

**DEBATES ON FOOD SECURITY
AND
PUBLIC DISTRIBUTION SYSTEM IN INDIA**

A Dissertation Submitted to the University of Hyderabad in Partial
Fulfilment of the Requirement for the Award of the Degree of

MASTER OF PHILOSOPHY

in

POLITICAL SCIENCE

By

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DECLARATION

I hereby declare that the work embodied in the dissertation entitled **DEBATES ON FOOD SECURITY AND PUBLIC DISTRIBUTION SYSTEM IN INDIA**", carried out by me under the supervision of Prof.Santha Sinha, Department of Political Science, University of Hyderabad, is original and this has not been submitted for any degree or diploma, either in part or in full to any other university or institution.

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CERTIFICATE

This is to certify that the dissertation entitled, "DEBATES ON FOOD SECURITY AND PUBLIC DISTRIBUTION SYSTEM IN INDIA", submitted by Mrs.SK.Janbee in partial fulfilment of the requirement for the award of the degree of Master of Philosophy in Political Science is prepared under my supervision. The dissertation or a part thereof has not been submitted for any other degree or diploma at this or any other university or institution.

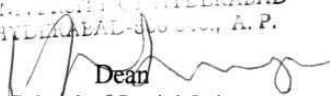
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ACKNOWLEDGEMENTS

I am greatly indebted to my supervisor, Prof.Santha Sinha, who despite her hectic schedule of work, helped me and guided me at all stages of my dissertation work with great patience and care.

*I am thankful to Prof.G.Haragopal, Prof. Rajen **Harshe**, Prof.Prakash Sarangi, Dr.Mouzzam Ali, Dr.Eswaraiah, Dr.Chandrasekhar Rao, **Dr.Sanjay** Palshikar, Dr.Yesuratnam, Dr.Pnthviram and other faculty members of **the** department of political science.*

I am also thankful to Mr.Mohan Rao, Mr.Silaramaiah and Mr.Krishna, the office staff, Department of Political Science, university of Hyderabad.

I am thankful to Mahendra Dev, CESS for his valuable suggestions in my dissertation work.

I am also thankful to the officers and staff of the libraries of Indira Gandhi Memorial Library, University of Hyderabad, Administrative Staff College of India, Center for Economic and Social Sciences and National Institute of Rural Development for their help in collecting material.

I am greatly thankful to Dr.Venkateswara Naidu IAS, Dr.Davuluri Venkateswarlu,, Dr.Ramakumar, Satyavathi, Aruna, Sridevi, Narendra, Sudhakar, Ajanta Kumar, Shankar, Durga Srimvas, and N.V.Ramana for their constant help and encouragement in times of need.

I do not find words to express my gratitude to Hussain, Ravi Chandran, Narasaiah, Sambaiah, Sashikanth, Uday Kumar and Vaisheshi for assisting me in typing my dissertation.

It gives me pleasure to thank my friends Sailaja, Vaisheshi, Madhavi and Dr.Anima Nagar for the pleasant moments we had together. Infact, my stay at campus would have been impossible without them.

/ am also thankful to my friends Madhavi latha, Sunitha, Kavitha, Veena, Ratna, Nagalak.shmi, Sujani, Praveena, Raj it ha, Sambaiah, Syam, Upendra, Sarat, Shaji and Ravi.

I am very much indebted to my parents, Smt.Masthanbt and SK.Hajarathvali, who with love, affection, understanding and care helped me to complete my dissertation. I am also thankful to my brother's kids, Ahmed Basha, Ghouse, Isha and my sister's kids Md.Gaffor, Imambi, Haseena and John Basha who made life simple and sweet. I am also thankful to my brother and sisters who gave me encouragement which has been the motivating factor throughout.

I am also thankful to my in-laws family M.Venkata Suryanarayana, M.Seethamma, M.Venkata Satyanarayana, B.Srinivasa Rao, B.Madhavi, Bhavya, N.Srinivasa Rao, N.Lakshmi, N.Karthik and N.Sai Chandra for their affection and constant encouragement.

Last but not least I am greatly thankful to M.Siva Sankar, my life partner for just being there for everything with great love and understanding. Whatever I am today is simply because of him.

Janbee

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INTRODUCTION

The world has ample food. The growth of global production has been faster than unprecedented population growth of the past 50 years. Enough food is available so that countries that do not produce all the food they require can import if they can afford to. Yet many poor countries and hundreds of millions of poor people do not share in this abundance. They suffer from a lack of food security, caused mainly by a lack of purchasing power.¹

If the world's total cereal production were to be equally distributed, then one kilogram of cereal would be available per person per day. This is twice the daily minimum requirement. However, since the distribution is unequal 13-18 million people die of hunger every year. This deterioration on the food front is specific to the countries where "despite the efforts of many third world governments, income distribution became increasingly distorted, economic growth faltered and poverty and hunger became widespread".² In the year 2000, an estimated 1.2 billion people out of 6 billion people across the globe will still be suffering from hunger, poverty and mal nutrition, 2/3 of these families will be found in South and South-East Asia which include India, Pakistan, Bangladesh etc.³

Where hunger is due to drought disaster and strife its emergency aspects need to be dealt with through food aid and similar programmes. But immediate relief is not a long-term solution to hunger, since hunger is rooted in a structural factor, viz., poverty. The poor too often have neither the means to produce food nor buy it, Hence, to overcome the chronic hunger, it is suggested that various long-term and complementary steps have to be taken.⁴

More specifically in the case of India, large majority of population does not have regular and assured access to adequate quantities of food. Hunger and malnutrition are wide spread, and there are areas of the country, where deaths by starvation occur every year. Average consumption per capita is low and has declined since 1950's. As per the statistical report furnished by the Government of India (Planning Commission (Expert)

Group Report), approximately 36% of Indians are still below poverty line. Arithmetically, it means that 32 crores of Indian population either have a single meal a day or once in two days. This means that they do not have adequate access to food, which is required for their normal healthy growth. Nevertheless, according to Dreze and Sen, while governments interventions have succeeded, to a large extent, in averting large scale famines in Independent India, the problem of chronic hunger still persists.⁶

In order to improve food security for the poor, the Government relies on a set of policy instruments such as food rations, price subsidies, employment programmes and feeding schemes. Of all the safety net operations that exist in India, however the most far reaching in terms of coverage as well as in public expenditure is the Public Distribution System.

In this thesis, an attempt is made to review the discussions on food security and various issues relating to Public Distribution System- its management, working, failures, scope for reforms and so on. The entire study has been based on a review of literature. The thesis is divided into four chapters. The first chapter is a review of themes and issues discussed in the literature with reference to food security, the second chapter deals with the issues related to Public Distribution System as a means of providing food security, the third chapter deals with the debate on the efficacy of universal vs. targeted transfers of PDS, and the fourth chapter ends with conclusion.

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CHAPTER -1
FOOD SECURITY: THEMES AND ISSUES

The issue of providing access to food and nutrition has been widely accepted by the modern governments. Even in the third world countries, which could ill-afford the policies of welfare, attempts have been made to workout schemes to provide food for all. However, the pursuance of the policies by the national governments have all been understood as under the programme of provision of "food security" only recently.

Food security did not just mean availability of food for direct consumption, which indeed is the very heart of it, but also building capacities of the people to purchase food for their consumption. The implication of such a definition, according to Amartya Sen, would first of all, emphasize the need for the government to devise ways and means by which, in the first instance, food is available within the country, and in the second place, building capacities of the people to buy food.

Amartya Sen further considers that increase in food production is considered to be a necessary, though not a sufficient condition for improving food security for the poorest segments of the population. If higher levels of production lead to cheap food, it would be an effective instrument for providing food security particularly when the poor have adequate entitlements. In the absence of such preconditions, even with significant improvement in food supply, the market mechanisms may not always and automatically transfer food to the poor.

According to K.C.S Acharya (1983), the concept of food security has, therefore undergone considerable modifications. Food availability and stability were considered good measures of food security till the seventies. It is now recognized that food availability alone does not ensure food consumption for the poor. Hence the need for the government to frame policies so that poor people will be able to get adequate amount of food for consumption.

This chapter is divided into two parts. The first part gives an overview of literature on the issue of food security. The second part discusses the issue of provision of food security to the poor through the Public Distribution System.

Part-A

The issue of food security in India has been a subject matter of studies by scholars-both economists and policy study analysts. The studies range from understanding the relationship between,

- (i) Food security and its historical evolution;
- (ii) Food security and population growth & food demand projections & per capita income;
- (iii) Food security and measurement of poverty;
- (iv) Food security and the question of hunger and famine;
- (v) Food security, poverty and unemployment;
- (vi) Food security and shifts in cropping pattern in the context of structural adjustment.

(i) Food Security and its Historical Evolution

Initial studies on food security emphasized mainly on how the concept of food security has evolved over a period of time and these studies also evaluated the concept of buffer stock policy and its implications. Major studies regarding these issues include Acharya K.C.S (1983), Bapna (1988), Bhatia B.M (1983).

According to these writers, food security system in India had its origins in the government's preliminary response to the tackling of famines and droughts in India which caused conditions of acute scarcity. Subsequently, the movement found it necessary to use a more organised and institutionalized approach.

(ii) Food Security and Population Growth & Food Demand Projections & Per Capita Income

There have been significant studies on population growth and its impact on food demand in India. Economists such as Kumar, Rosengrant (1994) and Bouis, Radhakrishna and Ravi (1990), Diakassavas (1989), G.S Bhalla & Peter Hazel (2000) have assessed the impact of growth in population and the demand for and availability of food grains.

G.S Bhalla and Peter Hazel (2000) presented projections of cereal demand and supply balances to 2020 under alternative scenarios for income growth, consumption behaviour and agricultural production strategies. While some of the scenarios are based on speculative assumptions, the results show that there are plausible conditions under which India could have cereal deficits of 40 to 60 million tonnes per year by 2020. If deficits of these sizes were to materialize, then India's cereal needs would have significant impacts on world cereal markets as well as on the country's trade balance. They can be avoided through appropriate policies towards the agricultural sector. The impact of changes in per capita expenditure on food demand projections for India was calculated on the basis of estimates of the expected birth and death rates in relation to the total population by the World Bank (Radhakrishna and Ravi (2000).

Scholars like Mellor J.W (1983) studied the impact of changes in population growth and per capita income on food security. They say that, like many other densely populated developing countries, India faces a formidable challenge in providing food security to its population with high growth rate. The demand for food grains is estimated to rise at a rate of 3.5% to 4% per annum, compared to the food grains growth rate of 2.9% per annum during the period, 1949-50 to 1989-90. Considering the increase in the growth rate of population, this correspondence reduction in growth of food grains would pose a problem.

Another significant study by Diakassavas (1989) concluded that the food production in India and 50 other countries was increasingly unstable due to the variability in production, which has further impact on consumption.

(iii) Food Security and the Measurement of Poverty

Most of the important works regarding concept, identification and measurement of poverty include: Seebom Rowntree (1901), Miller and Roby, Runciman (1966), Townsend (1971), Sukhatme (1965), Dandekar and Rath (1971), Pamkhar (1972), Jam and Minhas (1995), Susan Georgr (1976), Hanumantha Rao (1979), YoginderK. Alagh (1995), have all emphasized on the link between poverty and intake of food.

In India, the definition of poverty is based on the sole criterion of the minimum food requirement for survival. Thus the poverty line is decided by the income sufficient to buy food equivalent of 2400 calories in rural areas and 2100 calories in urban areas. But there is considerable disagreement on the issue of what is adequate calorie intake for an average Indian (Sukhatme, (1965). Irrespective of the inconclusive nature of the debate, the narrow definition of poverty in terms of a minimum daily dietary requirements of an individual has been accepted by the Planning Commission and many other researchers as the norm for the measurement of poverty (Sudip Kumar Mahapatra, RBI occasional papers.p.507). The 'Task Force' (Planning Commission 1979) has prescribed this at 2,435 calorie intake per day/per head for the rural areas and 2095 calorie intake per day / per head for urban areas.

The issue of nutritional intake as a major indicator of poverty has influenced most decisions on the policies regarding poverty alleviation. Since, poverty has been defined in relation to consumption of food, policies for poverty alleviation have emphasized on increasing the access to food. Thus programmes towards distribution of food for the poor through the Public Distribution System, generation of employment opportunities which would guarantee wages to purchase food and so on have emerged.

(iv) Food, Famine, Hunger and Poverty

There are studies that deal with food security in relation to aspects of hunger and famine. They draw attention to the role of state action as well as public action in beating the problem of persistent hunger and endemic deprivation. These studies include L.R. Brown and E.P. Eckholms (1975), Dreze and Sen (1989), Amartya Sen (1982), Dreze and Sen (1990).

The issue of famine and hunger is closely linked to the issue of food security. Amartya Sen argues how food production and availability of food is not a sufficient condition to stave off hunger and famine. He demonstrated through his study how famines broke out due to uneven distribution of food grains even in areas with sufficient food grains production. Dreze and Sen in their book, 'Hunger and Public Action' argue that there is a positive role for public action to combat starvation and nutritional deprivation. To them, the essential elements to be promoted through public action for eliminating endemic deprivation and under nutrition include (i) food (ii) basic health, (iii) elementary education, (iv) clean water (v) living space and (vi) basic sanitation. They are of the opinion that, first, the orientation of public action must depend on the feasibilities of different courses of action. Second, public is a heterogeneous entity and is divided on the basis of class, ownership, occupation, gender, community and culture.

At the same time state action for the elimination of hunger have been emphasized in the following forms, (i) food production, (ii) food distribution, (iii) income and employment creation on a regular basis, (iv) relief operation in the form of employment for wages in kind or cash (v) provision of health care and epidemic control, (vi) enhancing economic development and (vii) growth of income, etc., through expansion of productive activities and so on.

(v) Food, Poverty and Unemployment

For framing the policies on poverty and food security, inter connections between poverty and unemployment has been studied. These inter connections between rural poverty and rural unemployment has been analysed by some scholars. Notable among them are Rai Krishna (1973), Lakdawala D.T. (1977), Dantwala (ML) (1979), Sundaram K and S.Tendulkar (1988), Krishnan N (1992). It has been emphasised that security of employment is essential for obtaining food security.

Raj Krishna (1973) was among the first to note that the set of the poor was much wider than that of the unemployed and argued for different sets of policies for different types of poor households. Dantwala M.L (1979), provided several insights into the mechanisms linking poverty and unemployment. Lakdawala's analysis showed that poverty and unemployment were not correlated. On the other hand, Sundaram and Tendulkar (1988) showed that there was a significant positive relationship between person-day unemployment and incidence of poverty.

(vi) Food Security and Structural Adjustment

There has also been considerable literature on the impact of structural adjustment on the poor and their access to food security. The major works related to this aspect of food security include: Bandhpadhyay (1995), G.S Bhalla (1995), Radhakrishna (1996), Bhagwati J and T.N Srinivasan (1993), VyasV.S (1993), Basu K (1993), Jos E Mooij (1994), Suryanarayana M.H (1996), Gaurav Dart (1999), Parikh Narayana (1995), Kirit Parikh (1992), Subramaniam Shankar (1993), Utsa Patnaik (1996), Deepak Nayyar and Abhijit Sen (1994), Parthasarathy (1996).

Monetary and fiscal compression are key components of orthodox programme of structural adjustment and stabilization. The experience of the last 20 years indicate that when government expenditures are cut, the cut falls invariably and most sharply on development expenditure on social sectors. In a large number of developing countries,

the IMF and World Bank have recommended cuts in government subsidies including food subsidies as a part of structural adjustment packages. Reductions in food subsidies have had adverse effects on consumption and nutrition of the people and have seriously undermined the efforts of providing food security in poor countries (Walton J and Seddon, 1994). G. Parthasarathy (1996) analyzed how introduction of sophisticated technology agricultural sector could displace people engaged in traditional sector. And he discussed three major forms of social assistance to the people engaged in unorganized sectors like agricultural sector viz. food security, employment security and health security.

Utsa Patnaik (1996) discusses the trends in agricultural production and shifts in cropping pattern with the introduction of structural adjustment. She argues how the land under food crops gives way to cash crops resulting in scarcity of supply of food. She also says that the undeclared aim of liberalisation policies appears to be restricting the domestic income growth of developing countries.

According to Bandhopadhyay (1995), "the basic ingredient of stabilisation and structural adjustment programme is the contraction of public expenditure to reduce fiscal deficit coupled with domestic devaluation of local currency and general withdrawal of the state from economic activities vacating the space for market". Immediate and inevitable consequence of reduction of government expenditure is the cuts in public investment in agriculture. Liberalisation also implies a large scale shift from food crops to non food crops having serious implications for the systematic availability of food thereby putting in jeopardy the first condition food security. It is also suggested that the removal of subsidies to agriculture and allowing the free market of agricultural products for international trade will cause rise in prices. This would result in poor people's inability to purchase food.

Subramaniam, Shankar (1993), says that if the liberalisation is extended to non-agriculture, the impact on agriculture would be significant since the industry was highly protected and even if agriculture were to improve in the long run due to liberalisation, the

rural and urban poor may be adversely affected in the short run because of higher food grain prices. Subramaniam also suggests that if global agricultural prices rise, and if India liberalises its agriculture, the prices would be transmitted to Indian agriculture and the result will be decrease in real incomes for the rural poor and all urban classes but the real incomes of the rich farmers would increase. It is undoubtedly true that liberalisation would enable a large number of rich farmers specially in the well-endowed irrigated regions to diversify their production structure and start producing for exports. The rich farmers would also fruitfully negotiate with the trading organisations and would avert excessive risks (Bhalla G.S, 1995). But this may not happen in the case of the small and marginal farmers especially in un-irrigated underdeveloped regions.

Part-B

Public Distribution System and Food Security

The issue of food security has been seen as a major aspect of guaranteeing the poor their right to survival. The methods of providing food security has been implemented through long term measures such as employment guarantee schemes like Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), National Rural Employment Programme (NREP), Rural Landless Employment Generating Programme (RLEGP) etc., or through Public Distribution System. These schemes provide the purchasing power to the poor against the work rendered by them. Thus access to food is provided by giving work through which wage is earned in turn gives the poor the capacity to purchase food.

Studies on the Public Distribution System is being dealt with greater detail as it is by far the most elaborate policy in terms of coverage and access for providing food security to the poor in India. These studies include the following aspects of PDS:

- (i) Growth, functioning, coverage and effects of PDS;
- (ii) Operational aspects of PDS;
- (iii) Management of food economy;
- (iv) Effects of food prices on poverty levels;
- (v) Cost-benefit analysis of PDS;
- (vi) Welfare aspects of PDS,
- (vii) Impact of PDS and the equity of distribution;
- (viii) Leakages to the open market;
- (ix) Inter-state variations of PDS;
- (x) Issues relating to food subsidies;
- (xi) Urban bias in PDS;
- (xii) Reforms in the PDS;
- (xiii) Universal Vs. Targeted Transfers.

(I) Growth, Functioning, Coverage and Effects of PDS

Growth of PDS, its functioning, coverage and effects of PDS on providing food security were discussed by Bapna (1993), Bhatia (1983) G.S.Bhalla (1994), Radhakrishna and Rao (1994). Bapna (1993) presented the growth and functioning, coverage and other effects of PDS in India. He stated that several developing countries including India achieved food self-sufficiency but a large section of the population still faces the risk of food insecurity.

The main reason for this insecurity is the lack of purchasing power. The PDS makes food accessible and transfers income in the form of subsidy. If the PDS could be managed properly, it has a direct input on nutrition. The PDS should be considered as a short-term substitute for provision of access to food by providing purchasing power through developmental and employment schemes. While evaluating the procurement and distribution policies, Bhatia (1983) suggested on independent buffer stock policy which

he claimed to have many advantages over the present system for the better management of the PDS (Bhatia, 1983)

(ii) Operational Aspects of PDS

The purpose of PDS has been to provide the poor access to food supplies. This has dimensions of procurement of food, storage of food, and distribution of food. This operationalisation of PDS influence effective implementation of PDS as a welfare programme. Scholars who looked into the operational aspects of PDS have studied the entire process. Some important studies that covered operational aspects of PDS are Bapna, (1988, 1990); Government of India (1985), Bhagabat Mishra (1985), Kabra and Itteyera (1986), NSSO (1990); Suryanarayan.G.(1985); P.S.George (1996), Madhura Swaminathan(1999).

Though the earlier works are classified on the basis of the main theme of the works, most of the researchers have covered more than one aspect. It is inevitable in view of the fact that PDS is one of many measures of government's intervention, such as procurement, pricing, stock maintenance, incentive prices, subsidies, imports fiscal and monetary measures.

It may be noted that procurement, pricing and PDS policies impinge upon the welfare of different classes differently and particularly the poor who are below the poverty line. Thus, the welfare implications of these intervention measures are a common theme for many of the studies. Similarly, at the operational level, the coverage of population, ration scales, estimated requirements of cereals and viability of PDS are these aspects dealt by many studies.

(iii) Management of Food Economy

Since PDS is one component of food grains management, studies dealing with food management aspects have to necessarily cover relevant aspects of PDS operations.

Though the studies do not directly concern with the PDS, it enters the analysis as an arm of food management. Some major works of this nature are those of George (1983); Dilip Swamy and Ashok Gulati (1984), Kabra (1990), Radha Krishna and Indrakant (1987), Rajkrishna (1972); Raj Krishna and Ray Choudhury (1980), Subba Rao (1985); Tyagi (1990), Tyagi and Vyas (1990) Usha Ghanashyam (1987); Ray SK (1994).

(iv) Effects of Food Prices on Poverty Levels

Radhakrishna R. and K. Hanumantha Rao (1994) says that, in the early 1990's, the objective of providing cheap food was undermined by the steep increase in prices of food grains sold through the PDS. Between 1990 and 1994, the central issue price of the common variety of rice rose to 86% and that of wheat to 72%. In other words, the cumulative increase in price of major food grains sold in the PDS was higher than the increase in general price indices, imposing a heavy and repressive burden on the poor, who though intended to be the main beneficiaries of the food security systems, have to depend on the market for a major part of their food grain requirements.

(v) Cost-Benefit Analysis of PDS

The cost benefit analysis of PDS was carried out in terms of consumer-producer surplus (Scadizzo and Swamy 1982), or in terms of income transfers (George 1979), or in terms of improvement in calorie intake (George 1979, Shubh K. Kumar, 1979). They have based their studies on calculations of how much amount is being spent on implementation of PDS and its total costs and how much benefit is accruing to the intended beneficiaries, whether in terms of income or improvement in calorie intake etc.,

(vi) Welfare Aspects of PDS

PDS has also been studied essentially as a welfare programme. Some studies deal with welfare aspects of PDS operations. It is of course true that these studies do concern with other aspects of PDS. However it is pertinent to point out the major contribution of

particular study in terms of its main theme Some of the studies include: George, (1979); Hayami Yujiro and Subba Rao K (1982); Janvry and Subba Rao (1987); Shubh K.Kumar (1979); Scadizzo and Swamy Gurushri (1982).

(vii) Impact of PDS and the Equity of Distribution

Considering the fact that in the management of both the procurement and distribution aspects of the PDS, there has been a considerable gain to all the other sections than the intended beneficiaries. Certain studies have focussed on the issue of equity and the impact of PDS. They include Dev and Suryanarayana (1991), Jha (1991), Parikh (1993, 1994), K.R.Venu Gopal (92). S.Mahendra Dev (1996), M.Raghavan (1997).

The data base for most of these studies includes NSSO data on PDS for the 1986-87, and the reports and records of food supplies and civil supplies departments. The equity aspects of the PDS have been examined in terms of the percentage of the poor covered under PDS, the share of rural areas in the total distribution and so on. Using the 42nd round of National Sample Survey data (Dev and Suryanarayana 1991, P.2357- 2361. It is found that PDS is pro-urban at the All India level of rice and coarse cereals. Their study also showed that the rural poor depend on PDS for the meagre 16% of their food grains consumption requirements. This finding implies that the poor mainly draw their food requirements from the open market.

Jha (1991) in his study states that about 40-50% of the population buy subsidised rice and wheat and about half of them are non-poor. It means that a substantial part of the PDs benefits accrues to the non-poor. However, according to George (1979) and Radhakrishna & Indrakant (1988), the welfare gains to the poor are substantial whenever the PDS supplies are targeted well as in Kerala and Andhra Pradesh.

(viii) Leakages to the Open Market

Ahluwalia (1993) conducted an important study on the leakage of food grains and other commodities in the form of losses in the transport and storage and diversions to the free market, which are the important problems in the PDS. It is estimated that a little more than 3% of the food grains and the sugar and over half of the edible oil, 38% of wheat, 36% rice and 39% of sugar and 55% of edible oil does not reach the actual users of PDS. The major part of the leakage is due to the diversion of food grains to the free market.

(ix) Inter-State Variations of PDS

An important study regarding inter-state variations of PDS has been done by (Geetha and Suryanarayana 1993, PP.2207-2213) and Tyagi (1990). They have reviewed the objectives of food policy pursued in different five-year plans. They examined the inter-state PDS disparities, and their implications for the current and ongoing PDS reforms. Their study confirmed the general impression that there have been significant disparities in the state-wise PDS quantities, be it with respect to total population or population covered by the PDS. This is largely in conformity with the objects of global coverage as enunciated in the Sixth Plan. Part of the reason seems to be lack of proper infrastructure for the PDS in some states and hence their inability to lift their allotted quota, provided by the Centre.

The consistency between share of PDS and the level of poverty among states has been examined by Tyagi (1990, PP 55-83). He concluded that there was no positive correlation between the poverty trends of a state and its share in PDS supplies. His results show that during '83-88' states with high incidence of poverty such as Bihar, Madhya Pradesh, Orissa and Uttar Pradesh registered a low share in the distribution of food grains through the PDS and in per capita terms three states received less than 10 kg per annum. On the other hand, states with a moderate incidence of poverty such as Kerala, Andhra Pradesh, Gujarat etc., received a high share in PDS with the annual per

capita PDS quantities distributed from central pool being about 26 Kgs in Kerala and 22.23 Kgs in Andhra Pradesh and Gujarat. More recent data on the allocation of states from the central pool also revealed the persistence of in balance across states.

(x) Issues Relating to Food Subsidies

Important works relating to food subsidies include Janvry and Elizabeth (1987), Janvry and Subba Rao (1984), Parikh and Suryanarayana (1989), Radhakrishna and Indrakant (1987), Sachidev (1985), Madhura Swaminathan (1996).

Food subsidies represent the expenditure incurred on procurement of food grains, warehousing, storage and distribution via the PDS of food grains. The food subsidy can be thought of comprising the two components. The first relates to the operation of food management largely undertaken by Food Corporation of India (FCI). The other component refers to the benefit that end consumers get by being able to purchase food grains at less than market price.

(xi) Urban Bias in PDS

The works of Dev.S.Mahendra and M.H.Suryanarayana (1991), Tyagi (1990), Kundu Amitabh (1992), Howes Stephen and Shikha Jha (1992) Suryanarayana M.H.(1994) conclude that PDS is urban biased and pro rich. They are of the opinion that PDS access is very limited and is confined to a mere 36% of people. Its distribution is highly skewed between urban and rural areas. Access percentage is as low as 5% in Bihar, 6% in Orissa, 7% in Uttar Pradesh. It is 70% or above only in the South. The four southern states and Maharashtra and West Bengal alone account for half of the off take from PDS (Praful Bidwai). Tyagi finds that the coverage of poor by PDS tends to be very low precisely in states like, Bihar, Orissa, Rajasthan and Madhya Pradesh which are backward in terms of per capita incomes and are much below the national average. The pattern of distribution of grains, according to Tyagi is related to the extent of poverty

(Tyagi 1990) Dev and Suryanarayana (1981) states that there has been urban bias in the distribution of food grains in the north Eastern states and West Bengal

(xii) Reforms in the Public Distribution System

The policy statements on PDS coverage are essentially based on the assumed role attributed to it. Often the coverage related roles attributed to PDS include food security, avoiding distress purchases, equity in distribution with respect to income, inequality and regional inequalities. Depending on the specific roles attributed by the analysts, there have been differing views on the relative success or failure of the PDS.

Among the writers who wanted thorough reforms in the PDS system include M.H. Suryanarayana (1995); Swaminathan Madhura (1995), Tyagi (1990) Rao V.M. (1995); Rudder Datt (2000) etc. According to them, there is little doubt that the PDS as it functions today has failed in most parts of the country, in providing cheap food to the poor, and food security to the vulnerable households and individuals and needs to be restricted and strengthened (Swaminathan 1995). Their observations relate to the non-fulfillment of main objective of providing food security to the poor, inherent urban bias, leakages to non-poor, and inter-state variations in the coverage of population below the poverty line.

(xiii) Universal Vs Targeting Transfers

While providing a critique of the PDS programme there are studies, which highlight the need to introduce the principle of targeted approach for more efficient food security provisions. At the same time, there are also scholars who vehemently criticised the targeting approach. The major works deal with this aspect of PDS are: Amartya Sen (1992), Cornia G.A. and F.Stewart (1995), Swaminathan Madhura (2000), Praful Bidwai.

The principle of targeting is accepted on the grounds that the costs of a programme can be reduced by excluding certain sections of the population, and that it

would reach to those who actually deserve it Amartya Sen (1992) presents strong arguments against targeting and is in favour of universal transfers. According to him, firstly, there is strong argument for universal entitlements on the grounds that all individuals have certain basic rights, including the right to a minimum level of food, basic education and health care. In a poor country like India, the large majority of the people lack their basic rights. Secondly targeting in itself, involves private and social costs and these costs may be high. The most obvious costs are the costs of administration, due to loss of quality. Social costs arise when targeting excludes the needy (what is commonly referred to as a Type-II error and termed 'information distortions' by Sen). Targeting may also lead to 'incentive distortions' when people alter their behaviour in response to targeting, leading to losses in social output. Social costs can also be attached to the invasiveness of targeting (as the identification procedure can involve probing and policing people's lives). In short, the costs of targeting can be sizeable and may outweigh the fiscal gains to be obtained from targeting. Hence, he presented a strong case for universal transfers.

The next chapter deals with the PDS system as it operates in India.

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CHAPTER - II
PUBLIC DISTRIBUTION SYSTEM

In this chapter, an attempt has been made to discuss various aspects relating to PDS. They include:

- (i) Concept and Definition of PDS;
- (ii) Evolution of PDS;
- (iii) Planning and PDS;
- (iv) Management of the PDS;
- (v) Organisational Design of PDS in India;
- (vi) Coverage of PDS in India; &
- (vii) Assessment of PDS

(i) **PDS: Concept and Definition**

PDS can be distinguished from private distribution in terms of control exercised by public authority and the motive predominantly being social welfare in contrast to private gain. Broadly, the system includes all the agencies that are involved from procurement stage to the final delivery of goods to the consumer. The agency that is involved in the process of procurement, transportation, storage and distribution are Food Corporation of India (FCI). At the state level it is the civil supply departments/corporations and fair price shops, which are the agencies, involved in provision of PDS. The fair price shops (EPS) are the last link in this process, which are mostly owned by private individuals. Hence, the most important aspect that distinguishes PDS is the involvement of government agencies and government control over the entire distribution system.¹

In its narrow connotation, PDS is identified with fair price shops. According to Dholakia and Khurana, PDS is "a retailing system supervised and guided by the State".² Progress Evaluation Organisation (Government of India 1985) defined PDS as a "set up

under which specified commodities of every day use are procured and made available to consumers through a network of FPS in urban as well as in rural areas".³

Procurement of cereals is undertaken by FCI on behalf of central government. Some state government agencies also procure grain for the central pool as well as for their own account. Allocation to definite states is made by the central government. The State level civil supply organisations undertake the responsibility of allotment to FPS and supervising the functioning of FPS. FPS is subject to government control. FPS's are not allowed to sell other than government supplied essential commodities. Specified quantities are allotted to each FPS depending upon the number of ration cards attached to the FPS. The prices of these commodities are fixed by the government. The FPS dealer has to procure a license to operate a shop and required to maintain proper records, accounting to the stocks lifted by the dealer.⁴

(ii) Evolution of Public Distribution System

The PDS, as it is known in India, has evolved over a long time. Famines and droughts causing acute scarcity conditions and the measures taken by the government to help the victims has been the typical way in which the food security system began to take shape. Thus, the measures have been in the nature of the fire-fighting operation "concerned only with putting out the flames and providing a modest measure of temporary relief to the affected population."⁵ An effort of this sort was taken up for the first time in 1939 under the British regime when the Second World War started. The government thought of distributing the food grains to the poor of some selected cities, which were facing severe scarcity conditions, and also a situation - where private, failed to provide commodities affordable by the poor. Later in 1943, after the great Bengal Famine, this distribution system was extended to some more cities and towns. Prolonged periods of economic stress and disruption like wars and famines gave rise to a form of food security system. Initially it concerned itself primarily with management of scarce food supplies, and subsequently found it necessary to use a more organised and institutionalised approach including measures suspending normal activities of markets

and trade. This form of providing food security existed in India for long years, in the shape of statutory rationing in selected urban areas and continues to be present even today in a few urban centres.⁶

The growth of PDS in India can be grouped into three time periods. These are I) from 1939 to 1965 ii) from 1965 to 1975 and (iii) from 1975 onwards.

In the first period, i.e. upto mid sixties, the PDS was seen as a mere 'rationing' system to distribute the scarce commodities and later it was seen as a 'Fair price' system in comparison with the private trade. Rice and wheat occupied a very high share in the food grains distribution. Need for extending the PDS to rural areas was realised but not implemented. The operation of PDS was irregular and dependent on imports of PL 480 food grains with little internal procurement. In effect, imports constituted major proportion in the supplies for PDS during this period.⁷ Procurement prices offered were not remunerative.

By the mid 60's it was decided to look much beyond management of scarce supplies in critical situations. Stoppage of PL 480 imports forced the government to procure grains internally. In effect, India took a quantum leap in the direction of providing a more sustainable institutional framework for providing food security. The setting of FCI and Agricultural Prices Commission (APC) now known as Bureau of Agricultural Costs and Prices (BACP)⁸ Commission in 1965 marked the beginning of this phase. On the basis of BACP's recommended prices, the FCI procures the food grains to distribute through PDS and a part of the procured quantity is kept as "buffer stocks" to meet any unforeseen crisis situation. The key components of this system were institutionalised arrangements and procedures for procurement, stocking and distribution of food grains. What is more important to note is that the food security system during this period, evolved as an integral part of a development strategy to bring about a striking technological change in selected food crops, especially rice and wheat. It provided effective price and market support for farmers and deployed a wide range of measures to

generate employment and income for the rural poor with a view to improving their level of well-being including better physical and economic access to food grains.⁹

In the third period, there was an increase in the food grains production in the country. The buffer stock accumulation too increased heavily. With this, the initial emphasis on buffer stock maintenance and price stabilisation shifted to increase in PDS supplies. In the 4th plan 69-74, it states that "in so far as food grains are concerned the basic objective is to provide an effective PDS. The procured quantities were in excess compared to the need PDS needs and minimum reserve was maintained. In fifth five year plan, programmes such as Food for work, Antyodaya etc⁹ⁿ., were started with a view to alleviate poverty as well as to reduce the overstocking of FCI godowns. The imports gradually declined in this period and during the year 1975, there was a net export of food grains though it was a small quantity. Imports were continued with relatively very less quantities to maintain level of buffer stocks. The government strengthened the PDS in this period, so that it remained a "stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods".¹⁰

Till late seventies, the PDS was largely confined to urban population and did not guarantee adequate food to the rural poor in times of crisis. During the late 1970's, and early eighties some state governments extended the coverage of PDS to rural areas and also introduced the target grouping approach. These states are Kerala, Gujarat, Tamilnadu, and Andhra Pradesh. This was also because there was a marked change in the food situation particularly in the later years, during 80 's and early 90's. Thus the net availability of food grains which had increased from 74 million tons in 1968 to 99 million tons in 1977, witnessed a rapid rise in later years reaching 158 million tonnes in 1991 (Government of India 1994).

Thus, while the PDS was started initially to meet the crisis situation, by the Sixth Five Year plan, the PDS was viewed "as an instrument for efficient management of essential consumer goods " necessary for "maintaining stable price considerations".¹¹

V.M.Rao (1995) says, "from a situation where the policies remained pre-occupied with management of scarce supplies, the economy has now seems to have reached a stage where the food grain sector could provide a powerful stimulus to overall growth and development".¹²

(iii) Planning and PDS

The evolution of the PDS in the country also corresponded with the planning for PDS and the changes in the perspectives of plans over a period of time. From the beginning of First Five-Year Plan (1951-56), the need for PDS on a regular basis, for the country to provide help to the poor and to some extent for generating down ward pressure on prices has been emphasised. In the Fourth Five-Year plan (1969-74) the initial emphasis on buffer stock maintenance and price stabilisation was shifted to increased PDS supplies. For eg. it was stated in the Fourth Five Year plan document (1969-74) that in so far as the food grains are concerned the basic objective is to build an effective PDS. By Fifth Five-Year plan (1974-79) a major role for PDS was envisaged in ensuring supplies of essential goods of mass consumption to people at reasonable price particularly to the weaker sections of the society. During the Sixth Five Year Plan (1980-85), PDS was expected to develop such that it remains hereafter a stable and permanent feature of the strategy to control prices, reduce fluctuations and achieve equitable distribution of essential consumer goods. Expansion of PDS to cover all areas was made an important point of action under the 20-point programme, during 1975, at the time of emergency. The Seventh Plan (1985-90) has specified that the PDS will be a permanent feature of the strategy to control prices, reduce fluctuations and achieve equitable distribution of essential consumer goods. Expansion of PDs to cover all areas has been made an important point of action under the 20-point programme. It also announced a special scheme for supply of food grains at special concessional price to the people in areas covered under Integrated Tribal Development Programme (ITDP) was also implemented. An elaborate arrangement for procurement operation and distribution through the PDS outlets was worked out which involved a certain amount of government subsidy. Further

procurement was linked with the policy of providing a minimum support price to the farmers. Thus, by the Seventh Plan, the PDS in India had close links with food security for the vulnerable sections of the population, policy implications regarding budgetary support for food subsidy, and a food price policy.¹³

During the Eighth Five Year Plan (1990 -95) the supply of food grains through PDS were increased by extending the coverage to more rural areas and use of food grains for employment generation programmes,¹⁴ like National Rural Employment Programme (NREP) and the Rural Landless Employment Generating Programme (RLEGP). Subsequently, these programmes were modified and combined into the Jawahar Rozgar Yojana (JRY). The introduction of providing food security through generation of employment, and linking it to programmes of poverty alleviation has added yet another dimension to the policies.

(iv) Features of the PDS

Thus what started as a programme of food supplies to the famine and drought victims in 1939, PDS has increased its scope of work to include a larger gamut of operations for procurement, and distribution of food grains and other civil supplies, pricing policies and so on. The essential features of the PDS can be summarised as follows: ¹⁵

- 1) It is a system of distribution of selected essential goods through the fair price shops (commonly known as ration shops' or co-operatives (owned by the government) which are operated by private dealers under the government's control and direction.
- 2) Rice, wheat and sugar have continued to occupy a predominant position throughout the period. The other important items are kerosene, edible oil etc.,
- 3) The working of the PDS did not in any way hinder the functioning of the free market mechanism except in the limited statutory rationing areas but works along

with it. Hence, this could be viewed as a "dual economy" in the essential commodities. Consumers are left free either to purchase through Fair Price Shops or in the open market.

- 4) The required amounts of food grains and other items are obtained by the government through internal procurement and or through imports and a buffer stock is maintained with a view to meet scarcity situation. The government feeds the PDS with supplies, bears the cost of subsidy, decides as to which goods to supply, at what rates, what amount to be sold per head or per family etc.,
- 5) The aim is to provide atleast a basic minimum quantity of essential items at reasonable prices specially to the more vulnerable sections' of population and also to stabilise their open market prices or atleast to prevent an undue rise in such prices under conditions of shortage. The prices charged are usually lower than open market prices and also lower than the procurement and other costs incurred by the government.
- 6) It has been primarily an urban oriented system. Its genesis as well as growth has been in those sensitive urban areas where a shortage of food grains and other essential commodities could become political liabilities of government.

The PDS has been designed and implemented by both the central and state governments. Central government mainly deals with the buffer stock operations (through FCI) and also controls the external and internal trade of food grains. The Central government through its procurement activity tries to even out the differences of surplus and deficit food grain producing states.

(v) **Management of the PDS**

This section describes the management structure of the PDS in India. This includes a descriptive detail of the aspects regarding policy formulation, fixing of objectives of

PDS, strategy for procurement and distribution of food grains and other essential commodities.

(vi) Organisational Design of PDS in India

Policy

Formulation:

Government of India, Planning Commission

Objectives:

Decided by the department of Food and Civil Supplies and Planning Commission, Government of India

Implementation:

Ministry of Food and Civil Supplies, Department of Food

Consumer Advisory Council

CACP recommends Prices

Procurement:

From Farmers, Traders / Millers and imports by FCI and NAFED

State Co-operative Marketing Federation Private Trader as agents

Distribution

Warehousing &

Transportation:

Warehousing Corporation, FCI Regional depots

Whole salers Flour Millers Exports

State Civil Supplies Department and / or Corporation

District Supply Officer

Retailing:

Block Revenue Officer

Consumer / Advisory Committees

Fair Price Shops

Types of FPS, Co-operative, Private and Government

PDS Consumer

Source. From Tyagi & V.S Vyas (1990): Increasing Access to Food: The Asian Experience, Sage Publications, New Delhi.

(vi.i) Policy Formulation

The basic approach to the PDS is decided by the Planning Commission, Government of India after detailed discussions by expert groups. Various plan documents contain the statement of objectives of the PDS as described earlier. The planning Commission, the main policy formulating body of the government decides about the objectives. The PDs has been assigned multiple objectives such as

- 1) Stabilising prices of essential goods.
- 2) Aiming at an equitable distribution of essential goods.
- 3) Providing essential items to vulnerable sections of the population at reasonable prices.

To achieve the above objectives of procurement and distribution of the PDS, the Department of Food Ministry of Food and Civil Supplies prepares the plans.

(vi.2) Procurement

The availability, procurement and public distribution of food grains 1985-1998 is given in Table No.2. In order to meet the requirements of the PDS food grains are to be acquired. Prior to the establishment of the Food Corporation of India (FCI) in 1965, procurement from internal sources was limited. It was the responsibility of the State Department of Revenue and the Department of Civil supplies to procure food grains by imposing a levy on farmers, traders and millers. The major source of procurement prior to the mid-sixties was imports under PL-480 handled by the Government of India through the State Trading Corporations.¹⁷ As mentioned earlier, since 1965, internal procurement has been managed by the FCI and the state agencies such as the Civil Supplies

departments or Civil Supplies Corporations. As part of the procurement strategy, cooperatives were also encouraged as agencies through which these organisations could procure food grains.

The Food Corporation of India generally purchases food grains in the regulated markets and pays a commission to the agents for their services. The price paid is fixed by the government on the recommendations of the Commission for Agricultural Costs and Prices. In order to facilitate procurement, the prices in surplus states are depressed by restricting movement of grains outside the zones so that the prices closely approximate the support prices. Presently zoning is officially banned. It has been commented that compared to the prices in the open market in consuming states, the price offered by the FCI is generally lower which does not justify its being called as 'incentive price'.¹⁸

The important decisions in procurement regarding the quantity to be procured and the prices to be offered. As mentioned earlier, prices to be offered are recommended by CACP. The Commission takes into account, the cost of production for agricultural commodities, crop situation and so on while deciding the price. The government generally accepts the recommendation and instructs the FCI to procure goods at the suggested price.¹⁹

The procurement price mostly acts as a support price in the case of wheat whereas for rice, it is a levy on the millers. Even in the case of wheat, at times it is a compulsion on farmers to sell to the FCI at the procurement price when it falls below market prices. This could happen in several ways. For eg. the traders are not allowed to bid in the procurement season until the FCI has achieved its procurement target.²⁰

The decision about the quantity to be purchased is difficult. Generally, a target is fixed keeping in view the crop situation. However, because a support price is given to farmers, the FCI has to buy whatever is offered by farmers. In order to manage its operations, the FCI has several regional offices and for the purpose of administration, the country is divided into 135 FCI districts.

A large proportion of procurement for wheat is concentrated in four states of Punjab, Haryana, Uttar Pradesh and Madhya Pradesh. In the case of rice, Punjab, Haryana, Andhra Pradesh, Tamil Nadu are the important states. Procurement of rice from millers is in the form of levy. The levy is also being imposed on traders.²²

The FCI carries out all the operations on behalf of the Central Government, and takes care of all aspects of the system from procurement, renting of warehouses, and storage to allocation to states. The net costs that it incurs in this operation over and above sales realisation through PDS is reimbursed to it by the Central Government and is referred to as 'food subsidy' in all government documents. The FCI maintains a buffer stock in order to stabilise grain prices and to provide minimum support prices to protect the farmers.²³

(vi.3) Distribution

Distribution of food grains is as complex as the policy of procurement. It involves the following decisions.

1. What quantity of food grains must be allocated to different states,
2. What should be the issue price?
3. What should be the distribution agency at the retail level and the allocation agency at the different regional levels?
4. What should be the arrangements for transportation, storage and coordination?
5. What should be the retail price and margins of different agencies?

While storage and transportation has been the responsibility of the FCI upto the regional depots, transportation is generally arranged through private contractors. Lifting of grain from the regional depot is the responsibility of the state governments. And it is the responsibility of the fair price shops from the depots, except in some states such as

Andhra Pradesh where transportation is provided by the State government upto the Fair Price shops level.²⁴

The fixation of the total quota to be supplied to each state is determined by the Central Government, keeping in view the production of food grains in the state and the off-take in the previous months, Prices for the consumer are determined by taking into consideration, marketing costs, open market prices, fiscal burden and the paying capacity of the consumer. If the prices are less than the cost of marketing and procurement, the FCI is reimbursed by the government from the general exchequer. A part of this reimbursement is the cost of administration, while part is subsidy to the consumer

(vi.4) Retailing

At the retail level, three types of Fair Price Shops have been set up viz.: private, co-operative and government owned. Though efforts to promote co-operative Fair Price Shops have been made since the third plan, the spread of co-operative stores has not been rapid.

Decision about the location of Fair Price Shops is taken by district level officials keeping in mind, the stability of the applicants and the size of the village. Local political pressures also play an important role in this decision.²⁵ In some states, mobile Fair Price Shops for interior remote areas have been arranged. The operation of the Fair Price Shops is supervised and monitored by Food Inspectors.²⁶ An Advisory Council on the PDS has been setup to monitor the working of the PDS at the national level along with a Consumer Advisory Committees at the district and block level to look out the problem of consumers.²⁷

Though, most states get their supplies from the Central Government, some variations in the management of the PDS at the state level is observed. The state Civil Supplies Department or Food Corporation of India manages the distribution of grains through the Fair Price Shops. However, in Andhra Pradesh, where the PDS has been

targeted to people earning below Rs.6000/- and where substantial subsidy is given to consumers on rice, the State Government has to arrange its own procurement, storage, transportation etc., Commodities to be covered are generally fixed by the State Governments. But the Central government has listed wheat, rice, sugar, gas, kerosene, oil and cloth as essential items, which must be covered under the PDS, while state governments could add other commodities depending upon the local situation. However, the arrangements for procurement of other commodities have to be made by the concerned state governments.

(vii) Coverage of PDS in India

The PDS is a rationing mechanism that entitles households to specified quantities of selected commodities at subsidised prices. Eligible households are given a ration card, that entitles them to buy fixed rations (varying with household size and age composition) of selected commodities. The six essential commodities supplied through the PDs nationally are; rice wheat, sugar, edible oils, kerosene and coal. Additional commodities like pulses, salt, tea are supplied selectively.²⁸

The commodities are made available through a network of fair price shops. In 1994, there were around 0.42 million fair price or ration shops in the country (0.32 million in rural areas and 0.099 million in urban areas). These shops were run by private agents, co-operatives and a few were state owned. An important feature of the PDS is that the responsibility for implementation, monitoring and for enforcement of legal provisions relating to public delivery rests with the state governments.²⁹

Since the mid 1980's, the coverage of the PDS was extended to rural areas in some states. Thus it acquired the status of a welfare programme. An effort was made to extend subsidised food grains in 1985 in all the tribal blocks covering about 57 million persons. The Revamped PDS has been later expanded to cover 1,752 blocks with a high incidence of poverty covering 164 million persons. The number of Fair Price Shops (FPS) was increased in rural areas to provide agencies for distribution of subsidised food

grains In several employment generation programmes like National Rural Employment Programme, Rural Landless Employment Generating Programmes, subsidised food grains were distributed as a part of wages.³⁰

The food subsidy component of the Central Government is given in Table. 1 1 (central government expenditure on food subsidy). It may be noted that there has been a continuous increase in PDS expenditure, which rose from Rs.6.50 crores in 1980-81 (at current prices) to Rs.2.800 crores in 1992-93. But there was a big jump in expenditure during 1993-94 to Rs.5, 537 crores. Thereafter in 1994-95, the expenditure registered a small decline to Rs.5, 100 crores. As a proportion of Central Government expenditure, it was in the range of 2.9 to 3.1% during 1974-75 to 1985-86. Thereafter, it declined to a low level of 2.22% during the first phase of economic reforms, but responding to popular pressure to continue the scheme as a welfare measure along with a price stabilization instrument, it went up sharply to 3.8% in 1993-94 but was reduced to a level of 3.0% in 1994-95. Even during 1995-96 and 1996-97, it remained between 2.8 to 2.9% in 1997-98 and 1998-99; it was 3.2% of total central government expenditure.³¹

As a proportion of GNP, PDS expenditure was 0.53 in 1980-81 (at current price) and reached a level of 0.71 percent in 1985-86, but gradually declined to 0.45% in 1992-93. It went up sharply to 0.78% in 1993-94, but was reduced to 0.55% in 1994-95 and further declined to 0.48% in 1996-97 and thereafter rising again and was 0.60% in 1998-99.³²

The availability, procurement and public distribution of food grains 1985-1998 is given in Table No.2. Between 1985 and 1997, annual procurement of food grains has been 20.8 million tons, of which 17.2 million tons were distributed in the PDS. Food grains distributed in the PDS accounted for 11.6% of net availability on average in the 1990's, however, the amount distributed through the PDS has fallen substantially from 20.8 million tonnes in 1991 to 14 million tonnes in 1994. This fall in distribution has been accompanied by a rise in stocks. One of the reasons for this fall in purchases from the PDS is the narrowing price differential between PDS and market prices. Although,

distribution of food grains through the PDS has risen in the last few years, it remains below the peak of 1991.³³

Although, rice, wheat, sugar, edible oil, soft cake and kerosene are sold through PDS outlets, but of these 4 items, viz., rice, wheat, sugar and kerosene account for 86 percent of total PDS sales. Sugar alone accounts for 34.84 percent, followed by rice (27 percent), wheat 10 percent, and Kerosene 15 percent, coarse cereals (bajra, jawar and other coarse grains), which are largely, consumed by the poor account for less than one percent of total PDS sales. The share of pulses, the main source of protein for the poor, is less than 0.2 percent. (Table 3: A profile of purchases from PDS, All India)

According to Dr.M.H.Suryanarayana, "a break up for rural and urban sectors separately shows that sugar, rice and kerosene are relatively more important items sold through the PDs in the rural sector, while rice, sugar kerosene wheat and edible oils in the urban. Thus, there is some basis for the general impression that the PDs commodity composition is weighted in favour of items supposed to be consumed largely by the relatively riches sections of the society".^{33a}

See Annexure for Tables:

TABLE -1 Central Government expenditure on food subsidy.

TABLE - 2 Availability, procurement and public distribution of food grains, 1985-1998.

TABLE - 3 A profile of purchases from PDS: All India.

TABLE - 4 Income transfer to poor, non-poor and all classes due to PDS in 1986-87.

TABLE - 5 Decline in poverty percentage due to PDS in 1986-1987.

- TABLE - 6 Dependence on PDS for purchase of grains, selected states, rural areas, 1986-87.
- TABLE - 7 Dependence on PDS for purchase of grains, selected states, urban areas, 1986-87.
- TABLE - 8 Distribution of PDS grains in selected states, 1993-94.
- TABLE - 9 A comparison of the Annual percapita food grain distribution under PDS in selected states in 1981 and 1991.
- TABLE - 10. Share of bottom 20 percent of population in PDS quantity distributed 1986-87.
- TABLE - 11. Central issue prices of food grains, 1990 to 1998.
- TABLE -12. Composition of commodity wise market dependent population: All India
- TABLE -13. Monthly Per Capita cereal consumption (Kg.) by select docile groups.
- TABLE -14. Central food grains stocks and minimum buffer stock norms.
- TABLE - 15. Cost per Rs.1 of income transferred by various programmes (1986-87)
- TABLE -16. Food share or food expenditure as a proportion of total expenditure All India: (1993-94)
- TABLE - 17. Minimum Support Price (MSP) of wheat, Recommended and Actual. 1984-85 to 1996-97

(viii) **PDS: An Assessment**

According to Tyagi (1990), while deciding the relative success or failure of the PDS, the policy statements on PDS coverage are essentially based on the assumed role attributed to it. Often the coverage related roles attributed to PDS include food security, avoiding distress purchases, equity in distribution with respect to income inequality and regional inequalities. Depending on the specific roles attributed by the analysts, there have been differing views on the relative success or failure of the PDS. Their observations relate to the fulfilment of main objective of providing food security to the poor inherent urban bias, leakage to non-poor and inter-state variations in the coverage of population below the poverty line.³⁴

According to V.M Rao, the initial thrust and foundation for the later evolution of the food security system were provided by the green revolution in wheat and rice. He further stated that the disconcerting feature of the system was that, even after three decades, it still remained almost exclusively dependent on these two crops. This has been the source of many weaknesses and distortions. The price support policy for rice and wheat, which nurtured the green revolution and promoted its spread, according to him is now in need of major revision. The policy has had the effect of prompting the fanner to bring his produce to the public agency almost immediately after harvest. As a result, procurement became a significant operation to be rushed through within a few weeks having little time for essential procedures like grading and checking the produce for its quality and condition. More importantly, given the anxiety of the government about adequate supply of rice and wheat and the increasing reliance of procurement on purchases at minimum support prices, it was inevitable that pressures cumulate for progressive increase in minimum support prices and as a consequence, price policy instead of limiting itself to preventing crash in market prices, may begin to operate as a factor causing rise in them.³⁵

At the same time, the Commission for Agricultural Costs and Prices has been repeatedly pointing out in its reports, instances of price support mechanism remaining inactive in backward areas which do not contribute much to procurement (Government of India). The food security system could also be faulted for pursuing a price policy which goes against the interests of the poor. It has been pointed out by Dantwala and many others that procurement has the effect of raising the market price of rice/wheat some the level which would have prevailed in the absence of procurement.³⁶ S.Geetha (1997) showed how procurement and buffer stocking make food more costly than it need be and hurt the poor. Moreover, according to Radhakrishna and Subba Rao the system was inherently costly as it is based on the surpluses of two superior cereals-rice and wheat-generated in a few green resolution pockets; Punjab, Haryana and western Uttar Pradesh. These surpluses have to be procured, stored and distributed all over the country.³⁷

Another major point of criticism with the food security system according to Dantwala, is its highly centralised and bureaucratised mode of operation. The very name of FCI has become a red tag to some critics. A little reflection according to Dantwala would show that only a FCI like organisation would be able to operate a food security system based exclusively on rice and wheat. The surpluses of these crops and hence, their procurement is concentrated in a few states and, given the minimum support price which remain fixed for a crop year, the farmers take the first opportunity to deliver their produce when harvesting starts, except when a substantial rise in the price of grain is expected in the later part of the season. The quantities of grains thus mobilised have to be allocated to areas all over the country maintaining a steady flow of monthly instalments of grains supplied at a subsidised price. He further states that this has to be a command operation as the normal trade channels working for profit may not find the task sufficiently attractive to undertake.³⁸ Researchers have shown that performance wise, FCI compares poorly with private trade.³⁹ Such comparisons are a little unfair to FCI, as it is doubtful whether the FCI has sufficient measure of autonomy to function like a business organisation.

V.M.Rao says "the persistent weaknesses observed in FCI operations are a clear symptom of over-centralisation. While efforts to tone up the personnel and working of the corporation need to be undertaken, the more fundamental task is to reorganise the food security system itself on a decentralised basis. In the event of such a reorganisation, FCI with its specialised experience and expertise, would be in a position to play a major supporting role to help the decentralised food security system to become operational."⁴⁰

Another problem with the PDS, according to Ahluwalia is the amount of leakages of food grains and other commodities in the form of losses in the transport and storage and diversions to the free market. According to some estimates, a little more than a 3rd of the food grains sugar and half of the edible oil, 38% of wheat, 36% of rice, 39% of sugar and 55% of edible oil does not reach the actual users of PDS. The major part of the leakages is due to the diversion of food grains to the free market. Some times, shop owners make bogus entries in the ration cards.⁴¹

Moreover, access to PDS is confined to a mere 36% of our people. Its distribution is highly skewed between urban and rural areas. Access percentage is as low as five in Bihar, 6 in Orissa and 7 in Uttar Pradesh. It is 70% or above only in the South. The four southern states and Maharastra and West Bengal alone account for half of the off take from PDS.⁴²

If we notice the extent of utilisation of PDS and its coverage, the only survey of the utilization of PDS is that undertaken by the National Sample Survey (NSS) in 1986-87, at the national level. Kirit Parikh analysed the data from the 1986-87 survey for all states and by household expenditure claims and reported the proportion of households who made no purchases of grain from the PDS.⁴³ Among those who bought grains from the PDS, two categories were demarcated, those for whom PDS grain accounted for total purchase of grains and others for whom it accounted for only part of their purchase of grains. Table No.6 shows the results for the rural population, to Uttar Pradesh and Bihar, around 98% of the rural population did not purchase any grain from the PDS. to other words, it reached only 2% of the population. In Kerala, by contrast, over 87% of

the population purchased grain from the PDS, 8% purchased only from the PDS store; whereas 97% purchased from the PDS and the open market. Among the smaller states, utilisation of the PDS was high in Mizoram (93.6%) and Goa (79.6%). In the two southern states of Andhra Pradesh and Tamil Nadu, around 55-60% of the population was covered by the PDS. Table No.7 shows the findings for the urban populations. Again, the picture is very similar with 89% of the population 93% of the population in Uttar Pradesh and Bihar not making any purchases from the PDS.

Two conclusions can be drawn from these findings. Firstly, the PDS is highly differentiated across states and one has to be very careful about making generalisations at the national level. Secondly, the coverage of a PDS is very limited in most of the states with the exception of Kerala, Goa and Mizoram. In other words, the PDS is not reaching the vast majority of the population.⁴⁴ Tyagi (1990) finds that the coverage of poor by PDS tends to be very low precisely in states like Bihar, Orissa and Madhya Pradesh which are backward in terms of per capita incomes and are much below the national average. The pattern of distribution of grains, according to him did not seem to be related to the extent of poverty. Hence, there are considerable regional disparities of food grains under PDS.⁴⁵

Dev and Suryanarayana (1991) says there has been urban bias in the distribution of food grains in the northeastern states and West Bengal.⁴⁶ Moreover, the cost of operation of PDS is too high. A rupee of income transfer through food and non-food items sold through the PDS involves a fiscal cost of Rs.4.27 to the government making the scheme grossly unsustainable.

On cost effectiveness, Radhakrishna's study reveals that under the PDS, the cost of transferring one rupee of income to the poor was Rs.5.37. The welfare gain from PDS is very negligible on per capita terms, it works out to only Rs.2.01 per month in rural areas and Rs.3.40 per month in urban areas. For the community as a whole, the reduction in due to PDS is hardly two percentage points of the poverty ratio.⁴⁸ Kirit Parikh says, "The cost effectiveness of reaching the poorest 20% of households through

PDS cereals is very small. For every rupee spent less than 22 paise reach the poor. This is not to suggest that PDS does not benefit the poor at all but only to emphasize that this support is provided at high cost.⁴⁹ Based on his calculations on the value of subsidy obtained from cereals distributed, parikh concludes that PDS delivers a meagre support to the poor hence PDS is not an effective strategy in reaching the poor.⁵⁰

Jharwal's analysis shows that PDS accounted for only 17.5% rice consumption and 11.8% of wheat consumption of the poor⁵¹

In the early 1990's the objective of providing cheap food was undermined by the steep increase in prices of food grains sold through the PDS. Between 1990 and 1994, the central issue price of the common variety of rice rose 86% and that of wheat to 72% (see Table No. 17) During the same period, the consumer price Index for Agriculture Labourers (CPIAL) rose by 53%. In other words, the cumulative increase in prices of major food grains sold in the PDS was higher than the increase in general price indices. Not surprisingly, the price difference between the open market and the PDS narrowed. The rise in issue prices was checked after 1994, prices were held constant from 1994-96 when a dual price regime was introduced as part of the targeted PDS.⁵² Radhakrishna (1994) makes the telling point that during the recent inflationary phase which witnessed a much faster rise in food grains prices, particularly coarse cereals, the allocation of food grains for the anti-poverty programmes had actually declined. Obviously, this would impose a heavy and regressive burden on the poor, who though intended to be the main beneficiaries of the food security system, have to depend on the market for a major part of their food grain requirements.

V.M Rao (2000) says that while the Public Distribution System is ostensibly for the benefit of the poor, it is not targeted on the poor and has shown little concern to extend its reach to areas where food distress is widespread among the poor. A food security system should have a dependable provision to ensure that the poor have the capacity to pay for the food grains made available to them. This is not the case in India. Employment programmes and PDS operate as separate activities. A link between them

could have improved the access of the poor to food grains while food subsidy is growing, one cannot be sure that it is really going to the poor.⁵⁴

To sum up, it would be appropriate to emphasize that whereas the coverage of the PDS is wide and it is able to help large sections of the poor, yet the fact of the matter is that it provides only a temporary relief. For the purpose of providing enduring food subsidy to the poor, it has been suggested that it would be more appropriate to emphasise strategies, which reduce poverty. The role of rapid economic growth with larger employment generation assumes crucial importance.

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CHAPTER-III
DEBATES ON UNIVERSAL VS TARGETED TRANSFERS
AND POLICIES ON FOOD SECURITY-(1996&2000)

In the preceding chapter, the PDS as it evolved in India and its working has been studied. There has been a debate on whether the PDS has effectively and efficiently reached the poor. In this context, several policy makers and scholars have suggested that there should be a better targeting than universal transfers, while others have vehemently criticised the targeting approach. The present chapter draws attention to the debate on whether PDS should be universal or targeted in its approach.

Since 1991, the Central government has been looking at ways of reducing the food subsidy. The Government of India's Economic Survey 1992-93 stated that "while the PDS has to be continued to help the poor, the burden of subsidy on the Central budget has also to be restrained" (Government of India 1993, p.92). The same document suggested that a "phased withdrawal of food subsidies by targeting the PDS would help in the control of inflation" (Ibid P.93). The following year, the government stated that "whereas elimination of food subsidy is neither desirable nor feasible in the short and medium term, there is a strong reason to contain it" (Government of India 1994 P.66).

In this chapter, an attempt has been made to present the theoretical debate on Targeted vs. Universal transfers. And it also examines the Targeted Public Distribution System and the budget proposals for the year 2000 on food security system.

Targeted Transfers

In order to shift from universal to targeted transfers so as to contain the expenditure on PDS, various criteria for exclusion of people from PDS have been suggested. One government recommendation was that, "income tax payers, salaried employees in government; the public and private sector, registered shop owners, sales tax assesses, telephone owing families and residents of posh housing colonies," be excluded from PDS (Government of India 1994 p.66). It has also been suggested that commodity based targeting be introduced, whereby the public food delivery system supplies only

commodities that are likely to be consumed by poor. Coarse cereals have been suggested for use in commodity based targeting ¹

Another economist, Ahluwalia was of the opinion that since superior varieties of rice and wheat supplied through the PDS attracts the rich and non-poor, he suggested that only inferior varieties of rice and wheat be supplied in order to restrict the use of PDS to the very poor and destitute.²

Bhagawati and Srinivasan have also suggested a shift to a system of food stamps that enables the holders of these stamps to pay for part of the cost of the purchases from the open markets. They suggest that food stamps be issued only to persons belonging to a target group, with the value of food stamps fixed in nominal terms or indexed to some commodity.³ The same opinion was expressed by M.H Suryanarayana in support of food stamps in the place of PDS. The major advantages he claimed for the food stamps programme are that they ensure higher food-consumption without entailing the administrative burden and costs associated with a system of general subsidies. The Government can also do away with the entire network of FCI and the Fair Price Shops; and therefore, can do away with even the associated budgetary cost to the government and the economic costs to the society. By introducing the food stamps it is also argued that the income earned is directly utilised for consumption of food. In a cash transfer system, there might not be a guarantee that the wages earned would be actually spent on food consumption. Thus since the food system ensures that the stamps will be used for getting food against the system of cash which may be spent on the entire consumption basket, it is seen as a more effective system of provision of food security.⁴

K.S Parikh and V.S Vyas also suggested on grounds of cost-effectiveness that the PDS be substituted by employment-generation schemes; like Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS) and Integrated Rural Development Programme (IRDP). Based on his calculations on the value of subsidy obtained from cereals distributed, Kirit Parikh concludes that PDS delivers meagre support to the poor. According to him, a targeting programme such as Employment Generation Schemes

would deliver much more benefit to the poor than PDS does through cereals. He advocates that food coupons should be given only to the workers under Employment Generation type programmes in order to lift them above the poverty line.⁵

According to Radha Krishna and K.Subba Rao, the authors of the World Bank Study 1997, the PDS be targeted to the very poor. As the report puts it, it becomes necessary, "to distinguish between the very poor and the moderately poor and improve efficiency of PDS in transferring food to the ultra-poor" (World Bank Discussion Paper No.380 P. 16). The very poor are those households that have expenditures less than three-fourths of the official poverty line level of expenditure. The moderately poor are the remaining households with expenditures below the poverty line. In short, an extremely narrow form of targeting is being propagated: not just targeting to those below the official poverty line, a very low absolute level of expenditure, but to a group within the poor".⁶

Amartya Sen (1995) state that the benefits of targeting will be limited, if the scale of food poverty and insecurity, is widely prevalent. He argues that the leakage from a universal programme especially if implemented on a large scale. On the other hand, according to him, the programme of providing targeted transfers is effective, if food insecurity is low, and food subsidies need to be provided to a small section of the population. Thus, when there is mass hunger, it has been stated that priority must be given to welfare in terms of nutritional outcomes. He also cautions that the errors of wrong exclusion and associated costs of targeting may be high. He therefore recommended broad targeting as it is more inclusive and likely to lower the costs of wrong exclusion.

Universal Transfers and the Logic

There are others who explicitly take a stand that universal transfers of food security is a more efficient system than the targeted approach. Cornia and Stewart (1993)⁹ measure the costs of switching from a universal system of food distribution to a targeted system. They calculated that the the costs of including the non-poor were

essentially budgetary costs, that is, higher expenditure due to the inclusion of ineligible beneficiaries, but that of excluding the poor was welfare costs, i.e. costs to individuals and society due to inadequacy of food, malnutrition, ill health etc.¹⁰ According to them, the errors associated with the universal transfers ensures that the welfare costs are met and that atleast all the poor are reached out to it

From their survey of public programmes in nine developing countries, Cornia and Stewart conclude that in a number of countries, targeted schemes have replaced universal schemes. According to them, in most cases, the shift from a general to targeted subsidy, led to a reduction in the real value of the subsidy. They stated that the administrative costs are estimated to be higher for the targeting scheme ranging from 2% to 5% of the total cost of the scheme and that "the shift from universal to targeted scheme could actually generate large welfare and efficiency costs".¹¹

According to Madhura Swaminathan, targeting in itself involves private and social costs and these costs may be high. The most obvious costs are the costs of administration. According to her, targeting, raises the costs of delivery and administration as the target group has to be identified on the basis of specified criteria, say income. Given the structure of Indian economy, which has a large, agricultural and self employed sector, and the ability of administrative organisations to collect accurate information, the costs of administering a targeted programme are likely to be high. If targeting has to be effective at all then the criterion such as geographical residence may be easier to implement and less costly than targeting by income or nutritional status.¹²

Amartya Sen argues that social costs arise when targeting excludes the needy (what is commonly referred to as a type II error and termed 'information distortions' Targeting may also lead to incentive distortions' whereby people alter their behaviour in response to targeting, leading to losses in social output. According to him, social costs can also be attached to the invasiveness of targeting since the identification procedure can involve probing and policing people's lives. In short, Sen states that the costs of

targeting can be sizeable and may outweigh the fiscal gains to be obtained from targeting"

When programmes that are universal become targeted, the quality tends to deteriorate as the oft-heard phrase, "programmes for the poor are poor programmes" suggests Vande Walle.¹⁴ Madhura Swaminathan says that targeted programmes often end up being inferior universal programmes. Worsening quality can undermine the objectives of the original programme. Due to the fact that the target is the poor, the quality of food distributed is so bad as to be unsafe. To take another example, according to her, delivery may become irregular when only the poor are to be provided with the benefits.¹⁵

Swaminathan also opines "that targeting may lead to social stigma and can reduce social cohesion."¹⁶ "It can be invasive and intrusive and result in greater social divisions. Segregating households on the basis of incomes in a country where the poverty line reflects a very low absolute level of income and where there is a fluidity of households around the poverty line can lead to social tensions and polarisation. To put it differently, targeting very narrowly is likely to lead to the exclusion of some genuinely poor households from the programme, and create divisions among the poor, and such divisions can exacerbate existing forms of caste and gender oppression"¹⁷ Lastly, according to her, "targeting is likely to reduce political support for a programme, and reduced support can result in lower allocations for a targeted programme. To state it differently, the budgetary allocation depends on the type of programme, and typically allocations fall when a programme becomes targeted. If the budget support for a programme is made endogenous, then targeting may be worse for the poor than a system of universal transfers."¹⁸ In this context, Sen says, "there is a good body of evidence, from developed and less developed countries that political support differs as between universal and targeted transfers. The differences in political support get reflected in the size of the transfers, both in per capita terms and in terms of total transfers, and in the very continuation or dismantling of a programme"¹⁹ So, the inclusion of the middle classes in a welfare programme may be necessary on purely pragmatic grounds for they "play a

crucial role in creating, expanding, sustaining, reforming and dismantling the welfare state"²⁰. Hence, M.Swaminathan states, 'targeting is far from costless and when all the costs are accounted for, the benefits of targeting may vanish. Hence, the need to openly recognise and assess the relative costs and benefits of targeted and universal transfers. In a poor country, the most important factor, perhaps is the cost of exclusion. If the errors of exclusion are large, and costs attached to these errors are high then universal programmes are to be preferred".²¹

Praful Bidwai presents his arguments in favour of universal transfers. He says, access to the PDS is confined to a mere 36% of our people. Access percentage is as low as five in Bihar, six in Orissa, seven in Uttar Pradesh. It is high 70% or above only in the South. The four southern states and Maharashtra and West Bengal alone account for half of offtake from PDS. So there is a need to improve the access percentage in the rest of the country to 50%, 70%, 90%. This means setting up more shops, issuing more ration cards to people without pucca addresses, and supplying more grain. National Sample Survey (NSS) data underline the need to include under the PDS, 90% of rural people, who spend less than Rs.385/- per month. It is far more important to guarantee access of the PDS for some 80% to 90% of our people by opting for universal transfers than to go for selective targeting ,²³

In practical terms of administration, according to Madhura Swaminathan, it makes sense to have defacto universal coverage when the target group is large. Our own experience as well as that of other countries suggests that errors of exclusion are larger for narrowly targeted programmes than for universal schemes. If we illustrate it with the case of PDS although upto 1997, the PDS provided universal coverage, in principle, in terms of implementation, it is worth noting that in the states that achieved broad coverage (in terms of utilisation) and where the PDS provided substantive quantities for family, the poor had better access to the PDS. In other words, in states with better implementation of the PDS, that is states with extensive coverage and effective distribution network such as Kerala and to a larger extent Andhra Pradesh, the PDS was used more by the poor than

by the rich. Thus, more widespread coverage, in practice was associated with higher inclusion of poor and lower utilisation by the rich.²⁴

To conclude, according to Madhura Swaminathan, "given the scale of hunger and malnutrition, there is strong case for near universal provision. In a majority of households, small fluctuations in incomes, in prices and in intakes can have serious repercussions on the health and well being of individuals. This implies that the weightage attached to every undernourished person who is wrongly excluded from targeted programme should be much higher than the weight attached to a rich person who benefits from the scheme. Hence, broad targeting or inclusive and likely to lower the costs of wrong exclusion, and therefore to be preferred in such a situation"²⁵

Thus a number of studies show that there are some strong arguments for universal transfers. They come from the perspective of rights, from social concerns like cohesion, from concern for political support, from concerns for participation and most importantly, the costs of exclusion. If the goal of policy is to ensure food security to all vulnerable persons, it leads right away to an emphasis on lowering the errors of wrong extension, and hence is a preference for universal programme.

Policy of Targeted Public Distribution System-1996

Acting on the Report of Working Group on National Policy on Public Distribution System (June 1996) set-up in the Planning Commission, Government of India, streamlined the PDS and introduced the current policy of Targeted Public Distribution System in an attempt to curtail the food subsidy.²⁶

TPDS, has been in operation throughout the country since 1997, with its focus on poor. State governments were made responsible for designing and implementing targeting mechanisms, for reaching the poor. They were required to identify the poor, issue special cards and deliver food grains to the intended beneficiaries.²⁷ The policy

initiated a targeting of households on the basis of an income criterion, which is used the income poverty line to demarcate "poor" and "non-poor" households.²⁸

The TPDS is different from the earlier PDS system in the following respects. First, a distinction between "below - poverty line" BPL and "above-poverty line" APL population is introduced with the two groups treated differently in terms of quantities and prices. With this, the Government of India initiated a policy of narrow targeting to households with incomes below the official poverty line. Secondly, for "non-poor" households, a transitory allocation was envisaged, one based on past levels of utilisation (although the period of transition was unspecified). According to Madhura Swaminathan, the policy no longer a guaranteed entitlement for the APL households.²⁹

This new policy of TPDS had an impact on entitlements, on the quantity of food grains distributed, on prices also on coverage. It altered the allocation of food grains as between states and also as between households within a state. These points have been elaborated by M. Swaminathan as follows:³⁰

First, the principle of entitlements has been altered from a per capita norm to a family norm. Ration scales were typically defined in terms of fixed quantities per person or per unit. (With an adult equivalent to two units, and a child equivalent to one unit). In the TPDS, however, each poor family, irrespective of size and need is entitled to a uniform quantity of food grains.

Secondly, the entitlement of a household has been reduced sharply as part of the TPDS: for eg. each poor household is entitled to only 10 Kg. of grain each month. To put this in perspective, the annual level of cereal intake recommended by the Indian Council of Medical Research (ICMR) is 135 kgs. per person (or 11.25 kgs. per month). On the other hand, for a five-member family, the new ration scale, of about 2 kgs. per person per month, provides less than 18% of recommended intake. State governments have been advised to revise and lower their ration scales to match the new principle of allocation.³¹ The guidelines of the revised TPDS clearly state that even if some States

offer 15 kg Per person it would not be possible to maintain such an "inflated scale of issue"^{31a}. Additional allocations demanded by States from the Central Pool, according to the policy of TPDS, are to be provided at commercially viable prices. So, State governments could provide more than 10 Kg. of grain to each poor family but they have to pay a high price for the additional provision.

Thirdly, the TPDS has introduced a dual price policy. Prices of food grains for allocations to families identified as BPL are lower than earlier prices for PDS allocation. At the same time, central issue prices have been raised substantially for allocations to the APL category. As a consequence, in most states, the prices of wheat and rice for APL allocations have risen steeply after the introduction of the TPDS ³². The budget has increased prices further, and brought them on par with market prices for APL consumers.

Fourthly, the share of different states in the distribution of food grains has altered after the TPDS was implemented. The states that earlier topped the ranking in terms of share of all-India distribution lost their positions after 1997. These changes stemmed from the new principle of allocation, mainly the guaranteeing of ten kilograms to the officially recognised poor population and quantity restrictions for the "non poor". States that were providing more than 10 kg. of food grain per family had to now buy the additional quantity at higher prices even for the distribution of the BPL population. In effect, the new policy according to Madhura Swaminathan, constituted an "attack on the PDS in those states where it has been functioning well" ³³.

Lastly, the method of targeting based on the income poverty line - had already led "to the exclusion of from the BPL category of millions of undernourished people and people at the risk of under nourishment. Identification of beneficiaries on the basis of a narrow income poverty line is faulty, conceptually and difficult to implement, resulting in large errors of exclusion. The entire process of selection of households has been slipshod and arbitrary and has resulted in large errors of exclusion."³⁴.

Here is one example, according to Kriesel and Zaidi (1999), of the type of arbitrariness involved in the present selection procedure. One of the existing central guidelines for the TPDS is that a family with income above Rs.20,000/- a year should be excluded from the BPL category. In Uttar Pradesh, the government undertook a survey and begun with a cutoff of Rs. 11,000/- per annum to identify BPL families. Later, the cut-off was reduced to Rs.9000/- per annum when the number of households by the final criterion exceeded the number of given by the expert group on poverty (Kriesel and Zaidi (1999) . In Maharastra, the government went one step further and issued BPL cards only to households with income below Rs.4000 a year (Moghe, 1997)³⁶. Having set rigid norms at the centre, state government adopted arbitrary procedures to arrive at a predetermined number of beneficiary households.

To sum up, according to Madhura Swaminathan, "the introduction of a targeted PDS has been accompanied by a reduction in entitlements, a lowering in the off take of grains and large scale exclusion of nutritionally vulnerable persons from the a BPL category. The new scheme entails a dual policy that has raised the cost of food grains to the poor. Further more the TPDS is biased against states that attempt to provide higher entitlements or wider population coverage and transfer the burden of subsidy from the centre to states."^{36a}

Revised PDS (2000) - Is It Really Pro-Poor?

Finance Minister, Mr.Yashwant Sinha, while presenting the budget for 2000-2001 announced the new targeted PDS., and steep price increases for rice and wheat supplied through fair price shops. Specially, central issue prices that is prices at which the Food Corporation of India (FCI) sells grain for the PDS to State governments would be at half the "economic cost incurred by the FCI for BPL households and at full economic cost for APL households."³⁷

In effect, (1) for families below the poverty line (BPL) the government has increased the allocation from 10 kgs per month in case of wheat and rice to 20 kgs. per

month but has hiked the central issue price from Rs.2.50 per kg in case of wheat to Rs.4.20 per kg and in case of rice from Rs 3.50 to 5.19 per kg.,

(2) For families above the poverty line (APL), the central issue price (CIP), will be Rs.8.40 per kg. for wheat and Rs. 11.78 per kg. for rice This implies that BPL families will get PDS supplies at a rate, which is 50% of the price to be charged from APL families.

(3) In case of sugar, average monthly allotment under the PDS has been increased from 375 gms. per head to 454 gms. per head- an increase of 21 % for BPL families. The PDS issue price of sugar has been raised from Rs.12 per kg to Rs.13 per kg. The government has decided to stop supplying sugar to income tax assesses and their family members. This decision would, therefore lead to the exclusion of an estimated 7.65 crore persons

(4) For the purpose of allocation of sugar, the country's population as on 1st March 1999 i.e., 98.13 crores - will be the basis, and not the census 1991 figure of 84.63 crores. Excluding the population of IT assesses and their families of the order of 7.65 crores, the levy sugar network distribution works out to be (98.13-7.65) 90.48 crores. Consequently, the annual allocation of sugar under PDS would increase from the existing 46.1 lakh tonnes to 51.16 lakh tonnes an increase of nearly 5.06 lakh tonnes.

The government has sought to justify the new targeted PDS by asserting that it promises to provide greater benefit to the poor by doubling the PDS allocation from 10.kg. to 20kg per head per month in case of wheat and by increasing the issue price of wheat and rice by 68% for BPL population, it intends to control the spiralling food subsidy bill.³⁸

Comparative Issue Prices Of PDS Commodities

Particulars	Wheat	Rice	Sugar
OLD RATES			
Above the poverty line	6.82	9.05	12.00
Below the poverty line	2.50	3.50	12.00
Difference	4.32	5.55	00.00
NEW RATES			
Above the poverty line	8.40	11.78	
Below the poverty line	4.20	5.89	13.00
Difference	4.20	5.89	

The revised PDS scheme would entail an additional burden on the government because the annual consumer subsidy for the country's 35 crores population would actually go up from Rs.5, 240 crores to Rs.7,457 crores, nearing thereby an additional subsidy of Rs.2,217 crores. By eliminating the consumer subsidy on the APL population, the government hoped to save Rs.2, 360 crores. Further by doubling the grain allocation for BPL families, the carrying cost of maintaining buffer stocks by Food Corporation of India (FCI), would also come down from Rs.2463 crores to Rs. 1,385 crores per annum resulting in a saving of Rs. 1078 crores. As a consequence of all these steps, the total annual food subsidy is expected to decline from Rs.9,138 crores to Rs.8124 crores to the central government, accounting for a food subsidy reduction of Rs. 1,214 crores.

The Union Minister of Consumer Affairs and Public Distribution Mr.Shanta Kumar, asserted "we have effected savings of Rs. 1,214 crores through these measures while not putting much burden on the stomachs of the poor. In fact, no other budget in independent India has conferred so much relief for the poor".³⁹

If under the old PDS 10 kgs. of grain was purchased from the market at the PDS price and 10 kgs was purchased at the issue price of the APL families which covered economic costs of FCI, then the benefit works out as under:

Wheat Eating Families (BPL families)

Cost of purchase of 20 kgs of wheat under the old scheme.

$$(10 \times 2.50) + (10 \times 6.82)$$

$$\text{Rs.}25.00 + 68.20 \quad \text{Rs.}93.20$$

Cost of buying 20 Kgs. in the new scheme.

$$20 \times 4.20 = 84.00$$

Rice Eating Families (BPL families)

Cost of purchase of 20 Kgs. of rice under the old scheme = $(0 \times 3.50) + (10 \times 9.05)$

$$\text{Old Scheme: } - (10 \times 3.50) + 90.50 = 125.50$$

Cost of buying 20 Kgs. in the new scheme.

$$= 20 \times 5.89 = \text{Rs.}117.80.$$

Thus, the average benefit per person in case of BPL wheat-eating families works out to Rs.9.20 per person. It implies 9.9% benefit since as against 93.20 being spent earlier, BPL families will now spend Rs.84.00 per person. In case of rice eating BPL families the average benefit per person works out to be Rs.7.70 per person. It implies 6.5% benefit since as against Rs.125.50 being spent earlier, BPL families will now incur Rs.117.80 per person.⁴⁰

It is contended by Ruddar Datt (2000) that, since bulk of the population below the poverty line in rural areas consists of agricultural labourers who obtain their grain requirements by working on the fields (in form of wages of kind) and do not buy PDS food grains, the so-called grains to the majority of poor families remain illusory. However, for non-agricultural families, according to him, there appears to be some marginal gain provided they get PDS ration at the PDS outlets. However, as long as there

is an absence of a network of PDS outlets required in some states in the rural areas, the rural poor are denied any benefit of the doubling of the PDS supplies per person.

On the whole, according to Madhura Swaminathan, the revised PDS could provide some income transfer to the poor in the urban areas. This shall, however depend upon the availability of wheat and rice at PDS depots located in slum areas.⁴¹

New PDS and Targeting the BPL Population

The government has used BPL and APL as the cut-off points for providing subsidised PDS food grains. As per 1993-94, poverty line, expenditure per head of Rs.205.84 in rural areas and Rs.281.35 for urban areas was used to determine the population below the poverty line. For 1998-99, this works out in the range of the Rs.300/- per head in rural areas and Rs.400 per head in urban areas. Considering an average family of five persons, it implies that families earning approximately Rs. 1,500-00 per month in the rural areas and Rs.2000 in the urban areas fall below the poverty line. If this criterion is taken as the basis even class IV employees in the public as well as the private sector are excluded from PDS food grains. It only indicates that the role of PDS as a poverty alleviation measure has been sought to be undermined by the new PDS policy.

The major question is that in the absence of secure information about the income of the every family, how should the government stamp the ration cards eligible for PDS supplies? The process would be difficult because only 9% of the total labour force work in the organised sector and 91% is in the unorganised sectors. It, therefore, appears very difficult, if not impossible to restrict the PDS food grains to the population below the poverty line. The process of identification of the people below the poverty line and segregating them from those above poverty line is not clearly spelt out in the altered TPDS policy of 2000. This could as well result in the error of exclusion which was stated earlier in the critique of targeting policy.⁴²

In her assessment of the new TPDS-2000,⁴³ Madhura Swaminathan offered the following critique of the scheme: Due to the new policy, the prices of rice and wheat have been hiked by as much as 68% for BPL families and for APL families, the price of wheat has increased by 23% and that of rice by 29%. This would necessarily reduce the real incomes of millions of consumers.⁴³

Secondly, the new policy has introduced an in built mechanism for raising prices. Every time procurement prices are raised, issue prices of grain for the poor will be raised. It bears emphasis that procurement prices have risen regularly each year and in recent years the increases have actually been above those recommended by the Commission on Agricultural Costs and Prices.⁴⁴

Thirdly, this measure, in effect, removes APL families from the PDS. In situations where the economic cost is higher than the market price, APL consumers will have to pay more for grain in the ration shop than in the open market. The exclusion of APL households from the PDS has implications for the consumption and nutrition of a large part of the population, for the quality of the programme and for stocks of food grains.

Fourthly, although for BPL families, allocations have been doubled, as prices have been raised steeply, genuinely poor families would have to spend more now on acquiring the same quantity of grain. This would compound an existing hardship in the PDS system as it worked in many parts of the country, the BPL family is required to buy the total monthly allocation in one or at best two instalments.

Fifthly, millions of undernourished persons and persons vulnerable to under nutrition have already been excluded from the BPL category by means of income targeting. Under the proposed dispensation, the excluded population no longer has even the limited benefits available to it as a possible part of the APL category.

Sixthly, by restricting the PDS to BPL households, the new scheme is likely to leave the FCI with even large stocks of grain than at present. Stocks of rice and wheat with the FCI have been growing steadily in recent years, and amounted to 31.5 million tonnes in January 2000. Current BPL allocations are around 7.2 million tonnes. Even if BPL offtake rises to around 10 million tonnes, the F.C.I. will be left with 18.5 million tonnes. If A.P.L offtake falls sharply as is likely given the new prices, then the Central Government will be left holding huge stocks. It is irrational that stocks are amassed by Central Government, while millions go to bed hungry.

Finally, the Central Government is abdicating its responsibility with respect to the provision of minimum quantities of cheap food to consumers in all parts of the country. It has decided to transfer the cost of the food subsidy to the state governments. Of course, the current policy affects different states differentially, but it targets and penalises the states that have performed better. State governments that have shown some commitment to the PDS in the past and wish to continue to provide a sufficient quantities of food grains to vulnerable sections of the population at low prices will have to now pay the bill themselves. On the other hand, in states such as Bihar, where the delivery network and administration are already weak and fail notoriously to reach the poor, the new scheme is likely to increase the incentives and scope for diverting grains meant for BPL households to the open market.⁴⁵

Hence, according to Madhura Swaminathan, the targeted PDS was an ill-conceived measure and the introduction of targeting was, as the proposals in the budget for 2000-2001 confirm, the first step in the dismantling of the PDS in India. The proposed increase in prices and restrictions in coverage, according to her, is likely to lead to a spiral of lower offtake, higher stocks and higher prices.

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CHAPTER-IV

CONCLUSION

Combating food insecurity has been the major concern of food policy in India during past four decades. Hence, several steps were taken by the government from time to time to increase food production to India's growing millions. But increase in food production is considered to be a necessary though not a sufficient condition for improving food security to all the poorest segments of population, till the 1970's. However, it is now recognised that the ultimate aim of food security is not only provision of food grains for the entire population on a stable basis throughout the year, but also to provide economic access to food. In the absence of such preconditions, even with the improvement in food supply, the market mechanisms may not always and automatically transfer food to the poor. Hence, in order to improve food security for the poor, the government relies on a set of policy instruments such as food rationing, price subsidies and employment programmes. Of all the policy instruments taken up by the Government in order to improve food security situation for the poor, the most far reaching and quite effective in terms of coverage and utilisation is the Public Distribution System. In the preceding chapters we have seen how Public Distribution System^v has evolved in India from a war time rationing measure to a fully institutionalised and operational and effective food security system. Even though PDS is now alleged to be pro urban and a tax burden on the producers, we can not deny the importance of Public Distribution System in India's food security concerns. Apart from providing food security to the poor, PDS has innumerable other effects like stabilising the supply of food grains, stabilising the food grains prices and the equity aspects.

The preceding chapters outline how the studies on the provision of food security to the poorest have policy ramifications impinging on the other issues as well. Thus the debates on food security have been discussed in the context of population growth, hunger and famine, poverty, unemployment, structural adjustment etc.

With the onset of economic reforms in the country in the 1990s, it has been noticed how there is an overall pressure on downsizing commitments in the social sectors. The policy of food security too had to be revised. It was considered necessary to introduce greater efficiency in reaching out to the specific target group, avoiding leakages

in the context of structural adjustment. Thus it has been seen how the policy of TPDS in 1996 and the revised TPDS of 2000 have been formulated in the context of such macro economic reforms. At the same time the limitations of both the approaches of transfers of food for a large universe or for a targeted population has been spelt out.

The previous experience of the PDS based on the universal transfers demonstrated how at every stage of the policy, vested interests and their concerns acquired a primacy over providing the poor a fair access to food security. Thus for example, the entire policy of procurement of foodgrains, the fixation of the prices, the emphasis on rice and wheat as the major staple foodgrains have been more to the advantage of rich fanners in the well-endowed irrigated areas, as they enjoy an important position in the political hierarchy than the poor who should be the actual beneficiaries. The storing of foodgrains in FCI godowns and transporting them to the States, the timing of such off loading of such FCI stocks are also not devoid of considerations other than that of primary interests of the poor. It is ironical that schemes like Antyodaya and Food for Work have all been outcomes of over-stocked FCI godowns and not because they were conceived of as policies in the own right. The distribution of the foodgrains through the fair price shops and the leakages in the system before it is reaching out to the poor have also been studied. In spite of all these distortions, there have been vehement arguments in favour of universal transfers. It has been strongly argued that there is greater efficiency in a policy that is all inclusive rather than a policy which is based on targeting some sections of the poor alone.

Employment programmes were suggested as remedies to leakages and corruption in the public distribution system. Such interventions were seen as self-targeting as it was the really needy alone who could be given access to such programmes. For example in Maharashtra through the enactment of the Maharashtra Employment Guarantee Act, 1977, which has been brought into force in 1979, the government has given statutory support to the guarantee of employment, which has manifested in the Employment Guarantee Scheme (EGS).

The Deccan Development Society offered a critique of the PDS as over centralized bureaucratic operation. It stated that PDS is highly over centralized and depended on rice and wheat and needs to be decentralized in order to be more effective in its functioning. As an alternative it suggested participatory management of the PDS and local control over local food security. This ensure that people have the necessary purchasing power through increased wage incomes in each of its villages thereby ensuring that people have enough cash on hand to buy local staples.

In a way when there is a limited public action on the issue as stated by Amartya Sen, whether transfers are based on universal or targeted transfers the reach out of the programme to the people goes abegging. State action along with corresponding alertness of the organisations in the civil society representing the concerns of the population, as Amartya Sen stated has been the most viable way in which societies have combated hunger and famine and this is relevant in the Indian context.

ANNEXURE

Table-1: Central Government Expenditure on Food Subsidy

	Expenditure (Rs Crores)	Percentage of	
	At Current Prices	GNP at Current Prices	Total Government Expenditure
1974-75	295	0.44	3.01
1980-81	650	0.53	2.89
1985-86	1,650	0.71	3.11
1990-91	2,450	0.52	2.33
1991-92	2,850	0.53	2.53
1992-93	2,800	0.45	2.22
1993-94	5,537	0.78	3.80
1994-95	5,100	0.61	3.01
1995-96	5,377	0.61	2.90
1996-97	6,066	0.60	2.89
1997-98	7,500	0.53	3.23
1998-99(BE)	9,000	0.60	3.19

- Includes Sugar

Source: R Radhakrishna, et al., (1997), *India's Public Distribution system: A National and International Perspective*, World Bank Discussion Paper No.380 and Government of India, *Economic Survey* (1998-99).

Year	Net Availability (NA)	Procurement	Public Distribution (PD)	PD/NA (%)
1985	1248	20.1	15.8	12.7
1986	1338	19.7	17.3	12.9
1987	134.8	15.7	18.7	13.8
1988	130.8	14.1	18.6	14.2
1989	147.2	18.9	16.4	11.1
1990	144.8	24.0	16.0	11.0
1991	158.6	19.6	20.8	13.1
1992	148.4	17.9	18.8	12.7
1993	149.8	28.0	16.4	10.9
1994	154.8	2.60	1.40	9.1
1995	169.8	22.6	15.3	9.0
1996	165.2	1.98	1.83	11.1
1997	177.2	23.6	17.5	9.8
1998	170.4	25.5	-	-

Source: Government of India, *Economic Survey 1998-99*

Note: All quantities are in million tonnes

Table-3: A Profile of Purchases from PDS: All India

Commodity	Percentage Share in Rural PDS Purchase	Percentage Share in Urban PDS Purchase	Percentage Share in Total (Rural + Urban) PDS Purchase
Rice	2663	2688	26 70
Wheat	7.89	15. 08	10 08
Bajra	0.11	003	009
Jowar	0.34	0.12	027
Other cereals	0 54	0.21	044
Pulses	0.18	0.23	0.20
Edible oils	7.37	11.23	854
Sugar	40 35	22.26	34 84
Coal	009	081	0.31
Kerosene	11. 79	20.97	1458
Standard cloth	4.7	2.18	3.94
Total	100.0	100.0	100.0

Sources: Suryanarayana M.H., PDS Reform and Scope for Commodity Based Targeting

Table-4: Income Transfer to Poor, Non-poor and All Classes due to PDS in 1986-87

State	Rs.per capita per month		
	Poor (1)	Non-Poor (2)	All (3)
1 Kerala	9.4	8.9	9.1
2 Jammu& Kashmir	7.2	9.4	8.9
3 Andhra Pradesh	7.8	6.0	6.8
4 West Bengal	5.0	4.9	4.9
5 Gujarat	5.1	4.1	4.5
6 Karnataka	3.3	5.3	4.4
7 Tamil Nadu	3.9	4.7	4.4
8 Maharashtra	3.5	4.9	4.3
9. Assam	2.2	2.1	2 1
10 Orissa	1.6	2.3	2.0
11 Madhya Pradesh	1.7	2.0	1.9
12 Uttar Pradesh	1.3	2.0	1.6
13. Punjab	0.9	1.3	1.3
14 Haryana	0.9	1.5	1.3
15 Bihar	0.7	1.1	0.9
16. Rajasthan	0.8	0.8	0.8
All-India	3.4	3.8	3.6

Note: States have been arranged in the descending order of average income transfers due to PDS (Column 3).

Source: Compiled from R.Radhakrishna,et al., **op. Cit**, p.42

Table-5 : Decline in Poverty Percentage due to PDS in 1986-87

S.No	State	Percentage Decline in Poverty		No of Persons moved out of Poverty (Lakhs)		
		Rural	Urban	Rural	Urban	Total
		(1)	(2)	(3)	(4)	(5)
1	Kerala	5.49	3.62	11.04	1.69	1273
2.	Andhra Pradesh	464	3.24	20.94	4.36	25.30
3.	Karnataka	433	1.88	1200	2.23	14.23
4	Gujarat	3.85	267	895	2.63	11.58
5.	Maharashtra	205	1.75	873	3.75	1248
6	Jammu & Kashmir	206	4.31	1.07	0.50	1.57
7.	Tamil Nadu	1.81	2.14	6.17	3.79	996
8	West Bengal	1.67	2.36	7.37	3.31	10.68
9	Assam	1.50	1.03	2.18	0.17	2.35
10.	Madhya Pradesh	1.43	0.92	6.36	1.00	7.36
11.	Rajasthan	0.91	0.40	2.70	0.29	2.99
12.	Haryana	0.5	0.64	0.65	0.23	0.87
13.	Punjab	0.55	0.44	0.69	0.22	0.91
14.	Bihar	0.30	0.37	1.95	0.35	2.30
15.	Orissa	0.30	0.69	0.75	0.20	0.96
16.	Uttar Pradesh	0.22	0.82	2.42	1.84	4.26
All-India		1.66	1.71	93.96	26.57	120.53

Note: States have been arranged in the descending order of average income transfers due to PDS (Column 1)

Source: Compiled from R Radhakrishna, et.al., op.cit., p 44-45.

Table-6: Dependence on PDS for Purchase of Grains, selected States, rural areas, 1986-87.

State	No purchase from PDS	Partial purchase from PDS	All purchases from PDS
Mizoram	64	47.0	466
Kerala	12.3	79.0	8.6
Goa	204	69.1	105
Tripura	308	66.5	2.7
Karnataka	38.1	53.9	8.0
Andhra Pradesh	40.3	47.3	1.24
Tamil Nadu	46.5	44.9	8.5
Maharashtra	52.3	324	15.3
Gujarat	55.5	30.0	14.6
Meghalaya	61.2	31.5	7.4
Delhi	646	20.4	15.0
Sikkim	70.0	2.6	27.4
Himachal Pradesh	71.8	13.1	15.1
West Bengal	73.1	22.7	4.1
Assam	75.4	21.9	2.8
Jammu & Kashmir	76.7	10.2	13.2
Madhya Pradesh	90.9	4.8	4.3
Rajasthan	91.2	3.6	5.2
Manipur	94.6	4.5	0.9
Haryana	96.9	1.6	1.5
Uttar Pradesh	97.9	0.6	1.6
Orissa	98.3	1.2	0.5
Bihar	98.3	1.2	0.5
Punjab	99.9	0	0.1

Source: Parikh (1994), Table 2

Table-7: Dependence on PDS for Purchase of Grains, selected States, Urban areas, 1986-87

State	No Purchase from PDS	Partial purchase from PDS	All purchases from PDS
Mizoram	1.1	54.6	44.3
Kerala	130	83.8	3.3
Goa Daman & Diu	18.3	70.6	11.2
Jammu& Kashmir	21 4	490	29 6
Delhi	26.3	17.1	56.6
Karnataka	373	589	3.8
West Bengal	40.2	51.2	85
Tripura	44.4	52 8	2.8
Tamil Nadu	44.6	52.8	2.7
Andhra Pradesh	48.6	47.9	3.5
Maharashtra	56.2	385	5.3
Assam	57.0	406	3.5
Meghalaya	64 1	286	7.3
Gujarat	680	24.5	7.5
Himachal Pradesh	74.7	14.1	11.3
Sikkim	79.0	5.3	15.8
Madhya Pradesh	82.6	12.1	5.3
Orissa	86.2	11.4	2.4
Haryana	929	4.3	2.8
Bihar	929	64	0.7
Uttar Pradesh	93.0	4.6	2.5
Rajasthan	94.4	2.2	3.4
Manipur	95.0	3.0	2.0
Punjab	954	3.6	1.0

Source: Parikh (1994), Table 2

Table-8: Distribution of PDS grains in Selected States, 1993-94

State	Total cereals distributed, 1993-94, (Million Tons)	Per capita off take, 1994-94 (Kgs)	Per capita SDP, 1993-94
Kerala	1.936	629	6242
Andhra Pradesh	2.543	33.0	6651
Tamil Nadu	1.304	19 1	7352
Maharashtra	1.412	13.4	9628*
Uttar Pradesh	1.582	4.3	4744
Bihar	0.793	5.6	3650

Note: *Figure is for 1992-93.

Table-9: A Comparison of the annual per capita food grain distribution under PDS in selected States in 1981& 1991

State	Food grains per capita, 1981	Food grains per capita, 1991	Percentage change, 1981-91
Kerala	466	70 8	+51.9
Andhra Pradesh	11.0	36.0	+234.5
Tamil Nadu	24.1	406	+68.5
Maharashtra	25.6	28.8	+12.5
Uttar Pradesh	8.5	7.4	-12.9
Bihar	7.9	6.8	-13.9

Table-10: Share of Bottom 20 per cent of Population in PDS quantity Distributed 1986-87.

State	Rural		Urban	
	% of Population	% of quantity distributed	% of Population	% of quantity distributed
Andhra Pradesh	26	24.6	24	28.2
Assam	24	28.4	30	33.3
Bihar	24	16.9	24	14.4
Delhi	27	5.66	26	28.1
Goa Daman & Diu	30	31.4	25	24.7
Gujarat	23	2.66	25	37.6
Haryana	24	33.2	30	21.0
Himachal Pradesh	29	21.6	31	29.4
Jammu & Kashmir	24	30.4	26	22.3
Karnataka	24	20.8	25	21.8
Kerala	25	25.1	29	28.2
Madhya Pradesh	24	20.9	24	22.9
Maharashtra	23	22.2	26	23
Manipur	22	21.4	26	2.4
Meghalaya	25	28.6	30	25.2
Mizoram	26	26.2	24	23.4
Orissa	21	7.1	26	6.8
Punjab	23	100	27	20.5
Rajasthan	24	33.3	27	36.9
Sikkim	30	25.4	32	0.0
Tamil Nadu	26	24.3	24	23.6
Tripura	26	27.0	21	25.9
Uttar Pradesh	24	10.8	27	19
West Bengal	23	19.3	26	23.6

Source: Parikh (1994) Table 6

Table-11 : Centrally Prices of Food Grains, 1990 to 1998

Effective Date	Rice			Wheat
	Common	Fine	superfine	
June 1990	289	349	370	234
Dec. 1991	377	437	458	280
Jan 1993	437	497	518	330
Feb 1994	537	617	648	402
June 1997				
(i) BPL	350	350		250
(ii) APL		650	750	450
Feb. 1999*			905#	650
(ii) APL				

* A hike in BPL prices was announced but then the price change was revoked
Only one price was announced.

Table-12: composition of commodity-wise Market Dependent Population: All India

	All India-Rural				All India -Urban			
	Percentage of Market Dependents Using							
	Only PDS	PDS & other Sources	(3) = (1+2)	Only other Sources	Only PDS	PDS & Other Sources	(7) = (5+6)	Only Other Sources
	(1)	(2)	(1+2)	(4)	(5)	(6)	(5+6)	(8)
Rice	14.18	25.56	39.74	60.26	11.14	27.97	39.11	60.89
Wheat	26.49	4.81	31.30	68.70	29.48	7.21	36.69	63.31
Bajra	1.07	0.41	1.48	98.53	1.05	0.00	1.05	98.95
Jowar	4.39	4.40	8.79	91.21	0.89	1.13	2.02	97.98
Other Cereals	2.97	3.03	6.00	94.00	3.44	1.32	4.76	95.24
Pulses	0.03	0.04	0.07	99.93	11.32	11.77	23.09	76.92
Edible Oils	4.57	12.11	16.68	83.32	5.74	20.89	26.63	73.37
Sugar	3608	31.86	67.94	3206	29.19	44.44	75.63	24.37
Coal	639	1.69	8.08	91.92	10.85	0.57	11.42	88.58
Kerosene	44.09	96.91	51.00	49.00	56.20	8.24	64.44	35.55

Source: Compiled from Suryanarayana M.H., PDS Reform and Scope for Commodity Based Targetting.

Table-13: Monthly per capita Cereal Consumption (Kg.) by select Decile groups

NSS Round	Survey Period	0-10	10-20	20-30	30-40	0-100
Rural: All India						
4	April-Sep. '52	8.71	12.51	13.68	15.58	17.27
5	Dec '52- March '53	9.72	12.28	14.30	17.05	18.06
14	July '58-June '59	9.08	12.58	13.77	15.39	17.33
15	July '59-June '60	10.18	12.6	14.28	15.22	17.38
27	Oct '72-Sept '73	9.08	12.03	13.32	14.35	15.46
45	July '89-June '90	10.95	12.35	13.28	13.30	14.05
Urban : All India						
14	July '58-June '59	9.84	11.40	12.16	12.45	12.65
15	July '59-June '60	9.30	10.88	11.19	11.69	12.27
27	Oct '72- Sept '73	8.75	10.52	11.23	11.46	11.32
45	July '89-June '90	10.03	10.79	11.13	11.54	11.09

Source: Suryanarayana MR, PDS Reform and Scope for Commodity Based Targetting (Mimeo).

Table-14: Central Foodgrains Stocks and Minimum Buffer Stock Norms

Beginning of the Month	Wheat and Rice (million tonnes)			
	Minimum Norm	Actual Stock	Excess Stock	3 as percent of 1
	(1)	(2)	(3=2-1)	
January-1994	15.4	22.0	6.6	42.9
April	14.5	20.5	6.0	41.4
July	22.3	30.7	8.4	37.7
October	16.6	26.5	9.9	59.6
January-1995	15.4	30.3	14.9	96.8

April	14.5	268	12.3	84.8
July	22.3	356	13.3	596
October	166	299	133	80.1
January-1996	14.5	28.5	13.1	85.1
April	14.5	209	64	44.1
July	22.3	27.0	4.7	21.1
October	16.6	19.8	3.2	19.3
January-1997	14.4	20.0	4.6	29.9
April	14.5	164	1.9	13.1
July	22.3	22.4	0.1	0.4
October	166	15.3	-1.3	-7.8
January-1998(P)	15.4	18.2	2.8	18.2
April	145	18.1	3.6	24.8
July	22.3	28.5	6.2	27.8
October	166	24.2	7.6	45.8
January-1999	16.8	24.4	7.6	45.2

P: Provisional

Source: Compiled and Computed from *Economic Survey (1998-99)*

Table-15: Cost per Re.1 of Income Transferred by various Programmes (1986-87)

Scheme	Total Cost per Re 1 Income Transferred (Rs.)
Public Distribution System	5.37
Andhra Pradesh Rice Scheme	6.35
Jawahar Rozgar Yojana	4.35
Maharashtra EGS	3.10
ICDS	1.80

Source: Compiled from R. Radhakrishna, et.al., *op.cit.*

Table-16: Food share or food expenditure as a proportion of Total expenditure (%), All India, 1993-94

Decile	Rural	Urban
0-10	73.1	70.6
10-20	73.1	69.6
20-30	72.3	67.6
30-40	71.6	65.8
40-50	70.3	63.9
50-60	69.3	62.1
60-70	67.4	59.4
70-80	65.5	55.8
80-90	61.9	52.3
90-95	57.0	48.3
95-100	42.4	34.5
Computed Average	67.4	60.8
Simple Mean/All	63.1	54.6

Source: Computed from National Sample Survey Organisation (1997), *Consumption of Some Important commodities in India, NSS 50th Round, 1993-94*

Note: Deciles are based on households ranked by total consumer expenditure

Table-17: Minimum support price (MSP) of Wheat, recommended and Actual, 1984-85 To 1996-97

Year	MSP Recommended	MSP Actual
1984-85	157	157
1985-86	162	162
1986-87	165	166
1987-88	173	173
1988-89	183	183
1989-90	200	215
1990-91	225	225
1991-92	245	275
1992-93	305	330
1993-94	350	350
1994-95	360	360
1995-96	380	380
1996-97	415	475
1997-98	455	510

Source: CACP (1998), Table 4 18

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