

Food Subsidy and its implementation is the fulcrum in Government of India's quest to attain Food Security for all its citizens. This article comprehensively covers the food subsidy, Public Distribution System (PDS) and the challenges in ensuring food security to citizens of India.

### **Food Security in India - Important Statistics**

Food security has been a major concern in India.

1. According to UN-India, there are nearly 195 million undernourished people in India, which is a quarter of the world's hunger burden.
2. Roughly 43% children in India are chronically undernourished.
3. People Below Poverty Line in India decreased to around 22% in 2011-12. The Poverty percentage was calculated using Tendulkar methodology.
4. India ranked 76th in 113 countries assessed by The Global Food Security Index (GFSI) in the year 2018, based on four parameters—affordability, availability and quality and safety.
5. As per the Global Hunger Index, 2018, India was ranked 103rd out of 119 qualifying countries.
6. According to FAO estimates in 'The State of Food Security and Nutrition in the World, 2018' report, about 14.8% of the population is undernourished in India.

### **What is Food Security?**

The Food and Agricultural Organization (FAO) states that food security emerges when all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Food security has three important and closely related components, which are

1. Availability of food
2. Access to food
3. Absorption of food.

### **Laws - Food Security in India**

In order to provide the Right to food to every citizen of the country, the Parliament of India, enacted a legislation in 2013 known as the National Food Security Act, 2013. Also called the Right to Food Act, this Act seeks to provide subsidized food grains to approximately two thirds of India's 1.33 billion population. Food Subsidy is the foundation on which National Food Security Act 2013 is implemented in India.

## **National Food Security Bill, 2013**

1. This Bill was introduced in Lok Sabha on 7th August 2013
2. It was passed in Lok Sabha on 26th August 2013.
3. The National Food Security Bill was passed in Rajya Sabha on September 02, 2013.

### **Food Security Programmes of India**

1. Public Distribution System. - A major chunk of Government Expenditure on Food Security is spent on Food Subsidies which are implemented through Targeted Public Distribution System.
2. Mid Day Meal Scheme
3. Integrated Child Development Services Scheme.

The food management system and food price policy, to ensure food security in India thus consists of three major instruments,

1. Procurement at minimum support prices,
2. The maintenance of buffer stocks, and the
3. Public Distribution System.

## **Food Subsidy in India - Implementation**

Food Security of beneficiaries is ensured by distributing food grains at subsidised prices through Targeted Public Distribution System (TPDS). It protects them from price volatility due to inflation. Over the years, while the spending on food subsidy has increased, the ratio of people below the poverty line has decreased.

The Ministry of Consumer Affairs, Food and Public Distribution is the nodal ministry for the implementation of food subsidy. This Ministry has 2 Departments which are given below

1. Department of Food and Public Distribution
2. Department of Consumer Affairs

98% of this Ministry's budget is allocated to the Department of Food and Public Distribution.

## **Department of Food and Public Distribution**

For the Financial Year (FY) 2020-21, the department was allocated a budget of more than 1.2 Lakh crore. Compared to 2019 - 20, revised estimate, the current budget is higher by 6% i.e approximately Rs 7000 crores.

The objectives of this department is to ensure Food security through the following actions which are listed below.

1. Food procurement
2. Food storage
3. Distribution of Food Grains
4. Regulating the sugar sector.

### **Department of Consumer Affairs**

In FY 2020 - 21, this department was allocated a budget of Rs 2,300 crores. Compared to previous FY 2019 - 20, revised estimate, the current budget allocation is 12 % higher.

The objectives of the Department of Consumer Affairs are listed below.

1. Spreading awareness among the consumers about their rights
2. Prevention of black marketing
3. Protecting the interests of the consumers.
4. Implementing standards

### **Food Subsidy - Largest Component of Department of Food and Public Distribution.**

Food subsidy is calculated as the difference between the economic cost of procuring food grains (including procurement, stocking, distribution), and their Central Issue Price (CIP). Central Issue Price (Rs/kg) is the price at which the Government sells the food grains to households belonging to Antyodaya Anna Yojana (AAY), Below Poverty Line (BPL) and Above Poverty Line (APL).

1. Food subsidy is the largest component of the Department of Food and Public Distribution.
2. Food Subsidy accounts for 95% of the total budget allocated to the Department of Food and Public Distribution.
3. Currently, Food Subsidy covers 81 crore people.
4. As per National Food Security Act of 2013, food subsidies should cover 50% of the population in urban areas and must cover 75% of the population in rural areas.
5. Department of Food and Public Distribution gives the food subsidy to Food Corporation of India (FCI) and states. These entities in turn procure food grains from the farmers at Government notified **Minimum Support Prices (MSP)**.
6. Once the food grains are procured from farmers, Food Corporation of India (FCI) sells the food grains at lower subsidized prices also known as Central Issue Prices (CIP). It is sold to people from economically weaker sections of the society through fair price shops under the public distribution system.
7. Food grains are also given to intended beneficiaries through mid-day meal schemes.

8. The budget allocated for food subsidy also covers the costs incurred for storing food grains by the Food Corporation of India.

### **Food Subsidy - 3 Main Components**

The 3 ways of spending food subsidy by the Department of Food and Public Distribution are listed below

1. Subsidy given to Food Corporation of India
2. Subsidy given to the states.
3. Sugar subsidy

### **Nutritional Requirements of Poor People - Implementation**

1. Currently the food items provided by the central government for distribution under PDS are rice, wheat, and sugar.
2. 5 kg of food grains will be given to per person, per month at subsidised prices. This rule is based on the National Food Security Act, 2013.
3. As per Antyodaya Anna Yojana, each of the households belonging to the poorest of the poor section, will be provided 35 kg of food grains per month at subsidised prices.
4. The National Food Security Act, 2013 requires the central and state governments to undertake steps to diversify commodities distributed under PDS.

### **Food Subsidy Delivery - Issues**

#### **Public Distribution System (PDS) - Leakages**

As per the 2011 data, the leakages in Public Distribution System (PDS) was estimated to be around 47%. The leakages in the Public Distribution System (PDS) is due to the following reasons which are listed below

1. Damage of food grains during transportation
2. Pilferage of food grains
3. Diversion of food grains to non-beneficiaries at fair price shops through issue of forged cards.
4. Exclusion of people entitled to food grains but who are not on the beneficiary list

#### **Targeted Public Distribution System - Issues**

1. Situations where entitled beneficiaries do not get food grains are called Exclusion errors. It refers to the percentage of poor households that are entitled to but do not have PDS cards. This exclusion error had decreased to 41 % in 2011-12 from the figures of 2004-05.

2. Inclusion errors occur when those that are ineligible for subsidised food grains get undue benefits. This inclusion error had increased to 37% in 2011-12 from the figures of 2004-05.

### **Increase in Inclusion Errors and & Decrease in Exclusion Errors - 2 Main Reasons**

1. Despite a decline in poverty rate, non-poor are still identified as poor by the government thus allowing them to continue using their PDS cards.
2. Increase in the coverage of Targeted Public Distribution System (TPDS) has reduced the proportion of poor who do not have access to PDS cards.

### **Challenges to Food Security in India**

1. Beneficiaries have complained of receiving poor quality food grains.
2. Farmers receive Minimum Support Price (MSP) from the Government for crops such as wheat, paddy and sugarcane. The MSP is higher than the market price. There is very minimum procurement of other crops by the Government at MSP. Due to this factor farmers do not have incentive to produce other crops such as pulses. This puts immense pressure on the water table as the above crops are highly water intensive.
3. Due to the possibility of increasing nutritional imbalance in food grains, the Government must expand subsidies and include other protein rich food items.
4. Under the National Food Security Act, the identification of beneficiaries is to be completed by State Governments. As per findings of Comptroller and Auditor General in 2016, a massive 49 % of the beneficiaries were yet to be identified by the Government.
5. The available storage capacity in states was inadequate for the allocated quantity of food grains as per report of Comptroller and Auditor General (CAG).

### **Solutions to Problems in Food Subsidy Delivery**

The following solutions will help in addressing problems associated with PDS.

1. **Replacing Targeted Public Distribution System (TPDS) with Direct Benefit Transfer (DBT)** of food subsidy. National Food Security Act (NFSA) states that the centre and states should introduce schemes for cash transfers to beneficiaries. Cash transfers seek to increase the choices available with a beneficiary, and provide financial assistance. It has been argued that the costs of DBT may be lesser than TPDS, owing to lesser costs incurred on transport and storage. These transfers may also be undertaken electronically. As per a report given by a high level committee of Food Corporation of India, DBT would reduce Government subsidy bills by more than Rs 30,000 crores.
2. **Automation at the Fair Price Shops** is another important step taken to address the problem in PDS. Currently more than 4.3 lakh (82%) Fair Price Shops have been automated across the country. Automation involves installation of Point of Sale (PoS) devices, for authentication of beneficiaries and electronic capturing of transactions.

3. Aadhar and introduction of Biometrics was recommended to plug leakages in PDS. Such transfers could be linked to Jan Dhan accounts, and be indexed to inflation. To facilitate the removal of bogus ration cards, check leakages and ensure better delivery of food grains. In February 2017, the Ministry made it mandatory for beneficiaries under NFSA to use Aadhaar as proof of identification for receiving food grains.
4. 100% ration cards had been digitised.
5. Between 2016 and 2018, seeding of Aadhaar helped in detection of 1.5 crore fake, duplicate and bogus ration cards and these cards were deleted.
6. Increase the procurement undertaken by states known as Decentralised Procurement (DCP), and reduce the expenditure on centralised procurement by the Food Corporation of India (FCI). This would drastically reduce the transportation cost borne by the government as states would distribute the food grains to the targeted population within their respective states. As of December 2019, 17 states have adopted decentralised procurement.
7. The Fair Price shops operate at very low margins as per findings of the Government. Hence the fair price shops should be allowed to sell even non-PDS items and make it economically viable. This will motivate them to not resort to unfair practices in the distribution of Government subsidized food grains meant for beneficiaries of Government schemes.
8. A greater and more active involvement of the panchayats in the PDS can significantly improve access at the village level.
9. There is also an urgent need to set up a proper and effective grievances redressal system for both the fair price shops as well as beneficiaries

### **International Organisations Ensuring Food Security**

1. **Food and Agricultural Organisation** - It was established in 1945. It is headquartered in Rome, Italy. It is a specialized agency of the United Nations that leads international efforts to defeat hunger and improve nutrition and food security. It is the oldest existing agency of the United Nations.
2. **World Food Programme** - It is the world's largest humanitarian organization addressing hunger and promoting food security. It was established in 1961. It is headquartered in Rome, Italy. It is a food assistance branch of the United Nations.
3. **International Fund for Agricultural Development (IFAD)** - It is an international financial institution and a specialised agency of the United Nations that works to address poverty and hunger in rural areas of developing countries. It is headquartered in Rome, Italy.
4. **World Bank** - It was established in 1944, it is headquartered in Washington.