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India's Food Security Resilience: Some Tips for ASEAN?

By Jose M. L. Montesclaros

SYNOPSIS

The IMF recently lauded India's food subsidies in helping minimise COVID-19's impacts on food and economic insecurity. What are the lessons for ASEAN member states, where extreme poverty increased by 4.7 million amid the pandemic?

COMMENTARY

LAST MONTH the International Monetary Fund (IMF) released a [report](#) lauding India's success of a 0% increase in extreme poverty amid the pandemic, through its food subsidy policies. Extreme poverty is tied to food insecurity, as it is measured as the share of the population with insufficient income to afford their most basic needs (including food). As the IMF report included food subsidies as part of real income of individuals, subsidised grains effectively prevented an increase in extreme poverty amid the pandemic.

In stark contrast to India, ASEAN member states (AMS) saw an increase of 4.7 million people in extreme poverty, according to the Asian Development Bank's [report](#) in March. What are the potential lessons for AMS from India's subsidised grain distribution system which allowed it to provide significant food subsidies amid the pandemic?

India's Digital Ration Cards and Identity System

The IMF report mentioned India's *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) emergency safety-net policy, of distributing subsidised food to eligible poor households. This builds on India's National Food Security Act (NFSA), where the government allocates grains for subsidised redistribution to lower-income households, to cover 75% of the rural population and 50% of the urban population.

Digital technologies played an important role in the NFSA's application. India's Aadhaar national ID system gives each individual a unique, biometric-based (i.e., fingerprints) digital identity. The World Bank has touted this as the "most expansive" digital ID system globally, covering 1.3 billion people as of March 2022.

Digital identities also reduce [leakages](#) of limited welfare resources to unintended beneficiaries, according to the Abdul Latif Jameel Poverty Action Lab (JPAL).

India's digital identity system in turn supported the implementation of food subsidies, through its "digital ration cards" (DRC) system. Over 222 million DRCs have been released as of 1 March 2022. This includes approximately 200 million cards for "Priority Households" (PH) with lower income levels, and 20 million cards for the poorest of the poor (*Antyodaya Anna Yojana*).

This was further supported by e-Point of Sale (e-POS) machines for accurate, electronic weighing of grains. Over 166 million metric tonnes of subsidised grains have been distributed using this mechanism within India's Fair Price shops.

ASEAN's Laissez-Faire Approach to Food Security

India's success builds on its unique adoption of digitalisation in food distribution. Such an initiative is not currently part of ASEAN's approaches to digitalisation in agriculture.

Last year, the 43rd Meeting of ASEAN Ministers on Agriculture and Forestry (AMAF) [endorsed](#) the "ASEAN Guidelines on Promoting the Utilisation of Digital Technologies in the Food and Agriculture Sector".

The application of digitalisation in AMS is to enhance food security and supply chain stability within [laissez-faire](#) market settings. Digitalisation in food production involves "smart farming" technologies (Internet of Things or "IoT") to boost crop productivity amidst changing agro-climatic environments.

Digitalisation within supply chains also includes e-commerce to help farmers increase their farming income by selling directly to consumers, and traceability technologies to assure food quality and safety. Altogether, AMS' policies contribute to greater food availability and economic accessibility of food, by helping farmers raise their productivity levels and market competitiveness.

Comparing Indian and AMS' Approaches

Similar to AMS, India is also seeing [pockets](#) of digitalisation following laissez-faire approaches, in both food production and in its supply chains, such as digital farmer advisory, e-commerce and traceability.

What further distinguishes India is its ability to have an expansive subsidised grain distribution system to support its nation-wide DRC system. This system is not purely governed by laissez-faire principles, but rather is also supported by food security objectives.

Given India's low GDP per capita of US\$2,000 per annum, it does not adopt a purely

laissez-faire approach as this would risk having insufficient food stocks during disruptions, and in turn, relying on higher-priced imported grains in meeting its food consumption requirements.

Its government thus intervenes in order to ensure sufficient domestic grain production and supplies, by committing to purchasing from farmers whatever crops they produce (within quality standards), at a Minimum Support Price (MSP) recommended by its Commission for Agricultural Costs and Prices (CACP).

For instance, setting a higher MSP level signals to farmers to increase their adoption of technologies like fertilisers or better seeds, given the promise of higher profits.

Laissez-faire + Food Security

In turn, the government's Food Corporation India (FCI), which procures crops and manages the country's grain stockpiles, provides information on expected shortfalls in stockpiles owing to farming disruptions. This signals to the CACP when to raise the MSP levels in order to bridge food supply gaps.

As a whole India's combination of laissez-faire and food-security-focused stockpile management minimises the need to rely on more expensive grain imports, and in turn, allows it to subsidise a greater quantity of domestically produced food.

In contrast to India, however, AMS, which follow a purely laissez-faire approach, make no such commitments of purchasing whatever grains are produced by farmers at a fixed price.

Reconsidering ASEAN Approaches

Today, ASEAN is seeing successive disruptions beyond COVID-19, including rising food and energy prices and food trade impacts of Russia's invasion of Ukraine. India's effective "shock-proofing" its food supply system has inspired this examination of its relevance to AMS.

Given AMS' laissez-faire approach to food security, India's food security approach is not readily applicable to them. AMS do not provide guarantees to purchase farmers' crops at pre-identified prices.

In not doing so, however, AMS effectively leave to farmers the decision of how much food to produce, and fail to ensure sufficient food supplies during disruptions. In turn, this limits the scope of food distribution within AMS.

In this regard, it is well-worth re-considering the merits of AMS' current laissez-faire approach to food security, and whether more can be done through alternative approaches like India's, in preparing for future disruptions.

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