

ADDRESSING HUNGER IN DROUGHT AREAS - TOWARDS A GRAIN BANK IN AP

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Background

Drought is staring into the eyes of the rural people in almost all parts of the state of Andhra Pradesh. Nine hundred Mandals in AP have been declared as drought affected by the state govt. Some areas have received delayed monsoon and farmers are going about pouring grain into the furrows with little hope that they will germinate. The symptoms and effect of drought are visible all around. As a regular and constant response to the engulfing drought people started migrating in search of work. Others who are not able to migrate are in a miserable condition. Some people are without food.

Drought is a recurring feature in the rain fed agriculture areas of Andhra Pradesh. In recent years it is successive and in some areas it is chronic. Bulk of the food grains in AP comes from select well endowed green revolution areas with three districts being food surplus. The rest are food deficit and witness high incidence of poverty and hunger. In such areas the periods of unemployment are long and agriculture incomes irregular. Public and private investments in agriculture in such areas have been traditionally low and falling in recent years due to increasing risk and low productivity. With purchasing power being low and small in size the markets are under developed and people have to travel considerable distance to buy their daily needs. Consumption credit is difficult to get and interest rates are usurious. About two thirds of the monthly income of poor families goes towards buying rice/food grain. Bulk of the rice is purchased in the open market as the supplies from the PDS meets less than a third of the household cereal requirement. With the World Bank leading the AP State Economic Re-structuring Agenda, no new ration cards could be issued while the rice entitlement has been reduced and the PDS price increased. All this makes the poor highly vulnerable during drought.

Introduction

The country is witnessing a debate on food stocks, drought and hunger. As a relief worker a few observations comes to my mind. Food is an every day need and its consumption cannot be postponed. Also responding to a situation of starvation is difficult. It can only be tackled only by addressing the process that leads to it. Its 'signals' are clear and come early. The response to hunger is caught by a growing 'industry' on food security that is intensely debating elusive 'perfect' solutions, remedies and time frames. A blame game between the centre and the state govt. has overlooked bottlenecks and caught on fiscal issues. The state govt. wants money for drought relief while the centre wants to give grain. Food for work is not remunerative to contractors or those in the govt. that write the measurement books. In 1999-2000 the employment generated by all the employment generation programmes of the Andhra Pradesh govt. - JRY, EAS, food for work has together generated less than one person day of employment for the rural work seeker!. The food for work programme is caught in this dilemma of conflicting priorities making it a non-starter.

The central and the state govt. are issuing threats of invoking the essential commodities act against the ration shopkeepers or awards for good performance by them. But in most drought affected areas the ration dealers are unable to get the capital needed for buying the grain from the department of civil supplies. This has worsened after the PDS rice price was increased from three

rupees fifty paise to five rupees fifty paise per kg. The civil supplies staff have to be given bribes for proper weighing and giving acceptable quality of rice from the dealer. The viability of a key member of the chain has been overlooked. Even though the PDS in AP is one of the best in the country in recent years we see many hands changing among the dealers showing a deeper problem. In the drought areas people often do not have the money to buy rice when it arrives in the PDS shop while the dealer borrows short term credit at high interest rates and gets supplies from the Civil Supplies Corporation and therefore wants the stock disposed in one or two days of its arrival.

At the annual shareholders meet the Chairman of Hindustan Lever, Sri Banga, made a strong case for reducing the issue price of rice and wheat to increase consumption and reduce food stocks. Recently the central govt. reduced the issue price for rice and wheat. Whether price reduction would lead to market expansion or deepening of the market in order to reach the needy and the hungry was totally ignored. In my view it would only serve existing markets and the existing consumers will be able to buy rice at lesser prices. Hence the advice of Sri Banga does not address food markets of the poor through effective intervention for enlargement and access but end up subsidising existing markets through price elasticity based demand. This is because there are many kinds of markets, each associated with particular social conditions and relations as well as particular economic circumstances. In large measure the influence of the market is determined by the structure of the broad economy. The economist view of the market is therefore of the dominant market. There is a bruising and often brutal encounter between these and the dominant markets.

The key aspects that we must consider when looking at markets and its potential are - a) influence on factor prices of resources and the determinants on standards, costs and viability and b) the promotional and support measures in terms of subsidies, market distortions, public policy and market access. In servicing the potential food markets of the rural poor we need to know their profile and know how they make their purchases. This will help develop effective ways of mutually acceptable business propositions. While credit and price are known armour with the marketers, aspects of convenience shopping, supply assurance, cost to the consumer, cost of money are key factors in the food deficit areas as they are typified by small, uneven and under developed market structures. But these areas have the highest need and thus the potential to absorb our surplus food stocks. The irony is that the experts fine tuning 'targeting' and defining the 'poor' overlook aspects that deals delivery and outreach.

The reduction in issue prices is a boon to the finances of the state govt. without a single quantity kilogram of additional grain coming in to the PDS. It is this very reason why the food access measures for the very poor such as Annapurna announced by the Prime Minister has not reached the needy. It has helped AP state to reduce its food subsidy. Another section wants the grain to be given free – "why not off load free the abundant food stocks to the poor?" They overlook that while food stock surplus is temporary the fight against hunger is long drawn.

Our food buffer or surplus is not only unable to tackle hunger, but is a part of the problem as it was built through denial. The net rise in production in 1998-2001 was only 3.70 million tons of food grain. But during the same period the yield of fine cereals was higher at 5.10 million tons. Thus we see a fall in the production of the food grain consumed by the poor over the last three years. The irony is that during the same period our buffer has risen by as much as 31.50 million tons during the same period. If 40 to 45 million tons of rice and wheat are to be procured in 2001-2002 and with PDS purchases at 20 million tons, we are likely to have 80 million tons of food grains in our godowns. Between 1993-2000 food grain prices rose by 76% while the prices of manufactured articles went up by 37%. Thus the rural communities are facing adverse relative prices. Forty two percent of India's rural population receive less than the accepted daily food requirement. As the bulk of the poor live in dry land and resource poor areas the underfed in these areas goes up to

65% of the population. The Planning Commission has said that while 25% are below poverty level another 25% consider themselves as being poor.

Current Food Availability under PDS & GOI Schemes

S.No.	Scheme	Quantity	Client
1.	Above Poverty Level	105 lakh tons	Above poverty level
2.	Below Poverty Level	124 lakh tons	Below Poverty Level
3.	Antodaya	30 lakh tons	One Crore Poorest
4.	Food for Work	15 lakh tons	Employment Programmes
5.	Mid Day Meal	25 lakh tons	Children
6.	Annapurna	3 lakh tons	Elderly/Destitute
7.	Exports	30 lakh tons	Global Markets
	TOTAL	332 lakh tons	

The challenge therefore is – given existing surplus food and our failure to provide food to the needy to see if we can develop the building blocks for long term food assurance to poor people in the chronic food deficit and drought areas. Fundamental to this is the poor, hungry and the unheard must be a part in building, managing the control and access to food with the state and development organizations assisting them. It is here that the Andhra Pradesh village level rice bank experience of Centre for Environment Concerns and its partners is interesting.

Relief fatigue

In March this year Sahajeevana, an NGO from Chittoor approached the Centre for Environment Concerns, an NGO based in Hyderabad to take up some relief work in their area as it was severely affected by drought and the situation was alarming. Only in the earlier year CEC spent over a million rupees mitigating drought. While CEC sees the validity of such genuine requests, collecting donations at short notice for relief activities was increasingly difficult. CEC and its friends were looking for less money dependent ways of addressing the relief issue. It was also keen to find a dignified way for the people to access relief as it was appalling to have people beg and fall at the feet of the aid givers and relief workers. Loss of human dignity among people seeking resolution to their abject conditions was extremely worrying. Also, relief measures are for short periods whereas the debilitating effect of drought is much longer.

A way in which relief can move on its own steam, not depend on outsiders and decided by those suffering from its lack was a complex dilemma. The situation called for an approach in which drought relief is a long term commitment rather than a short effort. Thus a long term solution rather than a one time dole was central. We asked ourselves why do we need money whose scarcity was affecting our contributors whereas the need was for food that is supposedly abundant in the country? It was in this background that we decided on developing a scheme of providing rice on credit to self help groups of village women that could be repaid in cash over easy and convenient installments as agreed by them. A “business model” with a rice credit line as the building block for village level community owned grain bank was developed. A preliminary discussion was held with some villagers. They impressed us of the immediate necessity for such programme.

Tackling hunger

The lives of the villagers, more so women revolved round the availability of food. This showed how empowerment of women is closely linked up with food at home. When they are not sure about the next meal, they are more prone to go in search of food rather than attending a meeting

however well meaning it may be. If food is readily available they are under less pressure and ready to participate in community activity. They also have the capacity, time, and inclination to think about others. More importantly it enhances their status and bargaining power. According to the women in the villages assured food is equivalent to a crore of rupees. The villagers were clear that this is neither a dole nor a subsidy, but a loan which need to be repaid and was key to its continuation, something they were keen to have. The question is, will they be able to repay? The women assured that they cannot go hungry and will do some or the other work and repay the grain loan...During the last five months some of them even collected neem seed and sold them to earn money in order to repay the grain loan. When asked why the community has been asking cash as loans instead of grain they said that they considered it shameful to ask for grain in the form of loan, and when the same was offered they did not want let go of the chance.

The response to this idea from the villagers was overwhelming. They developed their own criteria for selection of the households, system for lifting and distributing the grain money collection in installments. They also developed accounting proforma for the grain distributed and money recovered. In some villages they even worked out that it would be cheaper to bring transport supplies for two months when compared to paying the interest rate etc. A danger such a programme faces is that as rice provided is cheaper than market prices, it could be diverted. The villagers came forward to plug this. They only wanted one commitment – assurance that the rice supplies will not be stopped after a few months as witnessed by them in other programmes. The issue was clear – food security is a problem of the development bureaucrat while food assurance is the basic demand of the poor in evolving an effective system of food access.

The Centre for Environment Concerns approached Govt. officials for providing rice @ Rs 6.40 per kg. They said that this was not possible even though it was provided in GO number 12 of the AP Govt. on drought mitigation measures. CEC explained that in all its relief work and despite asking several times the district authorities did not provide rice for drought relief activities as provided in the GO. We pointed out that last year not a single kilogram of 35000 tons of rice provided to drought relief by the Govt. was used! After a presentation to the Secretary to the Chief Minister, the Govt. agreed to issue instructions to provide rice. The Raithu Sahaya Committee (RSC), a citizens body constituted to provide relief following suicides by young cotton farmers in the late nineties and engaged in relief work in the drought areas came forward to provide the investment. With 32,000 rupees that could buy five tons of rice from the AP Civil Supplies Corporation the programme was started in six habitations in the drought declared KV Palle Mandal in Chittoor district with the local NGO, Sahajeevan.

Rice Credit Line – The Scheme

The AP govt. agreed to provide rice at Rs 6.40 per kg as provided in the GO 12 for drought affected areas. The community agreed that the grain will be priced at Rs 7.00 per kg to cover the interest cost, transportation, management and savings for the women groups. Each household will be given up to 50 kgs of rice per month. The villagers had an option to choose between three models. In the first they could draw rice for six lean months and repay over twelve months. In the second model the group was given rice and when the amount is paid back they could take fresh credit. In the third model the rice is provided each month and re-paid within the month in installments. In all cases some money has to be paid up front and the group is responsible for repayment. Most of the villages have chosen the third model. This is observed in areas with high out migration. The interior areas have preferred the second model while the first model is seen in some areas with a combination of irrigated and dry land farming. The rice is drawn from the Mandal Civil Supplies depot by the villagers and transported. “Just in time” procurement and distribution eliminated the need for maintaining stocks. The civil supplies depot provides the grain based on an issue order given by the Joint Collector after the money is deposited in the account of

the civil supplies unit. We are persuading the govt. that the price of rupees 6.40 per kg includes the dealer margin and cost of transportation and hence it should be given to us at issue prices as applicable to PDS dealers.

The scheme started five months ago with five tons. Seeing the excellent response, cent per cent recoveries and demand this was increased to fifteen tons in the next month. Soon DPIP groups in the districts of Vizianagaram and Mahabubnagar joined in implementing this programme. The programme has been operational for four months in one districts each in the three regions of the state and one thousand tons of rice has been availed in fifty villages. In all the places the recoveries have been as agreed and clearly shows the will of the poor to make this scheme effective. Several neighbouring villages of the pilot made requests to the AP Govt. for extending the scheme and submitted a petition to government officials in the last Janmabhoomi programme.

On 8th August 2001 the Department of Civil Supplies of the AP Govt. issued a GO providing ten thousand tons of rice for drought affected areas on a one year credit. The Society for Elimination of Rural Poverty (SERP), an autonomous body promoted by the AP Govt. was appointed the nodal agency to implement the enlarged programme. CEC is involved in this expansion and in learning from it with a view to build and advocate such an approach of grain banks in all the food deficit and chronic drought areas in the country. Three more districts are now implementing the scheme while the earlier ones are covering new villages. Reports indicate that the entire ten thousand tons will be over by October 2001. The State Govt. has assured enhancing the credit line based on demand and repayment. The convenor of the Raithu Sahaya Committee Sri Keshavrao Jadhav and the author of this article Sri. K. S. Gopal were invited by Sri. George Fernandes the convenor of the NDA to Delhi to discuss the experience. This was followed with his facilitating a meeting with Sri. Shanta Kumar, Minister for Civil Supplies who agreed to implement such grain banks using existing food stocks for drought areas in the country.

What the villagers tell us

Experience with this scheme for the last five months is encouraging. Ready availability of food grain induced a sense of satisfaction and happiness among the beneficiary families, particularly among female members of these families. As it is the women who cook and serve food, lack of food grain in the house when children were very hungry or when relative came calling on them is a source of great mental stress. The pain is indescribably when they are not able to assuage the hunger of their children or are not able to serve food to the visiting guests/relatives from other villages. Ready availability of grain at affordable rates and on affordable terms relieved the female members of these families from mental stress, as now they are able to entertain the requests of the children and relatives

The grain bank helps the families to reduce their dependence on open market as well as the traders. Previously as the amount of grain supplied through PDS is inadequate they were forced to turn to the open market to meet their needs. Added to these as money is not readily with them they have to incur heavy debts with the local traders who charge exorbitant interest rates. With this scheme their dependence on open market and traditional money lenders declined raising their net income. Money saving became possible because of low prices compared to market prices. No wonder that this led to jealousy of the traders

With their position becoming more stable the beneficiaries are able to increase their bargaining power vis a vis with both the farmers and traders. In the case of farmers they are able to raise their daily wages, and in the case of traders they could resist cheating on weight.

The improved food access also laid the path to improved family relationships. Previously they used to spend more time in search of food. Besides this, in the absence of food tension in the air used to keep the internal family relations boiling. Now the family could spend more time with each other in peace. As the programme is run by women's groups their role in decision making within the family is enhanced. The success of this has its own implications for the dynamics of the women's organisation. As they have more time at their disposal women are attending the group meetings more frequently. The frequent holding of these meetings also helped to increase unity among them. This in turn led to expeditious and speedy formation of SHGs.

The villagers say that the present rice scheme is equivalent to all the govt programmes taken up until now. This prompts them to say, "we are ready to do what you want".

The most gratifying aspect is that the development and relief worker is enthused that something works and easily being owned by the community and enhances their commitment for working towards long term measures to tackle the consequences of drought. Some groups are discussing on setting aside one kilogram from the borrowing of each person and provide it to households or individuals that need grain and cannot for the present repay money. In Vizianagaram ragi which is locally produced will be included in the grain bank during the summer months.

We have a situation of hungry people, drought affected areas along with bursting with food stocks. The Food Corporation of India and the AP Civil Supplies Corporation has more than three times the quantity of grain needed for the PDS and if the food stocks were piled in a line it would cover the distance up to the moon!. It costs the FCI alone 14,000 crore rupees to maintain stocks. The understanding and experience narrated in this note may have something for some of us to think. After implementing the scheme the following emerged as the positive and negative aspects as articulated by the user groups in the KV Palle Mandal in Chittoor:

Positive

- Money is saved as the price is lessor than in the market.
- They are assured to get food three times in a day and on time.
- Helps escape from famine
- Dependence on others is reduced.
- Will be able to bargain on wages.
- Helps in having a sense of happiness.
- Helps those who migrate to be sure that their households are taken care.
- Unity among the members will go up.
- Can help others to some extent on matters of food.
- Relationships within the family will improve.
- Respect in society goes up
- Women are willing to form groups and run the rice scheme

Negative

- Small credit consumption credit availability may decline or end.
- If the scheme is only for a short while it will make the poor worse of and loose traditional credit line.
- If all the villagers do not get rice it may create fights among the villagers.
- The scheme may be used and rice ration cards will be cancelled.

Factors affecting food access

- Low wage work opportunities during certain seasons
- A part of the family migrating to another area for wage labour
- Food for work is mostly earth work oriented and does not address rural artisans
- The poorest in a village are seen as those families who are dependent on traditional occupations
- Having some chronic sick children
- Drunkard husband
- Women headed household with no support from their kith
- Absence of small ruminants to address temporary difficulties
- Marriages and other social functions in the poor household
- Pressure for the loans have to repaid immediately after the crop for small and marginal farmers
- Contract wage arrangement being a condition for obtaining small loans for the land less labour.
- High interest rates in the market.
- Uncertainty of getting the loan
- Loan is in small amounts and so they have to buy frequently travelling considerable distance.
- Cost to consumer is much higher than the market cost.
- Market costs are higher in interior markets.
- People put pressure when you have money and used for addressing other demands
- General lack of money in the village during the drought period and lean agriculture season.

Aspects to be addressed in developing rice credit line

Credit Line

1. Availability
2. Price Stability
3. Grain quality being uniform
4. Build market structure
5. Market penetration and expansion will need time
6. Use existing Mandal Level Stocking Points
7. Shared objectives of all those involved in the scheme
8. Lower interest rates
9. Look for ways to address opportunities for local food production and marketing.

Cost Structure

- | | |
|-------------------|---------------------------------|
| 1. Interest @ 12% | 6. Taxes |
| 2. Transport | 7. Administration |
| 3. Handling | 8. Field Wages |
| 4. Storage | 9. Bad Debts |
| 5. Short Weighing | 10. Profit or community capital |

Criteria for being in the Scheme

1. Groups promoted by govt., non-govt agencies and commercial banks
2. Groups having regular savings activities for some time.
3. Regularity and attendance at meetings
4. Loan repayment
5. Quality of account keeping
6. Track record of the group and the collaborating organisation.

Area selection must look to

- Food deficit area
- Resource poor area
- Low productivity area
- Rain fed agriculture area
- Tribal and dalit settlements
- Classified as Class C type under minimum agricultural wages act..

Credit line and grain bank are instruments for

- Consumers to have a say in the food debate.
- Focus only on drought and rain-fed agriculture areas
- Build know how on market dynamics and food credit management among villagers.
- Community to decide on targeting the households and also providing charity.
- Non-SHG members and are poor to be included.
- A complement and not as an alternative to the existing PDS.
- Emphasis must be on remote areas and tiny/small markets/hamlets and villages.
- Entry point for community development activities and empowerment.
- Building group cohesion, sharing and working out the ethics.
- Promote non-cash instruments of credit for poverty alleviation.
- Use existing rice stock to kick start food banks and expand to include coarse cereals.
- Operations must be based on building sustainable and viable business model at all levels.
- Syndicate and use expertise of FCI and Civil Supplies Corporation in procurement & storage.
- Use food credit and price advantage for promoting food assurance leading to food security.

