

FOOD POLICY OF INDIA AND ITS STRUCTURE

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Abstracts

Food security is a major concern in many parts of India as Hunger and Malnutrition still persist. As one of the criteria for human development , food security is considered a basic necessity in many parts of India. PDS system is the most important medium of government through which food security is ensured at micro level. Although it is very important medium ,but in India along with other government policies its working has not been successful to achieve the desired level of food security. An attempt has been made to assess role of PDS in strengthening the food security and food availability access in India.

Keywords : Food security, PDS, Access to Food, Availability .

1. Introduction

India's food management system provides a huge network to all the citizens mainly after the recommendations of Jha committee 1964, consists of Procurement, Storage, and Public distribution of food grains. The main objective of this system to give price insurance to farmers to encourage food production and provides food to consumers at reasonable prices. Two important institutions namely the food corporation of India (FCI) and Agricultural Prices Commission (APC) were set up in 1965 to help administer food policy in the country. The FCI Purchases food grains at minimum support price(MSP) or procurement price, and stocks and distributes these to the consumers through the public distribution system(PDS) consisting of nearly 4 lakhs fair price shops in rural and urban areas. The final component of food management is food stocks, which enable the functioning of PDS as also help in stabilizing prices through open market operations. The government fixes the MSP/ procurement price on the recommendations of the Agricultural Prices commission later renamed as Commission for Agricultural Costs and Prices (CACP). The Indian government's food policy, which is mainly focused on rice and wheat, consist of three pillars-

- ❖ Production of food
- ❖ Government procurement farmers' output. and
- ❖ Public distribution of the procured output

To some extent, the procurement policy helped to bring about the production gains by reducing the price risks faced by farmers and assuring them positive returns by using modern technology. At the same time, the public distribution system (PDS) helped ease the strains of poverty by keeping low the food prices to the low income consumers. Thus, Indian food policy has generated benefits for both consumers and producers.

2. Objectives

- i) To study the structure of Indian Public Distribution system
- ii) To study the current position of PDS in India

3. Methodology : This paper mostly descriptive and analytical in nature. Method of analysis basically based on secondary and published data on government and non government sources, publish journals, magazine, research work, papers and collected secondary data from statistical handbook and concern authorities relating to PDS system.

4. Analysis

Indian government's food policy, which is mainly focused on rice and wheat, consist of three pillars-

4.1 Production of Food

A new policy framework of economic liberalization consisting of comprehensive macro-economic and trade policy reforms was initiated in India 1991. One of the main objectives of policy was to end discrimination against agriculture and improve the terms of trade of agriculture vis-à-vis other sectors of the economy. The macro-economic reforms particularly the devaluation of the rupee in 1991 and freeing the trade in agricultural commodities made many tradable agricultural commodities competitive and resulted in an increase in agricultural exports.

4.1.1 Changes in food grains production

As it was expected, the growth in the food grains production has decorated when India entered in the era of globalization. From 1970-71 to the end of the 1990s, the production of food grain has grown by 2.80 per cent annually where as the growth rate of food grains for the period of 1991-92 to 2008-09 has been 1.98 per cent comparatively lesser than the previous period. This might has happened because before the introduction of new economic policy agricultural inputs were highly subsidized and available at lower prices than it may be in free market. But after 1991, the cost of fertilizers, seeds irrigation facilities etc. has increased and it becomes difficult for the small farmers to purchase it and consequently total food grains production declined.

The differential growth in the food grains production in the pre and post reform period might have caused by the differences in the prices of agro-products in national and international market during the pre and post reform period. In the pre-reform period the prices of most of the food grains items was higher in the international market in comparison to the domestic market that lured the Indian to produce more and more food grains before economic reform to take the advantage of the higher prices, but when the world agriculture market liberalized under WTO commitments the supply of food grains increased in the international market however demand did not due to the inelastic demand of food grains and consequently international prices declined and become less than the domestic market and farmers lost their zest for more and more production of food grains (Dr. Krishna Nand Yadav,). The opening up of the economy has also adversely affected the production of food grains by increasing the prices of all the agricultural inputs particularly in case of small farmers who are unable to purchase the desired and appropriate amount of fertilizers and other inputs at higher prices.

As far as the implicit growth of the food grains production is concerned, the picture is different from different items in both the periods. In case of pre-reform period what is dominating over all the items viz. rice, pulses and coarse cereals the production of wheat has grown by 4.70 percent annually during the pre-reform period followed by rice, pulses and coarse cereals which are grown by 3.87 percent, 1.95 percent and 1.09 percent respectively.

The situation is quite different in the post reform period when the highest growth is registered in the production of pulses. The production of pulses grew by 3.07 percent annually which is not only more than the growth rate of all the item of food grains but also greater than the average growth rate of the food grains production in the post reform period. The growth rate of coarse cereals production is the reform period it has grown by 2.54 per cent annually. The other two items namely rice and wheat grown by 0.76 and 2.11 percent respectively in the reform period. The production of coarse cereals and pulses has therefore grown more in the post reform period in comparison to the pre-reform period while wheat and rice grew more in the pre-reform period in comparison to post-reform period.

4.2 Government procurement of Farmers' output:

Procurement of foodgrains in India by the central government through FCI is mandatory to ensure the food accessibility as well as food security for the producers and consumers. The main objective of procurement in India:

- ❖ Ensure the remunerative price to the producers or farmers
- ❖ Price stabilization of foodgrains
- ❖ Providing foodgrains to the citizens at a fair price through PDS

There are two channels by which rice and wheat procured by the government. *The first channel* is direct purchasing of paddy and wheat from farmers. This involves farmers or traders who purchase grain from producers and farms and carrying the items to organized wholesale markets (Called Mandis) or to procurement centers. Mainly, The Food Corporation of India (FCI) and the procurement arms of state governments are prepared to buy entire amount at Minimum Support Price (MSP) as long as satisfies the minimum standard of grains called "fair average quality"(FAC).

The second procurement channel involves millers selling a fixed percentage of their output to the state government at a statutory price. Called the rice levy, this system is based on mandatory provision of rice by millers. The statutory price, called the levy price, is calculated by adding milling costs and modest margin to the MSP. The government's hope is that rice millers will behave competitively in the wholesale market bid the price of paddy up to the MSP. In reality, however, farmers often sell paddy to millers at prices substantially below the MSP.

4.2.1 Trend of government procurement

The scale of procurement operations by the FCI is quite massive. During the early 1970's, wheat was the main component of procurement operations but by the 1990's rice procurement has also increased substantially. Procurement of both wheat and rice has been rising over time; although there are large inter year fluctuations. In 2004-05, 16.8 million tons of wheat and 28.9 mn tons of rice was procured accounting for nearly one fourth their production. Since at the all

India level, both wheat and rice arrivals constitute nearly 30% of the total production, total procurement constitutes a substantial proportion of market arrivals. Because of relatively lower production and high market prices, the procurement of wheat was very low during 2005-06 seasons. The government has decided to import nearly 8.5 mn tons of wheat during 2006-07 to make up the shortfall.

Recently, the FCI has tried to address the concerns of the other surplus rice growing states by strengthening the procurement of rice from them. Although the 10th five year plan has taken many initiatives for agricultural development but again From October, 2009 to March, 2010 the year on year food price inflation announced every week hovered around 20%.

Around May-June 2010 the international price of wheat was approximately 30% cheaper than wheat in India. In other words, India's residents were paying more than what they would have had to if they could access the international market or, even better, if our own grain was released on the market. Though, the mechanism of the release is important and needs to be designed carefully to ensure that the impact on prices is substantial, the above table testifies to the fact that the quantities released have been quite inadequate.

4.3 Structure and Public Distribution System In India:

Most of the government-procured rice and wheat is distributed to domestic consumers through the public distribution system (PDS) and other social welfare programs. The main aim of the PDS is to alleviate malnutrition by raising the food consumption of low income households. Food items including rice, wheat, as well as non-food items such as kerosene, are sold through fair price shops located throughout the country. Under PDS, the rice and wheat procured by the FCI and state agencies are sold to state governments at an administered price called Central Issue Price(CIP).The regulated price of grains at fair price shops is fixed by the each state govt., taking into consideration the costs of intra state distribution. The price of the items charged at fair price shops is lower than the government's cost of procurement, which is calculated as the sum of the MSP and the per unit costs of storage, transport etc. Thus, an amount of money government losses for every unit of commodity that is sells through the PDS. The aggregated value of this loss is called "food Subsidy".

The distribution of subsidized rice/wheat is supplemental in nature and does not intend to meet the entire requirement of a family. The system is operated under the control of state governments. The foodgrains are distributed to target groups at different prices through a network of 4,62,000 Fair price shops(FPS) spread throughout the country. A fair price shop covers a population of about 2000.

The two principal components of distributed food grains are wheat and rice. In few states, some coarse cereals are also distributed. Over the years, the share of PDS has varied from 9 to 15 percent of the total production of cereals. The distribution is quite high during lean years and quite low when market prices are low. In January 1992, the government introduced a scheme of revamped PDS in1700 blocks located in most difficult areas of the country such as drought prone areas, desert areas, the Integrated Tribal Development Project (ITDP) areas, certain designated hilly areas and urban slum areas. Food grains are allocated to these blocks at Rs 50 per quintal

lower than the normal issue price. The other programmes under which foodgrains are distributed are National Food for Work Programme, Antodaya Anna Yojana, Midday meal scheme etc. The offtake of wheat and rice from PDS has risen sharply over the years from 7.82mn tons in 1970-71 to 13.01 mn tons in 1980-81 and 19.10 mn tons in 1990-91. It remained around 17 to 19 mn tons during 1990-91 to 1990-2000. Till 1997, the PDS in India was universal in character. However, Targeted Public Distribution System (TPDS) was introduced in 1998.

4.3.1 Targeted Public Distribution System (TPDS):

Under the TPDS, foodgrains are distributed to the BPL families at highly subsidized rates. States are required to formulate and implement fool proof arrangements for identification of the poor for delivery the foodgrains and for its distribution in a transparent and accountable manner at the fair price shop (FPS) level.

The population below the poverty line is worked out by adopting the methodology suggested by the experts set up by the planning commission under the chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the states wise poverty estimates of the planning commission for 1993-94. The total number of BPL households so determined was 596.20 lakh. Thus scheme, when introduced in 1997, was intended to benefit these poor families for whom a quantity of about 72 lakh tonnes of food grains was earmarked annually. This amount was sufficient to cover 600 lakh families at the rate of 10 kg per family per month. Under TPDS, the price for Below Poverty Line (BPL) families was 50% of the economic cost of the FCI but the amount was only 10 kg per family per month. APL prices were kept much higher and were raised to reach full cost by 2000. The APL families were also to be given 10 kg per family per month. The quantum of food grains in excess of the requirement of BPL families was provided to state as 'transitory allocation' for which a quantum of 103 lakh tonnes of food grains earmarked annually. The transitory allocation was intended for continuation of benefit to subsidized foodgrains to the population Above poverty line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued as prices, which were subsidized but were higher than the prices for the BPL quota of foodgrains.

Keeping in view the consensus on increasing the allocation of foodgrains to BPL families, and to better target the food subsidy, Govt. of India increased the allocation to BPL families from 10 kg to 20 kg of foodgrains per family per month at 50% of the economic cost and that to APL families at economic cost w.e.f april 1, 2004

4.3.2 Scale of Issue of Food Grains under TPDS

The scale of issue of the BPL families was increased from 10 kg in 1997 per family per month to 20 kg in 2000, 25 kg in 2001 and to 35 kg in April, 2002. For Antodaya families also the initial scale of 25 kg of food grains per family per month at the time of launching of the scheme was revised to 35 kg in 2002. Similarly, the scale of issued under APL was raised from 10 kg per family per month in 1997 to 35 kg per family per month in April 2002. The stated

purpose was to enhance the food security at the household level. But the real purpose was to reduce the quantum of huge stocks that had accumulated since 1998.

Large allocation at highly subsidized price resulted in sharp increases in the food subsidy. A proposal during 2006 to reduce the scale of issue of the BPL families to 10 kg per month per family and increase its price met with strong opposition and the decision on it has been held in abeyance.

4.3.3 Identification of BPL families under TPDS

Under the guidelines issued for the implementation of TPDS, the state governments were to identify the BPL families by involving the Gram Panchayats and Nagar Palikas. While doing so the thrust was to include the really poor and vulnerable sections of the society such as landless agricultural laborers, marginal farmers, rural artisans/craftsmen such as potters, tapers, weavers, black-smiths carpenters etc. in the rural areas and slum dwellers and persons earning their livelihood in informal sector on daily basis in urban areas.

4.3.4 National Food Security Act (NFSA), 2013

It is the world's largest welfare scheme guaranteeing cheap food grains to 67% of the population. This act aims to bring substantial reforms to the already existing TPDS. The act also target to enhance women empowerment in India. Further an improved grievance redressal mechanism has also been charted out under this act and more emphasis has also been given to put transparency and accountability at the centre stage of the whole system.

Under this act, the central Government is obligated for the allocation of foodgrains, transportation of foodgrains to the depots and for the maintenance of the storage facilities. The state government is responsible for the implementation & monitoring of the schemes, assurance of the actual supply of foodgrains to the entitled persons and for the institutionalized licensing arrangements for fair price shops. Under this act, the local authorities have to ensure the proper implementation of this act.

5. Critical evaluation of PDS

The PDS has been criticized for its inefficiency and for the corruption that surrounds its administration in some parts of the country. It is reported that a large amount of food grains is diverted from the system, in the process generating illicit profits for various middleman and Officials including the managers of fair price shops. As a result, in many regions including Bihar, a large proportion of PDS grains fail to reach the targeted low income households at the subsidized prices. Due to the lack of proper storage facilities sometimes food grains are damaged in goddams before delivery.

Despite these problems, the PDS continued to be a pillar of India's poverty reduction policy. One reason is the strength of vested interests, including the farmers who gain from having a large part of their output procured by the government. Another reason is that in some parts of the country, such as the southern states of Andhra Pradesh, Kerala, Tamil Nadu and Karnataka, the PDS works reasonably well at distributing food to the targeted households. Thus, politicians in those states rely on the continued existence of the PDS, as well as its expansion, to gain and maintain popular support.

The rise in government distribution of rice may be one of the reasons for the rebound in per capita rice consumption during the mid-2000s. In states where the PDS and other social welfare programs are functional, the large scale targeting of food subsidies to the lowest income households is likely to have had the desired effect, albeit at a high fiscal cost. It is probable that this experience strengthened, in the minds of politicians and possibly the electorate, the indispensability of the PDS.

5.1 Suggestions for proper implementation of food policy in India

Due to the selective food grain procurement in India, the other agricultural commodity productions were stagnating continuously. It is important to inducing new agricultural items in domestic as well as global market by creating a field of all agricultural production. Some critical agricultural challenges like fragmentation of land, irrigation facilities, sustainability in agriculture etc. creates an unfavorable situation in the production of food items. The policy of minimum support prices should be rigorously pursued and its effective implementation should be ensured for all the crops covered under the scheme and in all the areas, including the eastern states. The recent hike in minimum support prices of cereals and other crops is a welcome development, but the hike is inadequate. The MSPs should be further raised in the subsequent seasons. This is justified because the interests of vulnerable sections in terms of cheap staple food are safeguarded under various schemes of PDS, which now cover 50 per cent of India's population. However, effective implementation of all PDS programmes should be ensured. The trade policy for agricultural commodities should be dovetailed with domestic price policies by renaming the Commission for Agricultural Costs and Prices as the 'Commission for Agricultural Prices and Trade', and suitably redefining its terms of reference, as suggested by the Alagh Committee.

The government of India could enhance the efficiency of NFSA by overcoming the aforementioned problems. To target the BPL population, all the MGNREGA workers must be covered under this act. Further to address the issue of nutrition security pulses should also be included at subsidized rate for the poorest of the poor population. The footsteps of the Chhattisgarh Public Distribution System model should also be followed as it leads the way in the field of efficient working of PDS system. The Chhattisgarh model ensures the proper working of the fair price shops (FPS) by giving the ownership of FPSs to women self help groups, panchayats and cooperative societies. The storage capacity of foodgrains has also been increased 5 times under this model. Further in an attempt to curb corrupt practices by the FPSs owners the commission of the FPS owners has been increased 4 times. To check the proper deliverance of foodgrains, computerized monitoring system & smart ration card system has also been introduced under this model.

6. Conclusion

Food policy is the area of public policy concerning how food is produced, processed, distributed, and purchased. It plays a very crucial role in ensuring food security in any area. In present times, it is very difficult to formulate a stable food policy that can sustain and satisfy the

masses for a long period of time. Thus a continuous effort is necessary on the part of the policy makers to appreciate the interdependence between food demand and supply and also took care of the economic chains. In this regard, the government of India has taken many steps from time to time by introducing various food policies for assuring food security among the general masses. These policies have been generated mixed response from the academic community. So this paper goes through the various efforts/ policies of Indian government to ensure safe, sufficient and economically viable food for the people. Though have some lack in the whole process it may provides various remunerative facilities to the producers as well as consumers of India.

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