

THE ECONOMY

Food Stamps Value Decreases

The rice ration scheme-the main food subsidy programme begun during the Second World War - continued with occasional changes till the late 1970's. The rice ration scheme which was available to everyone at its inception was reduced in quantity in late 1960's, and later limited only to the non-income tax payers; while from January 1978 it was further limited to the lower 50 percent of the income receivers. In September 1979 the Food Stamp Scheme was introduced, replacing the nearly four decade old rice ration scheme.

Initially Food Stamps were issued to all members of a household whose monthly income was Rs. 300/- or less. Households where the monthly income was more than Rs.300/- and which had more than five members were also given some concessions under the scheme on the basis of their monthly income level. Under the food stamp scheme children below 8 years were given Rs.25/- worth of Food Stamps; while children between 8-12 years were given Rs.20/- worth of Food Stamps; and those over 12 years were given Rs.15/- worth of Food Stamps monthly. Rice (paddy), flour (bread), sugar, powdered milk and locally produced pulses could be purchased with these Food Stamps. In addition each household eligible for Food Stamps was also eligible for kerosene stamps worth Rs.9/50 per month to purchase kerosene oil. Kerosene stamps could also be used to purchase the food items listed above.

At the beginning of the Food Stamp scheme in 1979 Food Stamps were received by 7,257,000 people or 50.1 percent of the total population. In 1980 and 1981 the number of recipients increased gradually to 7,380,000 and 7,420,000 or by about 1.6 percent and 0.5 percent, respectively. However, after 1981 there is a gradual drop in the

NUMBER OF RECEIVING KEROSENE HOUSEHOLDS STAMPS

Mid Year	Number of Households receiving Kerosene Stamps '000	As a % of total Households
01.05.79	1558	56.0
31.05.80	1596	56.0
31.05.81	1592	55.2
31.05.82	1567	53.6
31.05.83	1536	51.8
31.05.84	1519	50.6
31.05.85	1499	49.2
31.05.86	1468	

Source: Food Commissioner's Department; Social Services Department

number of Food Stamp recipients. For example, the number of recipients had decreased by 8 percent, from 7,420,000 in 1981 to 6,854,000 in 1986. When Food Stamp recipients are taken as a share of total population it shows a gradual drop from 50.1 percent in 1979 to 42.5 percent in 1986. This same trend could be seen in case of the number of households receiving Food Stamps and Kerosene stamps. The percentage of

NUMBER OF FOOD STAMP RECIPIENTS AND THEIR PERCENTAGE OF TOTAL POPULATION

Mid Year	Under 8 Years '000	8 - 12 Years '000	Over 12 Years '000	Total '000	Mid year Population '000	Food Stamp recipients as a % of population
01.09.79	1346	831	5080	7257	14472	50.1
31.05.80	1539	788	5054	7380	14747	50.0
31.05.81	1457	778	5185	7420	14988	49.5
31.05.82	1252	763	5314	7328	15189	48.2
31.05.83	1008	756	5405	7169	15416	46.5
31.05.84	785	749	5526	7059	15599	45.2
31.05.85	590	731	5632	6953	15837	43.9
31.05.86	398	724	5733	6854	16117	42.5

Source: Food Commissioner's Department; Central Bank of Sri Lanka

households that received Food Stamps and Kerosene Stamps declined from 56 percent in 1979 to 48 percent in 1986.

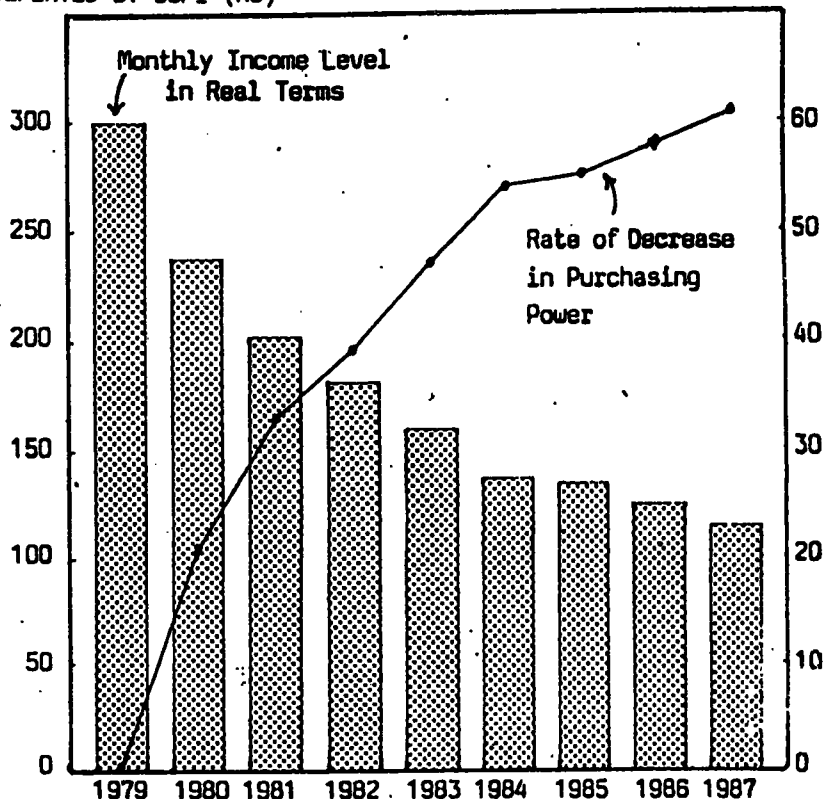
Over the years with the effects of inflation the money income of households increased by a higher percentage than the increase of their real income (purchasing power of money income). Yet, the monthly money income levels of households fixed for deciding their eligibility for Food Stamps continued unchanged from 1979. When compared with the 1979 price levels, by deflating by the Colombo Consumer Price Index, the real value (purchasing power) of a monthly money income of Rs.300/- in 1986 is reduced to only Rs.125/-. On this basis the real income level at or below which households should be for their eligibility for Food Stamps for all members of the household had come down by 59 percent from 1979 to 1986 (and 61 percent from 1979 to 1987).

In other words in 1979 all members of a household were eligible for the Food Stamp scheme when their monthly income was Rs.300/- or less while all the members of a household were eligible for the scheme when their monthly income at constant (1979) prices of goods and services was Rs.125/- or less in 1986 and Rs.116/- or less in 1987 respectively.

This reduction in real income level resulted in part of the households being pushed out of the scheme and part of the new low income households being kept out of the scheme. (As a result of inflation more people were naturally entering the income bracket of over Rs.300/-

MONTHLY MONEY
INCOME (RS 300/-)
DEFLATED BY CCPI (RS)

RATE OF DECREASE
IN PURCHASING POWER
OF MONEY INCOME (%)



These people were no longer eligible for the Food Stamp scheme.) This is a significant factor in explaining the drop in the number of Food Stamp recipients from 7,420,000 in 1982 to 6,854,000 in 1986. Thus many low income families were affected by the unindexed nature of income limits fixed for deciding eligibility for the Food Stamp scheme.

Government expenditure on the Food Stamps scheme in 1980 was Rs.1,595 million and this came down by 12 per-

cent to Rs.1,398 million by 1986. This 12 percent decrease was due to a decrease in the number of Food Stamp recipients in the lower age groups, particularly in the age group less than 8 years to whom higher value of Food Stamps were issued as been in the table. From the beginning of 1980 upto mid 1986 the number of recipients in the age group of less than 8 years had decreased by 74 percent from 1,517,000 to 398,000 while in the age group between 8-12 years the numbers decreased by 11 percent from 1,813,000 to 724,000 during this same period. The government spent Rs. 182 million on the Kerosene Stamp scheme in 1980 and the amount spent increased by 120 percent to Rs.401 million in 1986, despite the decrease in number of households those received Kerosene Stamps. This increase was due to increases in the value of the Kerosene Stamp from Rs.9/50 in 1979 to Rs.15/50 in 1983 and to Rs.21.23 in 1986.

When the government expenditure on Food Stamps and Kerosene Stamps is taken together it may be observed that

Year	Monthly (Money) Income Level (RS)	Colombo Consumer Price Index (1952=100)	Monthly (Money) Income Level deflated by CCPI	Rate % of Decrease in Purchasing power of monthly money income of Rs.300/-
1979	300.00	252.3	300.00	00.0
1980	300.00	318.2	237.87	20.7
1981	300.00	375.4	201.62	32.8
1982	300.00	416.1	181.90	39.4
1983	300.00	474.2	159.62	46.8
1984	300.00	553.1	136.85	54.4
1985	300.00	561.6	134.76	55.1
1986	300.00	606.0	124.90	58.4
1987	300.00	652.8	115.95	61.3

2.7
this total expenditure had not changed much from the beginning in 1979 to 1986. For example government expenditure on both these schemes in 1980 was Rs.1,777 million while it was Rs.1,799 million in 1986. This direct income transfer to low income households increased by a further 6 percent to Rs. 1,900 million in 1987. But as a percentage of total government expenditure, the amount government spent on these two schemes registered a drop from 6.5 percent in 1980 to 3.0 percent in 1986 and to 2.9 percent in 1987; as a result of the stagnating government expenditure on these schemes while total expenditure kept increasing over the years.

An important feature that may be observed regarding the Food Stamp scheme is the rapid deterioration of real value or purchasing power of the Food Stamps as a result of price inflation of food items from the inception of the scheme. In terms of the Food Price Index of Colombo the real value of Food Stamps had dropped by about 60 percent from 1979 to 1986 and by about 63 percent from 1979 to 1987. Despite the variety of choice in the range of commodities under the Food Stamp Scheme households have been using a very large part (in early 1980's about 80%) of their Food Stamps to purchase rice. Therefore, if the rate of erosion in the real value of the Food Stamps is worked out, in terms of the price of rice, this erosion is about 52 percent from 1979 to 1986 and about 55 percent from 1979 to 1987.

At present a major on-going programme related to upgrading the nutritional conditions of low income groups is the Food Stamp Scheme. Despite this programme the nutritional conditions of the low income groups has worsened. The prices of food items have increased as a result of the withdrawal of the subsidy on these items (on the basis of 'no profit no loss'). But due to the undexed nature of the scheme, the impact of the Food Stamps scheme has not been effective and therefore the nutritional conditions of low income groups has come down. According to a computation done in a survey in 1982, on the assumption that the total Food

Stamps were used to purchase rice, the proportion of family requirements of energy (e) and protein (p) met by the Food Stamp scheme had dropped from 36 percent (e) and 34 percent (p) in September 1979 to 18 percent (e) and 17 percent (p) in July 1981, respectively.

Findings of the Central Bank's Consumer Finance Surveys indicate that the Food Stamps scheme has not had the desired effect. For instance, although the Food Stamps scheme was started in 1979 the nutritional intake among the lowest income groups had not increased during the period from 1978/79 to 1981/82. These same surveys revealed that consumption of animal protein, specially milk and fish, had declined in the poor income groups. It is not unrealistic that the decline in the nutritional intakes of low income groups continued with the inflation of food prices.

Instead of the Food Stamp scheme administered by the Food Department, a revised scheme, named the Poor Relief Food Stamp Programme, was begun under the Ministry of Social Services in the latter part of 1986. Under the revised scheme Food Scheme Food Stamps were issued to all members of a household whose monthly income was Rs.300/- or less, while in the case of households whose monthly income ranged between Rs. 301/- - 400/-, Rs.401/- -600/- and Rs.601/- - 700/-, 4 members 3 members and 2 members of these households were entitled to be beneficiaries under the scheme. Kerosene Stamps to the value of Rs.21/73 were also issued to the households with no electricity. Under the revised scheme there was no increase in the value of the food stamps. However, the total number of recipients has increased to about 7.5 million at present. Total expenditure on both the Food and Kerosene Stamp schemes had increased by 5 percent from Rs.1,799 million in 1986 to Rs.1,885 million in 1987; as a result of the increase in the number of recipients and value of Kerosene Stamps after the revision in 1986.○

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