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## India

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### **Indian Cabinet Approves National Food Security Bill 2013**

**Report Categories:**

Grain and Feed

Agriculture in the Economy

Agriculture in the News

National Plan

Policy and Program Announcements

Climate Change/Global Warming/Food Security

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**Report Highlights:**

If passed, the amended [National Food Security Bill 2013](#) sent to Parliament will create a right to food for two-thirds of India's people. The estimated food grain requirement for this act is 61.23 million metric tons at a cost of "about" INR 1.247 trillion (\$23.1 billion), an increase of INR 238 billion (\$4.4 billion) over current expenditures.

## **Executive Summary:**

The Indian Cabinet approved amendments to the National Food Security Bill and passed it back to the Parliament for consideration and passage. Major amendments in the revised bill includes – simplification to a single category of beneficiaries constituting 75 percent of the rural population and 50 percent of the urban population, reduction of benefit from 7 to 5 kilograms of grain per capita, delegation of the powers to identify, implement and address grievances to the state governments. Another amendment establishes the subsidized prices for grains for only three years, after which prices “will be linked suitably to the Minimum Support Price.”

## **Author Defined:**

### **Indian Cabinet Approves Revised National Food Security Bill; Sent to the Parliament**

On March 19, 2013, the Indian Cabinet approved several amendments recommended by the Parliamentary Committee on Food to the National Food Security Bill, pending in the Parliament since 2011. Subsequently, the revised draft National Food Security Bill 2013 was submitted to the Parliament on March 22, and is likely to be discussed in the second phase (April 22-May 10, 2013) of the ongoing budget session for approval.

### **Amendments Recommended by the Parliamentary Committee**

The first draft of the [National Food Security Bill 2011](#) submitted to the Parliament in December 2011 was referred to the Parliamentary Standing Committee on Food, Consumer Affairs and Public Distribution for review. After over a year of deliberations and consultations with various stakeholders, the committee submitted its report to the Parliament on January 17, 2013, which was subsequently forwarded to the government. The government incorporated most of the proposed amendments of the parliamentary committee, and the revised National Food Security Bill 2013 was approved by the Union Cabinet Ministers. A copy of the revised [National Food Security Bill 2013](#) available on a media website reveals following amendments:

- A single category of eligible beneficiaries is established, accounting for 75 percent of the rural population and 50 percent urban population. The original draft proposed two categories – priority and general -- to be charged different prices for the subsidized food grains under the program.
- The monthly food grain entitlement to individual beneficiaries is reduced from 7 kg to 5 kg per capita. However, “poorest of the poor” (*Antyodaya Anna Yojana*) households, of which there are 23.4 million, will be guaranteed 35 kilograms of grain per household per month, and existing higher allocations to certain states and union territories will be preserved.
- Uniform prices of INR 3, 2, and 1 per kilogram will be applied to rice, wheat, and coarse grains (mainly millet), respectively, “for the first three years of implementation...and thereafter will be linked suitably to the Minimum Support Price (MSP).”
- The central government will set the size of population to be covered in each state, while the state governments will identify eligible households/people based on published census data. The state

governments will have flexibility in applying eligibility at the local levels according to need as prosperity may vary in different cities, districts and villages. However, the total beneficiaries in the state would meet the aggregate of 75 percent of rural and 50 percent of urban populations in each state

- Responsibility of implementation of the food security program will reside with the state governments and every state will set up a grievance redressal system. The original proposal of creating a new National Food Commission was dropped as the implementation of the program will be by state governments.
- Due to the “concerns” of states and union territories “regarding additional financial burden,” the central government will provide assistance to the state governments towards intra-state transportation and handling of food grains, and margins to be paid to the Fair Price Shop dealers.
- Food entitlements for children and pregnant/lactating women continue in the revised bill, although the original proposed maternity benefit of INR 1,000 per month for six months is modified to a sum of INR 6,000 that can be paid out “in such installments, as may be prescribed in the scheme to be formulated for the purpose”.

### **Foodgrain Commitment Raised Somewhat...**

Government sources estimate the total food grains requirement under the revised bill at 61.23 million metric tons compared to 56.3 million metric tons government foodgrains off take for Indian fiscal year (IFY) 2011/12 (April/March), and significantly below the 76 million metric tons estimated requirement of the original draft of the bill. Government sources report that the current government food stocks and projected production will be sufficient to cover the foodgrains requirement through at least IFY 2014/15, but shortages may arise by the early 2020s unless domestic food grain production increases.

### **...But Subsidy Will Soar**

With the expanded single category of beneficiaries provided “highly” subsidized food grains, the subsidy burden under the proposed bill is likely to jump to INR 1.247 trillion (\$23.1 billion) compared to the estimated food subsidy of INR 850 billion (15.7 billion) for IFY 2012/13. If the National Food Security Bill is passed during the current budget session of Parliament, food subsidy costs could increase beyond this year’s budgeted amount of INR 900 billion (about \$16.6 billion). Requirements for assistance to states for meeting the expenditure on transportation, handling and “Fair Price Shop” dealers’ margin, etc., would be additional.

### **Government to Push for Early Parliamentary Approval**

The revised National Food Security Bill 2013 is likely to be submitted to Parliament in the second half of the budget session, which will start on April 22, 2013. The United Progressive Alliance (UPA) government would like to push for the early approval of the bill to showcase the benefits of the program to voters before they go to the polls in the upcoming 2014 elections. While any major political party is unlikely to oppose the “politically sensitive” issue of providing food to the population, some ruling regional parties may push for expanding the population coverage and express concerns about the cost-sharing arrangements under the program.

### **Media Present Diverse Views on the Revised Bill**

Indian mass media have covered the National Food Security Bill 2013 extensively, including Minister of Food K.V. Thomas' [statements](#) in support of the bill,

This is no mean task, a task being accomplished in the second most populated country in the world. All the while, it has been a satisfying journey. The responsibility is not just of the Central Government but equally of the States/UTs. I am sure together we can fulfill this dream. The day is not far off, when India will be known the world over for this important step towards eradication of hunger, malnutrition and resultant poverty... By providing food security to 75 percent of the rural and 50 percent of the urban population with focus on nutritional needs of children, pregnant and lactating women, the National Food Security Bill will revolutionize food distribution system.

*Tehelka* carried [comments](#) in addition to a [summary analysis](#) by Professor Jean Dreze, one of the bill's architects, downplaying concerns about the cost of the bill:

...financial analysts are raising predictable concerns about its affordability. These concerns, however, are misplaced. The revised version of the food Bill is actually little more than a "Public Distribution System (PDS) Restructuring Bill". The foodgrain requirements of the Bill are no more than existing allocations. Other entitlements (such as midday meals) do not go beyond the rights that people already have under Supreme Court orders, with the main exception of maternity entitlements...the Bill is a form of investment in human capital. It will bring some security in people's lives and make it easier for them to meet their basic needs, protect their health, educate their children, and take risks. In short, the food Bill is sound economics.

The Indian media have given voice to the bill's critics, as well. *Tehelka*, which scooped other media as the first to post the [amended text of the bill](#), [noted](#),

It is not a perfect Bill and has been variously criticized for low food entitlements, inadequate attention to nutrition, too much discretion to state governments in identifying beneficiaries, a poor grievance redressal mechanism and providing scope for substituting the Public Distribution system (PDs) with cash transfers...Policymakers clearly have little idea how much implementing the Right to Food will cost...Compounding these problems is the leakage from the PDs, variously estimated by researchers at 40 to 55 percent.

*Business Standard's* Sanjeeb Mukherjee was [equally direct](#):

Managing such a complex scheme will be a big headache for the government. For one, NFSB says that the eligibility for getting benefits under the scheme will be determined by the state governments and will, therefore, vary from state to state...Leakages in the PDS have definitely decreased over the years, of course, and officials claim pilferage is now down to 15-20 per cent. But this is still a matter of concern when put in the context of the government's annual spend of Rs 80,000-90,000 crore [INR 800 to 900 billion] on procurement, storage and distribution of cheap grain.

Blogger R. Jagannathan, editor-in chief of Network18 Group and for years a rather acerbic commentator in the Indian business press, wrote in *Money Control*,

The Right to Food will ruin the market for grain and distort food economics as it involves buying grain at Rs 12-15 a kg and selling it at Rs 1-3 a kg. The bulk of the subsidies will go to keep rice, wheat and

coarse grains farmers in business when demand is moving away to proteins milk, vegetables, fruits, eggs, etc. Supplies of protein foods, the main drivers of food inflation in the recent past, are not rising commensurately. The right to food will thus be addressing a hunger problem that is either not there or may exist only in pockets of India. If acute hunger is reducing, why have a national food security law?

Some [media reported objections](#) from the Right to Food Campaign that “the food entitlement would be woefully short of government’s own norm for nutritional requirement of a person” and that provision of “only 5 kg of cereals to a person in a month not only makes a mockery of the intent of the bill but also goes against the Supreme Court order which had made 35 kilograms of food grains per household an entitlement.”