
THE ECONOMIC CONSEQUENCES OF NATIONAL FOOD SECURITY BILL OF INDIA, 2013

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Abstract: The main aim of this research paper to analyze economic pros and cons of the National Food security Bill of India, 2013. Food security means availability of sufficient food grains to meet the domestic demand as well as access, at the individual level, to adequate quantities of food at affordable prices. The Indian National Food Security Act, 2013 (also Right to Food Act), was signed into law September 12, 2013, retroactive to July 5, 2013. This law aims to provide subsidized food grains to approximately two thirds of India's 1.2 billion people [1]. In a country where almost 40% of children are undernourished the importance of the scheme increases significantly. According to data, in India, on average, a person spent as much as 53% of total expenditure on food requirements. In comparison with other countries, Americans spend 9.3% of their income on food; in Italy a family on average spends 25.7%, in Japan 19.1%, in France 16.3%, in the United Kingdom 11.5%. This type of legislation will definitely help the people of country. The Indian Ministry of Agriculture's Commission on Agricultural Costs and Prices (CACP) has referred to the Bill as the "biggest ever experiment in the world [2].

Keywords: Food security bill, poverty, Economics

Introduction: According to IFPR (International Food Policy Research Institute) India ranks 65 out of 79 countries on the Global Hunger index. *A huge percentage of the Indian population lives below the poverty line where getting one plate meal a day is a challenge. The food security bill aims to satisfy this basic need and in that sense although it encourages welfare economics.* In India nearly half of India's children under five are chronically malnourished. From 2005-2010, India ranked second to last among 129 countries on underweight children and it is below Ethiopia, Nigeria, Nepal and Bangladesh [3].

According to FAO (The Food and Agriculture Organization of the United Nations) India is still lagging far behind in reaching millennium development goal (MDG) number 1 (to halve extreme poverty and hunger by 2015). Rising food prices and food riots are among the many symptoms of the existing food crisis and insecurity. Climate change and natural calamities further multiplies the food insecurity and farming activities. We always blame the British rule for all our mistakes. But they left India 67 years ago and we are still one of the poorest nations on globe. Many countries in Asia, which started with similar poverty levels in the 1940s, have progressed faster some of them dramatically. We, however, remain poor. The continuance of poverty is particularly surprising because there are so many smart and powerful people who claim to be representing the poor. India has a great quantity of food grains stocked in warehouses, yet millions of India's poor are left without food. However the NGOs and other social organizations are not in favor of present food security system and the public distribution system (PDS) [4].

Methodology: The present research report is based on reviews of literature on the economic effects of food security bill, 2013 and on the agric-food sector. Information was also obtained from web sites and articles addressing economic issues. Information was also obtained from blogs, research centers and other private sources. In addition, many press releases have been reviewed on a regular basis. Data and information was also gathered by personal meetings with experts and researchers.

Results and Discussion: The National Food Security Bill (NFSB) was originally introduced in Parliament in December 2011. The bill was cleared by a parliamentary committee in January. Lok Sabha on 8th May 2013 failed to pass because of opposite party not supporting the overestimated National Food Security Bill which seeks to ensure access to adequate quantity of quality food at affordable prices to people. Infact this bill is an election promise of the ruling Congress party to provide cheap and affordable food to the poor. It is expected to cost about \$23 billion a year and take a third of annual grain production. The Food Security Bill, the UPA-II's flagship scheme, predicts the distribution of wheat, rice and coarse grains at just Rs 2, Rs 3 and Re1 a kilo each to about 65 per cent of the population 75 per cent of them in rural areas and the rest in cities and towns. Add to that, some entitlements to 'special groups,' like poor or homeless persons, who will be entitled to at least one meal a day. It is the world's largest experiment of providing food grain to poor. The government plans to double its food subsidies to 2 per cent of the GDP. If the government machinery is able to deliver on Congress chief Sonia Gandhi's pet project, it could mean the end to country's

widespread malnutrition and poverty relatively soon [5].

Finally this food security bill was approved on July 5th by the President of India. The Indian National Food Security Act, 2013 (also Right to Food Act), was signed into law September 12, 2013, retroactive to July 5, 2013 [1]. The ordinance will guarantee 5kg of rice or wheat or millets a month to poor at a discounted rate of Rs.3, Rs, 2, Rs, 1 respectively. This bill also ensures nutrition security. Average consumption per year for each person is 178kgs (15kgs per head/monthly and average family size in India is 4.8 persons, so each family needs at least 65-70kgs of grains per month.

Highlights of the National Food Security Ordinance:

- 5 kg of food grains will be provided to 67% of the population at highly subsidized prices.
- 5 kg each of Rice at Rs 3/kg, Wheat at Rs 2/kg and Coarse Cereals at Rs 1/kg would be provided to the eligible individuals.
- Beneficiaries of the Antyodaya Anna Yojana (AAY) will continue to get 35 kg of food grains per household per month
- It requires 62 millions tons of food grains per annum and which may cost Rs. 125,000 Crores. State government will prepare the list of beneficiaries.
- This bill also provides nutrient and hot cooked food to mothers and children of 6 months to 14 years. It costs about Rs.6000.
- Another highlight of this bill is that the eldest woman will be Head of the family for issue of ration card. If not available, the eldest male member will then be the head of the family for these purposes.

Economic consequences: The food security bill promises to reduce hunger and guarantee cheap food to the poor. However, there are few concerns it has not been properly thought through and could become unsustainable.

- **Rising Subsidy burden:** This is a mega programme and will require a huge food subsidy. The cost of it will go up from 0.8% of Gross Domestic Product to around 1.1% of GDP [6]. This is a severe increase in a situation where the government does not have enough resources as it is. For example. The government purchases the grain at a cost of 18 rupees/kg. The government has to provide 62 million tons of food per year under the bill and the amount of the subsidy is estimated around \$24 billion. Even if the quantity of food remains the same each year, the food subsidy bill will increase annually. As the cost of food goes up (because of rise in wages and oil price) the rate of the subsidized food will remain

the same. Further, due to rising population the required quantity of the food to be supplied will also increase. Therefore the sustainability this scheme is doubtful. For example the government procurement price would be approximately Rs. 13.45 per Kg for rice and Rs. 12.85 per Kg for wheat. The subsidy portion works out to Rs. 10.45 per kg of rice and Rs. 10.85 per kg of wheat. When we take into account the total number of beneficiaries and the quantity of food grains that would be distributed, the burden on the exchequer is projected at a gigantic Rs. 1.3 lakhs crores per year. The increase in subsidy burden will only add to the current fiscal account deficit [6].

- It is estimated that According to Ministry of Agriculture, the cost of India's food security program would expand to 6.82 trillion rupees (nearly \$126 billion) for the first three years. This means that government the present food security bill requires 2.2 trillion rupees (a little over \$22 billion) per year. This is because of the need to invest especially in infrastructure to improve the existing distribution system, warehousing and transportation facilities, as well as provide incentives to farmers to boost production [7].
- **Inflationary pressures:** Procurement of food grains in huge quantities would result in less available quantity in the open market, in that way pushing up food prices. This would be further forced in a year of low production which would demand procurement through imports, which in turn will again push prices up [8].
- **Public distribution system and leakages:** At present, 5 lakh fair price shops are there in the country. Collection of the food grains from the source, storage and onward transportation is a big issue. Food spoilage, rotting of grains and storage reduces 40% to 50% the food stock. If this trend continues for few years, the nation may face difficulties to procure additional food.
- **Agriculture opportunity:** As the demand for food grains increases the agriculture sector would receive a boost and this could lead to more investments in improving agriculture productivity by using advanced biotechnology and making it more competitive [3].
- **Infrastructure opportunity:** In order to overcome the inefficiencies in the distribution of grains, extensive investment would be required in creating infrastructure like warehousing and storage facilities, roads, improving rail connectivity etc. This could create a huge opportunity for the private sector which could turn out to be one of the catalysts for a renewed

economy.

Advantages: According to a 2010 World Bank Report, 32.7% or 400 million people in India survive on less than \$1.25 per day and about 47% of children suffer from malnutrition. In this situation the present food security bill guarantees certain amount of food grain at highly discounted prices that the needy can afford.

1. The proposed bill aims to provide legal right over subsidized food grain to 67 per cent of the population.
2. The bill provide uniform allocation of 5 kg food grain (per person) at fixed rate of Rs. 3 (rice), Rs. 2 (wheat) and Rs. 1 (coarse grains) per kg to 75 per cent of the rural population and 50 per cent of the poor in urban India about 800 million people [1].
3. Continuance of Antyodaya Anna Yojana (AAY) Protection to 2.43 crore poorest of poor families under the Antodaya Anna Yojana (AAY) to supply of 35 kg food grains per month per family would continue.
4. Nutritional supports to pregnant women without limitation are among other changes proposed in the bill. The bill will extend subsidized food to pregnant women and children under the age of 16 and disaster affected persons, and destitute, homeless and starving persons.
5. This bill guarantees an age appropriate meal to the children aged from 6 months to 14 years [4].
6. **Actions to empower woman:** The eldest woman in the household shall be entitled to secure food from the PDS for the entire household.
7. Bill seeks to utilize already existing infrastructures like PDS and aganwadi's. So, it helps to prevent further wastage of money to develop the infrastructures.

Disadvantages

1. **Credibility of PDS system-** The present PDS (Public Distribution System) for delivering subsidies to the poor has many leakages. Mainly recycling of food grains from state agency depots is uncontrolled. Instead of reaching the poor, food grains either do not reach the fair price shops at all or are sold by the shop owners to private traders for heavy profits.
2. The government is also considering using direct cash transfers. In cases where the government is not able to make food available in the PDS then they will give cash payments to be used for food directly into people's bank accounts. I think here bill is differing from its purpose. Bill is to provide access to food not money. As the cost of food grains is rising globally then how would government be able to provide subsidized food to 70% Indian population? There is satisfactory answer to this question.
3. What are we going to do in a drought or a flood

and other climate change effects? Here also there is satisfactory answer to this question.

4. **Effect on farmers and producers-** The very low prices of the subsidized food will alter the market and farmers who can't sell to the government assured program will lose out on the open market because prices will be forced down. Hence the person who is not poor at present but will become poor in days to come.
5. **How to be implemented?** Things are not very clear how it will be initiated. Every district will have an officer who will deal with complaints about implementation at the local level. We don't know how that will function but they have the authority to punish people who are not giving out the food. Still the commission under this bill is yet to be set.
6. Failures to define the beneficiaries are some of the shortcomings of the bill. Also, the scheme does not define the beneficiaries properly.
7. **Not enough resources:** Moreover, to implement this scheme, the total estimated annual food grains requirements will be 61.23 million tones and is likely to cost Rs.1,24,724 crore. Given the rising costs of the scheme and rising population, its sustainability is under question. This is a mega program and will require a huge food subsidy. The cost of it will go up from 0.8% of Gross Domestic Product to around 1.1% of GDP. This is a serious increase in a situation where the government does not have enough resources as it is.
8. This scheme will be linked to the Aadhar scheme. Aadhar scheme and direct cash transfer both are in their trial stages. So burdening a still developing programme will lead to total failure.
9. Implementing this bill could widen the already swollen budget deficit next year, increasing the risk to its popular investment grade status. Critics say the food bill is little more than an attempt to help Congress, reeling from corruption scandals and win in upcoming elections.
10. **Food grain production:** The ever growing population could result in fiscal imbalance where MSP of Rice and Wheat is increased every year but selling price is very low resulting in increased food subsidy burden for the government [5].

Criticism

- It causes Rs.1.23 lakh crore of the fiscal deficit.
- Food subsidies account for nearly 40% of overall subsidy costs but it may rise up to 50% in future.
- The bill may not solve the problem of malnourishment.
- Poor Public Distribution system (PDS).
- The government policy regarding BPL/APL is also

incorrect and wrongful.

- According to economists one should work to eat.
- The government already provides 100 rupees a day for people to just lay about 4-5 hours a day doing nothing under its "rural employment" scheme which consequently has destroyed the agricultural work-base and resulted huge inflation. Now under this scheme the politicians want to go a step further to provide food for free with money they get from people who work 10 hours or more a day and are deceived with taxes merely because they have the overconfidence to be productive members of society instead of living on the street standing in line at the Government free food line.

But truth is that we need such legislation to provide food for needy. We want to deliver results than working on agendas for upcoming election process. And we hope this artificial division of the population will also lead in efficient implementation of this noble Idea.

Suggestions:

1. We should learn have lessons from earlier schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MANAREGA) which provides 100 days of work to the poor at 100 rupees a day) and strengthened it to make it more effective to help the very poorest. Those who are part of that program should be targeted for this subsidy.
2. This scheme can be linked to education as in Bangladesh where school children and their families were given access to subsidized food.

3. The bill should have included subsidized rates for pulses also. Because pulses are rich in protein thus we can over ride the malnutrition.
4. PDS should be transparent. For this it is essential to reduce the leakages from the distribution system. To achieve this, government must take lessons from Chhattisgarh government where after the delivery is made to PDS branch, all the beneficiaries get a message through mobiles about the same, so they know about it and reach to PDS branch on time.
5. Application of new agriculture technology and programs shall enhance food production in the country. And this in turn would bring down the prices of various essential commodities and people can be self sufficient themselves.

Conclusions: The Food Security Bill, believed to be a pet project of congress chief Sonia Gandhi and was an election promise of the congress party in 2009. It promises to mitigate hunger and provide very cheap food to poor people of the country but there are certain flaws that could make it become unsustainable. The project is huge and will require a huge amount of food subsidy. The expense of it will go up from 0.8% to around 1.1% of Gross Domestic Product.

Though certain flaws are there but the bill is certainly a good initiative on the part of the UPA government. But it's not at all a sufficient solution to eliminate the poverty. Does this bill help really to lessen the unhappy conditions of the poor section of this country or it's just an election gimmick? Time will certainly have the answer for us.

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