CHAPTER II

ORIGIN AND GROWTH OF PUBLIC DISTRIBUTION SYSTEM IN INDIA AND BRISBA

The system of public distribution in foodgrains in the form of price control and rationing was first introduced in India as a short-term device to meet the shortages of foodgrains in the wake of the Second World War. Since then, the system has continued to exist in the country in one form or another though the nature and extent of the measures undertaken have varied from time to time and region to region.

2.1 THE WAR PERIOD SUPPLY-DEMAND POSITION

The need for public distribution in foodgrains was not felt till the beginning of the World War II. India was the net importer of foodgrains, mainly rice from Burma and managed to get wheat from the territories like East Punjab and Sind. The imports, compared to the total foodgrain requirements in India, were small but served to maintain public confidence in matters of food supply.\(^1\) Table 2.1 shows that the percentage of net imports of foodgrains to total production varied from 1.2 to 4.2 per cent during the period from 1935-36 to 1939-40 and on an average, the variation consisted of only 2.7 per cent.

\(^{1}\) Government of India, Ministry of Food and Agriculture, Department of Food, Food Situation in India: 1939-55, New Delhi 1956, Introductory Note, p.1.
This reveals that the imports were much less in proportion to the internal supplies of foodgrains in India before the war.

With the outbreak of war in September, 1939, the prices of foodgrains in India tended to rise. So long as the food situation of the country was managed with the internal supplies supplemented by overseas imports, the attention of the government was not directed to the supplies but to controlling the prices. Table 2.2 shows the extent of price rise in cereals during the war. It reveals that compared to the pre-war prices of cereals, the average index number of wholesale price was 265.1 in rice, 203.0 in wheat and 127.1 in jowar between the period 1939 and 1945.

The first step in foodgrains price control was taken in November, 1941 when the Government fixed the maximum price of wheat. But no control was imposed either on supply or on the movement of foodgrains. The outbreak of war in the Eastern Sector and the fall of Burma into the Japanese hands led to the cessation of rice imports from Burma. Further, the fear of invasion of the entire eastern parts of India led to hoarding of large stocks of foodgrains in the usual supply channel. In addition, due to war claims made on the transport system the free-flow of the supplies from the producing areas to the consuming pockets was rendered difficult. To cap all, the severe cyclone in October, 1942 damaged the rice crop in Bengal and Orissa, the two major rice producing pockets of the country. Consequently, the food position became much acute by the end of 1942 and to meet the exigencies a comprehensive scheme of
foodgrains distribution through price control and rationing, internal procurement and planned movement were undertaken by the Government.

Table 2.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Net Imports</th>
<th>Rule's as % of col 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936-37</td>
<td>45,665</td>
<td>1,742</td>
<td>3.8</td>
</tr>
<tr>
<td>1937-38</td>
<td>55,401</td>
<td>1,266</td>
<td>2.3</td>
</tr>
<tr>
<td>1938-39</td>
<td>54,924</td>
<td>629</td>
<td>1.2</td>
</tr>
<tr>
<td>1939-40</td>
<td>45,564</td>
<td>1,044</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>53,061</td>
<td>2,221</td>
<td>4.2</td>
</tr>
<tr>
<td>Average</td>
<td>52,467</td>
<td>1,376.4</td>
<td>2.7</td>
</tr>
</tbody>
</table>


Table 2.2

<table>
<thead>
<tr>
<th>Year</th>
<th>Rice</th>
<th>Wheat</th>
<th>Jowar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>115</td>
<td>132</td>
<td>101</td>
</tr>
<tr>
<td>1940</td>
<td>123</td>
<td>137</td>
<td>66</td>
</tr>
<tr>
<td>1941</td>
<td>159</td>
<td>167</td>
<td>91</td>
</tr>
<tr>
<td>1942</td>
<td>216</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>1943</td>
<td>339</td>
<td>159</td>
<td></td>
</tr>
<tr>
<td>1944</td>
<td>376</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>1945</td>
<td>372</td>
<td>167</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>255.1</td>
<td>263.0</td>
<td>127.1</td>
</tr>
</tbody>
</table>

The supply position in Orissa

Orissa normally had a surplus of rice in the entire war period. But the price of rice was so high that it was beyond the reach of the ordinary consumers, as reported by the Famine Inquiry Commission.

"During the period from 1st December 1942 to 31st October, 1943, Orissa exported about one lakh tonnes of rice. Although the province as a whole had a surplus foodgrain, there prevailed serious distress among the people in the war period accompanied by some starvation deaths in her four coastal districts of Balasore, Cuttack, Puri and Ganjam. The causes of such starvation deaths have been firstly, due to damage of crops caused by cyclone in 1942, floods in 1943 and secondly, the steep rise in prices during the period which had the effect of placing rice beyond the reach of the poor."  

This is also evident from Table 2.3 which shows that the index numbers for the prices of rice in Orissa rose up gradually from 1939-40 to 1942-43 and in 1942-43 it jumped to almost the double of 1939-40.

The main cause of such rise in the price of rice in Orissa was that traders from Bengal, in the absence of any restrictions, made invasion on Orissa supplies. As a result, rice price in Orissa rose to the Bengal level. This is evident from Table 2.4 which indicates the sharp rise in the rice price in Orissa in 1942-43 and 1943-44 compared to the previous years and was even more than the price in Bengal in 1941-42.

Therefore, in Orissa, during the war period, although foodgrains were available, the poor people could not meet their

requirements due to lack of adequate purchasing power. The Famine Inquiry Commission reported:

"The Province of Orissa demands more detailed consideration. Orissa is a surplus province in rice; but the purchase of rice by agents and merchants from Bengal during the free-trade period pushed the prices almost up to the Bengal level, so that in parts of Orissa, as in Bengal, the poor could not buy enough food."

Such a state of affairs necessitated the system of price control in Orissa.

\begin{table}[h]
\centering
\begin{tabular}{|l|l|}
\hline
Year & Price Index \\
\hline
1939-40 & 126. \\
1940-41 & 149. \\
1941-42 & 172. \\
1942-43 & 254. \\
\hline
\end{tabular}
\caption{Trad of rice price in Orissa during the war (Base: Average of the quinquennium ending 1936-39 = 100)}
\end{table}


2.2 PRICE CONTROL

The chief rationale of price control is to separate the close connection between the income and consumption. In the normal economic system, price is held to be the chief regulating factor. But in a war economy, the Government enters into the foodgrains market as a large customer for fulfilling the needs of the army. As a result, prices go up unless the

\footnote{\textit{Ibid.}, p.144.}
An unchecked initial rise in the prices of foodgrains leads to a cumulative effect on prices which needs control by government intervention. So, the prime objective of foodgrains price control in India during the war period was to maintain stability in the economic system by arresting upward movement in their prices. Protection of consumers' interest to maintain the morale of the people formed another objective.

**Table 2.4**

Comparison of the Harvest prices of Rice in Orissa and Bengal during the war period: 1939-40 to 1943-44

<table>
<thead>
<tr>
<th>Year</th>
<th>Orissa (In &amp; and As. over previous year)</th>
<th>% increase</th>
<th>Bengal (In &amp; and As. per maund over previous year)</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939-40</td>
<td>3-1</td>
<td>--</td>
<td>4-7</td>
<td>--</td>
</tr>
<tr>
<td>1940-41</td>
<td>5-10</td>
<td>18-3</td>
<td>5-2</td>
<td>15-3</td>
</tr>
<tr>
<td>1941-42</td>
<td>4-3</td>
<td>13-6</td>
<td>5-6</td>
<td>4-9</td>
</tr>
<tr>
<td>1942-43</td>
<td>6-3</td>
<td>47-7</td>
<td>14-0</td>
<td>160-5</td>
</tr>
<tr>
<td>1943-44</td>
<td>9-11</td>
<td>56-5</td>
<td>15-0</td>
<td>7-1</td>
</tr>
</tbody>
</table>


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History of price control

With the outbreak of the war and promulgation of the Defence of India Rule in September, 1939, the foodgrains control order was issued in May, 1940. The Central Government empowered the Provincial Governments to exercise control over foodgrains by fixing their prices, issuing fair price lists and by publishing bulletins on wholesale prices as well as forming advisory committees for price regulation. These measures at the provincial level created a shortage psychosis and the supplies of foodgrains either disappeared from the market or moved to the regions where prices were at a higher level. All this led to a swift rise in the prices of foodgrains. This can be seen in Table 2:2 which reveals the rising index numbers of wholesale prices of cereals in India from 1943 onwards.

The first and second Price Control Conferences were held in October, 1939 and in January, 1940 respectively when no need was expressed to control the prices of foodgrains; rather price rise for agricultural commodities was considered as an incentive for the farmers on the grounds that the farm price level was lower in comparison to the prices of manufactured goods and that the farmers who suffered in the depression should get the advantage of the changed circumstances. But in the absence of restrictions on the movement and the supplies of foodgrains, their prices continued to rise. Toward the end of 1941, with Japan's entry into the war, the supply position worsened and prices of foodgrains
rose to such heights that a large section of the population was deprived of having any supply at all. Brown had reported that mysterious shortages in foodgrains developed and people after standing in the queue returned without getting any food whatsoever. 5

In the Third Price Control Conference held in October, 1941, it was desired to control the prices of foodgrains and the Central Government was authorized to intervene in the matter. Accordingly, the wheat price was fixed at 4-6 as. per maund at the Punjab Primary wholesale market and the provincial governments were authorized to determine the maximum consumer prices of wheat. But such price control measure, being essentially "ad hoc" in nature, did not substantially ease the food situation. In the Fourth Price Control Conference held in February, 1942, although deliberations centered on the pricing and supply conditions of foodgrains, no effective control measure could be enforced due to peculiar constitutional framework. 6 It was only suggested that regional committees be formed to coordinate the pricing and distribution of foodgrains which, however, did not prove a success due to the inadequacy of the measures.

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5 Brown, E. *India Need Not Starve*, Bombay, 1944, p.50

* Under the prevailing Indian Constitution there were princely states and Indian provinces which were autonomous in their jurisdiction.
Subsequently, in the Fifth Price Control Conference held in April, 1942, it was realised that fixation of maximum price was not enough for foodgrains price control. It was desired that the provincial governments were to be empowered to exercise checks on the quantity, location and movement of stocks and the wholesale dealers were to be licensed. Accordingly, the government of India promulgated rule 81-9 under Defence of India rule which empowered the provincial government to regulate the shops dealing in foodgrains and complete take over the business if necessary.

In the Sixth Price Control Conference held in September, 1942, a scheme for centralised purchase of foodgrains by a single agency was recommended to meet both civilian and defence commitments and the Government realised that foodgrains price control must be accompanied by control over supplies and distribution.

In December, 1942, the food department was set up at the Centre and was entrusted with the responsibility of regulating prices, procurement, movement and distribution of foodgrains on a centralised basis. This department also attempted to assess the 'surplus' and 'deficit' of the provinces and the princely states. Meanwhile, foodgrains prices were soaring up due to shortages arising out of the hoarding and speculation. The Central Government, under the circumstances,

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6 Government of India, Department of Commerce, Notification no.1533-50-42, Dated 7.6.1942, which provided:

"...regulating production, storage, movement, transport, distribution, disposal, acquisition, use or consumption of articles or things of any description whatsoever... Controlling the prices or rates at which articles or things of any description whatsoever may be sold....etc".
unilaterally fixed the 'target figures' for procurement from the surplus pockets to meet the needs of deficit ones. This provided the background of the 'basic plan' in the food economy of India.

Working of the Basic Plan

The Basic Plan came into operation from 1st April 1943. The plan was drawn up on an annual basis, in two stages corresponding to the two chief harvests - 'kharif' and 'rabi'. For each of these crops, every State provided the Central Government with returns of supply and demand and the extent of their surplus or deficit. The Government of India, after compiling the returns, worked out the balance sheet and made allocations of the surplus to the deficit pockets according to the ascertained needs. Thus, the Basic Plan was the Chief instrument through which the Government of India tried to maintain a balance between the supply and demand for foodgrains in the country as a whole.

But the grave food situation in May, 1943 called for a departure from the Basic Plan and the Government of India introduced 'Modified Free Trade' policy in foodgrains under which the Regional Food Commissioner issued licences to the private traders. This policy was first implemented in the eastern region as it was hoped that it would bring out the hidden supplies of the region. But it met with serious difficulties. The traders of Bengal nearly captured the whole of the supplies of Bihar, Orissa and Assam, leading to further
hoarding, speculation and rising prices as reported by the Famine Inquiry Commission.

"...the decision to introduce Free Trade in the Eastern region was a mistake. It could only result, not in the solution of food problem in Bengal, but in the creation of similar conditions in other areas of the Eastern region." 7

With bitter experiences of the 'Confed rate Free Trade' policy in the eastern region and in the wake of the great famine in Bengal, the policy was not extended to other parts of the country and was completely abrogated. The revised basic plan on the basis of surplus declared by the states came to function from 15th July, 1945.

Thus, the Basic Plan and the revised Basic Plan constituted the main plank of food administration in India during the war period. But the fact that the whole plan was operated by consent revealed simultaneously its great merit and chief drawback. Although it extended the benefit of food balancing on all-India scale yet, in the absence of a ceiling on import quotas on the part of the deficit states and the basic export quotas on the part of the surplus States, the former overestimated their requirements and the latter underestimated their capacity and the plan ultimately failed.

Foodgrains Policy Committee and aftermath

The Foodgrains Policy Committee, appointed by the Government of India in July, 1945, recommended general expansion of the statutory price control, extension of rationing, improvement in the procurement machinery and it urged that these

7 Report of the Famine Inquiry Commission on Bengal,
measures were interrelated and none of the measures could be effective in isolation. But, though the Central Government fixed wholesale prices of all major foodgrains, their uniformity was not maintained due to the heterogenous varieties in case of each foodgrain. Moreover, there was no cooperation between the Centre and the States in implementation of the price control measures. However, by 1945, most of the provinces in India had adopted the policy of statutory price control, but its working suffered from the lack of 'action simultaneity'.

2.5 Price Control Measures in Orissa

Soon after the outbreak of the Second World War, with the enactment of Defence of India Rule in September 1939 and subsequent passage of the Essential Supplies Act in May 1940, the Provincial Governments were empowered to exercise control over the prices of foodgrains. The Government of Orissa, accordingly, issued various control orders in the State, such as fixing maximum statutory prices for all major foodgrains, issuing fair price lists, publishing wholesale price bulletins and forming Price Advisory Committees. But these control measures were haphazard in character. Orissa was all along a surplus state in rice and the scarcity was not felt till 1947. But on account of the failure of the rice crop in Orissa during 1940-41 coupled with the difficulties in obtaining rice from the Central Government which the latter

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8 Report of the Foodgrains Policy Committee, 1943, op. cit., p. 124
previously imported from Burma but could not get the same due to the war in the Eastern sector, the internal demand for wheat in Orissa along with other parts of the country increased. In addition to this, there were large-scale purchases of foodgrains by the British government for the army posted in India. As a result, prices of wheat rose sharply and the Government of India issued notification on 5th December, 1941 fixing the maximum whole-sale price of wheat and asked the Provincial Governments to enforce this control order in their geographical areas. The Government of Orissa implemented it. But no maximum price was fixed or enforced in the state in respect of paddy and rice which consisted of the major foodgrains in the state. In April, 1942 when the Government of India issued the Wheat Control Order to regulate the inter-provincial movement of wheat, the state government of Orissa responded to it, but there was no restriction on its rice movement and stocks.

Thereafter, with the constitution of the Food department at the Centre in December, 1942, to integrate all control activities with regard to procurement, distribution and movement of foodgrains on all-India basis, Orissa co-operated with the Centre and participated in the working of the Basic Plan as a surplus state, but during the period of 'modified Free Trade Policy' operated in the eastern India to unearth the hoarded supplies of rice, the rice traders from Bengal took advantage of the situation. They captured Orissa supplies of rice at a higher rate and the price in Orissa rose almost to
Bengal level. This is evident from Table 2.4 which indicates that the harvest price of rice in Orissa, on an average, rose by 20 per cent every year from 1941-42 to 1943-44 and the discrepancy in the prices in Orissa and Bengal increased. As a result of this, the poor consumers in Orissa were hard hit and there were some starvation deaths in 1943-44. The State Civil Supplies Enquiry Committee reported, "Though Orissa price went up to a little less than 2/3rd of Bengal price it was beyond the purchasing capacity of the common man in Orissa and the result was that a large number of people died in 1943-44 due to starvation and malnutrition as they could not afford to purchase." 9

Faced with these state of affairs the provincial Government of Orissa, on the recommendation of the Foodgrains Policy Committee of 1943, imposed statutory price control on rice and wheat. It had also promulgated the hoarding and profiteering Prevention Ordinance in October, 1943. Subsequently in July, 1944, the Consumer's Goods (Control and Distribution) Order was issued under which the ceiling prices of foodgrains were fixed by the Orissa Government. But all these control measures in Orissa could not be effectively enforced, like other parts of the country, due to lack of a sense of action mindedness on the part of the Government.

It is thus seen that throughout the war period the Central Government as well as the Government of Orissa tried to keep foodgrain prices under control, but the machinery for working the system in both the spheres was inadequate and suffered from lack of 'action-mindedness'. As a result, corruption and black marketing were rampant. Secondly, the price control measures during the war were adopted in gradual steps and were mostly piecemeal in character which rendered them less effective. The measures, in the initial stages, aimed at checking the inflationary trends in prices and facilitating the Government procurement to meet the commitments of both the civilian population and the militia. But, subsequently, with acute food scarcity and the emergence of famine conditions in some parts of the country protection of consumer's interest became more pronounced in the price control measures of India in general and Orissa in particular.

Besides, the policy of price control was not adopted uniformly and systematically and there was lack of coordination between the price policies pursued in different princely States and Indian Provinces. As a result, the controlled prices of foodgrains varied widely from region to region leading to encouragement of smuggling. For instance, as reported by Sinha, in 1942-43 the price of wheat in Delhi was about 11/- per maund, but only a few miles from Delhi, in Meerut or Aligarh, it was 20/- per maund. In Punjab, it varied between 9/- to 10/- whereas in Sind, it varied from 7/- to 8/- per maund and in most parts of Uttar Pradesh,
the price was about 20/- per maund. Similarly, the price of rice in Orissa in 1942-43 was 6-3 annas whereas in Bengal, the neighbouring state of Orissa, it was 14/- per maund and in 1943-44 while in Orissa it rose to 9-11 annas, in Bengal it rose to 15/- per maund. This reveals that the policy of price control during the war lacked uniformity even in the contiguous regions of the country, as Sinha has opined,

"Thus the lack of conscious price policy resulted in lack of uniformity in the price structure and the policies adopted by the Government could not be effective." 

Another thing noticeable in the war price control in India as well as in Orissa was that there was no objective basis for the fixation of controlled prices. The cost data on the basis of which statutory prices of foodgrains could have been estimated was not available at all. Even though they could have been made available, the rapid changes in the economy due to the war would have rendered them useless. So, the Government, instead of evolving a basis for price fixation, was mostly concerned to keep foodgrains prices under control during the entire war period. It can further be pointed out that the war time price control was not general in character and was enforced only in case of foodgrains and a

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12 Sinha C.P., op. cit., p.145.
for other essential commodities, but the situation then possibly demanded a drastic, completely co-ordinated and a highly centralised system of price controls in the country. Badgil and Sovani observed that the problem was not regulating the price or supply of any particular commodity but that of relieving the pressure of excess money supply competing for the existing commodities and what was required was a general price control.13

In spite of these drawbacks of the war time price control adopted by the Government of India in general and the Government of Orissa in particular as a short-run strategy for food grains distribution, the fact remains that the policy not only was continued but also modified and improved in the subsequent periods.

2.4 RATIONING: ITS EVOLUTION AND ORGANISATION

The second step in the growth of public distribution system in food grains in India and Orissa was the introduction of rationing during the war period. This measure was conceived only when shortages were severely felt and prices of major food grains touched unprecedented heights and the policy of price control was inadequate to meet the situation. By the end of 1942, the Government of India had made tentative suggestions to the provincial governments to introduce rationing in the principal urban areas of their territory. The

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13 Badgil, et al., and Sovani, N., op. cit., p. 73.
provincial government of Bombay first responded to it by introducing formal rationing in the Bombay city in January, 1943. The success of the rationing experiment in Bombay set the example which was quickly followed by the states of Cochin and Travancore as well as several other provinces and states. But the foundation of rationing on an all-India basis was laid even when the Foodgrains Policy Committee of 1943 recommended the introduction of rationing in all major foodgrains in the principal urban areas of India. It was estimated that in the first stage only 50 towns would come under the rationing purview and in the second stage 390 towns would be covered by rationing. The annual quantum of foodgrains, as was estimated, required to support the rationing scheme would vary from 1.3 to 4.6 million tonnes. This involved a great task of procurement on the part of the government.

In the meantime, the government of India brought a British expert, Dr. Kirby, to advise the government on the rationing administration in the country. In his report on rationing, Kirby opined,

"The main objective of food rationing is not to reduce consumption but to distribute short supplies in an equitable manner... when supplies are ample, rationing is necessary for effective mobilization of resources against emergency, but when supplies are short and irregular, a closely controlled rationing is even more necessary to ensure a fair distribution to all".  

15 Kirby Report on Rationing Scheme in India as quoted by Chatterji, R.L., Price Control and Rationing in India, Calcutta, 1945, p. 96.
he recommended a ten-point programme for the effective implementation of the rationing scheme, the important being introduction of comprehensive war rationing, legal sanction in enforcing control orders, a moderate buffer-stock and an efficient administrative machinery to run the system. The government of India accepted his suggestions in toto.

The scheme received a new impetus when formal rationing was instituted in the city of Madras by the end of 1943 followed by Calcutta in the beginning of 1944. Some informal rationing was also introduced in some small towns. The Famine Inquiry Commission had reported that in 1945, both in British India and in the Indian States 67 towns with a population of one lakh or over were rationed.16

The organisation of rationing in India during the war was elaborate. Officially, the scheme was part and parcel of the Central Food Department and the provincial government's department of Civil Supplies. But in practice, there was a separate rationing organisation with the Director of Rationing at the top who worked under the administrative control of the Civil Supplies Department of the State Government.

With regard to operational procedure of rationing, in the cities, there were advisory councils which represented members from different occupations and nutrition experts to help its proper working. But in the district headquarters, Sub-divisions

and other 'muffeil' areas, the district collector or the sub-divisional officers were the heads of the rationing organization and they also controlled the working of the Civil Supplies in their respective jurisdictions. Ration was distributed on the basis of ration cards which were either for an individual or for a defined group of individuals such as, family, hostel, hospital, industrial canteen, etc. The cards contained specifications of maximum quantities which would be obtained from the ration shops from time to time.

Three different types of rationing prevailed during the war period. They were:

(i) Statutory or formal rationing: This type of rationing was introduced in the big cities of India under which every card-holder was entitled to receive specified quantities of rationed articles at fixed prices from the ration shop. The system was rigid and imposed strict discipline on the rationing administration. The authorities were to get the prior sanction of the state government in order to change the quantity or the composition of the ration.

(ii) Non-statutory or informal rationing: This type of rationing was mostly prevalent in the semi-urban and in some rural areas. It was elastic in character in the sense that the composition of ration could be altered at the direction of the district level officials depending on the stock position in the concerned district. In this system all non-producers of foodgrains and such producers whose production was considered
to have been below their needs were to obtain ration on a fixed scale from the licensed retail dealers. But, the state government was not obliged to supply ration under all circumstances. But, open market in foodgrains was allowed to supplement the consumers in addition to their ration quotas.

(iii) sectional rationing: In places where neither formal nor informal rationing could be introduced, sectional rationing was adopted to meet the needs of certain sections of the population. These sections include agricultural labourers, small artisans, tea-garden workers, members of the essential services and non-producers of foodgrains of a region from there the entire marketable surplus was requisitioned. This type of informal rationing acted as a check in the general price rise in the concerned pocket.

Though these types of rationing prevailed in the country in the war period, the famine inquiry commission stressed upon the formal or complete rationing for the entire urban population of both the surplus and deficit areas of the country. The commission opined,

"We attach importance to the rationing of the urban population in surplus as well as in deficit areas when we speak of rationing as mean overall rationing, and not the type of rationing which is described as partial rationing or provisioning. Scheme of partial rationing or provisioning do not amount to true rationing, nor under such schemes every person in addition to the ration he draws from the government supplies, is free to obtain further supplies of foodgrains from the ordinary retail shops".17

2.5 RATIONING IN ORISSA

In Orissa, though it was a surplus state in the war period, the system of rationing was introduced as an all-India scheme of distributing the available supplies of foodgrains to meet the acute shortages of foodgrains that occurred in the end of 1943, when due to the production short-fall, acute shortages of foodgrains were felt and their prices rose quite abnormally. Officially, though the scheme was centrally operated, the director of rationing at the state level was entrusted, as in other parts of the country, with the task of initiating, supervising and co-ordinating the rationing administration throughout the state. The district collectors and the sub-divisional officers were the heads of rationing organisation in their respective spheres.

Orissa did not have cities with a population of one lakh or more for the operation of complete or formal rationing of all-India pattern and the type of rationing prevailed in her big towns was informal rationing. The ration units were slightly different from the all-India ration scale and the quantity of ration given per week consisted of 3 seers of rice for an adult and 4 seers of it for heavy manual labourers. Besides rice, wheat was supplied to the richer section of the population only in the big towns of the province. Rations were provided by the government ration shops in these towns and there was a well-knit system of public distribution of foodgrains in the rationed pockets of the state. In case of rice,

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however, there existed also open market facilities in the urban areas which probably supplemented the rationed quantities. Thus, the system of informal rationing was not rigidly operated in the state.

As regards distribution of foodgrains in the unrationed areas of the state, there were provisions of one government shop for every 10,000 population. In the semi-urban and rural areas, private trade channel extended the facilities of open market purchase of foodgrains to the consumers. But in the headquarters of each police station there was provision of at least one government shop to supply rice and wheat at controlled prices. In the remote areas where the villages were situated at more than 10 miles away from a government shop, the residents of the panchayats or the officials of district boards were in charge of foodgrains distribution at controlled prices. But the grains to these areas were occasionally supplied by the government. Thus, in the semi-urban and rural areas of Bihar, during the war period, the system of public distribution was not properly organised and open market purchase was the only alternative for the people.

Thus rationing in India, during the war, was mainly cereals rationing and did not encompass all kinds of foodgrains. As a result, there was ample scope for the rationed population to make up the deficiency by consuming unrationed food stuff available in the area. As was reported by Badgil and Savani, the measure could not meet a situation where the supply was not centrally held and strictly limited and one
could obtain exclusive supply from other sources. In case of Orissa also, rationing consisted of rice and wheat whereas the inferior cereals produced in the state were not rationed. In the second place, quite unlike the British system of war rationing which covered the entire population, Indian rationing system was an urban phenomenon and covered only one-eighth of the total population. In Orissa, since rationing was operated only in 8 big towns it covered not even one-eighth of the total population. So, note, a large section of the rural population remained outside the rationing purview.

With regard to the ration scale during the war period, it was not uniform and varied from one region to another. This can be seen from Table 2.5. It is evident from the Table that in a surplus state like Orissa the ration scales in both rice and wheat were lower than her neighbouring deficit states like Bengal and Bihar. But in other surplus provinces like Uttar Pradesh, Central Province and Gwalior, Madras and aspect the ration scales were higher. This created discontent among the consumers in the state. Moreover, the ration scales being such inadequate particularly in Orissa, affected the poorer sections of the community.

Besides these, in Orissa, as well as in other parts of the country, there were common complaints with regard to the bad quality but high prices of the grains supplied through the rationing system. This led to low off-take from the rationing channel. The subsidy to the rationed goods was not
given by the government probably on account of the facts that it was considered costly in the face of war-time inflation and secondly, since the channel covered only about one-eighth of the total population, it was considered unfair.

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Important towns</th>
<th>Rice — maximum allowance</th>
<th>wheat</th>
<th>Sugar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengal</td>
<td>Calcutta</td>
<td>5.0 lbs</td>
<td>7.0 lbs</td>
<td>10 oz</td>
</tr>
<tr>
<td>Bihar</td>
<td>Patna</td>
<td>6.0 lbs or wheat</td>
<td>--</td>
<td>varies from 6 oz to 1 lb</td>
</tr>
<tr>
<td>Assam</td>
<td>Shillong</td>
<td>6.0 lbs</td>
<td>2.5 lbs</td>
<td>10½ oz</td>
</tr>
<tr>
<td>Orissa</td>
<td>Cuttack</td>
<td>3.4 lbs</td>
<td>2.5 lbs</td>
<td>9 oz</td>
</tr>
<tr>
<td>U.P.</td>
<td>39 regulated towns</td>
<td>10.15 lbs</td>
<td>Total cereal ration</td>
<td></td>
</tr>
<tr>
<td>L.P. and Sisar</td>
<td>Nagpur</td>
<td>7.0 lbs</td>
<td>Total cereal ration</td>
<td>--</td>
</tr>
<tr>
<td>Faujas</td>
<td>Madras city</td>
<td>7.7 lbs</td>
<td>Total cereal ration</td>
<td>--</td>
</tr>
<tr>
<td>Bombay</td>
<td>Bombay city</td>
<td>4.0 lbs</td>
<td>4.14 lbs</td>
<td>Total cereal ration</td>
</tr>
<tr>
<td>Delhi</td>
<td>Delhi</td>
<td>5½ lbs</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Chatterji, N.K., op. cit., p.111.
Above all, there were rampant malpractices by the grain dealers and traders at various stages of the rationing operation. The government of Orissa, like many other provincial governments, did not exercise any control over these traders probably for the reason that they provided the open market channel in meeting a substantial demand for cereals in the state. The government shops and government aided shops for distributing ration were not only few but also supplies to these shops were irregular and the purchase limits of these shops fluctuated widely leading to the uncertainty of the ration and hence the private grain dealers came to the rescue of the consumers.

Despite the difficulties in the administrative machinery of the war-time rationing, it was considered essential to continue the system in the state of Orissa as a part of all-India scheme of equitably distributing the available supplies.

2.6 Procurement Operations

The final aspect of the growth of public distribution system in India consisted of procurement of foodgrains during the war. The government of India, faced with the war-period scarcity and inflation, realized the futility of price control and rationing without any control over supply and hence procurement of foodgrains was considered essential. The famine inquiry commission had observed, "In India, the vast majority of cultivators were not capitalist farmers of the western type
but small producer-consumers cultivating a few acres of land; the marketed surplus consisted of small individual contributions of millions of small farmers of the country and the problems confronting the food administration were controlling directly or indirectly the flow of these innumerable small streams into which coalesced to ensure the provision of supplies...20

After considerable deliberations at the two consecutive Food Conferences held in December, 1942 and February, 1943 it was realised that procurement of foodgrains both for the army and civilians should be undertaken by a single agency at the provincial level. The Food Grains Policy Committee of 1943 also suggested the creation of a single procurement agency to procure the entire marketable surplus in a province and then make necessary arrangements for the equitable distribution.21 Accordingly, each provincial government was to operate its own procurement plan.

Role and Agency of Procurement

During the war period, the mode of procurement widely differed in different parts of India and no single and uniform procurement scheme was evolved for the country as a whole to command over the supplies. On the other hand, procurement scheme in different provinces were geared in the light of local conditions. As a matter of fact, in the southern provinces of

India, monopoly procurement proved to be successful and these provinces included Madras, Cochin, Travancore. In some other provinces like Bombay, Orissa, and Bengal, from the season of 1943 the procurement system approximated to monopoly purchase media because all sales of foodgrains by the producers had to be made to the government agents or sub-agents. But in other provinces where there was no monopoly procurement, barring the two surplus provinces of Punjab and Sind, the food situation was not satisfactory. It was, therefore, realised that monopoly procurement has to be adopted by all the provinces in India. Butler has reported,

"...in no case is there any thought of withdrawing the system even to a minor degree. On the contrary, the tendency is quite the reverse and in virtually every case the determined policy is to go forward to make the monopoly more complete."

Monopoly procurement drive was also considered at the Fifth All-India Food Conference held in January, 1945 wherein it was suggested that the system should be in direction of acquiring grains by the government offered for sale voluntarily and in those areas where it seemed advisable, it was to be extended by compulsory levy and requisitioning.

As regards the agency of procurement, the trend was in favour of one single official agency to undertake procurement drive. But though it was the responsibility of the provincial governments, the Central Government had to exercise general control and supervision so that the procurement operation would

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22 Butler, S., Outline of Some of the Government Grain Monopoly Schemes operating in India in 1944, as quoted by Anjaria and others, op. cit., pp. 97-98.
not suffer on any account. In order to speed up the procure-
cent drive the Central Government requisitioned the stocks
with the surplus growers with the help of provincial Govern-
ments.

Types of requisitioning

Three types of requisitioning were made operative for
the procurement drive during the war period:

i) Compulsory requisitioning,

iii) Partial requisitioning; and

iii) occasional requisitioning.

(i) Compulsory requisitioning: Some of the southern pro-
vinces having the system of monopoly procurement resorted to
compulsory requisitioning of the entire marketable surplus.
It was felt that the system would ensure the surplus to come
forth quickly at the right time and the growers would not get
the opportunity to hold back the grains after their needs
were met. Their normal needs comprised of family consump-
tion, seeds and payments in kind to be made to landlord, farm labour-
ers, village artisans and at times, the money lenders. The
balance was to be requisitioned by the Government. But the
data on these items could hardly be made available for the
estimation of the balance produce for requisitioning. Moreover,
the administrative machinery was ill-equipped to handle the
system and there were popular resentments against it. So, in
the southern states where the system was operated to command
the entire marketable surplus did not bring any success.
(ii) Partial requisitioning: Under this system, a part of the marketable surplus either from the entire provincial area or from the selected pockets of it was requisitioned. This type of requisitioning was first introduced by the Government of Bombay during the 'razi' season of 1544 in some districts. This was followed by C.P. and Madras in the same year and in Travancore the scheme formed the main plank of the procurement programme. As regards the effects of the scheme, in cases where the proportion of the requisition was higher, it had the same drawbacks as compulsory requisitioning; but in cases where it was liberal, it became costly in terms of administration.

(iii) Occasional requisitioning: In contrast to the compulsory and partial requisitioning which were regular and based upon certain rules, occasional requisitioning was resorted to against the farmers who refused to part with the surplus to the monopoly procurement machinery of the provincial Government. In the absence of any exemption limit such a scheme of requisitioning created a fear psychosis among the small farmers who had very little or no surplus after meeting their normal needs. To this extent, this system of procurement was more inequitable in character than the compulsory requisitioning. For this, probably, after its short introduction in Bombay, the system had to be abandoned.

In view of the widespread tendency to resort to requisitioning, directly or otherwise, for purposes of greater procurement drive during the war period the method adopted was
the scheme of producer's levy. This levy again consisted of three types:

(a) levy per acre;
(b) proportional levy, and
(c) the graded producer's levy.

But all these forms of levy, in the absence of adequate yield data, were haphazardly operated and there were large scale evasions. Moreover, due to frequent changes in the levy rates they were made uncertain. Finally, the levy scheme itself destroyed the incentives of the progressive growers. So, the scheme designed for requisitioning of stocks for greater procurement drive did not bring desired results.

2.7 WAR PERIOD PROCUREMENT SYSTEM IN ORISSA

Orissa during the war period, inspite of the fact that it was frequently affected by the flood and cyclones, was a surplus province in rice and paddy but a deficit one in wheat. During this period the provincial Government of Orissa procured more than 10 per cent of the total produce of paddy by means of monopoly procurement, the system which had been in operation in the State since the harvest of the rice crop in 1943. The monopoly procurement here aimed at directing the flow of all rice and paddy sold in the wholesale market into the hands of the Government. But there was no requisitioning of the paddy in any form with levy system for greater procurement drive in the State. On the other hand, the system of monopoly procurement was voluntary in character under which the stocks offered by the producers and the stockists were purchased by the Government.
The producer's prices of rice and paddy were fixed by the provincial government for the whole of the crop year. The procurement operation was carried on through one or more of the purchase agents appointed by the State Government in the primary markets of both paddy and rice. The Director of Civil Supplies closely supervised the entire procurement operations in the State.

There existed also private trade channel in the marketing of rice and paddy as an essential part of foodgrains distribution in the State. But no private trader was allowed to buy or sell more than 10 maunds of rice or paddy at a time under the provisions of Foodgrains Control Order of 1940. As pointed out by the Famine Inquiry Commission, the object of the exemption of the purchase and sale of foodgrains upto 10 maunds in any one day was to enable purchases and sales to continue unhindered in small village markets elsewhere as an essential part of the system of distribution in the province.23 The Foodgrains Control Order of 1940 further provided that no licence holder was entitled to hold a stock of more than 100 maunds of rice and/or paddy at any time unless he was a procurement agent or sub-agent of the Government. Besides, strict regulations were also enforced by the provincial government on the movement of foodgrains from one part of the State to another and export movements from the two border districts, viz., Sylhet and Bogra were completely prohibited from 1943.

all this facilitated the government procurement machinery to commandeer the total marketable surplus of paddy and rice in the state. 24

But in spite of these measures in the war period the quantum of procurement to production was not satisfactory in the state as seen from Table 2.6.

### Table 2.6

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (in 1000 tonnes)</th>
<th>Procurement (in 1000 tonnes)</th>
<th>Profit % of col.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-44</td>
<td>1095.8</td>
<td>129.1</td>
<td>11.8</td>
</tr>
<tr>
<td>1944-45</td>
<td>1076.7</td>
<td>136.1</td>
<td>12.6</td>
</tr>
<tr>
<td>1945-46</td>
<td>1165.0</td>
<td>133.7</td>
<td>12.0</td>
</tr>
<tr>
<td>Average</td>
<td>1113.1</td>
<td>134.6</td>
<td>12.1</td>
</tr>
</tbody>
</table>


The table reveals that during the period from 1945-44 to 1945-46 the procurement of paddy in Crissa had increased along with the increase in production. The proportion of procurement to production during this period (procurement

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24 See Table, p.48 in Anjaria, J.J., and others, op. cit., as regards the Government procurement machinery in Crissa during the war period; and report of famine inquiry Commission, op. cit., p.29, which shows the operation of the monopoly procurement in the state.
started from the kharif year of 1943-44, consisted of little more than 12 per cent of total production on an average. This shows that the state which was surplus in rice throughout the war period did not make much headway in the procurement drive of the period. But nevertheless, the procurement was quite substantial.

To other coercive procurement efforts like requisitioning of stocks by means of progressive or proportional producer's levy, as adopted in other surplus pockets of the country, were made in the state in the war period probably due to the fact that such steps would have brought much distress to the growers of paddy and rice in the state. On the whole, Orissa, during the entire war period was not only self-sufficient in foodgrains but also contributed its mite to the war period procurement drive for the working of public distribution system in the country.