Chapter IX

A SUMMARY OF CONCLUSIONS AND POLICY IMPLICATIONS
Summary and Conclusions

9.1 Introduction

It appears that state intervention in the food market is inevitable to protect the vulnerable sections of population in particular and others in general from rising food prices and supply scarcities due to natural and artificial reasons. Accordingly, state and central governments in India have been engaged in public distribution system of the foodgrains. It needs to be examined whether the intended beneficiaries received benefits through the public distribution system as the governments historically concentrated on mostly short-term food scarcities rather than evolving it as a long-term policy. Against this background, the present study is addressed to examine this with the following objectives.

9.2 Objectives

(a) to give a critical account of the existing system of public distribution in India and in Andhra Pradesh;

(b) to explain the consumption pattern in urban, rural and tribal areas and to estimate the respective income elasticities with respect to food items;

(c) to analyse critically the working of public distribution system in selected urban, rural and tribal areas of Visakhapatnam district;
(d) to examine the working of fair price shops in all the three regions and to measure the impact of rationing on consumption and income across different decile groups; and

(e) to project foodgrain requirement for Andhra Pradesh up to 1990.

9.3 Findings

The following conclusions emerge from this study.

Rice production showed an increasing trend but its procurement varied from 4 to 16 per cent of production during the reference period. The distribution of rice ranged between 0.26 per cent and 10 per cent of production, and the distribution of rice as the per cent of procurement fluctuated between 5 to 89 per cent.

Regarding distribution of rice, the highest is in Hyderabad and Visakhapatnam districts: lowest distribution is witnessed by East Godavari district. It could be found that the distribution is more in the lowest producing districts and where the urban population is more. Exception being Prakasam district, where the production is less and the distribution is also low. Across districts, the highest production of rice is recorded by West Godavari, and lowest by Hyderabad and Visakhapatnam districts. Procurement of rice is highest in West Godavari, and it is insignificant in many districts like Hyderabad, Visakhapatnam, Chittoor, Anantapur, etc.
Positive significant correlation is exhibited between production and procurement of rice in 11 and 21 districts. This indicates that higher the production, higher would be the procurement. Similarly, such expected relationship could be visualised between production and distribution. The coefficient of correlation between production and distribution is negative and significant for Warangal and Nizamabad and negative for 10 other districts indicating a tendency that higher the production lower would be distribution. However, correlation between procurement and distribution is negative, for 17 districts.

In terms of growth in distribution, Prakasam district recorded highest growth rate of 45.69 per cent followed by West Godavari with 31.47 per cent. Six districts namely, Visakhapatnam, Chittoor, Anantapur, Nalagondsa and Hyderabad witnessed negative growth in the distribution.

As Andhra Pradesh is not an important wheat producing state, the quantity distributed in the state throughout the reference period is many times higher than production. The gap between distribution and production of wheat in Andhra Pradesh appears to have been met through importation.

Regarding trends in the distribution of wheat the state per capita distribution has declined from 0.93 kgs in 1991-92 to 0.66 kgs. in 1989-90 after showing up to 1.29 kgs. in 1995-96.

Hyderabad still retained first place in wheat distribution and also got highest per capita with 9.41 kgs. Visakhapatnam occupied second
rank with 0.75 kgs. per capita. The remaining districts received lower per capita distribution than the state average. In terms of growth, all the districts except recorded negative growth rates of high magnitude. This may be taken as a tentative indication of shifting consumer demand to rice.

Andhra Pradesh appears to be a surplus producing state in regard to sugar as its distribution ranged between 30.04 and 87.34 per cent of production. The state average per capita distribution of sugar has gradually increased from 2.94 kgs. in 1982-83 to 4.25 kgs. in 1991-92. Among districts, Hyderabad received the highest amount of 9.64 kgs. per capita in 1982-83, followed by with 4.23 kgs. Further Nizamabad, Visakhapatnam, and West Godavari districts also received higher per capita sugar than the state average. In terms of growth, all the districts except Hyderabad recorded positive compound growth rates. district recorded highest growth of 12.69 followed closely by Chittoor and Kurnool districts.

In regard to the actual consumption of selected items across different decile groups in the urban area, the consumption of rice increased with increase in income, the increase however is confined only upto a particular level of income. Thereafter increase in income reduced the consumption of rice. This may be due to the substitution of other cereals like wheat, ragi and non-cereals like maida and suji for rice with increase in income. In rural areas the consumption of rice increased along with income. Higher decile groups consumed
higher quantities of rice. Consumption of wheat, which was insignificant in the lower income group, increased steadily along with income. The significant trend that could be noticed in regard to the consumption pattern in rural areas is that consumption of all the items increased with increase in the income, ragi being an exception. Except in case of rice, for all the other items the consumption is higher in urban area than the rural area of the corresponding income (decile) groups.

The study infers that people in all the regions with low income depend on cereals as their major food item. These items contribute to about 82 per cent of the total calorie intake.

In terms of calorie value, in the case of cereals urban area showed a declining trend as income increases unlike rural area. Tribal area shows calorie intake of cereals similar to the rural area. Regarding non-cereals in the three areas, there is an increasing trend towards higher decile group for rising income.

Using the consumption data of sample households we have estimated the Engle functions for rice, wheat, sugar, and edible oil for urban, rural and tribal areas. All the eight functions are estimated and for each commodity we have selected that form which gave the highest value of $R^2$. In this study income is considered as the independent variable instead of total expenditure. Hence the estimated elasticities are income elasticities. The elasticity of rice is very low in all the three regions. It is 0.03 in urban, 0.07 in rural and 0.12 in
the tribal area. The elasticity of wheat in the rural area is as high as 0.86 against 0.34 and 0.46 in the urban and tribal areas respectively.

For sugar, the elasticity is more or less the same in urban and rural areas whereas it is lower in the tribal area.

In the case of edible oil, the elasticity in the rural and tribal areas is almost the same, whereas elasticity in the urban area is lower (0.13 in urban against 0.29 and 0.28 in rural land tribal areas respectively).

Any increase in income in the tribal area will not have much influence on sugar. Similarly in the case of edible oil more demand will be generated from rural and tribal areas and increase in urban income will not have much influence.

The relative share of home production in the actual consumption of rice in both rural and tribal areas has been high. In case of rural area the proportion of domestic production in total rice consumption exhibits a positive association with income. In the tribal area, definite conclusions could not be drawn in view of substantial variations in home production across income groups. Even some of the urban consumers could get their consumption requirements of rice from their farms in the villages.

With regard to purchase from fair price shops, there is a decline in the off-take with increase in incomes in all the three regions. This negative association between off-take from fair price shops and income
appears to be more certain in the urban area where off-take from fair price shops is around one third of the total consumption requirements. In rural area purchases from fair price shops appear to be negligible. In the tribal area also off-take from fair price shops though higher than that of rural, is not substantial.

Further, open market purchases of rice showed an increasing trend at higher income levels except rural area because of the possible belief that they get better quality. In case of rural area a major proportion of consumption is met out of home production.

On an average, 60 to 70 per cent of the total consumption requirements of what is met through purchases from the open market. Off-take is completely absent in the tribal area. However, consumption of wheat in the rural and tribal area has been negligible.

Even with lower levels of consumption of sugar in rural and tribal areas, a substantial part of the consumption requirements of the households irrespective of decile group has been met through purchases in the open market which indicates clearly that public distribution has not geared to consumption requirements in these areas.

Maida is bought by the rural and tribal people from the open market. But a substantial proportion of the consumption requirement of urban people is being met from off-take. It can be concluded that the rural and tribal areas are being neglected in the matter of availability of maida through the public distribution system.
Unlike maida, suji is being used by all the income groups in the rural areas, although consumption of this item is confined only to the upper income groups in the tribal area. This commodity is not being distributed through fair price shops in rural and tribal areas.

Consumption levels of edible oil in the urban area, as already reported, have been higher than the levels of any decile group in the rural and tribal areas. Dependence on open market purchases of the commodity has been particularly high in case of the rural area than in the urban area. This indicates a clear gap on the part of the distribution network to meet the requirements of the rural and tribal population.

It is a fact that excessive dependence on open market purchases of kerosene particularly for the vulnerable sections of the society is neither desirable nor economically feasible in view of the uncertain availability and exhorbitant prices.

Hence there is every need for augmenting the quantity to be made available through the system particularly for the rural and tribal areas.

In regard to ragi, as the commodity is being consumed by the low income people in both rural and tribal areas, and the indigenous production is less, by considering it as a substitute for rice, efforts must be made to procure and make ragi available to the vulnerable sections to strengthen the distribution network in the rural and tribal areas.
Requirement of foodgrains to the target groups in Andhra Pradesh is projected basing on different models. Out of all these models more meaningful and operationally viable model is Sixth Five Year Plan (Government of India) Model and Norm of I.C.M.R. Accordingly, the requirements are worked out to be 37.56 lakh metric tonnes for 1995 and 41.68 lakh tonnes for 2000.

Regarding the impact of rationing, it is clear that the trend in gain is declining towards the higher decile groups. This is true in the case of rice. This may be due to the fact that higher decile groups opt for open market purchases with the belief of its better quality. Most of the decile groups are getting a monthly per capita loss of Rs. 5.00 to 6.00 because of the purchases of this item in open market. It is concluded that low income people would derive higher benefit if the entire quantity of rice required for consumption is made available through fair price shops in urban area. In rural area, the gain increases up to middle decile group and declines towards higher decile group. Hence, these gains are distributed rather unequally between the two regions. The urban area appears to be getting always a higher benefit than the rural. The lower decile groups are getting greater losses and the losses appear to have declined by substantial magnitude at the highest income level. The estimated loss in case of the first decile group has been Rs. 5.64. This declined to Rs. 1.25 for the tenth decile group. Hence, the lower income groups are not getting much benefit from the public distribution system. There is thus a strong case for
increasing the availability of rice through fair price shops particularly to the lower income groups.

In regard to sugar, its consumption has been considerably low in lower decile groups in the urban area. In rural area it appears that higher decile groups have greater advantage by availing the facilities provided through the public distribution system. In tribal area similarly the higher decile groups realised more benefits. It must be however, noted that the public distribution system has been more effective in the tribal area when compared with rural area due to the effective working of Girijan Corporation.

The benefit in consumption with regard to edible oil is in increasing order towards higher income groups. The loss by purchasing edible oil in the open market is also in the same trend. In rural area it is concluded that loss due to purchases in the open market exceeded the benefit the households have received because of the off-take from fair price shop. The trend in tribal area is similar to the rural area.

Evidently, the urban people are getting more benefits through public distribution system than their rural and tribal counterparts. Even the tribal people are getting higher benefits through public distribution system compared to rural people due to the establishment of Girijan Corporation. Hence rural people appear to be the most neglected section. In urban area the percentage of gain or income generation ranges between 31.18 to 41.48 per cent of consumption.
In rural area the percentage of benefit ranges between 8.81 and 19.41 per cent. In tribal area it ranges between 15.30 and 27.68 per cent.

The ratio of fair price shops to population in Andhra Pradesh is below the All-India average and some other states, which shows the effective service discharged to the people. Further, the system is reported to be working well in both urban and tribal areas in regard to timings but not in the rural area. The rural and tribal people wish to get additional quantum of rice, wheat and suji.

Among urban population, 88.84 per cent wanted the inclusion of dall followed by 87.60 per cent who want soaps. Medicine, cloth, and tooth paste in descending order are the commodities requested for distribution through fair price shops.

In case of rural area cloth, dall, ragi, soaps, medicines in descending order are major items which they would like to be distributed through public distribution system. For tribal area, 83.87 per cent preferred cloth as the additional major item followed by matches, tea, dall and ragi.

Majority of urbanites expressed that the quality of sugar and edible oil is good which is also the same for ruralites and tribal population. The quality of rice and wheat is opined to be average by urban, rural and tribal households. The quality of suji and maida is average for urban households. The quality of suji and maida is average
for urban households. Among the three regions highest percentage of people from rural opted for regular fair price shops. Urbanites felt that the system is working effectively in urban are. Formation of consumer advisory council is mostly advocated by urbanites (64.87 per cent) followed by rural area (45.74 per cent). Majority of the households in urban area wanted supply of all the items at a singly point of time to avoid missing of availing the facility.

More than 90 per cent of the households in all the three regions asked for weighment checking with strict vigilance to overcome the underweighment by dealers.

Supply of items once every week in opted by rural people, so that the weekly wage earners and low income people would have the opportunity to avail the facility. But, 82.44 and 54.83 er cent of both rural and tribal area households preferred to supply items preferably on daily basis, which means daily wage earners (agricultural labourers, artisans, and other lowincome people) would be benefitted more in availing the facility of public distribution system.

It is concluded that there is no uniform basis for the allotment of montly quota to the dealers though the number of card holders for each fair price shops is known to the Government. This gave rise to uncertain supply of these commodities. This also created conflicts between dealers and consumers. The dealers due to this lophole resorted to black marketing, and retention of bogus ration cards.
9.4 Policy Implication

If the goal of 'self reliance' is to be achieved, reliance on imports should be avoided. The empirical evidence presented in this study shows that imports are still significant. This so because of uncertainties in agriculture. Ways and means need to be found to overcome these uncertainties and thereby enhance agricultural production. Accordingly, procurement has to be augmented to meet public distribution requirements. As the consumers have reported dissatisfaction about the commodity coverage under the system, new commodities such as, dall, soaps, medicine, cloth, ragi, tooth paste, matches, tea are required to be covered by the system. Further, the disenchantment is also confined to the inadequacy of available quantum of foodgrains. Additional required quantum of foodgrains need to be provided particularly for the vulnerable sections so that they need not depend on the vagaries of open market for basic minimum needs. Such provision as given by results on elasticities suggests that as rice in all the three areas exhibited very low elasticities, this item may be provided upto the desired consumption requirement treating it as the most essential item of consumption. Importance may then be given to oil in these areas. After providing for these two items, further provision may be made in case of other items.

As it is found in the study that rural coverage is very low, the Government has to find ways and means to cover more rural rea under public distribution system. The preferences of rural and tribal
housholds for regular retail outlets need to be accepted by the Government either on weekly or daily basis. The Government may go even to the extent of employing regular dealers on salary basis to overcome the economic non-viability of the existing fair price shops in the rural area. This would give advantage to the consumers vis-a-vis the existing dealers and thereby avoid conflicts. Further, the regular quota to be assigned to a shop should be consistent depending on the number of card holders with the shop.

There should be coordination between production, procurement and distribution, and cooperation between consumers and dealers and dealers and government if public distribution system is to be effective and successful in serving the people at large and the vulnerable sections in particular.