

**UNIVERSITY OF LJUBLJANA**

**FACULTY OF ECONOMICS**

**AND**

**CENTER FOR PROMOTION OF ENTERPRISES (ICPE)**

**MASTER DEGREE THESIS**

**TITLE: FOOD SECURITY-EFFECTIVENESS OF THE  
PUBLIC DISTRIBUTION SYSTEM IN INDIA**

---

***SHAIENDRA SINGH***

**M.B.A. Programme 2005/06**

## Author's Statement

I, Shailendra Singh, hereby certify to be the author of this Master's Thesis, which was written under mentorship of Prof. Zarjan Fabjancic and in compliance with the Act of Authors' and Related Rights-Para-1, Article 21.

I herewith agree this thesis to be published on the website pages of ICPE and the Faculty of Economics.

Signature

**(Shailendra Singh)**

Gwalior, August 2006

## **Acknowledgement**

At the very outset, I would like to express my sincere thanks and gratitude to my mentor Prof. Zarjan Fabjancic, University of Ljubljana, Slovenia for his valuable guidance and support.

The steps taken by the Ministry of Consumer Affairs, Food & Public Distribution as well the State Governments of Madhya Pradesh, Chhattisgarh, Kerala and Tamilnadu for ensuring food security at the macro level and to the weaker sections of the society in particular have been quite enriching.

I am also grateful to my senior Mr.R.S.Sirohi and colleague Mr.S.N.Roopla whose guidance inspired me to undertake this path of knowledge.

I have no words to express my gratitude towards my parents, Arti (wife), Shaina & Shreela (daughters) whose support and encouragement helped me to undertake this important pursuit of knowledge. I would also like to thank my senior colleague Mr. V.C. Semwal for helping me in the designing & formatting of the thesis.

Thanks,

**Shailendra Singh**

MBA Student, 2006  
(singh\_shailen@rediffmail.com)

**TABLE OF CONTENTS**  
**FOOD SECURITY-EFFECTIVENESS OF THE PUBLIC**  
**DISTRIBUTION SYSTEM IN INDIA**

		<b>Page</b>
<b>Chapter 1</b>	<b>Introduction</b>	<b>7-17</b>
1.1	Background Information	7-8
1.2	Public Distribution System	8-10
1.3	Research Problem	10
1.4	Research Questions	10
1.5	Research Objectives	11
1.6	Description of the problem	11-13
1.7	Research Strategy	13-15
1.8	Purpose of the thesis	15
1.9	Goal of the thesis	15
1.10	Methodology of the thesis	15-16
1.11	Structure of the thesis	16-17
<b>Chapter 2</b>	<b>Evolution of Public Distribution System</b>	<b>18-30</b>
2.1	History of Public Distribution System	18-24
2.2	Revamped Public Distribution System	24-25
2.3	Targeted Public Distribution System	26-29
2.4	Antyodaya Anna Yojana	29-30
<b>Chapter 3</b>	<b>Status of Food Security in the Country</b>	<b>31-41</b>
3.1	Food Situation at the time of Partition of the Country	31
3.2	Fluctuation in Food grains Production & Food Policy	31-32
3.3	Production & Availability of Food grains at All India Level	32-33
3.4	Trends in Production	33-34
3.5	Food grain Consumption	35
3.6	Nutrition Status	35-37
3.7	Need for Public Intervention	37-38
3.8	Short-term Government Interventions in Food Economy	38-39
3.9	Scheme of Decentralized Procurement of foodgrains	39-41

<b>Chapter 4</b>	<b>Food Management</b>	<b>42-54</b>
4.1	Public Distribution System	42-43
4.2	Buffer Stock Policy	43-44
4.3	Stock Position in Central Pool	44-45
4.4	Food Stock and its Management	45
4.5	Storage Management	46-48
4.6	Transport Management	48
4.7	Procurement of Food grains	48-49
4.8	Distribution of Food grains	50-52
4.9	Food-Based Welfare Schemes	52-54
<b>Chapter 5</b>	<b>Issues Concerning Public Distribution</b>	<b>55-67</b>
5.1	Right to Food	55-57
5.2	Administrative Structure	57-58
5.3	Allocation of Food grains	58-59
5.4	Delivery Mechanism for TPDS	59-61
5.5	Determinants of Viability	61-63
5.6	Evaluation of FPS Profit	63-65
5.7	Lifting of PDS Grains by BPL Cardholders	65-67
5.8	Income Gain to the BPL Household from Food Subsidy	67
<b>Chapter 6</b>	<b>Shortcomings of the TPDS</b>	<b>68-74</b>
6.1	Excess Identification of BPL and APL Households	68
6.2	Multiplicity of Schemes	68-69
6.3	Multiplicity of Prices	69
6.4	Expensive Operation	69
6.5	Incorrect identification of BPL families	69
6.6	Non-issue of Ration Cards	70
6.7	Ineffective Implementation of the PDS Control Order	70
6.8	Non-availability of adequate food grains in Fair Price Shops	70
6.9	Inadequate Entitlement for Households	70
6.10	Diversion of food grains	70
6.11	Uneven impact of PDS	71

6.12	Urban Bias	71
6.13	Multiplicity of State Agencies handling the Scheme in a State	71
6.14	Poor Quality of Food grains	71-72
6.15	Leakages	72
6.16	Adhocism in Allocation	73
6.17	Irregular opening of FPS	73
6.18	Lack of Information	73
6.19	Lack of Training of FPS Dealers	73-74
<b>Chapter 7</b>	<b>Measures taken to strengthen TPDS</b>	<b>75-78</b>
7.1	Citizen's Charter	75
7.2	Involvement of Panchayati Raj Institutions	75-76
7.3	PDS (Control) Order, 2001	76
7.4	Area Officers' Scheme	76
7.5	Constitution of Task Force Teams	76-77
7.6	All Party Meeting on PDS	77
7.7	Conference of State Food Secretaries/Food Ministers on strengthening of TPDS	77
7.8	Meeting of the All India Fair Price Shop Dealers' Federation	78
7.9	Meeting held with Members of Parliament for strengthening TPDS	78
7.10	Regional Conference on TPDS	78
<b>Chapter 8</b>	<b>Suggestions</b>	<b>79-83</b>

# CHAPTER 1

## Introduction

### 1.1 Background Information

Food Production has increased more steadfastly than the population, which has been evidenced through scientific research. Against this reality, hunger still persists in many parts of the world. Today more than one billion are very poor and suffering from hunger, 800 million are chronically malnourished. Every six million children under the age of five die due to malnutrition and related preventable diseases. Millions more become blind, retarded, or suffer other disabilities that impair functioning because of lack of minerals and vitamins.

The concept of food security has been evolving over the last few decades with academics, policy makers and NGO activists contributing substantially to the debates on what constitutes food security, determinants of food security and how it can be ensured at global, regional, national, state, household and individual levels. The definitions on food security varied depending on the unit of analysis. For instance, the world Food Conference of 1974, which was organized in the wake of the world food crisis of 1972-74, was largely concerned with global food security and it had recognized that world food security was a common responsibility of all nations and that international approaches were needed to achieve improved world food security.

The World Food Summit (Rome, 1996) which took place at a time of growing international concern over slow growth in global food production and expanding population, gave a new impetus to the fight for food security, by focusing attention on the food issues. The Rome Declaration on World Food Security, convened by FAO defines food Security as, "When all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life". This definition forms part of a broader food security frame work that includes policy issues relating to poverty, sustainable agriculture and rural development, food production, stabilization mechanisms, improved access and international trade.

Food security has also been a recurring theme raised in specific contexts in various fora convened by the United Nations. The Conference on Environment and Development held in Rio de Janeiro in 1992 emphasized the need to ensure food security at all levels, within the framework of sustainable development as defined in Agenda 21. The joint FAO/WHO conference on nutrition, held in Rome in 1992, declared. "Hunger and malnutrition are unacceptable in a world that has both knowledge and resources to end this human catastrophe" and recognized that, "access to nutritionally adequate and safe food is a right of each individual" ( Srinivas & Thaha, 2004, Page 3).

Food security stands as a fundamental need, basic to all human needs and the organization of social life. It is the assurance of access to adequate nutrition, either through direct effort or exchange at acceptable prices. Access to necessary nutrients is fundamental not only to life per se, but also to stable and enduring social order. Since the fifteenth century the major responsibility for food security has shifted from households toward national governments. In the twentieth century some responsibility has also shifted to the international level. However, food security, or lack of it is still thought of as essentially a concern of individuals, families or localities (Hopkins, 1986, Page 4 & 11).

India has one of the highest levels of malnutrition in the world and there are reports of hunger and starvation deaths from different parts of the country. The average requirement of cereals per person in the country is 427 grams per day, whereas allocations for economically deprived groups cover merely half of this requirement. Hunger is the most deplorable manifestation of poverty. This can manifest itself in the form of starvation, chronic under nutrition or specific nutrient deficiencies. A staggering five percent of rural and two percent of urban population do not get food throughout the year.

The vulnerable section of society not consuming adequate food is not only related to physical access to food, but also to enough purchasing power or income to buy food. In inaccessible and backward areas of the country, both job opportunities and access to food may be constrained.

In recent years, most of the experts like to define food security as an access to enough food by all people at all times to lead a healthy life. It is now being increasingly appreciated that food security is primarily a matter of ensuring effective demand rather than a problem relating to food supply. With such realization, inter-relationship between poverty, hunger and food security is gaining international recognition and serious attempts are being made to define and identify people at risk. Thus, it was clearly emphasized that satisfactory production levels and stability of supplies should be matched by a reduction in poverty and an increase in the effective demand to ensure economic and physical access for the poor (FAO, 1987, Page 2).

## **1.2 Public Distribution System**

The most important medium through which the Government ensures food security at the micro-level is the Public Distribution System (PDS). India has a large programme of public food distribution, mainly food grains, through a network of Fair Price Shops (FPS), both in rural and urban areas. With more than 460 thousand FPS, its reach in rural areas is sometimes better than the market. The programme has evolved with the twin objective of providing incentive prices to the farmer for a sustained supply of food grain and subsidizing its consumption. Until the seventies the focus of food distribution programme was urban and the food deficit areas. The welfare focus of the programme assumed importance during the eighties and coverage extended in rural areas, first in the south Indian states and later all over India. However, due to the mounting costs of



subsidy, targeting was more focused during the nineties, first, with the revamped public distribution system in 1997. The programme covered poor households as the target group, generally, and tribal and drought prone areas, universally. The vulnerable population was provided foodgrains with a much higher subsidy component (Vyas, 2005, Page 38).

Under the existing division of administrative authority between the Central Government and the State Government, the Central Government, through Food Corporation of India, procures food grains under its 'Minimum-Price Support' operations and levy scheme, maintains stocks and allots food grains to States/Union Territories (UTs), keeping in view the broad national policy on food. Responsibility for the actual implementation of various distribution schemes rest with the State Governments. FCI, as the nodal agency of the Central Government, functions as the custodian of all the stocks. State Governments on their part receive the food grains and organize their distribution through Fair Price Shops.

Public Distribution System can be regarded as one of the most important stable elements of India's food policy since the early 1950s. Started with the objective of assuring the 'supply-side' in periods of wars related shortages to managing the post-independence scarcity scenario, it graduated into a welfare concept in 1970s and presently it works-broadly speaking- with the triple objective of welfare of vulnerable groups, despite its universal application, price stabilization and ensuring partial Food Security. Effectiveness of any Public Distribution System will depend on the size/volume of supplies which could be made available, commodity basket and methodology adopted for allocation to states as well as scales fixed for a unit (per family or per member).

Dealing with as sensitive an issue as food and dealing with as sensitive an emotional group as human beings and that too, hungry human beings can be a real test for any administrative system and its management cadres. We are not only dealing with food, hunger and human beings with their own agenda, but also with a challenging magnitude and dimensions, both in physical and financial terms. It becomes all the more poignant, when we know that the Governments are not known for their efficiency or sensitivity more so in a nascent democracy with ever changing value system (Taimini, 2001, Page 48 & 99).

Several empirical studies, based on PDS purchases, have shown that the poor were not benefiting much from the PDS. In a study on the effectiveness of the PDS in reaching the poor, Parikh (1994) says that 'the cost effectiveness of reaching the poorest 20 per cent households through PDS cereals is very small'. For every rupee spent, less than 22 paise reach the poor in most states.

It is well known that there are considerable regional disparities in quantities of food grains distributed under the PDS. The pattern of distribution of grains does not seem to be related to the extent of poverty. States like Bihar, Madhya Pradesh, Orissa,

Rajasthan and Uttar Pradesh, where rural poverty is concentrated, get very low PDS allocations. Availability of the PDS grains in the North-Eastern States or 'Seven Sisters' is also low. Dev and Suryanarayana in their study conducted in 1991 found that in a few States (e.g. West Bengal), there has been an urban bias in the distribution of foodgrains.

One of the objectives of the PDS is to insulate the poor from rising open market prices. A poor person would be worse off in a dual market system if he/she gets only a small proportion of his/her total requirement through the PDS. NSS data show that, in several States, the shares of the PDS purchases in the total purchases are very low. This implies that the PDS does not only meet significant requirements of the poor, but also that it operates against their interests by raising open market prices. The Bureau of Industrial Costs and Prices (GOI, 1991) have noted inefficiencies in the operation of the Food Corporation of India (FCI). The economic cost of the FCI food grains operation has been rising, both on account of increases in procurement as well as distribution incidentals. Costs would be much higher if factors like the subsidized credit given to the FCI and the preference given by the Railways to the FCI in handling freight are taken into account (Krishnaji & Krishnan, 2000, Page 199-200).

It should be the endeavor of any civilized society to ensure availability of essential commodities to the population, especially the poor and the deprived groups. Food is one of the basic requirements for human beings and its security, in terms of availability and access when needed, should be of primary concern to any nation. In India, the 1990s saw a sharp decline in the growth rate of food grain production. The growth rate of per capita availability of food grains also came down. In this scenario, the availability of essential commodities to the deprived groups assumes increased significance.

### **1.3 Research Problem**

How to make the Public Distribution System in the country more effective?

### **1.4 Research Questions**

1. How can the food-insecure population in the country be identified?
2. Are availability, storage and transport facilities in the country adequate?
3. How is the system of procurement of food grains organized?
4. How efficient is the public distribution system in India in achieving food security?
5. What are the deficiencies, internal as well as external, of the delivery system?
6. What methods should be adopted to identify the deficiencies?
7. How can the deficiencies be rectified?

## **1.5 Research Objectives**

1. To identify the food-insecure population in the country.
2. To analyze the availability, storage and transport facilities of food grains.
3. To study and analyze the system of procurement of food grains.
4. To establish effectiveness criteria for PDS and compare the existing system with such criteria.
5. To identify the reasons of the anomalies in the system.
6. To suggest ways to improve the system.

## **1.6 Description of the problem**

The term 'Food Security' is of rather recent origin. It was 'The World Food Conference' convened by FAO in 1974, which for the first time drew attention of the world community to the urgent need of devising ways and means of assuring Food Security to the hungry millions of the world. This conference gave the call that no child, woman and man should go to bed hungry and the physical and mental capabilities of none should be stunted by malnutrition.

The World Bank defined Food Security as 'access by all people at all times to enough food for an active and healthy life'. However, FAO defined Food Security as 'ensuring that all people at all times have, both physical and economic access to basic food they need'. World Food Summit 1996 in World Food Summit plan of action stated that "Food Security exists when all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life" (Taimni, 2001, Page 111-112).

With independence, India inherited a serious food problem. Levels of food grains production were low and the periodic scarcities, caused by droughts frequently, held the threat of famines. The problem was compounded by the persistence of large scale poverty and unemployment, which for the poorer classes meant incomes insufficient to meet food needs even when supplies were adequate. During the 1950s and 1960s, it was possible to raise the levels of food grains production at an impressive rate, mainly, through the expansion of area under cultivation, but the food problem remained because the incidence of poverty continued to be high, despite the early successes of planned economic development.

The droughts of the mid-1960s were unprecedented in severity and showed, as never before, that the food problem has to be addressed on a priority if basic welfare goals of planning were to make any sense. Fortunately, a new technology for substantially raising the productivity of wheat and rice (through the use of high-yielding seeds along with the application of the chemical fertilizers under assured irrigation) became available and was quickly adapted to Indian farming conditions in the early

1970s. The State played a major role in the ensuing technological transformation in agriculture called the green revolution.

The boost in the production of cereals provided by the new technology made the country self-sufficient in food grains. By the beginning of the 1970s, levels of per capita production of foodgrains rose appreciably and by the end of the decade, the need to import grains during years of drought disappeared. Adequate stocks could be built from domestic production to meet shortfalls in years of poor monsoons.

In order to meet the onerous responsibility of providing food security to its citizens, the country has launched a host of programmes to increase production of food grains, generate employment to increase income level of families and to meet the nutritional needs of vulnerable groups. But, in spite of all Governmental efforts, the country has one of the highest levels of malnutrition in the world and there are reports of hunger and starvation deaths from different parts of the country.

The problem of food security has since become one of operational management, that is, of distributing supplies over space and time. The restriction of the new technology to the irrigated parts of the country (growth in the north-west) created a connection of output growth and availability. It was, therefore, necessary to mitigate the effects of the emerging interregional inequalities through appropriate public action (Krishnaji & Krishnan, 2000, Introduction).

To mitigate the alarming trends of nutritional status, assessment of the actual implementation of the food and nutritional policy, impact of various Governmental programs and implementation of the public distribution system have to be done. Satisfactory production levels and stability of supplies should be matched by a reduction in poverty and an increase in effective demand to ensure economic and physical access for the poor.

The concept of food security is interlinked with a number of related factors such as agricultural policy, nutritional policy, access to education, health care, potable drinking water, sanitation, employment security, social security and the system of public distribution through fair price shops.

Several debates on the functioning of the public distribution system have been centered on the role of public distribution system (PDS) in ensuring food security or providing an adequate food safety net, especially to vulnerable sections of the population (Jha and Srinivasan, 2001, Page 144-146). Yet, the most important medium, through which the Government ensures food security at the micro level, is the public distribution system.

The PDS has been instrumental in moderating market prices and also providing food grains at assured prices at the household level. It has thus evolved as a producer-

price-support cum consumer-subsidy program for more than five decades. Food grains procured by Government are distributed at subsidized prices. Besides, food grains thus distributed become the main sources of calorie supply to consumers. Hence, the public distribution system has close links with food security and considered as the key element of Government's food security system in India. Based on the specific quotas, consumers with ration cards receive their entitlements through fair price shops.

Though the PDS has been modified to make it more relevant, the following discrepancies still persist (Programme Evaluation Organisation, Planning Commission, March 2005) which need to be rectified:

- a. Accessibility to Fair price Shops-in the country only about 57% of the BPL households are covered by the PDS.
- b. Leakages and diversion of subsidized grains are large and only about forty two percent of subsidized grains issued from the central pool reaches the target group.
- c. Implementation of PDS is plagued by targeting errors, prevalence of ghost cards and unidentified households.
- d. Over thirty six percent of the budgetary subsidies on food are siphoned off the supply-chain and another twenty one percent reaches the Above Poverty Line households.

The cost of income, transfer to the poor through PDS, is much higher than through other modes.

## **1.7 Research Strategy**

After studying the available literature and framing the Research Problem, I have chosen the Survey method as the *research strategy*, the general plan to go about answering the Research Questions (to meet the research objectives).

To meet the first research objective, I studied the existing system of identification of the BPL families of different states. By studying the literature available on the subject, viz., policy documents, schemes, circulars, reports, etc., I could determine the effectiveness of the system and its coverage. The census data was looked at to find out where the vulnerable groups are located and to what extents are they covered.

The second objective involved getting hold of literature in the form of data regarding availability of food grains and storage facilities. I went through the transport arrangements, the scheme of movement of food grains, movement orders, etc.

To study the system of procurement of food grains, I went through the literature available in different states and Food Corporation of India. The policy guidelines regarding Minimum Support Price of cereals, pulses, etc. shall be analyzed. The data

regarding establishment and coverage of procurement centers, transportation and storage arrangements were also studied.

To meet the fourth objective, I went through the various Control Orders and circulars regarding various aspects of monitoring and control. I also acquainted myself with the scheme of allotment of Fair Price Shops as well as the population and area of coverage. The Right to Information Act spells out the various duties and obligations of the local bodies, which was useful in establishing the effectiveness criteria.

To find the reasons of anomalies in the system of delivery, I analyzed the reports published by the Ministry of Food and Consumer Affairs as well as State Governments. The Planning Commission of India has conducted several studies, which were looked at. Secondary data in the form of studies conducted by NGOs and individuals in this regard were also useful.

To recommend measures to improve the delivery system, I studied in detail the various amendments in Acts and Orders towards making the system more effective. Steps taken by various Governments in this regard like formation of Vigilance Committees and powers delegated to them, involvement of Cooperative institutions, etc. were looked at. Initiatives taken by various Governments and NGOs, which have been documented and discussed at various forums, were also useful.

As a part of the research strategy to collect primary data on different aspects of food security and delivery and be able to suggest ways to improve the system, I interviewed 22 officials of Government of India, Food Corporation of India, different State Governments and Civil Supplies Corporations. I discussed with officials of Cooperative Societies as well as salesmen. The research objectives warranted semi-structured interviews with experts and officials. Depending on the field of expertise and /or the organization the expert/official belonged to, a list of themes and questions were prepared.

The themes (broad categories of questions) were as follows:

1. Management of the centralized procurement system at the national level by Government of India and Food Corporation of India.
2. How to go about decentralizing the efforts to make it more effective and less expensive?
3. How can the storage, transport and inventory management system be redesigned to reduce expenditure and time?
4. How can the procurement system be decentralized to reduce storage and transportation costs as well as make the system more environment and consumer friendly?

5. What are the experiences in managing the Public Distribution System through the Fair Price Shops?
6. How to increase the viability and efficiency of Fair Price Shops?
7. How to make the control system more effective by involving public representatives and/or the village community?

### **1.8 Purpose of the thesis**

Human beings can survive with economic, social and political deprivation but not with biological deprivation such as food and water. Food security means that food is available at all times, all persons have means of access to it, it is nutritionally adequate, in terms of quality, quantity and variety and is acceptable within the given culture. Only when all these are considered, food is secure (FAO, 1996).

Thus, it should be the endeavor of any civilized society to ensure availability of essential commodities to the population, especially the poor and the deprived groups. To this end, availability of food grains at the national level, identification of poor families, providing employment opportunities, and putting in place an effective public distribution system are required.

The thesis would try to identify the discrepancies in the system, find ways to remove the anomalies and to make the delivery mechanism more effective.

### **1.9 Goal of the thesis**

After detailed and careful study of the system of collection, storage and distribution of food grains at the macro level (national as well as state), transportation to godowns across the state, programs of the Government for employment generation, identification of households below poverty line and the system of delivery of food grains, the thesis would like to suggest ways to improve various aspects of food security particularly the delivery system.

### **1.10 Methodology of the thesis**

To undertake a detailed study of the effectiveness of the public distribution system in providing food security, I shall study the literature available on the evolving concept of food security. I shall also study the Food Policy, the Agriculture Policy of the country and the Tenth Five Year Plan. Understanding the Poverty Alleviation and Employment Generation Programs of the Government would also be required. The system of identification of families below Poverty line in different states as well as the performance of Public Distribution System has to be studied. The delivery cost of food grains and the subsidies would also be looked into. Various initiatives by different

Governments and Non-Government Organizations as well as the role of local bodies like Municipal bodies and rural bodies like District Panchayats as well as block level and village level Panchayats in effective delivery of essential commodities would also be studied. I would also discuss the subject with policy makers and subject matter experts.

### **1.11 Structure of the thesis**

The main body of the thesis has the following chapters, which are arranged in the following manner:

#### **1. Introduction**

At the outset, I have introduced the subject of the thesis. The definition and status of food security in the country has been dealt with.

#### **2. Evolution of Public Distribution System**

The history of Government intervention, in the form of providing essential commodities to the needy, started with providing succor in times of crises. It has evolved over the last seven decades, which presently stands in the form of targeted public distribution system.

#### **3. Status of Food Security in the Country**

The chapter deals with the food situation at the time of the partition of the country, fluctuation in food grain production affecting availability and consumption as well as nutrition status of the vulnerable population. It also deals with Government intervention in the food economy.

#### **4. Food Management**

This chapter deals with the management of food in the country, which is basically done by the Food Corporation of India and agencies of the State Government.

#### **5. Issues Concerning Public Distribution**

This chapter deals with issues regarding the delivery system, which includes the right to food, allocation and delivery mechanism as well as running of fair price shops and their relevance.

#### **6. Shortcomings of the TPDS**

This chapter deals with shortcomings in the delivery system of food grains to the public at large.



7. Measures taken to Strengthen TPDS

This chapter includes the measures, which have been taken by the Government from time to time to strengthen and improve the distribution system.

8. Suggestions

This chapter includes the suggestions to improve the delivery of food grains under TPDS.

## **CHAPTER 2**

### **Evolution of Public Distribution System**

#### **2.1 History of Public Distribution System**

The history of intervention by Governments can be traced from the efforts of the State in providing relief to the needy in times of distress-famines, scarcities and crop failures. Famine relief was always considered as the sole responsibility of the State. The degree to which it was owned and discharged, of course, depended upon a number of factors, chief of which was effectiveness of the Central Government in the country. During the Mauryan Empire, particularly during the reign of Ashoka, as the imperial authority was powerful and strong, the provincial Governors undertook relief operations in times of distress. Grain was supplied from Government granaries and even bullocks were given on loan for which the farmers could make payments in subsequent years and in installments.

This state of affairs continued right till the Moghul period, when the imperial authority was once again established after a long time. History further tells us that the rulers maintained government granaries in which the Government's share of the grain, obtained in lieu of land revenue, was stored and used in times of famine.

The public distribution system (PDS) has throughout these years been an integral part of India's overall food policy. Intervention by the government in the foodgrains trade started as far back as the Second World War and large urban complexes like Bombay and Calcutta were placed under statutory rationing. Even before freedom came to the country, the colonial rulers were aware of the need for ensuring adequate availability of foodgrains to rural and urban high-consuming pockets of country. This has been the broad objective also of the country. This has been the broad objective also of the Government of India since Independence though the nature and relative extent of governmental intervention have been largely conditioned by fluctuations in agricultural production (R.N. Chopra, 1988, Page 255).

The concept of 'grain reserve' for meeting the distress in lean years is noticeable in the British policy too, from the very beginning. The Famine Commission of 1880 seriously examined the proposal but, due to reasons of 'finance' as well as 'management', they advised against the Government holding the reserve by itself. They believed that once employment opportunities were organized on a wide scale, the food grain supplies would be ensured through private trade.

The British Government, as a measure to ensure equitable distribution of food grains to the urban consumers in the face of rising prices, first introduced rationing system in 1939, in Bombay. The 6th Price Control Conference held in September 1942 laid down the basic principles of a Public Distribution System for India. The Food Department, set up in December 1942, formulated an All India Basic Plan that dealt with

issues such as procurement, contracts for purchasing agents, public distribution, inspection and storage. The basic objective of the then emerging policy was stabilization of food prices.

The famine of 1943, which saw inflation spiraling and the food situation deteriorating persistently in many parts of the country, led to the appointment of the Food Grains Policy Committee (1943). It recommended for procurement of food grains from surplus areas, rationing for equitable distribution and statutory price control.

Between 1944 and 1947, food shortages emerged and controls became all pervasive. Partition of the country left 82 per cent of the population of undivided India to our part against only 75 per cent of the cereals producing area. Corresponding figures, in respect of irrigated areas, was still more negative.

Another Food grains Policy Commission appointed in 1947, again examined the food grains policy of independent India. This committee recommended gradual abolition of food controls & rationing and necessity for imports to maintain central reserves to guard against crop failures. The commission also emphasized the need to increase indigenous food grains production by about 10 million tonnes per annum till self-sufficiency is achieved. As a result of these recommendations, all controls on the foodgrains, imposed in the wake of the Bengal Famine and the war, were removed but when prices started rising as a result of natural calamities, the controls were reintroduced in September 1948.

Food grains Procurement Commission of 1950, besides making other recommendations, suggested rationing in all the towns with a population of more than 50,000 informal rationing in other towns and some regulated supply of grains in rural areas. It also recommended monopoly of food grains trade in the hands of the Government. This has been the basis of our food policy over the years (Taimini, 2001, Page 25-26).

At this juncture, I would like to mention two significant factors which had considerable impact on the food control policies of the Government in the country- first, was the framing of Constitution of India (1950) which provided for the creation of a Welfare State, and second, the concept of National Planning. Article 47, included in the Directive Principles of State Policy, provided that the "State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties". This provision is consistent with the Welfare State concept. "A Welfare State", says Asa Briggs, "is a State in which organized power is deliberately used in an effort to modify the play of market forces in, at least, three directions-first, by guaranteeing individuals and families a minimum income. ....second, by narrowing the extent of insecurity... and third, by ensuring that all citizens, without distinction of status or class, are offered the best standard available in relation to a certain agreed range of social services". Prof. W.A. Robson considers provision of better goods and services "that add to the comfort of life" as a significant

positive aspect of the Welfare State. An American writer observes "the main principles of the Welfare State are relatively simple, first, the recognition that every member of the community is entitled, solely because he is a human being, to a minimum standard of living; second, the Welfare State is committed to putting full employment at the top of social goals to be supported by public policy.

It is beyond the capacity of Governments of under-developed countries like India to provide full employment or other social services, which are provided in developed countries of the West, but it is not impossible in these countries to provide a minimum standard of living to the people. This fact is well recognized in the country and provision of basic requirements like food, clothing, etc., therefore, is considered important in the direction of establishment of the concept of Welfare State.

The second significant factor, which had an impact on the economic policies of the Government, was the emergence of 'National Planning'. The idea of 'economic growth with social justice' became the guiding principle for economic policy formulation. In accordance with the objectives of equality, liberty, justice and fraternity, laid down in the Preamble to the Constitution of India, the Government undertook the task of planning "simultaneously for increased production of wealth and for a more equitable distribution of the wealth produced". One of the recognized essential objectives of the Second Plan was to see that the benefits of economic development accrue more and more to the relatively less privileged classes of society so that there might be a progressive reduction of the concentration of income, wealth and power. This is consistent with the objectives of achieving 'socialistic pattern of society' which was accepted by the country in 1955. In order to achieve this socialistic objective, the policy of 'economic growth with social justice' became the guiding principle in laying down future economic policies in India. Food policy was also, therefore, guided by this basic principle from 1951 onwards. Consequently, provision of food to the people in general, and to the vulnerable sections of the community in particular, at reasonable prices, became an important objective of the food policy in India.

In 1953-54 and 1954-55, the Government again tried the policy of decontrol, though proved to have failed in 1948. It was thought that resorting to a completely free market would solve the food problem. There was first a cautious approach towards relaxation of the factors of control. This was followed by an accelerated move towards decontrol. Rationing and procurement, fair price shops and zones were all abandoned. This policy of decontrol showed some signs of relief in the beginning. Prices fell to low levels, imports were cut down, price - support operations were undertaken and even some exports were allowed. But this situation did not last long. In 1956, the prices started rising quite rapidly. Consequently, exports were prohibited, sales from Government's stocks were accelerated, large imports were arranged for, fair price shops were opened and on a limited scale, though, were brought back.

In August, 1956, the Government of India signed an agreement with the United States of America for importing 3.1 million tonnes of wheat and 0.19 million tonnes of

rice during the next three years. In order to get expert confirmation of this policy of partial control, based upon massive imports, the Foodgrains Enquiry Committee was appointed in June 1957. The Committee explicitly recognized that "the food situation will continue to be difficult for a long time to come" and emphatically stated that "assurance of a continued import of certain quantities of food grains will constitute the very basis of a successful food policy for some years to come". With the acceptance of the recommendations of the Committee, a stable and long-term food policy emerged, which lasted for about ten years from 1957 to 1966 (Bora, 1982, Page 58 to 60).

The Food Grains Enquiry Committee (Ashok Mehta Committee Report, 1957) argued for controls of a flexible indirect nature, opening of more Fair Price Shops and continuing the zonal policy of bringing together surplus and deficit areas within zones and controlling prices within each zone.

The policy, which lasted for a decade upto 1965-66, was "essentially a policy of complete free trade in food grains, fortified and supported by large quantities of imports under PL-480". The modus operandi of that policy was simple, namely, to import food grains from the United States under the PL-480, and to distribute them through a system of Fair Price Shops in almost unlimited quantities and at low prices. On the whole, it was a successful policy and achieved both the objectives, that is, to bring down the prices of food grains and to protect vulnerable sections of the population from the effects of high prices of domestic food grains.

In August 1963, difficulties cropped up again. Prices began to rise and production of food grains fell in 1962-63 and 1963-64. Consequently, the demand of Fair Price Shops increased and even the assured imports of 4 million tonnes per annum proved to be inadequate to bring down prices and to protect the vulnerable sections from the rise in prices. As a result, the food policy of partial control, consisting of limited procurement and public distribution, partly through rationing and partly through the Fair Price Shops, was again brought into force.

The Foodgrains Policy Committee appointed by the Government in 1966 to review the food situation and to make policy recommendation, observed: "Our dependence on imports was undesirable. In future, it may not even be feasible.....there can no longer be reliance on imports; there can only be self-reliance". The Committee felt that the future food policy should be concerned with the distribution of our own supplies and with measures to expand them as fast as possible. It suggested national management of food as the solution of our food problem. In the opinion of the Committee, "National Management of food implies a national plan of supply and distribution of food. The means of implementing the plan are fourfold, namely: (1) procurement to ensure necessary supplies, (2) control over inter-state movement to facilitate procurement and keep prices at a reasonable level, (3) a system of public distribution to ensure equitable sharing and (4) the building up of a buffer stock to provide against difficult years." The Foodgrains Policy Committee (1966) assumed that " the problem of shortage is one which will be with us for number of years and thus the need for such management would

continue for the next 10 years. The Committee recommended drawing up a national food budget and emphasized the necessity of strict adherence to it and pleaded for national discipline.

It is, thus, evident that the Foodgrains Policy Committee (1966) recommended neither complete control nor a completely free market. It recommended partial control, procurement and distribution. It permitted private trade and free market with a free market price alongside a system of public procurement and public distribution. The Committee envisaged "private trade as continuing to play an important role both in its own right, and very often, as one of the agents of Government within each State"....."Each State", it observed, "must continue to be the unit of food management, just as it continues to be the unit for legislation and administration... and food management by the State Government can co-exist with the operations of private trade in its allotted sphere within the State..."

This approach was purely pragmatic and did not stem from wider ideological or political objectives such as socialization of trade. It recognized two facts: one, that it is not politically feasible to eliminate private trade in food grains and second, that states that exist as units for legislation and administration are capable of managing their own food problems within their own boundaries.

The public management of food grains and other commodities in Maharashtra, from 1965 onwards, has been carried on along the basic guidelines that were recommended by the Foodgrains Policy Committee (1966). Accordingly, procurement within the State by way of 'levy', purchase from outside the State and from out of the allotments made by the Government of India out of the Central Pool, statutory rationing in the metropolitan city of Bombay, informal fair price distribution in other parts of the State, have been some of the important management measures which have been undertaken by the Government of Maharashtra (Bora, 1982, Page 60 to 63).

The Green Revolution and food self-sufficiency brought about a new dimension in the food grains management. The focus was on fair procurement price for farmers to insulate them from market anomalies, buffer stocking and control of market prices and public distribution of essential commodities. Food Corporation of India was established in 1965 to function as an autonomous organization, working on commercial lines, to undertake purchase, storage, movement, transport, distribution and sale of food grains and other foodstuff.

The Sixth Five Year Plan (1980-85) envisaged that the Public Distribution System would "have to be so developed that it remains hereafter a stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods". Essential Supplies Programme, introduced in 1982 as the New 20 Point Programme, intended to expand the PDS through more FPSs, including mobile FPSs, to make available text books and exercise books to students on a priority basis and to promote strong consumer protection movement. The number of FPSs

increased from 2.30 lakhs in January, 1980 to 3.02 lakhs in January, 1984. While the Government of India had itself shouldered the responsibility of supplying essential commodities, viz; wheat, rice, sugar, kerosene, edible oils and soft coke, the State Governments had the option to add other items considered essential by them. Effective working of the Programme was predicated on ensuring multi-faceted co-ordination, as the essential commodities were handled by different governmental agencies, namely, FCI, State Governments, State Civil Supplies Corporations & Cooperatives (Programme Evaluation Organization, Planning Commission, 2005, Page 2).

The Evaluation study conducted by the Programme Evaluation Organisation on Essential Supplies Programme (1985) revealed that major weaknesses and deficiencies of PDS did not exist in either the lack of sufficient coverage or want of necessary administration machinery, but in certain operational inadequacies such as irregular supply (to the FPSs and in turn to consumers), poor quality leading to non-drawal, nonlifting of sanctioned quotas by the FPSs in the rural areas, general pessimism expressed by the FPS dealers about the profitability of running FPSs, underweighting, etc. In 1984, Government of India created the Ministry of Food and Civil Supplies with two departments, namely, Department of Food and Department of Civil Supplies; the latter being in charge of PDS. During the Seventh Five Year Plan, an Advisory Committee on PDS, headed by the Union Minister for Food & Civil Supplies, was constituted by the Government of India to review its working from time to time. Consumer Advisory Committees were to be constituted at district, block/tehsil (sub district) levels.

That India is a predominantly agricultural country with a high incidence of rural poverty and therefore needs a PDS that is oriented to meet the needs of the rural poor, seems never to have occurred to Indian planners till they began drafting the Approach to the Seventh Plan. They had perhaps assumed that since foodgrains were grown in rural areas, ipso facto the rural poor were getting enough to eat, forgetting that the absence of purchasing power in their hands made this assumption fallacious. This fallacy continued despite what The Approach to The Seventh Five Year Plan 1985-90, published in July 1984, said in the chapter on 'Poverty Alleviation, Employment and Social Justice':

Public distribution of essential commodities like Foodgrains and cloth to vulnerable sections, especially in rural areas where productivity and wages are low, should serve as an essential complement to the programmes for employment and income generation. Otherwise, rise in cash incomes of the poor can easily be neutralized by the rise in prices of essential commodities. Public distribution system of essential commodities to such sections needs to be expanded on a much larger scale than has been done so far (K.R. Venugopal, 1992, Page 81-82).

Thus, the Public Distribution System evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the

entire requirement of any of the commodities distributed under it to a household or a section of the society.

The System is considered as a principal instrument in the hands of the Government for providing safety net to the poor and the underprivileged. The system serves the triple objective of protecting the poor, enhancing the nutritional status and generating a moderate influence on market prices. The focus and coverage of PDS have changed widely over the years. Initially during the First World War, civilian consumption was restricted to meet the requirement of defense forces. Subsequently, frequent occurrence of drought throughout the country made the planners to take up food shortages seriously. In order to overcome this shortage, the rationing system came into existence. Fair Price Shops were opened to distribute items of mass consumption in urban areas.

PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the states. The operational responsibility including allocation within state, identification of families below the poverty line, issue of ration cards and supervision of the functioning of FPS rest with the State Governments. Under the PDS, commodities such as wheat, rice, sugar and kerosene are being allocated to the States/Union Territories for distribution. Some States/UTs also distribute additional items of mass consumption, through the PDS outlets, such as cloth, exercise books, pulses, salt, tea, etc.

Public Distribution of essential commodities had been in existence in India during the inter-war period. PDS, with its focus on distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of 1960. PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers. As the national agricultural production had grown in the aftermath of Green Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s.

## **2.2 Revamped Public Distribution System (RPDS)**

During the year 1991, after sensitive analysis of reported hunger deaths in parts of Orissa and Madhya Pradesh (largely tribal areas) on the one hand and adequate stocks with FCI on the other, a feeling emerged that vulnerable areas and people were not being targeted to ensure food security for the vulnerable group. The reasons attributed to it were their disadvantageous geographic location, weak PDS infrastructure and low purchasing power. It was, therefore, decided to orient the PDS by adopting an area approach, i.e., all the people living in these disadvantaged areas were to profit from the 'Revamped' approach and the result was Revamped Public Distribution System (RPDS). This was introduced in around 1750 blocks, largely, tribal, hilly, drought prone and 'desertified' areas.



The salient features of RPDS were:

- i. New FPSs should be opened so that physical access of beneficiaries is improved
- ii. Special campaign to be mounted by the State Governments to cancel bogus ration cards and issue new cards to deserving households
- iii. To progressively bring more and more FPSs under the system of doorstep delivery of commodities covered under the PDS
- iv. Set up vigilance committees of local people, with substantial representation of women for each FPS, at the village level and also at higher levels
- v. Improve the supply chain by constructing or hiring small intermediary godowns and
- vi. Introduce additional commodities, through FPS, in these areas.

The Essential Supplies Programme gave way to Revamped PDS (RPDS) in 1992, with focus on disadvantageous areas. Under RPDS, 1752 blocks, falling under Desert Development Programme (143), Drought Prone Areas Programme (602), Integrated Tribal Development Projects (1073) and Designated Hill areas (69), were identified as economically and socially backward. (135 of them overlapped). Essential commodities-wheat, rice, sugar, edible oil, kerosene and soft coke were supplied in the RPDS blocks at subsidized prices. Food grains at the rate of 20 kg per month per family (@5 kg per capita) were to be distributed through FPSs. The scheme also envisaged creation of PDS infrastructure on 50% subsidy and 50% loan basis by constructing godowns for storing food grains and Mobile Vans for doorstep delivery of PDS items to the FPSs and for final distribution of these items in inaccessible areas. Vigilance Committees were to be formulated at different levels to ensure proper distribution.

PEO Evaluation of the working of the RPDS (1995) indicated that though the scheme was generally beneficial to the vulnerable section of the population, cutting across the regions and states, there were still gaps and constraints in the implementation, availability of very limited door delivery services to FPSs, inadequate facilities for storage at FCI, FPS level gaps in opening time, working hours, regularity of distribution and communication to consumers, Vigilance Committees not being able to serve their purpose meaningfully and non-consideration of socio-economic and cultural considerations regarding preference of commodities.

### **2.3 Targeted Public Distribution System (TPDS)**

Till 1992, the PDS was a general entitlement scheme for all consumers without specific targets. The RPDS was launched in 1992 in 1775 blocks in tribal, hill and drought prone areas. PDS, as it stood earlier, had been widely criticized for its failure to serve the population Below the Poverty Line (BPL), its urban bias, limited coverage in the States with high concentration of rural poor and lack of transparent and accountable arrangements for delivery.

The Targeted Public Distribution System (TPDS) was introduced in June, 1997. It envisaged that the Below Poverty Line (BPL) population would be identified in every State and every BPL family would be entitled to a certain quantity of food grains at specially subsidized prices. While BPL population were offered food grains at half the economic cost, the APL, who were not to have a fixed entitlement to food grains, were supplied grains at their economic cost. Thus, TPDS intends to target the subsidized provision of food grains to 'poor in all areas' unlike RPDS, which laid stress on 'all in poor areas'.

The Ministry of Consumer Affairs, Food & Public Distribution in 1997, issued guidelines for the implementation of TPDS. The salient features are the following:

- 1) TPDS proposed to issue 10 kg of food grains per BPL family (revised to 20 kg from April, 2000) at specially subsidized rates. The average lifting of food grains by the state in the last 10 years would be the allocation to the state in the first year. Out of this, the quantity in excess of BPL entitlement, known as transitory allocation, would benefit the APL population, but at a price that is not subsidized.
- 2) States should design credible financial and administrative arrangements to ensure the physical movement of food grains to the FPSs and subsequent issue to the poor. The provision of subsidy would be conditional on this.
- 3) Specially subsidized food grains to the beneficiaries of EAS and JRY will be issued at the rate of 1 kg per person per day. Provision of food coupons to the EAS & JRY beneficiaries was made, which they can exchange for food grains at the FPSs.
- 4) The BPL population in any State could be seen as the provisional estimates reached by the Planning Commission, for the year 1993-94, by the Expert Group methodology. This should form the macro estimate of BPL population at the State level.
- 5) For the selection of BPL population, the quinquennial surveys made by the Ministry of Rural Areas & Employment could form the basis. Gram Panchayats and Gram Sabhas should be involved in the initial identification of beneficiaries. Doubtful cases should be verified. Urban slum dwellers would generally qualify for selection. Applications from non-slum urban areas should be verified. Thrust was to include

landless agricultural labourers, marginal farmers, rural artisans and craftsmen, urban slum dwellers and daily wage earners in the informal sector. These criteria were only indicative. However, the aggregate number of BPL beneficiaries should be within the Expert Group estimate of BPL population.

6) The issue of ration card would give entitlement to its holder to obtain certain essential commodities, at a certain scale, at certain prices, at specified outlets and in as many installments during the month.

7) It was recommended to all states to paste the photo of the head of the family on the card.

8) New cards could be issued to eliminate the bogus cards, which were in circulation. If the cards had been issued in the recent past, instead of fresh issue, the existing ones for the identified BPL families could be appropriately stamped and be affixed with the photographs of the heads of the families.

9) Government of India's commitment on subsidized food grains is limited to: a) the quantity necessary for 20 kg per BPL family, b) the quantity required for EAS and JRY and c) the quantity required for transitory allocation. Requirement by states, over and above these quantities, would be subject to availability and at commercially viable prices. The states should, therefore, re-examine their scales of issue and modify them suitably. States offering greater quantity or lower price should bear the additional burden of food grains and fund.

10) States should keep the end retail price, at the FPS level, to their BPL population at not more than 50 paise per kg, above the corresponding CIP. States were free to fix the margin on APL price within the limit of the actual expenses incurred.

11) While the Central Government was responsible for ensuring availability, acceptability and affordability, the states should ensure accessibility of food grains to the poor through a network of FPSs.

12) A proper system of monitoring the FPSs should be introduced and reports should be obtained every month, and if felt necessary, at shorter intervals. Too frequent inspections may harass the FPS dealers. Inspection schedules should be prepared for district and taluka level officers. A checklist may be used during inspections to make them pointed. Remedial actions should immediately be taken. Cardholders, present at the shop during inspections, should be consulted.

13) The collector should make weekly review of the bottlenecks faced and the actual off-take, especially the BPL off-take, from the shops. At the state level, the secretary-in-charge should make such a review once a month.

14) It was proposed to monitor the actual issue of food grains, through FPSs, and take that as the consumption of PDS grains of the states (instead of lifting from FCI). States should, without fail, send the monthly reports to the GOI. Reports at other levels should also be ensured in the format communicated to the states.

15) Transparency measures: The details that needed to be displayed at the FPS are: i) total number of cards attached to the shop–BPL & APL, ii) monthly allocation made to the shop, iii) last month's issue from the shop, iv) issue prices, v) scale of issue, and vi) authority to report grievances. Local bodies like Panchayats and Nagar Palikas should oversee the FPSs. The President and members of these local bodies should be informed about the allocation and actual off-take of FPSs. Collectors may use local press to make the public aware of these details.

16) Vigilance Committees should be formed at Sub-District, District and State levels. A social audit of the working of PDS, in association with the intended beneficiaries, would be necessary. At FPS level, the Committee may consist of cardholders (some of whom should be women), the elected president of the Panchayat, consumer activists, etc. Taluka(sub-district) Committees should be formed with Taluka Supply Officer as convener. District Committee should be formed with District Supply Officer as convener. Review of working of PDS should be subject to their review in the Panchayats and Nagar Palikas, at regular intervals.

17) States, with assistance from Department of Consumer Affairs & Public Distribution, may devise suitable orientation programmes for all staff engaged in the implementation of PDS. Consumer organizations, elected representatives, social workers and representatives of welfare associations in the colonies may be invited to air the views of beneficiaries.

18) Emphasis on creating infrastructure in difficult areas would continue. Provision of godowns and vans in these areas would be emphasized. States were requested to take advantage of the 'Godowns and Vans Scheme' in these areas.

19) All possible steps must be taken to ensure that the essential commodities, meant for distribution, do reach the poor and not get diverted to the open market

The quantum of food grains, in excess of the requirement of BPL families, was provided to the states as 'transitory allocation' for which 10.3 million tonnes of food grains was earmarked, annually. Over and above the TPDS allocation, additional allocation was also given. The transitory allocation was intended for continuation of benefit of subsidized food grains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of food grains.

Keeping in view the consensus on increasing the allocation of food grains to BPL families, and to better target the food subsidy, Government of India increased the allocation to BPL families from 10 kg. to 20 kg food grains per family per month at 50% of the 'economic cost' and allocation to APL families at 'economic cost' with effect from 1.4.2000. The allocation of APL families was retained at the same level as at the time of introduction of TPDS, but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost so that the entire consumer subsidy could be directed to the benefit of the BPL population.

The number of BPL families has been increased with effect from 1.12.2000 by shifting the base to the population projections of the Registrar General, as on 1.3.2000, instead of the earlier population projections of 1995. With this increase the total number of BPL families is 65.203 million, as against 59.623 million families, originally estimated, when TPDS was introduced in June 1997.

The end retail price is fixed by the States/UTs, after taking into account margins for wholesalers/retailers, transportation charges, levies, local taxes, etc. States/UTs have been given flexibility in the matter of fixing the retail issue prices for distribution of food grains under TPDS, except with respect to Antyodaya Anna Yojana, where the end retail price is to be retained at Rs. 2/ kg. for wheat and Rs. 3/ kg. for rice.

#### **2.4 Antyodaya Anna Yojana (AAY)**

AAY is a step in the direction of reducing hunger among the poorest segments of the BPL population. A National Sample Survey exercise points towards the fact that about 5 % of the total population in the country sleeps without two meals a day. This section of the population can be called as "hungry". In order to make TPDS more focused and targeted towards this category of population, the "Antyodaya Anna Yojana" (AAY) was launched in December 2000 for the poorest of the poor families.

AAY contemplates identification of one crore poorest of the poor families from amongst the number of BPL families covered under TPDS and providing them food grains at a highly subsidized rate of Rs.2/ per kg. for wheat and Rs. 3/ per kg for rice. The States/UTs are required to bear the distribution cost, including margin to dealers as well as transportation cost. Thus, the entire food subsidy is being passed on to the consumers under the scheme.

The scale of issue, which was initially fixed at 25 kg per family per month, has been increased to 35 kg per family per month with effect from 1<sup>st</sup> April 2002.

#### **Expansion of AAY**

The AAY Scheme was expanded in 2003-2004 by adding another 50 lakh BPL households headed by widows, terminally ill persons, disabled persons or persons aged

60 years or more with no assured means of subsistence or societal support. With this increase, 1.5 crore (i.e. 23% of BPL) families have been covered under the AAY.

In the year 2004-05, another 50 lakh BPL families further expanded the AAY by including all households at the risk of hunger. In order to identify these households, the guidelines stipulate the following criteria:

- Landless agriculture labourers, marginal farmers, rural artisans, craftsmen such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers, and persons earning their livelihood, on daily basis, in the informal sectors like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitute and other similar categories, irrespective of rural or urban areas.
- Households headed by widows or terminally ill persons or disabled persons or persons aged 60 years or more with no assured means of subsistence or societal support.
- Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence.
- All primitive tribal households.

With this increase, the number of AAY families has been increased to 20 million (i.e. 30.66% of BPL) families. In the year 2005-06, the AAY has been further expanded to cover another 50 lakh BPL households thus increasing its coverage to 25 million households (i.e. 38% of BPL).

The identification of the Antyodaya families and issuing of distinctive Ration Cards to these families is the responsibility of the concerned State Governments. Detailed guidelines were issued to the States/UTs for identification of the Antyodaya families under the AAY and additional Antyodaya families under the expanded AAY. Allocation of food grains under the scheme is being released to the States/UTs on the basis of issue of distinctive AAY Ration Cards to the identified Antyodaya families. The present monthly allocation of food grains under AAY is around 7.27 lakh tonnes per month.

## **CHAPTER 3**

### **Status of Food Security in the Country**

#### **3.1 Food Situation at the time of Partition of the Country**

Partition of the country in 1947 left the country with 82% of the total population of undivided India, but only 75% of the cereal production. The surplus province of Punjab was partitioned and West Punjab, which had a well-established network of irrigation canals, went to Pakistan. Sind province, which too was surplus in food grain production, also went to Pakistan. These two provinces together used to supply about one million tonnes of food grains to other provinces in undivided India. At the time of independence, thus, the new nation, India had to face major handicaps as far as food security was concerned.

Soon after becoming an independent nation on 15 August 1947, India opted for planned economic development. Rapid economic growth to improve the standards of living of all, through appropriate distributive mechanisms, was an important principle of Indian Planning. Since then, India has, consciously and consistently, accepted "growth with equality" as the cornerstone of its strategy. The equality concept requires, among other things that market forces would not be allowed to have unrestrained free play and will be controlled so that social policies have precedence over economic policies. The equity concept, in respect of food, becomes absolutely compelling in a country like India, where around 300 million people were still living below the poverty line; their physical and mental growth being stunted due to malnutrition. India's food policy seeks to achieve social justice, through its price, food grain production and distribution policies; through the mechanism of world's largest public distribution system; through various poverty alleviation programmes, where food grains is distributed as part of the wages and through programmes launching a direct attack on malnutrition.

#### **3.2 Fluctuations in Food grains Production & Food Policy**

The First Five Year Plan, launched in 1951, gave highest priority to agriculture and even though the investment priority shifted to industries in the Second, the foundation laid by the First Plan continued to be the guiding spirit for planning and implementation of agricultural development programmes in India. The first Prime Minister of India, Jawahar Lal Nehru, was convinced that there was no contradiction in pursuing development of both agriculture and industry. "Ever since the demand for the development of modern industry arose in India, we have been told that India is pre-eminently an agricultural country and it is in her interest to stick to agriculture. Industrial development may upset the balance and prove harmful to her main business-agriculture. The solicitude that British industrialists and economist has shown for the Indian peasant is very gratifying... As if any Indian with an iota of intelligence could forget the peasants. The Indian peasant is our main focus and it is on his progress that India's progress

depends. But crisis in agriculture, grave as it is, is interlinked with crisis in industry, out of which it arose. The two cannot be disconnected and dealt with separately, and it is essential for the disproportion between the two to be remedied" (Nehru, 1946). The results of such pragmatism are there to be seen today in both agricultural & industrial sectors.

When India embarked on the path of planned economic development in 1951-52, the total foodgrain production was just 51 million tonnes. Within four decades or so, it is estimated to have reached 180 million tonnes in 1993-94. The growth rate of foodgrains production in the long term period 1949-50 to 1991-92 was 2.7% per annum, which was somewhat higher than the population growth rate of 2.1% per annum during the same period. For next 12 years, it hovered between 121 and 140 Metric tons. Post-1988 period again witnessed a jump, from 140 million tonnes in 1988 to almost 170 million tons in 1989, a massive increase of 40 million tonnes or 21% in just one year. The tempo could not again be maintained and while the production hovered around the level of 176 million tons achieved in 1988-89 for next two years, it dropped to only 168.4 million tonnes in 1991-92, a substantial decline of nine million tonnes, as compared to the previous year, forcing the Government to tie up import of three million tonnes of wheat, the imports being resorted to after a gap of four years. However, this import was just 1.8 percent of the net production of food grains in that year and the country had no difficulty in buying it by making cash down payment in US \$. The agricultural production again revived in 1992-93 and reached a healthy 180 million tonnes. From this year onwards, there has been a very slow growth in food grain production, which went upto 213.46 million tonnes in 2003-04, though in 2004-05 it reduced to 204.61 million tonnes (Economic Survey of India 2005-06).

Food insecurity is essentially caused either by production or price fluctuations. It is a matter of concern that Indian agriculture is still prone to substantial fluctuations. What is borne out from the above, is that only a small abnormality in the quantum and spread of monsoon rains can still create substantial ups and downs in the agricultural production in India. Such fluctuations can be observed even during the last six year period, starting from 1988-89, when the country is seen to be enjoying average monsoon rains for these six years in a row. The challenge, therefore, is stabilizing production and solution lies in expanding irrigation and making optimum use of existing irrigation resources.

With the fluctuations in production and buffers being only small fraction of total production, the per capita availability also correspondingly fluctuates as can be seen from the table below:

### 3.3 Production and Availability of Food grains at All India Level

(in million tonnes)

Year	Net production of Foodgrains	Net imports	Net availability of Foodgrains	Per capita availability per day (in gms.)
1951	47.6	4.8	52.4	394.9



1956	61.2	1.4	62.6	430.7
1960	66.1	5.1	71.2	449.6
1966	63.2	10.3	73.5	408.1
1970	85.9	3.6	89.5	455.0
1976	95.1	0.7	95.8	424.3
1980	101.7	(-) 0.3	101.4	410.4
1986	133.3	0.5	133.8	477.5
1990	143.5	1.3	144.8	472.6
1996	166.4	(-) 3.1	163.3	475.2
2000	169.7	(-) 1.4	168.3	454.4
2001	159.9	(-) 2.9	157.0	416.2
2002	196.2	(-) 6.7	189.5	404.1
2003	175.6	(-) 5.5	170.1	436.3

Source: Economic Survey, Govt. of India, 2003-04

### 3.4 Trends in Production

The increase in food production witnessed in India over the period 1950-51 to 1976-77 cannot be considered insignificant. The figure of nearly 125 million tonnes for 1977-78 presents a sharp contrast to the 1950-51-production estimate of a little over 55 million tonnes. Since at the time of Independence (1947-48), food production in India stood at a little less than 53 million tonnes. During the last three decades, it has more than doubled (Kabra, 1990, Page 25).

The total cereal production has increased from 2.33 per cent in the 1970s to 2.84 percent in the 1990s and it has declined to 2.02 per cent and the same trend was experienced in the yield growth of total cereals. The share of superior cereals (rice and wheat) to total cereal production has shown increasing trend during the last three decades. Within the superior cereals, the share of wheat has increased from about 20 per cent during the 1970s to about 34 per cent during the 1990s, whereas the share of rice production has increased about 41 per cent per year in total food grain production during the same periods.

The higher growth rate of 4.04 per cent experienced for rice during the 1980s had declined to 1.66 per cent during the 1990s. It was mainly due to decline in growth of rice yield from 3.61 per cent to 1.31 per cent during the same period. The same trend had witnessed in wheat production in the country. The growth of area under wheat had decreased from 2.39 per cent in the 1970s to 0.45 percent in the 1980s and further showed a sharp increase of 1.60 per cent in the 1990s. Besides, the production growth showed a continuous decline from 4.31 per cent to 3.18 per cent between the 1970s and the 1990s.

The negative growth rates of area under coarse grains were experienced from the period of 1970s to 1990s. A higher positive growth rate registered in yield (2.54 per cent) and also in production is 1.92 per cent in the 1970s. However, a slight improvement in the yield growth rate of coarse grains during the 1990s has influenced production growth rate to show a small positive growth rate during the 1990s (0.42 per cent), as compared to the negative growth rate during the 1980s (-0.28 per cent). The decline in coarse cereal production, which is largely grown for self-consumption, has occurred along with changes in labour market result, in increase in wage employment and growing casualisation of wage labour and also due to changes in consumption pattern in rural India (Vaidyanathan, 1986). The growth of area under pulses exhibited a positive growth of 0.58 per cent in the 1970s but this situation has worsened in both the 1980s and 1990s, showing a negative growth rates. Except the period of 1970s, the yield of pulse showed a positive growth rate in other two periods, which resulted in a positive growth rate in pulse production during the same periods.

The declining trend in the growth rate of food grain production during the 1990s has serious implications for national food security in recent times. Food self-sufficiency has been the most important objective of the nation and the production trend in 1980s gave the impression that this has been achieved. Prior to 1980s, much of the increase in food production has been achieved through the expansion of area, but the 1980s witnessed the shift towards rise in productivity, as a major factor, contributing to the increase in output. However, during the 1990s, there was stagnation on both the accounts

The instability in production poses problems for macro-level food management. Given the weight of food production in GNP, it is not difficult to visualize the consequences of such dips and upturns of food grain production for the national economy. Considerable controversy persists over the role of fluctuating food output in triggering off a chain reaction to cost-price spiral.

The consequences of fluctuations in food production on the nation's public finance, the size of budget deficits, increase in public expenditure, food subsidies and import bills, reduction in labour absorption in agriculture and their consequent impact on non-agricultural activities are too important to be overlooked. Despite the increasing trend of production during successive troughs and peaks, fluctuating food production continued to pose serious challenge to food economy and policy.

The combined impact of the growth of population and food can be seen in per capita net production. While during 1951-53 per capita food production ranged between 360 to 395 grams per day, during 1975-77 it ranged between 400 to 472 grams per day. During the 1950's, per capita food production increased at a rate of 1.91 per cent per annum, declining during 1960's to 0.39 percent. Only per capita wheat production increased during the entire period. All others grew at a negative rate since 1960; the decline being more pronounced in the case of coarse grains and pulses (Kabra, 1990, Page 34).

### 3.5 Foodgrain Consumption

The availability of foodgrains could be considered as good estimate for the consumption structure in the country. The per capita available foodgrains was 446.90 grams/day during 1970s and it has declined to 408.76 grams/day. The availability of cereals has increased from 444.20 grams/day during the 1970s to 488.00 grams/day during the 1990s. Meanwhile, the oilseeds availability for consumption exhibited the same trend of cereals, whereas the availability of pulses has declined from 41.09 grams/day to 34.79 grams/day between the periods of 1970s and 1990s.

#### Per Capita Availability of Food Stuff

(gms/day)

Particulars	1970s	1980s	1990s
Foodgrains	446.90	408.76	478.46
Cereals	444.20	465.00	488.00
Pulses	41.09	36.43	34.79
Oil Seeds	9.20	14.00	19.53

(National Consultation on Food Security for the Poor, 2005, Page 9).

While production has marginally won the race against the growth of population, during more recent period the scales have tilted in favour of the rate of population growth. Moreover, a steadily rising population growth is confronted with a highly fluctuating level of food production, which creates periodic imbalances. Since the impact of population growth and the modest growth in per capita income tend to increase demand on food, one can infer that at the macro-level, food production failed to keep pace with the increase in demand. Naturally, these trends were bound to get reflected in per capita consumption, which have declined from 1960 onwards and led to a wide nutrition gap.

The adequacy of food consumption can be evaluated in terms of nutritional value of the food intake. The amount of calories taken by a person per day brings out the problem of food shortage in a fairly sharp and direct form. The major difficulty arises on account of the determination of the required level of calorie intake ( Kabra, 1990, Page 39).

### 3.6 Nutrition Status

In the late sixties it was assumed that poverty was a problem of food production, and that an improvement in production techniques, such as the use of improved crop varieties, with higher dosage of chemical fertilizer and pesticide, would inevitably

improve the economic and nutritional position of all households, with a higher food availability at all levels of the food system. Twenty years later, however, under nutrition in India is more often a problem of poverty, with people unable to buy food, rather than one of food supply (Stuart Gillespie, 1992, Page 37).

According to nutritionists, human diet should contain minimum levels of various items such as carbohydrates, proteins, fats and a number of micronutrients. However, there is a feeling among some nutritionists that a diet with adequate level of calories might contain more or less sufficient quantities of major nutrients with some exception.

While the Indian Council of Medical Research has recommended a per capita daily norm of 386 grams of cereals (Radhakrishna, 1991), the task force of the Planning Commission has recommended 15.46 kg cereals per capita per month (575 grams per day) for the rural population for determining the poverty line. The task force recommendation implied a per capita calorie norm of 2400 calories for rural areas and 2100 calories for urban areas.

The estimates of per capita daily calorie intake and per consumer unit daily calorie intake for rural area indicate an average level of 2153 kcal and 2683 kcal respectively. Though the average daily intake per consumer unit is very close to the specified norm, there was wide variation among the different expenditure groups. The calorie intake in the urban areas also indicates similar tendencies as in the rural areas.

Thus, both the rural and urban areas indicate a sizable proportion of consumers with inadequate calorie intake. The deficiency is acute in the lowest expenditure groups and there is gradual improvement as the monthly expenditure increases. An inadequate level of food consumption leads to malnutrition, which is considered to be a serious problem, especially among women and children

Dreze and Sen have sought answers to four questions in establishing a country's achievement in relation to ensuring adequate nutrition for all-

1. Is the country self-sufficient in food?
2. Does the country have adequate food availability?
3. Do the people in the country have sufficient food entitlement?
4. Do the people have adequate nutritional capability?

There are causal links between the respective points of attention in these questions. For example, achieving food self-sufficiency can be one way for a country to ensure adequate food availability. Having an adequate supply of food will generally help, to a varying extent, the guaranteeing of sufficient food entitlements for all. And securing an adequate entitlement to food must contribute to a person's nutritional capability. But there are also complexities-indeed gaps-in such causal relationships. Public action to

combat hunger has to take note both of the causal links and of the gaps in those links (Dreze & Sen, 1989, Page, 165).

The process of globalization has sharpened the threat to food security of many people living in developing countries, and India is no exception. Chronic hunger is increasing in several parts of the world. Improving food security, at the household level, is an issue of great importance.

An estimated 400 million Indians do not have access to regular and adequate quantities of food. Hunger, malnutrition and under nourishment are widespread. Many parts of the country, particularly Orissa, are stalked by death due to starvation. Such unusual hunger amidst plenty can be attributed to a host of reasons, many of which are direct or indirect consequences of the structural adjustment and stabilization programmes India adopted at the start of the nineties. The government set out to reduce subsidies and fiscal deficit by cutting state expenditure on rural development, cutting food subsidies, reducing priority credit to agriculture and allowing Indian agricultural prices to move closer to world prices, which led to increased food prices.

All of this, however, meant falling rural employment and real wages for the landless, and more insecure and volatile income from cultivation for small farmers. Simultaneously, food prices in the public distribution system went up because of the reduction in food subsidies. Very few could purchase food grains at such high prices. The government was left with huge stocks, and it ended up with enormous storage costs.

Structural adjustment and stabilization programmes failed to reduce subsidies and fiscal deficits. The only effect has been on poverty and its consequences: hunger, malnutrition, infant and neo-natal mortality and deaths due to starvation. India, now, has 360 million people below the poverty line, of which 50 million are the poorest of the poor, those living in conditions of extreme deprivation.

### **3.7 Need for Public Intervention**

What emerges from the discussion, so far, is that there persists in India, a danger of occasional mass hunger consequent upon two or three successive, widespread droughts and crop failures because there is a precarious balance between the aggregate demand for and supply of food at a low level of consumption. This scenario poses serious consequences for a vast majority of small and marginal farmers with low and fluctuating real income.

In a vast country like India, different regions and states have their specific pattern of specialization, with respect to different crops, particularly foodgrains and cash crops. On account of the combined effect of a large number of factors, some states have chronic food deficits, while others have surplus food. This necessitates inter-state trade, whether private and/or public

The absolute size of deficit or surplus and its proportion to net state production have changed over the last few decades in an irregular manner, except that hardly any state was in a position to change its position from deficit to surplus. The number of surplus states is about half of deficit states. The absolute size of deficit is the highest for the states with metropolitan cities because of their size and purchasing power. It is true of all states, except U.P. and Bihar, where the sheer size of population seems to account for the size of deficits.

Inter-state food movements of such magnitude would always be highly problematic under market dispensation, in terms of adequacy and promptness of movements, stability and “correctness” of the terms of exchange, avoidance of cross movements and choice of the least cost sources of supply for each deficit area. Regulation of inter-state movement of foodgrains is an important area that needs public intervention.

### **3.8 Short-term Government Interventions in Food Economy**

In the late 1950s, during the period of decontrol, imports were resorted to with the intention of meeting the foodgrain shortage in the country. The Foodgrains Enquiry Committee of 1957 accepted food imports as a crucial short-term intervention in food economy. As a short-term measure, food import was a constant element of public policy. A number of other short-term measures such as procurement, public distribution of foodgrain, buffer stocks, restriction on inter-state movements, selective rationing over certain periods and areas, and price control supplemented food imports up to the sixties. These policy measures are considered short-term measures because they are designed to respond to short-term problems and challenges emerging in the food economy of India.

The endemic problem of food deficit, low purchasing power and resultant malnutrition can be dealt with only by a strategy of socio-economic development, particularly focusing on food production and employment, leading to rising productivity. Imbalances in production, demand, prices and inter-regional availability of food-grains complicate the operation of the food economy. Though these imbalances are quite frequent, the magnitude of the major variables gives a specific character to the problem as it faces the policy-makers each year. The response to such a problem emerges in the form of a specific combination of procurement-public distribution system, price controls, rationing and restrictions on inter-state movements.

An analysis of Government’s efforts to manage and regulate the food economy in India during 1950-1977 brings out the fact that their major policy objectives were maintenance of overall and per capita availability, largely, in an aggregative sense. However, it also attempted to tackle regional disparities, through movement restrictions and variations in quantities procured and issued to different states. Another objective sought to be served was that of price-stability, mainly, by maintaining or increasing availabilities through the PDS, rationing and direct price controls. However, after mid-sixties, a concern for incentive prices to growers began to be dominant.

In India, apart from occasional policy of rationing (a policy which, if continued for a reasonable period of time, qualifies to be considered a long-term policy), procurement of foodgrain, public distribution system (a kind of informal, selective rationing or inflation-protected fixed supply to selected groups in a dual market framework) and restrictions on inter-state movements of foodgrain on private account along with centrally released quotas of foodgrain to different states have been the main components of short-term policies for reducing regional and class disparities or for improving food availability for the deficit and worse-off sections. (Kabra, 1990, Page 93).

### **3.9 Scheme of Decentralized Procurement of foodgrains**

The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-1998, with a view to effecting saving in the form of reduction in the amount of food subsidy, enhancing the efficiency of procurement to the maximum extent thereby extending the benefits of MSP to local farmers. Under the decentralized procurement scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. The State Government and their agencies as per their requirements open purchase centres. The State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes. In the event of the total quantity of wheat and rice thus procured, falling short of the total allocation made by the Central Government, for meeting the requirement of TPDS and other schemes, the Central Government, through FCI, meets the deficit out of the Central Pool stocks.

The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing. The Central Government also monitors the quality of foodgrains procured under the scheme and reviews the arrangements made to ensure that the procurement operations are carried on smoothly. The State Governments presently undertaking decentralized procurement are West Bengal, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Uttaranchal, Andaman & Nicobar Islands, Orissa, Tamil Nadu, Gujarat, Karnataka and Kerala.

The total procurement of rice in the States, which have adopted decentralized procurement was 39 lakh tonnes in Kharif Marketing Season (KMS) 2001-02 and 40 lakh tonnes in KMS 2002-03. This went up sharply to 78 lakh tonnes during KMS 2003-04 and further to 94 lakh tonnes during KMS 2004-05.

In respect of wheat for States which have adopted decentralized procurement system, the procurement of wheat under the scheme was 10.84 lakh tonnes during Rabi Marketing Season (RMS) 2005-06. The procurement of Rice for Central Pool was as under:

**Procurement of Rice for Central Pool  
(Marketing Season: October-September)**

(Figures in lakh tonnes)

Year	Procurement		
	FCI	State Agencies	Total
2001-2002	118.72	94.04	212.76
2002-2003	72.96	91.14	164.10
2003-2004	109.73	118.55	228.28
2004-2005	116.31	130.52	246.83
2005-2006 (Upto 8th February 2006)	48.08	135.81	183.89

(Annual Report 2005-06, Ministry of Consumer Affairs, GOI, Page No.11-12)

Wheat and rice are issued from the Central Pool to State Governments/UTs at uniform Central Issue Prices (CIP) for distribution under the TPDS. The CIPs of foodgrains issued under the TPDS are fixed below the economic cost. The Central Government bears a huge subsidy burden on this account, especially for making available foodgrains at highly subsidized rates under BPL category.

After streamlining and restructuring of the Public Distribution System (PDS) with focus on the poor (Targeted PDS), two different CIPs have been fixed, one for families Below the Poverty Line and the other for families Above Poverty Line.

**CIP of Rice (Common and Grade 'A')  
(CIP of Common rice to APL families is applicable to J&K, H.P., North  
Eastern States, Sikkim and Uttaranchal)**

(Rs. per quintal)

Rice	APL	BPL	With effect from
Common	550	350	01.12.1997
Grade 'A'	700	350	01.12.1997
Common	700	350	29.01.1999
Grade 'A'	905	350	29.01.1999
Common	1135	590	01.04.2000
Grade 'A'	1180	590	01.04.2000
Common	1087	565	25.07.2000
Grade 'A'	1130	565	25.07.2000
Common	795	565	12.07.2001



Grade 'A'	830		12.07.2001
Common	695	565	01.04.2002
Grade 'A'	730		01.04.2002
Common	795	565	01.07.2002 till date
Grade 'A'	830		01.07.2002 till date

(Annual Report 2005-2006, Ministry of Consumer Affairs, GOI, Page 17)

# CHAPTER 4

## Food Management

### 4.1 Public Distribution System (PDS)

The food security problem has many dimensions. It may arise at the global, national, sub-national or household level. It may be chronic, temporary, seasonal or perennial in nature. It may affect society as a whole or only certain sections of society. The problem arises when the demand for food outstrips its supply. It is also true that mere availability of food will not ensure food security to all sections of society.

Improving food security at the household level is an issue of great importance for a developing country like India, where millions of poor suffer from persistent hunger and malnutrition and others are at the risk of doing so in the future.

Food security programmes aim at making food available at affordable prices to all with special emphasis on vulnerable sections (Indrakant, 2000, Page 246).

There are several ways in which food security can be improved. The strategies constitute several policies. India's strategies in this regard comprise economic growth, direct anti-poverty programmes, which include wage-employed and self-employed targeted programmes, public distribution system (PDS) nutrition-based programmes and provision of health facilities (Mahendra Dev, 2000, Page 180).

A Foodgrains Policy Commission under the chairmanship of Sir Purushottam Das Thakur has examined the food policy of independent India in 1947, which submitted its report in April 1948. It came to the conclusion that imports were necessary to enable maintenance of central reserves to guard against crop failures and such reserves could be of the tune of two million tonnes. It also recommended for the maintenance of the rationing system, introduced during the World War II, as also the need to import food grains should be liquidated in phases. The Commission also recommended that the indigenous food grains production should be increased by 10 million tonnes per annum till self-sufficiency is achieved.

Issues under the PDS were at their lowest during the closing years of the first plan. This was a period during which food control was generally relaxed. From nearly 8 million tonnes in 1951, PDS issues came down in 1955 at 1.64 million tonnes. Following the recommendation of the foodgrains Enquiry Committee, 1957, PDS issues began to increase during 1957-1963. The rising trend started in 1964 and in the following period, the PDS commitment was generally around 10 million tonnes. While average annual PDS issues during 1951-77 were 7.5 million tonnes, average procurement during the same period was of the order of 4.2 million tonnes.

Except during periods and areas of statutory rationing the PDS supplies were distributed through a network of Fair Price Shop (FPS). Since the control of 1954, a dual market mechanism, uncontrolled market and distribution through FPS have been in vogue except for a few pockets of statutory rationing. The increase in the number of FPS, since 1957, has been dramatic, from about 1300 to over 37 thousand, though the quantity supplied increased only marginally. It thus reduced the average quantity distributed through each FPS.

Over the period, the number of FPS went up to 2.39 lakhs by 1977. Since PDS issues could not keep pace with the growth in the number of FPS, the average quantity issued per FPS declined from over 80 tonnes in 1961 to nearly 50 tonnes in 1977. The poor crop years of 1966-67 saw the largest amount distributed through PDS network. It amounted to over 20 percent of net production.

If one looks at the commodity composition of the grain distributed through PDS network, one finds clear predominance of wheat. Rice occupied the second place and coarse grain was almost negligible. Wheat, which dominated acreage, production and imports, provided the mainstay for PDS supplies, though in procurement its share was much lower than that of rice (Kabra, 1990, Page 95-96).

#### **4.2 Buffer Stock Policy**

Availability of food grains in the country is characterized by sharp fluctuations and becomes an important element, to be taken care of, in India's food policy. It is, therefore, necessary to use a part of the production of good year(s) in the subsequent year(s) of lower production by creating buffer stocks. Buffer stocks also stabilize the intra-year availability, taking care of the lean months. Though buffer stocks involve huge costs, as also some inevitable damage to stored grains, imports are suggested as an alternative.

Practical experience has, however, shown that imports can never provide that kind of food security for a big and populous country like India, which buffer stocks can. Most importantly, imports cannot be on the tap, as if imports of all the required quantities will materialize as and when one wishes. In the absence of buffer stocks from which quantities can be immediately released in the market, speculative tendencies will not only have a field day in the domestic market but the country's bargaining power in the international market would be eroded, with the result that purchases may have to be made at high prices and on the sellers terms. In the absence of buffer stocks, the nation is prone to be pressured; economically as well as politically the autonomy of the country may itself be in the danger of being impaired.

As per the Buffer stocking policy of the Government of India, food stocks are maintained by the Central Government to (i) meet the prescribed Minimum Buffer Stock norms for food security, (ii) for monthly releases of foodgrains for supply through the Public Distribution System/Welfare schemes; (iii) to meet emergent situations arising out

of unexpected crop failure, natural disasters etc; (iv) for market intervention to augment supply so as to help moderate the open market prices.

The revised buffer norms for the remaining period of the Tenth Five Year Plan have been finalized by the Government, based on the realistic requirement of foodgrains, under the existing and new schemes. The following new norms have been adopted by the Government from 1<sup>st</sup> April, 2005.

### **Norms of Buffer Stocks**

(in lakh tonnes)

<b>2005-2006</b>	<b>Wheat</b>	<b>Rice</b>	<b>Total</b>
1st April	40	122	162
1st July	171	98	269
1st October	110	52	162
1st January	82	118	200

(Annual Report 2005-06, Min. of Consumer Affairs, GOI, Page 18)

While framing the revised buffer norms for Tenth Plan, as indicated above, provision has been kept for the following schemes:-

- (i) Targeted Public Distribution System
- (ii) Sampoorna Gramin Rojgar Yojana
- (iii) Sampoorna Gramin Rojgar Yojana (Special Component) & other welfare schemes.
- (iv) Mid Day Meal Scheme
- (v) National Food For Work Programme

### **4.3 Stock Position in Central Pool**

The stock of foodgrains in the Central Pool, as on 1.12.2005, was 190.06 lakh tonnes, which comprises of 111.30 lakh tonnes of rice, 76.31 tonnes of wheat and 2.45 lakh tonnes of coarse grains. The total stock of foodgrains in the Central Pool including coarse grains, as on 1<sup>st</sup> January during the last six years, was as follows:-

#### **Stock of Foodgrains in the Central Pool, as on 1.12.2005**

(in lakh tonnes)

Year	Stock
1st January, 2000	318.89

1st January, 2001	457.68
1st January, 2002	581.12
1st January, 2003	482.05
1st January, 2004	250.16
1st January, 2005	216.97
1st January, 2006	192.60

(Annual Report 2005-06, Min. of Consumer Affairs, GOI, Page 18)

#### **Stocks of Food grains in Central Pool as on 31.03.2006**

	In Storage	In Transit	Total
Rice	133.31	3.42	136.73
Wheat	18.35	1.74	20.09
Total	151.66	5.16	156.82
Coarse Grains	9.36	0.02	9.38
Grand Total	161.09	5.18	166.27

#### **4.4 Food Stock and its Management**

As has been mentioned earlier, setting up of the Food Corporation of India was an important step in maintaining stocks and transportation of food grains. The Food Corporation of India was set up under the Food Corporation Act 1964, in order to fulfil following objectives of the Food Policy:

Effective price support operations for safeguarding the interests of the farmers, distribution of food grains throughout the country for public distribution system and maintaining satisfactory level of operational and buffer stocks of food grains to ensure food security, at the national level.

In its 40 years of service to the nation, FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system. FCI and State Governments and their agencies maintain the Central Pool stocks. The total stock in Central Pool, as on 31/03/2006, was 151.66 lakh tonnes.

#### 4.5 Storage Management

Another facet of the Corporation's manifold activities is the provision of scientific storage for the millions of tonnes of food grains procured by it. In order to provide easy physical access in deficit, remote and inaccessible areas, the FCI has a network of storage depots, strategically located all over India. These depots include silos, godowns and a method developed by FCI, called Cover and Plinth (CAP).

In order to reduce storage and transit losses of foodgrains and to bring additional resources through Private Sectors' participation, Govt. of India had announced a National Policy on Handling Storage and Transportation of Foodgrains in June, 2004 for bulk and conventional godowns. In the 1st phase, after a series of deliberations, it was approved that total capacity of lakhs MT be created at the identified based depots and field depots through private sector participation on Build-Own & Operate (BOO) basis.

#### Storage Capacity with FCI

(in million tones)

Capacity	1st Apr. 2000	1st Apr. 2001	1st Apr. 2002	1st Apr. 2003	1st Apr. 2004	1st Apr. 2005	1st Apr. 2006
Covered							
Owned	12.58	12.60	12.74	12.82	12.82	12.91	12.93
Hired	8.27	12.09	15.16	13.77	10.85	10.46	9.91
Total	20.85	24.69	27.90	26.59	23.67	23.37	22.84
CAP ( Cover and Plinth)							
Owned	2.17	2.29	2.35	2.26	2.21	2.25	2.21
Hired	2.38	4.46	5.59	2.88	1.36	0.41	0.51
Total	4.55	6.75	7.94	5.14	3.57	2.66	2.72
Grand Total	25.40	31.44	35.84	31.73	27.24	26.03	25.56

#### Statewise Storage Capacity with the FCI (As on 31/03/2006)

East Zone											
Covered								CAP			
Region/U.T	FCI Owned	Hired						Owned	Hired	Total CAP	Grand Total
		State Govt.	CWC	SWC	Pvt. Parties	Total Hired	Total Covered				
Bihar	3.66	0.03	0.44	0.51	0.53	1.51	5.17	0	0	0	5.17

Jharkhand	0.66	0.01	0.15	0.18	0.23	0.57	1.23	0	0	0	1.23
Orissa	2.93	0	0.60	2.70	0.15	3.45	6.38	0	0	0	6.38
West Bengal	8.64	0.23	0.65	0	0.56	1.44	10.08	0	0	0	10.08
Sikkim	0.10	0.01	0	0	0	0.01	0.11	0	0	0	0.11
Total	15.99	0.28	1.84	3.39	1.47	6.98	22.97	0	0	0	22.97
North East Zone											
Assam	1.99	0.02	0.16	0.05	0.37	0.60	2.59	0	0	0	2.59
Arunachal Pr.	0.18	0	0	0	0	0	0.18	0	0	0	0.18
Meghalaya	0.14	0	0.11	0.05	0	0.16	0.30	0	0	0	0.30
Mizoram	0.17	0.01	0	0	0	0.01	0.18	0	0	0	0.18
Tripura	0.22	0.05	0.07	0	0	0.12	0.34	0	0	0	0.34
Manipur	0.18	0	0	0	0	0	0.18	0	0	0	0.18
Nagaland	0.19	0	0.10	0	0	0.10	0.29	0	0	0	0.29
Total	3.07	0.08	0.44	0.10	0.37	0.99	4.06	0	0	0	4.06
North Zone											
Delhi	3.36	0	0	0	0	0	3.36	0.34	0	0.34	3.70
Haryana	7.70	3.95	1.88	4.05	1.30	11.18	18.88	3.17	0	3.17	22.05
H.P	0.13	0.06	0.07	0	0	0.13	0.26	0	0	0	0.26
J&K	0.93	0.15	0	0	0.02	0.17	1.10	0	0	0	1.10
Punjab	21.84	0.15	2.30	35.13	3.92	40.50	63.34	6.34	0.18	6.52	69.86
Chandigarh	0.40	0	0.45	0.26	0	0.71	1.11	0.08	0.00	0.08	1.19
Rajasthan	7.06	0	0.13	0.01	0.18	0.32	7.38	1.58	0.12	1.70	9.08
U.P	14.96	0.11	1.74	4.02	0.25	6.12	21.08	4.19	0	4.19	25.27
Uttaranchal	0.66	0.16	0.26	0.46	0.05	0.93	1.59	0.09	0.04	0.13	1.72
Total	57.04	4.58	6.83	43.93	5.72	61.06	118.10	15.79	0.34	16.13	134.23
South Zone											
Andhra Pr.	12.73	0	1.67	17.84	0	19.51	32.24	1.97	0	1.97	34.21
Kerala	5.12	0	0	0	0	0	5.12	0.21	0	0.21	5.33
Karnataka	3.68	0	0.44	0.62	0	1.06	4.74	1.37	0	1.37	6.11

Tamil Nadu	5.85	0	1.22	0.35	0	1.57	7.42	0.60	0	0.60	8.02
Pondicherry	0.42	0	0	0.03	0	0.03	0.45	0.05	0	0.05	0.50
Total	27.80	0	3.33	18.84	0	22.17	49.97	4.20	0	4.20	54.17
West Zone											
Gujarat	5.00	0.14	0.22	0	0	0.36	5.36	0.30	0	0.30	5.66
Maharashtra	11.77	0.13	0.72	0.91	0.55	2.31	14.08	1.42	0	1.42	15.50
Goa	0.15	0	0	0	0	0	0.15	0	0	0	0.15
Madhya Pr.	3.37	0.14	0.58	0.60	0.42	1.74	5.11	0.35	0	0.35	5.46
Chhatisgarh	5.12	0.83	0.40	1.91	0.30	3.44	8.56	0.05	4.75	4.80	13.36
Total	25.41	1.24	1.92	3.42	1.27	7.85	33.26	2.12	4.75	6.87	40.13
G.Total	129.31	6.18	14.36	69.68	8.83	99.05	228.36	22.11	5.09	27.20	255.56

#### 4.6 Transport Management

Ensuring accessibility to food in a country of India's size is a Herculean task. The food grains are transported from the surplus States to the deficit States. The food grain surplus is mainly confined to the Northern States. Transportation involves long distance throughout the country. Stocks procured in the markets and purchase centers are first collected in the nearest depot and from there dispatched to the recipient States within a limited time.

FCI moves about 270 lakh tonnes of food grains over an average distance of 1500 kms. Rice and wheat procured in the Northern States are moved to far-flung corners- Imphal, Manipur or Kanyakumari in Tamil Nadu and to the higher reaches of the Himalayas in the North. An average of 1,20,000 bags (50 Kg) of foodgrains are transported every day from the producing states to the consuming areas, by rail, road, etc. The stocks to Kashmir valley, Himachal Pradesh, North-East region, Sikkim, Andman & Nicobar Islands, Lakshadweep, etc., which don't have rail link, are fed by road. Thus, by effective planning and Management of the transport System FCI regularly moves foodgrains and sugar from the procuring region to the concerning region.

#### 4.7 Procurement of Food grains

To nurture the Green Revolution, the Government of India introduced the scheme of minimum assured price of food grains, which are announced well before the commencement of the crop seasons, after taking into account the cost of production, inter-crop price parity, market prices and other relevant factors.



Procurement, except for the period of 1951-53, has been below 2 million tonnes upto 1964, ranging from a near negligible level of 0.06 percent of net production in 1956 to over 2.6 percent in 1959. Procurement started picking up since 1965, coinciding with the setting up of Agricultural Prices Commission and the beginning of High Yielding Variety break-through. During this period, procurement varied from over 4 million tonnes to nearly 13 million tonnes; it constituted from over 5 percent to about 13 percent of net production.

After 1969, the share of the Union Government in procurement has been consistently higher than that of the states, though the former's share began to go up after the setting up of APC. Upto 1954, procurement was entirely on account of the states and during the intervening years the two changed their positions. On an average, states procured 1.77 million tonnes annually, while the center procured 2.42 million tonnes during 1951-77 (Kabra, 1990, Page 94).

The Food Corporation of India along with other Government agencies provide effective price assurance for wheat, paddy and coarsegrains. FCI and the State Govt. agencies, in consultation with the concerned State Govts., establish large number of purchase centers throughout the state to facilitate purchase of foodgrains. Centres are selected in such a manner that the farmers are not required to cover more than 10 kms. to bring their produce to the nearest purchase centres of major procuring states.

Price Support purchases are organized in more than 8,000 centers for wheat and 4,000 centers for paddy every year in the immediate post-harvest season. Such extensive and effective price support operations have resulted in sustaining the income of farmers over a period and in providing the required impetus for higher investment in agriculture for improved productivity. To name a few states, about Rs.41,000 millions for paddy and 43,000 millions for wheat in Punjab and Rs. 45,000 millions for levy rice in Andhra Pradesh are paid to the farmers/ millers during wheat / rice procurement season.

Foodgrains are procured at the Minimum Support Price (MSP) fixed by the Government. The MSP for Common and Grade 'A' paddy was fixed at Rs.570/- and Rs.600/- per quintal respectively for the 2005-2006 Kharif Marketing Season (October, 2005-September, 2006). The MSP of wheat has been fixed at Rs.650/- per quintal for the Rabi Marketing Season 2006-07. The comparative MSP of wheat and paddy since 2001-2002 to 2006-07 (marketing seasons) is given below:-

### **Minimum Support Price of Wheat and Paddy**

(Rs. per quintal)

Year	Wheat	Paddy	
		Common	Grade-A
2001-2002	610	530	560

2002-2003	620	530	560
2003-2004	620	550	580
2004-2005	630	560	590
2005-2006	640	570	600
2006-2007	650		

(Annual Report 2005-2006, Ministry of Consumer Affairs, GOI, Page 11)

India, today, produces over 200 million tonnes of food grains, as against a mere 50 million tonnes in 1950. In the last two decades, food grain procurement by Government agencies have witnessed a quantum jump, from 4 million tonnes to over 25 million tonnes per annum. Food grains are procured, according to the Government-prescribed quality standards. Each year, the Food Corporation purchases, roughly, 15-20% of India's wheat production and 12-15% of its rice production. This helps to meet the commitments of the Public Distribution System and for building pipeline and buffer stock.

#### **4.8 Distribution of Food grains**

The importance of the public distribution system lies in situation where there is a shortage of foodgrains in the market rather than a real shortage, for prices are not left to be determined by the market forces alone but are to an extent controlled by the government. The unrealistic approach of the government, while pursuing a policy of controls and regulations often results in hoarding by traders and speculators and consequently the prices are very high. Distribution through government agencies is precisely significant in the context of overcoming shortages in the market and ensuring an equitable distribution of foodgrains at reasonable price ( Shafi and Aziz, 1989, Page 269).

The national objective of growth with social justice and progressive improvements in the living standards of the population make it imperative to ensure that food grains is made available at reasonable prices. Public Distribution of food grains has always been an integral part of India's overall food policy. It has been evolved to reach the urban as well as the rural population, in order to protect the consumers from the fluctuating and escalating price syndrome. Continuous availability of food grains is ensured through about 4.5 lakhs fair price shops spread throughout the country. A steady availability of food grains at fixed prices is assured, which is lower than actual costs due to Govt. policy of providing subsidy that absorbs a part of the economic cost (about 45%).

Under the Targeted Public Distribution Scheme effective from June, 1997, stocks are issued in the following two categories:

- a) Below Poverty Line: Determination of the families under this category in various states is based on the recommendation of the Planning Commission. A fixed quantity of 35 Kg. food grains per family per month is issued under this category. The stocks are issued at highly subsidized Price of Rs.4.15 per Kg. of wheat and Rs. 5.65 per Kg. of rice. During the year 2000-2001, Govt. of India decided to release food grains under Antyodaya Anna Yojana. Under this scheme, the poorest strata of population, out of earlier identified BPL population, is covered. Food grains are being provided to 1.5 crores poorest of the poor families, out of the BPL families, at highly subsidized rates of Rs.2/- per kg of wheat and Rs.3/- per kg of rice by FCI. This is the biggest food security scheme in the world.
- b) Above Poverty Line– Families, which are not covered under BPL, are placed under this category. The stocks are issued at Central Issue Price of Rs. 6.10 per kg of wheat and Rs. 8.30 per kg of rice.

The details of allocation made under TPDS and the off-take are as under:

#### **Allocation and Off-take of Foodgrains under TPDS**

(in lakh tonnes)

Year	Total TPDS Allocation	Total TPDS off-take	% off take
1997-1998 (June 97 to March 98)	180.88	131.53	72.72
1998-1999	226.77	184.45	81.34
1999-2000	239.00	168.07	70.32
2000-2001	274.59	117.89	42.93
2001-2002	300.08	135.67	45.21
2002-2003	743.28	200.66	26.99
2003-2004	712.32	239.30	33.58
2004-2005	716.99	293.55	40.94
2005-2006	716.22	307.95	43.11
2006-2007 (April to May, 06)	118.17	39.56	33.48

In the year 2005-06 the total PDS off-take was to the tune of 307.95 lakh tonnes, which is the highest level of PDS off-take achieved, since the introduction of TPDS in June 1997.

**The details of allocation under BPL and AAY and the off-take are as under:**

(Off-take in lakh tonnes)

Year	Allocation			Off-take			% off-take
	BPL	AAY	BPL+AAY	BPL	AAY	BPL+AAY	
1997-1998 (June 97 to March 98)	59.18	-	59.18	44.00	-	44.00	74.35
1998-1999	71.17	-	71.17	59.77	-	59.77	83.98
1999-2000	76.59	-	76.59	69.95	-	69.95	91.35
2000-2001	159.71	55.87	215.58	96.53	0.24	96.77	44.89
2001-2002	178.66	19.60	198.26	100.52	16.78	117.30	59.16
2002-2003	227.71	41.28	268.99	135.13	35.39	170.52	63.39
2003-2004	225.49	45.56	271.05	158.04	41.65	199.69	73.67
2004-2005	212.77	60.54	273.31	173.81	54.63	228.44	83.58
2005-2006	191.99	80.69	272.68	155.03	74.03	229.06	84.00
2006-2007 (April, 06 to May 2006)	30.04	15.43	45.47	22.12	12.90	35.02	77.02

(Annual Report of Ministry of Consumer Affairs, GOI-2000-01 & 2005-06)

The BPL off-take has increased five times, from 44 lakh tonnes during 1997-98 to more than 229 lakh tonnes (including AAY) during 2005-06. As far as Antyodaya Anna Yojana is concerned, the off-take has been very high i.e. 90.23% during 2004-05 and 91.75% during 2005-06.

#### **4.9 Food-Based Welfare Schemes**

There are number of other welfare schemes of the Govt. of India under which food grains are provided at concessional rates. Since these schemes are also important in providing food security to the vulnerable population, a brief mention would not be out of place.

(i) Mid-Day-Meal-Scheme- The Govt. of India has introduced MDM – National Programme of Nutrition Support to Primary Education in Primary Schools in 1995. Under the scheme every child is entitled to 3 kgs. of wheat/rice per month @ 100 Grams. The Scheme is run by Government schools and local bodies to serve free cooked / processed hot meal. FCI is supplying foodgrains free of cost to the States/UTs. This scheme is partly financed by Ministry of HRD.

(ii) Wheat Based Nutrition Programme- A scheme run by Department of Women and Child Development, Ministry of HRD for providing nutritious food to children below 6 years of age and expectant/lactating women. Foodgrains supplied by FCI at BPL rates.

(iii) Scheduled Caste/Scheduled Tribe/Other Backward Classes Hostels & Welfare Institutions- The Ministry of Consumer Affairs & Public Distribution and the Ministry of Social Justice & Empowerment together monitor the Scheme for providing food grains to SC/ST/OBC Hostels. Hostels having students, belonging to SC/ST/OBC categories, are eligible to draw 15 kg food grains per resident per month.

In the year 2000, the Government of India decided that food grains (wheat/rice) would also be allotted to the State Governments at the rate of 5 kg per head per month for indigent people living in Welfare Institutions such as Beggar Homes, Nari Niketan (Women hostels), etc. sponsored by the State Governments. Food grains are supplied by FCI at BPL rates. It may be clarified that from the year 2002-03, the MOCAF&PD has been making the requirement of the State/UT under the head "Welfare Institutions & Hostels" to meet the requirement of the State/UT for providing food grains to different types of welfare institutions. Since April 2005, the Ministry of Consumer Affairs & Public Distribution has enhanced quota of allotment under this scheme to 5% of the monthly allotment made under BPL & AAY.

(iv) Annapurna Scheme- Indigent Senior Citizens of 65 years of age or above eligible for National Old Age Pension under NOAPS, but not getting pension, can get 10 kg food grains per month. FCI is issuing food grains under this scheme to State/UT Governments at BPL rates. Under this scheme of Ministry of Social Justice & Empowerment, indigent people living in Welfare institutions like Beggar Homes, Orphanages, Nari Niketans etc. are given 15 kg of food grains per person per month. Food grains are supplied by FCI at BPL rates.

(v) Sampoorna Gramin Rozgar Yojana- A scheme financially supported by Ministry of Rural Development in which foodgrains are supplied to the States/ UTs by FCI free of cost

(vi) Special Component of Sampoorna Gramin Rozgar Yojna- Under the Special component of the SGRY financed by Ministry of Rural Development for augmenting food security, through additional wage employment during natural calamity, FCI release foodgrains free of cost to the States/UTs.

(vii) Food grains to Adolescent Girls, Pregnant and Lactating Mothers- GOI introduced this Scheme from January, 2003. Under the scheme food grains is being supplied by FCI at BPL prices to the State/UT Govt. for Adolescent Girls, Pregnant and Lactating Mothers. The identified undernourished woman/girl is provided 6 kg food grains (wheat/rice) per month. The scheme is partly supported by Planning Commission.

(viii) World Food Programme (WFP)- FCI is sparing stocks to WFP projects from the Central Pool stocks as and when required by them. FCI is working as 'FOOD BANK' for projects under World Food Programme in India. When India was deficit of foodgrains, WFP used to get stocks to meet the deficiency through import.

(ix) Emergency Feeding Programme- Under this scheme, Ministry of Consumer Affairs & Public Distribution releases allocation of rice at BPL rates, for KBK Districts (Bolangir, Kalahandi, Koraput, Malakangiri, Nabarangpur, Naupada, Rayagada & Sonepur) of Orissa State on monthly basis. Under this scheme, rice @ 6 kg/beneficiary/month is issued for 2 lakh beneficiaries. This programme is monitored by Ministry of Social, Justice and Empowerment at Central level.

(x) Grain Bank- This scheme provides grants for establishment of village Grain Bank to prevent deaths of people, especially children in remote and backward tribal villages facing starvation as well as to improve nutritional standards. The scheme provides funds for building storage facility, procurement of weights & measures and for the purchase of initial stock of one quintal food grains of local variety for each family. The allocation of food grains was made by the GOI, Ministry of Tribal Affairs during the year 2002-2003. Under this scheme, food grains are allotted to states at BPL rate. Allotment under this scheme has not been received from the year 2003-2004.

(xi) National Food for Work Programme- This programme has been launched by the Prime Minister during November 2004 for providing food grains in 150 most backward districts of the country. The beneficiaries of this programme are labourers engaged by the State Government in development works. Food grains is given as part of wages, under the scheme, to the rural poor at the rate of 5 kg. per manday. More than 5 kg food grains can be given to the labourers under this programme, in exceptional cases, subject to a minimum of 25% of wages to be paid in cash. Under this programme, food grains are issued to States/Union Territories free of cost. This scheme is monitored by Ministry of Rural Development.

## **CHAPTER 5**

### **Issues Concerning Public Distribution**

A striking feature of the food economy in India is that even with market intervention in the form of public distribution system, the open market remains the principal source of supply to many households in the economy. The network of public says does not cover all households and even for households with access to subsidized grains there are restrictions, which imply that a portion of the demand must be made outside the PDS. As a consequence, the evaluation of state intervention must consider not only the welfare of its targeted beneficiaries but also the welfare of a household without access to public distribution who may non the list be affected if the working of the PDS have a bearing on the open market (Dutta and Ramaswami, 2001, Page 1524).

We also see that in spite of huge stocks of foodgrains and an age-old system of public distribution hunger and malnutrition still persist in various parts of the country. The duality of responsibility and control of the Federal and State Government have not help the cause either. The differences across states have only complicated matters further to the detriment of the poor. At this juncture, thus I would like to highlight some important issues in the area of public distribution.

#### **5.1 Right To Food**

The "rights approach" to development has attracted wide attention in recent years. The notion is appealing, but its practical implications are often far from clear. In India, however, the rights approach to development is slowly taking shape within specific domains. To illustrate, India's "right to information" movement is a visionary response to the dis-empowerment of citizens in many walks of life due to the inaccessibility of public records. Many State Governments have already passed laws in this respect, and Government of India (GOI) has also passed an Act on the subject. More recently, the right to food has been invoked by citizen's organizations in an effort to bring about radical change in the country's food security system.

Article 47 of the Constitution, which is part of the Directive Principles, says:

Duty of the State to raise the level of nutrition and the standard of living and to improve public health - The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, the State shall endeavor to bring about publication of the consumption, except for medicinal purpose, of intoxicating drinks and of drugs which are injurious to health.

There have been a few pronouncements of the Hon'ble Supreme Court of India in the recent past equating Right to Life with Right to Food. Two landmark judgments are summarized below:

'In any organized society, the right to live as a human being is ensured, not by meeting only the animal needs of a man, but is secured only when a man is assured of all facilities to develop himself, and is freed from all those restrictions that inhibit his growth. All human rights are designed to achieve this object. The Right to Life guaranteed in any civilized society, implies the right to food, water, shelter, education, medical care and a decent environment. These are basic human rights known to any civilized society. The civil, political, social and cultural rights enshrined in the Universal Declaration of Human Rights and Convention or under the Constitution of India can not be exercised without these basic human rights' (Chameli Singh Vs. State of UP- 1996: 2 SCC 549).

'We think that the right of life includes the right to live with human dignity and all that goes along with it, namely, the bare necessities of life such as adequate nutrition, clothing and shelter over the head and facilities for reading, writing and expressing oneself in diverse form, freely moving about and mixing and commingling with fellow human beings' (Francis Corliss vs Union of Territory of Delhi- 1981:1 SCC, 608). (Swaminathan & Medrano, 2004, Page 145-147).

The Hon'ble Supreme Court has also passed orders in a Public Interest Litigation regarding food security of the vulnerable sections and implementation of TPDS and AAY. These cases are being heard for almost two years. Relevant interim orders passed by the court are as follows:

- It is of utmost importance to see that food is provided to the aged, infirm, disabled, destitute women, destitute men, who are in danger of starvation, pregnant and lactating women and destitute children, especially in cases where they or members of their family do not have sufficient funds to provide food for them.
- By way of an interim order, we direct States to see that all the PDS shops, if closed, are re-opened and start functioning within one week from today and regular supplies made.
- Regarding TPDS and AAY, the Hon'ble Court instructed that:

It is the case of the Union of India that there has been full compliance with regard to the allotment of foodgrains in relation to the TPDS and AAY. However, if any of the States gives a specific instance of non-compliance, the Union of India will do the needful within the framework of the Scheme.



The States are directed to complete the identification of BPL families, issuing of cards and commencement of distribution of 25 kg. grain per family per month

- Regarding AAY, the Hon'ble Court specifically directed that:

It appears that some Antyodaya beneficiaries may be unable to lift grain because of penury. In such cases, the Centre, the States and the Union Territories are requested to consider giving the quota free after satisfying itself in this behalf (Swaminathan & Medrano , 2004, 148).

## **5.2 Administrative Structure**

Being a Federal Set-up, 'subjects' to be dealt by the Central and the State Governments are enshrined in the Constitution of India, which is the sole source defining authority, responsibility and accountability of each.

Article 246 deals with the subject matter of laws made by Parliament and Legislatures of states. The Parliament is empowered to enact laws regarding any subject mentioned in the Seventh Schedule (the Union List) and the State Legislature is empowered to enact laws regarding subjects mentioned in the 'State List'. The Constitution also has a 'schedule' comprising subjects, which fall in the 'Concurrent list' i.e., both Central and State Governments have a role to play in respect of subjects which fall in this list. Entry 33 of the 'Concurrent List' includes foodstuffs including edible oil seeds and oils.

A special feature of the Indian constitution is its Directive Principles. Though these are not justiciable, they have become an integral part of the State Policy. Article 47 of the Constitution states that " The state shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties....."

Another special feature added by an amendment to the constitution in 1993 was to assign some role to local bodies, both urban and rural. A list suggests subjects, which can be handed over by the states to these elected bodies, as mentioned in the Eleventh Schedule of the Constitution. These include:

- (i) Health and sanitation including hospitals, primary health centers and dispensaries.
- (ii) Women and child development.
- (iii) Public Distribution System.

The above need to be seen in perspective so as to help appreciate not only the complexity emanating from limitation of convergence but also that in a Federal structure there is a need for wider consultation in order to attain a given objective, thus further

accentuating the complexity of putting a 'system-in-place' for prioritizing the whole question of Food Security across pan-States level (Taimini, 2001, Page 5-6).

### **5.3 Allocation of Foodgrains**

The allocation of food grains under the Public Distribution System is based on multiple factors. Government of India generally takes into account the production, available market prices, demand of the states and stocks in the central pool as the factors based on which monthly allocations are made. In the absence of guidelines, allocations at each level was made on the basis of past. For example, a state may be self-sufficient in production, but if it is not evenly distributed, the deficit areas require allocation under PDS to improve access to food grains.

Government of India makes allocation for sale through the PDS channel to the ration-cardholders and also as part of wages (in kind) under various rural employment generation programs like Jawahar Rojgar Yojna and/or Employment Assurance Scheme.

Till May, 1997, the country had a Public Distribution System (PDS) for normal areas, both urban and rural and a Revamped Public Distribution System (RPDS) for the tribal and other notified blocks, the main difference being that in these areas, foodgrains were issued cheaper by 50 paise per kg. and at a relatively higher allocation.

While Government of India made allocation in bulk, it was the State Government which made further sub-allocation to districts, keeping in view various parameters of population and consumption as well as the trend of off-take in the past. The districts, in turn, made allocation to the blocks/mandals/talukas, who further sub-allocated the food grains to the Fair Price Shops (FPS) to be distributed to the ration-cardholders attached to each FPS. The figure of allocation and lifting in foodgrains for the year 1997-00 are given Annexure II, II(a) and II(b).

From 1<sup>st</sup> June 1997, the new system of Targeted Public Distribution System was introduced, replacing PDS and RPDS. Under this scheme, allocation to the states were made, based on number of families living below poverty line, i.e. 10 kg of wheat or rice or both per month, at a highly subsidized rate, and on past ten years' off take basis for families living above poverty line. In order to contain and limit the food subsidy, overall allocation was reduced.

The states were advised to limit retail issue price to the BPL families by adding 50 paise per kg. only, thus almost restricting the retail issue price to BPL families at Rs.3/- and 4/- per Kg. for wheat and rice respectively. States like Tamil Nadu, Andhra Pradesh, Orissa have further subsidized the price of food grains by incurring additional expenditure through the state exchequer. By way of their own open market purchases they are able to make higher allocation to cardholders at less than the purchase price as well as subsidize the delivery mechanism.

It also needs to be stated here that the FCI carries stocks under two heads-operation stocks to issue under PDS/TPDS and 'Buffer Stocks'. At present, the buffer stock limits are 4.0 million tonnes of wheat and 6.5 million tones of rice on 1<sup>st</sup> April and 1<sup>st</sup> October every year, respectively i.e. at the time of onset of procurement seasons. These limits have now been revised upwards to 6.6 and 4.1 million tones of rice and wheat respectively (Taimini, 2001, Page 29-31).

India is running, perhaps, the largest Public Distribution System anywhere with about 4.50 lakh Fair Price Shops (86,000 urban and about 3,64,000 rural), covering over 160 million families, of which slightly less than 60 million are BPL families. The total food subsidy for the year 1997-98 was Rs.7,500 crore, while it jumped up to Rs.9,000 crore during the year 1998-99 as the Central Issue Price was not revised consequent the upward revision in MSP for the year 1998-99. An attempt was made to revise the Central Issue Price in January 1999, but the Central Government had to roll it back in respect of BPL families.

#### **5.4 Delivery Mechanism for TPDS**

**Broad Similarities:** The food grain entitlement of each State is worked out by the Ministry of Consumer Affairs and Public Distribution and allotted to the states. These are further allotted to the districts by the State Government's controlling department.

Most of the states have a three or four - tier administrative set-up for managing PDS –the State Department at the state level, the District Collector and District Supply Officer and his staff at the district level and the Tehsildar / Taluka Supply Officer and Food Inspectors at the tehsil/block level. Some states have a structure at the Divisional level too. Smaller states (for example, the selected North- Eastern States) have built up administrative systems only up to the district level.

The actual lifting of food grains from FCI godowns is done by the designated wholesale dealers of food grains, who operate at the district or sub-district level, upon receipt of the allotment of grains from the district level. The food grains lifted by them are transported to godowns at the sub-district level (stage I transport) and from there to the designated retail points (Stage II transport). The nature of operation of wholesale dealers and the mode of transport vary across States.

**Unique Features:** Each state in the country has its own institutional structure for delivery of food grains and other essential commodities. A brief description of the various mechanisms would be of significance to understand the bottlenecks in the system.

In Andhra Pradesh the State Department of Civil Supplies & Consumer Affairs is at the apex level, Revenue Divisional Officers at the divisional level, District Supply Officers at the district level and Mandal Revenue Officers at the Mandal Level, looking

after the PDS. Food grains are lifted by the Civil Supplies Corporation (APSCSC), transported to Mandal level Stockist points and then to FPSs to be distributed to the general public. The FPS dealers whose quota is above 25 quintals are permitted to lift the same in two equal installments. But in some districts, this is not allowed. Late lifting is penalized and non-lifting for two months continuously invites disciplinary action. Kerosene is procured by the APSCSC, but lifted from the companies by the designated private wholesale dealers, who deliver the same to FPSs.

Majority of the FPS dealers are fund-constrained. In some districts, authorities have arranged loans for them through financial institutions, the repayment of which is quite poor. From the year 2002, FPSs have been allowed to sell packed consumable items. Thus, majority of the FPSs have started selling household items like soap, tea, powder, toothpaste, edible oil, pulses, tamarind, red chilly, etc. The FPSs are now open on all days so that they are able to sell the additionally allowed items. This has, to a great extent, plugged the irregular opening of FPSs (only 2-3 days in a week) to the convenience of consumers.

In Bihar, it is the Bihar State Food Corporation (SFC) that draws the allotted grains from FCI godowns. Lifting of the stock is done by contracted private transport agencies on the Corporation's behalf and the grains are stored in SFC godowns located at various places in the district. The FPS dealers, by their own arrangement, lift their quota from SFC godowns (Performance Evaluation of Targeted Public Distribution System, Planning Commission, GOI, Page 15-18).

The FPSs are inherently non-viable in villages with population less than 1000 and are poorly connected. There are many such villages in the State. The system is virtually non-functional in such villages as dealers open the shops irregularly, divert PDS items and often maintain timings not suited to the cardholders.

In Maharashtra, the State Department has a four-tier structure for administering the PDS- State, Divisional, District and Tehsil level. Contrary to other major States, there is no State Civil Supplies Corporation in Maharashtra and, hence, the lifting and transport of the allotted food grains from the FCI points to the Government godowns, at the block level, is done by District Collectors through private transport contractors. The food grains are either door-delivered or transported by FPS dealers themselves. When the FPS dealer transports items himself, he can claim the transport rebate (Performance Evaluation of Targeted Public Distribution System, Planning Commission, GOI, Page 20-21).

In both Madhya Pradesh and Chhattisgarh, there is a three-tier structure at the state, district and tehsil level. The State Civil Supplies Corporation lifts food grains either directly or through its approved contractors and deliver them to earmarked godowns. The onward movement to FPSs is also done by the Corporation directly or through lead agencies.

In Kerala, the department has a three-tier structure and lifting from FCI godowns to wholesale depots is done by licensed dealers. The FPSs lift food grains from these depots on their own.

In Orissa the storage agents lift food grains from FCI godowns and bring them to the block-level storage points. The FPSs mostly Gram Panchayats, are responsible for onward movement of food grains, which being fund-starved, they find quite difficult.

## **5.5 Determinants of Viability**

It is often quoted that the Public Distribution System (PDS) tends to become weak, at the cutting-edge level, on account of many operational problems. One such factor is the inadequacy of the returns and income from the Fair Price Shop (FPS). This issue is generally examined, in terms of the cost and returns available to the FPS dealer. The basic constraint on the viability of FPS arises from the fact that there is a disproportion between the numbers of FPS needed and setup in the country and the amount of food grains and other commodities required and the actual supplies from the PDS. It is this factor, which blocks attempts to ensure the viability of FPS.

The viability of fair price shop (FPSs) is an important issue for the effectiveness of the delivery system. Viability has many dimensions. From a financial viewpoint, there must be a fair return on the efforts and investment of dealer. In terms of capital employed (working capital) it should be at least 15%. The total turnover of a FPS should ensure adequate work and return to a licensee. The regularity of opening a shop, lifting PDS supplies from the wholesale points and proper distribution to cardholders (in right quantities, at officially fixed issue prices, with correct weight and quality and with a reasonably courteous and fair behavior) are influenced by the viability level of the operations of FPS. Even the effort and investment involved in a FPS would be under-utilized, if the shop does not ensure an adequate scale of operations with reasonable returns.

Viability of a FPS is multi-dimensional phenomenon and is related to large number of factors. Some of these factors like the suitability of location, ability and willingness of the consumers to avail of PDS, regular flow of PDS supplies, etc. are matters of either general administrative arrangements or arise from the general economic situation. The immediate variables affecting the viability of a FPS are its turnover, the costs of running a FPS and margins permitted on gross turnover. Except, to a certain extent, interventions regarding the costs of transportation and interest charges on the amount of funds needed for stocking, it is not possible to do much about the costs of distribution. If large-scale arrangements for pre-packaging are undertaken, it may be possible to reduce wage cost, handling cost and establishment charges (on weights and scales). Quick unadulterated distribution, with greatly reduced possibilities of diversion of stocks, would be added gains to both the consumers and retailers.

Thus, we find that two factors viz. ‘turnover’ and ‘margin’ are quite important in determining viability. Since margins are always related to turnover, i.e. make an impact on the earnings of a FPS owner with reference to turnover; it becomes essential to examine the question of turnover. It is often presumed that given the price difference between the open market price and the PDS issue price, a fairly large and regular demand exists for the PDS supplies. In any case, turnover of a FPS is often believed to be affected by demand side factors and supply constraints are hardly brought into play.

A little more careful look at the PDS in India would reveal that there are some significant macro levels supply-side factors, which impose serious constraints on micro-(shop) level viability. In fact, it is the level of turnover, which is a critical factor affecting the viability of a FPS.

In a country of the size of India, in terms of area, population and dispersal, it is inevitable that there will be a large number of FPS. In fact, by itself, the present number of FPS in the country (over 3.5 lakhs) cannot be considered excessive. After all, we have more than 6 lakh villages. The endeavor of the Government is to provide an FPS in such manner that nobody need to travel more than 3 kilometers to avail of its service (Kabra, 1990, Page 194-196).

The average number of BPL cards attached to each FPS varies from a high of 428 in Madhya Pradesh to a low of 41 in Arunachal Pradesh. States with the number of cards exceeding the national (sample) average include the southern states (except Kerala), Madhya Pradesh and Orissa. Those with less than half the average include all North-Eastern States, Punjab, Haryana and Himachal Pradesh.

Over all, while 11 States witnessed decrease in the volume of quantity (BPL+APL) traded per selected FPSs, the remaining States experienced an increase. In 1999-00, 6 States-Andhra Pradesh, Kerala, Maharashtra, Meghalaya, Tamil Nadu and West Bengal had average quantities per FPS above the national sample average. In June/July 2001, three States-Karnataka, Madhya Pradesh and Rajasthan additionally joined the group with above average volume of trading in the selected FPS, while Meghalaya slipped out of the group with a huge quantity loss.

**PDS margins on food grains of selected states are as under:**

State	% of selected FPSs with door delivery	Margin of FPSs with door delivery (paise per kg)		Margin of FPSs without door delivery (paise per kg)	
		Rice	Wheat	Rice	Wheat
1	2	3	4	5	6
Andhra Pradesh	100.0	13	-	-	-
Arunachal Pradesh	100.0	25	-	-	-

Assam	0.0	-	-	95-25	-
Bihar	0.0	-	-	12	13
Gujarat	0.0	-	-	30-25	27-25
Haryana	100.0	-	18	-	-
Himachal Pradesh	0.0	-	-	12	12
Karnataka	66.7	26	19	26	19
Kerala	0.0	-	-	24-22	-
Madhya Pradesh	85.0	8	8	27	27
Maharashtra	12.5	35	30	35	30
Meghalaya	0.0	-	-	140-90	-
Orissa	0.0	-	-	20-10	-
Punjab	0.0	-	-	0	1-0
Rajasthan	100.0	7	7	-	-
Tamil Nadu	93.8	45	-	-	-
Uttar Pradesh	0.0	-	-	6	6
West Bengal	0.0	-	-	25-10	23-10

(Programme Evaluation Organization, Planning Commission, March 2005, Page 39)

The table divides FPSs into two categories- those with the facility of door delivery of food grains and those without, with intent to project the fact that the margin fixed for the latter should, apart from containing their profit margin, defray their cost of transporting food grains from wholesale to retail points. The table points to considerable differences in the margin allowed to FPSs within either category, which may crucially affect the viability pattern of FPSs across States. Punjab does not allow any margin to the FPSs, other than the income earned from the sale of gunny bags.

## 5.6 Evaluation of FPS Profit

The PEO study conducted evaluation of profits earned by Fair Price Shops in 18 states. Profit was taken as the difference between their operational cost, including the amount invested in lifting the PDS items and their turnover. The following table shows the net income of selected FPSs in these states:

### Net income of selected FPSs

State	Effective sample of FPSs	% with positive net income over recurring cost	% with 12% annual return on working capital	% satisfying sufficiency criterion	Viability gap (in thousands)
Andhra Pradesh	12	83.3	66.7	16.7	1.32
Arunachal Pradesh	4	0.0	0.0	0.0	2.31
Assam	16	12.5	6.3	0.0	2.46
Bihar	20	15.0	0.0	0.0	2.86
Gujrat	10	30.0	10.0	10.0	3.41
Haryana	5	40.0	0.0	0.0	4.37
Himachal Pradesh	5	0.0	0.0	0.0	8.21
Karnatka	12	41.7	16.7	8.3	2.58
Kerla	12	16.7	0.0	0.0	2.84
Madhya Pradesh	20	25.0	5.0	5.0	2.74
Maharashtra	14	71.4	50.0	14.3	1.59
Meghalaya	4	100.0	100.0	0.0	1.17
Orrisa	20	25.0	5.0	0.0	2.27
Punjab	7	28.6	0.0	0.0	3.97
Rajasthan	12	58.3	33.3	0.0	3.17
Tamil Nadu	16	93.8	87.5	43.8	1.0
Uttar Pradesh	20	5.0	0.0	0.0	3.46
West Bengal	20	65.0	45.0	25.0	1.82
All States	229	38.9	22.7	8.3	2.67

(Programme Evaluation Organization, Planning Commission, March 2005, Page 45)

The table shows that only 38.9% of the selected FPSs made a positive net income over their monthly recurring cost, while 22.7% could mop up a return of annualized 12% of their working capital and only less than a third of the latter could mobilize an income sufficient to justify the ownership and running of a FPS.

It is noted that none of the FPSs of Arunachal Pradesh and Himachal Pradesh and only a negligibly low proportion of FPSs in Assam, Bihar, Kerala and Uttar Pradesh could mobilize a positive net income (current profit), which reiterates the infeasibility of any effective enforcement of the guidelines of TPDS with the FPSs in these States, because ensuring viability is a precondition for effective surveillance. From different



angles, the States where the FPSs fare better in their profits are Andhra Pradesh, Maharashtra, Tamil Nadu, West Bengal and Meghalaya; among them, Tamil Nadu, where almost 44% of the selected FPSs satisfied the sufficiency criterion, stood out.

Viability gap represents the amount by which an average unviable FPS falls short of the viability/sufficiency criterion, signifying the intensity of the efforts required to resolve the problem of FPS non-viability in different States. For example, in Andhra Pradesh, 2 out of the 12 selected FPSs (16.7%) satisfied the sufficiency criterion while, each of the remaining 10 FPSs, on an average, must additionally generate Rs. 1320/- of net income to become viable. While enormous efforts are required in Himachal Pradesh, Haryana and Punjab to make their unviable FPSs viable, lesser adjustments will achieve the same in Meghalaya, Tamil Nadu, Maharashtra and Andhra Pradesh.

### 5.7 Lifting of PDS Grains by BPL Cardholders

Since the introduction of TPDS, the Central food subsidy benefited only the BPL cardholders, who were supplied food grains at half the economic cost incurred by the FCI on those grains. The following table demonstrates the inter-state differences in the pattern of monthly lifting of PDS grains reported by sample BPL households.

#### Lifting of PDS Grains by BPL Cardholders

State	% of sample BPL cardholders making PDS lifting grains			Average monthly lifting PDS grains by sample BPL cardholders (in kg.)		
	In all sample districts	District reporting maximum % lifting	District reporting minimum % lifting	In all sample districts	District reporting highest average lifting	District reporting lowest average lifting
1	2	3	4	5	6	7
Andhra Pradesh	100.0	100.0	100.0	15.88	16.45	14.90
Arunachal Pradesh	100			20.0		
Assam	100.0	100.0	100.0	17.5	25	10.00
Bihar	25.0	100.0	Nil	5	20	Nil
Gujarat	100.0	100.0	100.0	10.1	10.55	9.51
Haryana	50.0	95.0	5.0	8.88	17.25	0.50
Himachal Pradesh	95.0	100.0	90.0	19.88	21.13	18.63
Karnatka	80.0	100.0	50.0	15.23	19.73	8.18
Kerla	89.1	100.0	67.5	16.10	19.41	9.60
Madhya Pradesh	84.5	100.0	57.5	16.51	19.13	11.38

Maharashtra	86.3	100.0	50.0	16.47	19.48	8.80
Meghalaya	100.0			8.6		
Orissa	90.0	100.0	65.0	14.17	16.00	9.50
Punjab	25.0	50.0	Nil	4.7	9.40	Nil
Rajasthan	65.0	97.5	Nil	13.61	20.70	Nil
Tamil Nadu	96.3	100.0	87.5	18.59	20.48	14.80
Uttar Pradesh	54.1	82.5	Nil	9.97	14.95	Nil
West Bengal	100.0	100.0	100.0	18.84	23.06	11.38
All States	78.1			14.68		

(Programme Evaluation Organization, Planning Commission, March 2005, Page 55)

If we compare the results of the survey with that of the results of NSSO 1990, we find that the percentage of BPL cardholders lifting PDS grains is generally higher in the current survey results than the earlier results, indicating that the rural utilization of PDS is higher in TPDS than universal PDS. What is particularly captured in the table is the vast inter-state and intra-state variations in the degree to which TPDS catered to the food grain requirements of the poor. In Andhra Pradesh, Arunachal Pradesh, Gujarat, Meghalaya and West Bengal, all the selected BPL cardholders lifted some quantity of PDS grains. In 14 out of the 18 selected States, there is at least one district in which all the selected BPL cardholders lifted PDS grains. In 46.7% of the sample districts, cent per cent BPL respondents lifted PDS grains. On the other extreme, there were 5 out of 60 sample districts (8.3%) two in Bihar and one each in Punjab, Rajasthan and Uttar Pradesh in which none of the selected BPL cardholders lifted PDS grains.

In Bihar, in the urban centers of selected districts, all the selected BPL households lifted their full monthly quota whereas, in rural areas only 6% of cardholders lifted some quantity of PDS grains. In many cases, cardholders were not aware of their entitled quantity. The reasons attributed by the selected respondents for their non-lifting of PDS grains were the absence of any significant price differential between market and PDS, erratic or no supply through FPSs and unacceptable quality. The FPSs attributed the almost nil lifting of PDS grains to irregular supply of food grains to them and availability of cheaper and more preferred varieties of grains for the BPL cardholders, indicating that the interplay of strong supply and demand side impediments rendered the PDS network in rural Bihar almost fully inconsequential.

In Uttar Pradesh, lifting of food grains by the selected cardholders was either nil or meager. Reasons attributed for the same were that there was no demand for rice and wheat following increase in PDS prices in March 2000. More than one-third of the rice and wheat demand of the respondents was met from their own production. The small insignificant quantity offered by TPDS, coupled with marginal price differential, made poor households indifferent towards PDS grains lifting. Non-enforcement of transparency

norms, leakage of food grains at various stages and disincentives arising out of sharp seasonality in the purchase of cereals by the poor resulted in supply side constraints.

All states, including Uttar Pradesh, Orissa and Haryana, where the contribution of the household's own production in its rice and wheat consumption is considerably high, have considerable variations across districts.

## **5.8 Income Gain to the BPL Household from Food Subsidy**

The effective income gain per household is worked out by multiplying the differential between the average market price and PDS price of the PDS grains, with the average quantity lifted by cardholder. This income effect is the sum of a quantity effect and a price effect; the latter capable of determining the former to a considerable extent. Greater price differential not only increases the unit income gain, but also induces an increase in PDS lifting, thereby creating a multiple effect on the total effective income gain to a typical household. Also, out of the two components of the price differential, the market price is exogenously determined and the PDS price is endogenously determined.

Tamil Nadu stands out among the sample states, in terms of the income gain per BPL household. It is the combination of additional price subsidy given by the state upon the Central Issue Price enlarging the difference between the market price and PDS price and sustenance of a comparatively high average PDS off-take that helped the State bestow such levels of effective income gains upon its poor through its PDS operations. The income gain obtained by a typical BPL household in Bihar is only 3.5% and of Uttar Pradesh only 5.1% of their counterpart in Tamil Nadu.

The effect of a higher price differential can be demonstrated by taking the examples of Kerala and Karnataka. The average BPL off-take of grains in Kerala was only 5.7% higher than that of Karnataka; however, the income gain per BPL household is 3.29 times higher in Kerala. This is mostly due to the higher market price prevailing in Kerala making the price differential in Kerala, 3.5 times higher than that in Karnataka. This is despite the fact that the PDS price of rice in Kerala was slightly higher than that in Karnataka. The dominating effect of average quantity lifted on the income gain can be seen by taking the examples of Arunachal Pradesh and Meghalaya. The average lifting in Arunachal Pradesh was 2.4 times higher than Meghalaya and the price differential (market price-PDS price) only 16% higher in the former. But the overwhelming quantity effect makes the income gain per BPL household 2.8 times higher in Arunachal Pradesh.

Besides, the glaring mismatch between the State's percentage share in the effective income gain of all States and percentage share of the State in the BPL population of the country found in states like Bihar, Orissa and Uttar Pradesh speaks of the effectiveness of PDS in these States.

## **CHAPTER 6**

### **Shortcomings of the TPDS**

A public distribution system has an obvious relationship with anti-poverty issues because only such a system can have the infrastructure to deliver essential commodities to meet the minimum food requirements of hungry households, to control prices in the open market and to deliver food grains to beneficiaries of welfare and anti-poverty programmes. Still perhaps the greatest weakness of our development management process has been the lack of a credible delivery system at the beneficiary level.

The PDS is now a four decade-old system. The Government of India as well as State Governments have incorporated various modifications from time to time to make its content and implementation more relevant for the masses and increase its effectiveness. Yet, we find various shortcomings in the system of delivery which are mentioned below:

#### **6.1 Excess Identification of BPL and APL Households**

Under the TPDS, it is the responsibility of the State Governments to identify BPL families. General Guidelines, in respect of the categories to be included under the BPL, were issued by the Government of India in June 1997. The State Governments were advised that the Quinquennial Surveys of the (erstwhile) Ministry of Rural Areas and Employment could be the basis of estimation. They were also advised that the overall number identified should be limited to 65.20 million BPL households (as per the Poverty Estimates of the Planning Commission for 1993-94 and population projection of the Registrar General, as on 01.03.2000).

Some States did not restrict the issue of BPL Ration Cards to the Poverty Estimates of the Planning Commission. Consequently, the State Governments have issued more than 80 million BPL Ration Cards. Similarly, against the figure of 180.30 million Households in the country (as per the population projections, as on 01.03.2000, of the Registrar General of India), the total number of Ration Cards issued by the State Governments is around 224.40 million. The excess identification of BPL and APL families by the States and issue of Ration Cards can result in:

- (i) Issue of bogus ration cards
- (ii) Diversion of food grains and other commodities to such card-holders
- (iii) Reduced scale of issue of food grains to consumers against the scale of issue stipulated by the Central Government for each household.

#### **6.2 Multiplicity of Schemes**

The Government of India is running a number of schemes, which are targeting the same section of the society for the purpose of subsidized/free supply of food grains. The

BPL family is entitled to 35 kg food grains under TPDS and it is possible that the same family would be the beneficiary under SGRY or its Special Component or Mid Day Meal, which benefits the children of the same family. There is, therefore, a need to rationalize this distribution in order to reach these sections equitably.

### **6.3 Multiplicity of Prices**

The presence of different price slabs under the TPDS, apart from complicating the operation of the Scheme at the Fair Price Shop level, also creates the problem of monitoring the Scheme. The presence of quite low priced food grains, as in the case of the Antyodaya Anna Yojana, also increases the propensity of diversion of such food grains, as the difference between the Open market rate and the subsidized food grains at FPS level is substantial.

### **6.4 Expensive Operation**

The most scathing criticism of PDS is the amount of annual food subsidy involved in maintaining the system. One of the major problems in maintaining the PDS is to contain the food subsidy at reasonable levels. The food subsidy released under TPDS during 2002-03, 2003-04, 2004-05 and 2005-06 was Rs. 98708.60, 147664.50, 203395.10 and 198269.50 million respectively. This is between 40 to 70 percent of the total food subsidies released during these years. Thus, operations under PDS are not cost effective.

### **6.5 Incorrect Identification of BPL Families**

Various findings have indicated towards incorrect identification of BPL beneficiaries. This has resulted in many eligible families being left out of the BPL purview as well as many ineligible families finding place in the BPL list. Many families from the poorest of the poor category, who should have been included in Antyodaya Anna Yojana, have been deprived of the facility. Also, the requirement of a permanent address and delays in verification of antecedents made it difficult for homeless and urban destitute to acquire a BPL/AAY ration card.

There is now a sizable literature on the costs of targeting, most notably those that are the result of targeting errors. Targeting error can arise in any targeted welfare program due to factor such as imperfect information and measurement and costs of participation (Swaminathan & Misra, 2001, 2447).

In line with the directions of the Hon'ble Supreme Court, the Government of India issued instructions in March 2004, that all genuine AAY beneficiaries, who are not included in the BPL lists, may be issued an AAY card and, simultaneously, included in the BPL list. The State Governments were also instructed to issue ration cards to the urban homeless and destitute and to ensure that verification of antecedents is done within a time frame.

## **6.6 Non-issue of Ration Cards**

Some States have yet to complete the identification of BPL and AAY beneficiaries as per target . The identification of BPL families in the States/UTs of Goa, Himachal Pradesh, Andaman and Nicobar Islands, Chandigarh, West Bengal, Dadra and Nagar Haveli and Lakshadweep are less than the estimated number of families. As on 30.06.2006, the States/UTs have identified and issued AAY cards to the 22.3 million households, out of 25 million households. Only 14 States/ UTs have completed identification and issue of distinctive ration cards to the beneficiaries and the remaining States/UTs have completed the targets partially and doing the exercise to complete their targets.

## **6.7 Ineffective Implementation of the PDS Control Order**

Another criticism of the PDS is its inability to reach the poor effectively. Not only are there various cases of wrong inclusion of above poverty line households, but also exclusion of the real poor who are included in the poverty lists of the villages. The PDS Control Order, 2001 provides for constant review and updating of families eligible for issue of ration card and deletion of ineligible units/ households. It is, however, seen that such a review of BPL families is not being done regularly.

## **6.8 Non-availability of adequate foodgrains in Fair Price Shops**

It has been observed that on account of shortage of resources, there is considerable delay in lifting of food grains on the part of State agencies and Fair Price Shop dealers. The consumers are generally not given the arrears of the previous month/fortnight thereby making a room for diversion and defeating the very purpose of the scheme.

## **6.9. Inadequate entitlement for households**

Under the TPDS each household is entitle to 20 kilograms of foodgrain per month. This falls short of individual or household need. Besides, the entitlement remains uniform for all BPL households irrespective of size. Thus the gap between actual need and availability under TPDS is given more for larger family (Swaminathan & Misra, 2001 Page 2448).

## **6.10 Diversion of Foodgrains**

In view of several complaints made regarding diversion of PDS grains into the open market, a study was conducted by the Tata Economic Consultancy Services in 1998. It was found that at the national level, there was diversion of 36% of wheat grains and 31% of rice. It was found that the diversion is more in the northern, eastern and north-eastern regions.

### **6.11 Uneven impact of PDS**

India Human Development Report, 1999 stated that only 33% of the rural households in India have reported use of the PDS, on regular basis. The scheme was found to be working fairly efficiently in the four southern states- two western states and Himachal Pradesh, and on a modest level, in Madhya Pradesh. The proportion of households using PDS was 82% in Tamil Nadu, 78 % in Kerala, 70% in Karnataka and 66% in Andhra Pradesh. On the other hand, only 5% of rural households reported PDS utilization in Uttar Pradesh, Bihar and Orissa. It also proved that the better off states were able to corner most of the benefits under the scheme. Similarly, the off-take under BPL for 2003-04 shows that the percentage of off take in the southern states of Andhra Pradesh(96.40), Karnataka(95.63), Kerala(82.35) and Tamil Nadu (100) was high. In the States of Bihar (28.26), Jharkhand (35.43), Orissa (42.64),UP (58) it was relatively low.

### **6.12 Urban Bias**

PDS has a strong urban bias resulting in undue suffering in rural areas, where most of the country's poor live. Various studies indicate higher off-take of food grains in large urban areas in Kerala, West Bengal, Bombay, Delhi, etc. According to the latest 'Consumer Survey', urban bias was noticed, in some measure, in the States of Tamil Nadu, Meghalaya and Goa and also, marginally, in Uttar Pradesh and Assam (Taimini, 2001, Page 65-66).

Howes and Jha have, in their study, used supply, consumption and subsidy value to determine the level of urban bias. Owing to the most universal finding on urban bias in relation to accessibility, the two measures of consumption and subsidy value showed the prevalence of urban bias in public distribution (Howes and Jha, 1992, Page 1022).

### **6.13 Multiplicity of State Agencies handling the Scheme in a State**

There are too many agencies handling the supply of food grains under TPDS in all States, which needs a lot of coordination at FCI field level. Most of the State Agencies find difficulties in arranging necessary funds for lifting the food grains. This results in irregular off-take, bringing unnecessary pressures on FCI in recouping the stocks, if these are taken at one time for two months.

### **6.14 Poor Quality of Food grains**

One of the major complaints regarding PDS is the supply of poor quality of grains. The lower quality of PDS wheat is evidence of inefficiencies in the operation of the public sector. The appearance of quality differentials at the detail outlets is due to inefficiencies in the marketing chain, such as bad purchase decision, lack of care in storage and handling and indifferent service at the ration shops (Balakrishnan & Ramaswami, 1997, Page 163).

In the initial period, wheat was imported for use in PDS, which was not accepted by the consumers, because of its red color and different taste and odour. After the Green Revolution, production of wheat was restricted to the Western region of the country. Thus, it was not the same as produced in the local fields. Besides, huge buffer stocks necessitates the storage for months and even years, thereby deteriorating the quality to a large extent. There also have been cases of mid-way transfer or exchange of good quality wheat by inferior quality.

As far as rice is concerned, the problem is the same in deficit areas. Quality becomes even more important, when relaxations are given by the Government, as a result of delayed rains or heavy precipitation at the time of harvesting. Relaxations are given, after due consideration, in respect of percentage of broken rice, color of rice grain, etc. This becomes necessary, as it is not physically possible to maintain normalcy (Fair Average Quality-GAQ) in times of natural stress. This compounded with accumulated old stocks, as a result of poor management by FCI, do result in poor quality and supply of more 'powder' with grains. Relaxations in specifications were given by Government of India to the States making large contributions to the Central pool in 1992-93, 1994-95 and later as well.

### **6.15 Leakages**

A disturbing feature of the PDS in India is the ground reality that a large portion of the subsidized foodgrains and other essential commodities meant for distribution do not reach the beneficiaries and find their way to the market. The difference between the open market prices and subsidized prices of these commodities under PDS determine the lucrateness of the leakages. If calculation is made between the figures of stocks lifted and actually sold to the consumers, there shall be a discrepancy, which could be said to be equal to leakages in the system.

It is estimated that a little over one-third of the foodgrains, supplied to PDS, do not reach actual users of the PDS-it leaks out of the programme. While some part of these may be genuine losses incurred in storage and transport, a major part is diverted to the open market. Major reason for the diversion, besides the corruption prevalent in the system, can be the arbitrariness of the authorities in not permitting any losses and lower margins to all in the chain, i.e. transporter and FPS dealer. For the dealer, to compensate and make good the losses in PDS commodities, leakage is the only route. Estimates vary but nobody can deny its existence. The mischief has many stages and several areas, starting from legitimate loading charges, transportation rates are kept artificially low, and at times, not revised for years and again, not permitting any losses, neither to him nor to the FPS dealer and, in the case of latter, fixing margin at abysmally low unviable level. From economic point of view, it can be clearly stated that if the income gain of the poor under PDS (subsidy) is lower than the income loss (taxes to pay for subsidy) of the non-poor, the entire exercise, from a welfare point of view, might prove counter-productive; hence, the need to check leakages.



## **6.16 Adhocism in Allocation**

States were allocated foodgrains on purely adhoc basis. There is no basic rationale on which allocations are made to the states. In years of plenty, no states complain because they get what they want even though off-take has little relationship with allocation, except in the case of deficit states like West Bengal, Kerala, Maharashtra and Gujarat or the states which have well run PDS like Tamil Nadu and Andhra Pradesh where off-take is steady and consistent.

Uncertainty of regular allocation has an unsettling effect on PDS. States do not provide for storage for want of the quantity to plan; FPSs do not know what quantity to expect and FCI does not know how much to move and stock. Allocation under PDS was deemed to be a rather short term and adhoc measure, which often came into conflict with a long-term objective of steady supply and availability of foodgrains to different areas as well as assure viability of the whole operation of the distribution system. Thus, adhocism was perhaps the outcome of uncertainty of the levels of procurement and, hence, concomitant inability to allocate on a rational and consistent basis (Taimini, 2001, Page 67).

## **6.17 Irregular opening of FPS**

The FPS is not always open daily. In many cases, the beneficiaries have to cover long distances to reach the Fair Price Shops. As a result of the Hon'ble Supreme Court's intervention in the implementation of the PDS, the Commissioners to the Court have reported that the opening of the ration shops has become more regular and predictable.

## **6.18 Lack of Information**

Beneficiaries are unaware of rights, as the Citizens' Charter is seldom available in the regional language (s). There is also not enough publicity and information relating to scale of issue, prices, availability of commodities to the consumers.

## **6.19 Lack of training of FPS Dealers**

Lack of proper training / guidelines to the FPS owners about their duties and obligations. This, combined with absence of proper and regular inspection of the FPS, makes the situation worse.

According to Mr.Sanjay Kaul, Joint Secretary, Ministry of Food and Civil Supplies, Government of India...From a multi-commodity (including loan food items like cloth) the "fair price" shop network based "Universal" PDS has transformed into a single commodity (grain) based "Targeted" PDS, with the introduction of the Targeted PDS in June, 1997. This has made the PDS dysfunctional in many States, as the large majority of APL households have gone out of the PDS folds. On account of this, as well

as because most of the other PDS items have been phased out, fair price shops, in large part, have been rendered unviable, even in the better managed states of South India.

The selectivity of the TPDS has brought in its wake other problems such as the faulty identification of the poor. Instances of exclusion of genuinely poor households abound all over the country. Leakages, diversion, vested interests, along with supply of poor quality of grains supplied, have eroded the creditability of the system. Problems have been compounded by weak financial arrangements at the State and District levels (Swaminathan & Pedro Medrano, 2004, Page. 180).

## **CHAPTER 7**

### **Measures Taken to Strengthen TPDS**

The distribution system (PDS) has been one of the most important elements in India's safety net system for almost 50 years. The scale of the programme is evident from the fact that it handles 15 percent of the total availability of rice and wheat. While the PDS provides a degree of food security to some sections of the population, there are doubts whether the benefits are commensurate with the costs of running the system.

The responsibility for operating the PDS is shared between the central and state governments. The central government procures, stocks and supplies grain and absorbs the costs of these operations. Once the grain is allocated to the states, it is the job of the state government to 'lift' the grain and distribute it to the retail PDS outlets across the state. Hence, the PDS performance depends on foodgrains operations of the central government as well as the distribution of subsidized grain by state governments (Dutta & Ramaswami, 2001, Page1524).

The Central Government have taken measures from time to time in order to strengthen the delivery system. A few are listed below:

#### **7.1 Citizens' Charter**

The Citizens' Charter (issued in November 1997), for adoption by the State Governments, is a significant milestone in the efforts to provide services in a transparent and accountable manner under the PDS. This Charter is intended to be a model for the State Governments and contains relevant information for the consumers and a model procedure and time schedule for the services. The Charter contains information such as the entitlement of BPL families, fair average quality of food grains, data regarding the FPS, procedure for the issue of Ration Cards, inspection and checking, right to information, vigilance and public participation (Annual Report 2005-2006, Ministry of Consumer Affairs, GOI, Page 22).

#### **7.2 Involvement of Panchayati Raj Institutions**

Under the Guidelines for implementation of the TPDS, the State Governments were urged to involve the Gram Panchayats and Gram Sabhas in the identification of eligible families, which are Below the Poverty Line. Accordingly, detailed Guidelines were issued in June, 1999 for greater involvement of Panchayati Raj Institutions in the functioning of the TPDS (as a measure of Social Audit) and to introduce a more transparent/ accountable system of distribution.

Under the guidelines, the Vigilance Committees, with the involvement of PRIs and beneficiaries, need to be established at FPS, Block, and District and State levels to supervise the functioning of TPDS. In these committees, in addition to the Sarpanch etc. the beneficiaries, consumer activists etc. are also to be involved for supervision of the overall functioning of the Fair Price Shops.

The Vigilance Committees are required to inspect the records of the FPSs and keep an overall watch on the functioning of the FPSs. The report of the vigilance committee is also required to be placed before Gram Sabha for onward transmission to the State Govt. for taking remedial action. The guidelines also provide for checking of “ration cards” by Gram Panchayat to ensure that the card is genuine to eliminate the bogus ration cards. Most of the States/UTs have intimated the constitution of the vigilance committees but their working and active involvement need to be further strengthened.

### **7.3 PDS (Control) Order, 2001**

The experience gained in the implementation of Welfare Schemes has shown that issue of Guidelines and Executive Orders is not always adequate. It is, simultaneously, imperative to support the orders with statutory instructions. It was, in this background, that the Central Government had notified the Public Distribution System (Control) Order, 2001 under Section 3 of Essential Commodities Act, 1955 to strengthen the hands of the State Governments and to extend legal force to the Instructions/Guidelines issued earlier. The Order, inter alia, covers a range of areas relating to correct identification of BPL families, issue of Ration Cards, proper distribution, and monitoring of PDS related operations. Contraventions of the provisions of the Order are punishable under the Essential Commodities Act, 1955.

### **7.4 Area Officers' Scheme**

From February 2000, the Ministry has appointed Area Officers for different States/UTs to coordinate with the State Governments/UTs for regular and effective monitoring of PDS. The Area Officers are required to visit their allocated States/UTs, at least, once in a quarter and conduct review of the PDS. The observations made by the Area Officers in their reports are sent to the concerned State Government/UT for taking necessary action.

### **7.5 Constitution Of Task Force Teams**

Task Force Teams are constituted with senior officers of the Department of Food and Public Distribution, Food Corporation of India and Central Warehousing Corporation to check irregularities and for inspection/monitoring of the TPDS and Antyodaya Anna Yojana in identified areas. The duties and responsibilities of the Task Force Teams involve conducting a review of implementation of PDS, in terms of opening of Fair Price

shops, availability of PDS commodities at FPS, distribution, involvement of Gram Panchayats, maintenance of proper records at FPS and display of Notice Boards.

In addition, on receipt of specific complaints relating to irregularities in procurement, distribution or reports of starvation/hunger deaths, Task Force Teams are constituted to visit the concerned States for on-the-spot verification. The teams are also deputed to drought-affected States. The findings of the Task Force Teams are examined and irregularities/shortcomings are forwarded to the State Governments for taking corrective action. The constitution and visit by Task Force Teams is not only one of the effective instruments for monitoring the implementation of TPDS, AAY, etc., at Central Government level, but its evaluation also provides useful feed back to the Central government for framing further Guidelines/Instructions.

## **7.6 All Party Meeting on PDS**

An All Party meeting on PDS was held on 25<sup>th</sup> July 2003 under the chairmanship of the Hon'ble Prime Minister. Some of the suggestions received on improvement of the TPDS by the Leaders of various parties who attended the meeting are as under:

- Rationalization of CIP for APL category;
- Increase in number of Fair Price Shops and extended hours of opening of the FPSs and also opening throughout the week;
- Proper identification of families for inclusion in the BPL category;
- Availability of adequate stocks of food grains at the Fair Price Shops;
- Checking of diversion of food-grains from FPSs;
- Covering the migrant workers under TPDS;
- Increasing the dealers' margin to increase the viability of FPSs;
- Allowing Cardholders to draw ration in maximum number of installments as per their purchasing power.

## **7.7 Conference of State Food Secretaries/Food Ministers on Strengthening of TPDS**

In pursuance of the Common Minimum Programme of the Government to strengthening the Targeted Public Distribution System, which is a joint responsibility of the Central and State Governments, a one day Conference was organized by this Ministry on 17<sup>th</sup> September 2004 of all the State Food Secretaries/Principal Secretaries and other stakeholders. As a follow up to the policy initiatives recommended by this Conference, another Conference of State Food Ministers and other stakeholders was organized on 28<sup>th</sup> October, 2004 under the chairmanship of Shri Sharad Pawar, Minister for Agriculture, Consumer Affairs, Food & Public Distribution, to concretize policy initiatives for strengthening the PDS for the vulnerable population.

## **7.8 Meeting of the All India Fair Price Shop Dealers' Federation**

A meeting was held by the Hon'ble Minister of Agriculture, Consumer Affairs, Food and Public Distribution on 30<sup>th</sup> November, 2004 with the representatives of the All India FPS Dealers' Federation on various problems being faced by the Fair Price Shop owners.

## **7.9 Meeting Held with Members of Parliament for Strengthening TPDS**

A meeting was held on 20<sup>th</sup> December 2004 under the Chairmanship of Hon'ble Minister of Agriculture, Consumer Affairs, Food and Public Distribution with the Members of Parliament for strengthening the TPDS.

## **7.10 Regional Conference on TPDS**

In the Conference of State Food Ministers held in October 2004 and in the meeting held with the Members of Parliament in December 2004 for strengthening the TPDS, one of the suggestions was to hold conferences at regional level on TPDS. These conferences would focus on the unique problems of the region and would facilitate strengthening of the TPDS in a manner, which may be relevant to the local environment. Accordingly, it was decided to hold conference/seminar in the regions of North, South, East, West and North-East. The States/UTs categorized in various regions and the dates on which conferences have been held are as under:

**Western Region:** 1. Maharashtra, 2. Madhya Pradesh, 3. Goa, 4. Gujarat, 5. Rajasthan, 6. Dadra&Nagar Haveli(UT), and 7. Daman&Diu(UT)  
[Western Region meeting held at Mumbai on 12<sup>th</sup> September, 2005].

**Northern Region:** 1. Jammu&Kashmir, 2. Himachal Pradesh, 3. Delhi, 4. Haryana, 5. Punjab, 6. Chandigarh(UT), 7. Uttar Pradesh and 8. Uttaranchal  
[Northern Region meeting held at Shimla on 28th September, 2005].

**Southern Region:** 1. Andhra Pradesh, 2. Tamil Nadu, 3. Karnataka, 4. Kerala, 5. Pondicherry(UT), 6. Andaman & Nicobar Islands(UT), and 7. Lakshadweep  
[Southern Region meeting held at Thiruvananthapuram on 7<sup>th</sup> November, 2005].

**Eastern Region:** 1. West Bengal, 2. Orissa, 3. Bihar, 4. Jharkhand and 5. Chattisgarh [Eastern Region meeting held at Kolkata on 30.01.2006].

**North Eastern Region:** 1. Assam, 2. Arunachal Pradesh, 3. Manipur, 4. Meghalaya, 5. Mizoram, 6. Nagaland, 7. Tripura and 8. Sikkim  
[North Eastern Region meeting held at Gauhati on 31.01.2006].

## CHAPTER 8

### Suggestions

The current focus on stream lining of the PDS is due to the pressure on the government to reduce fiscal deficit while providing a reasonable safety net to the poor. Since a large proportion of the population continues to be poor, food security concerns are of great importance in India. Price support operations of the government have resulted in excessive stocks with a government. This coupled with food subsidy to consumers impose a heavy drain on the exchequer, which responds by increasing the issue price of subsidized grain. The ultimate effect of these policies is to reduce the per unit subsidy to consumers leading to a shortfall in the off-take. Thus, despite the achievement of self-sufficiency in foodgrains and the prevalence of subsidized distribution of grains since second world war, per capita consumption of the poorest sections of the population continues to be lower than the recommended nutritional levels (Jha and Srinivasan, 2001, Page 3779). Various studies on functioning of PDS have discussed the costs and benefits associated with the operation of the PDS and have suggested ways and means to improve the delivery system. I would like to put forward some suggestions to make the system more effective.

#### On Identification of BPL Households

(i) The BPL survey of 1998-99 for identification of BPL households was done on the basis of income of families. The system was being followed for around 30 years. In 2001-02, the Planning Commission devised the expenditure criteria which was followed by all the states.

In many states, identification of poor families on the basis of Planning Commission's Poverty Line expenditures have led to gross over-estimate of the proportion of poor families, implying that NSSO expenditure data may have an upward bias. In another study for Planning Commission by the Society for Socio-Economic Studies and Surveys, Dr. K.C. Seal, former Director-General, CSO, noted the same problem with the NSSO expenditure data (on-going study, the report to be submitted in March, 2005). Thus, the population (families) with food insecurity is larger than the size indicated by the Planning Commission's poverty estimates for many States. Though, in some States like Haryana, Himachal Pradesh and Punjab, it is lower.

An analysis of the asset/occupational pattern of the selected APL and BPL cardholders across States strongly suggests that the criteria that form the basis for BPL identification should be State-specific. The standardized set of consumer and producer assets, especially land possession of the respondents, fail to draw any meaningful distinction between different economic categories.

(ii) The proportion of population with food insecurity should be identified with Planning Commission's poverty ratio. The Planning Commission should make appropriate adjustments in the method of BPL identification that would enable the States to limit the size of the target group in the neighborhood of its own estimates of people with food insecurity. The expenditure criterion should be applied to sample villages of every state and adjusted so that it matches the poverty ratio of the Planning Commission.

(iii) Families, who do not have a secure source of regular income, should be included in the BPL list, irrespective of their income. This would benefit a large majority of the poor, particularly, those with economic insecurity. The Planning Commission in its study conducted between 2002-2005 found that many daily-wage earning families have been left out of BPL category because their current income levels were above the Planning Commission's Poverty Line.

(iv) Local bodies like Municipalities and Panchayats should not be involved in the process of identification of the poor. Since their members are very closely involved with the local community, they may not be as objective as desired. Thus, survey and identification should be done by teams of officials from various departments.

(v) Since the BPL identification survey is critical to the success of TPDS, it is appropriate that this be carried out with the assistance of reputed agencies such as the NSSO and State level research /survey institutions. The database should be then computerized for effective monitoring and regular updating.

### **On Improving the Delivery System**

Leakage of food grains is a major anomaly in the delivery system. To make the delivery system effective, major interventions are required. Some reform measures that can be suggested are as follows:

(i) A major cause of diversion of foodgrain is non-availability of foodgrains, as per allocation, at FCI based depots or State Agency's distribution centres. Hence, in FCI based depot (which are generally present in each district) six months' stock, as per allotment, should remain. At present, it has been instructed that stocks for three months should be kept, but in many districts three months' stocks are not present. If there is sufficient availability of stocks, on one hand foodgrain will be made available, as per allotment, and on the other hand, diversion will be checked and food security will be strengthened.

(ii) Similarly, two months' stocks at State Agency's Distribution Centres and one month's stock at FPS should be available all the time, so that whenever consumers require, they are readily available. Many times foodgrains are not available at FPS and the consumers have to return empty handed at the time of need.



(iii) Presently, shops (FPS) remain open only twice or thrice a week. This arrangement should be done away with and instead arrangement should be made so that FPSs remain open throughout the week.

(iv) Doorstep delivery of grains by government agencies or wholesale dealers would also contribute towards reduction in leakages. Ensuring timely availability of ration quota should be the responsibility of states. This important task cannot be left to the FPS owners, who are mostly private individuals with a profit motive. The godowning capacity to ensure doorstep delivery should also be increased.

(v) The doorstep delivery to retail outlets must be done in a transparent manner, e.g. in the presence of the representatives of local bodies/local community. They must authenticate the quantity delivered and received at FPS level.

(vi) The involvement of local bodies in overseeing the functioning of PDS is, generally, nominal/non-existent in most states. A committee should be formed among members of each Municipality/Gram Panchayat, which should be responsible for effective functioning of FPS. Verification of stock by such Committee be made regularly or at short intervals. 10% verification of lifting by consumers by checking registers and ration cards should be also done.

(vii) The consumers may be allowed to draw ration quota in weekly installments (it has been accepted in some states, which should be followed by all). As per the PEO study, 75.6 % of the BPL respondents desired to lift their PDS entitlement in installments. This has been one of the most important factors influencing the decision to buy grains from PDS.

(viii) Composition of food grains offered, through PDS, in different States should give due weightage to local preferences, in terms of cereals and their varieties, wherever feasible. Various studies have revealed that variations in such preferences, significantly, affected their decision to buy food grains from the PDS.

(ix) A large majority of the BPL cardholders do not lift or lift only part of the ration quota during the harvest and sowing seasons in rural areas, as many of them receive wage payment in kind and also because market prices during harvest season are low. This seasonal pattern varies across states. Thus, it is necessary to accommodate such lifting pattern into the delivery schedule of PDS to minimize leakage and diversion.

(x) The lifting of food grains from FCI godowns, State/Civil Supplies Corporation warehouses as well as delivery at FPS should be computerized, at the block level, for onward transmission and monitoring. This would prevent manipulations in the records of issues and receipt at later dates.

(xi) It should be made necessary that FPS wise weekly details of food stock received by the FPS and leftover stock in the weekend should be hosted on the department's web site.

(xii) Two major reasons for diversion of food grains are, (a) the PDS outlets are run by individuals and, (b) they are unviable. Regarding (a), it is proposed that the retail PDS outlets be handed over to cooperatives or institutions like Mahila Nagrik Banks, Regional Rural Banks, etc. These organizations will not be solely dependent on PDS for their existence, as is the case with individuals and even in many cases 'Self Help Groups' and 'Consumer Federations'. Such organizations would be able to cross-subsidize the PDS operations through other profitable operations

(b) A major reason of diversion of food grains is non-viability of PDS operations. In order to ensure the success and effectiveness of Public Distribution System, the Fair Price Shop owner should find the operations, relating to PDS financially viable. In case the viability of Fair Price Shop, due to less margin or reduced sale, is not ensured, the Fair Price Shop owners may have the propensity to divert food grains or indulge in other related malpractices. The owner is able to sustain the Fair Price Shop only by siphoning –off food grains and other essential commodities. Thus, to prevent leakages and to ensure smooth delivery of essential commodities, PDS operations should be made viable for which the following suggestions are made:

(1) The building of Fair Price Shops should be constructed, through funds available, under employment generation programmes like SGRY, SGSY and other asset creation programmes. This would relieve the FPSs of the burden of rent on private buildings, which constitute a significant portion of the recurring cost of FPSs.

(2) The funds available under the asset-generation programme, namely, PMGSY and other schemes may be employed to make approach road to the FPS buildings. This is in tune with the Planning Commission's effort to obtain convergence of various development schemes. It would not only improve the viability of FPSs, but also solve the problem of accessibility to FPSs.

(3) Increase the turnover of these shops by allowing them to sell other items like salt, flour, cereals, oil, soap, tea, ghee and other necessities. They could also be merged with Dairy Cooperative Societies, Seed societies, etc. This would increase the basket of commodities of these institutions, which would be able to cross-subsidize the operations of PDS through profitable operations.

(4) The Planning Commission has suggested that the FPS level margin on PDS items be fixed, in relation to their economic cost, to ensure uniformity in the margin structure and to improve their viability. Simulation exercises on FPS profits suggested the following measures-

- a) pegging the FPS level margin at 2% of the economic cost of food grains,
- b) providing for doorstep delivery of food grains and full rental subsidy and
- c) removing the supply (and demand) constraints so that the FPSs reach the minimum turnover of about 122 tonnes per annum which will make about 89% of the FPSs viable in the sense that they will earn a return of 12% on their capital. In spite of it, in view of the fact that the monthly net income earned by some FPSs is not sufficient (less than Rs.986/- per month), to ensure their sustenance, FPS dealers should be given the freedom to trade in non-PDS items under the strict surveillance of PRIs.

(5) At present, a major share of the margin is going to the state level organizations, which should be passed on to the FPS to make delivery of food grains to the poor possible.

(xiii) For some FPSs, either the volume of transactions is extremely low or the recurring costs, especially the wage bill, are unmanageably high. Depending on the requirements of viability, demand for PDS grains in different regions and the topographical diversities of states resulting in differences in accessibility, the required number of cards per FPSs will need to be fixed, region-wise, within every State. But, if the number of cards per FPSs for hilly/inaccessible areas is reduced, it would require an increase in margin in order to make them viable. As an alternative, the state Government could provide grant to such FPSs so that they are able to serve the cardholders and the cardholders too do not have to travel long distances for procuring food grains against their cards. Government of India too could bear full/part of the sum required for paying FPS level margins.

## **List of Abbreviations**

AAY	Antyodaya Anna Yojana (Grain Scheme for Downtrodden)
APL	Above Poverty Line
APSCSC	Andhra Pradesh State Civil Supplies Corporation
BPL	Below Poverty Line
BOO	Build, Own & Operate
CAP	Cover & Plinth
CIP	Central Issue Prices
EAS	Employment Assurance Scheme
FAO	Food & Agriculture Organization
FCI	Food Corporation of India
FPS	Fair Price Shop
GNP	Gross National Profit
GOI	Government of India
HRD	Human Resources & Development
JRY	Jawahar Rojgar Yojana (Jawahar Employment Scheme)
KMS	Karif Marketing Season
MDM	Mid-Day-Meal Scheme
MOCAF & PD	Ministry of Consumer Affairs, Food & Public Distribution
MSP	Minimum Support Price
NGO	Non-Government Organisation
NOAPS	National Old Age Pension Scheme
NSSO	National Sample Survey Organization
OBC	Other Backward Classes
PDS	Public Distribution System
PEO	Programme Evaluation Organization
PMGSY	Pradhan Mantri Gram Sadak Yojna
PRI	Panchayati Raj Institution
RPDS	Revamped Public Distribution System
SC	Scheduled Caste
SFC	State Food Corporation

SGRY	Sampoorna Gramin Rojgar Yojana
SGSY	Swarna Jayanti Gram Swarojgar Yojna
ST	Scheduled Tribe
TPDS	Targeted Public Distribution System
UT	Union Territory
WFP	World Food Programme
WHO	World Health Organization

## **Bibliography and References:**

1. Ahluwalia, Deepak (1993): "Public Distribution of Food in India: Coverage, Targeting and Leakages", Food Policy, Vol. 18, No. 1: 33-54.
2. Alston, Phillip & Eide, Asbjørn (1984): "Advancing the Right to Food in International Law", in Asbjørn Eide, et al. (eds.), Food as a Human Right. Tokyo: The United Nations University.
3. Anonymous (1996): "Food Security at Stake", Economic and Political Weekly, Vol. 31, No. 11: 636-637.
4. Asthana, M.D. and Pedro Medrano, ed; (2001): Towards Hunger Free India- Agenda & Imperatives (Edited), Introduction (pages 12-29).
5. Balakrishnan, Pulapre & Ramaswami, Bharat (1997): "Quality of Public Distribution System: Why it matters," Economic and Political Weekly, Vol. 32, No. 4: 162-165.
6. Bhargava, P (2001): Food Security and Public Distribution System in Rajasthan. Paper presented at a seminar "Towards Hunger Free India" held at New Delhi, 24-26 April 2001.
7. Bhaskar Dutta, Bharat Ramaswami (2001) : Targeting and Efficiency in the Public Distribution System, Economic and Political Weekly, May 5, 2001.
8. Bimal Jalan: The Indian Economy. Penguin Books India (P) Ltd., New Delhi, 367.
9. Brij K. Taimni (2001): Food Security in 21<sup>st</sup> Century. Konark Publishers (P) Ltd. New Delhi.
10. Chaturvedi, Pradeep (1997): Food Security and Panchayati Raj. New Delhi: Concept Publishing House.
11. Chung, K., Haddad, L., Ramakrishna, J. & Riely, Frank (1997): Identifying the Food Insecure: The Application of Mixed-Method Approaches in India. Washington, D.C.: International Food Policy Research Institute.
12. Ch. Srinivas & S. Abdul Thaha (2004) : A study on Alternative Public Distribution System, Bookline Publisher, Hyderabad, Page 3.

13. Datta, B. and B. Ramaswami (2001): Targeting and Efficiency in the PDS - case of A.P. & Maharashtra; Economic & Political Weekly(May5).
14. F. Lamond Tullis and W.Ladd Hollist (1986) : Food, the State, and International Political Economy. D.K. Agencies (P) Ltd., New Delhi, 351.
15. Howes, Stephen & Jha, Shikha (1992): "Urban Bias in Indian Distribution System", Economic and Political Weekly, Vol. 27, No. 19: 1022-1030.
16. Jain, S.K. (2004): Identification of the Poor; Economic & Political Weekly, Nov.20.
17. Jean Dreze and Amartya Sen (1989): Hunger and Public Action. Oxford University Press, Walton Street, New York, 373.
18. Jha, S. and P.V. Srinivasan (2001): Taking PDS to the Poor- Directions for Further Reform; Economic & Political Weekly, Sept. 29.
19. Kabra, K.N. and Ittyerah A (1992); The Public Distribution System in India, Eastern books, New Delhi.
20. Kamal Nayan Kabra (1990): Political Economy of Public Distribution of Food in India. Ajanta Publications, New Delhi, 272.
21. Kripa Shankar (2004): How Efficient is TPDS in Tribal areas? Economic and Political Weekly, May 22, 2004, PP 2093-2096.
22. K.R. Venugopal (1992) : Deliverance from Hunger, Sage Publications, New Delhi, 223.
23. Mahendra Dev, S. (1996): "Food Security: PDS vs EGS - A Tale of Two States", Economic and Political Weekly, Vol. 31, No. 27: 1752-1764.
24. Mitra, Ajit Kumar (1968): "Food Policy of India: A Note on Some Aspects of the Minimum Price Support Policy", in V. S. Vyas (ed.), Food Policy in India: Papers Read at the Indian Economic Conference, Madras, 1967.
25. Mohammad Shafi Abdul Aziz (1989) : Food systems of the world, Rawat Publications, Jaipur, 526.
26. Mooij, Jos (2001): Food and Power in Bihar and Jharkhand - PDS & Its Functioning, Economic & Political Weekly, Aug. 25.

27. Mujumdar, N. A. (1997): "Food Security, Price Stability and the Budget", Economic and Political Weekly, Vol. 32, No. 20-21: 1201-1220.
28. N. Krishnaji and T.N. Krishnan (2000): Public Support for Food Security. Sage Publications, New Delhi, 335.
29. P.M. Bora (1982): Food Administration in India. Ajanta Publications, New Delhi.
30. Radhakrishna, R. & Subbarao, K. with S. Indrakant and C. Ravi (1997): "India's Public Distribution System: A National and International Perspective", World Bank Discussion Paper, No.380.
31. Raymond F. Hopkins (1986) : Food, the State and International Political Economy, edited by F. Lamond Tullis and W.Ladd Hollist, D.K. Agencies (P) Ltd., New Delhi.
32. R.N. Chopra (1988) : Food Policy in India. Intellectual Publishing House, New Delhi, 414.
33. S. Indrakant (2000): Food Security and Public Support : A Study of Andhra Pradesh, Sage Publications, New Delhi.
34. S. Mahendra Dev (2000) : Public Support for Food Security, edited by N. Krishnaji & T.N. Krishnan, Sage Publications, New Delhi, Page180-250.
35. Shankar, Kripa (1997): "Revamped Public Distribution System: Who Benefits and How Much?" Economic and Political Weekly, Vol.32, No.13:629-630.
36. Shikha Jha & P.V. Srinivasan (2000) : Public Support for Food Security, editors K.Krishnaji & T.N. Krishnan, Sage Publications, New Delhi, Page 144-179 .
37. Stuart Gillespie and Geraldine McNeill (1992) : Food, Health and Survival in India and Developing Countries. Oxford University Press, New Delhi, 216.
38. Suryanarayana, M. H. (1996): "Food Security: Misconceived Policies", Economic and Political Weekly, Vol. 31, No. 29: 1934-1935.
39. Swaminathan, M. S. (1995): "Agriculture, Food Security and Employment: Changing Times, Uncommon Opportunities", Nature and Resources, Vol. 31, No. 1: 2-15.



40. Swaminathan, M. and N. Misra (2001): Errors in Targeting-Public Distribution of Food in a Maharashtra Village (1995-2000); Economic & Political Weekly, June 30.
41. Swaminathan M.S. and Pedro Medrano(2004): Towards Hunger Free India From Vision to Action. East West Books (Madras) (P) Ltd. Chennai.
42. Sen,A (1992): Poverty Alleviation: Targeting Versus Universalism; Convocation Address in MOI, Gurgoan, India.
43. Wadia, F.K. (1996): India's Food Policy Since Independence, Journal of Indian School of Political Economy, VoI.8,No.,PP61-689.
44. Vijay S Vyas (2005): Food Security in Asian Countries in the Context of Millennium Goals. Academic Foundation, New Delhi.

**Sources:**

1. Tenth Five Year Plan 2002-2007 document.
2. Government of India Reports/Publications:
  - i. Government of India (1985): Evaluation Report on Essential Supplies Programme, Programme Evaluation Organisation, Planning Commission, New Delhi.
  - ii. Government of India (2002): Report of the High Level Committee on Long -Term Grain Policy, Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.
  - iii. Government of India (1995): Evaluation Report on Revamped Public Distribution System, Programme Evaluation Organization, Planning Commission, New Delhi.
  - iv. Ministry of Consumer Affairs, Food & Public Distribution, GOI (Dec., 2004): Background Note on TPDS for MPs.
  - v. Tata Economic Consultancy Services (1998): Study to Ascertain the Extent of Diversion of PDS Commodities (For Ministry of Food & Consumer Affairs).
  - vi. Bhaskar Dutta and Bharat Ramaswami, Economic & Political Weekly, May5, 2001, Page 1524-1528 (URL:<http://www.epw.org.in>).

- vii. Pulapre Balakrishnan & Bharat Ramaswami, Economic & Political Weekly, January 25, 1997, Page 162-165 (URL:<http://www.epw.org.in>).
- viii. Shikha Jha & P.V. Srinivasan, Economic & Political Weekly, September 29, 2001, Page 3779-3786 (URL:<http://www.epw.org.in>).
- ix. Stephen Howes & Shikha Jha, Economic & Political Weekly, May 9, 1992, Page 1022-1028 (URL:<http://www.epw.org.in>).

3. Web sites :

<http://planning.commission.nic.in>,  
<http://goidirectory.nic.in/exe.htm>,  
<http://unsystem.org/scn/archives>,  
<http://www.mp.nic.in/des/survey.htm>,  
<http://www.mp.nic.in/planning/tenth.htm>,  
<http://fciweb.nic.in>.