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THE COST OF FOOD SECURITY VS. THE COST OF 'NO FOOD SECURITY'

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Abstract:-Widespread Hunger and Malnutrition is highly prevalent in India. It should be a subject of shame for every Indian. The cost benefit analysis of National Food Security Bill has been attempted in this paper. Is this a necessity for the economy like India where widespread Hunger and malnutrition is a major problem? According to GHI India's rank is 63rd out of 78 countries. Different cost estimates of Food Security Bill and the cost of 'no food security' have been compared. FSB is the need of the hour but it will dwindle our Fiscal deficit. Research is needed to be done so as to minimize the cost of FSB. History proves that when the people are secure and have enough to feed themselves, they are the useful productive members of the economy. Even the rich countries also spends on the basic needs of their people.

Keywords: Food Security , Widespread Hunger and Malnutrition , National Food .

INTRODUCTION

"Food is the moral right of all born in to this word. Without food, all other components of social justice are meaningless"

Nobel laureate Borlaug"

The 2009-10, NSS data showed that in India, 90% of rural population spent less than Rs. 49 per capita per day of which Rs. 27 was on food items and Rs. 22 are conferred on non food items. 50 Percent sample of the rural population was spending less than the inhuman poverty line expenditure of Rs. 27 per capita per day. Even the purchasing power parity estimates indicate, that based on US\$1 per capita per day expenditure, 41.6 percent of the population in India was below the poverty line

Despite robust economic growth in present years, one third of India's population, i.e. 376 million people in 2010 shall lived below poverty line a per World Bank's definition of \$1.25 a day. The National Family Health Survey of 2005-06 highlighted that malnutrition amongst children under 5 years is very high. 20 percent children were acutely and 48 percent were chronically undernourished i.e. every second child suffer from malnutrition. These facts underline the relevance of safety net targeting that makes the poor and vulnerable secure in terms of nutrition, dietary needs and changing food preferences.

According to Global Hanger Index conviction list India's rank is 63rd. The three reasons for this dismal performance are are:

Less calorie intake; 2. Infant mortality and; 3. Malnutrition. This 3rd factor is more responsible for this 63rd ranking.

There are around 22 National Schemes run by Food and Agricultural ministry, Human Resource Development Ministry, Rural Development Military and Child and Women Development department, but the situation has not changed. Like MGNREGA, Food Security Act, was started in August 2013 to fight against the problem of poverty and malnutrition.

National Food Security Act, promises a minimum of 5kg of cereal per person per month to 75 percent of India's rural households and 50 percent of urban population at a price ranging from Rs. 3 to Rs.1 per kg. This is being billed as the largest welfare scheme in the history o the world. It is committed to ensure that 800 millions people get at least a minimum level of food in their stomachs every day. Crucially, it also provides Rs. 1,000 per month to pregnant and lactating mothers for a period of six months, and a nutritious meal to all children food age 0 to 3, and then through the mid-day meal scheme, upon the age of 14. A legal right has now been conferred on beneficiaries to receive entitled quantities of food grains at subsidised prices. This

has been supplemented with conferring a similar right to women, children and other vulnerable groups to receive meals free of charge. Such rights have been backed in the Act by an internal grievance redressal mechanism that seeks to fasten transparency and accountability in the last mile governance of public delivery structure, i.e. 4.7 lakh public fair price shops. The backbone of the Act is of course is the large scale distribution of food grains to 67 percent of the country's population of 1.2 billion.

COST OF FOOD SECURITY

Although it is true that high costs will be incurred in implementing this Act, the question arises whether it will be wasteful expenditure or an investment for the country. Many of the estimates are being put forward to show that the NFSA is expensive and need to be countered.

Surjit S. Bhalla has asserted that Food Security Bill is an expenditure and going to damage the economy instead of nourishing it. The cost estimated by him are as follow.

According to NSSO data only 45 percent of the population was accessing the PDS in 2011-12, with the NFSA, it will be 67 percent. So based on greater coverage alone subsidy will increase to (100x67/45)

We shall reach 1.5 x more households from (45 percent to 67 percent).

Each person gets more food (5kg versus 2.1 kg)

Since the price per kg goes down by Rs. 3 upto Rs. 1, the subsidy increases by that much (from Rs. 13.5 to Rs. 16.5 per kg).

The cost of NFSB will be 3 percent of GDP costing 314000 crore and it will increase the Fiscal deficit of the govt. Because of increase in fiscal deficit, the government will borrow more that means banks will prefer to lend to government, instead to common people, and people will get lesser credit. Lower credit growth means lower private sector growth, meaning market will get hit and obviously we will see inflation.

According to (Gulati et al) the food subsidy will cost the exchequer about 95000 crore to start with. If we add it with PDS, the bill may touch an expenditure of anywhere between Rs. 1,25,000 to Rs. 1,50,000 crore. And if one adds to it the money needed to produce on sustainable basis the ministry of Agriculture Cost indicated in its submission than an expenditure of Rs. 110600 crore would be needed over a period of five years. If the government raises MSP of rice and wheat by say 25 percent over 3 years, the food subsidy will go up. Any increase would add further to the cost, and so would be the cost of setting up extra logistics from railway to storage. So the total financial expenditure entailed will be around Rs. 6,82,163 core over a three year period. According to Gulati NFSB would require huge funds and thereby huge subsidies by the Central government. The source for these subsidies could be increasing fiscal deficit (fueling inflation) and shift of funds from investment to subsidies. Given fiscal constraints, there is always a trade off between allocating money through subsidies and increasing investment. Ample research shows that investment option is always preferable to subsidies to sustain long term growth. In contrast NFSB is likely to shift the nature of resource allocation move toward subsidies rather than investment. This will be retrogressive for long term agriculture growth and sustainable food security point of view.

Passing the Food Bill was the worst thing to do at this point of time, according to economist Rajiv Kumar that despite its noble intentions, the Bill promises to be an execution nightmare with the kind of leakages that have been witness in the existing PDS. According to him this Bill will cost about Rs. 600000 crore over the next three years (about 2 percent of GDP). This gives out the signal that the government does not bother about fiscal health. It kicks investor confidence down. This doesn't seems to be a good idea, with 40 percent leakages in the PDS, the subsidised foodgrains anyway doesn't reach those who need it most. To cover 81 percent of the population, the Food Corporation of India will have to procure much more food, that will reduce what will be available to the open market and drive up the prices. So the people will end up paying more because of Bill. The people suffer not from hunger, but malnourishment so we need to produce nutritious food. The best way to provide food is to make it cheaper and generate more employment, so people earn more. Giving away food doles will not help the economy. This Bill will have a negative impact on farmers and farm productivity. There will be less chance to increase MSP and the will to produce more foodgrains will collapse. NFSA will have disastrous consequences for the agriculture sector. Union Agriculture Minister Sharad Pawar, who fought against the bill for four years, said it wouldn't work unless the government kept the farmer happy.

According to Prachi Mishra the food subsidy cost of implementing the amended NFSB is estimated at Rs. 1,24,502 crore for 2013-14. It is calculated as (Economic Cost) x (foodgrain requirement). The economic cost computed by the food corporation of India (FCI) includes in addition to the minimum support price handling storage and distribution cost. The total food grain requirement is estimated at 61.2 million tonnes and this includes and additional 2.9 million for TDPS. These estimates of Prachi Mishra are in line with those of the Department of Food and Public Distribution (DOFPD).

The cost is estimated to increase to Rs. 140192 were and 157702 crore in 2014-15 and 2015-16 repeatedly. This is assuming 10% increase is MSP and economic cost, and 1.7% annual increase in total population (based on the average annual increase over 2001-11).

The incremental food subsidy over and above the existing TPDS is estimated at Rs. 2,31951 crore (The incremental subsidy is the difference between the esimated cost NFSB and the cost of the existing TPDS at Rs. 100551 crore.)

Summary Table
The incremental cost of NFSA and relative to TPDS : 2013-14

Rs. Crore	NFSA
1/Base line	23951
Additional Costs Relative to baseline	
2/Grandfathering	20474
3/Misclassification	11301
4/Miscellaneous expenditures	20760
1+2+3+4	76,486
% of GDP	0.67%
5/40% additional procurement	4925
1+2+3+4+5	81411
% of GDP	0.72

[Miscellaneous expenditure includes Experiment on District Grievance Redressal Office, State Food Commission, Expenditures on Intra State Transportation and handling of foodgrains, maternity benefits.]

To summarize the total incremental cost of implementation the NFSA over and above the TFDS could range from Rs. 44,711 to 76,486 crore in 2013-14. The smaller estimate is the baseline incremental costs, while the larger estimate include the cost of grandfathering the existing beneficiaries and subsidizing the BPL's who are currently misclassified if we add to it the cost of procuring additional grains according to historical norms, this would take the incremental costs of the NFSA to Rs. 81,411 crore (0.76% to GDP)- All these estimates should be seen as the tentative and subject to revision, the rough estimates in this note are likely to be underestimates.

There are the cost estimates according to the views of different economists. Many a times these estimates are based on untenable assumptions and incorrect facts, and are not fully transparent with the data they use. Although the time will tell what the real costs are. Perhaps the economy has to negotiate between food bills and fiscal deficit, lesser investment. The cost of "no food security"

The question of affordability remains. Is food security desirable but unaffordable? Will fiscal deficit only widen, bringing inflationary pressures and lower credit ratings, affecting investment.

The Bill is certainly not a perfect one. Firstly its roots lies in an essential failure of vocabulary. Critics of this bill see this as "spending". But to assess the good and bad effect of the bill, one must first correct its perspective. This is not a spending, it is an investment, crucial for India's future and growth.

The demographic dividend of India shows that we have millions young people, second only to China. Millions young (57% of total population) means a huge market. But strongly, against all economic logic, they refuse to invest in this dividend. What we have "therefore" is this; almost 50 percent of India's children suffer from severe malnutrition. They live in unhygienic conditions, no quality schooling. How can they possibly become productive members of the country's economy until they have access to a basic platform of human dignity (From a corporate point of view too, how can the buying power of India's demographic dividend its huge, "Market" until and unless they are given basic facilities to fulfill their needs.

The impact of malnutrition poses a very real and imminent economic danger for the country. Studies shows that the effect of malnutrition is most acute in the age of 0 to 3 and this cannot be compensated in one's adult age. The problem of employment is only one thing, the main problem is that we are creating unemployable and under par fellow citizens. We are building a frustrated future.

By guaranteeing food, by guaranteeing every pregnant mother at least a minimum level of nutrition, the food security bill attempts to strike at the very heart of this fundamental economic problem.

Even the politician from Bismarck to Churchill and Nixon have supported an efficient and basic income guaranteed by the state.

This Bill also answers about the wrong myths of this Bill. It is wrong to think that putting mere fistful rice in one's stomach every night is going to kill Indians and turn it into a lazy society.

As for as India's capacity to produce foodgrains in good monsoon years, almost 700 lakh metric tonnes of foodgrain lie rotting in warehouses or in open. According to Jean Dreze, as for as financial costs are concerned the official estimates seems plausible. They may have to be correctly interpreted. After the Bill comes into effect, does not mean that, it is the cost of the Bill, rather because of the increasing food subsidy, minimum support prices and procurement.

The Cost Of Food Security Vs. The Cost Of 'no Food Security'

Growth never means that we should wait for growth to invest in education, health or social security. In fact being more secure and better nourished typically, helps people to be more productive. As Tamil Nadu and Himachal Pradesh, where the social security system is relatively well developed are the examples of more security more productivity. 7(Jean Dreze, Tehlka).

According to Abhijeet Sen who has spent more than 20 years, planning India's grain policy; rural credit and food distribution, as member of Planning Commission, he feels that through there is reason for the panic is the market, but it does not mean that these fears should make us to drop the food security bill. Because of Bill food security will rise from 0.8 percent to 1 percent of our GDP, but even at this rate we should support FSB.

She says that instead of criticizing FSB, we should do efforts to minimize the cost of FSB. FSB is the need of the hour for the growth of our country and to take out our country from this duality (vicious circle of poverty). Bhalla's calculations have already been challenged on the ground that they contain errors in calculation. The study by Ashok Gulati et.al. needs more attention, especially so as it come from an institution which is related with foodgrain management system of the country but the estimates of Gulati have also many flaws, as projected increase in agriculture production has not been taken into account. Although we accepts that public investment in agriculture has stagnated since the 1990 and this need to be corrected to protect the lives and livelihood of the majority of our rural population.

Research should be done on the issues that how we can minimize procurement cost, distributional cost etc.

To summarize we can say the institution of the food security by India should be a matter of great pride for all Indians regardless of their political affiliation. Even in US, the most market driven economy in the world, the government has welfare programmes for the poor, hungry, old, and for the handicapped.

The hungry and the sick can't be productive workers, even if they want. Market economy can't help them all that much. The poor, if fed or nourished better, also do better in the market place. They can lift themselves and contribute to the society. This is, in part of the argument of Amartya Sen, considered the intellectual father of India's food security push.

The FSB will certainly not break the bank. Surely, some of the subsidies to the middle class and the rich can be cut. If the cost of FS is 3 percent of the GDP, then a serious debate about affordability is necessary. That is too large a sum. Some attempts will have to be made to trim the scope of food security. India's government programmes are riddled with corruption and leakages. But corruption should not be the reason to oppose feeding the underfed and the sick. We should try to minimize leakages and corruption.

India is moving towards a rights based conception of development, alongwith the promotion of market forces. Markets can ignore the hungry, but poor democracies cannot do so beyond a point. India's democracy appears to be reaching that point. Food security is the price India's rising capitalism might have to pay for functioning in a low income democracy.

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