

1. A Crisis Deferred

Context:

- Union budget missed an opportunity to undertake reforms in the grain management system and the food security act.

Background:

- Union Budget for 2020-21 in agri-food space reduced massive food subsidy from the budgeted estimate (BE) of Rs 1,84,220 crore to Rs 1,08,668 crore (RE). For the next fiscal year, the budget estimate has been kept at Rs 1,15,570 crore.
- The Food Corporation of India (FCI) has been asked to borrow more from myriad sources, but most importantly from the National Small Savings Fund (NSSF).
- In order to gauge how much is the effective food subsidy in the country, the budget numbers are becoming totally irrelevant. One needs to add the actual subsidy numbers reflected in the budget to the outstanding dues of FCI.
- If does that, the effective food subsidy turns out to be Rs 3,57,688 crore. By not provisioning for it fully in the budget, and not undertaking any reforms in the food grain management system or the NFSA, the government is only postponing the crisis.

Issues in the Grain Management system and the Food Security Act:

- While the Economic Survey clearly states that the coverage under NFSA needs to be revisited, and brought down to say 20 per cent of population
- The expected cost of rice to FCI in 2020-21 is going to be about Rs 37/kg, and for wheat it will be Rs 27/kg. The issue price, that covers 67 per cent of the population, is just Rs 3/kg and Rs 2/kg respectively.
- Now the question is Can 67 per cent of the Indian population not afford even basic food?
- Compared to a buffer stock norm of 21.4 million tonnes, actual stocks with FCI (including unmilled paddy) were 3.5 times higher. It speaks of a colossal waste of scarce resources, especially when tax revenues have been sluggish.
- Another issue is with procurement prices being above global prices, the chances of wheat exports are bleak unless there is a subsidy for exports.
- So, one should expect a piling up of grains stocks with FCI may run out of storage capacity.

Reforms in Grain Management System:

- Reforms in food grain management have to start with reforming the PDS system, and gradually moving away from grains to cash transfers.
- The policy of procurement prices, with open-ended procurement in the Punjab-Haryana belt is doing more damage by depleting the water table and not letting crop diversification take place.
- Government formed a high powered committee was set up to reform the grain management system under the former Union food minister, Shanta Kumar.

Highlights of the Report:

- Reduce the number of beneficiaries under the Food Security Act—from the current 67 per cent to 40 per cent.
- **Allow private players to procure** and store food grains.
- Stop bonuses on minimum support price (MSP) paid by states to farmers, and adopt cash transfer system so that MSP and food subsidy amounts can be directly transferred to the accounts of farmers and food security beneficiaries.
- FCI should involve itself in full-fledged grains procurement only in those states which are poor in procurement.
- **Abolishing levy rice:** Under levy rice policy, government buys certain percentage of rice (varies from 25 to 75 per cent in states) from the mills compulsorily, which is called levy rice. Mills are allowed to sell only the remainder in the open market.
- **Deregulate Fertiliser Sector** and provide cash fertiliser subsidy of Rs 7,000 per hectare to farmers.
- Outsource of stocking of grains: The committee calls for setting up of negotiable warehouse receipt (NWR) system. In the new system, farmers can deposit their produce in these registered warehouses and get 80 per cent of the advance from bank against their produce on the basis of MSP.
- Clear and transparent liquidation policy for buffer stock: FCI should be given greater flexibility in doing business; it should offload surplus stock in open market or export, as per need.

Conclusion:

- The Economic Survey talked of moving in the direction of cash transfers, but the government seems to have Developed Cold Feet.

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- Now Immediately Government should implement the Shanta Kumar committee report to reform the grain management system in India.

Source: Indian Express

