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Universalising PDS: How Much does it Cost Anyway?

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IT is widely acknowledged that India is probably one of the hungriest countries of the world. India's abysmal ranking (65th among 84 countries) on the Global Hunger Index (GHI) 2009 underlines the gravity of the problem of food insecurity and hunger in the country. In fact, the index value for India (i.e. 23.9 points) is higher than the average for most of sub-Saharan Africa (22.1 points). The picture assumes graver overtones when seen in conjunction with spiralling food prices, the ongoing economic downturn etc. The GHI further documents that the prevailing global economic crisis has had a severe impact on food security in most developing countries.

SEVERITY OF

THE SITUATION

Further, the findings and recommendations of the reports of various commissions of the government of India have often highlighted India's proneness to food insecurity and hunger, in spite of impressive GDP growth rates for almost three decades now. For instance, the Sengupta committee reported, using the National Sample Survey (NSS) consumption data for the 61st round (2004-05), that as much as 77 per cent of India's population was "poor and vulnerable," as it spent up to Rs 20 per day as total consumption

expenditure. The committee also highlighted that the extent of “poor and vulnerable” in India had risen in between 1999-2000 to 2004-2005, and as the number of persons belonging to this group had increased from 811 million in 1999-00 to 836 million in 2004-05. The severity of the situation is also reflected in the data on child malnutrition and women who are anaemic. As per the available data, around 50 per cent children are undernourished and more than 75 per cent women are anaemic in rural India.

It is worth stressing here that as per our constitution all persons have a fundamental right to be free from hunger and to have access to safe and adequate food. Hence, it is the responsibility of the state to take appropriate steps with regard to both production as well as entitlements. However, in recent years there has been a significant decline on the side of production; furthermore, per capita availability of foodgrains has also declined from 186 kg per annum in 1991 to 166 kg in 2000 and further 160 kg in 2007.

The severity of the situation necessitates that the issues of food insecurity and hunger receive immediate attention. In this context, universalising the public distribution system (PDS) in the country will be critical for ensuring the well-being of the masses. Although some have raised concerns regarding the cost implications of universalising the PDS, an elementary cost calculation of universalising the PDS suggests otherwise. In fact, the total expenditure on food subsidy by both the centre and state governments hovers around one per cent of the GDP and is less than three per cent of the total public expenditure since 1990-91. With a fillip to this expenditure, significant progress can be made towards mitigating hunger.

This issue gains further urgency in the context of the proposed National Food Security Bill. The present exercise explores the budgetary implications of the proposed legislation and recommends that universalising the PDS in the country would be critical to the same.

UNIVERSALISING PDS & FOOD SECURITY BILL

In this context, the proposal to universalise the PDS in the country calls for cost estimations going beyond the existing practice of food subsidy in the budgets. As mentioned above, the budgetary provisions towards food

subsidy during the fiscal year 2009-10, was less than one per cent of the country's GDP. This is clearly less than the amount needed to ensure food for all.

PROPOSAL I

To ensure food for all, an additional Rs 94419 crore may be required to supplement the present provisions of food subsidy in the country. This cost estimation of the proposed universalisation of PDS is based on the following assumptions:

Total number of households in the country at present is 23.96 crore (approx 24 crore) based on the assumption that the size of household is 4.8 (as reported in NFHS-3) and the projected population of the country at present is 115 crore.

Extend the provision of PDS to all the households in the country that would demand subsidised food grains at 35 kg per month per household at the central issue price (CIP) of Rs 2 per kg.

Assuming that the present minimum support price (MSP) as well as economic costs of wheat and rice will not increase from what it is at present, i.e. Rs 1,789.8 for per quintal of rice and Rs 1,392.7 for per quintal of wheat.

Assuming that the distribution of rice and wheat will be in the ratio of 2:1.

Based on the above assumptions, the total amount of foodgrains needed for distribution through PDS would be around 1008 lakh tonnes. Out of this, the amount of rice and wheat needed for distribution would be around 672 lakh tonnes and 336 lakh tonnes respectively. As a whole, the total amount as food subsidy per annum would be Rs 1,46,909 crore. At present, the provision of food subsidy accounts for Rs 52,490 crore as per the budget estimate of 2009-10. Therefore in the coming budgets the government will have to make provisions for an additional amount of Rs 94,419 crore.

Required Amount of Food Grains and Food Subsidy (Per Annum): Proposal I

A	Total amount of food grains (rice/wheat) to be distributed (per annum) at 35 kg per month per household	1008 lakh tonnes
B	Proposed CIP for food grains per tonne (Rs 2 per kg X 1000 kg)	Rs 2000
i	Total amount of rice need to be distributed (per annum)	672 lakh tonnes
ii	Total amount of wheat need to be distributed (per annum)	336 lakh tonnes
C	Total amount which would be recovered through CIP (Rs 2000 X 1008 lakh tonnes)	Rs 20160 crore
D	Economic costs per tonne of rice (Rs 1789.8 X 10)	Rs 17898
a	Total economic costs for the distribution of proposed amount of rice	Rs 120275 crore
E	Economic costs per tonne of wheat (Rs 1392.7 X 10)	Rs 13927
b	Total economic costs for the distribution of proposed amount of wheat	Rs 46795 crore
F	Total economic cost for the distribution of food grain (rice/wheat) (F=a+b)	Rs 167069 crore
G	Amount of food subsidy required per annum (F-C)	Rs 146909 crore
H	Present budgetary provision as food subsidy	Rs 52490 crore
I	Food subsidy required for the coming budgets over and above the existing provision (I=G-H)	Rs 94419 crore

Making the required amount available, should not be an impossible task for the government. *In any case, financial constraints can never be an excuse for denying the basic needs of the masses, and even less so when the government is prepared to forego tax revenue (as exemptions to the corporate houses and others) to the extent of Rs 4,18,096 crore for a single fiscal year (2008-09).*

PROPOSAL II

Retaining all the assumptions mentioned above except distribution of rice/wheat at CIP of Rs 3 a kg instead of Rs 2 a kg, the projected additional cost for universalisation amounts to Rs 84399 crore over the existing current budgetary provision as food subsidy.

**Required Amount of Food Grains and Food Subsidy (Per Annum):
Proposal II**

A	Total amount of food grains (rice/wheat) to be distributed (per annum) at 35 kg per month per household	1008 lakh tonnes
B	Proposed CIP for food grains per tonne (Rs 3 per kg X 1000 kg)	Rs 3000
i	Total amount of rice need to be distributed (per annum)	672 lakh tonnes
ii	Total amount of wheat need to be distributed (per annum)	336 lakh tonnes
C	Total amount which would be recovered through CIP (Rs 3000 X 1008 lakh tonnes)	Rs 30240 crore
D	Economic costs per tonne of rice (Rs 1789.8 X 10)	Rs 17898
a	Total economic costs for the distribution of proposed amount of rice	Rs 120275 crore
E	Economic costs per tonne of wheat (Rs 1392.7 X 10)	Rs 13927
b	Total economic costs for the distribution of proposed amount of wheat	Rs 46795 crore
F	Total economic cost for the distribution of food grain (rice/wheat) (F=a+b)	Rs 167069 crore
G	Amount of food subsidy required per annum (F-C)	Rs 136829 crore
H	Present budgetary provision as food subsidy	Rs 52490 crore
I	Food subsidy required for the coming budgets over and above the existing provision (I=G-H)	Rs 84399 crore

Given the importance of the issue, the cost associated with the implementation of Right to Food and universalising PDS must not be exaggerated. *Since the central government on an average per day, gave away approximately Rs 1,145 crore as tax exemptions, during the year 2008-09, sanctioning the additional amount of Rs 258 crore per day (based on Proposal I) for universalising PDS should not be impossible.*

The persistent non-implementation and denial of basic rights such as the right to food and decent livelihoods to large sections of the population would only contribute to the growing unrest in society --- sometimes manifesting itself in violent activities by the deprived masses, which are becoming quite prominent in India. It is critical, thus, that policy makers pay heed to this very elementary and well-known lesson from history --- the absence of socio-economic justice is among the most important causes behind the

aggravation of conflict and violence in any society. As the well-known ILO motto puts it: if you wish for peace, cultivate justice.

