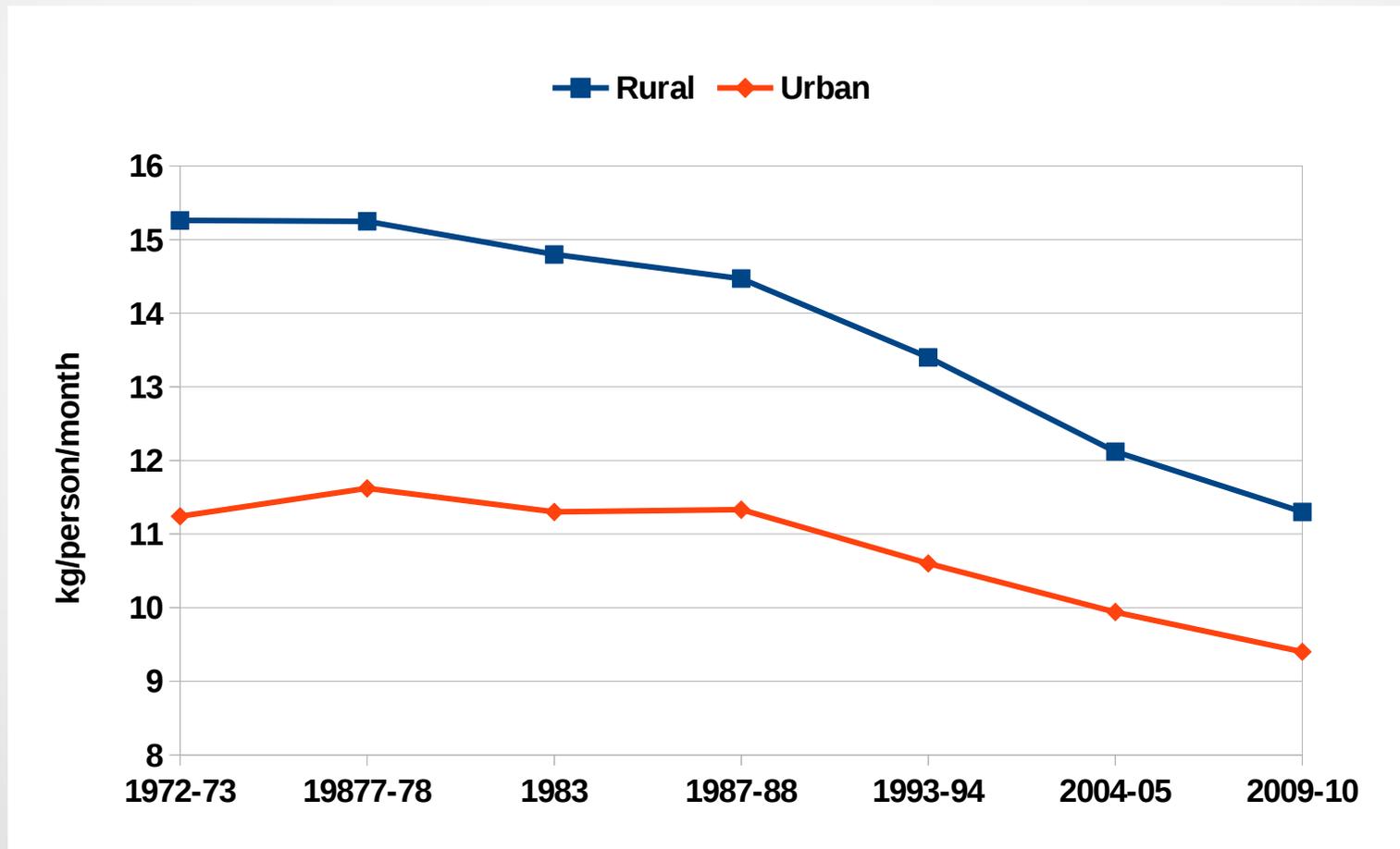
So, what is the nutrition story?

Cereals are the main source of nutrition in India.

Year	Rural		Urban	
	Calorie	Protein	Calorie	Protein
1993-94	71.03	69.42	58.53	59.41
1999-00	67.55	67.43	55.05	57.03
2004-05	67.54	66.37	56.08	56.16
2009-10	54.16	64.87	55.01	56.39

Declining Cereal Consumption

Cereal consumption has been declining at an increasing rate during the “reform” period.



Worsening Nutrition levels

There has been a decline in average calorie and protein intake.

Year	Calorie (Kcal/day)		Protein (gram/day)		Fat (gram/day)	
	Rural	Urban	Rural	Urban	Rural	Urban
1993-94	2153	2071	60.2	57.2	31.4	42
2004-05	2047	2020	57	57	35.5	47.5
2009-10	2020	1946	55	53.5	38.3	47.9

Official View - *Let them Eat Cake*

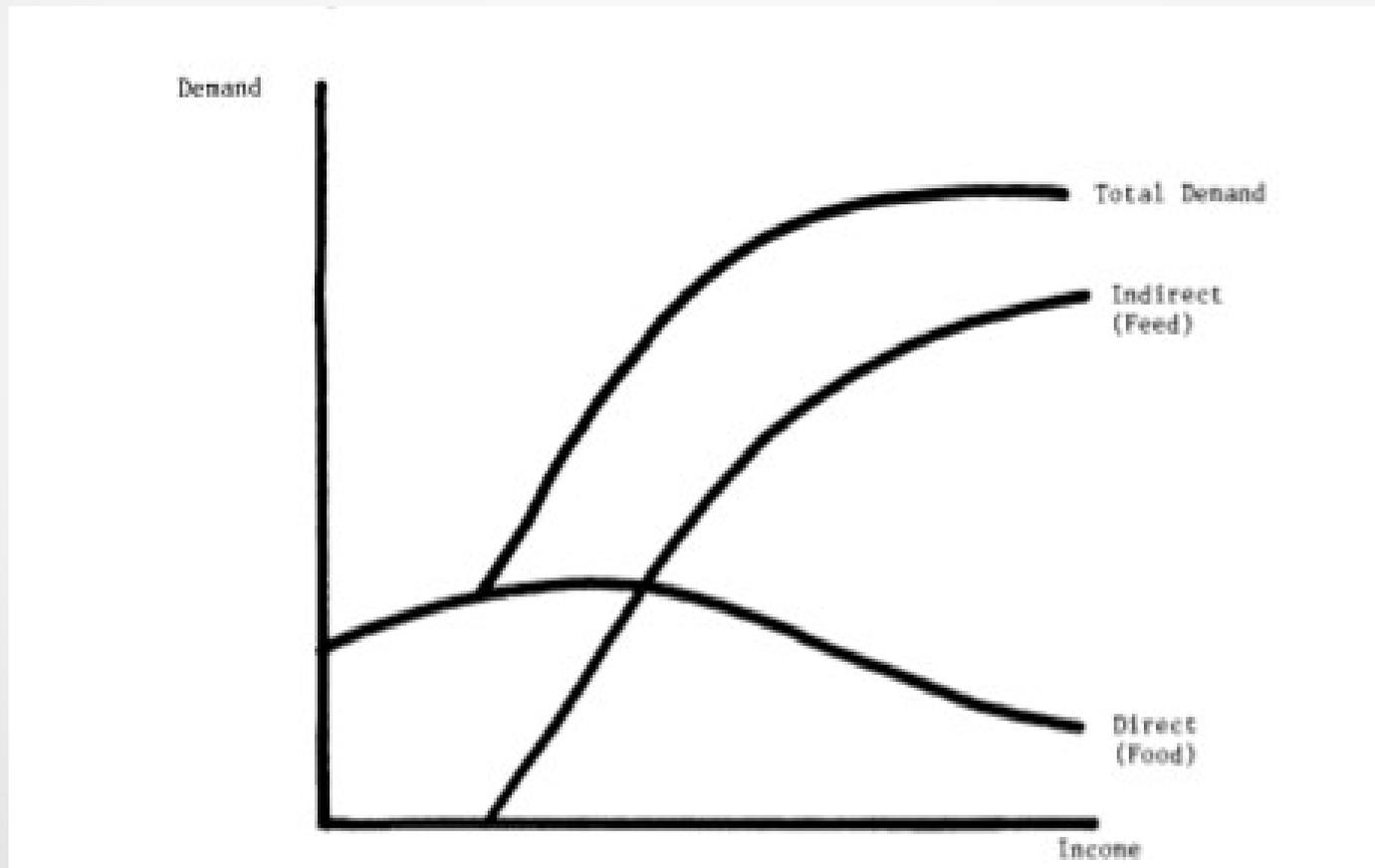
Decline in cereal consumption has been attributed to diversification of diets due to increasing incomes.

“..with economic development and diversification of the consumption basket over time, the choice appears to be in favour of a reduction of cereal consumption..”

NSSO Report on Consumption Expenditure

Demand for Cereals and Income

Yotopoulos (1985) has explained the relation between income and cereal demand.



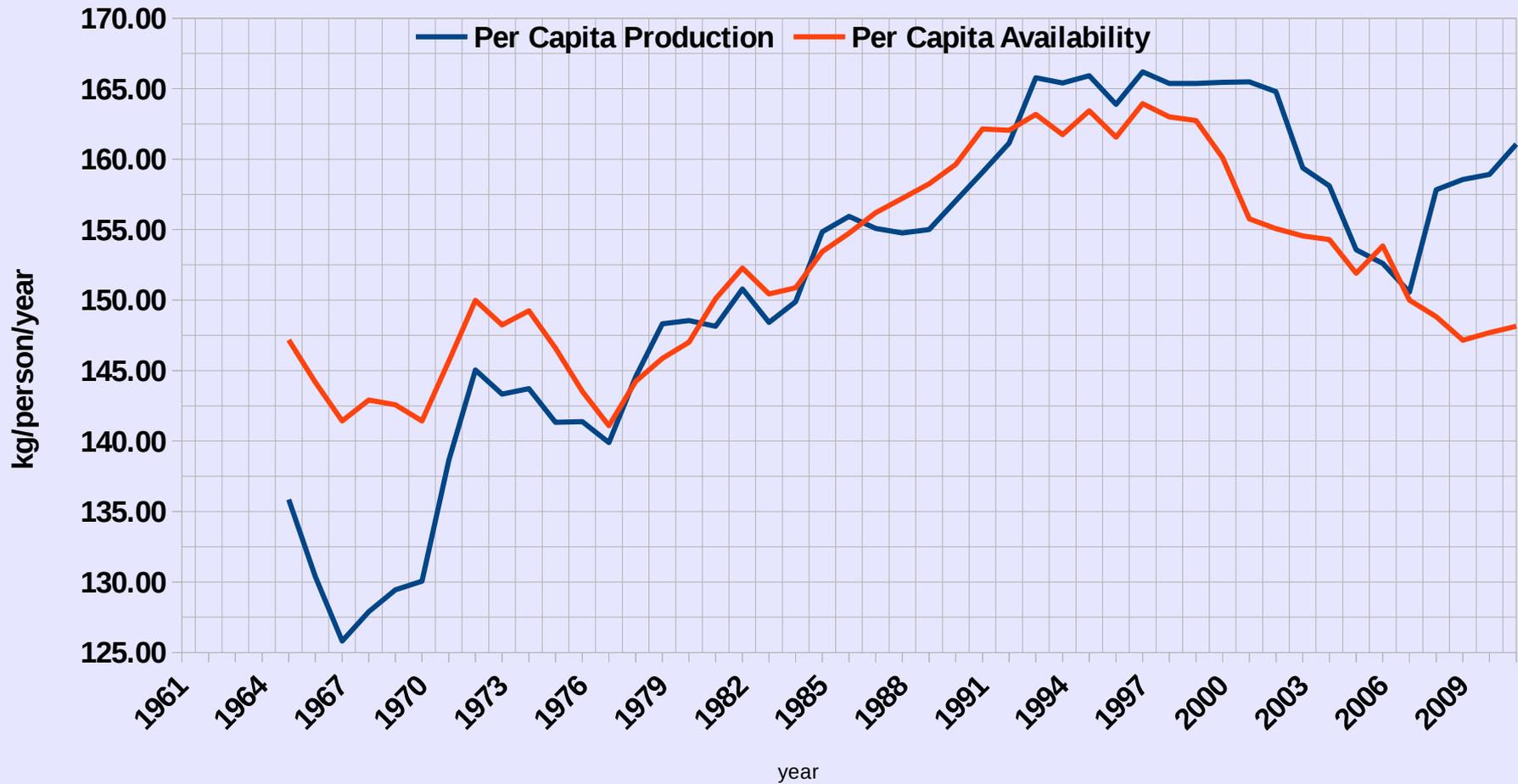
Estimating Total Cereal Demand

$$\text{Availability} = \text{Production} + \text{Net Import} - \text{Addition to Stocks}$$

Can give an idea about aggregate demand in an economy.

From food security viewpoint, per capita measure is relevant. Gives an idea whether demand/production is keeping up with population.

Declining Demand for Cereals



Increasing Stocks and Exports



The Story So Far

Even if direct demand was declining due to increasing incomes, indirect demand should have increased.

Increasing income story does not hold.

Worse, declining per capita production shows even self-sufficiency claims are based on squeezed demand. Planning Commission has noted this. The euphoria about “record production” misplaced.

Food Security Policy

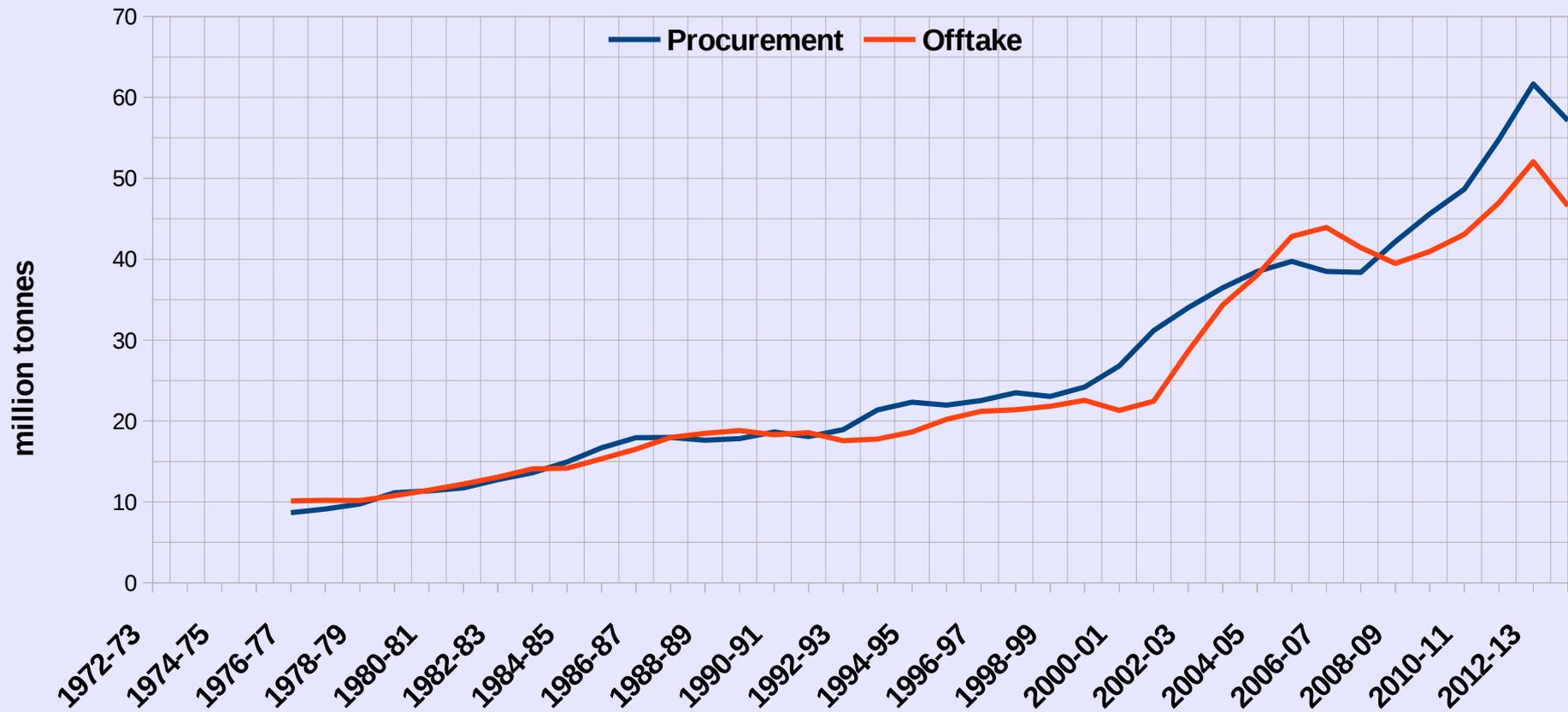
The Public Distribution System was made into a targeted programme from its universal version in 1997.

Led to large scale exclusion from subsidized food net.

Poverty estimates were set as upper limits for issuing Below Poverty Line (BPL) Cards.

The FSA tries to correct this by expanding coverage to up to two-thirds of the population. But by not making it universal the government has kept it vulnerable to wrong exclusion.

Procurement-Offtake Gap



Ongoing Debate

It is alleged that government is procuring much more than it should be.

Arguments have been made for switching to a direct cash transfer and procurement less food security programme.

Beneficiaries can buy food in the open market.

Basu (2011), Parikh (2013)

This has gained more support as India might breach its AMS commitment in the WTO due to increasing procurement.

Let's call it Indian SNAP.

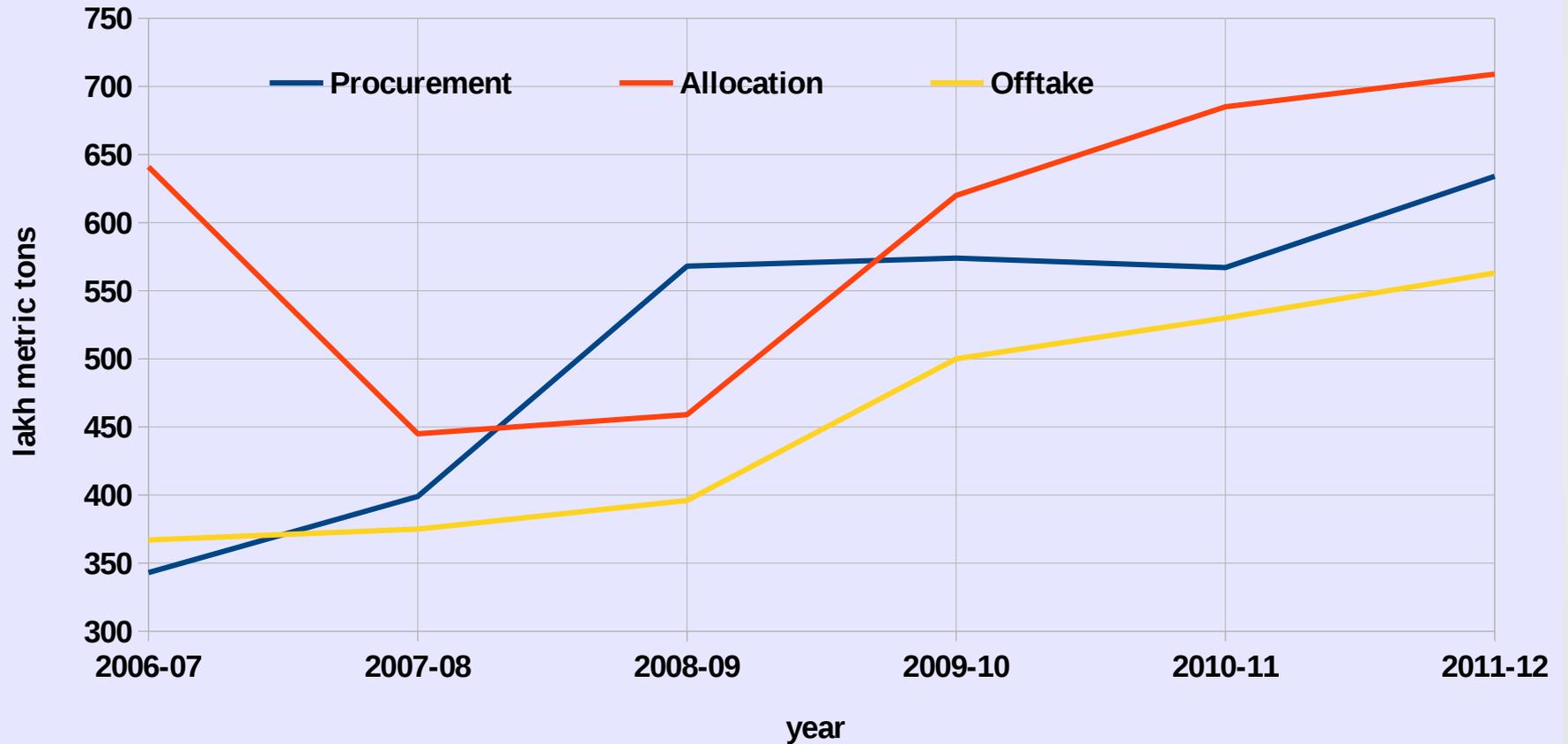
Procurement: Truth versus Hype

According to a performance audit of the FCI average procurement is less than average allocation in the last 5 years.

This is contrary to the popular view that government is procuring more than it needs to.

Actual offtake is always less than allocation. So matters do not precipitate.

Systemic Denial to Build Stocks



What does Indian SNAP promise?

- Lesser leakages because of corruption
- Lesser government spending due to less leakages
- No disputes in the WTO

Can Indian SNAP deliver?

Leakages

It is a mammoth task to identify deserving beneficiaries in a country the size of India. Over-enthusiasm would lead to wrong exclusions with high welfare costs. Same TPDS story would be repeated.

States like Tamil Nadu and Chhatisgarh have shown that near universal PDS works very well with political will.

Ambiguous at best.

Can Indian SNAP Deliver?

Government Expenditure

Any effective programme would have to be indexed to guarantee entitlements are not eroded due to inflation.

These entitlements by definition would lead to creation of price-inelastic demand for cereals.

Such a scenario can be exploited by speculators/hoarders to hike prices as government won't have the capacity to intervene anymore.

Might lead to increased government spending or dilution of programme. FRBM can complicate matters.

What Happens to Farmers?

Majority of Indian farmers are small cultivators.

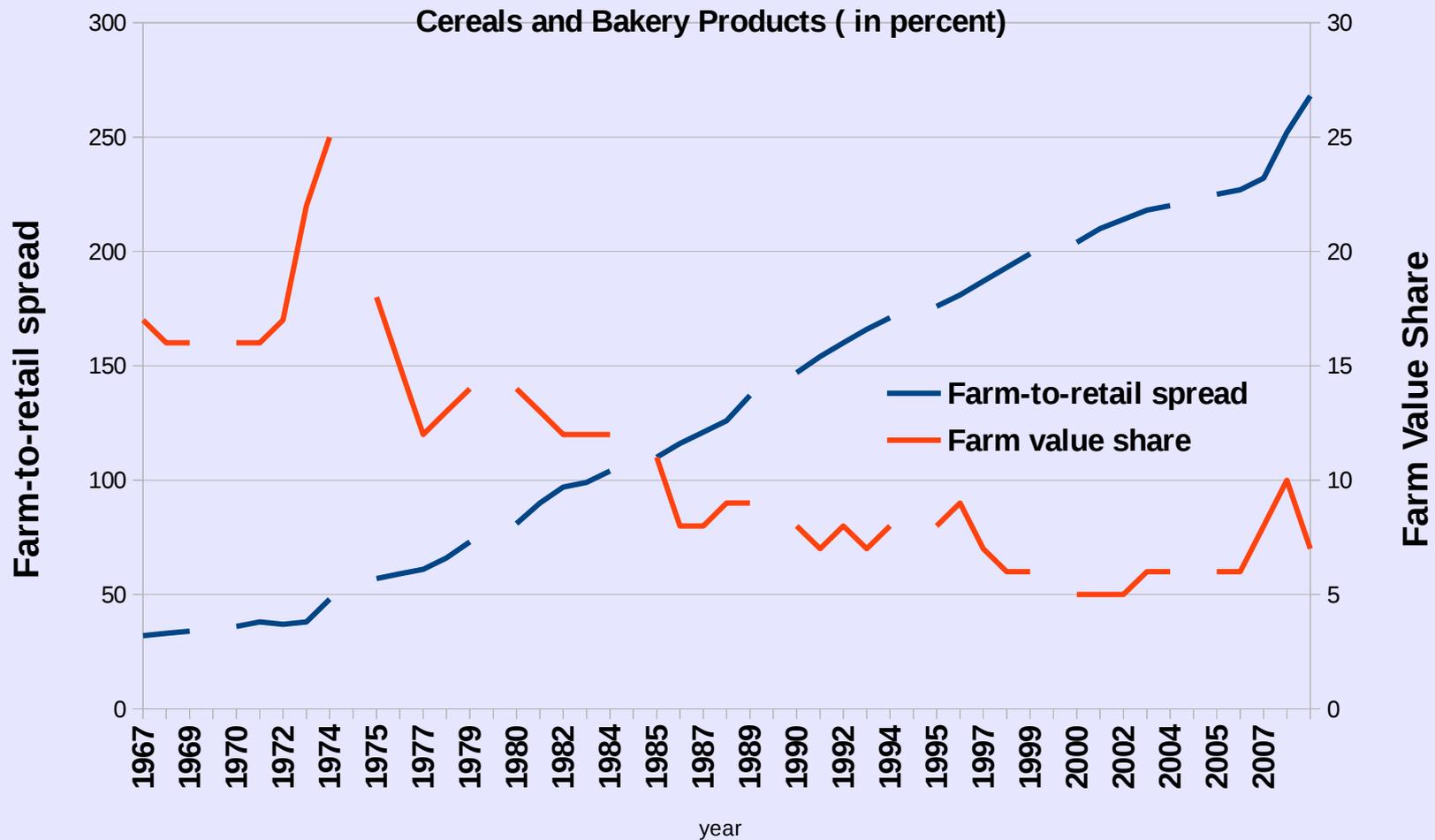
Input costs have driven up cost of cultivation world-wide.

Government Procurement is the only cushion they have against squeezing pressures by big buyers.

Big business/retail buying is not likely to improve earnings.

Let us take US's example.

Have Farmers Gained in US?

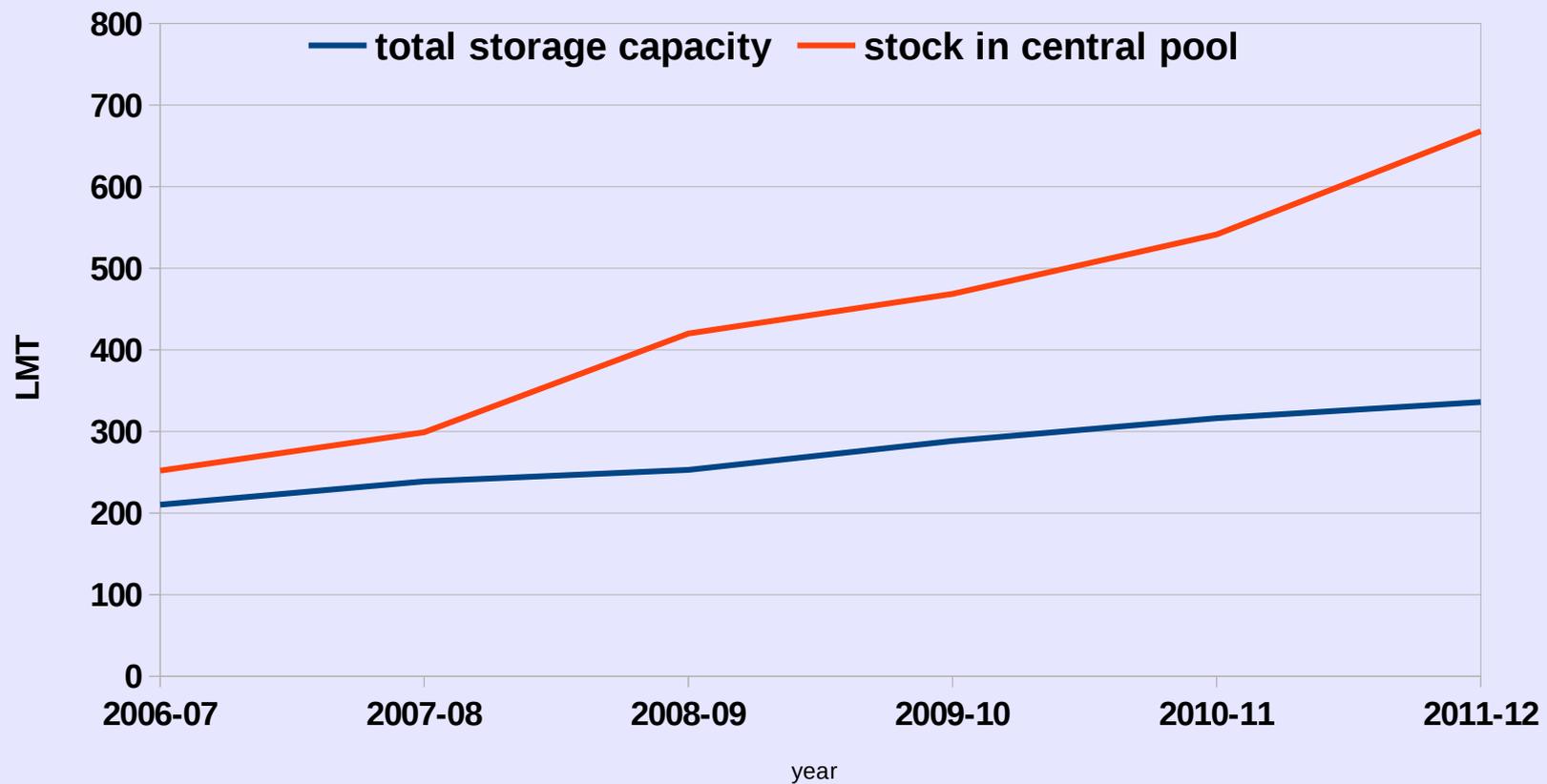


What is the Sensible Way?

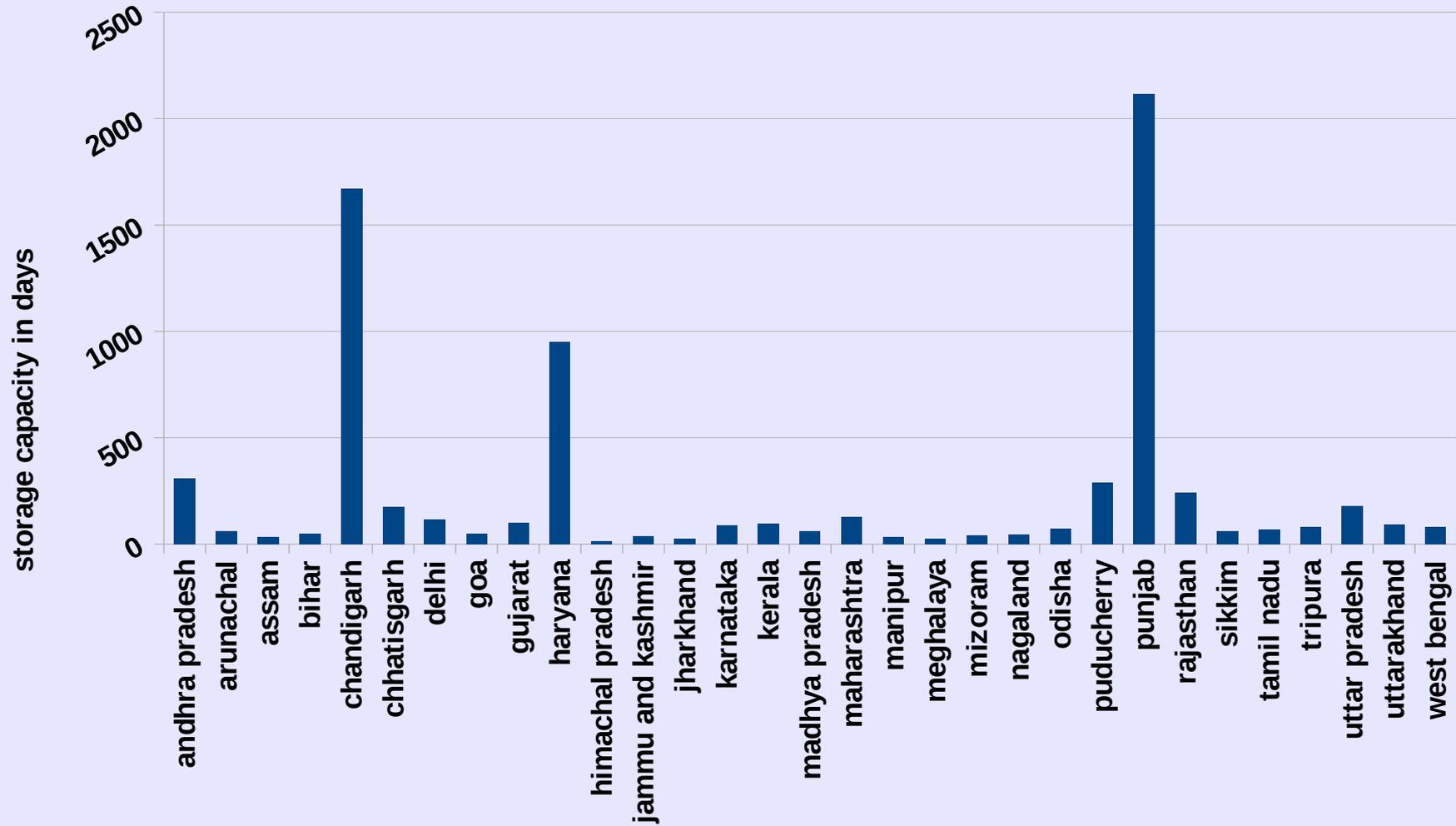
Government provides universal coverage and socio-political measures are taken to address leakage and corruption.

A serious logistical obstacle: lack of storage capacity, also regionally skewed.

Stock-Storage Gap



Regionally Skewed Storage Capacity



Glimmer of Hope

After the failure of a Private Entrepreneur Guarantee Scheme, which rewarded private players to build additional storage, to bridge the gap the government has decided to construct storage space through MGNREGA.

It would help bridge the shortage, lead to better utilization of MGNREGA funds than digging holes and filling them up and create the infrastructure for procurement in other areas.

Food for Thought

Colonies used to export food as people went hungry.

The tightness in international grain markets has made exports lucrative. Continuous demand for removing all restrictions on grain export in India.

This requires bidding away food from the poor.
Government intervention in market is a big obstacle.

We need Food for People, Not for Profit.