

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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**NATIONAL FOOD SECURITY ACT OF INDIA AND RELATED CONCERNS**

**SWAPNAMOYEE PRIYABHASINI PALIT**  
**ASST. PROFESSOR**  
**DEPARTMENT OF ECONOMICS**  
**KIIT UNIVERSITY**  
**BHUBANESWAR**

**MAMITA DASH**  
**LECTURER**  
**DEPARTMENT OF ECONOMICS**  
**KIIT UNIVERSITY**  
**BHUBANESWAR**

**ABSTRACT**

*A major section of the population is malnourished fighting the menace of poverty and hunger. So a compatible food security act should address the issue of not only the quantitative aspects but also the qualitative aspects of food insecurity as reflected in terms of malnourishment and undernourishment. The proposed national Food Security Act (NFSA) aims to address the issue of providing food security to the Indian population. The policy makes special provision for the vulnerable groups like women and children and also seeks to reform the PDS. However there are a number of issues which has raised concern about the successful implementation and completion of the act in achieving its target. This includes the reform of the PDS system, issue of gap between MSP and the market price of these crops, protection of the small and marginal farmers, adequate and proper procurement of foodgrains, the subsidy bill hike and the financial feasibility and its compilation with the WTO Agreement on Agriculture. The present paper raises these concerns and tries to address them in the light of the existing facts and figures.*

**KEYWORDS**

Articles of Agreement, Food security, PDS, WTO.

**INTRODUCTION**

Agriculture occupies a very important position in India because of its vital contribution not only in terms of foodgrain production but also in providing direct and indirect employment to a large section of the population. Its link with the industrial and service sector is immense through the provision of inputs of production as well as the required labour force. Overall it fuels the economic growth of the nation. All said and done, its most important contribution is to ensure the food security of the entire nation. The proposed National Food Security Act aim at addressing the issue of hunger and undernourishment of a large section of the population in the country. However the proper implementation and success of such a massive programme has raised many concerns which need to be adequately addressed in an overall perspective. This relates to the problems of procurement, storage, efficient and uncorrupted functioning of the PDS system, compliance with the WTO Agreement on Agriculture, hiked subsidy bill etc. There is also concern for failure of procurement in case of unnatural climatic conditions as Indian agriculture is still largely dependent on the vagaries of monsoon due to dominance of small and marginal farmers and inadequate irrigation facilities. This paper raises some of these issues and attempts to address these concerns in the light of the existing facts and figures. For this purpose the paper has been divided into three sections. The first section deals with the issues of the proposed Food Security Act, the second section discusses the WTO AoA and the third section attempts to address these concerns in the light of the existing facts and figures.

**ISSUES OF FOOD SECURITY IN INDIA**

In India, more than 500 million people live on an income of less than \$1.25 per day. A major section of the population is malnourished fighting the menace of poverty and hunger. To carry this argument further, there is a divergence between the prevalence of poverty of expenditure (measured in terms of per capita income) and poverty of under nutrition (measured in terms of intake of calories). Though the 'poverty of expenditure', has declined over the years, the 'poverty of under-nutrition', has increased. So any Food Security Act based on poverty measures would be flawed if it fails to take into account the large scale existence of undernourishment in the country. According to figures while the poverty of expenditure has declined from 45.6% in 1983 to 33.8% in 2009-10, the Poverty of under-nutrition has increased from 66.1% to 90% over these years. So a compatible food security act should address the issue of not only the quantitative aspects but also the qualitative aspects of food insecurity as reflected in terms of malnourishment and undernourishment.

The proposed National Food Security Act (NFSA) aims to address the issue of providing food security to the Indian population. It seeks to cover 75% of the population with a 50% urban and 90% rural population coverage. For this purpose the households would be categorised as priority and general households. The priority households would receive subsidised foodgrains of 35kg per month fixed at Rs 3 kg for rice, Rs 2 for wheat and Rs 1 for millets. This is estimated to be covering 46% of the rural areas and 20% of the urban area population. The general households would receive 20 kgs of these subsidised foodgrains at a price not more than 50% of their Minimum Support Price (MSP). The policy makes special provision for the vulnerable groups like women and children and also seeks to reform the PDS.

However there are a number of issues which has raised concern about the successful implementation and completion of the act in achieving its target. The bill seeks to provide only 35.71% of the 14 kg of foodgrain requirement per month per person as recommended by the Indian Council of Medical Research. Also its limitations to provide only some cereals and not including protein food like pulses etc would not address the issue of malnutrition. Also in the absence of adequate monitoring of the PDS system, the Act would again be a breeding ground of hoarding and corruption. Last as government is going to be the single largest taker and disposer of foodgrains after the implementation of the act, the issue of price settlement in the open market for the excluded lot has to be adequately addressed. Again the small and marginalised farmers would be left out as they need the protection of the government in the infrastructure, monetary and market facilities. So along with this a fair price of their products has to be ensured. About the financial aspects, the huge rise in the subsidy bill in the face of the present financial crisis of the government which would arise due to the bill has to address the feasibility issues in this aspect.

The expert committee on the NFSA set up by the Prime Minister has not only studied the feasibility but has also recommended ways for its sustainable implementation. According to it, the actual foodgrain requirement would be 54.04 million tonnes in Phase I and 58.58 mt in the Final phase (rather than 49.38 and 55.59 mt respectively as projected by the NAC) taking into account the off-take of wheat and rice at 95% for AAY and BPL household's 3 year average. It is 85% for the APL households over this period. And again this off take price at present is more than the price proposed by the NFSA. A 100% offtake prediction puts the requirement at 58.76 mt and 63.98mt respectively. Along with its 8 mt for running the various welfare measure schemes, 2 mt as buffer stock to recycle the stored grains to avoid deterioration puts the total requirement at 68.76 mt and 73.98 mt based on the population projection of October 2011 for phase I and October 2013 for Phase II of the programme.

Regarding the amount of procurement over the years, there is seen a fluctuation in different years depending on the productivity which in turn is dependent on the natural conditions. As the agriculture in India is still subject to irregularities of monsoon due to lack of adequate irrigation facilities, it increased in some years while declined in the drought hit years. Keeping the procurement trend over the years, the expert committee assumes a procurement of 30% of the overall production which implies 56.35 mt in 2011-12 and 57.61 mt in 2013-14. A higher procurement level would push up the open market price which will hamper the purchase of both the priority and general households as the given facility is not going to cover their overall monthly consumption according to the estimation of their average monthly per capita consumption (MPCE) of wheat and rice by the rural and urban household estimated by the NSSO's 2004-05 consumption expenditure survey. The estimated subsidy required for Phase I works out to be Rs 85584 crores and for the final phase to be Rs. 92060 crores estimated by the expert committee against Rs. 71837 crores and Rs. 79931 crores respectively as estimated by the NAC. This would be an additional subsidy of Rs. 28,884 crores and Rs.35360 crores in phase I and the Final phase according to the expert committee estimation on the assumption of a 100% offtake of these foodgrains. Along with this there would be the additional cost of storage over and above the existing capacity of 42.5 mt, increased MSP for increased procurement and supplying the subsidised foodgrains at MSP to the non-entitled households.

### WTO AGREEMENT ON AGRICULTURE (AOA)

The AoA aimed at removing all barriers to trade of agricultural products and to reform the sector was agreed upon by the member countries of the WTO for the first time in 1995. It covers the agricultural products like milk and its related products, live animals and their product such as meat and other leather products, cereals such as rice, wheat etc. This also includes fibres (such as silk, wool, and cotton), tobacco, alcohol etc. However forestry and fish products are excluded from this category.

The AoA necessitates reforms in 3 main areas i.e., market accessibility, Domestic support and subsidies to exports.

**1. MARKET ACCESSIBILITY:** As far as accessibility to market is concerned it is through reduction of non-tariff barriers and removal of all forms of quantitative barriers and replacing them with tariffs. The developed countries have to reduce their tariff by 36% with a minimum reduction per product by 15% within 6 years from 1995 to 2000 while the developing countries have to do this by 24% with a 10% minimum reduction per product. The LCDs were exempted from any such reduction with a commitment of not raising their existing rates.

The distortion in this aspect against the developing countries was obvious. The developed countries had already a very high tariff rate and so a 36% reduction was minimal and thus could continue with their high tariff. The developing countries with a low tariff were only given an option of a slight lesser reduction rate and a time period. Again those who went for tariffication of their quantitative restrictions were protected under 'special safeguard', provision under which they could protect their farmers in case of above specified limit import increase or a fall in price. Thus the developed countries could continue with their 'trade distorting' options under a covered garb. Most of the developing countries which had no non-tariff barriers could not benefit from this process.

**2. SUBSIDIES UNDER DOMESTIC SUPPORT MEASURES:** The removal of subsidies under this aspect was categorised under 3 schemes (i) The Amber Box included the subsidies on inputs as well as the supporting price mechanism which affected production and so was 'trade distorting'. This is calculated in terms of the 'Aggregate Measurement of Support (AMS)', where  $AMS = (GSP - ERP) \times (\text{Total quantity eligible for support}) / (\text{Total value of production of commodity})$ . Thus the AMS is the difference between the price fixed for government support and a fixed External Reference Price (ERP) which is predetermined under the AoA. This is multiplied with the total quantity for which support is to be provided as percentage of the total value of production of the commodity (expressed in terms of administered price). Exception under this category is 5% for the developed countries and 10% for developing countries. Above this limit subsidy has to be reduced by 20% within 5 years by the developed countries and by 13% within 10 years by the developed countries (1995-2004). Complete exemption for the LDCs which have to keep it below the *de minimis* level which is the permitted level for the developing countries.

The Green Box included the subsidies on categories not directly related with production like aspects of marketing, research and development etc. The Blue Box includes the compensating subsidies provided to farmers for quantitative restrictions.

**3. SUBSIDIES FOR EXPORTS:** The subsidies provided on exports was to be reduced by 36% in value and 21% in quantity over 6 years by developed countries and 24% and 14% respectively over 10 years by developing countries.

### OVERALL FEASIBILITY OF NFSA AND IMPLICATIONS OF WTO AOA ON IT

The overall feasibility of the NFSA has to be seen from all aspects i.e., not only from its non-violation of the WTO norms but also its sustenance keeping in view the production, procurement and distribution aspects.

As far as India is concerned, its NFSA's provisions do have some issues of violating the norms under WTO AoA but in a blurred way. Taking the case of our major foodgrain i.e. wheat and rice, though it has a positive price gap under certain methods of Fixed External Reference Price(FERP) but post adjustment with the currency depreciation and inflation in the country, the price gap turns out to be negative. The increase in the MSP after 2007 has again turned this price gap negative even after these adjustments. Again the calculated rice by AMS is above the *de minimis* limit by both production and procurement at FERP. A similar positive price gap using FERP for wheat as well as a large AMS above *de minimis* limit by both production and procurement is observed. However many issues is to be highlighted here. Foremost the non-product specific AMS in India for its inputs and services like fertilisers, electricity etc is below the *de minimis* level for all years which can be tapped to its advantage to calculate the overall AMS support. However a lot of complications exist in these limits depending on the various interpretations of the rules of AoA as well as the quantity to be used for calculation which needs to be resolved. Here it can be pointed out that the MSP on wheat in India is very much skewed towards wheat and paddy. Its MSP is very near to its market price such that it distorts the market by influencing the farmers' choice. A lot of gap exists which can be plucked here to come into terms with AoA where it violates. In brief, the disagreement with the AoA will be addressed if the subsidies are given to the consumers directly through cash transfers, there are no restrictions on exports which are trade distorting and if farmers are protected through non-product specific subsidies (i.e., subsidies on fertilisers and electricity) so that NFSA will not violate the WTO AoA.

**FOODGRAIN PRODUCTION:** As far as the NFSA is concerned, it has to be considered in light of the existing productivity and stock of foodgrains. Looking at the present scenario while the price of major foodgrains like wheat and rice are high in the market, the government has huge undisposed stock. There has been record production of wheat and rice in 2011-12 with a Total Central Pool of 80.5 mt which consists of 49.8 mt of wheat and 30.7 mt of rice. This section throws light on the crop productivity in India.

The investment in the agriculture and Allied sector has been very low in India. If we go by division, the percentage share of public investment in this sector in the Total GDP at 2004-05 prices has rather shown a decline from 0.5% in 2004-05 to 0.4% in 2011-12, while private share has increased from 1.8% in 2004-05 to 2.2% in 2011-12 as can be seen from Table 1. The matter is of more concern as it can be seen that the share of public sector has been declining over the years while that of the private sector has been increasing till 2009-10. However it has shown some decline in 2010-11 while increasing back again in 2011-12. The total share of investment in the Agriculture and Allied sector as percent of the total GDP therefore has shown an increase till 2008-09 to 2.9 after which it has started declining and is 2.6% in 2011-12.



TABLE 1: SHARE OF PUBLIC AND PRIVATE INVESTMENT IN AGRICULTURE AND ALLIED SECTORS IN TOTAL GDP\*(2004-05) PRICES

Year	% share in Total		Total
	Public	Private	
2004-05	0.5	1.8	2.3
2005-06	0.6	1.9	2.4
2006-07	0.6	1.8	2.4
2007-08	0.5	1.9	2.5
2008-09	0.5	2.4	2.9
2009-10	0.5	2.3	2.8
2010-11	0.4	2.1	2.5
2011-12	0.4	2.2	2.6

Source: Central Statistics Office

\*GDP at market prices (MP) \*\*\*, \*\*, \* -First, Second and Third Revised estimates

TABLE 2: AGRICULTURAL LAND USE IN INDIA (IN MILLION HECTARES)

S.N.	Classification	1950-51	1990-91	2000-01	2009-10(P)	2010-11(P)
I	Geographical area	328.73	328.73	328.73	328.73	328.73
II	Reporting area for land utilisation statistics	284.32	304.86	305.19	305.83	328.73
	(i) Net Area Sown	118.75	143.00	141.34	139.18	141.58
	(a-b)					
	(a) Total Cropped Area (Gross Cropped Area)	131.89	185.74	185.34	188.99	198.97
	(b) Area sown more than once	13.15	42.74	44.00	49.81	57.39
III	Cropping Intensity*	111.07	129.89	131.13	135.79	140.54
	Net Irrigated Area	20.85	48.02	55.20	61.94	63.60
	Gross Irrigated Area	22.56	63.20	76.19	88.09	89.36
IV	Net Area sown as % of reporting area of land Utilisation statistics	42%	47%	46%	45%	46%

Compiled from data of agricultural statistics; \*Cropping Intensity is percentage of the Gross Cropped Area to the Net Area Sown

Source: Directorate of Economics and Statistics, Ministry of Agriculture

Table 2 shows the use of agricultural land in India. The main uses of land utilisation in India is under forest, land not available for cultivation which consists of non-agricultural uses and the barren and uncultured land, land not cultivated which consists of pastures and grazing land, culturable waste land and those covered with tree crops and groves, fallow land and lastly net sown area or cultivatable land. The Net Sown area consists of the Gross cropped area minus the area where sowing of crops is done more than once. The Net sown area as a percent of the total land utilisation area after showing an increase from 42% in 1950-51 to 47% in 1990-91 has remain stagnant at 46% even in 2010-11. This shows that the total cultivable land has not increased area wise. Rather the increase in foodgrains is through more intensive cultivation which is reflected by the increase in area sown more than once from 13.15 in 1950-51 to 57.39 in 2010-11. However within the overall cultivable land variation in area sown for individual crops is observed with some crops showing increased area coverage while some other shrinking due to different factors like price support and other incentives. This can be marked from Table 3.

TABLE 3: AGRICULTURAL LAND USE IN INDIA OF MAJOR AGRICULTURAL CROPS BY % SHARE OF AREA TO GCA AND PRODUCTION (IN MILLION TONNES)

Crop	% share of area to total Gross cropped area		Increase /Decrease	1990-91	2000-01	2010-11	2011-12	2012-13	% increase
	2005-06	2010-11							
Rice	22.71	22.05	Decrease	74.29	84.98	95.98	105.30	104.40	41
Maize	5.01	4.22	Decrease	8.96	12.04	21.73	21.76	22.23	148
Wheat	0.85	14.99	Increase	55.14	69.68	86.87	94.88	92.46	68
Coarse Cereals	15.22	14.20	Decrease	32.70	31.08	43.40	42.01	40.08	23
Total Cereals	51.72	51.24	Decrease						
Gram	3.59	4.46	Increase	5.36	3.86	8.22	7.70	8.88	66
Tur	1.84	2.16	Increase	2.41	2.25	2.86	2.65	3.07	27
Total pulses	11.58	12.94	Increase	14.26	18.44	18.24	17.09	18.45	29
Total foodgrains	63.31	64.18	Increase	176.39	196.81	244.49	259.29	255.36	45

\*Provisional

Source: Directorate of Economics and Statistics, Department Of Agriculture and Co-operation

Table 3 reflects the percentage share of area covered by some major crops cultivation to the Total Gross Cropped area over the time period 2005-06 to 2010-2011. It is seen to have decreased for rice, maize and coarse cereals while it has increased for wheat to a large extent from 0.85% in 2005-06 to 14.99% in 2010-11. The overall coverage to total cereals has decreased from 51.72% to 51.24% over this time period. The percent of area coverage has increased in case of pulses like Gram.Tur (Arhar). So the total % of area coverage under total foodgrains has increased due to increase in wheat as well as that covered by pulses. Observing the actual production change, it is seen that though the wheat production has shown an increase in area coverage by almost 14%, its production has increased by 148% for maize, 41% for rice and 23% for coarse cereals. Similarly the pulses and its varieties has shown varying increase in percentage over this time period.

According to Report of the World Food and Agricultural Organisation, 2011, India ranks first in the production of pulses and milk which are two of the main protein content food. It ranks second in the production of wheat, paddy rice, groundnut (in shell), fruits and vegetables etc. Yet millions of people in the country are hungry or malnourished. Its granaries are loaded with foodgrains, while the market price is inflationary for major foodgrains. This calls for the proper implementation of its food policy so as to ensure food security for the millions of poor in the country.

About the concern of drought or unnatural weather condition affecting the production possibility, the matter can to some extent be not of much concern if we observe the trend of rainfall over the years. Table 4 shows that out of 36 meteorological sub-divisions almost on an average 30 sub-divisions have excess to normal rainfall over the period 2001 to 2013. Only exception was 2012 which was a drought year with 13 sub-divisions getting deficient/scanty rainfall. So in this front also the setback approach in implementing the policy in the apprehension of an adverse situation will not be justified.

TABLE 4: SOUTH WEST MONSOON (1<sup>ST</sup> JUNE-30 SEPTEMBER)

Year	No. of Meteorological Sub-divisions@excess/ Normal rainfall	Deficient/scanty rainfall	% of Districts with normal/excess rainfall	Actual rainfall as % of normal rainfall (All India)
1990	32	3	88	119
1991	27	8	68	91
2001	30	5	68	92
2010	31	5	69	102
2011	33	3	76	101
2012	23	13	58	92
2013	30	6	72	106

\*Total No. of Meteorological sub-divisions which was 35 upto 2001 is 36 onwards 2002

Excess Rainfall- >+20% of the Long Period Average Rainfall(LPAR) ,Normal Rainfall(N)- 19% < N<-19% of LPAR; Deficient Rainfall(D)- -20% < D < -59% of LPAR ; Scanty Rainfall (S)- -60% < S < -99% of LPAR

Source: Directorate of Economics and Statistics, Department of Agriculture and Co-operation

This programme can to a large extent be supplemented by Indian's export and import of agricultural commodities. India has also been the largest exporter of rice and wheat in the financial year 2012-13 worth 10.1 mt and 6.5 mt respectively. Along with this there is a positive growth projection for agricultural production over the years by OECD-FAO Agricultural Outlook -2013-22. Also measured in terms of Terms of Trade, the scenario is welcoming. With 1990-91 as the year, the Index of Terms of Trade (ITT) between agricultural and non-agricultural sector is found to improve from 100.9 in 2000-01 to 102.6 in 2009-10, according to the Directorate of Economics and Statistics, Department of Agriculture and Co-operation.

**PROCUREMENT OF FOODGRAINS AND DISTRIBUTION:** The procurement of foodgrains by the FCI is also full of flaws. For instance, 70% of the foodgrains are procured from states of Punjab, Haryana, Chattisgarh and Madhya Pradesh. This has not only lead to distortions of agricultural crop production but has also increased their prices by crowding out private players throughout the country. In many states like Karnataka, Kerala, Madhya Pradesh, Rajasthan etc., the state government gives bonuses over and above the MSP to influence the farmers to grow crops. This has distorted the production in favour of the bonus given crops. Also there is no uniformity maintained in these incentives given which varies from Rs 270 per quintal in Chattisgarh to Rs 450 per quintal in Kerala. In Madhya Pradesh this has not only led to tremendous increase in the area production but also in the overall distorted crop diversification with more bias towards subsidised and incentivised crops like wheat at the cost of other foodcrops, horticulture etc.

TABLE 5: STATEWISE PRODUCTIO AND PROCUREMENT OF WHEAT+RICE IN 2009-10

States	Procurement of Wheat+Rice as % of the Total Production	Rank	Rice Production(MT)	Rank	Wheat Production(MT)	Rank
West Bengal	7.46	12	14.34	1	0.85	8
Uttarkhand	16.41	9	-	-	0.85	8
UP	11.65	10	10.81	3	27.52	1
Tamil Nadu	22.68	8	5.67	6	-	-
Rajasthan	6.69	13	-	-	7.50	5
Punjab	74.32	1	11.24	2	15.17	2
Odisha	32.72	7	6.92	5	-	-
Maharashtra	4.15	14	2.18	12	1.74	7
Madhya Pradesh	49.83	4	1.26	15	8.41	4
Kerala	49.25	5	0.60	16	-	-
Karnataka	2.09	15	3.69	9	0.25	9
Jharkhand	0.66	16	1.54	13	0.17	10
Haryana	58.87	2	3.63	10	10.50	3
Gujurat	0.02	18	1.29	14	2.35	7
Chattisgarh	57.85	3	4.11	8	-	-
Bihar	11.44	11	3.60	11	4.57	6
Assam	0.24	17	4.34	7	0.06	11
Andhra Pradesh	48.29	6	10.54	4	-	-

Source: Directorate of Economics and Statistics, Department of Agriculture and Co-operation

Table 5 shows the production and procurement of wheat and rice as % of total production in 2009-10 in the different states. The states have been ranked according to the procurement from the state as % of their total production as well as in terms of their rice and wheat production separately. The lop-sidedness of the procurement procedure can be clearly marked. Punjab ranks first in terms of total procurement which goes well as it also ranks second in both rice and wheat production. But Haryana which ranks second in terms of % of procurement is ranked 10<sup>th</sup> in rice production and 3<sup>rd</sup> in wheat, Chattisgarh occupying 3<sup>rd</sup> rank in procurement has 8<sup>th</sup> rank in rice production and had negligible wheat production. Similarly if we mark Kerala, it is ranked 16<sup>th</sup> in rice production and negligible in wheat production yet 5<sup>th</sup> in terms of % contribution to procurement of its overall production. This call for decentralised procurement where the states can be asked to procure and distribute through designated FPS to the beneficiaries.

**TABLE 6: PRODUCTION AND PROCUREMENT OF WHEAT AND RICE (2000-14) IN MILLION TONNES**

Year	Production				Procurement	
	Rice	Wheat	Total(1+2)	Total foodgrain production	Wheat+Rice	Col 5 as ratio of Col.3
	1	2	3	4	5	6
2000-01	84.98	69.68	154.66	196.81	41.91	27.10
2001-02	93.34	72.77	166.11	212.85	41.18	24.79
2002-03	71.82	65.76	137.58	174.77	32.22	23.42
2003-04	88.53	72.16	160.69	231.19	39.62	24.66
2004-05	83.13	68.64	151.77	198.36	39.47	26.01
2005-06	91.79	69.35	161.44	208.60	36.88	22.89
2006-07	93.36	75.81	169.17	217.28	36.24	21.42
2007-08	96.69	78.57	175.26	230.78	51.43	29.34
2008-09	99.18	80.68	179.86	234.47	59.07	32.84
2009-10	89.09	80.80	169.84	218.11	53.98	31.78
2010-11	95.98	86.87	177.41*	244.49	53.22**	30.00
2011-12	105.30	94.88	187.82*	259.29	56.35**	30.00
2012-13	105.24	93.51	198.75	257.13	59.62	30.00
2013-14	106.54	95.91	202.45	264.77	57.61**	30.00

Note: \*Projection as per Department of Agriculture and Cooperation, GOI

\*\*Assuming an optimum procurement of 30% of the Total Production

Source: Database on Indian Economy, RBI's Data Warehouse; Report of The Expert Committee on National Food Security Bill, 2012-13; Economic Survey of India, 2005-06  
 Table 6 shows the production and procurement of wheat and rice over the years. Wide fluctuation is observed in rice production decreasing from 93.34 mt in 2000-02 to 83.13 in 2004-05 and then a similar trend till 2009-10 after which it is seen to be increasing over the years. For wheat with a similar fluctuating trend over the years it shows an increasing trend from 2006-07. Obviously the same trend of variation is observed in the total production of wheat and rice combined. The procurement of these foodgrains as a proportion of their total production can be observed from column 6 of table 6. It shows a variation with the yearly production. It shows a decline from 27.10% in 2000-01 to 21.42% in 2006-07 after which it shows an increase till 2009-10. On an average over the years from 2000-01 to 2009-10 the procurement is assumed to be at an optimum level of 30% of the total production which thereby has been used to estimate the procurement amount from 2010-11 to 2013-14 by the Expert Committee for the NFSA appointed by the prime minister of India.

**TABLE 7 (I) AND (II) REGRESSION RESULTS**

i.Regression Results of Wheat+Rice procurement as a proportion of the total Production of foodgrains in the time period 2000-01 to 2013-14					
Multiple R	Adj R	R <sup>2</sup>	se	Observation	
0.876	0.748	0.707	5.003	14	
ANOVA					
	df	SS	MS	F	Sig F
Regression	1	994.03	994.03	39.71	3.94E-05
Residuals	12	300.37	25.03		
Total	13	1294.407			
Y= -27.22 + 0.333 X se (11.897) (0.0528) t (-2.287) (6.3017) t <sub>0.05,12</sub> = 1.782					
ii.Regression Results of wheat+rice procurement as a proportion of the total Wheat+Rice Production during the time period 2000-10 to 2013-14					
Multiple R	Adj R	R <sup>2</sup>	se	Observation	
0.879	0.7729	0.754	4.948	14	
ANOVA					
	df	SS	MS	F	Sig F
Regression	1	1000.561	1000.561	40.860	3.44E-05
Residuals	12	293.845	24.487		
Total	13	1294.407			
Y= -36.54 + 0.49 X se (13.18) (0.0767) t (-2.772) (6.392) t <sub>0.05,12</sub> = 1.782					

The regression results of total wheat and rice procurement as a proportion of the total foodgrain production is shown in Table 7(i). It shows that it is only 0.33 per 1 unit increase of the overall increase in foodgrain production. However the 't' test is significant showing a significant increase in the overall foodgrains procurement as a proportion of the overall production over the years in the chosen time period. This thus reflects the untapped potential which can be harnessed in case of increased requirement. However the issues like increased procurement would increase the open market can be addressed by issuing smart cards to the beneficiary households who can purchase the required foodgrains at a reduced price from retail shops owners designated for the purpose who can then be re-imbursed the subsidised amount by the government. This will in addition release the pressure of added procurement and storage cost to a large extent. The F test is also significant showing that there are wide inter years variations in the procurement of total wheat and rice as a proportion of the overall production of foodgrains in the country. Table 7(ii) shows the regression results of the total wheat and rice procurement as a proportion of the total wheat and rice production over the time period 2000-01 to 2013-14. The 't' value was found to be significant which indicated that the procurement of wheat and rice was a significant proportion of their overall production over this time period. However the significant F value also indicates that there are wide variations in the procurement in the in-between years. As can also be seen from Table 6 that the procurement as a proportion of the total wheat and rice production has shown fluctuations over the years.

India's agricultural market is facing a paradoxical situation of high production of food grains and yet inflationary food prices in the country clearly pointing towards the non-optimal management of this sector. Some of these loopholes need to be immediately plucked. A wheat stock of 10 million tonnes was to be liquidated along with other food grain stocks according to 2013-14 Kharif Price Policy Report. This was also to reduce the huge carrying cost of these foodgrains. The same trend of excess stock also continues this year. The locked value in these 'excess stocks', was estimated at more than Rs.64000 crores which need to be liquidated. In the absence of a specified limit for the buffer stock, the huge stock piled up not only leads to the deterioration of the available foodgrains but also causes shortages in the open market leading to their price rise. This point towards the huge untapped potential which if clearly plucked can go to a large extent in fulfilling the objectives of the NFSA.

Even as the food subsidies continue to increase, it has failed to reach all the beneficiaries. According to the Commission For Agricultural Costs and Price's calculations, there is a leakage worth 40% from these stocks with immense adverse effect on food subsidies and market prices of these foodgrains. While in some states like Tamil Nadu, Andhra Pradesh, Odisha and West Bengal the leakages is less than 25%, in other states like Maharashtra, Gujarat, Rajasthan, Karnataka and Himachal Pradesh these leakages are in the range of 25% to 50%. In Madhya Pradesh and Uttar Pradesh the leakages are as high as 50% to 75%. In Punjab and Bihar the leakages are more than 75%. In the face of such rampant corruption the actual beneficiaries are left out. There are many people with ration cards though not belonging to the beneficiary group while many poor do not have their names on the ration card lists. Again in the absence of adequate information to the beneficiaries about the exact quantities of food grains provided by the government, they do not receive the exact quantities which are rather sold by the retailers in the open market at higher prices.

To meet the upbeat target of the NFSA drastic reforms are required in the on-going process. This includes a reform of the entire PDS in line with the experimental success in states like Tamil Nadu, Chhattisgarh, Delhi, Uttar Pradesh, Madhya Pradesh etc. Though no uniform measures may be applicable for all states but it can include computerisation of the PDS through barcoding of food grains bags from FCI to FPS and then to the final beneficiaries. Use of Generic smart cards can enable the beneficiaries to avail the required quantity from FPS to open market. Along with these, increasing the storage capacity of the PDS as well as stopping corruption and leakages would ensure the success of the programme. Various suggestions in this regard include allotting the FPS to co-operatives, Self-Help Groups, State Civil Supply Organisation etc.

## CONCLUSION

The NFSA is an innovative scheme reflecting an all comprehensive and vast outlook. Steps like cash transfers to the beneficiaries would not be the right alternative in this matter because the main aim of the act is to address and eliminate food insecurity and malnutrition which can be achieved only by a proper and adequate allocation of these foodgrains and cereals to the needy lot. Rather the feasibility is to be judged and as recommended by the expert committee in case of any shortage symptoms due to less procurement or production due to natural factors the availability to the general households can be adjusted depending on these factors. The observation of the above facts and figures shows that the apprehension is more because of the fear of failure in meeting the obligation rather than a severe attempt to implement the programme with strict reform measures. With gradual progress of the programme the mix of foodgrains can be extended to protein rich food items like pulses, fruits, egg etc which will not only address the issue of malnutrition but also leads to diversification of agriculture. Earlier the success of many such welfare schemes has either achieved their targets or have crafted the path to pick up the thread to continue. With a similar expectation the programme can be taken with a hope of good success.

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