



Analysis of the Impacts of Price Fluctuations on Poor and Food Security in India

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ABSTRACT

It is important to include price regulatory mechanism to avoid volatility in price fluctuations of food grains in the food security bill arising from demand-supply gap. This paper tries to discuss some problems related with food entitlement. Current food production and procurement trends, RTF for whom, Identification of the poor, efficient market mechanism, removal of shortcomings in PDS, and burden of food subsidy in the form of increased fiscal deficit include among things that need to be tackled while preparing a food security act. Further, fiscal burden of food subsidy bill will destabilize the WPI. And The spirit of the whole explanation is that despite well drafted food security bill, poor and non poor both will not gain much as expected and the role of welfare state can not be separated from market mechanism.

Keywords : Mass Media, Agriculture, Media Habits, Organic Farmers.

INTRODUCTION

The idea of food security is related with the inclusive and sustainable growth of the economy. This paper we try to examine problem of accessing and availability of food grains. Without improving distributive inclusiveness and also equality India cannot achieve goal of no hunger, because India is self-sufficient in the food grain availability but failed miserably in ensuring access to food to all people.

The shift towards targeted programme in government expenditure on poverty alleviation has made it important to have an objective, transparent and just methods for identifying the poor. This move towards targeting, as against providing universal entitlements, has been justified by the need to plug the leakages in the public service delivery mechanism. Particular in India, Public Distribution system (PDS) for distribution of essential commodities to the ration cardholders through the fair price shop (FPS). With the targeted public distribution system (TPDS), PDS now covers only below poverty line (BPL) households.

The C. Rangarajan committee argued in form of targeting approach due to resource constraint in India. However in order to cover those who are at the margin of these two categories, he suggested that 46 percent of the rural population and 28 percent of the urban population be entitled to 35 Kilograms (Kgs) of rice at Rupees (Rs.) 3 a Kg or wheat at Rs. 2 a Kg per households a month. The figures were arrived at by adding 10 percent beneficiaries (to cover those on the margins) on the basis of Tendulkar committee's poverty estimates of 41.8 percent of the rural poor and 25.7 percent of the urban poor (The Hindu, 2011).

Food Grain and Indian Government Policy

The availability of food grains is based on agriculture production, where the share of agriculture in country's GDP has declined from 48.7 percent in 1950 to 24.4 percent in 1996-97 and further 18.7 percent in 2007, and approximately more than 58 percent of the population still depends on agriculture for their livelihood (Shurbhi mittal, 2007). The procurement and storage of food grains for PDS is also depends on food grains production. Assuring adequate production of all food items and responding to changing patterns of demand, has to be addressed through our agricultural development strategy

The per capita availability of food grains at gross level data shows that it is maximum in year 1991 during planned period but after that decline from 510.10gm to of 1991 level to 436 gm in 2008, while excepting 2003 the net production of food grains are increased year by year. So there is inverse equation for net production of food grains and per capita per day net availability of food gains in recent years. While, compound growth rate of production and yield of rice and wheat is decreasing during the year 1980-81 to 2007-08. The compound growth rate in area of rice and wheat is decreasing in 2007-08 as compare to 1990s decade (Agriculture state at a glance, 2008, pp-199). The NSS report significant decline in per capita consumption from 166 kgs per capita per annum (KPCA) in 1987-88 (which was in fact a drought year) to 154 kpca in 1993-94 and further 147 Kpca in 1999-2000. This also strongly suggests a significant negative trend in food consumption of the indigent. Indeed per capita calorie intake of bottom 30 percent of the population, which has shows a rising trend during the 1980s registration a sharp fall after 1990s, with the intake in rural and urban areas coming down from 1835 and 1725 units in 1989-90 to below 1600 and 1550 units respectively in 1998 (mihir rakshit, 2003).

Table-1 Production, Procurement and annual growth rate in Agriculture & Allied sector.

Year	Production (million Tonnes)			Procurement (Million Tonnes)	Annual growth rate in Agriculture & Allied sector (in %) (AT GDP Factor Cost)	Total food grains production
	Rice	Wheat	Public distribution (in Million Tonnes)			
1960-61	34.6	11.0	0.5	7.0	4.0	82.0
1970-71	42.2	23.8	8.9	6.5	7.8	108.4
1980-81	53.6	36.6	13.0	12.9	13.0	129.6
1990-91	74.3	55.1	19.6	4.5	20.8	176.4
2000-01	85.0	69.7	42.6	00	42.6	196.8

2005-06	91.8	69.4	37.0	4.7	37.0	208.6
2006-07	93.4	75.8	35.8	4.3	35.8	217.3
2007-08	96.3	78.6	37.6	4.6	54.2	230.8
2008-09	992.2	80.6	55.5	1.6	N.A.	233.9

Source- Economic Survey 2010-11

The procurement by government agencies is increasing till 2000-01, which is 42.6 mn tonnes and it fall to 37.6 mn tonnes in 2007-08 but in 2008-09 it increase 17.9 mn tonnes, where as the annual growth rate in agriculture is zero in 2000-01,

which is increase to 4.6% in 2007-08 and decrease to 1.6% in 2008-09 (See Table-1). So, here is seeing to a negative relationship between procurement and growth rate in agriculture sector in recent years. For long term food policy, it is necessary to a high annual growth rate which is more than 4%.

Table-2 MSP, Economic cost and Quantum of food subsidy in recent years:-

Year	Minimum support price (Rs/quintal)		Economic cost		Food subsidy	Annual growth rate (percent)
	Paddy	Wheat	Rice	Wheat		
2001-01	510	610	1137.07	883.78	12010	30.54
2001-02	530	620	1098.0	852.9	17494	45.66
2002-03	530	620	1165.03	884	24176.45	38.20
2003-04	550	630	1236.09	918.69	25160	4.07
2004-05	560	640	1303.59	1019.01	25746.45	2.30
2005-06	570	650	1350.69	1031.51	23071	-10.39
2006-07	580	710	1391.18	1177.78	23827.55	3.28
2007-08	645	1000	1563.7	1353.24	31259.68	31.19
2008-09	850	1080	1789.78	1392.68	43668.08	39.69
2009-10	950	1100	1893.71	1402.51	46906.68	7.42

Sources- Economic survey of various issues, 2003-04, 2004-05, 2009-10, 2010-11

Table-3: Minimum Buffer Norms Fixed and Actual Position of Rice and Wheat in the central pool during 1 April 2003 to 1 April 2010 (in lakh tonnes)

Date	Rice		Wheat		Total		Percentage at Which Actual Stock Position is Higher Via-A-Via Buffer Norms
	Actual Stock	Minimum Buffer Stock	Actual Stock	Minimum Buffer Stock	Actual	Minimum Buffer Stock	
1-Apr-03	171.57	118	156.45	40	328.02	158	207.61
10-Jul-03	109.74	100	241.94	143	351.68	243	144.72
1-Jan-04	117.27	84	126.87	84	244.14	168	145.32
10-Apr-4	130.69	118	69.31	40	200	158	126.58
1-Jul-04	107.63	100	191.52	143	299.15	243	123.11
1-Jan-05	127.63	84	89.31	84	216.94	168	129.13
4/1/2005*	133.41	122	40.66	40	174.07	162	107.45
1-Jul-05	100.71	98	144.54	171	245.25	269	91.17
1-Jan-06	126.41	118	61.88	82	188.29	200	94.15
1-Apr-06	136.75	122	20.09	40	156.84	162	96.81
1-Jul-06	111.43	98	82.07	171	193.5	269	71.93
1-Jan-07	119.77	118	54.28	82	174.05	200	87.03
1-Apr-07	131.72	122	47.03	40	178.75	162	110.34
1-Jul-07	109.77	98	129.26	171	239.03	269	88.86
1-Jan-08	114.75	118	77.12	82	191.87	200	95.94
1-Apr-08	138.35	122	58.03	40	196.38	162	121.22
1-Jul-08	112.49	98	249.12	201#	361.61	299	120.94
1-Jan-09	175.76	138**	182.12	112	357.88	250	143.15
1-Apr-09	216.04	142	134.29	70	350.33	212	165.25
1-Jul-09	196.16	118	329.22	201	525.38	319	164.7
1-Jan-10	243.53	138	230.92	112	474.45	250	189.78
1-Apr-10	267.13	142	161.25	70	428.38	212	202.07

Sources: Kaushik Bashu, 2011, EPW.

* New buffer norms wef April 2005.

Buffer norms for Wheat including food security reserve of 30 lakh tonnes from 1 July 2008 Onwards.

** Buffer norms for rice including food security reserve of 20 lakh tonnes from 1 January 2009 onwards.

The quantum of food subsidies released by government is increase by 390 percent between the above period times (see Table-3). The years 2006-07 and 2007-08 were ones of low inflation for both rice and wheat. There is no evidence of extra procurement in those years. Infact, wheat procurement actually fell down in those two years. Given that 2009-10 is food inflationary years, one should expect lower procurement but that was not the case. At time when price of food is high and we want lower it, it is a mistake to curb the traders and the

millers' freedoms. This would result in poor off take of food grains and price remaining high (Kaushik Basu, 2011).

Impact of Price Fluctuation on Poor in India

PDS in India is the oldest and largest network and most comprehensive anti-poverty programmed. It is a price-support-cum-quantity rationing-cum subsidy programme. Some major problem in PDS is mistargeting, cost operation and the extent of welfare gains. Importance of PDS for food security both national and household level, hardly needs emphasis. The stabilization in prices is one of objectives of PDS.

However, demand – supply gap in certain commodities seem to be widening in recent years, causing significant swings in their prices. Barring a few edible oils and pulses, India has so far met the bulk of its food demand through domestic product. This led to reduce the income of the poor and beyond its purchasing power.

Persisting divergence between inflation as measured by wholesale and CPI was another major feature of inflation trends in India during 2009-2010. The divergence was partly the result of high inflation in food which has relatively higher weight in CPI'S compared to WPI. During the second half of 2009-10, some decline in degree of divergence was witnessed as a result of increase in WPI inflation and moderation in CPI inflation. (RBI Annual Report, 2009-10).

A large section of population (BPL and APL) may not be able to increase their nominal income matching inflation and in that process may be suffer a decline in real income. The impact high food inflation could be even more asymmetric, because of large proportion of income of the poor that is allocated to consumption of food items.

RTF only for poor or all

We can see in the right to food campaigns in the country and government decision to enact the food security bill, which will enshrine people rights to a basic amount of food as a legal prerogative. Enshrining as a legal right what is impossible. To fulfill is not a good idea since that debases the very good idea of rights and promotes lawlessness by adding to the list of laws that are there only to be violated. Hence this is a move in the right direction and it provides an opportunity to improve our food distribution system.

But it is critical to understand that it is not enough to throw many at the problem. The bills need to be accompanied by a new mechanism for reaching support to the poor. While design of the food grain policy skillfully in order to ensure that we can fulfill the RTF that we are about to confirm our citizens and at the same time ensure that your fiscal system is able to withstand the expenditure. (Kausik Basu, 2011). The present time, it is shown that the availability of food grains is reduces and the procurement level and the food subsidy bill is roses. But the access of food is beyond the poor. NAC recommended that, 75% of the populations are covered in the food security bill. But when the bill is passes, then it goes for 75% of the population as a legal entitlement our procurement in current situation do not fulfill the entitlement of 35 Kg of food grains and also from the perspective of food subsidy bill, the bill goes to 83000 crore for the entitled groups at 100% lifting, which is just doubled from the 2009-2010 subsidy bill. It is seem that the lower income households have more members per family than higher income households. Here a debate on RTF that RTF for a person or per households. Some arguments show that, the RTF are given to only per person because the size of the family is not equal in all households. The number of member in a household is different in all family. A large size family needs more rice or wheat than the small size family. So it is right to distribute the food grains on the per person basis, but the government using an average household size of 5.5 person and food grains range from 24 to 36 Kg for most households (GOI, 2010).

Errors in Public Distribution System

There are many lapses in the PDS system. Physical access

to PDS, especially to the poor belonging to SC/ST, is quite difficult. life for the poor is a daily struggle (Khanna, Dev, Sharma, 2000). There are two types of error in PDS (1) errors of wrong exclusion or excluding the "poor" or deserving and (2) errors of wrong inclusion or including the "rich" or non-deserving. Now universal programmes are likely to have large errors of wrong inclusion but targeted programmes are likely to have large errors of wrong exclusion. It increases the size of target groups. These errors imply that nutritionally vulnerable persons are excluded from the system of public provisioning. The costs to society of excluding the needy are difficult to measure but clearly large for they include the impact on the health, well-being and productivity of one half of the present population as well as future generation. Errors of wrong inclusion have only a financial effect via higher expenditure and no adverse welfare effects (Swaminathan, 2002).

It is seen that the errors are occurs due to (1) Identification of poor, (2) the estimation of the number of poor. These two issues are more relevant issue for justify the entitlement of food to the poor. There is a need to be removal the errors, when food security act is design, and a transparent and effective mechanism is needed in our policy making.

Problem related to identification of Poor

The measurement of poverty and identification of poor families are integral elements for devising a cohesive strategy for poverty reduction in India. The incidence of poverty is measured by the proportion or number of people living below an exogenously determined per capital consumption, known as the poverty line (Datta, 2010). The responsibility for the measurement of poverty rests with the Planning Commission.

Over the years, a number of approaches and methods have come into existence for the measurement of different aspects of poverty. The poverty line can be absolute, relative, and subjective. The Planning Commission defined the normative poverty line on the basis of the recommended nutritional requirements of 2400 calories per person per day for rural areas, and 2100 calories for urban areas. It is useful to state these details since these are both used in the Tendulkar Committee as also interestingly contraindicated in recent critiques.

The Tendulkar Group has moved over from a calorie-determined poverty line to a food expenditure-determined line because of (i) evidence of a downward shift in the calorie Engel curves over time, (ii) calorie intakes as estimated from NSS Consumer Expenditure Surveys are not found to be well correlated with the nutritional outcomes observed from specialized nutritional outcome surveys like the National Family Health Survey (NFHS), (iii) the revised minimum calorie norm for India as per the Food and Agricultural Organization (FAO) is currently around 1800 calories per capita per day, and (iv) the new poverty line happens to be close to but less than the 2005 PPP \$1.25 per day poverty norm used by the World Bank (Raveendran, 2010).

Conclusion

Now in conclusion we can say that in India availability of food grains is sufficient as government claims in various planned document but it is not enough to provide legal entitlement of food to all. Because a difference exists at present between required and real available production of food grains, which may propel price fluctuation in market. In human rights deceleration food has been defined as the social and moral right, so food security act is a good move towards food for all. For increasing in agriculture production many reforms adopted by the government in recent times especially on the input side, never the less the cost of production has been increasing. But on the output side which includes assurance to farmers for a fair price for his produce, government had not succeeded sufficiently

The poverty situation may worsen condition when price fluctuation in open market decreases his real income. So first thing is keep prices right. In stabilizing market prices and in provid-

ing food for all or targeted groups, role of PDS is important. PDS is necessary for food security .For preparing the food security act, it is necessary to maintain the long term food policy. The present food grains production and procurement is not sufficient to meet long term food policy, and the rise in MSP may influence the APL section of population, which increase the poverty ratio.

The recent situation shows that price fluctuation in food items occurs due to its shortage in international market, and oil

shortage are also effect the price fluctuation, which increase the inflation and WPI of food grains. So, while preparing a food security act, the Rangarajan committee suggest that price of subsidized food grains for the poor (BPL) might be linked to inflation and indexed to the CPI in the coming years, and the price at which wheat and rice was to be made available to the APL might to the MSP. This is important to reduce the fiscal burden and food subsidy bill.

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