

FOOD SECURITY AND
AGRICULTURE:
IMPLICATIONS OF CURRENT
POLICY AND BUDGET

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Definition

- “Food security at the individual, household, national, regional and global levels is achieved when all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active life (FAO, 2002).”

Policies to ensure food security: 1960s to the present

- From the late 1960s, food security policy has been approached from the twin angles of production and distribution.
- Production was raised by a combination of policy measures, including large planned investments in rural infrastructure like irrigation, power, rural credit, markets and scientific research and extension, employed to accelerate agricultural growth.
- Secondly, a mechanism of provision of price incentives to farmers was introduced with the setting up of the Commission for Agricultural Costs and Prices.
- Thirdly, efforts were made to maximize procurement, for the purpose of supplying through the public distribution system to consumers and also to build up buffer stocks.

On the production front

- Brief history of agricultural growth in India
- Success story: foodgrain production accelerated and exceeded population rate of growth
- But slowing down in 1990s and 2000s
- Last year, there was negative growth

Table 1 Rate of growth of population and food grain production

Decade	Compound annual rate of growth of food grain	Compound annual rate of growth of population
1961-71	3.15	2.49
1971-81	2.00	2.48
1981-91	3.49	2.41
1991-2001	1.22	2.19
2001-2010	0.44	1.53

INDIA 2015

- Total food grain production, 252 million tonnes in 2014-15
- of which cereals production was 225.5 million tonnes
- Is this a surplus?

Projections

- Cereal demand projections (food+feed) for 2020
- $224 + 13 = 237$ million tonnes (Dyson and Hanchate)
- $238 + 31 = 269$ million tonnes (various)
- $246 + 50 = 296$ million tonnes (Bhalla, Hazell and Kerr)

Some highlights

- In 1966, India had to import 10 million tonnes of grain to meet its domestic requirements. This was the start of the push for self-sufficiency in food grain production.
- By 1971, food grain production reached 95 million tonnes, imports declined. By 1991, India had become a net exporter of grain. Through the 1970s and 1980s, procurement grew as did public distribution.
- After liberalization in 1991, there was a set-back to grain production. In 2001, there was record procurement, but the government held large food stocks and did not distribute it, leading to the paradox of high food stocks and high malnutrition.
- In 2011, India produced 214 million tonnes of grain, was a moderate net exporter (mainly of rice), had procured about one-fourth of total production, but distribution remained below the amount procured.

Production vs Income

- Farmers/Cultivators barely able to survive
- Very little data on producers. Situation Assessment Survey, 2012-13
- Average monthly income of agricultural households from all sources: Rs 6246
- Excluding wages and salaries: Rs 4356
- In 17 States, average less than Rs 1660 pm

Data availability

- The Project on Agrarian Relations in India
- Foundation for Agrarian Studies www.fas.org.in
- Detailed household income and crop income data for 22 villages, over 5000 households
- <http://fas.org.in/category/research/project-on-agrarian-relations-in-india-pari/>
- Next few tables from Biplab Sarkar (2016)

Table 2 *Income from crop production by agro-ecological feature, median, average of top 5 households and highest income, 2014-5 prices in rupees per household* (Source: PARI survey)

State	Village	Agro-ecological feature	Income from crop production (Rupees Per Household, 2014-15 prices)		
			Median	Average of top 5 households	Max
Andhra Pradesh	Ananthavaram	Irrigated paddy-dominated area	5,706	8,64,872	29,79,691
Uttar Pradesh	Mahatwar	Groundwater irrigated, paddy-wheat rotation	2,774	1,31,055	2,72,708
Rajasthan	25F Gulabewala	Canal and groundwater irrigation, with cotton, wheat and mustard	37,625	25,14,545	32,12,397
Karnataka	Alabhujanahalli	Canal irrigated, with sugarcane, paddy and ragi	21,669	3,41,593	3,76,076
West Bengal	Panahar	Groundwater irrigated, with paddy, potato and sesame	2,592	3,72,707	7,11,776
Andhra Pradesh	Bukkacherla	Dry and drought prone, with intercropped groundnut	13,926	1,91,840	2,94,468
Maharashtra	Warwat Khanderao	Unirrigated, cotton region	31,341	7,61,117	17,55,221
Karnataka	Zhapur	Unirrigated, with millets and oilseeds	6,746	6,02,195	15,17,037

Table 3 *Proportion of households having **negative incomes** from crop production, by village in per cent* (Source: PARI survey)

State	Village	Agro-ecological feature	Proportion of households having negative incomes
Andhra Pradesh	Ananthavaram	Irrigated paddy-dominated area	30
Andhra Pradesh	Bukkacherla	Dry and drought prone, with intercropped groundnut	35
Uttar Pradesh	Mahatwar	Groundwater irrigated, paddy-wheat rotation	19
Maharashtra	Nimshirgaon	Irrigated sugarcane and multi-crop system	20
Rajasthan	Rewasi	Pearl millet in the kharif and wheat, mustard in the rabi season	42
Madhya Pradesh	Gharsondi	Limited canal and groundwater irrigation, cultivation of soyabean, wheat and mustard	20
Karnataka	Zhapur	Unirrigated, with millets and oilseeds	40
West Bengal	Panahar	Groundwater irrigated, with paddy, potato and sesame	27

Small farmers

- Marginal (less than 1 hectare) and Small (less than 2 hectares) farmers are the majority in India
- If they abandon farming, it will be disastrous for food production and food security
- In Karnataka, in 2015 alone, there were 1000 farmer suicides (Prakash Kammardi)

Price policy

- Why the crisis of farm profitability?
- Input prices rising: fertilizers, pesticides, electricity, diesel, cattle feed and fodder, etc
- Output prices flattened out: MSP
- And, only 13.5 per cent of paddy farmers and 16 per cent of wheat farmers get MSP
- Graphs from R. Ramakumar, Frontline (2016)

Figure 1: Indices of wholesale prices of selected farm inputs, 2004-05 to 2014-15, base 2004-05 = 100 (Source: Ramakumar 2016)

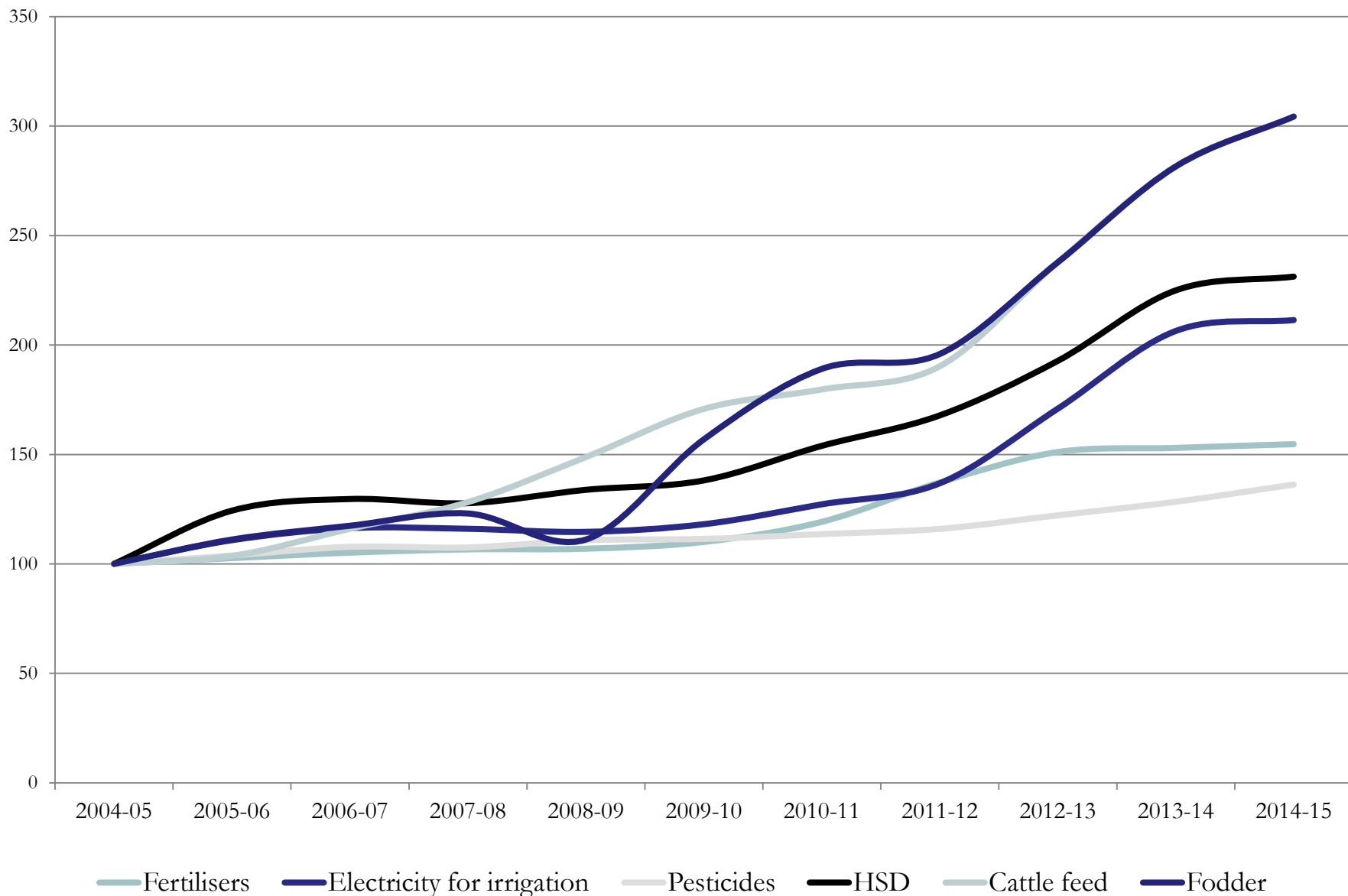
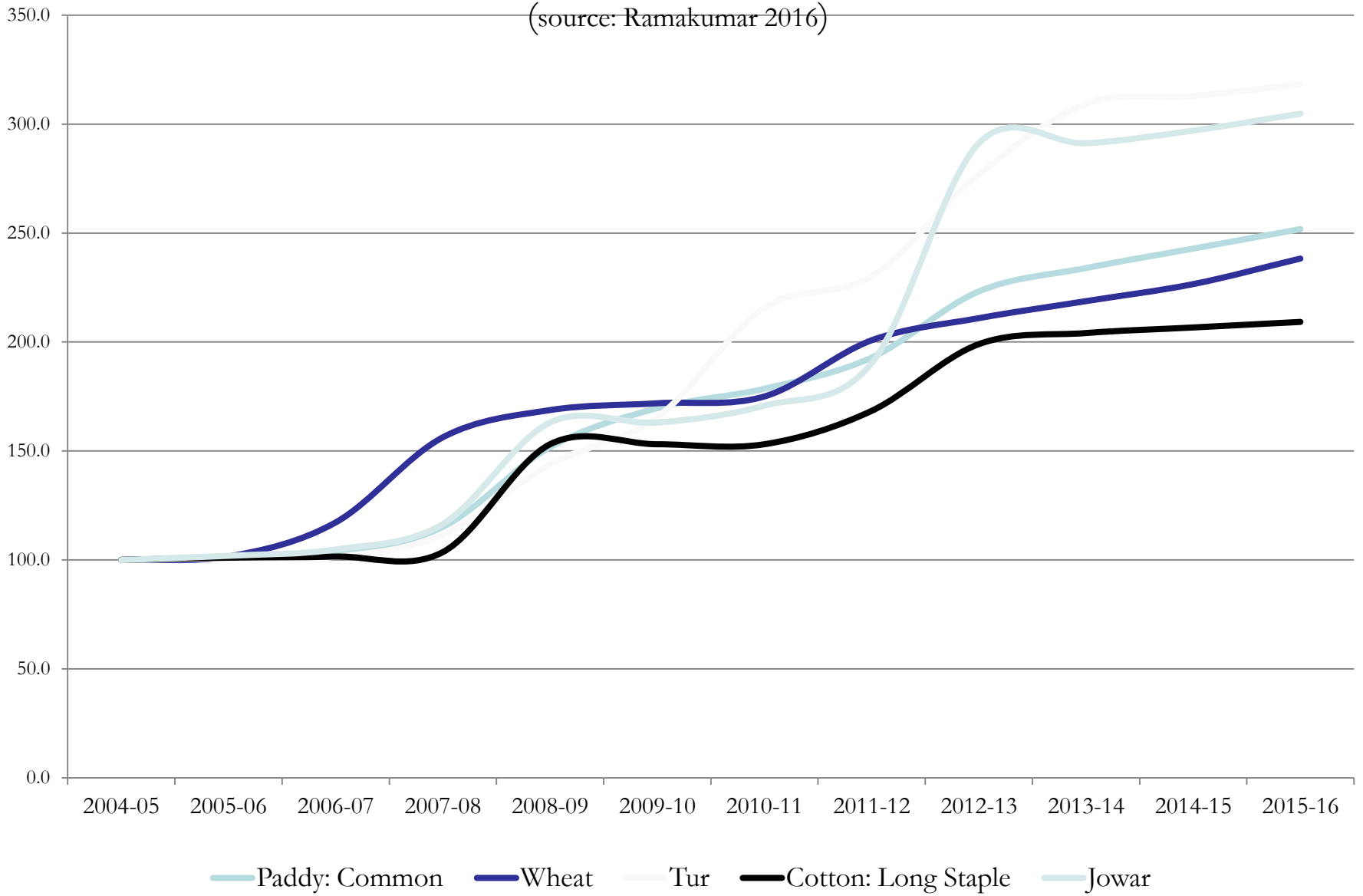


Figure 2: Indices of Minimum Support Prices of selected crops, 2004-05 to 2015-16, base year 2004-05 = 100

(source: Ramakumar 2016)



- National Commission on Farmers gave detailed recommendations in 2006.
- Crucial one: Increase MSP to Cost C2 plus 50 per cent

Table 6 *Minimum support price and farm harvest price for 100 kg of paddy*, PARI survey villages (source: PARI Survey and Biplab Sarkar)

Survey village (state, year*)	For 100 kg of paddy		Deviation from MSP
	Minimum support price	Farm Harvest Price	
Ananthavaram (Andhra Pradesh, 2005-06)	570	618	48
Bukkacherla (Andhra Pradesh, 2005-06)	570	564	-6
Kothapalle (Andhra Pradesh, 2005-06)	570	548	-22
Harevli (Uttar Pradesh, 2005-06)	570	610	40
Albhujanahalli (Karnataka, 2008-09)	900	884	-16
Panahar (West Bengal, 2009-10)	1050	891	-159
Amarsinghi (West Bengal, 2009-10)	1050	910	-140
Kalmandasguri (West Bengal, 2009-10)	1050	830	-220
Tehang (Punjab, 2010-11)	1000	1035	35
Hakamwala (Punjab, 2010-11)	1000	1535	535
Katkuian (Bihar, 2011-12)	1080	1125	45
Nayanagar (Bihar, 2011-12)	1080	928	-152

Table 7 Proportion of population with per capita income less than two dollars a day (PPP)

Village	District	State	Percentage
Siresandra	Kolar	Karnataka	43
Alabujanahalli	Mandya	Karnataka	56
Ananthavaram	Guntur	Andhra Pradesh	65
Harevli	Bijnor	Uttar Pradesh	76
Mahatwar	Ballia	Uttar Pradesh	95
Source: PARI data and Aparajita Bakshi (2016)			

Budget

- Big words and little substance
- Finance Minister Jaitley: The first of the nine pillars of the transformation agenda
- “Agriculture and Farmers’ Welfare: with focus on doubling farmer’s income in five years”
- “Government will....double the income of farmers by 2022”

Table 8 Budgetary allocations in rupees crores

	2014-15	2015-16 RE	2016-17 BE
Dept. of Agri, cooperation and farmers welfare*	19,255	15,809	35,984
Dept of Animal husbandry, fisheries	1,822	1,563	1,882
Dept. of Agri research and education	4,840	5,586	6,620
Ministry of Agriculture	25,917	22,958	29,486
Interest subvention**	6000	13,000	15,000
Total expenditure	31,479	35,958	44,486
Note: * interest subvention not included			

Table 9 Share of total expenditure by Ministry of Agriculture including interest subvention, as per cent of GDP and Total Union government expenditure

	Per cent of Union budget	Per cent of GDP
2012-13	2.10	0.30
2013-14	2.02	0.28
2014-15	1.92	0.26
2015-16 RE	2.01	0.27
2016-17 BE	2.25	0.30
Source: CBGA, Connecting the Dots, March 2016		

Agricultural credit

- So, what is the big news in the budget?
- Increase in agricultural credit from 8.5 lakh crores to 9 lakh crores.
- Most of rural small farmers borrowing from moneylenders
- Who is it going to? Who will benefit from interest subvention?

- In 2014, 58 per cent of agricultural credit was of a loan size greater than 2 lakh rupees
- Most of the agricultural credit was given by urban and metropolitan bank branches
- Most of the agricultural credit was disbursed in March
- So, most of agricultural credit is going as indirect finance to corporates in cities!
- Source: R. Ramakumar

Specific allocations

- Fertilizer subsidy to be reduced by Rs 2400 crores, from 72400 crores to 70,000 crores
- Soil health allocated Rs 368 crores
- Rashtriya Kisan Vikas Yojana gets Rs 1500 crores more
- Pulse production gets 500 crores

Contd.

- Long term irrigation fund, NABARD gets Rs 20,000 crores as corpus
- But Krishi Sinchai or irrigation scheme gets 2000 crores less!
- Agricultural research: marginal increase
- Insurance or Fasal Bima Yojana gets 5,500 crores, up from 2,955 crores

- There is no way the profit squeeze -- rising costs and low and variable prices -- is addressed

- Consumers now
- India worse off than sub Saharan Africa in terms of chronic hunger and malnutrition

Table 10 Incidence of child malnutrition, selected countries

Country	Moderate and severe stunting (height/age)	Moderate and severe underweight (weight/age)
China	9.4	3.4
India	38.7	29.4
Ghana	22.7	11.0
Angola	29.2	15.6
Nigeria	36.4	19.8
Source: HDR for Stunting and UNICEF for underweight.		

Table 11 Adult malnutrition: Proportion with Body Mass Index less than 18.5

Country	All	Females
India	32.9	35.6
China	8.0	8.5
Ghana	16.7	8.6
Source: WHO statistics		

- Inadequate food because of inadequate access
- Incomes
- Prices
- Quantity
- Quality
- Sanitation and water affects food absorption

- Public distribution system or PDS is only one intervention to improve direct access to basic foods.
- Nevertheless, undermined over the years, starting in 1996-97 when Targeted PDS introduced
- Divide population in to Above Poverty Line (APL) and Below Poverty line (BPL)

Targeting errors

- Errors of wrong inclusion: non poor included
- Errors of wrong exclusion: poor excluded
- Are the two errors equivalent?
- Weighting the errors

- Wrong inclusion has financial costs
- Wrong exclusion has nutritional, health, productivity, life costs.
- Even costs for the next generation
- Neoliberal policy makers only worried about wrong inclusion
- So, exclude the rich, exclude tax payers, exclude those with cars, etc.

- Targeting has led, in rural India, to high rates of exclusion of needy households from the system and a clear deterioration of coverage in States like Kerala where the universal PDS was most effective (Swaminathan 2008).

- Excluding the States of the North East, the proportion of households with ‘no card’ was highest in Orissa -- where 33 per cent of rural households did not possess any type of ration card. Thus, in a State characterized as ‘severely food insecure’ (MSSRF 2001), one-third of rural households were outside the purview of the PDS.

- If we count those with no ration card or an APL card as excluded from the PDS, then, in Bihar and Uttar Pradesh, 71 and 73 per cent of agricultural labour households were excluded.
- In Punjab and Rajasthan, less than 30 per cent of rural Scheduled Caste households were included.

- In terms of per capita monthly expenditure, the majority of households with expenditure below the official poverty line were excluded from the PDS in Bihar, Orissa, MP, Jharkhand and Chattisgarh.
- The exceptions were Andhra Pradesh and Karnataka – the only two States in which a simple majority of rural households possessed BPL or Antyodaya cards

- Why targeting in India? Why not universal?
- Shift to cash transfer or direct benefit transfers.
- Does not solve the problem of targeting
- Benefits of cash versus kind transfers

- Real reason: reducing the expenditure or subsidy and the fiscal deficit
- Food subsidy is defined as the operational deficit of the Food Corporation of India
- “PDS costs are high and increasing with leakages, high administrative costs, corruption and mismanagement.” (Economic Survey 2015-16)

Table 16 Expenditure on food subsidy in India, Selected years

Year	Total food subsidy (Rs. crores)	Total food subsidy as % of Union budget	Total food subsidy as % of GDP
2012-13	85,000	6.03	0.85
2013-14	92,000	5.90	0.82
2014-15	117,671	7.07	0.94
2015-16	139,419	7.81	1.03
RE			
2016-17	134,835	6.82	0.90
BE			

- Corporate giveaways: 160,000 crores
- Vijay Mallya owes the banks 7000 crores.
- Around 5000 defaulters owe the banks 56,000 crores!

Conclusions

- The policies of the present Government, as reflected in the Union budget, neither address the problems of small and marginal farmers and their distress nor that of the millions of chronically hungry children, women and men.
- The budget does little for the gigantic problem of food insecurity in India.