

HIGHLIGHTS

REPORT OF THE EXPERT COMMITTEE ON NATIONAL FOOD SECURITY BILL

- The National Advisory Council (NAC) proposal for a National Food Security Bill (NFSB) an important national effort to address nutritional deficiencies of the population. Health an important end in itself may be a necessary prerequisite for economic development.
- NAC recommendation - legal entitlement to subsidized foodgrains to be extended to at least 72% and 75% of the country's population in two phases. Two categories with differential entitlements. Priority households - monthly entitlement of 35 Kgs (equivalent to 7 Kgs per person). General households - monthly entitlement of 20Kgs (equivalent to 4 Kgs per person).
- Foodgrain requirement projected by NAC on the lower side – needs to be adjusted for population and food offtake. The foodgrain requirement for implementing the NAC recommended entitlement works out to 68.76 million tonnes for phase 1 (2011) and 73.98 million tonnes for final phase (2014). Excluding buffer stock, the requirement will be 66.76 million tonnes (phase 1) and 71.98 million tonnes (final phase)
- Based on current production and procurement trends, the total foodgrain availability with government in 2011-12 and 2013-14 is likely to be 56.35 million tonnes and 57.61 million tonnes respectively. It will not be possible to implement the NAC recommended food entitlements for either of the phases
- Projections of food availability with the government made on the basis of an assumption of procurement of 30% of total production. This is almost 50% of the marketable surplus. A larger procurement has the danger of distorting the food prices in the open markets. This may also entail a significant fiscal burden if Minimum Support Prices are to be increased substantially.
- Open market prices impact all, including the priority households - the most vulnerable section of the population. As against a monthly per capita entitlement of 7 Kg of foodgrain as recommended by NAC, the total monthly per capita consumption of the priority households is around 10 kg (wheat and rice). They procure almost 25 to 30 per cent of their consumption requirement from the open market.
- NAC recommendations have large subsidy implications. Against NAC projections of Rs 71,837 crores in phase 1 and Rs 79.931 crores in final phase, the Expert Committee's (EC) figures after adjusting for population and offtake are Rs 85,584 cr (phase 1) and Rs 92,060 cr (final phase).
- The total subsidy outgo is likely to be higher on account of scaling up of procurement & warehousing, MSP/imports and cost of carrying buffer stock.
- The NFSB will confer an important legal right, which the government is duty bound to fulfill. Given the various constraints on stepping up production and procurement of food grains as well as its country wide distribution with minimal leakage - all of which are fixed in the short term -

the implementation of the entire set of NAC recommendations may have to be calibrated.

- We will have to depend on domestic production and productivity increase to deliver the entitlements under the NFSB since imports are a high cost option. They are also undependable.
- NFSB creates a statutory entitlement for the included population and a legal obligation for the government hence important to mandate enforceable entitlements keeping in mind the availability of grain. Government to be capable of delivering even in the situation of two successive drought years. To pragmatically move this idea forward, EC considered two options.
- Option 1 - accept the NAC recommendations of 7kg per capita entitlement to the 'priority' households and restrict the per capita grain entitlement to 2kgs for the 'general' households. This option difficult to implement in view of the projected food availability. Covering the general households under a mandated regime feasible only if the entitlement of the priority is less than 7kg per person.
- ***Option 2, which is favoured by the EC, recommends the assured delivery of foodgrains at Rs 2 per Kg for wheat and Rs 3 per kg for rice, to the really needy households and the coverage of the rest through an executive order with a varying quantum depending on the availability of foodgrains. The legally entitled population may be defined as the percentage of population below the official poverty line + 10 per cent of the BPL population i.e. 46 per cent rural and 28 per cent urban population as of now. These percentages are the same as NAC recommended 'priority' households. This captures not only the poor but also some at the margin.***
- The total foodgrain requirement for the entitled population, buffer stocks and other welfare programmes which are treated as mandatory will be 50.96 million tonnes in the year 2011 and 51.93 million tonnes in the year 2014. (Table A)
- The balance foodgrain of around 5 million tonnes (for both phases) can be distributed to the non-entitled population at an issue price equal to MSP, which is likely to be lower than the market price. As production and procurement improve, the coverage can be increased through executive orders.
- Subsidy outgo, for foodgrain for entitled population, under Option 2 is Rs68,539 crores in the first phase. If we add the subsidy required for the other welfare schemes and maintenance of buffer stock then the total subsidy for phase 1 is around Rs83,000 crores.
- Other recommendations of EC are – focus on increasing foodgrain production, create a stable procurement regime, comprehensive computerization of the PDS, introduction of smart cards for the beneficiaries and entrust identification of beneficiaries to the state governments. The central government to indicate the percentage of the entitled population, while the actual identification of the beneficiaries to be the responsibility of the states.

Table A – Foodgrain Entitlement for Wider Coverage of Entitled Category (Option 2)

	Foodgrain Requirement (Million Tonnes)	
	Phase 1	Final Phase
Rural (46%)	32.44	33.06
Urban (28%)	8.52	8.87
All India (41%)	40.96	41.93
Other Welfare Schemes	8.0	8.0
Buffer Stock	2.0	2.0
Total Foodgrain	50.96	51.93

Assumptions

1. Population as on Oct 2011 for Phase 1 and as on Oct 2013 for final Phase
2. Entitlement of 7kg per person per month
3. 100% Offtake of food grains