

Food Security Bill – Would it Wipe out Hunger and Malnutrition?

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The Food Security Bill (FSB) passed by Lok Sabha provides for 5 Kg per person per month of cereals – rice, wheat and coarse grains at RS 3.00, RS. 2.00 and RS 5.00 per kg respectively- to 75 percent of rural and 50% of urban population. A number of questions arise:

How would the beneficiaries be identified? Our experience of identifying the poor has been very poor. This time the approach is to identify the rich and exclude them. The Planning Commission has carried out a socio-economic and caste census in 2011 in rural India. Criteria such as those who own a motorized vehicle, those who own certain amount of land, etc., are being worked out and one can be reasonably sure that some 30% of rural people can be excluded on that ground. This way while some undeserving rich may be included, no poor would be excluded.

Would this wipe out hunger? I doubt it. Consumption of cereals on average is 10.7 kg/person/month. Thus, a consumer after getting 5 kg cereals as per the FSB will still need to buy 5.7 kg from the market. What would be the impact of FSB on market price of cereals is difficult to assess. It will depend on how effective is the procurement of food grains at minimum support price (MSP). If procurement is 100% effective market price would be at least as high as MSP. To-day procurement operations are effectively carried out only in few states and districts. Thus market price in rural areas of many states is less than MSP. Thus, a poor person will get a subsidy of RS 50 for the 5 kg she will get from the FSB at RS 10/kg., she may have to spend RS 20 to RS 30 more for the 5.7 kg she buys from the market. The likely net impact would be net additional income of RS 20 to RS 30/person/month or at most RS 50/person/month if there is no change in market price. It has been estimated that the net income transfer to the bottom 20 percent of the rural population from the existing targeted PDS was RS 55 /person/ month in 2009-10 from cereals and sugar. If we assume that sugar accounted for Rs 20 of this amount, the FSB would at most add RS 15 to the rural poor's consumption budget, which was RS 488/ person/ month in 2009-10 for the poorest 20 percent. The impact on reduction of rural poverty and by implication hunger may not exceed 1 to 2 percentage points from the level of around 30 percent.

Would it wipe out malnutrition? Even if the additional income is spent on nutritious food, malnutrition would not be wiped out. An extremely important factor in malnutrition in India is the disease environment to which children are exposed. It is estimated that within a square kilometre some 200 persons defecate openly. Till this is controlled, increasing food consumption could have only marginal impact on malnutrition as can be seen from the incidence of child malnutrition even among the richer classes. Right to a latrine may be more important than FSB for reducing malnutrition.

What is a better way? If farmers decide not to produce food for self-consumption as they will get food at throw away price under the FSB, production may be seriously affected. Since in essence FSB is only providing income support, a direct cash transfer would be a

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better way. It would eliminate all the distortions in food production and markets that FSB would involve.

How much would FSB cost? The FSB targets 67% of India's population, i.e. about 900 million persons each of whom will get RS 50 per month. This amounts to a net transfer of RS $900 \times 50 \times 12$ million, or RS 54000 crores per year. The cost of administration of the programme has to be added. In 2009-10, the cost of administration was around 62 percent of the value net transfers. This would lead to a cost of $54000 \times 1.62 =$ RS 87400 crores. This is a lower bound estimate. This does not include the additional cost of administering such a large programme, nor the cost increases due to inflation. Cereal price inflation is around 18% at the moment.

Of course, as Sonia Gandhi is reported to have said that if resources are required they have to be found. It would be great if the government can find these by eliminating many other subsidies, such as on diesel and LPG. If not, FSB will only add to inflation increasing poverty and hunger and neutralising any benefit that may accrue to the poor from FSB.

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