

## ADDRESSING OPPORTUNITIES FOR HOUSEHOLD FOOD SECURITY IN THE EMERGING ECONOMY

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The country is groaning with food stocks. The Food Corporation of India can neither store nor sell and is accumulating more. With rising cost of procuring, storing and not being able to sell, the central subsidy to FCI has reached a staggering 14000 crore rupees. The finance ministry and policy makers want to cut this rising subsidy. The Finance Ministry has announced that management of the public distribution system including procurement, storage and sale must be handled by the State Government. To induce this the Ministry has offered financial support to states but they are not inclination to shoulder the responsibility. The *Antodaya* scheme will make only a marginal dent on its stocks. The FCI cannot export the grain as its prices are much higher than global prices not in the domestic market as their price is higher. The offer of the FCI to give rice and wheat at procurement prices has no takers in the states. Some states like Andhra Pradesh wants the central issue price to be reduced in order to reduce its own subsidies.

A simple way to use our massive stock would be a food for work programme. But its implementation means investing cash by the states to meet the costs of the non-grain components. Hence the states are not forthcoming for the programme. There is however recognition of the value and urgent need for some relief and food assistance at least for drought and crop failure hit areas in the country. Some skeptics say that the FCI is the opposed to such a programme as it is doubtful of the exact quantities stored and its quality and therefore would not want to stand up and have it counted.

Complaint and cries of lack of food among the poor is being heard even from areas that have witnessed a normal agricultural crop, let alone the several severely drought hit areas. As summer advances the demand for food by the poor will rise. With this also being the period of low employment opportunities the situation will only worsen. Studies have shown that food insecurity is highest in the rural areas from the onset of summer up to the khariff harvest. So for the next six months the poor cannot access food from their own production or employment. Some people are holding demonstrations while the desperate seem to think that then only way out would be to storm the FCI godowns.

An incident during the British rule in Madhya Pradesh told by a friend comes to my mind. A predominantly tribal area was witnessing an acute famine situation. The godowns were full with food stocks and the rich merchants were waiting for the situation to worsen to make a big profit. The administration was a helpless observer to the developing situation and the plight of the people. If the starving people were to loot the godown it would inevitable lead to police firing as protecting private property is the responsibility of the Govt. But following a secret meeting of some tribal leaders with the sympathetic local administration a way out was planned. The District Collector, who is the also the magistrate, and the Superintendent of police would go on a *shikar*. Being somewhere in the forest would mean that they cannot be contacted easily by their subordinates. With the head of the police not available the police were immobilized for some time but as the magistrate was not available nor could the police open fire. In this impasse tribals stormed the godowns and distributed the grain among the needy. On hearing of the explosive situation, the district collector and the superintendent of

police cut short their *shikar* and rushed back and ordered an inquiry. But the imminent starvation deaths were avoided.

The emerging situation is clear – FCI will be downsized or altogether closed and for PDS the Govt. wants to commit a limited liability or have it in a form that is in line with the policies of liberalization and enhancing the role of private players in addressing food security. The buffer at the national level for food security would come from private companies through futures trading in commodities or dollar reserves and the PDS will give way to food stamps. The FCI and the PDS has outlived its utility for the simple reason that it is not financially viable. The tragedy is that the issues of ensuring food security to the poor, who are highly vulnerable to the vagaries of rainfall and the market, is being overlooked. If today India is sitting on a large food reserve, it is an outcome of our national resolve following the humiliating PL 480 experience. While the green revolution increased productivity, the market pull came from procurement policies and prices and the market expansion and through the PDS. The FCI, which played a key role in our moving from a begging bowl to a surplus food basket, must now address the household food needs of the poor to be met and sustained.

A few aspects should be borne in mind. The PDS meets about 20% of the household food requirements. Thus the bulk of the food for the poor has come from the market. This suggests that market expansion and penetration has to be addressed while developing a decentralized food security system. The estimated current expenses of FCI for grain management and storage is Rs 5000 per tonne and the central subsidy is 14000 crore rupees. The issue price of rice by the FCI to states is Rs 9.50 per kg and this is also its procurement price. The current market price at which rice of varying quality is purchased by the poor households is about eight rupees per kilo. A study of savings and loan activities of women groups in rural areas of AP shows that a major portion of the borrowings is towards the purchase of food items and the borrowing peaks between the months of May to Oct. Over 400 Mandals in AP have been declared as drought affected this year.

In meeting the food security needs of the poor, decentralized systems that are managed and controlled by the community is one way forward. The FAO, academics and activists have been advocating for promoting de-centralised food security considering the diverse nature of endowments and traditions in our diverse agriculture. Some saw the imminent downsizing of the FCI as coming. A few village level food security initiatives by NGOs and Govt. agencies such as in the tribal areas of AP were piloted but these could never take off as the FCI had a heavily subsidized programme and an overarching presence and power in the food sector. The issue therefore is of using the available grain with the FCI as an opportunity to build sustainable and decentralized food security. What must be the extension instruments and the business model for promoting and sustaining such a system?

The FCI must come forward to lend rice on credit to various groups such as village level DWACRA groups, NGO's, micro-finance organizations and village panchayats. The current stocks should be used to develop local village level grain banks, deepen the reach of the cereals to the needy communities, build a revolving food fund and involve the community in developing food security to the poor. The FCI would be paid the interest cost for the grain at the rates at which they are borrowing the money from commercial banks along with the cost of transport, handling and the gunny. The grain is provided as a loan to the community. The price of grain can be fixed at Rs.8 per kilogram this year. This is compatible to the current grain prices at which the rural poor are buying rice. As credit is extended to the villagers and a grain bank is being developed they would prefer to take the grain from the

village group. About a fourth of the cost of the grain taken must be paid at the time of taking the grain loan. Initially a poor household could take 50 kgs of rice and would pay seventy five rupees up front. Each week the household would pay Rs 50 and thus repay the grain loan in seven weeks. In order to ensure full recovery of the loan the selection of the groups and the borrowers must be done effectively and systems of collateral and collective responsibility as seen in micro-credit lending must be strictly followed.

Once the borrower has repaid the loan they could take a fresh grain loan. The quantity could be enhanced and this must be decided by the women's collective or the group managing the grain bank. From the sale of 50 kg per household the grain bank would earn an income of 25 rupees. This would meet the cost of managing the food stocks, to employ a person to manage the grain bank and meet the interest costs payable to the FCI. When the village stock is exhausted the FCI or the intermediary agency (SERP in the case of AP) would be informed of the sale and the collection and will be entitled for the next food credit. They could advise the requirement for the next two months. Over a year about 300 kgs of grain will be accessible to each household under the scheme. Assuming an outreach of one hundred families per village the total food grains accessed will be thirty tons annually. With a coverage of ten thousand villages in the first year (a third of the villages in AP) the grain bank would have access about three lakh tons of rice. In money terms it would be pumping in 240 crore rupees to the community groups and exclusively used for accessing grain for which the poor people are desperately seeking state support. And all this from food stocks that currently has not market value to the FCI while burdened with a cost of 150 crore rupees in merely holding it as stocks.

If in the next three years the entire white card holders AP are brought under the scheme it mean a people owned grain bank with about 1.2 million tons. This would mean a saving of 600 crore rupees to the FCI. Each poor household could access almost two thirds to three fourths of their food needs at terms that are attractive to them and within their means to pay. Even if the AP Gov. could use the rice scheme that is presently costing 1000 crore rupees to support this initiative, the poor will be get more grain and within the total amount they are now spending to meet their entire food needs. The white card holders get fifteen kgs at 6.50 for a family of four, whereas under this scheme they would be eligible to twice the quantity at a marginally higher price. But when calculated in terms of the total expenditure at the household level on cereals this would be more economic for the household and thus net saving for the poor. The govt. would over time link the rice mills to the community groups through SERP or any intermediary agency so that the groups could procure rice at levy prices.

The present transaction cost between the rice mills and supplies to the village in the weekly markets is about two rupees while in this scheme this gap would be reduced to 0.50 paisa. At 50 paisa per kg for handling, interest and storage the community group the grain system contributes 60 crores rupees for its management. The grain bank will have its own personnel and under community control and their services can be used further the activities of the groups. Current DWACRA models do not have incomes to pay staff costs and this would provide an opportunity to meet that important need.

A grain bank will build a non rupee based exchange with focus on providing food to the poor people during the period when they need it most and not being adequately available in the public distribution system. It will enable de-centralised, village level and locally managed food security system to be developed which is not centered on finances but by getting rid of

the huge and unbearable stocks which the FCI. The decentralized grain bank enables the realization of the national objective of food security and the institutional objective of the FCI to reduce its large grain reserve. As the poor develop their food consuming habits and basket would seek new dimensions – proteins, variety, vegetables and meat and the Govt. must address this aspect to build the nutritional security which is the core of food security.

The FCI should be happy as it addresses its worries o the high costs of procuring and storing large quantities of cereals. The communities that are desperately seeking food will have it now as well as a system which they could effectively build to meet their food needs and thus reduce their dependence on the govt. would be able to address this urgent problem at hand. If the poor people are able to get the grin then their scarce resources will be used to meet their other basic requirements. The market of the poor must be specifically targeted and serviced to correct the current inadequacies of the market absorption. Finally, which grain stock in the house the self-confidence and bargaining power of the poor is immensely enhanced and when the community is assured of getting it on a continues and assured basis, empowerment and security will get a major boost.