

July 13, 2012

## Campaign Booklet

### TOWARDS FOOD SECURITY: URGENT NEED TO CHANGE POLICIES

*The Four Left parties, the **CPI**, **CPI (M)**, **Forward Bloc** and **RSP** have launched a national campaign on the issues relating to food security. The Food Security Bill presently before the Parliamentary Standing Committee is a Bill which if accepted in its present form will legalise the injustice of excluding a vast section of our people from the right to food security. The Bill has many extremely objectionable features. To name a few: it continues the targeted system by having three categories of APL, BPL and automatically excluded based on the bogus poverty estimates of the Planning Commission; it introduces the direct cash transfer scheme instead of guaranteed foodgrain supply; it obliterates the rights of State Governments and is highly centralized. The Left parties oppose the Bill in its present form. The Left parties demand a universal public distribution system with a minimum guarantee of at least 35 kg of foodgrains per family at the maximum rate of two rupees a kg.*

*This booklet looks into the major issues related to food insecurity and the reasons for food price rise, the exclusion of the poor from the PDS and increasing and deepening poverty. It challenges the Planning Commission's fraudulent poverty estimates by revealing the true picture of deepening and widening poverty.*

*We hope that this will help to strengthen the campaign and struggles for food security.*

## **1. WHY ARE FOOD PRICES RISING FAST?**

For the last five years, from 2007 onwards, prices of all goods and especially food items has been rising much faster than peoples' money incomes have been rising. This has meant continuous fall in the purchasing power of ordinary people and has forced them to lower consumption of basic necessities like food and cloth. Why have food prices risen so fast while in the earlier years they did not? The basic, underlying cause is the **falling production of food grains on a per head basis after reforms were started**. The fall has become very fast over the last twelve years. Food grains include rice, wheat, the coarse grains (jowar, bajra, maize etc) and pulses. Food grains, although they are called 'food' grains, are not solely used by humans for consuming directly, although that is the main use in a poor country. Grains and by products like straw, husks and crop residues, are used as animal feed and for farmers, are essential for sustaining their livestock and keeping up the output of livestock products. Fall in per head grains output means rise of fodder costs, and so milk, eggs, poultry meat also become much more expensive to produce. That is why we see that with falling per head grain output, the prices of these other food products are rising fast. Grains are also used for the next year's seed, and a part is processed. Nowadays advanced countries have stepped up using a lot of their grain for producing ethanol, which has led to the recent sharp rise in global food prices.

*Food price inflation is linked to speculation, the basic cause of which is falling per capita foodgrain output. It is only when speculators expect grain supply per head to continue to fall that they find it profitable to speculate in food. The government and its economist toadies, do not wish to admit their basic failure in allowing food output growth rate to become only 1.3 percent during 2000 to 2011 compared to 2.7 percent during 1981 to 1990 (before reforms started). Speculators should never be allowed to operate and futures trading should be banned, at the same time it is futile to try to curb speculation by these means alone without paying attention to the basic problem of not enough output. The advanced country economists keep talking about speculation alone because they do not wish to admit that it is their own countries which have pressurized the developing countries to divert their lands from food production to crops the advanced countries want to consume but cannot produce at all.*

We have a very reliable source of information on how much each item of food is consumed by different classes of spenders, from the National Sample Survey which every five years carries out a large-scale survey (smaller scale surveys are carried out every year). These data show

that food grains consumption is falling for every spending group from the poorest to the richest. Only the richest one-tenth of the population is consuming more foods like milk and eggs. 80 percent of the population is actually eating less of these items. The income of the large mass of the population is simply not rising fast enough for them to maintain the same consumption as before.

***2. Why has the output of grains been falling in our country on a per head basis?***

*Export of commercial crops as well as grain, is wrongly given much more importance over food security of the people*

After the new economic policies started from 1991, the then government with Manmohan Singh as Finance Minister changed the policy towards grain output and exports. The advanced countries which are cold countries can only grow crops once in the year, cannot produce raw cotton, sugarcane, oil crops, tea or coffee. They cannot produce even their own vegetables and fruits during their winter months. They have always depended on imports of a large part of what they consume and wear. Nowadays with air-freighting, perishable goods like fruits, vegetables and flowers can reach the most distant advanced country from India, in less than 24 hours. So they put pressure on developing countries including the Indian government to 'open up' agriculture to free trade, so that they could use our lands to produce the crops they wanted for their rich consumers. They were very successful in doing this. Within ten years by 2001, the area under food grains in India fell by 80 lakh hectares and this land was diverted to producing cotton, sugarcane, vegetables, fruits and flowers and so on. Exports of these crops went up and at the same time the grain output per head reduced. The five years before 2007 were especially bad with food grains output stagnating at about 212 to 215 million tons each year.

So, using our lands to produce crops for the rich countries leads to food insecurity for our own population. The government continues to sign free trade agreements which will further worsen the diversion of land away from grain production. Further, the lakhs of farmers who switched to cotton production also have not gained because with free trade they faced very high ups and downs of global prices. When prices were rising they borrowed money to produce and when prices fell they were not able to pay back. Within a few years the country saw the cycle of debt driven farmer suicides which continue to this day, while the government continues to sign free trade agreements.

Even before economic reforms global prices used to go up and down but our farmers were unaffected then, because they were protected in

various ways. Quite a large part of what they produced was bought at minimum support prices by the various state-run 'commodity boards' so that even if global price fell they could still sell to these boards and cover their cost. The boards still exist in name but the central government directed that they should stop procurement, so deliberately destroying this important price-stabilization and farmer security system.

*Advanced countries told the developing countries to abandon their own food procurement system and when needed to buy from global market. This was self-serving advice because they wanted to sell their own excess grain and get what they wanted from our lands.*

The advanced countries (USA, Western Europe) produce a large surplus of food grains over and above what is demanded by their own population. For example the USA in 2007 produced 412 million tons of grain and had to export 138 million ton or one-third of output, because its own population could not absorb so much despite enjoying the highest level of per capita grain consumption in the world .*At 890 kg per head by 2007, this was over five times India's level of 174 kg. Three-fifths of this 890 kgs was used as feed for livestock converted to animal products.* On the other hand they cannot produce at all the tea, coffee, sugarcane, winter fruits and vegetables which their rich populations want and which they have to import from warmer developing countries. The advanced countries advised the developing countries that they should specialize in producing export crops in their own interest to earn more money (but actually the real reason was that they wanted supermarket shelves filled all the year round in their own countries). The poor developing countries were advised that food security did not mean producing their own food, did not mean self reliance- food security meant importing food grains when required, from the advanced countries which dominate the global grain market. They were therefore also pressurized by the IMF and World Bank experts to give up their own food grains procurement and distribution systems run by their governments. Not one or two, but dozens of governments in poor countries followed this advice and very foolishly dismantled their own food grain procurement and distribution systems, ranging from Philippines in the mid-1990s to Botswana ten years later. Their urban population became almost completely dependent on grain imports.

The Indian government too tried very hard indeed to destroy our public procurement and distribution completely, following the IMF and World Bank advice. First the government gave up universal PDS in 1997. Universal PDS meant that every citizen had a ration card and paid the same price for essentials in the ration shops. In the 1980s lakhs of new ration shops were opened especially in small towns and villages. About

21 million tons of foodgrains were distributed in 1991 through the ration shops, amounting to nearly 45 percent of all grain coming on the market, and the remaining 55 percent was sold by private dealers. So the public distribution was very important in keeping prices to the consumer, low and affordable. It did not work equally well in all states. Instead of improving the system, however the government set about destroying it, by 'targeting' namely giving ration cards entitling *subsidized foodgrains*, to only the so-called 'below poverty line' population.

Within three to four years, by 2001 the amount of grains distributed through our PDS became nearly halved at only 13 million ton. This was because the government's definition of 'the poor population' was incorrect and excluded millions of the actually poor from the BPL cards. Why the government came up with an incorrect measure of how many people were poor, we will discuss in the third section. Ten years later in 2012 millions more of the actually poor continue to be denied BPL ration cards because the government continues to estimate false poverty figures.

Having told the developing countries that they could get their food needs met by purchasing from the global market, the advanced countries then caused global food stocks to nearly disappear by suddenly raising their use of grain to produce ethanol. After the Iraq War the USA started converting more and more maize to ethanol – from only 27 million tons in 2003 the quantity diverted to produce ethanol rose to 110 million ton by 2007. The European countries too did the same, with their governments giving subsidies for such conversion. This was because control over world oil supplies could not be ensured by advanced countries despite their aggressive pursuit of war. This led to a sharp rise in global food prices. The developing countries which had dismantled their food security systems saw food riots by their urban population as the price of imported grain doubled and trebled in a matter of months. In 37 countries there were agitations against rising prices and their populations have been pushed down into greater poverty.

It is only with the world food crisis of 2008 that the Indian government took some steps to raise food grains output per head after having allowed it to fall for over a decade. Again, it is important to note that if global food grains output per head had been rising then even diversion to ethanol would not have led to such high inflation. But, this diversion is taking place while global food grains output per head has been falling ever since the mid-1980s. By 2003 it was back to the level of 1973, only 315 kg per head.

### 3. What is Availability of Food grains and why has it been falling ?

What we produce, is not the same as the grain which is actually available to the people, because there can be exports or imports, and because there can be addition to public stocks or drawing down of stocks. Output adjusted for trade and change in stocks is called availability. If our output in a year is 100, imports are zero, exports are 10 and addition to stocks is 15 then availability will be 100 minus 10 and again minus 15, *i.e.* 75. So availability can be lower than output. In the same way availability can be greater than output if there is import and drawing down of stocks. In recent years even though per head output has been falling, per head availability has been falling even faster because there is export and addition to stocks.

Chart 1a Cereals Availability per Head Per day , 1977-79 to 1989-1991

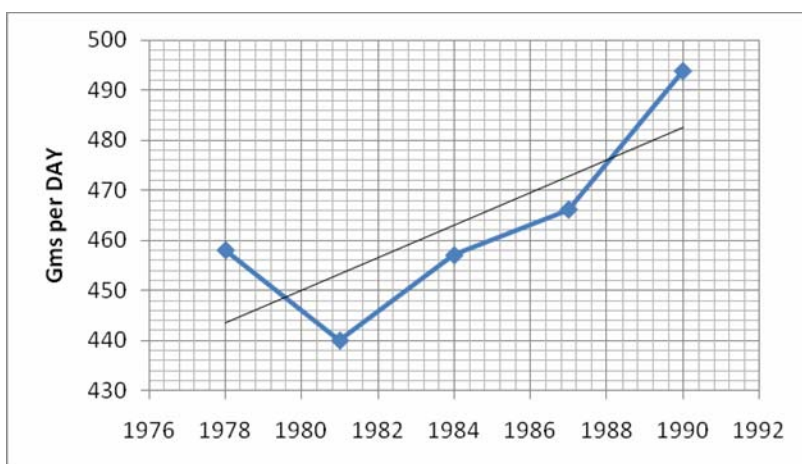
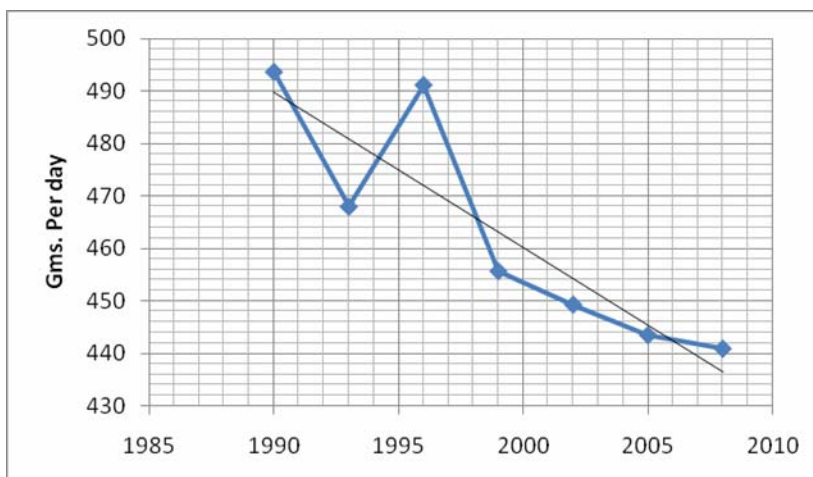


Chart 1b Cereals Availability per Head per Day, 1989-91 to 2007-09



Source: Data from Ministry of Finance Govt. of India *Economic Survey 2011-2012*

The Charts 1a and 1b show data from the *Economic Survey, 2011-12*. The Economic Survey is released by the Finance Ministry every year just before the Budget. These show clearly that that per capita availability per day was rising before economic reforms comparing the three year averages from 1977-79 to 1989-91. Exactly the opposite happened during the period of economic reforms and export thrust. The per capita availability fell during 1989-91 to 2007-09 reaching only 440 grams per day. This is the actual consumption level of grain for all purposes.

Why is it that although a large part of the population is poor and cannot get enough to eat, despite that grain is being exported and large amounts are being added to stocks leading to such low per capita availability?

First, because the government is leaving out millions of poor people from the PDS, by wrongly calling them 'above poverty line', the actually poor are unable to get access to low cost food grains and cannot afford to buy what they need at the much higher APL prices, so leading to unsold grain which is continuously added to larger and larger stocks. Current public stocks on June 01, 2012 were 50.2 million tons of wheat and 32.1 million tons of rice, totalling 82.3 million tons, or a massive 50 million tons which is unsold and above the buffer norms. Most of the food subsidy is being uselessly wasted on the cost of holding mountainous stocks. Yet the government refuses to take the rational emergency step of immediately enlarging the scope of public distribution at affordable prices to the poor. In fact as is well known the Government has not even constructed enough storage capacity and at present 66 lakh tons of grain are lying in the open, and is likely to rot once the rains set in. Yet the government refuses to do away with the artificial division between 'BPL' and 'APL'. Private traders too see their unsold stocks building up and press for exports to be permitted.

Second, the rate at which employment is growing has reduced sharply over the last five years leading to higher unemployment and loss of income. The global recession has also led to falling employment and incomes in many sectors for which exports are important. The 2009-10 drought further affected farmers who were already suffering from depressed earnings. All this has contributed to the loss of purchasing power on a massive scale.

#### ***4. What is the official 'poverty line' and how is it leading to wrong estimates of poverty?***

How many people are called 'poor' depends entirely on the poverty line. Nearly 40 years ago the Planning Commission had defined the poverty line using the idea that to be non-poor, a person must at least have enough to eat while also meeting non-food requirements. The precise definition of the poverty line adopted by the Commission and never officially altered, is the observed monthly spending per head on all goods and services by households, whose food spending part allowed an intake of 2400 calories daily energy intake in rural, and 2100 calories daily energy intake in urban India. The rural norm was lowered in practice to 2200 when making the first 1973-4 estimate. The basic data collected by the NSS from sample households, is the physical *quantities* of foods as well as the quantity/ number as applicable, of other goods and services actually consumed, and this includes not only purchased items but also the consumption out of own-produced output by farming families.

The first correct poverty estimate was made following this method, for the year 1973-74. The rural/ urban monthly poverty lines were found to be Rs. 49/56.6 allowing 2200/2100 calories daily intake and the people falling below this, the poor, made up 56.4/49.2 percent of rural/urban population. After this the same definition was never followed and the original poverty lines were merely updated using price indices. But price indices used over such long periods, do not correctly measure the actual rise in the cost of living. Every new official poverty line was more underestimated than the one before, and allowed lower and lower energy and protein intake – in short the nutrition standard was being continuously lowered. By 2005 the official rural /urban poverty lines had reached the absurd level of Rs.12/18 daily.

The official revised rural/ urban monthly poverty lines for 2009-10 are Rs.673/860 or Rs. 22.4/ 28.7 daily per head, at which 1890/1700 calories only can be obtained, much below the official norms of 2200/2100 calories. A school going child knows that Rs.22/29 daily spending per person is an absurd level which will not cover essential costs of living. The people spending below this level are destitute, and not merely 'poor'.

The Planning Commission falsely claimed poverty reduction in the following words in its press release in March 2012:

The all-India HCR (head-count ratio) has declined by 7.3 percentage points from 37.2% in 2004-05 to 29.8% in 2009-10, with rural poverty declining by 8.0 percentage points from 41.8% to 33.8% and urban poverty declining by 4.8 percentage points from 25.7% to 20.9%.

The only reason for the above official result of 'poverty declining' is its steady lowering of the standard over a long period of time, since 1973-



74. If the pass mark in a school is continuously lowered over a 40 year period – thus the lowering becomes substantial- then it is not surprising if the percentage of failures shows a fall, but it is quite wrong to claim improvement because to compare, the same standard must be applied.

What happens to poverty estimates if we use the true poverty lines at which the Planning Commission's own nutrition standard is met? Table 1 shows that the percentage of persons in poverty increased sharply after economic reforms started and 75/73 percent of the rural/urban population was actually poor by 2009-10. This means that by making its incorrect estimates quoted above, the Planning Commission is currently excluding 41% of the rural population and 52% of the urban population, from the BPL category. The number of the actually poor who are being left out is about 500 million and far exceeds the number of those officially recognized as poor.

Further in its eagerness to cut food subsidy and restrict the number of persons to be covered by rationing, the government is introducing on a pilot basis a rascally scheme of giving Rs1000 cash transfer in lieu of ration and this amount is fixed. With the present rate of price rise this means a smaller and smaller quantity of food grains can be purchased as time passes. This is a deliberate attempt to make the poor even more food-insecure. The complete irrationality of the government's policy is clear when we see that with 82 million tons of grain stocks of which over 6.6 million ton lies unprotected in the open, instead of distributing to the poor, on July 3 it has announced a policy of exporting out of stocks. Initially 2 million tons are to be exported, but this is likely to increase. The government seems set to repeat the infamous action of the NDA which preferred to export 22 million tons of grain during 2002 and 2003 during a bad drought period, rather feed our own population.

**Table 1 Trends in the True Percentage of Persons in Poverty All-India, 1973-4 to 2009-10**

	1973-4	1983	1993-4	2004-5	2009-10
<b>RURAL</b>					
1. Percent of Persons below 2200 calories daily intake					
	56.4	56	58.5	69.5	75
<b>URBAN</b>					
2. Percent of Persons below 2100 calories daily intake					
	49.2	58.5	57	64.5	73

Over the last five years urban poverty has been rising even faster than rural poverty under the double impact of high price inflation and declining employment opportunities. Our detailed analysis shows a phenomenal rise in the cost of living in the states containing the large cities. Most remarkable is the steepest rise in poverty in India, seen in the national capital, urban Delhi: from 35 percent below 2100 calories in 1993-4, it rose to 67.5 percent by 2004-5 *while by 2009-10 as high as 92 percent of all persons had been pushed below 2100 calories intake*. Protein intake per head too continues to fall. Families are forced to sacrifice food not only because their money incomes are not rising enough to keep pace with food price inflation but also owing to the steep hike in essential medical, educational and utilities costs as these are increasingly privatized.

### ***What is to be Done? Issues for Struggle***

1. Firmly support policies for increasing agricultural production and restricting the costs of inputs, power and of credit. Oppose free trade agreements and allow exports of grain and crops like cotton only after meeting domestic needs. Restore the market intervention function of commodity boards so that farmers obtain a reasonable support price not only for foodgrains but also for commercial crops and are not the victims of violent global price changes.
2. Reject the government's false poverty estimates.
3. Eliminate targeting and restore a universally accessible PDS. On no account accept cash transfer schemes. Take steps to eliminate the deficiencies of the existing system of distribution in particular the diversion of PDS grain to the open market.
4. In view of the existing mounting food grains stocks alongside increasing hunger, on an emergency basis allow all APL cardholders to access grain from ration shops at existing BPL prices. Oppose export of foodgrains out of stocks.
5. Enlarge the rural MGNREGS and Introduce an urban employment guarantee scheme in view of the widespread loss of employment and rise in poverty in urban areas.

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