

Public Policies for Food Security in India

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Pluriagri

Feeding the cities:
an opportunity for family farming?

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 and the way forward

Historical Background

- 1960s and PL-480 imports from US
- 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'

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 but increasingly also political decision.
 - APMC Act restricts private trade, some states

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, levies on millers.
- Economic costs are high
 - Inefficiency
 - Distinguished from expensive (labour laws/ minimum wages)
- Essential Commodities Act, 1955. Amended 2009

The Public Distribution System (PDS)

- Network of fair price shops to sell rations.
 - Targeted PDS since 1997. NFSA covers most people.
- 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%, e.g. Tamil Nadu, Kerala, etc.

Current debates

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

The imperative of food security

- 46% of children stunted, 56% of married women have anemia.
 - Increasing inequalities – lopsided growth, 2011-12 data shows progress.
 - High food inflation, 18.2 % in October 2013.
- Broad agreement on this, but deep disagreement on what and how to do.

Two views on food management

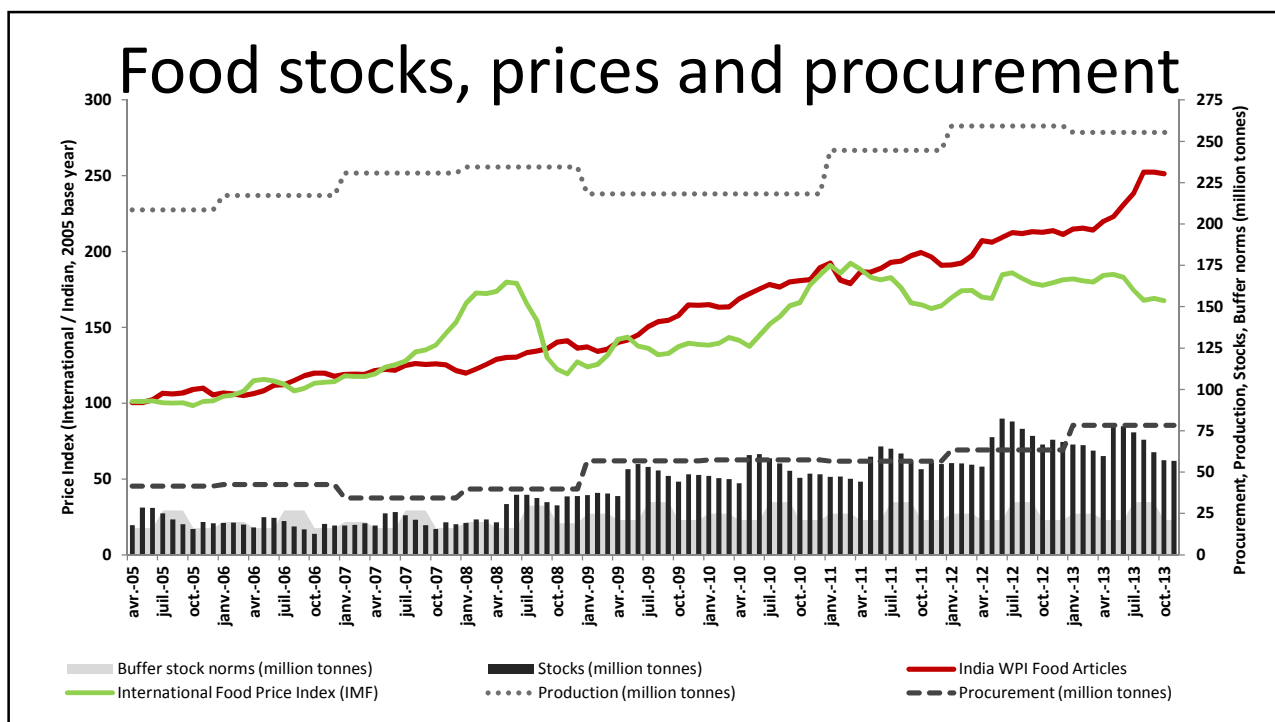
- Economic argument
 - Too expensive (Rs.90,000 crores)
 - Fiscal deficit
- Strident call to move to cash transfers
 - Dismantle the PDS and replace with cash transfers
- Nutritional Concerns
 - Rice-wheat focus – a more complete food basket in some states but not all

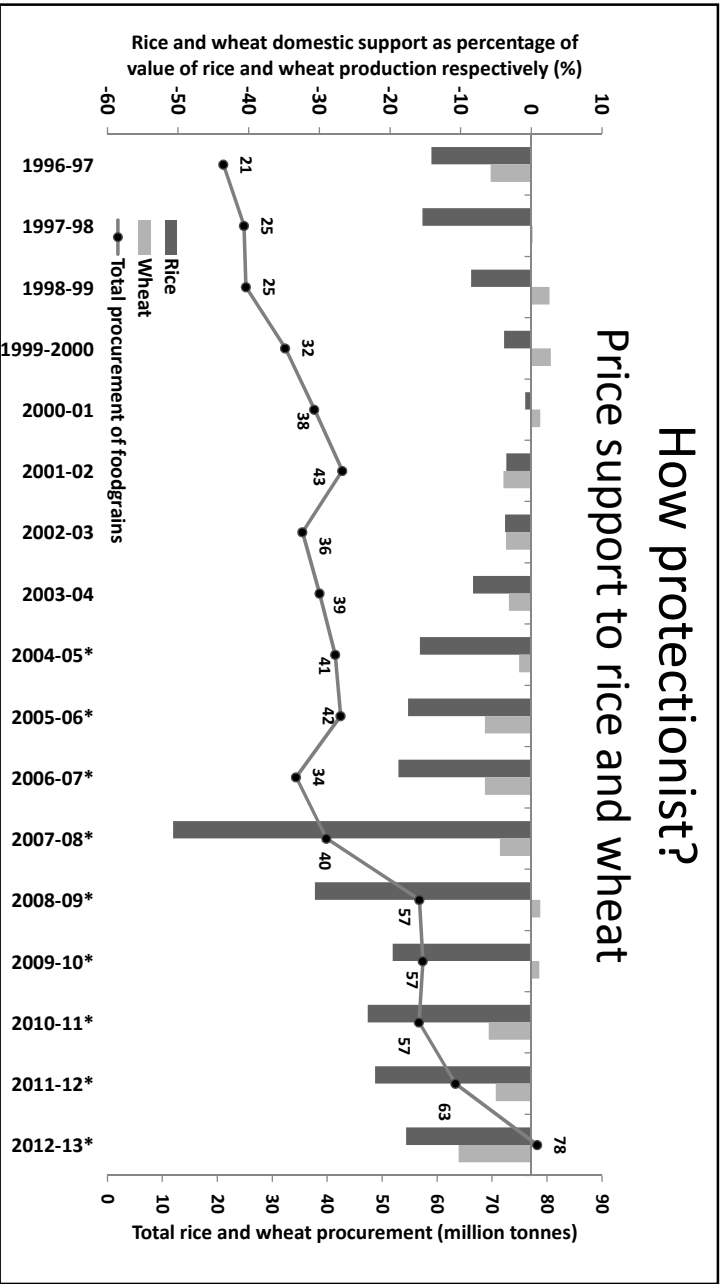
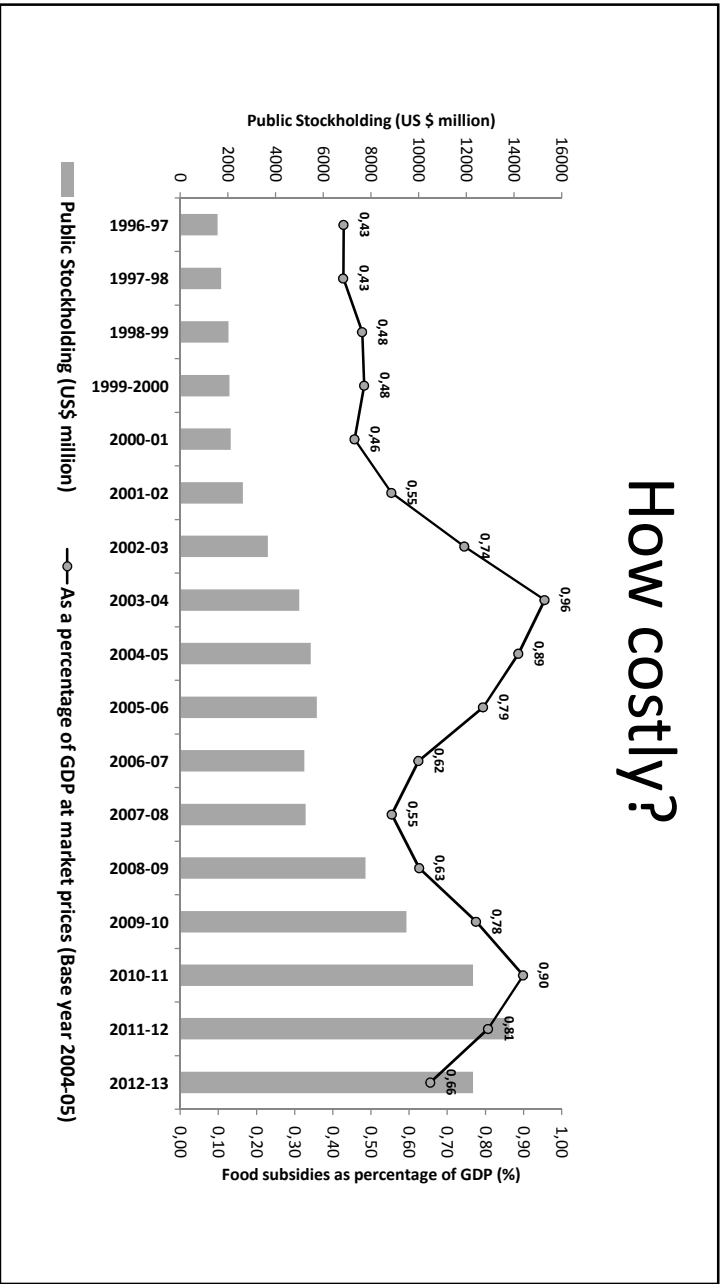
Two views on food management

- Political priority
- Issues with intra-household allocation, access and infrastructure.
- PDS performance is improving in most states in the country.
- Implicit transfers through the PDS, in fact, enables diverse diets.
- The system supports both farmers and consumers. Benefit-cost needs to factor this in.
- Decentralized procurement

National Food Security Act, 2013

- Life cycle approach
 - Infant, children (ICDS)
 - Mid-day meal
 - PDS
- Scale is not very different from present.
 - Hence, not very different
 - 1.27% of GDP
- Mostly consistent with WTO Agreement on Agriculture
- Not (yet) protectionist or trade distorting, other than idiosyncratic trade policy





Public Distribution System

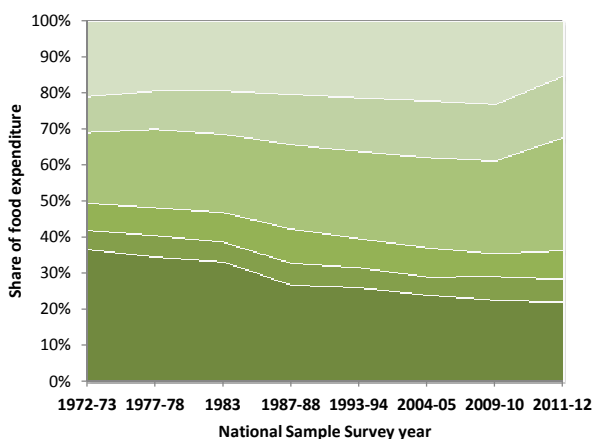
- Field Survey evidence from ten states : Two thirds preferred food and less than a fifth preferred cash, others either having a conditional preference for one or the other or no clear preference at all.
- Where PDS functions well, people prefer food.
- Fear of food unavailability, mistrust of the government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

PDS performance and implicit transfers

- Diversion ratio declined from 54 per cent in 2004–05 to 41 per cent in 2009–10 (Khera,2011), even lower in 2011-12.
 - Many good examples, Odisha, Chhattisgarh, etc.
 - Bihar showing impressive improvements.
- 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.

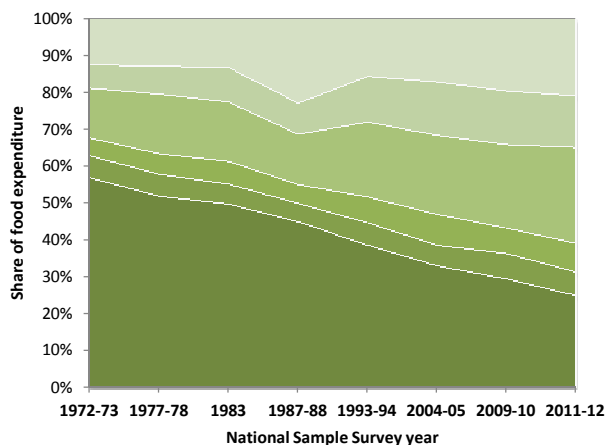
Food Consumption Expenditure

URBAN food expenditure patterns



■ Cereal and cereal substitutes
 ■ Edible oils
 ■ Fruits and vegetables
 ■ Pulses
 ■ Milk, eggs, meat, fish
 ■ Others

RURAL food expenditure patterns



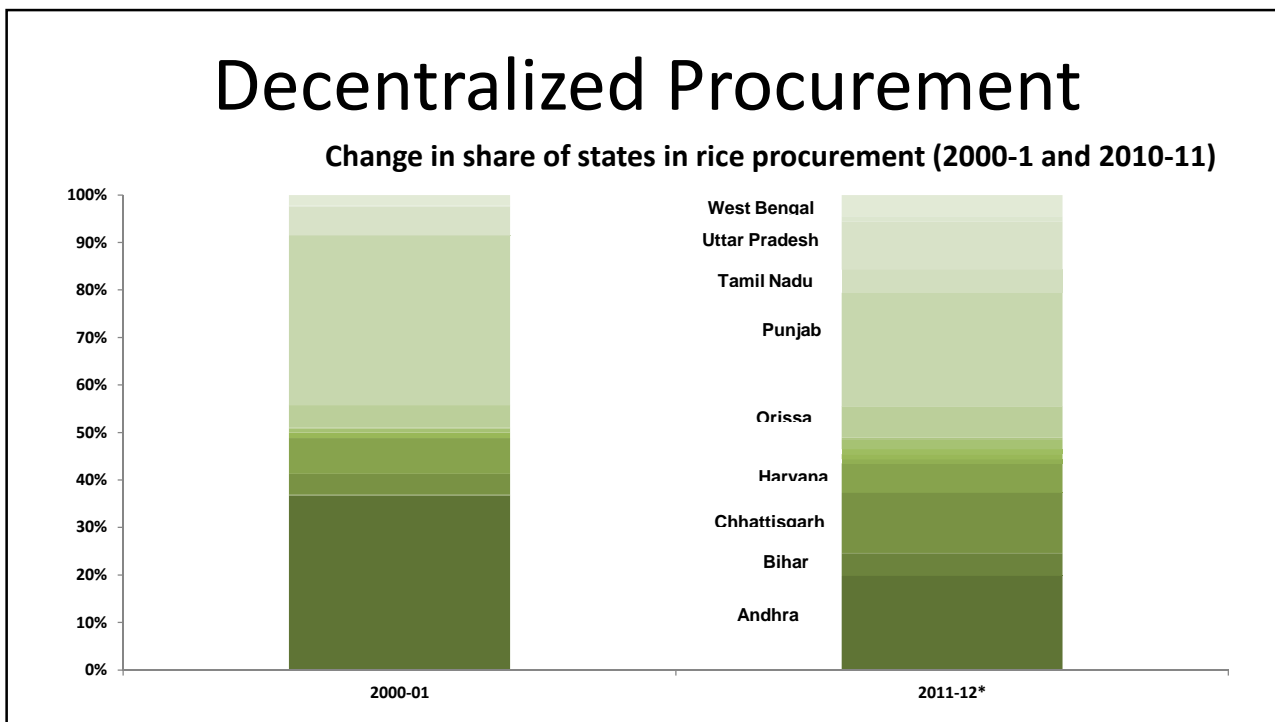
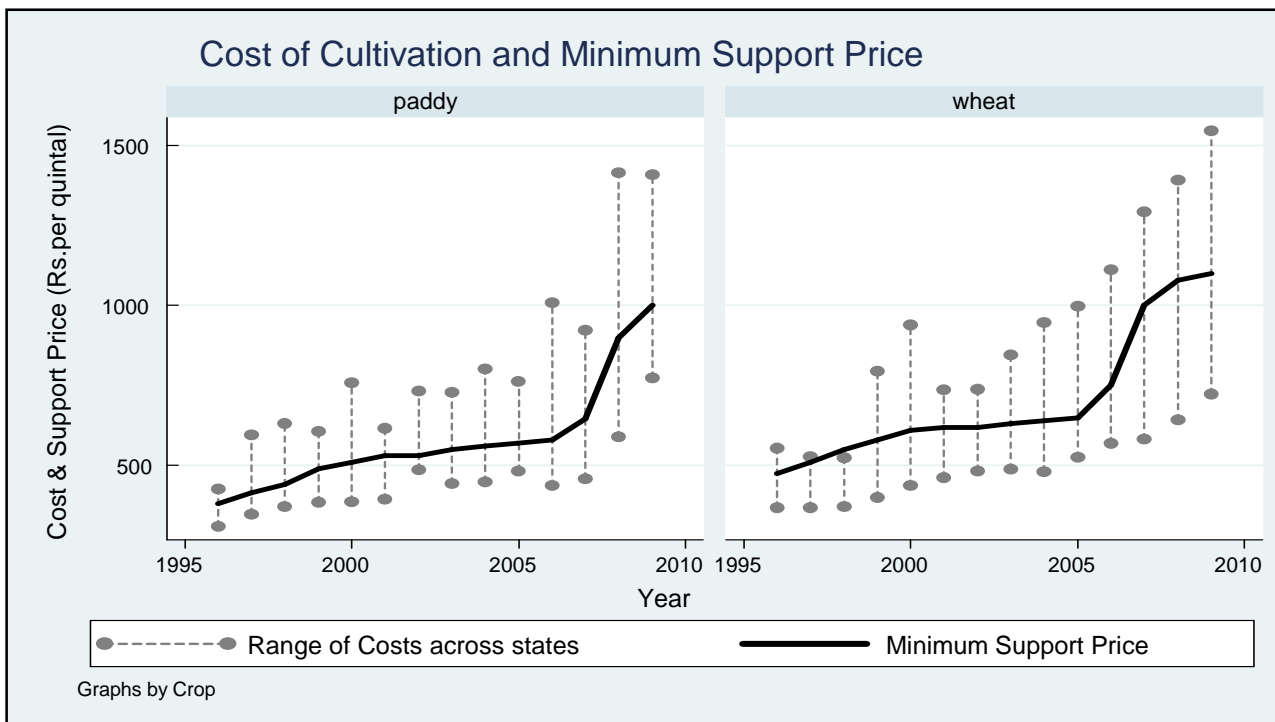
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Procurement problems

- 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 yields
- Increase in marketed surplus
- Procurement of paddy rather than rice from millers and indent system (Orissa)



Continuing Challenges

- Forever-increasing MSP
 - State bonuses
 - Accused of triggering cereal inflation
 - Open ended procurement
- Sell high, buy low.
 - Supports farmers and enables them to diversify consumption
 - But the economics of it ? Huge scope for improvements .
 - Institutional structure
 - Fixing open ended procurement
 - Technological solutions for last mile problems.