

## NATIONAL FOOD SECURITY ACT: A DISEASE DISGUISED AS REMEDY?

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### **Introduction**

After India's pitiful performances in various Indexes and Reports in relation to hunger and nutrition, the much talked about National Food Security Bill was passed and converted to The National Food Security Act on September 12, 2013. It is "*an Act to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity and for matters connected therewith or incidental thereto.*"<sup>1</sup>

The Act promises food to about two-third of the entire population, facilities for pregnant and lactating women, a grievance redressal mechanism among other things.

Though, on the face of it, the Act appears to be ambitious and strong; it is infested with weaknesses of social, political and economical kinds.

Ever since its inception, this particular piece of legislation has constantly been subject to scrutiny (read criticism). It has been frowned upon by various bodies; be it economists, farmers' bodies, NGOs, etc.

The paper seeks to highlight the major debates surrounding the Act and some possible corrections that may be considered to neutralize the flaws that the Act contains.

### **Identification of beneficiaries**

The Act seeks to benefit 75% of the rural households and 50% of the urban population. The Act divides the beneficiaries in two categories, *i.e.* priority households and beneficiaries of Antyodaya Anna Yojana. However, no criterion has been specified for the identification of priority households. This gives way to unscrupulous activities like food grains getting diverted to open market by fraudulent agents. The distribution will be conducted under the current Public Distribution System wherein cases of bogus BPL (Below Poverty Line) card holders are rampant. A 2009 expert group headed by N.C. Saxena to evaluated PDS,

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<sup>1</sup> National food security act , 2013

estimated that about 61% of the eligible population was excluded from the BPL list while 25% of APL households were included in the BPL list.<sup>2</sup> Consequently, the benefits seldom reach the intended beneficiaries.

According to audit by the Comptroller and Auditor General of India, only half the beneficiaries have been identified as yet and old databases of beneficiaries are still in use. In Bihar for instance Group D government employees are grouped under the beneficiaries, now a government employee cannot be enrolled under this scheme.

Arbitrary placing of 50% and 75% caps for the urban and rural areas has been contested against by various states that have programmes covering a wider range of population. A heavily urbanized state like Tamil Nadu is obviously unhappy with the 50% urban limit. It wants 75% limit for both urban and rural India. The fact that every year, people in significant numbers migrate from rural to urban areas in search of better job opportunities and better living standards; has been conveniently ignored. Major exclusions are likely to result thereby.

Only 67% of the total population to be covered.

Time and again, the contention that the Act be universal have been raised on grounds that basic nutrition is required by each human to survive. Examples of successful universal schemes are present in India itself. Chhattisgarh, Tamil Nadu, Kerala, Himachal Pradesh and Odisha provide classical examples of how universal PDS schemes are successful in many ways. These schemes have been successful in being able to eliminate corruption and ensuring that every household benefits while in targeted schemes, intended beneficiaries may miss out on the benefits whereas ineligible ones may benefit.

Thus a universal scheme might serve more efficiently in fighting hunger and malnutrition while upholding the principles of equality and justice.

### **Cash transfer**

The Act envisages food security allowance *i.e.* in-kind food transfer or cash transfer in case of non-supply of the entitled quantities of food grains or meals. The basal objection to cash transfer is infeasibility. It entails that the State would have to provide the entire administrative back up for the food security allowance in case of failure by the Central

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<sup>2</sup> The National Food Security Bill 2013: Will It Really Assure the Poor Freedom from Hunger?(<https://socialissuesindia.files.wordpress.com/2013/06/national-food-security-bill-2013-report.pdf>)

Government, and distribution which would then cost the State additionally. This would have large financial ramifications for the State Governments. Since the entitlement is essentially to obtain the identified food grains at the subsidized prices specified in Schedule–I, if food security allowance is according to these prices (much lower than market prices), then this monetary support during distress conditions would be grossly insufficient to buy food grains from the market.<sup>3</sup>

A cash transfer system requires a payments system to distribute the cash; and an authentication system to verify that the transaction is with the intended beneficiary. Therefore, this scheme calls for an extensive banking network which many rural parts the country lack and may expose recipients to price volatility and inflation.

Another vital objection to cash transfers is that food prices fluctuate and that a commitment to the poor in terms of a certain quantity of food per person cannot be maintained very easily. Thus, the subsidy amount needs to be adjusted frequently in accordance with the market price, which happens to be over the odds. However, if this is not taken care of then the poor will have to bear the costs.

Besides, the beneficiaries will be free to buy non-food items once they have the cash in their hands, which in turn will defeat the purpose of the act itself.

### **Feasibility of the Act**

The large-scale subsidized grain distribution to 67% of about 1.3 million Indian people clearly requires extensive food procurement as well as a substantially large network of distribution which in turn will have some serious financial implications on the already encumbered fiscal arrangement.

The implementation of the Act requires an expenditure of around Rs. 1,25,000 Crores. However, this amount is exclusive of other incidental expenditures like administrative set up, scaling up of operations, enhancement of production, investments for storage, movement, processing and market infrastructure, the entire envisaged paraphernalia of National and State Commissions etc. The existing food security complex of procurement, stocking and

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<sup>3</sup> Ashok Gulati, Jyoti Gujral, T.Nandakumar, National Food Security Bill Challenges and Options(December 2012) <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=42&KeyId=470>

distribution would increase the operational expenditure of the Act given its creaking infrastructure, leakages & inefficient governance.<sup>4</sup>

The increase in the production of the food grains that this Act promises to give, would inflate their prices in the open market as the supply of such food grains would significantly exceed their demand. Also, a decreased production of the other food grains would lead to a rise in their prices as the supply would be much lesser than the demand. Therefore, it is the opposite of a “win-win situation”.

Apparently, the Act is a copious scheme which envisages distribution of about 61.2 million tons of cereals, primarily rice and wheat and costs about 1.1% of the Gross Domestic Product. Even if the grain quantity remains fixed each year, the subsidy cost will keep increasing annually because the rising input cost to the farmers will always keep the pressure to raise the minimum support price (MSP). This will increase in effective cost of the grain to the government; the selling price at the Targeted Public Distribution System is unlikely to change. It is also likely that because of the rising population, the food grain quantity will also increase. Therefore, given the rising costs of the scheme in coming years, its sustainability is questioned by many.<sup>5</sup>

In case of deficit production, imports are most likely to increase which might lead to an unfavourable Balance of Trade.

#### Burnt holes in the pockets of non-beneficiaries

The increase in government expenditure may result in a fiscal deficit because of lowered revenue generation; which in turn has two possible consequences, that is, the government would either borrow from abroad or make-up for the lost revenue by taxing the non-beneficiary group. While the former creates an additional liability in the form of interest payments; the latter seems to “financially injure” the non-beneficiaries.

Also, the household budgets of the non-beneficiaries may be adversely affected as there might be an unprecedented rise in the prices of food grains in the open market.<sup>6</sup>

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<sup>4</sup> Ibid.

<sup>5</sup> The National Food Security Bill 2013: Will It Really Assure the Poor Freedom from Hunger?(<https://socialissuesindia.files.wordpress.com/2013/06/national-food-security-bill-2013-report.pdf>)

<sup>6</sup> Shreyans Jain(9 July 2013) National Food Security Bill : A Critical Analysis <http://shreyansjain100.blogspot.in/2013/07/national-food-security-bill-critical.html>

Government will divert expenditure from other issues :

In executing this scheme the government would tend divert funds from other weighty areas of concern such as rural habilitation, sanitation, education schemes, employment generation programmes, etc. to name a few. Implementation of this Act might, therefore, cost a little more than just currency notes; it calls for some compromise on the abovementioned fronts as well.

Thus, the National Food Security Act should be implemented in such a way that it supplements other governmental schemes instead of substituting them.

Having said all this, it needs to be brought to light that a great deal of wastage of food grains is attributable to the improper methods of storage because of which enormous amounts of food grains are lost every year. If some rationalization is adopted by the Food Corporation of India, savings can be significantly increased.

### **The Centre and the States.**

#### Limited Centre responsibility

The responsibility of the central government is limited to procuring for the central pool through its own agencies and the State Governments and their agencies, allocating foodgrains to the States and, providing for transportation of foodgrains while the state government is under a duty to take delivery of foodgrains from the designated depots of the Central Government in the State, ensure actual delivery or supply of the foodgrains to the entitled persons at the specified prices and to ensure that all the legal entitlements are properly enforced. The Act provides that in case of short supply of foodgrains from the central pool to a State, the Central Government shall provide funds to the extent of short supply to the State Government<sup>7</sup> that also as determined by itself. However, if the State Government is unable to provide the entitled grains, then it has to pay a “Food Security allowance” to the excluded beneficiaries. This implies an extra administrative and financial responsibility on the states.

#### State level initiatives discouraged and the burden on states.

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<sup>7</sup> Section 23, National Food Security Act, 2013.

The provisions of the Act reflect that the arrangement is markedly centralized; all the decisions, criteria, guidelines, rules and regulations shall be prescribed by the centre, leaving little room for state discretion. The time period within which the beneficiaries is to be identified under section 10 of the Act, that is, three hundred and sixty five days; is not sufficient given the complex nature of the identification process. Thus, it makes the implementation of the Act a cumbersome affair for the state governments.

Though the Act provides for the continuation of the already existing state programmes, it is seemingly impossible for the states to do so since this is likely to take a toll on their financial resources.

Although the cost of implementation of the Food Act will be shared between the Center and the States, but it would put significant burden on the poor states. Ironically, they are the ones needing the maximum assistance. The costs imposed on states (partial or full) include: nutritional support to pregnant women and lactating mothers, midday meals, anganwadi infrastructure, meals for children suffering from malnutrition, transport and delivery of foodgrains, creating and maintaining storage facilities, and costs associated with District Grievance Redressal Officers and State Food Commissions. If a state chooses not to allocate the necessary funds or does not have sufficient funds to do so, implementation of the Act will be seriously affected. Already the Right to Education (RTE) initiative is facing serious hurdles precisely for the same reason.<sup>8</sup>

### **The issue of malnutrition**

According to World Health Organization Food security not only includes accessibility to food but also receptiveness to dietary and nutritious food which seems to be lacking in the provisions envisaged in the Food security Act. Certain recent reports suggest that India grapples with the issue of malnutrition more than hunger. India is the frontrunner with 246 million food-insecure people and accounts for close to 30% of the total food insecure people in developing countries.<sup>9</sup>

While the Indian Council for Medical Research recommends that an adult requires 14kg of food grains per month and children 7kg; the bill provides entitlements to 5kg per person per

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<sup>8</sup> Dr. Anil Kumar Thakur, Dr. Deepti Taneja, India's National Food Security Act, 2013: A Review(2014), <http://www.webmeets.com/files/papers/IEA/2014/404/IEA%20World%20Congress%202014%20Paper.pdf>.

<sup>9</sup> Ashok Gulati, Jyoti Gujral, T.Nandakumar, National Food Security Bill Challenges and Options(December 2012) <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=42&KeyId=470>

month, thus ensuring only 166g of cereal per person per day. Also, the bill provides only for cereals with no entitlements to basic food necessities such as pulses and edible oil required to combat malnutrition.<sup>10</sup>

Also, the Act lays down uniform nutritional standards for children and pregnant women across the country, and does not consider the fact that nutritional demands vary with regions. For instance, those living in hilly regions, desert, undulating terrain and so on might require higher nutritional intake. Thereby, a more detailed stipulation of nutritional requirements is required.

The number and types of food grains which would be made available at cheaper prices is not specifically enlisted in schedule 1, which makes the scope of distribution of high nutrition valued grains relatively very less. Grains like wheat and rice would be made available at cheaper rates. These grains if not consumed in an appropriate manner contain certain pernicious elements which may prove immensely harmful for the health and sustainability of the targeted population.

Thus, in order to ensure an overall development of the country, the primary concern of the government should be to provide nutritious food to its citizens in order to foster their physical and mental development; specially children so that they may contribute towards the progress of the nation.

### **International commitments and the National Food Security Act**

The WTO Agreement on Agricultural (AoA) subsidies allows only 10 percent (of production) subsidy for most of the developing countries based on 1986-88 prices. The “Peace clause” in this agreement under World Trade Organization has posed certain problems. Its outcome would be that minimum support price could be fixed only for a few agricultural products. This limits the scope of the distribution provisions of the Act. Certain essential food Items like Pulses and cooking oil may no longer come under the purview of the public distribution system.

As a result, coarse grains other than millet would not reach the beneficiaries under the Act and the nutritional requirements of the people will remain unfulfilled. Moreover, increasing

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<sup>10</sup> India's food security bill: an inadequate remedy? <https://www.theguardian.com/global-development-professionals-network/2013/jul/15/india-food-security-bill>

the quantity of the food grains to be distributed under the Act with the increase in population; will become immensely difficult if the agreement is to be abided by. A permanent solution to this issue is yet to be reached. Thus, going ahead with the implementation of the Act might lead to international conflicts.

### **Food supply cut at the time of crisis**

*The Act provides that* “The Central Government, or as the case may be, the State Government, shall be liable for a claim by any person entitled under this Act, except in the case of war, flood, drought, fire, cyclone or earthquake affecting the regular supply of food-grains or meals to such person under this Act”.<sup>11</sup>

This provides immunity to the centre and the state governments from any claims by beneficiaries with regard to non-supply of food during calamities; natural or manmade. This provision attracts serious criticism on the ground that the events on which food security is being taken away are actually the events when the need for food security is the greatest. . It is worthwhile to note that precisely in these conditions a failure of market forces, volatility in prices and resultant distress is expected and at times like this the poor and vulnerable would depend on government to ensure their food security.<sup>12</sup>

This provision of the Act should be made operable only when the supply of foodgrains cannot practically be carried out by any means.

### **Negative effect on the attitudes of the beneficiaries**

The National Food Security Act, 2013 promises highly subsidized food grains to Below Poverty Line families. On the face of it, this legislation may sound like a blessing, however, on a closer examination, it is found that the Act indirectly urges people to not migrate above the poverty line. In all honesty, there happens to be a very thin line of difference between a Below Poverty Line family and a just Above Poverty Line family. The latter would shy away from taking an opportunity that slightly increases its income because that little increase will snatch away the “free food” and will effectively render the family poorer and more perturbed than before.

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<sup>11</sup> Section 44, National Food Security Act, 2013

<sup>12</sup> Ashok Gulati, Jyoti Gujral, T.Nandakumar, National Food Security Bill Challenges and Options(December 2012) <http://cacp.dacnet.nic.in/ViewQuestionare.aspx?Input=2&DocId=1&PageId=42&KeyId=470>

Besides, in a country such as ours where there is a dire need of strong human resource, the focus should be on providing for skill upgradation and training rather than subsidized food. Subsidized food will thus not help a person come out of the clutches of poverty in the long run. The focal point of this argument can be best described in the following quote: *“Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.”*

### **Conclusion and Suggestions**

The National Food security Act 2013 has passed with the primary objective to eradicate widespread hunger prevailing in the country. The commissariat specifically concerns with the availability and assurance of food to the downtrodden and impoverished sections of the society thereby covering 67% of India’s population. Thus, the Act is a prominent step towards fighting hunger and malnutrition.

However, when one delves deeper into the provisions of the Act, the drawbacks discussed in the paper become manifest. Consequently, the advantages seem to override the advantages of the Act and thus it would not be incorrect to call it a “disease in the guise of remedy.”

These impediments in the path of this ambitious Act can, however, be removed.

For example, in identification of eligible households there should be reliance on the statistical data of the states in order to prevent exclusions and inclusions detrimental to the very objectives of the Act, there can be a redistribution of obligations and duties between the centre and the states. Also, the Act can make elaborate provisions regarding nutritional food items and their distribution.

It has to be borne in mind that excess expenditure on food security may divert the government from other issues worthy of concern and may hamper their sustainability. Thus the expenditure must be done judiciously so that issues like sanitation and unemployment can be effectively addressed too.

Most importantly, the bug called corruption, which has been stalling every positive step taken towards the development of country; needs to be banished.

Finally, the Act deals with one of the most important and basic concerns of a person, its effect on the society needs to be given due importance besides its political upshot.