

## Research Idea

### **The Challenges of the National Food Security Act: India's Bold Attempt to Feed Its 1.3 Billion People**

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#### **Introduction**

India's economic growth of recent years is truly impressive, but it still struggles with widespread poverty and hunger. More than 300 million Indians are poor, with almost 30 percent of the nation's rural population living in poverty. India is home to 25 percent of the world's hungry population. An estimated 43 per cent of children under the age of five are malnourished (United Nation World Food Program 2012). India also remains an important global agricultural player, despite agriculture's declining share of the country's economy. It has the world's largest area under cultivation for wheat, rice, and cotton, and is the world's largest producer of milk, pulses, and spices (World Bank 2012). Nearly three-quarters of India's households are dependent on rural incomes. The poor populations also lack access to productive assets, financial resources, education, health care, and basic social services.

The government has recently begun to focus on microenterprise development as a way to address these challenges, as well as initiatives to bring basic services to the rural poor. With the country's

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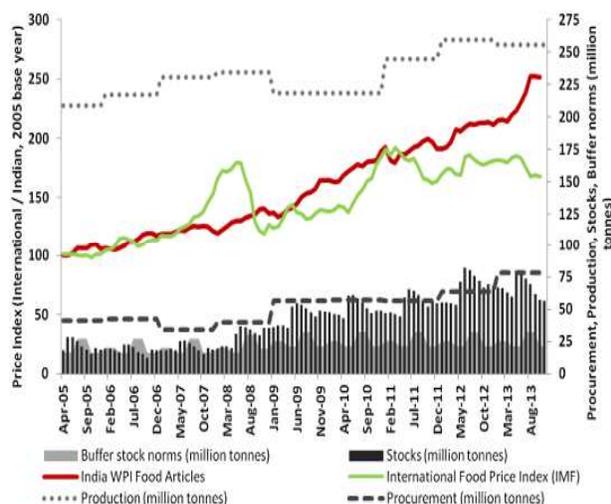
population and economy continuing to grow, huge demands will be placed on critical infrastructure in the coming years. It is estimated that US\$1 trillion will be needed to meet India's infrastructure needs in the next five years (World Bank, 2012). India faces today what is known as the triple burden of malnutrition—the coexistence of inadequate calorie intake and under-nutrition among a large section of the population, excess intake of dietary energy leading to obesity and related health issues among another section of the population, and pervasive micronutrient deficiencies.

This article focuses on some of the key challenges India must deal with to ensure food security. Three issues have framed recent debates. First, the past year saw the expression of a long-standing demand from civil society groups. They sought a comprehensive legislative framework for ensuring food security in the form of a National Food Security Act (NFSA) 2013. This overcame an early reluctance on the part of the government to commit to such an Act.

Second, recent increases in food prices have caused concern insofar they were not matched by a commensurate rise in incomes for wage-earning net purchasers of food. Domestically, too, food price inflation has posed difficulties for policy-makers, although this inflationary trend is by no means restricted to food items. For example, in October 2013, inflation in food prices escalated to 18 per cent from the previous year. In response, India has periodically resorted to a series of trade policy restrictions to insulate the domestic economy. This was effective during food price crises. In recent years, it appears that inflation is in fact virtually a domestic phenomenon, with growing stocks held by the government and persistent inflation (Figure 1).

Third, a renewed focus on corruption, leakages, and inefficiencies in the implementation of food-related schemes has prompted a strident call by

academic economists for a shift towards a system of cash transfers. The dominant view has called for a replacement of the Public Distribution System (PDS). These issues have brewed an intense debate on the appropriate approach to delivering food security in the country. Much of the policy discussion and public debate has however focused narrowly on the major cereals, rice, and wheat, crowding out comprehensive and critical discussions of food security in its complete sense.



**Figure 1. Food Inflation, Food-Grain Stocks, and Production in India, 2005–2013<sup>6</sup>**

*Notes:* The WPI for food articles in India and the International Food Price Index are not directly comparable. Base year for the price indices are 2004-05=100. The data for food stocks are for rice, wheat and coarse grains, but norms include only rice and wheat. Norms are available quarterly and is assumed to be the same in the intervening months. Food-grain production is annual and includes rice, wheat, and coarse grains, and has

<sup>6</sup> Source: International Food Price Index is from the International Monetary Fund (IMF) India (various issues). The Wholesale Price Index (WPI) for India are from the Reserve Bank of India (various issues) Handbook of Statistics. Food stocks are from the Food Corporation at the beginning of each month, production figures are from the Government of India, figures for 2011 are estimates.

been assigned to calendar years rather than financial years.

The contours of recent debates highlight some immediate challenges for India that must be tackled before long-term concerns can be addressed. Specifically, these challenges are threefold. The first challenge is food distribution, which pertains to identifying the best way(s) to ensure equitable access to food. The second is the international challenge. India must simultaneously defend NFSA and its food trade policies, in the wake of the Ninth Ministerial Meeting of the World Trade Organization (WTO) at Bali, even as it maintains its food sovereignty. The third is the largest and most persistent challenge: sustainable nutritional security. Indian agriculture must provide and support in sustainable ways diets that are both adequate in quantity and quality. This involves an effort that goes well beyond food-grains.

### Why is Achieving Food Security a Big Challenge for India?

Despite the large increase in production, access to food remains problematic. Recent years have seen extraordinarily high-inflation rates for food commodities and limited access to high-quality diets in large parts of the country. Food security is not easily achieved. Recent evidence from India and elsewhere suggests that income growth might not always translate fully or quickly enough to improvements in the nutritional status of children, implying that this issue needs attention (Haddad et al. 2002; Block et al. 2012; Coffey et al. 2014).

### National Food Security Bill 2013: A Bold Initiative

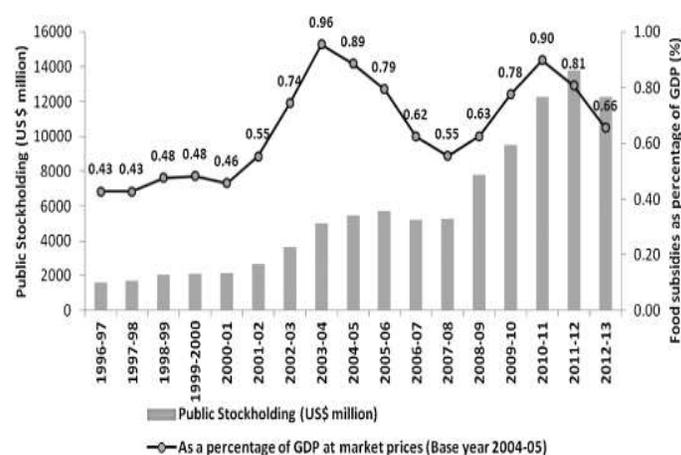
The National Food Security Bill passed in 2013. It envisions a comprehensive legislative framework for protecting an individual's right to food, furthering the vision expressed in India's

Constitution. It was conceived of as a system of interventions following a life-cycle approach. At every stage of an individual's life, a safety net would be provided by the state to ensure food security. The Bill gathered together a whole range of interventions that had already been converted to entitlements by the Supreme Court of India in the Right to Food Case (Peoples' Union of Civil Liberties, Rajasthan vs. Government of India): child nutrition programs, maternity benefits, social security pensions and other entitlements that would further food security.

Relative to the original intent, over time, the Bill became substantially restricted in its scope and vision, reflecting various pressures from the government. Much of the debate has concentrated disproportionately on the PDS. This law aims to provide subsidized food grains to approximately two thirds of India's 1.2 billion people. Under the provisions of the bill, beneficiaries are to be able to purchase 5 kg (11 lbs.) per eligible person per month. Seventy-five percent of the rural and 50 per cent of the urban population are entitled for 3 years from enactment to 5 kg (11 lbs.) food grains per month at ₹3 (4.3¢ US), ₹2 (2.9¢ US), ₹1 (1.4¢ US) per kg for rice, wheat and coarse grains (millet), respectively.

The fundamental critique levelled at the National Food Security Bill 2013 is the implied large presence of the State in grain markets in the country and the costs involved in procurement, storage, and distribution as part of what is widely seen as a flawed mechanism, the PDS. An expert committee appointed by the government to review the draft National Food Security Bill prepared by the National Advisory Council earlier observed that the substantial step-up in subsidies was a problem given the massive procurement of food grains and very large distribution network (Government of India, 2010).

A related concern was the food grain requirement to support the National Food Security Bill. The National Advisory Council estimates suggested that the proposed PDS would require stocks between 54 and 74 million tonnes and at the prevailing economic costs of operations, outlays of the order of about Rs. 90,000 crore (126,724,50000 USD) . Even at Rs.1 lakh crore (140,820,00000 USD) for a more comprehensive set of interventions aimed at food security, this constitutes less than 1.27 per cent of the GDP in 2010–11, by no means an alarming proportion. This would constitute an increase in food subsidies, but from levels that were low relative to the GDP (Figure 2).



**Figure 2. Public Stockholding and Food Subsidies in India, 1995–96 to 2012–13<sup>7</sup>**

Although the fiscal implications have been discussed, the bone of contention has been the form of support. How is the food going to reach the intended beneficiaries? By providing assured supply of the most basic food needs, the PDS has become an effective government intervention for food security in rural areas. Targeted beneficiaries

<sup>7</sup> Source: WTO notifications on public stockholding, annual reports of the Food Corporation of India (several years).

received 84–88 per cent of their entitlements. Seventy-Five percent of beneficiaries received their entire entitlement; it would have been 81 per cent if Bihar were excluded. Both primary and secondary data suggest that recent years have witnessed a turnaround of sorts in the functioning of the PDS. However, this was after several states took substantive steps to overhaul their delivery systems (Khera 2010, 2011a, 2011b; Aggarwal, 2011).

For many years, all was not well with the PDS. The estimated diversion ratio was around 54 per cent of intended beneficiaries in 2004–05, declining to 41% of total beneficiaries in 2009–10. It ranged from as low as 7% in Tamil Nadu to between 85 and 95% in Bihar, Jharkhand, Assam and Rajasthan. Post reform, the diversion rates declined in almost every state, with big improvements in some. Down from 23 per cent to 8 per cent in Andhra Pradesh, from 85 to 47 per cent in Jharkhand, from 76 to 30 per cent in Orissa, and from 52 to 11 per cent in Chhattisgarh (Drèze & Khera, 2011; Khera, 2011a).

As may be expected, the PDS performance variations across states were highly correlated with poor performance of other programs as well. In particular, Bihar, has a poorly performing PDS and tops state rankings for perceived corruption in the public sector in general. A silver lining, therefore, is the improvement in states that have routinely implemented welfare programs in substandard ways.

Nevertheless, recent improvements in the functioning of the PDS in select states suggest the possibility of learning from and working towards replicating the ingredients of a well-functioning PDS in other states. Among states where the PDS functions effectively, a shared feature has been the use of IT-based transparency measures. One is a simple computerized record-keeping system of the entire supply chain combined with Global Positioning System tracking of delivery trucks and

Short Messaging Service (SMS)-based transmission of information to users. There are checks and balances that make diversion of food grains to the open market very difficult.

The use of smart cards at PDS outlets and coupons for PDS have been effective in curtailing leakages in the 'last mile'. However, more research that is rigorous is required to understand the efficacy of these measures. Several attempts to use technological solutions to curb leakages have been initiated both by the national government as well as by individual states. The national government's focus has been overwhelmingly on a unique biometric identification project, which would eventually require real-time authentication of the beneficiary. Various states have instead experimented with more user-friendly alternatives like smart cards that work on point of sale devices. Unique biometric identification would merely weed out duplicates and ghost cards.

Indian states are focusing on improving the cost-effectiveness of the PDS. In many ways, the food delivery system can be overhauled to reduce costs along the supply chain, procurement, storage and delivery, improving traceability and local procurement of food grains. These adjustments could significantly reduce transaction costs.

### India and WTO Agreement on Agriculture

Even as these important changes are happening in India's domestic food policy, their implications for the current direction of India's trade relations in the global community are a growing cause for concern. This stems from a perception that in implementing the Food Security Act, India would need to maintain distortionary interventions in domestic food grain systems. That would breach its international commitments under the WTO (Agreement on Agriculture), specifically to keep the procurement price support below 10 per cent of the value of production for primary commodities.

The road ahead for India is a tough one. When it filed its base year notifications, India reported a reference price in Indian rupees for both rice and wheat, the two commodities that are at the core of its food procurement and distribution system. The WTO method of computing the indicator for domestic support, called the Aggregate Measure of Support (AMS). It uses a fixed external reference price (ERP) pertaining to 1986–88 as a benchmark for assessing levels of price support annually to measure the potential distortionary impact. It is easy to see that this is a deeply flawed measure of trade-distorting support. It allows for changes neither in world prices, nor domestic inflation, nor fluctuations in the exchange rate.

There is an urgent need for India to leverage existing provisions within the agreement such as ‘due consideration’ for inflation; or, it could negotiate for a more sensible metric rather than a blanket peace clause to protect the entire range of food policies (Narayanan, 2014).

### Food Security and the Pandemic

The COVID -19 pandemic has resulted in unprecedented health and socio-economic crisis that is jeopardizing India’s tremendous gains in poverty reduction and improving access to food and nutrition for 1.3 billion people. India faced a tumultuous task of feeding its 1.3 billion population especially during the pandemic. The Ministry of Consumer Affairs, Food and Public Distribution headed by the Honorable Minister Shri Ram Vilas Paswan took proactive actions to ensure delivery of basic services and essential commodities. An additional 5 kg of rice or wheat per person and 1 kg pulses per household was provided, free of cost, for all the 800 million Targeted Public Distribution System beneficiaries from March through November 2020. Also, 5 kg of rice or wheat per person per month, free of cost was provided to nearly 80 million migrants that are not covered under any food security scheme.

Under the expert leadership of the Shri Ram Vilas Paswan, the Modi Government heralded the “One Nation One Ration Card” scheme implemented under the National Food Security Act. Under this plan, the distribution of highly subsidized food grains is enabled through nation-wide portability of ration cards through the implementation of IT-driven system by installation of ePoS devices at FPSs, seeding of Aadhaar number of beneficiaries with their ration cards and operationalization of biometrically authenticated ePoS transactions in the State/UTs.

### Conclusion

Since the last six years, NFSA has been modified and expanded to accommodate the growing requirements of its beneficiaries. The recent introduction of One Nation One Ration Card facilitates the migrant workers to access their allotted ration from anywhere in India. The rapid digitization enabled by the Digital India program has ensured a better tracking of the beneficiaries. Evidently, the Indian government has taken huge steps to feed the entire nation and protect its lives and livelihoods amid the coronavirus outbreak, hoping that this cloud also has a silver lining in reshaping the society’s potential for greater food security and food sovereignty, thus paving the way for efficient food systems.

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