Chapter 2

Literature Survey
2. LITERATURE SURVEY

Literature on PDS and related areas were reviewed and some of the relevant findings, comments and other details are mentioned in this chapter. An overview of the International Experience on Structural Adjustment made in the Public Distribution System is narrated below, since India's experiment with structural adjustment is relatively recent.

2.1 International experience of structural adjustment in PDS

The international experience, specifically that of Mexico, Sri Lanka, Jamaica, Zambia and Tunisia were reviewed to identify the impact of structural adjustment on food subsidies, and on the consumption, nutrition and food security of vulnerable populations. These experiences show that policies of structural adjustment have worsened economic and social inequalities and imposed further hardship on the poor. Structural adjustment has entailed a reduction in food subsidies and a shift from universal to targeted schemes in many countries. One of the means of reducing the food subsidy bill has been introduction of food stamps or coupons. The impact of structural adjustment on food subsidies and food security is evidenced by the experience in Mexico, Sri Lanka, Jamaica, Zambia and Tunisia, focusing on the effects of policy changes on food consumption and nutrition among the poor.\(^\text{27}\) The choice of these countries is based on the fact that in all cases of food subsidy programmes underwent major changes in the course of structural adjustment, and all but Tunisia shifted to a targeted system of food stamps.

Mexico

Mexico had to reduce expenditure consequent to their debt crisis of 1980s. Budgetary pressures changed their food policy, by shifting from general to targeted schemes. CONASUPO or the National Basic Foods Company was the state enterprise that undertook the import, processing and distribution of

subsidized foods through a national chain of stores. To cross over the huge debt, food subsidy was cut by 80 per cent. In 1986, targeted food stamps programme was introduced. Targeting was of three types; based on income criterion, geographic targeting and one with an element of self-targeting as households had to go and register at local CONASUPO offices for the food stamps. The change in policy on food subsidy resulted in a decline in the consumption pattern and a shift towards a less nutritious diet.28

Sri Lanka

Sri Lanka had an effective and universal system of food rationing, providing heavy subsidy, which was introduced in 1942 as a war-time relief measure as done in India. In 1978, the policy changed from a universal ration to a targeted ration whereby only households with a monthly income less than Rs. 300 were eligible for the ration. Again there was a shift to a targeted food stamp programme. Since the value of food stamps was fixed in nominal terms, the real value of the subsidy declined with inflation. Prices of several food commodities rose sharply with the removal of subsidies and devaluation. The shift from a universal ration to a targeted and non-indexed food stamps adversely affected consumption and nutrition among the poor. The experience of Sri Lanka shows that the food subsidy played a role in maintaining certain nutritional levels and the sharp decline in food subsidy in the late 1970s adversely affected nutrition.

Zambia

During the second phase of the growth of Zambian economy from 1974 to 1990s, the economy faltered and fell into a deep debt crisis. Several structural adjustment programmes were introduced. During adjustment, there were attempts to reduce the food subsidy for maize meal. Maize is the most important agricultural commodity in Zambia, accounting for about 70 per cent of the marketed value of all agricultural commodities. Subsidy policies have been geared both towards producers as well as urban consumers. The extent of consumer subsidy as a per cent of of the actual retail price varied from year

to year, and peaked at 72 per cent in 1977. The adjustment and fall in incomes had led a large number of poor consumers to shift from high quality foods to maize meal, the only commodity with a stable price.

The next major change in food subsidies occurred in January 1989 when the government introduced a system of food coupons. Coupons were made available to all urban households but not to rural households. All households with incomes from the informal sector were eligible for coupons but the number of dependants was limited to six. By introduction of food coupons, a significant minority of vulnerable households were not able to use the system.

Jamaica

Jamaica is a country that is often cited as an example of a low-income country that has achieved high levels of human development. The outstanding health record as well as improvement in nutritional standards during the period 1960 to 1985 was clearly associated with widespread public support. Following an economic recession in 1977, structural adjustment was initiated, the pace of Liberalization quickened. A reduction in food subsidies and social sector expenditure in general was one component of adjustment in the 1980s. In 1984, general subsidies were eliminated and replaced by a targeted food stamp and an additional school-feeding programme. The real value of the food stamps was eroding over time. High inflation in food prices led to a steep rise in the cost of a minimum basket of commodities. In addition, as the price of basic food items rose, the quality of food deteriorated. Targeting has led to under-coverage of eligible persons. The identification of ‘poor’ households was based on a crude and simple survey with no attempts to verify reported incomes except through observing the ‘quality of housing and consumer goods during a home visit.’ Altogether, the new targeted system of coupons left out many of the poorest.

Tunisia

By 1980, Tunisia had graduated to the category of middle income countries and was ‘considered a model of successful development’. There was boom during the decade 1972-82, driven by the growth of foreign exchange,
primarily from worker remittances, tourism and oil revenues. From 1983, however a crisis in the current account of the balance of payments developed and the burden of debt service rose. In response, orthodox stabilization and structural adjustment measures were introduced from 1986 onwards. As a part of these measures, a reduction of subsidies, including food subsidies, was attempted. A system of generalized price subsidies on a range of basic food commodities was operated in Tunisia. The system was universal and since there was no quantity restrictions, benefits were proportioned to consumption. The reforms undertaken in Tunisia were different from other countries and attempted to reduce the food subsidy by a combination of self-targeting and the introduction of quality differentiation. Subsidy was provided only for inferior quality goods, and therefore, only the poor consumed cheap food items. The share of food subsidies in total calorie and protein intake declined, with adverse effects on nutrition.

2.2 PDS In India

Ghose narrated that the history behind introduction of the PDS in India is rooted in famines and food scarcities during the entire period of British colonial rule in India. The first one was the Bengal famine of 1770. An estimated 10 million people died in this famine that was essentially the consequence of plunder by the colonists of the East India Company. Between 1860 and 1910, there occurred 20 major famines and scarcities. The last famine in British India was the Bengal famine of 1943.

The aftermath of the Bengal famine resulted in severe food shortages all over the country and controls became all pervasive during 1944-47. After the partition, 82 per cent of the erstwhile population remained in India, supposed to thrive on the 75 per cent of the cereals producing areas in the undivided India. The granaries of Punjab and Bengal were mostly in the newborn Pakistan. The position of irrigated, arable land was still pathetic. Food grains Policy Commission appointed in 1947 reexamined the food grains policy of independent India. This committee, recommended, rather dreamt of, gradual

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abolition of food controls and rationing, and strongly suggested imports to create a central buffer to confront crop failures. The commission also emphasized the need to attain manifold growth in food grain production and chalked out a path to increase 10 million tonnes per annum till self-sufficiency.

In view of the recommendations of the commission, government had removed all controls on the food grains imposed in the wake of Bengal famine and World War II. In no time the prices of food grains started to skyrocket and immediately the authorities had to back track from abolition of controls. In September 1948 controls were reintroduced to rein in the price escalation.

Food grains Procurement Commission of 1950 suggested rationing in all towns with a population exceeding 50000, informal rationing in small towns and regulated supply of food grains to rural areas. The commission was in favour of government monopoly in food grains trade, but finally opted a middle of the road approach, which was equally opposed to total governmental control and the free reign of market forces.

The aforesaid course was the basis of India's food policy and it made ground for the seeding of our Public Distribution System.

The Food grains Inquiry Committee formed in 1957 dwelt deep into the creation of food buffer stocks and recommended to set up a food grains stabilization organization to monitor the procurement, logistics and distribution of food grains.

Rationing in various forms continued except for a brief nine-month period during 1947-48 and for a year or so during 1954-55. Imports under the US aided PL480 played a pivotal role in our food economy from 1957 through 1977, as a major source in replenishing our Public Distribution System.

Food Corporation of India came into being in 1965 with the objective of procuring food grains from domestic as well as overseas sources, and maintaining them to serve the public distribution system.

The transition from statutory rationing to a streamlined public distribution system has been evolutionary, from being a single source in ration supplies to the dual role of catering to statutory rationing and to counter balance the open market forces.
Even though the Public Distribution System is omnipresent in India, the benefits and effectiveness are arbitrary. Whereas in states like Punjab and Bihar it is rather weak in its reach, in Kerala and West Bengal a large section of people depend on it. The issue is not to supplement the market mechanism but to strengthen it. Food, for example, is typically undersupplied in poor and backward regions with weak trade channels. A market-based allocation would result in undersupply. In most states, for every rupee spent, less than 22 paisa only reached the poor. Despite the revamping, the benefits to the poor have not increased while the subsidy has. Short of drastic reform, it is unlikely that the cost-effectiveness of the PDS will improve.

2.2.1 Goals and objectives of PDS during 1945 to 1970

Taimni\textsuperscript{30} stated that the rationale behind the PDS in its phase from 1945-1970 was evolved from the bitter experience of Bengal famine of 1943. The objectives of PDS were rather limited and short term during its nascent phase, i.e., from the post war period to the advent of Green Revolution. It was intended to protect mainly the urban populace who were dependent on the open market for essential food supplies. Ensuring food availability through rationing system in urban centers was expected to ward off speculation and hoarding which resulted in undue rise in prices. When PDS entered into its second phase, the objectives have become ambiguous owing mainly to its widening of scope and beneficiaries. The ambitious scope included the supply of food grains at affordable prices to all sections of people, thus acting as an instrument of income transfer, stabilizing market prices and contributing towards the alleviation of poverty.

While the employment linked projects created infrastructure and assets like roads, afforestation and irrigation with employment opportunities for multitudes, the subsidized food grains supply proved to be a case of income transfer without any social obligations. Successive five year plans gave due weightage to PDS as a key instrument in controlling and stalling price fluctuations. These multiple objectives of the PDS were found to be too ambitious and often conflicting. Many undeserved sections have reaped the

benefits of PDS. PDS came into conflict with other programmes of income and employment.

A close observation would reveal that the following features formed the basis of our Food Policy however vaguely defined they might be.

i) The corner stone of our rationing policy/PDS was born out of the paranoia of food shortage during natural calamities up till the advent of Green Revolution.

ii) Keep food prices low, so as to benefit the consumer.

iii) Heavy reliance on legislative and administrative measures such as rationing, stringent controls on movement of stocks to pursue the objectives of food security for the people.

iv) Absence of visionary thinking and well laid out long-term goals, resulting in ad hoc measures.

v) Lack of perspective in external trade, buffer stocking and domestic deregulation.

vi) Founded on a complete mistrust of private trade either on ideological ground or past experience in failing to curb the market dynamism.

2.2.2 During the 1980s and After

Bhatia\(^{31}\) revealed that in the changed scenario the welfare dimension of the PDS gained importance since 1980s, as a sequel to which many more rural areas got covered in many States and more recently PDS was linked to employment programs.

1980s witnessed a sea change when the agriculture sector started reaping the benefits of the Green Revolution making the objectives of PDS subservient to the production regime especially of wheat.

The country switched over from a situation of scarcity/dependence of heavy imports under PL 480 to a stage of self-sufficiency. The efforts in sustaining

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and optimizing the riches of the Green Revolution begun to produce results with the twin instruments of remunerative/attractive price and efficient and effective marketing of produce coming into effect. For assuring a remunerative price to the farmers, especially for wheat and paddy produce, procurement of these commodities was launched under the Minimum Support Price (MSP) operations. Before the onset of the sowing season, support prices were announced by the Central Government for certain selected commodities - rice and wheat being the most important of this basket. If, as and when the prices fall below the MSP, then FCI is obliged to purchase them from the regulated markets as the agency of the Central Government either directly or using the states or any of their corporations as its agents.

In order to sustain the Green Revolution procurement under MSP has become a permeate fixture, at times leaving huge stocks with the FCI. This has often created an ironic scenario in which wagon loads of food grains rotted in FCI godowns when food deficit states like Kerala, West Bengal, Karnataka, Maharashtra, Gujarat, Rajasthan etc. were craving for more. The main objectives of - again as yet undeclared - Food Policy, of which PDS is the sole most important manifestation, could be said to be:

i) To increase food production.

ii) To increase nutrition standards of the vulnerable sections of the society by distributing food grains at low prices through Public Distribution System.

iii) To maintain stock of food grains to meet the requirements of the Public Distribution System.

iv) To maintain buffer stocks to tide over crop shortages and to maintain stability of inter-seasonal prices, and

v) To achieve equilibrium in regional production and distribution of food grains.

From another angle the Public Distribution System can be seen both as an anti-inflationary as well as an anti-poverty measure.
In its anti-inflationary measure, the major thrust is to provide a set of inflation aloof supplies of the essential commodities to the consumers, thereby softening the hardships caused by rising prices, which nullify purchasing power of the consumer. By ensuring the availability of a substantial portion of the essential consumption at a stable, fair and affordable price, the poor and vulnerable sections of the society is safeguarded against inflation. By helping in maintaining the real value of one's purchase power and in this sense a powerful instrument - as good as any poverty alleviation programme - is coming to their help.

Pal and Mruthyunjaya\textsuperscript{32} observed that the Public Distribution System coupled with employment generation and poverty alleviation programs effectively supported the twin objectives of price control and poverty alleviation and converged them to benefit a wider section of the people.

Another way of appreciating the goals and objectives is to see the PDS as a pivotal web of safety net currently operating in India, the most far reaching in terms of convergence as well as in terms of public expenditure (in subsidy) is the PDS. This system perceived to be the main safety net to protect the poor from short-run, price induced adverse effects of economic reforms. How far the perception is right, we have to examine.

Mooij\textsuperscript{33} stressed that in the mid-1990s, almost sixty years after its inception, the Public Food Distribution System is still an issue in public debate and policy. It is presented and interpreted in different ways by different actors – even sometimes by the same actors in different context—and contradictory policy measures are introduced. For instance, on the one hand, the system is presented as very costly and inefficient. Since 1991, when India took on board various structural adjustment reforms, advocates of these policies have stressed the enormous waste of money implied in the PDS. On the other hand, the PDS is presented as the safety net par excellence to help the needy.


through difficult periods (including the present one that results from structural adjustment). Since 1991, the PDS prices for consumers have been increased several times in order to bring down government subsidies. On the other hand, some State politicians have introduced great expansion of the PDS and have allocated large sums for this purpose. These are only a few examples of the many contradictions that surround the present day PDS.

Bapna\textsuperscript{34} made an attempt to examine the characteristics of PDS as an institution that is now so controversial. A major breakthrough came in 1964-65 with the establishment of two institutions: the Food Corporation of India and the Agricultural Prices Commission (now Commission on Agricultural Costs and Prices). The former is a large parastatal trading corporation responsible for procurement, storage, transport and distribution of food grains. The latter advises the Indian Government on pricing policy for agricultural commodities. Since the mid 1960's, PDS served several objectives simultaneously, namely a) to cope with emergency situations, that is scarcity; b) to distribute food at fair prices to vulnerable people; and c) to guarantee remunerative prices to farmers. Over the years, these objectives have sometimes become mutually conflicting, as various observers have pointed out.

In 1992, a total amount of 21.7 million tonnes of food grains was distributed. This was about 13 per cent of total production, and results in an average per capita distribution of approximately 25 kg per year.

Until the beginning of the 1960's, the PDS was largely based on import of food grains. There was hardly any internal procurement. With the advent of the Green Revolution and the consequent increase in wheat, and later rice, production in certain areas of the country, procurement within India became the most important means of acquiring food. Wheat procurement takes place almost exclusively in North India. In the 1980s only three States, that is Haryana, Punjab and Uttar Pradesh, supplied more than 98 per cent of the total government wheat stock. The procurement of rice was less unevenly


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spread over the country; a fair amount came from Andhra Pradesh and Tamil Nadu, and Punjab was by far the most important supplier.

Apart from procurement, distribution was also rather unevenly spread over the country. The average distribution in the period 1983-88 was 21.7 kg per capita per year. In Kerala, per capita distribution came to almost three times this amount, while people in States like Bihar, Haryana, Madhya Pradesh, Punjab and Uttar Pradesh, received much less than the all-India average.

According to Dreze and Sen\textsuperscript{35} the stability of food prices in India today is quite remarkable. For instance, during the drought of 1987-88, which led to considerable decline in food production, food grain prices increased by less than 10 per cent. This was largely due to large-scale sale of food through the public distribution system, which held very large stocks at the beginning of the drought. Clearly, the contribution of price stabilization measures to the protection of entitlement during crisis in India today is a major one.

PDS is also said to have contributed to an increase in physical and economic access to food. Per capita food grain availability increased from less than 400 grams per day in 1951 to more than 450 grams in the 1980s.

Bhalla\textsuperscript{36} observed that in the 1970s and 1980s food prices rose at a rate much lower than the growth of per capita incomes. Of course, this increased access cannot be attributed solely to food policy.

According to Tyagi\textsuperscript{37}, it is a result of total development policy for the agricultural sector, in which food policy and the system of its management played a major catalytic role. On the other hand, several weaknesses and failures of the system are noted. The first is the persistence of endemic hunger and malnutrition. Average access might have increased, but there is still large-scale under nutrition.


Dreze and Sen estimated that each year 3.9 million people die in India, over and above the 'normal mortality', due to causes related to endemic hunger and deprivation.

Harris felt that within relatively well-off States, the poorest people sometimes fell outside the scheme. A second failure relates to the total concentration on rice and wheat, the exclusion of coarse grains, in the system. For this reason the PDS failed to protect the interests of the most vulnerable producers – who produce mainly coarse grains in the dry areas – and consumers- whose food intake consists in part of relatively cheap coarse grains. A third weakness is the decreasing financial viability of the system. In mid-1990s the system required an annual subsidy of more than 50,000 million rupees. Moreover, due to various price difference between the PDS and the open market has become marginal. Consequently the off take has come down. Considering these problems, it is not surprising that several observers in the 1990s claimed that the PDS has landed in a severe crisis and faces an uncertain future.

2.2.3 PDS - Overview

Das analysed the evolution of the Public Policy of PDS, while studying the organizational framework and the operational aspects of PDS such as procurement, storage, distribution of essential commodities. The working of PDS was evaluated on the basis of consumer perception and image. The nature and extent of public participation in the actual working of this crucial public policy is also examined. The methodology developed serves as a model for further studies in the area. Major objectives of National Production-cum-Distribution scheme with the help of empirical data in the Konda District of the Telungana region of Andhra Pradesh were examined in the study.

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The PDS is a vital programme to correct the market imperfections and ensure distributive justice. In actual practice it is found to be far from its set-goals. The defective procurement, unscientific management, consumer dissatisfaction, deep-rooted vested interests, and consumer alienation rendered the programme ineffective, if not dysfunctional, causing a widening gap between promise and performance of a crucial public policy.

Narayanan41 observed that two important aims of the PDS are to ensure a minimum quantity of the grains at reasonable prices to the low income sections of the community and to impart some sort of stability in the prices. The actual operation of the system in the past in terms of these objectives have been analyzed. Further, the corrective steps needed in this direction in the context of the likely future behavior of both supply and demand of food grains have also been identified.

Review of the objectives and performance of the PDS, estimating the demand for and supply of food grains in the next two years for each state, estimating the demand supply gap in the past and next few years by states, review of the role of PDS in bridging the gaps; and to suggest a model for the allocations of food grains from the central pool to the states, under PDS, incorporating the demand-supply factors were the objectives of the study.

The findings of the study were as follows:

The PDS has been able to fulfill its objectives only to a limited extent. Further, its objectives were not found to be quite in harmony while the present system of its operation.

Wide variation was seen in the consumption of rice, wheat and total cereals not one among the states, but also among the different income groups within a system.

The estimated demand in all the states, was increasing during the forecast period.

Among the factors influencing the demand for food grains, population, income, price, family size and price of the substitutes were found important.

The Demand-Supply gap was increasing in most of the states. Thus the government faced serious problem demanding enlargement of the scope of PDS.

It was found that the price of the food grains was directly related to the Demand-Supply gap.

Therefore, in conformity with the objective of PDS to maintain stable prices of the food grains, the Demand-Supply gaps are to be narrowed down and made stable not only among the states but also over time. Thus the long run solution lies basically in raising the production of food grains.

PDS also aims at protecting the consumption level of the poor people. It was found that even the poor people are purchasing food grains from the open market. So, vigorous efforts are to be made in future to attain this objective.

Krishnaji and Krishnan compiled and edited two studies and observed as follows:

i. It has been attempted to contribute to understanding the changes that have taken place in the per capita consumption of food, both over time and across states, and the factors that seem to under lie these changes. The author has stated that any analysis of food security and government intervention in food market must be premised on a firm understanding of the changes as mentioned above.

To establish whether the decline in cereal consumption in rural India is in fact an algebraic artefact, and to understand fully the nature of change in the composition of foods in the diet and its implications for the extent of hunger in the country were the objectives of the study. In particular, it focused on the substitution between cereals and other foods, as well as substitution among cereals.

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It is established that the poor continue to be the most vulnerable to erosion of purchasing power through inflation in cereal prices, although the extent of this vulnerability appears to be declining.

The pattern of change in taste implies a consistent switch away from cereals over time. This is more apparent in rural areas than in urban; and more evident in marginal budget shares than in the subsistence parameters, the study has revealed. In many instances, the decline in the preference for cereals has been accompanied by a taste change in favour of milk and milk products, and meat, eggs and fish; the evidence is more compelling in rural than urban areas.

Hence the major finding is that the per capita consumption of cereals has declined, not just on average, but also among the poorest 25 per cent of the rural population.

ii. Economic access and physical access to food grains in the rural and urban sectors were measured.

Attempt has been made to examine some of the issues, regarding food security and their implications for PDS reform at a disaggregated level from the perspective of changing consumer choices and preferences dictated largely by availability.

Going by the conventional measures of food security, namely, measures of economic access and physical access, substantial improvement seems to have occurred in food security across states in India.

Swaminathan\textsuperscript{43} analysed the relevance and importance of Food security, that is, the policy of food distribution as implemented by PDS in a land with millions of poor and undernourished persons as well as the threat to food security in the present situation of liberalization, structural adjustment and associated weakening of the welfare systems etc. The food deprivation and food insecurity persisting on a mass scale has been established. It is emphatically claimed that the PDS has failed in large parts of the country to provide

nutritional support to the people and requires genuine reform. The analysis shows that the big picture is one of low utilization, limited access to food among the poor, rising prices and large-scale leakage from the system. Observed Kerala as an exception to this, by finding that coverage of PDS is near-universal, where the majority of the people have access to fair-price shops and where delivery system functions without excessive corruption and malpractice.

The Policy changes in India since 1991, arguing that universal coverage is an extravagance that a poor country like India cannot afford, reflected in specific schemes like Revamped PDS in 1992 and Targeted PDS in 1997 are discussed in detail establishing well as to how the policy changes have dismantled PDS with serious implications for food security among the poorest of households. The costs of targeting are also elaborated. The costs are very high whereas a large majority of the population is vulnerable to food deprivation.

Broad targeting or near-universal coverage is the first recommendation. The case against narrow targeting is well established, by explaining the demerits of the income poverty based approach. It is also substantiated that the quantity of supply should be increased to provide minimum nutritional support to participant households. Monitoring the quality of food grains, control over food prices, increased food grain production and procurement, administrative mechanisms and the need for empowering the poor in augmenting their capacity to purchase the PDS supply etc. are the main issues raised by the author through his study, to strengthen PDS as an effective means of providing nutritional support to the majority of our population.

Kannan44 examined the question of food security viz-a-viz food availability and self sufficiency in production. Even though it is unrealistic to expect food self sufficiency in Kerala, considering the cropping pattern in the state, food security has been enhanced considerably through a pro-poor public policy regime. This situation is being challenged as a result of the shift in policy of the Government of India with regard to the Public Distribution System in the country. The fear that this policy shift will accelerate the fiscal crisis of Kerala has

been expressed and therefore should it decide to continue with the present system of food security.

It is concluded that it will be a hard choice for Kerala either to continue with the universal coverage of PDS involving unsustainable subsidies or to restrict the PDS only to the poor with implications for enhancing the state's vulnerability to food security.

Mishra\textsuperscript{45} conducted the study on various economic aspects of Public Distribution System of food grains in Orissa, like its rationale and working, buffer stock and role of FCI, procurement issues etc., as an attempt to help the Government in formulating suitable policies in the matter.

Provided a critical account of the measures undertaken in Orissa for equitable distribution of the available supplies of food grains from the period of the Second World War till 1980s. Inadequacy of quantities of food grains supplied, uneven distribution of the items among the different income groups, unstable prices of food items and irrational functioning of the ration shops in rural areas etc are the key issues identified in the study.

Empowering the poor in purchasing the PDS supply, universal coverage, strengthening the FCI, setting up Civil Supplies Corporation in the state, increase producer's price, strengthen Laws for effective procurement, sealing the borders to check smuggling of rice etc., are the suggestions of the author in resolving the serious issues of Orissa in PDS.

It was revealed in the study that the People of lower income consume less rice and high income group consume more.

Mooij\textsuperscript{46} analysed the effects of food distribution policy, in terms of consumption, profit and power as well as the implications of the experiences with the Public Distribution System for a conceptualization of the Indian state.


The importance of PDS in Kerala politics, in the backdrop of the agitations against the food shortage in 1964 is discussed in detail.

Commented about the policy change towards tight targeting. Targeting is not necessarily the right way. The reduction of objectives to one, *i.e.* support the most vulnerable households, is preferable in the sense that it gives the right priority and that it creates more clarity than there is at present. The present system of food distribution has several objectives that, moreover, sometimes conflict with each other. The result increasingly expensive system that fails to realize its objectives. On the other hand, the advantages of such a multi-purpose policy is that it can count on broad support. Recommended to frame a food policy that is effective and viable so as to increase food security with sufficient social and political support. The more expensive the PDS, the more necessary that it is popular among, and regarded as important by, large parts of the population.

Venugopal felt that in its essence, the concept of food security must mean that all members of every household, particularly those living in rural areas, should have adequate access to food grains. Unfortunately, policy makers in India have tended to ignore this fundamental postulates with the result that the poor in India often do not have enough to eat. And this despite the fact that the country is producing enough food grains to sustain its entire population.

The reasons for this iniquitous situation has been investigated and suggests ways to remedy it. Identified that some states which did not produce enough food grains had a far better record of providing food for the poor than states which had a surplus. In addition, even though the Union Government spends a large sum of money to subsidize the PDS, the rural poor have not benefited to any significant extent.

The intensity of hunger in rural poor household, how hunger at the rural household level defeats self-employment strategies, financial constraints involved in the rational use of food grains in rural wage employment programmes, how the PDS can be reoriented to serve only the poor, and the

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need for involving the community in food management were the most important issues discussed.

Unless the chronic and widely prevalent problem of endemic hunger is tackled, other dimensions of poverty— including education and health—not can be effectively addressed. Argued that the lead role in this strategy should be that of the Central Government, with support from the State Governments, so that freedom from hunger becomes an attainable basic right.

Concluded that procurement in a projected cycle of five years should form the basis for determining the allocations for the PDS, rural development and employment programmes, nutritional programmes, and the non-poor, so that specters of droughts and imports do not deter a policy in favour of the poor.

Affordability for the poor and availability for the non-poor should govern Indian food management.

Kabra has dealt with various aspects of the PDS in the context on India's political economy in general and of her food system in particular. Gone in to the question of mercantile capital and its relationship with the state processes and character in the context of the ongoing processes of agrarian change and the evolution and working of India's food policy in its varied aspects, including those arising from inter-state diversities. It shows how the circuit linking food and development remains incomplete despite large scale state interventions leading to notable gains in production. Evolved an unexplored approach to its understanding by working out the implications of the macro-level constraints and possibilities highlighting the factors determining access indigent sections have to this component of this food system. They explicate the mechanics of the conflict between the objective of protecting the nutritional levels on the one hand, and making contribution to overall price stability on the other. Current policy concerns like closer targeting for the poor, particularly in rural India, and viability of the Fair Price Shops, and the question of subsidies have been analyzed in depth. Organizational and administrative issues in their rich regional diversity have been highlighted by a detailed case study based on hitherto untapped primary and secondary sources.

Based on a careful analysis of facts, theories, operational problems and policy and administrative alternatives, the interplay of various aspects of socio-economic reality in the sphere of an important and ongoing form of state intervention in the food economy of India has been brought out.

Jetro\textsuperscript{49} emphasized that in Japan, with rapid increase in per capita income, consumption of food stuffs has gradually decreased as a percentage of the total household budget as in other countries. But despite a decrease in the percentage of the budget devoted to food stuffs, consumption expenditure in absolute terms has increased about 7 to 8 percent each year. The total consumption of calories per year was estimated in 1970 by the Ministry of Agriculture and Forestry at 2500 per person per day. This compares to 3200 per person per day in the U.S., 3150 in the U.K., 3100 in France and 2960 in West Germany. It is expected that there will be a shift from rice/starch to meats, vegetables and fruits in the near future.

Taimni\textsuperscript{50} felt that the process of distribution of goods and services evidently assumes singular importance, to improve the standard of living of the people. The role of the Retail trade and the PDS are significant, which can be overlooked only at the peril to the weal of the community.

The present PDS is not characterized by any of the essential features - effectiveness, coverage and its capacity to meet the requirements of the Public at fair prices for all times.

Kabra\textsuperscript{51} conducted the study based on the one hand, on primary data obtained through a sample survey covering the whole country, and on the other, an analysis of secondary data about different aspects of the PDS. It examined the evolution and operation of its overall design as a policy and a programme as an integral part of the food economy of India, taking in to account its regional specificities. Its emphasis is on both various socio-economic variables and the administrative arrangements for regularly


delivering fixed quantities of certain essential commodities at inflation-insulted prices. Through an analysis of the interaction of these factors in their macro and micro aspects, it attempts to bring out the dynamics of the PDS and place it against the background of the varying objectives sought to be achieved through this state intervention in the market processes. In the context of the twin questions of target-group orientation and viability of Fair Price Shops, the study evolves an integral package of policy and administrative measures for increasing the effectiveness of the PDS as a component of the minimum needs programme for the poor.

In the present circumstances, it is very clear that the dual market for essential commodities is dominated by its open and uncontrolled market segment. The dangers of increasing poverty and rising prices which are constantly present in the economy cannot be effectively dealt with without strengthening the PDS. There is thus an urgent need to introduce special measures for radically improving the level of access to essential commodities specially for the poor. First and foremost condition for improving access is to increase the quantity of the cereals and pulses channelised through PDS.

Gopalan reviewed the experience of the PDS in India in its historical perspective. Review of the structure and operation of the PDS in Kerala against the background of the demographic, social and economic factors affecting the system, evaluation of the working of the Kerala State Civil Supplies Corporation, estimation of the impact of the Corporation on the internal availability of food and the prices of essential articles in Kerala; and suggestion of measures to improve the working of the State PDS based on the findings of the study were the objectives of the study.

Concluded that the PDS network expanded in size over the years (1971-1980) by 2.8 per cent, whereas the PDS off take declined from 15.62 per cent of the net production of Cereals in 1980 to 13.24 per cent by 1990. Increasing population and decreasing rice production is the reason for food deficiency in

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Kerala. Impact of the Supplyco on the availability of food and the price level were very negligible, i.e. 1 to 4 per cent. (After 1981 it rose to 10 per cent per capita food availability in the state). Majority of consumers prefer PDS in comparison to Open market.

Suggested that targeting is a necessity; only for Poor and Middle class. Consumer education programme to be launched. Watch dog committee to be formulated. Consumer representatives, local bodies and Govt. officials to be members of the committee. Regular supply of food grains to be ensured under PDS. Quality to be improved. Correct weights and measures to be ensured. Black-marketing to be stopped. Viability of the Ration shops to be ensured.

George53 analyzed the impact of the supplies through the PDS on consumption level of the poor and redistribution of income among different income groups in Kerala and came out the positive findings.

Mooij54 stated that the Case Study on Pattambi, Kerala give no reason to think that food subsidy reaches the poorest people particularly, but it indicates that the poorest households were interested, and purchased rationed commodities whenever they were in a position to do so. Their access to food was however, somewhat restricted, as a result of poverty (no money to buy rationed commodities, Ration Cards mortgaged etc.), the specific conditions under which food grains are distributed (no possibility to buy on credit, Ration shops open only for limited time etc.) and the fact that a substantial amount of subsidized food grains never reached the cardholders.

Dreze and Sen, et.al55 pointed out that Kerala’s achievements in the fields of health, nutrition and poverty alleviation are impressive. A crucial role is played by the PDS. The System has added substantially to food Security in the state.


Poverty alleviation and increasing food security have occurred even while the economy was stagnant. Thus it is concluded that well designed and well implemented programmes among which the PDS deserves a prominent place, can help to reduce hunger and deprivation.

Bora56 inferred that although it is an in-depth study of a state (Maharashtra), its general applicability is nationwide. The food problem in India still continues, in spite of the PDS. Serious attention has to be paid to the administrative aspect of this gigantic problem in the country. Three major activities of food administration, namely, procurement, storage and distribution of food grains have been studied. Found that majority of consumers do not purchase all their requirements from fair price shops, however, felt that the PDS must be continued even if the food grain situation improves substantially. So long as problems like poverty, unemployment and underemployment persist in our society, Government will have to continue to provide grains at cheap rates at least to the vulnerable sections of the community. Indrakant57 suggested that distribution of food coupons to be made once in two years, to avoid the effects of the inefficiencies of the present PDS.

In the article,58 it was highlighted that the Government supplies One Million tonnes of heavily subsidized rice and wheat to states for sale to the people living above poverty lines (APL), since most of these people (APL) don’t buy from PDS shops, these stocks are diverted to the open market. Subsidy works out to Rupees seven a kg for wheat and Rs.6.15 a kg for rice, the average being Rs.6.65 per kg.

It is to be noted that the APL Ration Cards number around 129.2 million, whereas the APL households are only 115.2 million in India.

Food Ministry’s latest stated economic cost of wheat (including procurement, storage and other miscellaneous expenses) comes to Rs.13.07 a kg. It is issued

to the states for sale to non-poor families at Rs. 6.10 a kg, about Rs. 6.97 a kg lower than the cost.

Similarly, in the case of rice, the economic cost comes to Rs.14.45 a kg, against the issue price of only Rs.8.30 a kg, thus, involving a subsidy of Rs.6.15 a kg.

In percentage terms, the subsidy element comes to 53 per cent for wheat and 42.5 per cent for rice.

The monthly entitlement of PDS food grains for APL families is 35 kg; the same as for BPL families or the poorest of the poor households covered under the Antyodaya Anna Yojana (AAY).

The present computation of economic cost and subsidy on wheat and rice does not take into account the hefty increase of Rs. 150 a quintal in the procurement price of wheat for the crop that is now being planted.

The issue prices at which the Centre supplies the food grains to the states for the PDS were fixed in July, 2002 and have not been revised in past 5 years though the procurement prices and hence, the economic cost of grains, have been rising steadily every year.

Few state governments openly concede the fact that much of the stocks allocated for the non-poor find their way to the Open market. But last week, Delhi Chief Minister Sheila Dikshit publicly stated that the non-poor people do not buy food grain from the fair price shops and the grains allotted to these shops for them were casually diverted to other destinations. She also proposed to take about 40 per cent of households falling in the APL category out of the PDS network.

The Centre allocates about 8,93,000 tonnes of wheat and rice to the states every month for the APL families. Since September 2006, an additional 100000 tonnes of wheat is being given to the states every month to keep open market prices stable.

Where people living in the poverty bracket are concerned, the central issue prices are pegged at Rs.4.15 a kg for wheat and Rs.5.65 a kg for rice, since 2002. This entails a subsidy of Rs.8.92 a kg for wheat and Rs.8.80 a kg for rice.
For the AAY Scheme, meant for the ultra poor households, issue prices have been kept at Rs. 2 a kg for wheat and Rs. 3 a kg for rice, involving a subsidy of over Rs.11 a kg in both cases.

Majumder\(^{59}\) examined to what extent, the food distribution mechanism ensure the interests of the income-poor people in terms of their steady access to essential commodities from the Public Distribution System. Study aimed at covering food security of those people who have less access to food for their survival. It considers food-poverty as a basis for searching whether Public Distribution System works to ensure food security of people targeted. The Public Distribution System as a social safety net can be appreciated by the fact that aggregate availability of food grains per se is not enough to ensure the ability to acquire food grains. Production does not automatically guarantee consumption. The mere presence of food in the economy or in the market, does not entitle a person to consume it. Even the ability to buy may not guarantee food security, unless there is an efficient distribution system.

Colonial history of India also confirms that "the major famines and scarcities occurred during a period when India was a food surplus country and was in fact exporting large quantities of food grains". At the national level at least, famines in British India "were not precipitated by absolute shortages of food caused by uncontrollable vagaries of nature". Historically, we find no one-to-one correspondence between per capita supply of food and deprivation of a section of population in terms of food consumption. At the all India level, between 1972-73 and 1993-94, according to National Sample Survey Organization (NSSO) data, per capita consumption of cereals declined from 15.3 to 13.4 kg per month over two decades. During these two decades ending 1993-94, there occurred a steady decline in the food share from about 73 per cent to 55 per cent at the all-India level. This decrease occurred in all regions of the country. As informed by the NSSO, food shares declined for all income groups, including the first (poorest) quartile. This is in spite of the fact that the

poor continue to spend most of their budget on food and much higher than the percentage spent by the non-poor on food. This seems to confirm Engel’s law, which says that economic development is accompanied by declining food shares. There is a realization that the PDS, as it has evolved by now, may actually be serving only a limited proportion of the poor and thus, the target setting and subsidy question should receive attention for solution. It has been pointed out that in view of the Gol, two major aspects of PDS that need a national consensus are:

(i) the norms of excluding the non-poor, and (ii) limiting the open-ended subsidy because of FCI operations.

The rationale behind the TPDS has been explained as “The need for reducing government expenditure under the stabilization programme calls for a discriminatory approach in providing PDS benefits and hence should be targeted only to the vulnerable groups, since malnutrition is caused by an unequal distribution of food and misplaced consumer choices rather than inadequate supply. So comes the targeted system. “When there is a limited amount of food, with the market dividing it among the population according to their respective purchasing power and market pulls, a worsening of the relative position of some groups in the scale of money incomes can lead to an absolute decline in their ability to command food. Observed that many income poor (BPL) households have remained cardless. And many BPL households have the yellow cards, which are meant for non-poor (APL).

Birla Institute of Scientific Research60 observed that the costs of PDS managed by FCI and other agencies have become inordinately expensive and uneconomic.

Pathania61 found that amount spent on Subsidy on food under the Public Distribution System in the country during 1990-91 to 2002-03 as given in the Table 2.1.

Table 2.1. Subsidy spent by Government

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount in (Rs. Crores)</th>
<th>Percentage of total Govt. of India Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>2450</td>
<td>2.33</td>
</tr>
<tr>
<td>1991-92</td>
<td>2850</td>
<td>2.56</td>
</tr>
<tr>
<td>1992-93</td>
<td>2785</td>
<td>2.27</td>
</tr>
<tr>
<td>1993-94</td>
<td>5537</td>
<td>3.90</td>
</tr>
<tr>
<td>1994-95</td>
<td>4509</td>
<td>2.80</td>
</tr>
<tr>
<td>1995-96</td>
<td>4960</td>
<td>2.78</td>
</tr>
<tr>
<td>1996-97</td>
<td>5166</td>
<td>2.46</td>
</tr>
<tr>
<td>1997-98</td>
<td>7500</td>
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<td>9200</td>
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<tr>
<td>2000-01</td>
<td>12125</td>
<td>3.61</td>
</tr>
<tr>
<td>2001-02</td>
<td>17612</td>
<td>4.83</td>
</tr>
<tr>
<td>2002-03</td>
<td>21200</td>
<td>5.17</td>
</tr>
</tbody>
</table>

Suggested that Mobile Fair Price Shops may be operated on holidays including Sundays till late evening so as to cater to the needs of the people residing in far flung areas.

Gupta\(^\text{62}\) observed that the Public Distribution System has two assumptions as follows:

i. Main bottlenecks in relation to economically vulnerable sections is lack of assured supply, and not purchasing power.

ii. By acting as an intervening system, the Public Distribution System can have significant regulatory impact in the prices so that the overall price level could be brought down to desirable levels.


Revealed that:

i. Much heavier erosion in the case of lower expenditure classes than in the higher expenditure classes. No cheaper food grains can be substituted since they are already consuming cheapest food grains.

ii. Analysis confirmed that the PDS in India had not been able to give any protection to the vulnerable population. There was no evidence found to suggest that PDS has been effective in containing the food grain prices.

Chopra\(^\text{63}\) observed that although many operational problems creep in to the day-to-day working of FCI, yet with greater efficiency it is supplying food grains to the PDS at the right time, at right place and in required quantities, whereas quality aspect has to be taken care of.

Hinton\(^\text{64}\) observed that Tribute in the form of husked grain was required by Law from eight provinces in China even during 1827.

Evaluation Report on Revamped Public Distribution System\(^\text{65}\) observed that:

i. Sub standard quality of food grain issued and deficiency in quantity.

ii. Major lacunae relating to Vigilance Committees.

iii. Strong need to consider local situations (socio-economic and cultural) regarding preferences of commodities. Area specific approach needs to get due weightage in the scheme for addition and alteration of items under distribution.

Hubbard\(^\text{66}\) pointed out that according to the Bolshevik view, though the capitalist retailer may study the consumer demand, it is not because he wants to place his customers as an end in itself, but rather to attract customers,

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increase his turn over and make increased profits. Hence the high class demand of the wealthier portion of the community plays a disproportionately greater part in determining production than the demand of the masses for standard consumption goods. In a socialist state, goods are produced for consumption and not for profit.

Manual on the Organization of Food Control and Rationing publicized as follows:

"Rationing"

In a few days ration cards will be distributed to all householders. Keep them carefully. Without them you may go hungry. They are more valuable than money.

Why rationing

So that all whether poor or rich may share and share alike all the available food stuffs in the city. Rationing is neither a penalty nor a hardship. It only ensures to you what you need and prevents hoarding.

Who is afraid of rationing?

Only hoarders and profiteers. You who have ration card, will get what you need.

Jha inferred in his study that the system of rationing introduced by the British is said to be the forerunner of the existing PDS. It is an anti-inflationary measure having significant bearing on stabilizing prices and in improving the nutritional standards of the poor. Thus the PDS can play an important role in poverty alleviation.

Koshy revealed that a significant portion of important commodities like rice supplied for the PDS is siphoned off to the open market even in a state like

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Kerala, where the system is considered to be well developed is a matter of concern for policy makers and administrators. It would be beneficial to devise certain measures, which would reduce, if not eliminate, such tendencies. Improving and reinforcing the monitoring and control mechanism and processes of the PDS is one obvious solution to at least reduce the extent of malpractice.

Chattopadhya revealed that essential commodities like grains and rice supplied through the PDS, in general, provide a contrast in different quality sold in the market. Most of the times, deterioration in quality occurred during the period in which the grains remains stored. Secondly deterioration in quality occurs due to infestation. Thirdly, careless handling, exposure and methods used in the course of distribution result into deterioration also takes place because of inadequate storage facilities, unscientific preservation techniques and reckless application of disinestafation agents against pests and rodents, which leads to extensive damage to the grains in various ways.

Bahl advocated in his study that the operation of PDS itself, how-so-ever, efficiently managed to achieve a limited objective of assuring equitable distribution of available supplies to the economically vulnerable sections of the society. To expect the PDS to have any healthy effective way of stemming the ever-rising prices of goods covered by it. It will be only a too wishful thought in as much as the stabilization of prices of distributable goods will singularly depend upon relative stabilization of prices of various inputs and other factors including incidentals on account of rising freight cost, direct and indirect tax, etc. which go into the determination of ultimate cost of such finished goods.

Gupta studied the effectiveness of PDS. He examined the price stability as achieved through the operation of PDS using econometric models. He discovered that the quantities required to meet the need was much higher than what could be generated internally through procurement only.


additional requirements were several times of the total food grains distributed through the PDS.

Sud\textsuperscript{73} pinpointed that several social economic as well as geographical features, besides the other local conditions, decide, the shape of the PDS system that is needed in a particular State. The conditions of hill states are entirely different from those in the plains, remote, interior and far flung areas, as the hilly tracts may need mobile rather than static outlets for the PDS. The stress now being laid on increasing the numbers of mobile vans engaged in these areas, therefore, well placed.

Sinha\textsuperscript{74} stressed that the PDS did not satisfy needs of the poor for whom it was intended. PDS should take up the distribution of coarse grain and oils as it formed a major part of the poor man's diet.

Mooij\textsuperscript{75} opined that impact of PDS as a check on open market food grain prices and as a safety net for the poorest sections of the population is minimal. If PDS is helpful, it is so for the wealthier groups, the private traders and the officials working within the system. If PDS functions as a safety net, it does so far the politicians and policy makers. It enables them to pretend that there is a solution available to overcome the "adverse side effects" of structural adjustment measures, meanwhile continuing these policies. In other words, the frequent reference to PDS hides the fact that in reality the position of the poor is not taken as a serious priority in policy making.

Suryanarayana\textsuperscript{76} examined the incidence of food subsidy in India by estimating elasticity of PDS beneficiaries with respect to household total expenditure. The elasticity is similar to angel elasticity and can be used to measure the progressive/regressive nature of PDS. The estimated elasticity

\begin{thebibliography}{9}
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show that the PDS is progressive in its incidence across expenditure groups with respect to all commodities except pulses and coal in rural India and only coal in urban India. The degree of progressiveness differs between commodities. However, these results are subject to one limitation. They are based on the assumption that persons who depend only on the PDS for their purchases buy their total entitlements from it. One important problem with the PDS is that the commodity quotas for a given period should be brought at a single purchase. Sometimes it may so happen that the poor do not buy their entire quota for want of cash. In such an event, our estimates of elasticity may overstate the degree of progressiveness in the PDS. Similarly, sometimes the rich do not buy their quota because of the poor quality of items sold under the PDS. In such cases our elasticity would be understating the degree of progressiveness.

Ghosh\textsuperscript{77} revealed that one very important difference in India as compared to the East Asian adjustment experience, is the decline in food security, which has been experienced by most workers. The Indian strategy has been characterized by attempts to cut consumer subsidy on food grain supply through Public Distribution System. This subsidy was already very low by East Asian standards. It has been shown that in most Indian States the value of the income subsidy via PDS was less than one or two persons per day of employment per family per month. He emphasized on the need of continuing subsidy on PDS for providing food security to vulnerable section.

Dev and Ranade\textsuperscript{78} advocated that among the many antipoverty programmes in India, some of these programmes with some changes or effective implementation can be used as safety nets during the transition period. Food management including Public Distribution System (PDS) and rural public works programmes can be used for this purpose. The present PDS is highly centralized system and the delivery systems are poor in rural areas. Linking PDS to special feeding programmes are needed because the problem of malnutrition is acute and widespread.


Ravichandran and Padmanaban explained in his study that in India the Public Distribution System (PDS) is being implemented through fair price shops or ration shops and consumer co-operatives. The consumer co-operatives are essential part of PDS, which has been assigned a significant role in the distribution of essential consumer goods and they are expected to bring down the prices of essential commodities. The main objectives of these societies are elimination of intermediaries, curbing the undesired malpractices like adulteration and maintenance of purity, quality and correct weighment. He further found that in Tamil Nadu, there are 3891 primary co-operatives undertaking PDS. These societies are primarily concerned with supply of food stuff and other daily needs in correct measures at reasonable prices.

Singh observed that in India, urban areas which account for only 20 per cent of population covered 68 per cent of off take of food grains from PDS leaving only 32 per cent for rural areas where 77 per cent of the population resides of which about half stated to be below the poverty line.

Sinha and Singh observed in their study that poverty eradication is one of the major objectives of planned development. The magnitude of the problem is still staggering. Thirty-six per cent of Indian population was below poverty line (BPL) in 1993-94. The government recognizes that high growth of incomes is by itself not enough to improve the quality of life of the poor. Unless all the citizens of the country, and most particularly the poor, have certain basic minimum services, their living condition cannot improve. These minimum services are safe drinking water, primary health facilities, universal primary education, nutrition to school children, and shelter for poor, road connectivity for villages and habitations, and Public Distribution System (PDS) with a focus on the poor. The Ninth Plan also lays special emphasis on these seven basic

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minimum services. There would be schemes for income generation through supplementary employment, for the welfare of the poor in rural/urban areas and, for a targeted PDS system to ensure that the poor have access to food grains at prices they can afford.

Dass\textsuperscript{82} inferred in his findings that citing the example of Assam can be emulated to lead the whole of India. They have taken over the rice trade, while dominating wholesale traders in rice and food grain trade. They are distributing rice and other essential commodities through co-operatives. Emphasized the need for co-operatives and strengthening the PDS to bring down the prices of essential commodities.

Batra\textsuperscript{83} observed that the National Co-operative Development Corporation has played a vital role for the development of consumer co-operative activity, which is a major programme in co-operative sector in the context of Public Distribution System.

Gulati and Krishna\textsuperscript{84} made an attempt in their study to outline a scheme to cover all the people under poverty, both from the rural and the urban areas, on a permanent basis with an assured supply of 100.80 kgs. of grains per person per annum. The quantity required to feed such a large number of people came to about 30 million tonnes in 1973. The estimates of food grains made in this study were found to be too large to the extent that they could not be mobilized either from internal production or from imports or both.

Bose\textsuperscript{85} stressed for the expansion of PDS through fair price shops including mobile shops in far flung areas and shops to cater to industrial workers, students' hostels and availability of text books and exercise books to students on a priority basis for the promotion of a strong consumer protection movement.

\textsuperscript{82} Dass, Dharinder. (1974). Procurement and Distribution of Essential Commodities should be through Co-operatives, Quoted in: The Co-operator, April 15, 1974, Vol. xi, No. 20, p.5.


Antony\textsuperscript{86} is opposed to the continuance of a universal PDS and felt that the affluent sections need to be excluded from the scheme. He further advocated that government should allow sale of rice in the open market by Food Corporation of India as it would have a salutary effect on the price situation and observed the low off take of food grains through revamped PDS in many of the states. He attributed the low off take mainly to two facts – the low price difference between the PDS food grains than those in the open market and second, lack of purchasing power in tribal and poor areas.

Dev\textsuperscript{87} revealed in his study that the improved food security to the household is important for a developing country like India where millions of poor suffer from persistent hunger and malnutrition and some of others are exposed to this risk in future. This study examined the poverty and food security problem with emphasis on PDS and Employment Guarantee Scheme (EGS) in two relatively large states of India namely Maharashtra and West Bengal. He further observed that at the outset, both the programmes differ in their approaches in helping the poor. The Employment Guarantee Scheme (EGS) is income-generating programme while PDS is a programme, which works only if the prices are affordable under given purchasing power. He further explained that in order to provide food security to all the poor, there is a need for effective implementation of the PDS and other anti-poverty programmes. We need to look at the problems and the ways in which PDS can restructure effectively. However, this type of PDS restructuring would help the poor only marginally because there are several problems associated with the present PDS. Unless these problems are tackled, the PDS objective of helping the poor and vulnerable sections will not be fulfilled.

Rao\textsuperscript{88} revealed that since the food situation in India was critical on the eve of independence, PDS, focused on poor, should have received high priority in the development plans launched soon after independence. Actually, a substantive

\textsuperscript{86} 'PDS to Stay', says Antony, Quoted in: Times of India, New Delhi, January 21, 1994.


PDS for rural areas appeared on the scene after almost two decades as a byproduct of green revolution in the late 1960s. The green revolution is a milestone in Indian economy to get food security and sustainability. PDS expanded considerably in the rural areas during 1980s based on the surpluses of rice and wheat procured in the green revolution areas. While the present wheat-cum-rice based PDS serves admirably as support system for farmers in green revolution areas, it hardly provides credible food security to the poor. There are large areas in the country without PDS. Even in the areas covered by PDS, purchases from PDS appear to account for less than a fifth of the food grains consumption of the poor.

Hanumantha\(^9\) said the issue prices of food grains from Public Distribution System (PDS) were almost doubled over a short period of four years in an effort to contain food subsidy. He derived that public policy has become important in the situations like South East Asia crisis for the prevention of the interest of poor people and state interference is immensely required to take out the economy in such situation.

Patel\(^9\) observed in his study that the different agencies have been set up in tribal areas to uplift the agriculture and further found that the tribal get the goods at reasonable prices. He also studied that cardholders are satisfied with the prices at which essential commodities like rice, wheat, sugar, kerosene, etc sold through fair price shops under PDS.

Gupta\(^9\) observed in his studies that the benefit schemes like PDS should be given to the people for whom these plans are meant. Proper care should be taken that these plans are not snatched away by the powerful sections and secondly, the beneficiaries such as the vulnerable section of the community

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and the lowest income group including the agricultural labourers should not be ultimately deprived of their earnings.

Taimni\textsuperscript{92} felt that there never appeared to be an ‘approach’, what to say of holistic approach; there was not even any thinking on the subject of food security, till jolted by the outsiders to remind the custodians of food security of their responsibility.

It was only after the World Food Summit in 1996- the agenda was back but no initiative- no back up – still struggling to probe as to what to do? How to go about it? So much for the food security as we understand now.

The Government Policies on PDS were analyzed in detail by the author.

If PDS was perceived to be a method of income transfer, it helped but the cost of the transfer was more than the benefit transferred. The author has quoted a study done for the World Bank that for income transfer of One rupee, the cost of such transfer was something over Rupees Four.

One of the alternatives being suggested is decentralized procurement by the states, at least the surplus states, improvement in buffer management including the necessity to consider the need for such huge quantities to be maintained as ‘buffer’.

The study revealed that the number of the Fair Price Shops have been going up considerably to ensure availability within easy reach of the consumer, but this expansion was not without its dark side.

From the figures of the off take, it was also clear that off take from the PDS/FPSs is quite inadequate to meet the needs of any family more so the poor. The policy of combining low off take/availability compounded with universal coverage leaves the determination of actual beneficiaries to a variety of market, administrative interpersonal and social factors thus adversely affecting the very objectives of PDS. Maximum quota available were much lower than the required. Worse was the level of awareness about their entitlements.

\textsuperscript{92} Taimni, B.K. (2001). Food Security in 21\textsuperscript{st} century, Perspective and vision. Delhi: Konark Publishers Pvt. Ltd.
The author quotes the NSSO survey result that shows an improving trend in percentage of families getting two square meals a day for the year as a whole. Figures for hunger ratios after the 50th round is 5 per cent rural and 2 per cent urban. Analysis show that all lower income groups are obviously the worst hit; for them worst period is monsoon period, i.e., kharif crop season.

Another survey showed a hunger ratio of 11 per cent for rural and 3 per cent for urban.

The author has stated that these disturbing figures hit at the very root of our perceptions of food security vis-à-vis role our PDS plays in improving the food security.

Summarizing, it is said that at the evolution of PDS in 1960s the situation was marked by:

- High poverty ratios.
- Inadequate food grains production.
- Rising effective demand
- Bureaucratic set up.
- Host of controls.
- Universal application.

Changes having a bearing on PDS that took place in the intervening years say up to now could be identified as follows:

- Declining poverty ratios.
- Country’s agriculture, growing faster than the effective demand.
- Democratic decentralization in the form of Panchayati Raj Institutions.
- Declining focus on PDS by the administrative system in large parts of the country especially in neediest and poorest areas
- Poor off take in poor but food surplus states.
- Continuation of controls, which are out of place including coercive procurement The impact of various PDS Programmes had been assessed by the study like miller’s levy.
- No change in the ‘mind set’ of shortage-ridden economy.
Experience and several studies have shown that higher the difference between Central Issue Price (CIP) and the open market prices, greater is the probability of leakage. TPDS has just created that scenario.

The author suggests an alternative to PDS with four contours of the PDS to be seen in the perspective of:

Availability, Acceptability, Accessibility, and Affordability. Accountability also need to be looked in to.

As per the alternative system, entitlement could be considered to be given in the form of food stamps/Coupons as it will help attain the twin objective of physical and financial access to food.

Author has identified the following major issues, which need to be addressed from the supply & demand sides.

Supply Side

- The commodity basket for the PDS need to include pulses and edible oil for the target group alone.
- Total quantity available for supply must meet at least 50 per cent of family's monthly requirement.
- Targeting the beneficiary to be left with the local bodies based on nutrition indicators and proxy means test.
- The price at which commodity is to be supplied at about 50 per cent of the market price.
- Distribution network to be left to the local bodies commodities to be delivered to local bodies 'outlet' (retail sale) level, to ensure uninterrupted supply as well as to reduce leakage in the 'up market'.

Demand side

- Financial access: assured employment for at least 100 if not 150 days in a year for at least one member of a family.
- Seasoned: variation of demand/requirement during lean/harvesting seasons. Higher allocations during months of June, July, August and September. Experience and data show higher off take as well as higher hunger ratio during the period.
Coondoo, Majumder, *et al.* examined the interrelationship between consumption and employment levels of households which may help identify groups of households which are employment-deficient and consequently likely to suffer from food insecurity and nutritional deficiencies.

The first part analyses information on household employment in an attempt to identify the factors/household characteristics which are strong correlates of the level of household employment and or its fluctuation (i.e., the degree of uncertainty associated with employment). The next part examines the relationship between levels of consumption and employment of households in order to ascertain whether employment-deficient households are also poor from the point of view of consumption. This is all about the demand-side picture with the aspect of food security of households. The final part of the study then matches the demand-side picture with the actual distribution pattern of food support provided through the PDS in rural Maharashtra, essentially to see whether food security offered through the PDS could reach target groups of population in the state. Coming to the Findings, first, the study of employment and under-employment revealed that these vary significantly across categories of households. Access to land and other productive assets appeared to be an important determinant of employment levels as the agricultural and other labour households showed greater under-employment compared to the categories of self-employed households. The analysis of PDS data revealed that for most items, the PDS had a moderate equalizing effect on the intra-group consumption inequality.

Indrakant examined the extent of food security provided by the PDS and the variations in its actual coverage across regions (economically developed and backward) and socioeconomic classes, with special reference to Andhra Pradesh. The trends in the production of rice and other cereals, and in the procurement and distribution of rice are examined. Since Andhra Pradesh being a net surplus state in rice and, in fact, exports rice to neighbouring

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states, the extent to which regional inequalities in production are mitigated through the PDS is studied. How well the PDS is targeted towards the deserving poor has been assessed. The networking and the utilization pattern of the PDS in Andhra Pradesh has also been studied.

The analysis revealed that in Andhra Pradesh, nearly 30 per cent of rice purchases are made from FPSs and form over 22 per cent in total rice consumption. The corresponding percentages are 32 and 23 in rural areas. Thus, the extent of food security provided by PDS appears to be higher in rural areas.

Survey in five villages of Andhra Pradesh had been conducted which proved that the levels of living vary widely in the five villages. More than 50 per cent of the household budget, in all the five villages, is devoted to food items. The extent of PDS support to the vulnerable sections varies from one village to another. The percentage of PDS purchase in total rice consumption for the landless class varies in the range of 26 per cent to 63 per cent. The extent of PDS support declines, in general, with landholdings. The extent of PDS support declines also with expenditure levels of the household. The author has concluded that there is need to improve the targeting of PDS. To improve food security in the state and to reduce subsidy burden, the author has recommended that the government might consider alternative policy option, such as:

Providing higher quantity per capita ration at a slightly higher price; and that also to a smaller group.

Vidyasagar analyzed the role and limitations of the PDS in ensuring food security in Rajasthan. Its spread, efficacy and effectiveness in reaching rural poor were examined. Household survey of four districts representing different typologies of the PDS-agro climatic environment interface was conducted.

The study revealed that the nature of food security provided in the state is one of conferring price advantage, by strengthening the market infrastructure.

Very high rural bias is evidenced in Rajasthan. It supports the weaker sections of the rural population. Malpractices in distribution and inclusion of food grain surplus districts in the RPDS are the drawbacks seen in the study.

Nair\textsuperscript{66} studied the effect of reduction in food subsidy and the enhancement of the issue price of food grains as part of the ongoing reform process in the country on food security of Kerala. Survey has been conducted in four villages, viz. Anad in Trivandrum district, Anjengo in Kollam district, Paruthoor in Palakkad district and Edavaka in Wayanad district.

The per capita consumption of food grains did not show systematic variations across landholding categories. However, across expenditure groups, it tends to increase with an increase in per capita expenditure. In the villages where there is no production of rice, there is high degree of dependency on the open market for purchase of rice. PDS purchase as a ratio of total purchase increased with the level of expenditure. The net distribution of gains from PDS in financial terms is more in favour of the better off sections than of the poorest strata.

Important recommendations were improvement of quality of PDS food grains to augment off take by households, revision of the retailers’ commission to check malpractices and targeting the needy by identifying them through Grama Sabhas; and excluding those who are not dependent on PDS-subsidized commodities.

Swaminathan\textsuperscript{97} revealed that in striving for “efficiency” by means of narrow targeting, households that should be entitled to basic food security through the PDS have been left out. In the present situation, a person who belongs to a household that has neither a BPL nor an Antyodaya card is effectively excluded from the PDS. In Kerala, the State where the universal PDS was most effective, 70 percent of the households now have been excluded from the PDS.


\textsuperscript{97} Swaminathan, Madhura. (2008). Public Distribution System and Social Exclusion, Article in The Hindu’, 7\textsuperscript{th} May, 2008
Turning to households belonging to the Scheduled Tribes, large numbers of households do not have access to the PDS; to illustrate, 90 percent of rural Scheduled Tribe households in Assam, 79 percent in Arunachal Pradesh and 68 percent in Chattisgarh were excluded from the PDS. Surprisingly, the North Eastern States did not perform too well on this count. There were only four States – Andhra Pradesh, Orissa, Gujarat and Maharashtra – where more than 50 percent of rural Scheduled Tribe households had received a BPL or Antyodaya card. The data from the 61st round of the National Sample Survey make it quite clear that a high proportion of agricultural labour and other labour households, of households belonging to the Scheduled Castes and the Scheduled Tribes, of households with little or no land and households in the lowest expenditure classes, are effectively excluded from the PDS today.

Going through the literature on PDS and related areas, it was noted that even though many of the studies focused on the utilization of the benefits provided by the PDS, only few studies concentrated on the utilization of TPDS in food grains among the tribal population in Kerala.