

The United Nations celebrates October 16 as the World Food Day every year, with an aim to spread awareness about eradicating hunger and ensuring food security for all.^[1] In this context, we examine the status of food and public distribution in India, and some challenges in ensuring food security for all.

Background

In 2017-18, over Rs 1,50,000 crore, or 7.6% of the government's total expenditure has been allocated for providing food subsidy under the Targeted Public Distribution System (TPDS).^[2] This allocation is made to the Department of Food and Public Distribution under the Ministry of Consumer Affairs.

Food subsidy has been the largest component of the Department's expenditure (94% in 2017-18), and has increased six-fold over the past 10 years. This subsidy is used for the implementation of the National Food Security Act, 2013 (NFSA), which provides subsidised food grains (wheat and rice) to 80 crore people in the country.^[3] The NFSA seeks to ensure improved nutritional intake for people in the country.³

One of the reasons for the six-fold increase in food subsidy is the non-revision of the price at which food grains are given to beneficiaries since 2002.^[4] For example, rice is given to families under the Antyodaya Anna Yojana at Rs 3/Kg since 2002, while the cost of providing this has increased from Rs 11/Kg in 2001-02 to Rs 33/Kg in 2017-18.

Table 1: Poverty ratio and number of poor persons

Year	Poverty Ratio (%)	Number of poor (Crore)
1973-74	54.9%	32.1
1977-78	51.3%	32.9
1983	44.5%	32.3
1987-88	38.9%	30.7
1993-94	36.0%	32.0
2004-05	27.5%	30.2
2011-12	21.9%	26.9

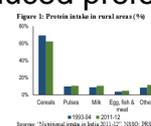
Note: Figures from 1973-74 to 2004-05 have been computed using the Lakdawala Methodology, and figures for 2011-12 have been computed using the Tendulkar Methodology.

Sources: Planning Commission; PRS.

Provision of food subsidy

TPDS provides food security to people below the poverty line. Over the years, the expenditure on food subsidy has increased, while the ratio of people below poverty line has reduced. A similar trend can also be seen in the proportion of undernourished persons in India, which reduced from 24% in 1990 to 15% in 2014 (see Table 1). These trends may indicate that the share of people needing subsidised food has declined.

Nutritional balance: The NFSA guarantees food grains i.e. wheat and rice to beneficiaries, to ensure nutritious food intake.³ Over the last two decades, the share of cereals or food grains as a percentage of food consumption has reduced from 13% to 8% in the country, whereas that of milk, eggs, fish and meat has increased (see Figure 1). This indicates a reduced preference for wheat



and rice, and a rise in preference towards other protein rich food items.

Methods of providing food subsidy

Food subsidy is provided majorly using two methods. We discuss these in detail below.

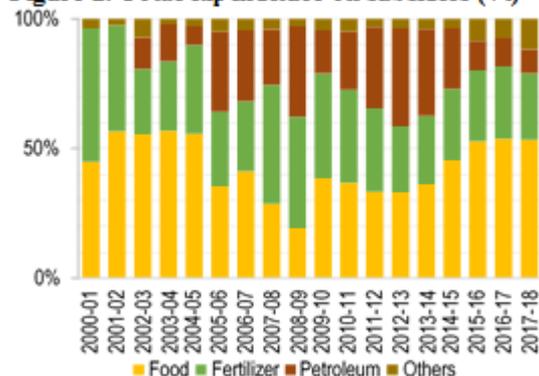
TPDS assures beneficiaries that they will receive food grains, and insulates them against price volatility. Food grains are delivered through fair price shops in villages, which are easy to access.^{[5],[6]}

However, high leakages have been observed in the system, both during transportation and distribution. These include pilferage and errors of inclusion and exclusion from the beneficiary list. In addition, it has also been argued that the distribution of wheat and rice may cause an imbalance in the nutritional intake as discussed earlier.⁷ Beneficiaries have also reported receiving poor quality food grains as part of the system.

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.^{6,7}

However, it has also been argued that cash received as part of DBT may be spent on non-food items. Such a system may also expose beneficiaries to inflation. In this regard, one may also consider the low penetration and access to banking in rural areas.^[7]

Figure 2: Total expenditure on subsidies (%)



Note: Figures for 2016-17 are revised estimates and for 2017-18 are budgeted estimates.

Sources: Union Budget documents; PRS.

In 2017-18, 52% of the centre's total subsidy expenditure will be on providing food subsidy under TPDS (see Figure 2). The NFSA states that the centre and states should introduce schemes for cash transfers to beneficiaries. Other experts have also suggested replacing TPDS with a Direct Benefit Transfer (DBT) system.^{4,[8]}

The central government introduced cash subsidy to TPDS beneficiaries in September 2015.^[9] As of March 2016, this was being implemented on a pilot basis in a few union territories. In 2015, a Committee on Restructuring of Food Corporation of India had also recommended introducing Aadhaar to plug leakages in PDS, and indexing it to inflation. The Committee estimated that a switch to DBT would reduce the food subsidy bill of the government by more than Rs 30,000 crore.^[10]

Current challenges in PDS

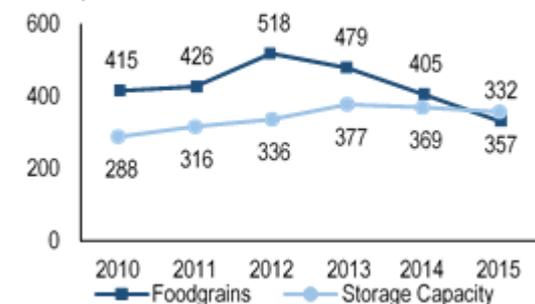
Leakages in PDS: Leakages refer to food grains not reaching intended beneficiaries. According to 2011 data, leakages in PDS were estimated to be 46.7%.^{10,[11]} Leakages may be of three

types: (i) pilferage during transportation of food grains, (ii) diversion at fair price shops to non-beneficiaries, and (iii) exclusion of entitled beneficiaries from the list.^{6,[12]}

In 2016, the Comptroller and Auditor General (CAG) found that states had not completed the process of identifying beneficiaries, and 49% of the beneficiaries were yet to be identified. It also noted that inclusion and exclusion errors had been reported in the beneficiary lists.^[13]

In February 2017, the Ministry made it mandatory for beneficiaries under NFSA to use Aadhaar as proof of identification for receiving food grains. Through this, the government aims to remove bogus ration cards, check leakages and ensure better delivery of food grains.^{10,[14]} As of January 2017, while 100% ration cards had been digitised, the seeding of these cards with Aadhaar was at 73%.¹⁴

Figure 3: Stock and Capacity of FCI (lakh tonnes)



Sources: CAG Performance Audit on Preparedness for Implementation of National Food Security Act, 2013; PRS.

Storage: As of 2016-17, the total storage capacity in the country is 788 lakh tonnes, of which 354 lakh tonnes is with the Food Corporation of India and 424 lakh tonnes is with the state agencies.^[15]

The CAG in its performance audit found that the available storage capacity in states was inadequate for the allocated quantity of food grains.¹³ For example, as of October 2015, of the 233 godowns sanctioned for construction in Maharashtra, only 93 had been completed. It also noted that in four of the last five years, the stock of food grains with the centre had been higher than the storage capacity available with Food Corporation of India.

Quality of food grains: A survey conducted in 2011 had noted that people complained about receiving poor quality food grain which had to be mixed with other grains to be edible.⁶ There have also been complaints about people receiving food grains containing alien substances such as pebbles. Poor quality of food may impact the willingness of people to buy food from fair price shops, and may have an adverse impact on their health.^[16]

The Ministry has stated that while regular surveillance, monitoring, inspection and random sampling of all food items is under-taken by State Food Safety Officers, separate data for food grains distributed under PDS is unavailable.^[17] In the absence of data with regard to quality testing results of food grains supplied under PDS, it may be difficult to ascertain whether these food items meet the prescribed quality and safety standards.

[1] About World Food Day, <http://www.fao.org/world-food-day/2017/about/en/>.

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- [15] Annual Report 2016-17, Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution, <http://dfpd.nic.in/writereaddata/images/annual-140217.pdf>.
- [16] 30 Food Subsidy, The Economic and Political Weekly, December 27, 2014, http://www.epw.in/system/files/pdf/2014_49/52/Food_Subsidy.pdf.

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<http://164.100.47.190/loksabhaquestions/annex/10/AU2124.pdf>.

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