

Poor strategies

Rising foodstocks, but no nutrition security

K. R. VENUGOPAL

FOOD security is not just a matter of the public distribution system (PDS). It is very much more than the PDS and its definition should include major aspects such as re-distribution of and access to productive resources, dryland agriculture, employment — especially that linked to wasteland development — and nutrition security. Nutrition security would need an examination of imperatives like the universalisation of nutrition intervention programmes such as the Integrated Child Development Scheme (which is of course more than a mere nutrition intervention programme), the establishment of a mid-day meal programme in schools and utilisation of foodgrains in wage employment programmes and as opportunity costs in conjunction with other strategies required, to eradicate child labour in the country. However, in this article, I would look at only one aspect of this complex question, namely, the role of the PDS in food security, remembering all the time that without access to productive resources and an employment-cum-nutrition strategy, the poor cannot be guaranteed comprehensive food security by the PDS alone.

According to the estimates of the Planning Commission, in 1987-88, 20.9 per cent of the people or 238 million lived below the poverty line. In India, poverty is measured by the expenditure required to acquire the minimum caloric needs calculated at 2,400 calories per capita a day for rural areas and 2,100 calories per capita a day for urban areas. As seen from field visits and studies, those living below the poverty line are not eating enough and are therefore undernourished and live in varying degrees of malnourishment. This in turn leads to morbidity, ill health, disease and most tragically, to birth of babies with low birth-weights, resulting in infant and child mortality and quite frequently maternal mortality.

When we talk of disease or ill-health, we should remember that we are talking of women and men who have to do

hard manual work, such as stone-cutting, earth work, and other types of agricultural and artisanal work under adverse conditions like heat, dust and water-logging. The lot of the poor has other attendant consequences such as children being condemned to a life of labour and drudgery at a very tender age, their work ranging from minding buffaloes and sheep in the villages to working in the most hazardous of industries in towns and cities.

All this because, in the world's most ancient civilisation, they are not entitled to two full meals for several weeks and sometimes months in a year, which would guarantee them at least the right to survive. The Planning

and 69 per cent respectively. During the same period the MSP of wheat was raised by 60 per cent. At the same time, the offtake in the PDS declined from 18.73 million tonnes in 1991-92 to 12.81 million tonnes in 1994-95. Also, according to the National Sample Survey 48th Round, 1994, per capita consumption of cereals declined in rural areas from 14.4 kg in 1987-88 to 13.5 kg in January-December 1992.

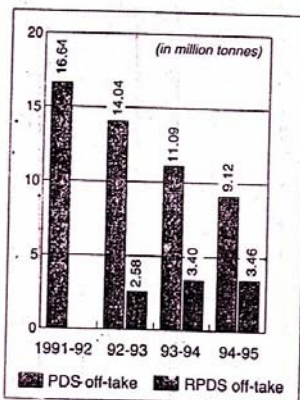
Obviously, there is a certain lack of seriousness, if not downright insensitivity, on the part of those who have it in them to rectify this gross anomaly of hungry stomachs, slow death and burgeoning stocks of food in government godowns.

How does this manifest itself?

It manifests itself in the form of recognising the needs of one class of citizens, namely, the surplus farmers while ignoring the needs of the poor. This is not to suggest even remotely that the needs of the farmers who discharge the most vital function of producing the food requirements of the country, assuring it food security at the national level, should at any time be ignored. But, ignoring the needs of the toiling classes who contribute with their sweat to the same production that guarantees food security nationally shows gross insensitivity.

The anomaly is that India is supposedly food secure but some 600 million Indians do not have food security! The anomaly is that the minimum support prices for what the farmers produce are constantly and in recent years dramatically hiked, and whatever is produced by them is also guaranteed a purchase at these ever-increasing support prices, while at the same time the Central issue prices (CIP) of foodgrains for the PDS are also raised so that the poor dependent on the PDS are disabled from purchasing even such minimum quantities as the undifferentiated, untargeted PDS makes available to them on a first-come-first-served basis.

No great wisdom or expertise is needed to know that for the PDS to be meaningful, it should be so designed as to serve only those who do not have the purchasing power to buy their minimum needs because of which they



Commission assessed their number as 29.9 per cent of the country's population in 1978, while the number has been assessed for the same year as 39.34 per cent or 313 million by the Expert Group on Estimation and Proportion and Number of Poor, 1993.

Simultaneously, the foodgrain stocks in the hands of the Government have been rising from 13.9 million tonnes in January 1992 to 30.3 million tonnes in January 1995 and 37 million tonnes in June 1995, thanks to the hefty increases in the minimum support prices (MSP). The MSP of the three varieties of paddy were raised during the period from 1990-91 to 1994-95 by 66, 67.4

stand banished from the so-called free market. This means the poor should be identified, given an entitlement of a certain minimum quantity of foodgrains (through an identity card), and supplied with that minimum through the 400,000 licensed fair price shops all over the country, at predictable prices that are affordable by them.

Now, every committee appointed by the Government at one time or another — and there have been many — and individual experts have advocated this kind of targeting, but uniformly, successive governments have remained unresponsive to this suggestion. In October 1986, the study group on PDS for areas other than metropolitan cities, set up by the Government of India with parliamentarians like Prabha Paul, Monika Das and Subhash Yadav as members, advocated this.

In July 1993, a committee of Ministers from three State governments, constituted by the Government of India after extensive consultations

poor.

These recommendations emerging from the distilled wisdom of people's representatives and field-level administrators drawn from all over the country have made no impact on the Government. This is because, the Government is determined not to enhance the budgetary allocations required to make foodgrains affordable by the poor. For the Government, the question does not seem to be whether the poor women, children and men have a right to live like human beings. For it, this seems to be an issue related purely to budget deficits and reduction in food subsidies, come what may.

It is nobody's case that budget deficits should go up, but everybody has a right to question whether budget deficits as they are today are the result only of food subsidies or because of a dozen other reasons. Also, the country should know that a substantial part of the so-called "food subsidy" is really being incurred for the welfare of the surplus farmers of a limited number of

the poor. It can only be interpreted as income security for the surplus farmers for it is to them that a minimum support is guaranteed; it is for them that an elaborate purchasing system has been laid out, which buys whatever is offered, stores it in the *mandis*, transports it to the godowns all over the country, incurring transport and storage losses, all of which are met from the food subsidy budget.

Of the food subsidy of Rs. 5,100 crore provided by the Finance Minister in the 1994-95 Budget, Rs. 1,441 crore would go for these farmer-related operations. Of the balance, Rs. 2,294 crore alone can at best be described as consumer subsidy, the rest going towards the so-called "buffer" stocking, which, given the lack of access to it for the poor, is in large measure a support operation for the farmers.

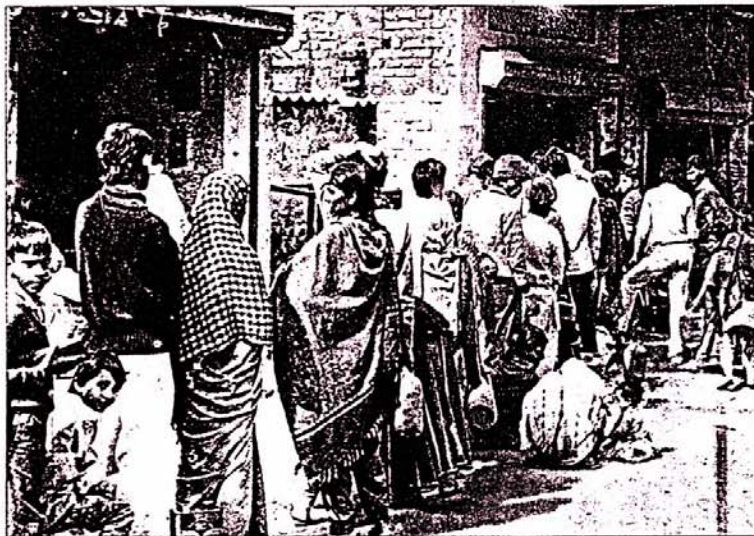
And even that consumer subsidy does not go to the poor since no initiative has been taken by the Government by way of a national policy to put on ground a PDS that is sharply targeted

to serve only the households living below the poverty line on the basis of a declared entitlement; in a free-for-all PDS, it is the poor who get elbowed out.

While the best and the right approach to a meaningful PDS is targeting the poor households wherever they are — there is considerable poverty in the midst of plenty and therefore that is the right thing to do — the second best solution of the revamped public distribution system (RPDS) was adopted in 1992, where the aim was to provide at least 20 kg of foodgrains to the households living in 1,775 drought-prone, tribal, desert and hill blocks in the country. It was an area-based, self-selecting strategy, considering that a fifth of the country's population, most of them poor, live in these blocks.

Price at all times is a key element while fighting poverty. In 1985, this very area concept had been thought of and a specially

subsidised foodgrains programme was introduced in the Integrated Tribal Development Project (ITDP) blocks, numbering around 900. About two million tonnes of foodgrains came to be made available to the tribal population annually under this specially subsidised programme. This was when Rajiv Gandhi was Prime Minister and the decision then was that the foodgrains sold in the PDS in these tribal blocks should be priced considerably lower than elsewhere in the country. This price differential came to stabilise



Queue at a ration shop. A mismanaged public distribution system deprives the poor of legitimate benefits.

with State governments, strongly advocated the same strategy and stressed the imperative need to supply at least 20 kg of foodgrains a month to every family in a strictly targeted regime. It should be aimed sharply at households living below the poverty line. This committee also recommended that increases in the CIP of foodgrains should not necessarily be related to increase in the MSP and that the end retail prices should be kept at levels considerably lower than market prices so as to make PDS relevant to the

States rather than to feed the poorest across the country.

The latest move of the Government to sell paddy in the open market through tenders after having bought it at high support prices which no free market would have provided, is a case in point.

So long as every poor household in the country is not guaranteed an entitlement of foodgrains that would keep it above hunger and its consequences, it would be idle to pretend that the Indian food security system is aimed at

at 50 paise a kg by 1989.

The same principle was adopted in 1992 for the RPDS and the CIP of foodgrains to be distributed in the RPDS blocks came to be 50 paise less than in the PDS elsewhere in the country. A quantity of seven million tonnes of foodgrains, including the two million tonnes already under distribution in the ITDP areas, was planned to be distributed in the RPDS blocks at this differential price.

While this principle of a differential price in the ITDP areas stood the people in good stead during the period 1986-1988, when the prices in the ITDP areas were only around 70 per cent of the PDS prices elsewhere, it came to be distorted from 1989 onwards, because of the constant upward revision of the CIP both in the PDS and RPDS. By 1994, the RPDS price differentials ranged from a mere 7.8 to 9.3 per cent for rice and 12.4 per cent for wheat. The CIP revised upward in February 1994, for the three varieties of rice and wheat stood in the PDS at the following levels:

	Rice kg.	Wheat kg.
Common	Rs. 5.37	Rs. 4.02
Fine	Rs. 6.17	---
Super fine	Rs. 6.48	---
For the RPDS, the corresponding prices at 50 paise less per kg were:		
Common	Rs. 4.87	Rs. 3.52
Fine	Rs. 5.67	---
Super fine	Rs. 5.98	---

Here, it should be remembered that thanks to the price incentives the Government offers for the fine and superfine varieties of rice, production and procurement of common rice hardly ever exceeds 20 per cent of the total. In other words, it is the higher priced fine and superfine varieties of rice that are really available in the PDS and RPDS.

To the CIP should be added the margins, taxes, transportation costs, etc., that the States would add. The end prices in the PDS hovered around Rs. 7.00 to Rs. 8.00 in many parts of the country. Given the low wage levels across the country, in the RPDS areas in particular, and the number of days of employment available for the rural poor, and the fact that most State Governments do not revise upward the minimum wages without a gap of 3 to 5 years, one can well imagine the distress this kind of PDS and RPDS prices cause the poor.

Against this background, the open market prices and the prices in the PDS/RPDS areas have come to be

more or less the same, which means that the PDS and RPDS have become irrelevant, particularly the RPDS designed to cater to the very poor tribal and drought-prone populations. This is what is reflected in the decline and stagnation in the offtake of foodgrains since 1992 in these two systems, as shown in the chart on page 96.

Thus, in the RPDS, three years after the inception of the programme which aimed at a seven million tonne consumption level, even the half-way mark was not crossed, thanks to the relentless upward revision of prices. And it is this position which the witty authors of the Economic Survey 1994-95 have described as "reflecting consumer preference for a free market".

This is the choice that the structural adjustments have now presented our poor millions with, at the end of a four-year bash.

If we step back to 1985 when the ITDP scheme was launched and look at what strides the CIP have taken between then and 1994, the following position would emerge:

(per kg.)	December 1985	
	CIP for PDS	CIP for ITDP/RPDS
Common Rice	Rs. 2.17	Rs. 1.60
Fine Rice	Rs. 2.29	Rs. 1.70
Superfine Rice	Rs. 2.44	Rs. 1.85
Wheat	Rs. 1.72	Rs. 1.25
February 1994		
Common Rice	Rs. 5.37	Rs. 4.87
Fine Rice	Rs. 6.17	Rs. 5.67
Super fine Rice	Rs. 6.48	Rs. 5.98
Wheat	Rs. 4.02	Rs. 3.52

What is most interesting in this data is that whereas the increase in the PDS prices over these nine years for common, fine and superfine varieties of rice was 147.46, 169.43 and 165.57 per cent, the increase in the ITDP/RPDS areas for these three varieties of rice was actually more at 204.38, 233.53 and 223.24 per cent! The same is the case with wheat. Against an increase of 133.72 per cent in the PDS, for ITDP/RPDS, the increase was 181.6 per cent! This is how the RPDS, though conceived as a self-selecting mechanism to serve the poorest of the poor, was totally defeated, thanks to the Government's unswerving commitment to reducing food subsidies.

A little less preoccupation with cutting down food subsidies at any cost — that cost is debited to the poor of course — would have seen the government freezing the relentless upward

march of the administered CIPs at least for the RPDS areas or drastically rolling back the upwardly revised prices so that the poor would have had a chance to eat more and the stocks in the hands of the Government could have come down. But that was not to be. And that, in spite of the carrying costs having gone up to Rs. 1,036 a tonne in 1994-95. We seem to prefer keeping the accumulated stocks at a recurring cost of this magnitude, rather than distribute them to the poor at lower prices.

Even now the Government can do this, however late. For this, it should cut the CIP from the existing levels to levels affordable by the poor.

What is this affordability?

There can be several ways of working this out. One simple way could be the following:

The Planning Commission had determined that the poverty line for rural areas at 1991-92 prices was Rs. 11,060 per annum per household. Since it is well known that the population below the poverty line includes a large number of people who live in destitution, with little earning capacity, it would be safe to assume that the average poor household's income would be around Rs. 500 a month. A poor household spends at least 75 per cent of its total income on food items, and of this, at least 60 per cent is spent on foodgrains. Thus at Rs. 225 available for cereals, it has to acquire about 60 kg of cereals a month. This it can do only if the foodgrains are priced at Rs. 3.75 a kg. In the free market, retail prices of rice ranged across the country around this time last year, mostly, from Rs. 7.00 to Rs. 9.00. This year they are between Rs. 8.00 and Rs. 10.00. As for wheat, the corresponding figures were Rs. 4.00 to Rs. 7.00. This year wheat prices are at present ranging from Rs. 4.50 to Rs. 8. across the country.

The end price of fine and superfine rice and wheat in the PDS and the RPDS have matched the open market prices thanks to the relentless increase in the CIP. In fact, it is acknowledged all over the country that this increase in the CIP is what has set the pace for the open market prices of foodgrains. Inflation has been taking toll of even the middle classes, what to say of the poor and the very poor.

In a situation of this kind, the only right thing for the Government to do is to roll back the prices in the PDS and even more so in the RPDS. The end prices in the RPDS fair price shops should not be more than Rs. 4 a kg for the fine and superfine varieties and a little less for the common variety of rice, wherever it is available. Being a

relatively less expensive grain, wheat should be priced around Rs. 3 in the RPDS. The RPDS is emphasised because a large majority of the poor live in the RPDS areas and therefore must receive priority attention.

Nevertheless, the poor in the non-RPDS areas cannot be ignored. The only solution for this is to identify them, provide them identity cards and make available grain at affordable prices. Since this will be a nationwide exercise, we may as well identify the poor households all over the country, including those in the RPDS areas, and provide them entitlement of grain at prices in the range advocated here. Pending that kind of sharp targeting, the prices in the RPDS should be rolled back at once.

Often it is argued that it is difficult to identify poor households and that an exercise of this kind is not feasible. Exclusion of certain categories as an alternative has been advocated. While some exclusions like income tax assesseees are *prima facie* unexceptionable, other kinds of exclusion advocated are hard to justify. In any case, exclusion of income tax assesseees, Class I and Class II Government servants and MPs and MLAs, while it should certainly be done and has been done in some States, is at best a cosmetic way of excluding the non-poor. It will not help reduce subsidies in any substantial way.

With all its limitations, income level is by far the best criterion to identify the poor so long as door-to-door inquiries, like the ones done at the time of census or in identifying beneficiaries for the IRDP, are undertaken transparently, by well-trained enumerators, with the active participation of the gram panchayats. Doubtful cases of eligibility can be left to be decided in the gram saha. The same approach of enumeration can be adopted in urban and municipal wards. The fact that this would be an arduous task should not be the reason for not attempting it and doing it successfully.

Enumeration of every poor household for inclusion in a targeted PDS would lead to awareness generation and mobilisation of the poor in protecting the resulting PDS from corruption, leakages and malpractices. The Government should take the lead in this, laying this down as the national policy without taking shelter behind the argument that PDS is a State subject. Poverty should be a concurrent

subject!

To conclude, we need to target sharply the PDS to the poor, restricting the benefits only to the identified poor households. The benefits must be clearly guaranteed by way of entitlement. Targeting alone is not adequate.

At present production levels, an entitlement of 20 kg for every poor household can be easily supported.

Price has great relevance to the poor. Hence, the targeted poor household must receive its entitlement at a price affordable by it. The affordable price should be determined depending upon consumption expenditures that would be incurred by the poor household to acquire its minimum caloric needs and the levels of income of a typical, average poor household. Such

an affordable price should be kept frozen for a reasonable period of time so that the poor household's food security is not threatened by frequent fluctuations. Destitutes must be separately identified so as to provide them with food security through further special measures. The PDS commodities should include edible oils and pulses. At the present levels of production and procurement of foodgrains, the country can easily support an entitlement of 20 kg for every poor household in the country.

For doing this, we need to change our attitudes towards the less privileged. The Government and the national leaders and makers of public opinion in society and the media should come out of the structural adjustments fixation that food subsidies should be cut (while fertilizer and a host of other subsidies and industrial concessions are thought respectable) and ask of themselves the simple question: does or does not every Indian have a right to minimum food so that the first step to the right to life is guaranteed? Unless this question is kept constantly before the nation and a national answer is demanded, the moral outrage so essential to compel our society and Government to act on this vital issue will never be generated.

The generation of that moral outrage is the need of the hour. ■

K. R. Venugopal, who retired from the Indian Administrative Service this year, oversaw in the mid-1980s the introduction of a subsidised foodgrain scheme in Andhra Pradesh, and later as Secretary in the Prime Minister's Office was part of a committee which went into the question of improving the reach and efficacy of the PDS.

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