

Problems and Issues in Food Security Bill

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Abstract: *The National Food Security Bill was drafted by the National Advisory Council (NAC) in 2010 and was made to address the issue of food security with an aim to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity and quality food at affordable prices to public to live a life with dignity and formatters connect therewith and incidental thereto. The Food Ministry circulated a draft report in September 2011 for public comments. The National Food Security Bill was finally introduced in the Lok Sabha for the first time on 22nd December, 2011.*

I. Introduction

The fundamental goal of any Government is to maximize public welfare. The public welfare is maximized when the Government out a list of security provisions selects those provisions which were effective in the reduction and eradication of poverty levels and making human beings healthy and fit to work in future period on a continuous basis.

Malnutrition among children in India is increasing at alarming levels. According to United Nations Report, acute child malnutrition in Afghanistan has increased by 50percent since 2012. One million children under age 5 are malnourished. One in ten children die before they are 5 and 59 per cent of children grow up stunted because of malnutrition. Perhaps the reason might be US led invasion in 2001. Comparatively speaking, when it comes to Indian scenario in achieving result in health, protection and welfare of children, the problem takes serious shape than other South Asian Countries like Sri Lanka, Bhutan, Bangladesh, Afghanistan and Pakistan.

Hence, the Bill seems to be the most vital to a country like India. Now the main concern is its effective implementation. If you compare to other nations, the effective implementation of food security is lagging behind because of the problems and issues that are associated with its effective execution. An attempt is made in the present paper to highlight such problems and issues which discourage the effectiveness of the Bill.

II. Key Amendments to the Food Security Bill

The Food Security Bill aims at supplying highly subsidized food grains under the Targeted Public Distribution System to 800 million people (67 per cent of the Indian population). The Bill provides for uniform entitlement of 5 kg. Food grains per month at Rs.3 per kg. Rice, Rs.2 per kg. Wheat and at Re.1 per kg. Coarse grain. Among the poorest of the poor (2.43 million families) would receive 35 kg. Food grains per household per month under the AAY (Antyodaya Anna Yojana) at the rates as stated above. The respective State Governments have to conduct survey work of identification of desirable households. For this purpose the State can exercise their own criteria. The State Governments can use social, economic and caste-wise data as per census records to identify the eligible households. Planning Commission decided to cover 75 per cent of the rural and 50 per cent of the urban population. Under the Food Security Bill children and women will be focused to provide the nutritional support and they are entitled to nutritious meals as per norms available. In addition to this the pregnant women and lactating mothers will receive a benefit of Rs.6,000 under maternity benefit. As per nutritional norms hot cooked food will be supplied to the children in the age group of 6 months to 14 years. In case of non- supply of food grains, the respective State Government has to sanction Food Security Allowances to the entitled persons. The required funds will be supplied by the Central Government according to the estimates made by the Government. Financial Assistance will be provided by the Central Government to meet the cost of intra State transportation, handling of good grains and Fair Price Shop Dealers margin. This will ensure timely transportation and handling of food grains without loss. Door step delivery of food grains is the highlight of the present Food Security Act. For the unique identification of beneficiaries the Adhaar Card may be used as tool in the hands of Government Officials.

The ration card will be issued to the eldest women in the family of 18 years age. She is empowered to procure food from the Public Distribution System for feeding the entire family. In monitoring and the implementation of the Act, if any grievances arise a redress machinery is to be instituted at the District and State

level. The machinery include Call Centers and Help lines. However, the new redressal system can seek help of Food Corporation as a cost saving device. The Bill provides for the disclosure of records relating to the Public Distribution System social audit and appointment of Vigilance Committee. The DGRO (District Grievance Redressal Officer) is empowered to penalize the public servants or authorities provided they are found guilty of failing to comply with the relief recommendations made by him.

III. Problems and Issues

The legislation containing provision of food security to around 840 million (70 per cent of India's population) was passed by the parliament. However, the Government has to overcome certain challenges for its successful implementation. Even there exist certain problems which draw the attention of Government agencies. A serious consideration of these issues and problems to find solutions only allow the success in achieving the objectives of Food Security Bill.

IV. Objectives

The main objective of the present paper is to discuss the issues and problems in attaining the objectives of Food Security Bill with reference to infrastructure facilities available to the agriculturists in the rural areas including Public Distribution System.

V. Storage Infrastructure

The first and foremost concern associated with the Food Security Bill is that of limited storage capacity. The FSB implementation creates additional demand for food grains throughout the year. This leads to creation of some pressure on the supply factors of food grains. According to the first quarter estimates made during 2013-14 food grains which valued Rs.236.32 crores were lost due to lack of proper storage. The transportation and damage were the other factors contributed to this problem. By the end of 2012-13 the loss was increased to Rs.489.13 crores which was almost double the first quarters loss. The reason might be the non-availability of suitable and sufficient storage and warehousing infrastructure including logistic facilities across the country. Hence, the need of the hour is to build up the infrastructure related to the storage capacity.

VI. Economics of Warehouses in Rural areas

In the light of construction of warehouses on scientific basis to improve the storage capacities of food grains concentration should be in rural areas. Towards this commitment the nationalized banks are doing well by extending loans to the agriculturists for construction of godowns in the rural belt. The farmers who come forward with the construction proposal will be allowed a subsidy to the extent of 25 per cent of the cost of the project. This move gave impetus to the peasants to go for construction of godowns. An attempt is made to calculate the economics of construction of godowns in the rural areas. For this purpose the most popular investment evaluation criteria i.e. capital budgeting techniques are used and the results are presented in the Annexure (**see Annexure 1 to 5**). The evaluation reveals that the project can be taken up by any agriculturist not only to protect his own produce till he gets good price for his crops but also works for neighbor farmers welfare.

Another problem in the implementation of Food Security Bill is the ambiguity that arises related to the fact whether the benefits of the FSB will reach the deserved people or exploited by the greedy persons.

The Food Security Bill does not define the criteria under which the beneficiaries are to be targeted under the FSB. According to the FSB expectations, the respective State Governments have to provide the statistics about the people below the poverty levels but it is found in the survey that the State Government do not maintain such records.

Related to this fact, it is also severely criticized by the Chief Ministers of Non-UPA Government ruled States that the surveys conducted by the Central Government Agencies were not accurate. Considerable numbers of household eligible for the benefits under Food Security Bill Scheme have been ignored. There is a strong demand for the conduct of resurvey in these States. But this has not happened in the UPA ruled State Governments. This gives some room for suspicious about the commitment of the Central Government about the Food Security Bill. The setting up of various committees by the Government is also not served the purpose as these committees examined the issue with diversified measures of poverty. Even the dissimilarities are found in their numbers.

Allocation of food grains to the States under Public Distribution System is made as per the estimated number of BPL families adopting the poverty ratios of Planning Commission based on expert group methodology. The allocation food grains for BPL families has been increased from 20kg per month from April 2000 to 25 kg in July 2001 and further increased to 35kg per month with effect from April 2002. The Performance Evaluation

Organisation (PEO) was initiated by the Planning Commission to evaluate the performance of the PDS. It is revealed from the study that 58 per cent of the subsidized food grain issued from the Central Pool does not reach the BPL holders. Perhaps the reasons might be the errors committed in the identification, lack of transparency in operations and unethical practices in the implementation of the PDS. The excessive reliance on the existing PDS system without rectifying measures result into leakages and finally may have an adverse effect on the FSB implementation.

It is also revealed in the Bill that at the district level a Grievance Cell has to be opened. A Grievance officer is appointed to receive the complaints relating to the injustice caused to the public in respect of food bill. The BPL holders not getting benefits from the scheme may allowed to register a case against the ration shop dealer or PDs. The concerned authorities will punish or impose penalties on those individuals who have been escaped from discharging their duties.

In the survey, it is also found that in several States covering both North India and South India subsidized food programmes have been already in operation. Therefore, it gives a room for confusion that how these two programmes will run together.

The linkage of Food Security Bill to Adhaar Card, where every citizen gets an allotment of unique identification number. However, in many States this work is under progress and not yet completed. This may also defeat the purpose of the System.

VII. Conclusion

It is evident from the discussion that the Government is committed to ensure food security for the deserving, create a hunger free India and reform and improve the PDS to serve the poorest of the poor. It is also proposed to extend the scheme to the uncovered areas of tribal groups. In spite of the positive attitude of the Government, the Bill is facing a number of problems and issues against its effective implementation. It is the time to look at the exploitation of backward and forward linkages to the Bill. The backward linkages are connected to the increase in the agriculture production and productivity, improving irrigational infrastructure through strategic water management policies. This include concentration on waste water management, Lift Irrigation Schemes promotion, watershed management, etc in those areas where the irrigation infrastructure is found deficit. The Government has to take steps to improve power supply where excessive dependence is found on the pump sets. Regarding the exploitation of forward linkages, the Government has to look into effective Public Distribution Schemes, regulation of ration shop dealers, institution of grievance settlement machinery at the village panchayat levels, organizing training and development programs for the officials involved in the PDS to impart the ethical values and their commitment towards the FBS implementation. At this juncture, one should not forget to take the advantage of Technology. By taking the advantage of mobile network the house hold can be informed about the delivery under PDS and thereby ensuring food security for the eligible.

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Annexure-1

PROJECTED INCOME & EXPENDITURE ACCOUNT FOR 10 YEARS:										
	Year-1	2	3	4	5	6	7	8	9	10
CAPACITY 100%	475 M T									
Cap in NO. of bags (70Kg)	6785									
Rental charges per annum for full capacity	203550									
Capacity Utilisation	80%	90%	90%	90%	90%	90%	90%	90%	90%	90%
A. INCOMES:										
Agricultural Income	86400	86400	86400	86400	86400	86400	86400	86400	86400	86400
Rental charges	162840	192355	201972	212071	222675	233808	245499	257774	270662	284196
	249240	278755	288372	298471	309075	320208	331899	344174	357062	370596
B. Operational Expenses:										
Fumigation & other preservation charges	456	539	566	594	624	655	687	722	758	796
Dunnage & Cleaning	1140	1347	1414	1485	1559	1637	1719	1805	1895	1990
Operational charges	3040	3591	3771	3959	4157	4365	4583	4812	5053	5306
Maintenance structure	9750	11517	12093	12698	13333	13999	14699	15434	16206	17016
Insurance charges	1000	1181	1240	1302	1367	1436	1508	1583	1662	1745
Total Rs.	15386	18175	19083	20038	21040	22091	23196	24356	25574	26852
C. Gross Profit (A-B)	233854	260580	269289	278433	288035	298117	308703	319818	331489	343743
D. Adm. Expenses:										
Interest on Bank loan	87600	78840	70080	61320	52560	43800	35040	26280	17520	8760
	87600	78840	70080	61320	52560	43800	35040	26280	17520	8760
Net Profit (C-D)	146254	181740	199209	217113	235475	254317	273663	293538	313969	334983

Annexure-2

DEBT SERVICE COVERAGE RATIO:										
A. Total cash surplus:										
Net Profit	146254	181740	199209	217113	235475	254317	273663	293538	313969	334983
Interest	87600	78840	70080	61320	52560	43800	35040	26280	17520	8760
Total Rs.	233854	260580	269289	278433	288035	298117	308703	319818	331489	343743
B. Repayment Obligation:										
Principal repayment	73000	73000	73000	73000	73000	73000	73000	73000	73000	73000
Interest on loan	87600	78840	70080	61320	52560	43800	35040	26280	17520	8760
Total Rs.	160600	151840	143080	134320	125560	116800	108040	99280	90520	81760
DSCR (A/B)	1.46	1.72	1.88	2.07	2.29	2.55	2.86	3.22	3.66	4.20
Average	2.59									
PROJECTED CASH FLOW STATEMENT FOR TEN YEARS:										
Particulars	Year-1	2	3	4	5	6	7	8	9	10
Sources of Funds:										
Net Profit	146254	181740	199209	217113	235475	254317	273663	293538	313969	334983
Capita contribution	245000									
Bank loan	730000									
Total Rs.	1121254	181740	199209	217113	235475	254317	273663	293538	313969	334983
APPLICATION OF FUNDS:										
Building construction	975000									
Loan repayment	73000	73000	73000	73000	73000	73000	73000	73000	73000	73000
Total Rs.	1048000	73000								
Net cash surplus	73254	108740	126209	144113	162475	181317	200663	220538	240969	261983
Cumulative Cash/Bank balance	73254	181994	308203	452317	614792	796109	996771	1217309	1458278	1720261

Annexure-3

PROJECTED BALANCE SHEET FOR 10 YEARS:

Capital a/c	245000	391254	572994	772203	989317	1224792	1479109	1752771	2046309	2360278
Add: Profit	146254	181740	199209	217113	235475	254317	273863	293538	313969	334983
Capital A/C Balance	391254	572994	772203	989317	1224792	1479109	1752771	2046309	2360278	2695261
Bank loan	657000	584000	511000	438000	365000	292000	219000	146000	73000	0
Total Rs.	1048254	1156994	1283203	1427317	1589792	1771109	1971771	2192309	2433278	2695261
ASSETS:										
Building a/c	975000	975000	975000	975000	975000	975000	975000	975000	975000	975000
Cash & Bank balance	73254	181994	308203	452317	614792	796109	996771	1217309	1458278	1720261
Total Rs.	1048254	1156994	1283203	1427317	1589792	1771109	1971771	2192309	2433278	2695261

INTEREST ON LOAN:

Years	Op. Bal	Repayment	Cl Bal	Interest @ 12.00%
Year 1	730000	73000	657000	87600
Year 2	657000	73000	584000	78840
Year 3	584000	73000	511000	70080
Year 4	511000	73000	438000	61320
Year 5	438000	73000	365000	52560
Year 6	365000	73000	292000	43800
Year 7	292000	73000	219000	35040
Year 8	219000	73000	146000	26280
Year 9	146000	73000	73000	17520
Year 10	73000	73000	0	8760
				481800

Annexure-4

RETURN ON INVESTMENT:

Cost of Investment	975000
Net Profit	2450261
Interest on Investment	481800
Depreciation	0
No. of Years	10

ROI = $\frac{\text{Net Profit} + \text{Interest} + \text{Depre} * 100}{\text{Cost of Inv} * \text{No. of Years}}$ **30 %**

PAY BACK PERIOD:

Year	Net Profit	Cum. Balance
Year 1	146254	146254
Year 2	181740	327994
Year 3	199209	527203
Year 4	217113	744317
Year 5	235475	979792
Year 6	254317	1234109
Year 7	273863	1507771
Year 8	293538	1801309
Year 9	313969	2115278
Year 10	334983	2450261

Pay Back period is in 5th year.

Annexure-5

CALCULATION OF IRR, BCR, NPW - 475 MT CAPACITY GRAIN STORAGE GODOWN:										
Rs. In Lakhs										
S/No. Particulars	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
1. Capital cost	9.750									
2. Recurring cost	0.154	0.182	0.191	0.200	0.210	0.221	0.232	0.244	0.256	0.269
3. Total Cost	9.904	0.182	0.191	0.200	0.210	0.221	0.232	0.244	0.256	0.269
4. Benefits	2.492	2.788	2.884	2.985	3.091	3.202	3.319	3.442	3.571	3.706
5. Depreciation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6. Total Benefits	2.492	2.788	2.884	2.985	3.091	3.202	3.319	3.442	3.571	3.706
7. Net Benefits	-7.411	2.606	2.693	2.784	2.880	2.981	3.087	3.198	3.315	3.437
8. Discounting factor @ 12%	0.893	0.797	0.712	0.636	0.567	0.507	0.452	0.404	0.361	0.322
Net present values	-6.818	2.077	1.917	1.771	1.633	1.511	1.395	1.292	1.197	1.107
9. Sum NPW @ 12% DF	7.282									
10. BCR										
Present values of cash inflows	2.226	2.222	2.053	1.898	1.752	1.623	1.500	1.390	1.289	1.193
Present values of Cash Out flows	8.844	0.145	0.136	0.127	0.119	0.112	0.106	0.098	0.092	0.088
BCR	1.74	1								