CHAPTER I

INTRODUCTION
1.1 INTRODUCTION:

The Public Distribution System (PDS) has been acknowledged as an everlasting feature of the Indian economy for the supply and distribution of needed commodities at reasonable prices to the needy people. It is a part of distribution system owned and controlled, in principle, by public authorities on behalf of the general public or the specific interest group. It is not a system of distribution under public ownership like many socialistic countries, nor is it an independent system or consumer co-operative of the type found in Scandinavian countries. In a country like India, which has mixed economy and where about 40 to 45 per cent of the people live below the poverty line, the concept of PDS has some important manifestations. In fact, there are two alternative systems with regard to PDS viz., nationalization of wholesale trade and strengthening and improving the specified system of public distribution. Since ours is a mixed economy the former system, therefore, cannot be a practicable proposition. For this reason the latter system is advocated for an economy like India where both the PDS and free market system co-exist. This understanding apparently would be in the better interest of economically helpless sections of the Indian public.

The distribution system in general encompasses all movements ranging from the consignment of raw materials to the delivery of the finished product to the consumer. The distribution system undertaken by the Indian Government or any public agency doing this work on behalf of the Government is termed as Public Distribution System (PDS). Public Distribution System is an aspect of the demand and supply management and encompasses following ingredients:

* An incessant and stable system.
* A comprehensive coverage of the vulnerable sections of the society.
* Coverage of the both deficit as well as surplus states.
* Distribution of essential items in such quantities as will not erode the consumption standards of the poorest.
* Charging a price that the vulnerable sections can afford; and Check hoarding and black marketing of essential commodities.

The present chapter explains the meaning, origin and history, objectives, organization and significance of PDS.
1.2 MEANING OF PUBLIC DISTRIBUTION SYSTEM:

Public Distribution System (PDS) is a sum of three words Public plus Distribution plus System that means a system of distribution of necessary goods and services among people by Government. Public Distribution System means a system undertaken by Government or any other public agency in regard to the distribution of necessities for general public, as whole distribution is a vital function of marketing. It provides an important link between the producers and customers by making available goods and services at a right place, at a right time, at a right price. The distribution system encompasses all movements starting from shipment of raw material to the delivery of finished product to the customer. A Public Distribution System is a whole or a part of the distribution system in principle owned and controlled by the public authorities on behalf of the general public and run by them for providing the goods to general public or a specific group thereof.

The aim of the Public Distribution System is to meet the basic needs of the vulnerable sections of the society who cannot afford to meet their needs on their own and depend upon the market forces to obtain the supplies. The system generally encompasses the products of necessities for mass consumption.

Public distribution of essential commodities, has become the main feature of the developing economies. All the countries in the third world are facing the problem of scarcity of essential commodities and hence it has become the responsibility of the Governments to provide these commodities to their citizens at reasonable prices, in time. In social welfare countries the work distribution system assumes a PDS because the system of distribution in such countries is under the control of their Governments. But in mixed economies only that part of system of distribution comes under PDS, which is owned either by the Government or by the public authorities.

The concept of Public Distribution System in India has some specific connotations. It is neither like a system of distribution under public ownership as in the case of many socialist countries, nor is an independent private system of consumer cooperation as found in Scandinavian countries: The Public Distribution System in India is a retailing system supervised and guided both by the State and the Central Government. It is a system under which the Central and the State Government provide essential commodities to the vulnerable and poor sections of the society at subsidized reasonable prices.
1.3 ORIGIN AND HISTORY OF PDS:

The distribution system in general encompasses all movements starting to form the shipment of raw material to the delivery of the finished product to the consumer. The distribution system undertaken by the Indian Government or any public agency doing this work on behalf of the Government is termed as Public Distribution System (PDS). Public Distribution System is an aspect of the demand and supply management and is based on the following main guidelines:

(i) A continues and permanent system

(ii) A comprehensive coverage of the vulnerable sections of the society

(iii) Coverage of both deficit as well as surplus states

(iv) Distribution of essential items in such quantities as will not erode the consumption Standards of the poorest

(v) Check hoarding and black marketing of essential commodities

The PDS operates through the Fair Price Shops. This scheme was first introduced in India in the beginning of the Second World War in 1939. The scheme has continued to exist since then, though in the intervening years there have been several significant changes in its form, the role assigned to it and in the various operational policies adopted to keep it going. Also in the context of the overall food policy, the emphasis on PDS has varied greatly during this period.

1.4 HISTORY OF PUBLIC DISTRIBUTION SYSTEM:

The history of intervention by Governments can be traced from the efforts of the State in providing relief to the needy in times of distress-famines, scarcities and crop failures. Famine relief was always considered as the sole responsibility of the State. The degree to which it was owned and discharged, of course, depended upon a number of factors, chief of which was effectiveness of the Central Government in the country. During the Mauryan Empire, particularly during the reign of Ashoka, as the imperial authority was powerful and strong, the provincial Governors undertook relief operations in times of distress. Grain was supplied from Government granaries and even bullocks were given on loan for which the farmers could make payments in subsequent years and in installments.
This state of affairs continued right till the Moghul period, when the imperial authority was once again established after a long time. History further tells us that the rulers maintained government granaries in which the Government's share of the grain, obtained in lieu of land revenue, was stored and used in times of famine.

The public distribution system (PDS) has throughout these years been an integral part of India's overall food policy. Intervention by the government in the foodgrains trade started as far back as the Second World War and large urban complexes like Bombay and Calcutta were placed under statutory rationing. Even before freedom came to the country, the colonial rulers were aware of the need for ensuring adequate availability of foodgrains to rural and urban high-consuming pockets of country. This has been the broad objective also of the country. This has been the broad objective also of the Government of India since Independence though the nature and relative extent of governmental intervention have been largely conditioned by fluctuations in agricultural production (R.N. Chopra, 1988, Page 255)1.

The British Government, as a measure to ensure equitable distribution of food grains to the urban consumers in the face of rising prices, first introduced rationing system in 1939, in Bombay. The 6th Price Control Conference held in September 1942 laid down the basic principles of a Public Distribution System for India. The Food Department, set up in December 1942, formulated an All India Basic Plan that dealt with issues such as procurement, contracts for purchasing agents, public distribution, inspection and storage. The basic objective of the then emerging policy was stabilization of food prices.

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

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

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

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

There are two significant factors which had considerable impact on the food control policies of the Government in the country- first, was the framing of Constitution of India (1950) which provided for the creation of a Welfare State, and second, the concept of National Planning. Article 47, included in the Directive Principles of State Policy, provided that the "State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties". This provision is consistent with the Welfare State concept. "A Welfare State", says Asa Briggs," is a State in which organized power is deliberately used in an effort to modify the play of market forces in, at least, three directions-first, by guaranteeing individuals and families a minimum income. ......second, by narrowing the extent of insecurity... and third, by ensuring that all citizens, without distinction of status or class, are offered the best standard available in relation to a certain agreed range of social services". Prof. W.A. Robson considers provision of better goods and services "that add to the comfort of life" as a significant positive aspect of the Welfare State. An American writer observes "the main principles of the Welfare State are relatively simple, first, the recognition that every member of the community is entitled, solely because he is a human being, to a minimum standard of living; second, the Welfare State is committed to putting full employment at the top of social goals to be supported by public policy.

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

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

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

In August, 1956, the Government of India signed an agreement with the United States of America for importing 3.1 million tonnes of wheat and 0.19 million tons of rice
during the next three years. In order to get expert confirmation of this policy of partial control, based upon massive imports, the Foodgrains Enquiry Committee was appointed in June 1957. The Committee explicitly recognized that "the food situation will continue to be difficult for a long time to come" and emphatically stated that "assurance of a continued import of certain quantities of food grains will constitute the very basis of a successful food policy for some years to come". With the acceptance of the recommendations of the Committee, a stable and long-term food policy emerged, which lasted for about ten years from 1957 to 1966 (Bora, 1982, Page 58 to 60).

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

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

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

The Foodgrains Policy Committee appointed by the Government in 1966 to review the food situation and to make policy recommendation, observed: "Our dependence on imports was undesirable. In future, it may not even be feasible...........there can no longer be reliance on imports; there can only be self-reliance". The Committee felt that the future food policy should be concerned with the distribution of our own supplies and with
measures to expand them as fast as possible. It suggested national management of food as the solution of our food problem. In the opinion of the Committee, "National Management of food implies a national plan of supply and distribution of food. The means of implementing the plan are fourfold, namely: (1) procurement to ensure necessary supplies, (2) control over inter-state movement to facilitate procurement and keep prices at a reasonable level, (3) a system of public distribution to ensure equitable sharing and (4) the building up of a buffer stock to provide against difficult years." The Foodgrains Policy Committee (1966) assumed that "the problem of shortage is one which will be with us for number of years and thus the need for such management would continue for the next 10 years. The Committee recommended drawing up a national food budget and emphasized the necessity of strict adherence to it and pleaded for national discipline.

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

The Sixth Five Year Plan (1980-85) envisaged that the Public Distribution System would "have to be so developed that it remains thereafter a stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods". Essential Supplies Programme, introduced in 1982 as the New 20 Point Programme, intended to expand the PDS through more FPSs, including mobile FPSs, to make available text books and exercise books to students on a priority basis and to promote strong consumer protection movement. The number of FPSs increased from 2.30 lakhs in January, 1980 to 3.02 lakhs in January, 1984. While the Government of India had itself shouldered the responsibility of supplying essential commodities, viz; wheat, rice, sugar, kerosene, edible oils and soft coke, the State Governments had the option to add other items considered essential by them. Effective working of the Programme was predicated on ensuring multi-faceted co-ordination, as the essential commodities were handled by different governmental agencies, namely, FCI, State Governments, State Civil Supplies Corporations & Cooperatives (Programme Evaluation Organization, Planning Commission, 2005, Page 2).
The Evaluation study conducted by the Programme Evaluation Organisation on Essential Supplies Programme (1985) revealed that major weaknesses and deficiencies of PDS did not exist in either the lack of sufficient coverage or want of necessary administration machinery, but in certain operational inadequacies such as irregular supply (to the FPSs and in turn to consumers), poor quality leading to non-drawal, nonlifting of sanctioned quotas by the FPSs in the rural areas, general pessimism expressed by the FPS dealers about the profitability of running FPSs, under weighment, etc. In 1984, Government of India created the Ministry of Food and Civil Supplies with two departments, namely, Department of Food and Department of Civil Supplies; the latter being in charge of PDS. During the Seventh Five Year Plan, an Advisory Committee on PDS, headed by the Union Minister for Food & Civil Supplies, was constituted by the Government of India to review its working from time to time. Consumer Advisory Committees were to be constituted at district, block/tehsil (sub district) levels.

That India is a predominantly agricultural country with a high incidence of rural poverty and therefore needs a PDS that is oriented to meet the needs of the rural poor, seems never to have occurred to Indian planners till they began drafting the Approach to the Seventh Plan. They had perhaps assumed that since foodgrains were grown in rural areas, ipso facto the rural poor were getting enough to eat, forgetting that the absence of purchasing power in their hands made this assumption fallacious. This fallacy continued despite what The Approach to The Seventh Five Year Plan 1985-90, published in July 1984, said in the chapter on 'Poverty Alleviation, Employment and Social Justice' Public distribution of essential commodities like Foodgrains and cloth to vulnerable sections, especially in rural areas where productivity and wages are low, should serve as an essential complement to the programmes for employment and income generation. Otherwise, rise in cash incomes of the poor can easily be neutralized by the rise in prices of essential commodities. Public distribution system of essential commodities to such sections needs to be expended on a much larger scale than has been done so far (K.R. Venugopal, 1992, Page 81-82).

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

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

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

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

1.5 REVAMPED PUBLIC DISTRIBUTION SYSTEM (RPDS):

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

The salient features of RPDS were:

i. New FPSs should be opened so that physical access of beneficiaries is improved

ii. Special campaign to be mounted by the State Governments to cancel bogus ration cards and issue new cards to deserving households

iii. To progressively bring more and more FPSs under the system of doorstep delivery of commodities covered under the PDS

iv. Set up vigilance committees of local people, with substantial representation of women for each FPS, at the village level and also at higher levels

v. Improve the supply chain by constructing or hiring small intermediary godown

vi. Introduce additional commodities, through FPS, in these areas.

1.6 TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS):

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

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

The Ministry of Consumer Affairs, Food & Public Distribution in 1997, issued guidelines for the implementation of TPDS.

The salient features are the following:

1) TPDS proposed to issue 10 kg of food grains per BPL family (revised to 20 kg from April, 2000) at specially subsidized rates. The average lifting of food grains by the state in the last 10 years would be the allocation to the state in the first year. Out of this, the quantity in excess of BPL entitlement, known as transitory allocation, would benefit the APL population, but at a price that is not subsidized.

2) States should design credible financial and administrative arrangements to ensure the physical movement of food grains to the FPSs and subsequent issue to the poor. The provision of subsidy would be conditional on this.

3) Specially subsidized food grains to the beneficiaries of EAS and JRY will be issued at the rate of 1 kg per person per day. Provision of food coupons to the EAS & JRY beneficiaries was made, which they can exchange for food grains at the FPSs.

4) The BPL population in any State could be seen as the provisional estimates reached by the Planning Commission, for the year 1993-94, by the Expert Group methodology. This should form the macro estimate of BPL population at the State level.

5) For the selection of BPL population, the quinquennial surveys made by the Ministry of Rural Areas & Employment could form the basis. Gram Panchayats and Gram Sabhas should be involved in the initial identification of beneficiaries. Doubtful cases should be verified. Urban slum dwellers would generally qualify for selection. Applications from non-slum urban areas should be verified. Thrust was to include landless agricultural labourers, marginal farmers, rural artisans and craftsmen, urban slum dwellers and daily wage earners in the informal sector. These criteria were only indicative. However, the aggregate number of BPL beneficiaries should be within the Expert Group estimate of BPL population.
6) The issue of ration card would give entitlement to its holder to obtain certain essential commodities, at a certain scale, at certain prices, at specified outlets and in as many installments during the month.

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

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

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

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

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

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

13) The collector should make weekly review of the bottlenecks faced and the actual off-take, especially the BPL off-take, from the shops. At the state level, the secretary incharge should make such a review once a month.
14) It was proposed to monitor the actual issue of food grains, through FPSs, and take that as the consumption of PDS grains of the states (instead of lifting from FCI). States should, without fail, send the monthly reports to the GOI. Reports at other levels should also be ensured in the format communicated to the states.

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

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

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

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

19) All possible steps must be taken to ensure that the essential commodities, meant for distribution, do reach the poor and not get diverted to the open market.
The quantum of food grains, in excess of the requirement of BPL families, was provided to the states as ‘transitory allocation’ for which 10.3 million tonnes of food grains was earmarked, annually. Over and above the TPDS allocation, additional allocation was also given. The transitory allocation was intended for continuation of benefit of subsidized food grains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of food grains.

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

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

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

1.7 ANTYODAYA ANNA YOJANA (AAY):

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

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

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

1.8 EXPANSION OF AAY:

The AAY Scheme was expanded in 2003-2004 by adding another 50 lakh BPL households headed by widows, terminally ill persons, disabled persons or persons aged 60 years or more with no assured means of subsistence or societal support. With this increase, 1.5 crore (i.e. 23% of BPL) families have been covered under the AAY.

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

- Landless agriculture labourers, marginal farmers, rural artisans, craftsmen such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers, and persons earning their livelihood, on daily basis, in the informal sectors like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitute and other similar categories, irrespective of rural or urban areas.

- Households headed by widows or terminally ill persons or disabled persons or persons aged 60 years or more with no assured means of subsistence or societal support.

- Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence.

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

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

1.9 THE FIRST DECADE OF PDS (1940-1950):

The system of Fair Price Shops (FPSs) was first introduced in Bombay, soon after the war broke out in 1939, with the objective of keeping a check on the speculative activity among private traders a common phenomenon during war. This was followed by the extension of the system to several other States like Bengal, Uttar Pradesh, Bihar, Madras etc. The main beneficiaries from the system were the Central and State Government employees, industrial workers and laborers. It was in spirit a precautionary step.

In 1942, as it became evident that the food situation would continue to be precarious (the occurrence of famine in Bengal), the system of FPS was turned into the “Rationing” system. This implied a considerable increase in Government’s responsibilities but is also meant regulated (and to some extent curbed) consumption of food grains. Thus, under the rationing scheme the objective of regulation of the private trades’ behaviour became more or less redundant. This was followed by the appointment of the Foodgrains Policy Committee (Government of India, 1943) entrusted with the task of recommending a food policy for the coming war years. The Committee strongly recommended continuation of the rationing scheme. Among the recommendations made the following were the most crucial:

1. Rationing should be introduced with respect to all the foodgrains.
2. Rationing should be extended to all classes and sections of the population.
3. Statutory rationing was the main instrument tried by the Government to regulate consumption and also to keep a regulatory check on the open market prices.

4. To assure reasonable prices to the consumers covered under the “rationing” scheme, supplies were sold at the subsidized prices.

5. Protection under rationing was provided only to the population for the coverage, was decided on the basis of its dependence on the market to meet its requirements and not on the basis of the purchasing power of the different population groups.

6. The role assigned to the PDS was an odd mixture of PDS as a “relief giver” and PDS as a regulatory force in the market.

7. And finally, as evidenced by the remark of Foodgrains Procurement Committee, clarity about the role of PDS was missing from the policies.

During this period of control, decontrol, and reimposition of control there is hardly any evolution to be noticed in the role of the PDS. However, the form of PDS, which started as temporary arrangement and became a permanent feature due to chronic shortages, did evolve itself in two ways, (i) in terms of its size, and (ii) in terms of nature by which it came to be recognized as a semi permanent feature of the good economy.

In addition, the committee advocated maintenance of a reserve stock so that psychologically people would have more faith in the rationing scheme and recommended inclusion of the rural areas under the scheme.

In 1974, the second Foodgrains Policy Committee reviews the situation (Government of India, 1947). The Committee concluded that the system of food controls was unable to fulfill the purposes for which it was intended. It recommended that dependence on imports should be reduced. However, implementation of the above recommendation proved to be unsuccessful immediately after the implementation i.e. liberalization of trade, prices started rising steeply. Therefore, the Government was, forced to revert back to its old policy of controls.

The situations between 1947 and 1950 were reviewed by the Foodgrains Procurement Committee (Government of India, 1950). The report, after noting back of any well-defined and well-coordinated policy, highlighted a few serious contradictions in the policy like the existence of control over foodgrain prices vis-a-vis no control over other
agriculture commodities, and its influence on production, the Government’s declared policy of feeding the vulnerable section with an effort to reduce imports simultaneously whereas the reduction in imports were determined by financial constraints rather than need, and the Government’s efforts to stabilize prices allowing, at the same time, the open market prices to find their own level. Based on this review the following emerge as characteristics feature of the decade 1940-1950:

1. The period was one of chronic shortages.
2. Shortages were met mostly through imports as production did not register any appreciable rise.

1.10 THE SECOND DECADE OF PDS (1950-1960):

The second decade of PDS started with a bad crop in 1950 coupled with a commodity boom - a result of the Korean War, and therefore the foodgrains prices were ruling at all time high. The rationing policy continued. The evaluation and price situation could be saved only by a loan of two million tons of wheat form the US Government. Thus, the rationing policy in 1950-1952 played the role of curbing the consumption, protecting the vulnerable section (mostly in the urban) and attempting to keep the price under check by augmenting the supplies through imports.

The difficult situation changed considerably in 1952-53. Two consecutive years recorded an increase in foodgrains production, prices in the open market ruled low and this easy position led the Government to cut down statutory rationing. However, during the transition period, FPSs were continued (in the place of statutory rationing) to have a regulatory influence on open market, probably an outcome of the bad experience in 1948 procurement which the Government had decided to continue and impose a little more strictly in the earlier years, was suspended. Easy availability and low prices continued till the middle of 1955. The sudden increase in prices, more in case of coarse grains, was an outcome of sudden deterioration of the production of millet in 1955, and the knowledge that the Government had very little in form of stocks of wheat and no stock of millet.

A new turn came in the PDS policy from 1956, after the agreement under PL 480, under which the US Government agreed to supply 3.1 million tones of wheat and 0.19 million tons of rice during the next three years. As a result of this assured supply in the following years, the stated objective of the distribution policy changed to bring down the price level in the open market from the objective of having a regulatory influence on the
open market prices. To meet the objective of following prices, large quantities were made available at FPSs and free issues were made at prices far below the open market prices. The explicit philosophy of the Government was to sell the imported foodgrains, which it obtained at concessional terms under PL 480 at no profit. During these years of plentiful supply for the FPS, there were no identity cards or ration cards issued to the consumers and only regulation was through specified maximum quantities that could be purchased at a time. However, retailers were required to maintain books of account showing all transactions.

The Foodgrains Enquiry Committee (Government of India, 1951) that submitted its reported in 1957 fully endorsed the import policy of the Government. It made a case in favour of the continuation of the FPSs scheme in operation. However, it for the first time after Foodgrains Policy Committee (1943), reiterated the need to build up a buffer stock. It further recommended that since there was no increase in the production visible in the short run, Government should try to build up reserve stock through the PDS system. In making its recommendation, the Committee took into the past, i.e. "it will be necessary to undertake some form of compulsory procurement for replenishing the reserve stocks and maintaining the supplies to the vulnerable sections of the population at reasonable prices".

In 1959, the Government tried "National Trading" in food grains and to operationalise the scheme, it fixed the maximum prices at the retail and wholesale levels at which the foodgrains could be sold. The scheme was applicable only to wheat and rice. However, after the implementation of the scheme it was found that the ruling open market prices (more frequently termed as the black market price) were much higher than the Government's fixed maximum, as a result of which very little grain was openly coming to mandis/market. Once again, within one year of introduction, the Government was forced to withdraw the scheme in 1960. However, the issue of imported foodgrains at artificially low prices from the fair price shops continued as before.

Thus during the second decade of PDS also, overall shortage continued barring the years, 1953 and 1954. The "rationing form" of PDS aimed at curbing the demand and thus form of PDS, where the objectives was that of lowering open market-prices through increased supplies. This also increased consumption with its almost complete dependence on concessional imports for the purpose of increasing supplies. The effect of lowered prices on foodgrains production did not concern the policy makers.
In terms of the evolution of PDS, it is noticed that during the second decade it evolved from the rationing system as the FPSs system with its large dependence on imports.

1.11 THE THIRD DECADE OF PDS (1960 TO 1970):

The year 1961 also began with large wheat supplies received under PL 480. A new contract was signed under which the US Government promised to give 16 million tons of wheat and one million tons of rice in the next four years. Supplies through the FPSs like before were made available freely and pushed to the point of situation at artificially low prices. The objectives all the while were maintaining a low level of prices. The building up of a buffer stock that the Foodgrains Policy Committee had recommended through only imports was ignored during these years.

The situation of easy availability for FPS did not last very long. Throughout 1964-65, prices showed a rising trend and the Government was forced to introduce rationing in all the major cities and industrial towns in 1965 in a bid to contain the price rise. Also in the year 1965, the Food Corporation of India was set up with a goal of building up a buffer stock of five million tons. The original idea was to build up a buffer through internal procurement mainly but due to two consecutive drought years that followed, the scheme could not be made operational. During 1966-67 the whole effort of FPS system was to improve availability that had suffered a serious setback due to severe drought. For this purpose, FPS outlets were increased in number, the supply was regulated and some controls, like the specified quantity to be issued were imposed.

During 1967-68, the name of the FPS Scheme was changed in the Government Policy Documents. It began to be called the “Public Distribution System”. But in practice; the role and organisation of the system remained unchanged. In philosophy it still remained an “adhoc” program with no clear role defined of the PDS on a continuous basis. In keeping basis with this approach the Agricultural/Price Commission recommended the curtailment of public, distribution programme because of the diminution on the pressure of demand on fair price shops following a general improvement in the availability of foodgrains for the year 1968-69 (Government of India, Agricultural Price Commission).

A new phase of PDS emerged in 1969 exactly 30 years after its beginning. The Fourth Five Year Plan set out the following guidelines for PDS:
1. The PDS is needed on a regular basis for the country to provide help to the rural people and to some extent for generating a downward pressure on the open market prices.

2. To build up a buffer stock as per the earlier plans.

3. The requirement of the PDS should be met through the internal procurement of Food grains.

Probably on the basis of the above the Agriculture Price Commission for the Kharif season 1969-70 recommended. “The opportunity by the good crop be availed to extend the PDS to the vulnerable segment of the rural population and to procure for that purpose, substantial quantity of coarse grain”.

1.12 THE FOURTH DECADE OF PDS (1970-1980) AND AFTER:

The Government’s plan for PDS was, however, thrown completely out of gear in 1970-71, ironically the year in which the country’s foodgrains production recorded a substantial jump. The supply position was relatively very good, the open market price was low, the Government godowns were full of grain, and there was a sudden drop in the off-take from the PDS. In the absence of any concrete plan and due to substantial reduction of the PDS off take, the policy makers main worry changed to bring down the level of stocks to a reasonable level. However, like it had happened in the past, the situation changed from good to bad very fast. The year 1973 (the year of nationalization of wholesale trading in wheat) turned out to be a storage year. The stocks available with the Government played the role of buffer stocks. During this time the increased supplies through PDS helped a great deal in augmenting the availability position. However, the extent of subsidy in the form of artificially low prices, in comparison to the earlier years, was reduced. The second consecutive year 1974-75 was much worse than the preceding year. Since stocks with the Government had already exhausted, imports figured again in meeting the requirements of PDS. The quantity of foodgrains made available through the PDS outlets was determined by the constrained supplies rather than demand as in 1970-71 and 1971-72. In the meantime, the price kept rising at a very fast rate and PDS could not play the role of the containing the price level. The price rise phenomenon was an outcome of the runaway inflation in the economy, considerable aggravated by drought conditions.

Despite the experience of 1971, when the off-takes from the PDS had reduced considerably, against the Government’s plan of having a regular PDS to help the rural
poor, no deeper and clear understanding was visible in the Fifth Five Year Plan. The draft Fifth Five Year Plan (Government of India, 1972) contained no guidelines or even a statement of the strategy for PDS. In relation to food grains, it only said "In so far as the foodgrains are concerned the basic objective is to build up an effective public distribution system". If further threw up an area for consideration about the ways and means for feeding the system during the lean year, stressing that most supplies would have to come from indigenous sources. About the subsidy aspect, the draft states that the food subsidies during the Fifth Five Year Plan period would have to be kept within a reasonable limit. But as the circumstances would have it against the Government declared policy in 1973-74 and again in 1974-75, the Government had to import large quantities to combat the scarcity condition caused by the droughts and to keep the PDS functioning to overcome the difficult availability situation. So again the role assigned to the PDS reverted to that of emergency relief, which is a short-term goal, and not one of protecting the rural vulnerable section on a regular basis as envisaged in the earlier plan.

The confusion about the role of PDS was again confirmed when the National Commission on Agriculture (Government of India, 1975) made recommendations contrary to the stated objective of protecting the vulnerable sections in the rural areas. The Commission recommended that the PDS should cover the following on a regular basis.

i) All cities and towns with population over one lakh (except surplus areas in the surplus states and the cities in Jammu and Kashmir and Kerala).

ii) All industrial town workers covered under All India Consumer Price Index Numbers for Industrial Workers.

iii) Chronically drought prone areas excluding those already included under (i) and (ii) above.

iv) Areas affected by serious floods (for 3 months in a year), and

v) Urban and rural areas in Jammu and Kashmir and Kerala as covered under the existing schemes.

This review of developments during the third decade and after brings out the following points in relation to the evolution of PDS:
1) Some evolution in terms of understanding of the role of PDS was visible in the policy documents. However, the clarity obtained at one stage was suddenly lost due to a very fast and unexpected change in the situation after 1970.

2) The evolution of the forms of PDS was intriguing during the mid-sixties when the Government returned to its old policy of rationing, the time perspective was missing. Later, this situation changed with an awareness about the time perspective and thus the Government's desire to have a PDS operating on a continuous basis. This was, however, never translated into the operational policies a consequences of which was seen in 1971.

3) Contradictions brought about in the policies by the Government's wish to keep a check on the price level, its desire to protect the economically vulnerable section of the population, the desire to cut down the PDS subsidies to new and lower levels, and to keep a PDS running with -list major coverage confined to the urban areas etc. were never fully appreciated. This led to status quo.

Fourth Five Year Plan (1969-74) realized the significance of public distribution system as a price control and poverty alleviation measure while at, me same time it recognized the existing loopholes in the system. The main feature of the scheme under this plan was the creation of buffer stock of adequate size to meet the needs of PDS. During 1970-71, the output of food grain reached the level of 8.6 million tones, which was at that time a record level. Consequently, the instrument of PDS was thrown completely out of gear.

When the food prices started rising at the close of 1971-72, the Food Corporation of India started open market sales from January 1972. In spite of this, the prices kept on increasing and by mid-1972, the policy had to be abandoned. Foodgrains were imported to meet the requirements of PDS, increase. In April 1973, the wholesale trade in wheat was taken over by the Government of India in order to procure adequate stocks for distribution through PDS. Still the wholesale trade in wheat never got off the ground and it was abandoned in 1974. The years 1973 and 1974 were again the worst years for the supply of essential commodities. Hence, the need for PDS was once again emphasized. There was an excessive shortage of essential products and inflationary trends emerged due to successive droughts, programme was announced in May 1975, which perhaps for the first time, identified distribution as a critical economic function, it
merited the attention of Central and State Government as well as the business community. With setting up of the "Department of Civil Supplies and Cooperatives" in 1974, the Government already expressed deep concern for an efficient distribution of essential commodities to the consumers. This led to a regular monitoring of prices and revamping of production programmes.

Till the inauguration of the Sixth Five Year Plan (1978-85), price situation in our country had become critical. Thus, the need for Public Distribution System was more seriously felt during the Sixth Five Year Plan. The plan revealed that from the point of view of maintaining stable price conditions an efficient management of supply of essential consumer goods is of crucial importance. The plan further visualized the significance of the PDS not only as inflation control measure but also as poverty alleviation measure. For the first time the planners recognized the significance of PDS as a shield to check the erosion of purchasing power of the vulnerable section of the society.

The plan also paid attention of the institutional framework for efficient working of the system. In this regard a scheme for the construction of godowns was launched in 1983-84. This was a centrally sponsored scheme ahead envisaged extending financial assistance to States/UTs for the construction of small godowns upto 2000 MT capacity, especially in remote hilly, rural and tribal areas to ensure a smooth flow of PDS items to Fair Price Shops in these areas. The financial assistance was in the form of 50% grant-in-aid (subsidy) and 50% loan. The funds were to be utilized when two years rate of interest was 13%. In case of default, penal rate of an additional 2.75% interest was charged. The proposals had to be accompanied by technical estimates and a certificate of land availability, while comments from CPWD, FCI and CWC were obtained regarding the cost estimates and available existing capacity before proposals were submitted to the Standing Finance Committee (SFC) for consideration. Since an efficient Public Distribution Committee requires a balance between production, procurement, transportation, storage and distribution of selected commodities brought under the system 'the sixth plan was also underlined the need for a selective approach and a certain flexibility in assessing the essentiality of commodities for public distribution.

PDS has proved an integral part of the economic planning in India. The Seventh Five Year Plan (1985-90) expanded the objectives of the PDS. Apart from price stability and buffer stocking, it has primarily aimed at providing supportive cover to the economically weaker sections of society or those living 'below the poverty line. The
working group of the plan on Public Distribution System realized the fact that the off take level of PDS should be increased so as to meet the increasing requirements of the people.

During the Eighth Five Year Plan (1992-97), a Revamped Public Distribution System (RPDS) was launched from 1992 from Barmer in Rajasthan with a view of extending the coverage of distribution of specially subsidized foodgrains to the population living in the hilly land arid areas also: About 1700 blocks were covered by areas specific programmes such as Drought Prone Area Programme (DPAP), Integrated Tribal Rural Area (ITRA), Integrated Rural Development Programme (IRDP), Desert Development Programme (DDP) and certain Designated Hill Areas (DHA) in consultation with the State Government for special focus for improvement of the PDS infrastructure. In order to improve the functioning of PDS in backward area of the country, in October 1995 RPDS coverage was extended in principle to 2446 blocks covered under Employment Assurance Scheme. In RPDS areas, foodgrains were, at a price lower by Rs. 50 per quintal than the Central Issue Price (CIP) applicable to general PDS areas. The off take of cereals under RPDS aggregated to 3.5 million tonnes during 1993, 3.6 million tonnes during 1994 and 4.1 million tonnes during 1995, but it was considerably lower than the assessed requirement of about 8 million tonnes for these areas. The numbers of fair price shops were also revamped under RPDS. There were 3.02 lakh shops running in March 1984, which increased to near 3.61 lakhs in March 1990 at a very slow rate but dwindled to 3,97,429 by February 1992. The total number of 13.92 crores rations cardholders with an average of four person per card totaling to 56 crores. Were covered by these 3.97 lakhs shops in March 1992. Till 1991, the scheme of construction of godowns to strengthen the PDS was restricted to the North Eastern States, Himachal Pradesh, Sikkim, Jammu and Kashmir, Lakshadeep and Andaman & Nicobar Islands. With the launch of Revamped Public Distribution System (RPDS), the construction of godowns also extended to cover all the identified RPDS areas and the pattern of financial assistance in this regard was changed to 25% grant-in-aid and 75% loan.

According to Ministry of Food, in 1991 the public distribution came under pressure due to high open market prices and the total distribution rose to a record level of 20.81 million tonnes with 29.98 per cent hike against distribution of 16.01 million tonnes of previous year 1990. In 1992, the total public distribution was maintained at about 19.14 million tonnes. In 1993, the total public distribution reduced to about 13.54 million tonnes.
Due to hike in subsidy and an increase in the financial deficit of the Government, some effective changes were required in the present public distribution system. Moreover, even after paying such huge subsidies on the food, the working of PDS remained a failure in providing benefits to really needy people. Therefore, the Government has been focused the PDS totally to the vulnerable section during the Ninth Year Plan (1997-2002).

On the recommendation of several committees and in view of the performance of old public distribution system, the Government introduced the Targeted Public Distribution System (TPDS) from June, 1997 in all States/UTs, except Delhi and Lakshadweep, since the identification of the poor and issue of special cards was yet to be completed in these two territories. The main objective of the scheme was to supply the necessary commodities for the poor section of society. The new system had a focus on the poor people living under the poverty line. This public is known as target people under this new system.

Under this new system, the entire population of the country has been divided into two segments i.e. Above Poverty Line (APL) and Below Poverty Line (BPL). The families having an annual income above Rs. 11,000 have been categorized as above poverty line family (APL) and all families having annual income less than Rs. 11,000 have been categorized as below poverty line (BPL). The Government has provided 20 kg. wheat per family at Rs. 2.50 per kg. and rice at Rs. 3.50 per kg. For the families belonging to Below Poverty Line (BPL) in addition to the existing benefits under PDS, The Union Government has allocated 18.4 million tonnes of foodgrains for TDPS with an increase of 3.1 million tonnes for the year 1997.

With the introduction of TPDS in the year 1997, the pattern of financial assistance for construction of godowns was also liberalized as 50% grant-in-aid and 50% loan. The scheme has been further extended from 1998-99 to cover all such areas in the country where the need for such facilities exists since the inception of the Scheme.

Since 1997 the Government is concentrating on strengthening the benefit of PDS to the really vulnerable section. The massive increasing subsidy hiked the financial deficit and makes the Government worry about the future of this social benefit scheme. The PDS, which is the largest among these schemes, is a massive food-rationing programme meant to reduce food insecurity and improve the welfare of the poor. For this programme the 1998-99 budget allocation was Rs.9000 crores. By January 1999 the actual expenditure
was around Rs. 10500 crores force the Government of India to announce a price hike on commodities supplied to BPL consumers thereby nullifying a cardinal principle of food security and poverty alleviation. This price increase was withdrawn in the face of protest and PDS expenditure is continuously spiraling. In the recent past, the amount was about 50 per cent of Government spending on anti-poverty programmes and 25 per cent of the overall Central Government expenditure. These extra burdens forced the Government to focus the PDS totally on targeted groups. Therefore, the Government of India has started one more scheme named 'Annapurna' in April 2000 for the elderly destitute who have no one to take care of them. Under this scheme an elderly destitute is provided 10 kg. of rice or wheat per month free of cost through the existing public distribution system. This scheme aims at covering those destitute who are senior citizens aged above 65 years and otherwise eligible for old age pension under National Old Age Pension Scheme. Only those destitute are covered Government scheme yet. The Government allotted a sum of Rs. 100 crores for the first year of its implementation and benefited around 6.6 lakhs elderly.

In March 2001, the Atyodaya Scheme was launched for the extremely poor people who cannot afford their two times meal and have not any fixed job for their livelihood. Under this scheme 5 crores families have been identified. They are entitled for total 25 kg. of foodgrains per month per family either at the rate of Rs. 2.00 per kg. for wheat or rice at the rate of Rs. 3.00 per kg. Another scheme, Sampoorna Grameen Rozgar Yojna was introduced in January 2002. The objectives of the programme are to provide additional wage employment, food security, creation of durable community, social and economic assets, and infrastructure development in rural areas. Under this scheme, annual Rs. 10,000 crores per annum has been given to the various States/UTs, out of which 50 lakh tonnes of foodgrains worth Rs.5,000 crores and balance Rs.5,000 crores will be utilized to meet the cash component for wage and material cost.

All the efforts of Government to improve the PDS and to take it to the actual beneficiaries failed completely. The Government is actually subsidizing the trade instead of ensuring that the food supplies reach the vulnerable people. As the off take of foodgrains under PDS from 17 million tonnes in the year 1997-98 to 8.3 million tonnes in the year 2001-02 (upto December), but on the other hand, the food subsidy has almost doubled from Rs. 7,500 crores to Rs. 13,670 crores during the same period. Out of Rs. 13,670 crores, Rs. 5.680 crores i.e. 41.6 per cent has been spent just to maintain the buffer.
stock. Therefore, the food security turned out to be a food stocks nightmare. Ironically, India has over 65 million tonnes of wheat and rice in Government godowns, yet poverty induced hunger affects over 200 million peoples. The survey by the ORG MARG has revealed that mere 7 per cent people of India are satisfied with the PDS.

1.13 OBJECTIVES OF PDS:

The PDS is a device to introduce planned distribution of essential items in place of unplanned or automatic distribution started in our country during the Second World War. The dawn of independence led to a greater emphasis on the need for an uninterrupted supply of essential goods everywhere so that none died of hunger. The last few decades witnessed tremendous improvement on the food distribution front especially in the network operation of FPSs and coverage of commodities. The foremost objectives of PDS are spelled out as under:

(i) To protect the low-income groups from hunger by guaranteeing them supply of certain minimum quantities of foodgrain at reasonable prices.

(ii) To remove the imbalance of supply and demand for consumer goods.

(iii) To check hoarding and black marketing in essential commodities.

(iv) To ensure social justice in the distribution of basic necessities of life by keeping check on the fluctuations of prices in goods of mass consumption.

(v) Stabilization of food prices and prices of other key essential items.

(vi) Reduction in the year-to-year fluctuations in the over all availability and per capita availability of foodgrains.

(vii) Steady supply of the essential commodities at fair prices to protect the real purchasing power of the consumer, especially those items belonging to the poorer sections of the society.

(viii) Effective supplementation to the Government's programmes for alleviation of poverty and reduction of malnutrition.

(ix) To ensure remunerative price to the farmers by efficient procurement system of food grains.

(x) To safeguard the interest of the consumers against excessive rise in the prices.
1.14 ORGANISATION /NETWORKING OF PUBLIC DISTRIBUTION SYSTEM:

In India, it is a joint responsibility of Central Government, State Governments and Union Territory Administrations to ensure the smooth functioning of the public distribution system. While the responsibility of the Central Government is to procure, store and transport the different PDS commodities from purchase points to Central godowns, the responsibility of State Government and Union Territory Administration is to lift these commodities from the Central godowns and distribute them to consumers through the network of Fair Price Shops. The distribution of foodgrains and other essential commodities is undertaken in different areas to trip poorer strata of population from internally procured and imported quantities often at subsidized prices. The overall network of PDS in India can be divided into three parts discussed as under:

1. Procurement.
2. Management.
3. Distribution.

1.14.1 Procurement

The National Production-cum-Distribution Scheme assume that successful implementation of PDS depends upon the procurement and buffer stock of the identified commodities. Therefore, procurement is considered as one of the objectives of the scheme. In fact, PDS cannot function successfully unless procurement operations are effective. The establishment of stable and viable system of procurement reflects the overall vitality of the policy and its efforts to secure social justice to the weaker section of the community. In view of its importance, an attempt is made to examine the problems of procurement and other issues related to the procurement. Food Corporation of India, an apex agency involved in the process of procurement of various PDS commodities has been established in 1964. It was established under the Food Corporation Act, 1964 and started its functioning from January 1965. It was set up with the objective of securing a commanding position in the foodgrains trade. This is the main agency that performs the function of procurement of various items of PDS at both national and state level. The agency is also set up for handling foodgrains and it functions as a major instrument of state policy; aimed at achieving the following objectives:
1. To procure a sizeable portion of the marketed surplus of foodgrains at incentive prices from the farmers on behalf of the Central Government and the State Government.

2. To ensure timely release of stocks through the State Government so that the consumer prices do not rise unduly.

3. To minimize the inter-seasonal and inter-regional set up.

4. To build up sizeable buffer stock of foodgrains.

FCI has been procuring various products from the producer, millers and the markets as an agent of the State Government. Paddy is purchased by FCI only as distress purchase on the basis of Requisitions made by the Defense Department and the Government of India.

The FCI is adopting the following methods to procure various products:

i. Support Price Operations;

ii. Levy on Millers and Traders

iii. Open Market Purchases

**Support Price Operation:** Under this programme, the Government readily purchases any quantity of crop offered at the announced support price. The support price guarantees a minimum price to the farmers while reducing the uncertainty caused by the price fluctuations. The farmers are also offered bonus by the State Government in addition to the support price. As the procurement price is fixed by the Central Government, the State has no right to enhance the price. Instead, the State offers an incentive to the farmers in the form of bonus.

**Levy on Millers and Traders:** Under this programme every miller has to give a certain percentage of the quantity of product milled (produced) by him in the form of levy to central agency. Sometimes levy from wholesale traders is also collected. The levy rates vary yearly depending upon the buffer stock requirement of the Central Government, the procurement targets of the State Governments and the crop condition.

**Open Market Purchase:** FCI also purchase some products from the open market on competitive basis. The main intention of the open market purchase is to meet the
requirement of Defense Department. However, this method is employed depending upon the total requirement of the various products under PDS.

1.14.2 Management:

Management is a combination of personal and administrative skills. It is also viewed as a technique of leadership. Management may be defined as body of systematized knowledge, based on general principles that are verifiable in terms of business practice. The management of PDS is controlled by the following:

i. Central Ministry of Consumers Affairs and Public Distribution

ii. State Department of Food Supplies

iii. Public Corporations at State Levels

i) Central Ministry of Consumers Affairs and Public Distribution: The Ministry of Consumers Affairs and Public Distribution is responsible for the innumerable activities connected directly or indirectly with PDS. These activities include monitoring of prices and supplying essential commodities, overall administration and policy framework in prevention of black marketing and maintenance of regular supplies of essential PDS commodities, consumer protection, administration of consumer cooperatives, integrated management of supply, price and distribution of essential commodities and matters relating to weights and measures and Indian Standard Institution.

ii) State Food and Supplies Department: In the states, generally no separate Ministry of Civil Supplies has been founded. The Department of Food and Supplies is responsible for the functioning of civil supplies effectively. The department inspects the efficiency of various agencies involved in the functioning of PDS. The department has overall control over these agencies, especially on Fair Price Shops. The department is the highest authorities to issue the license to Fair Price Shops and also to & cancel the license of any FPS if it is not running according to legal regulation, instruction and directions of the department. From time to time the department makes rules to control and regulate all PDS agencies in the interests of consumers. The department ensures the availability of essential commodities to all the people. The department monitors the price stability and implements all the Government instructions regarding price stabilization with the help of District Food and Supplies Controller and his staff members. In addition to this protection of consumers from under-weighing and adulteration and prevention of all such malpractices is also the responsibility of the department.
iii) **State Civil Supplies Corporation:** Each of the States in India has one state level corporation to control and to improve the Public Distribution System. These corporations have set up to lighten the burden of Food and Supplies Department of the State. These corporations operate as a wholesaler and get foodgrains form FCI in bulk quantity. In the next step, the Corporation works as sub-wholesaler and sends food grains to the various FPSs. The Corporation also shares the responsibility of distribution of foodgrains to the ultimate consumers. So in the third tier, the Corporation cooperates as retailer and sells essential goods to ultimate consumers through the FPSs owned by it (the corporation). In a nutshell, one can say that the Corporation has reduced the burden of distribution of essential commodities of the State Department of Food and Supplies.

1.14.3 Distribution:

Third important part of the network and the success of the system fully depend upon the efficiency of the distribution. Distribution means making goods available at the right time and at the right place for meeting the needs of the consumers at a right price that is acceptable to both the consumer and suppler. In the Public Distribution System the commodities are not only supplied to the required person, but are specially provided to the vulnerable sections of society at the cheapest or lowest rates. The tasks of distribution under Public Distribution System are performed by Fair Price Shops. The National production-cum-Distribution Schemes (NPCDS) was introduced in July, 1979 to procure and distribute thirteen essential commodities. All the fair price shops in the country are at present working under this scheme. The FPSs plays a crucial role in the distribution of essential commodities especially in the rural-areas. They ‘act as a vital link between the civil supplies department and the rural consumers.

There are different types of fair price shops involved in the working of PDS and supplying essential commodities to the actual consumers. On the basis of ownership the FPSs can be divided in four categories:

i) **FPSs Controlled and Organized by the Cooperative Societies:** Under this category those FPSs are taken which are controlled and organized by the Cooperative Societies. Cooperative Society is formed under Indian Cooperative Society Act, 1912 and a license of fair price shop is given thereafter. All the members of the cooperative society are the owners of the fair price shops. They collectively manage all the functions of fair price shop or sometimes employ any other person to look after the shop. The profit in form
of commission from the sale of the shop is distributed among members of the society on cooperative basis. In India, a majority of FPSs are functioning under this category.

ii) **FPSs Under Control of State Civil Supplies Corporation:** As already discussed that State Civil Supplies Corporation play an important role in the Public Distribution System by opening fair price shops in the remote areas. Under this category the State Civil Supplies Corporation has opened fair price shops in the most tough and remote areas where the profit margin is very low and no private and cooperative society opts for the license of fair price shop. The FPSs under State Civil Supplies Corporation are controlled and managed but the employees of the Corporation get fixed salary and commission on total sale basis. These categories of fair price shops have crucial responsibility as they are operating in far flung remote and low profit areas.

**FPSs Under Private Ownership:** Under this category the license of fair price shops is given to a private shopkeeper. They sell all the essential commodities covered under public Distribution System and also deals in some other commodities privately to increase their profit. All the commodities of PDS are sold by them at a price fixed by the Government with a very nominal profit. These shopkeepers earn a very nominal profit as the sale of these commodities covered under PDS is very low. Other commodities, which are sold privately by these shopkeepers, they charge price; as other private shops keeper with adequate profit.

**FPSs Run by the Panchayats:** Under the category the license of FPSs are given to the Gram Panchayats. These are very pertinent shops in the remote and rural areas, where no other agency is ready to starts the shops. The Pradhan(Surpanch) of the Gram Panchayat is a main responsible member of the shop and looks after all the functions and activities of the shop. The profit of the shop is considered as an income for the Panchayat. These types of shops are very important in the strengthening of the Panchayat Raj by increasing the sources of incomes of the Gram Panchayats.
1.15 IMPORTANCE OF PUBLIC DISTRIBUTION SYSTEM:

The PDS in India forms an important part of state strategy for intervening in the distribution of food grains and other essential commodities. However, the nature of the policy of state's intervention is largely determined by the causes and conditions which are responsible for emergence and growth.

The importance of the PDS may be analyzed from the proceeding paragraphs:

The most important need of PDS has been imputed at the time of shortage of essential commodities. These shortages are generally caused due to wars, famines, droughts and other natural calamities when the production of various commodities including all essential commodities goes down drastically. The PDS plays an important role in helping to come out of these situations of crises by managing the distribution of all commodities properly. A few studies also revealed the same views. Joshi\(^5\) stated that the drought of 1987 was equally dangerous for the people and the Government. It has the potential to spread famine and misery like in previous times. Larger buffer stock, improved Public Distribution System together with the responsiveness of Government in a democratic policy to combat distress situations have contributed in reliving misery from droughts to a considerable extent. Ghosal\(^6\) stated that PDS works with efficiency in the normal situation. It along with import food grains helps Government to come out of the exigencies created by drought a flood etc.

During inflation, PDS is considered as an important device to control the rate of inflation. Inflation is associated with an economic state in which the purchasing power of the people contracts due to the hike in the prices of the goods, means only few goods can purchased in large amount of money. Inflation is considered as a monetary, political, social and a structural problem. Therefore, it is a state of imbalance between the marked stock of basic goods or basic commodities and the active stock of money. A state of inflation prevails not only an imbalance between the stock of money and the stock of basic goods but also the increasing disparities in the economic levels strata to a great disadvantage. Inflation augments the difficulties of poorer classes and distorts the distribution process. Even a person with fixed income is hit hard. The distribution process is most severely jolted by persistent inflation. The gap between equilibrium economics and reality grows wider. The PDS is one of the method of state intervention in the market for basic wage goods like cereals India, its main objective is to control inflation and soften the
impact of endemic-inflation on vulnerable sections of society. PDS is an anti-inflationary measure having significant bearing on stabilizing price.

The main objective of PDS is to provide essential goods to the people at reasonable prices. PDS plays an important role in this regard to maintain a regular supply of essential goods at an affordable price to the different sections of the society. PDS helps to maintain the stock of essential goods throughout the year by purchasing these goods at a bulk quantity in the season time and keep it in poorer godowns. Similar views are given by some writers in the subsequent studies. Singh explained that the PDS in India has become a regular and essential feature of food management. The basic objective is that essential-consumer articles, of daily use would be made available at reasonable price for the public. Rao expressed that the objective of PDS are equitable distribution of essential commodities at fair price to fulfill the time, place and functional utilities. Reddy and Kumar stated that substantial quantity of essential commodities is supplied to the people at a reasonable price through PDS. It helps the consumers in escaping from the impact of rising prices of essential commodities. Ministry of Information found that consumer cooperatives as an agency of PDS play an important role in the distribution of the supply of quality goods at reasonable rates to the common people. Kanan conferred that it was contended that the original objective of PDS in India was stabilization of prices of food grains and management of its supply.

Imperfect market warrant forces an intervention of state in the market mechanism. In India, the agricultural sector plays a predominant role. Therefore, agricultural prices determine the mechanism; for the majority of population spends the major part of their income on foodgrains that also forms the major part of the total consumption expenditure of the poor and vulnerable sections. In the rural area about two third of the total expenditure is just made of food account. Abrupt fluctuations in the food grains prices adversely affect the whole population of the country in general and poorer sections of the society in particular. Stability in the prices is vital for the economy growth and it is the agricultural sector that holds the key to the price stability. In order to stabilize the price the Government has to interfere in the price mechanism. PDS makes the balance between the demand and supply and keeps the price stable it is a healthy and effective way of stemming the ever rising prices of goods. The PDS helps the consumers to escape from the
impact of rising price of essential commodities. Hoarders and speculators give more importance to the public distribution system. The traders include not only the licensed wholesalers and retailers but also the speculators and hoarders who make huge purchases with their unaccounted money to make quick profits. All these and many other factors rendered the food markets complicated and complex. Further, only rich landlords have large marketable surpluses. Hence, they indulge in speculative hoardings of food grains by withholding larger supplies from the market causing deleterious effect on the economy. The speculative tendencies resulting in withholding of stock from the market tend to aggravate the inflation pressure. The traders, profiteers and other anti-social elements corner off stocks, thus creating artificial scarcity with a view to earn abnormal profit. This tendency of producers and traders hits the poor hard and make it impossible for them to purchase the food grains required for their bare subsistence.

The cause of removal of ubiquitous poverty calls for continuous intervention of state in the market mechanism. In fact, it is the root cause of many problems of the society. The term poverty is spciated with hunger and low standard of living. Poverty is a problem of low income and its unequal distribution, of slow pace of development and inequitable distribution of the foodgains of development. It can be described as social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. Its manifestations are clearly visible in under-nourishment, underemployment and unemployment, insecurity and worldwide unrest. The roosts of poverty were identified by Marx in the share of economic structure. He considers poverty as an outcome of a defective pattern of distribution of the means of consumption i.e. incomes, and therefore, lays the primary emphasis on restructuring the pattern of income distribution. Hence, in any sincere effort to eliminate poverty, elimination of concentration of wealth and property would be indispensable. In the absence of such structural changes the gains of development get monopolized by the upper, middle and richer sections of the society leaving the lower middle and poorer sections untouched by the process of development resulting in the deterioration of their living conditions. Therefore, a large number of the poor are deprived of their basic necessities and are even denied of adequate food to maintain their body, “Which indicates the degree of dehumanization the system is subjected to However, in modern times, it is widely accepted that poverty is man-made. It is also accepted that “It is no longer inevitable, or desirable and its abolition is universally advocated”. In fact, the general problem of the abolition of poverty has been increasingly
merged with, and has often become the foundation for the social and political policy of the Government. The policy of PDS falls in this category as it attempts to reduce the misery and it is the oldest and one of the most comprehensive anti-poverty programmes in India since 1960.

PDS at present time has become an integral part of the food policy to provide food security to the people especially in the developing countries like India. Food insecurity is one of the major problems faced by these countries. These countries generally have limited production of foodgrains and also face a problem of excessive population. It causes food insecurities in these countries. Food security actually means access to foodgrains to all sections of society at all times at affordable price. The PDS with a proper Government intervention and with proper food management is one of the methods to solve this problem of food insecurity. PDS can be regarded as one important stable element of India’s food policy since the early 1950’s. Food security is affected by a host of factors in a nation. A balance in supply and demand for food is a crucial aspect.

Ensuring food security in India would involve sustained emphasis on increasing investment in various developmental activities in agriculture sector. Public Distribution System should continue for ensuring attractive and reasonable prices. Therefore, PDS plays an important role in providing the food securities to the common people, and it became an integral part of the food policy.

PDS not only provides essential goods to the people at a reasonable rates. But it also helps the farmers to provide them proper price for their production. At the season time when crop reaches the market in bulk quantity, the prices come down because of excess supply, but with the procurement of various Government agencies under PDS at minimum support price (MSP), the price of the crop stabilizes to some extent in the market. The procured goods are distributed by these agencies under the PDS network. In such a way, PDS helps the farmer to protect their interest by providing a proper price for their production. A few studies also arrived at the same conclusions. Joglekar\textsuperscript{12} pointed out that an increase in procurement and minimum support price of foodgrains has undoubtedly given an impetus to greater production. Parikh\textsuperscript{13} revealed that Indian agriculture policy alone cannot provide farmers incentives to grow more, but remunerative prices to the farmer, under the PDS, is a major reason behind this growth in agriculture.
It can be concluded on the basis of preceding discussion that Public Distribution System has a great importance in the economy, especially the developing economies like India. These countries have a lot of problems like poverty, scarcity of food, price fluctuation, disparity between high and lower-income groups, poor agriculture facilities, etc. PDS can prove an unbeaten weapon for these economies to solve some of their very crucial and threatening problems. PDS is not only, a system of providing a proper price to the farmer for their production and stabilizing the market price of the various commodities in the market. The way it helps not only the poor, but also other people who belong to different sections of the society.

Public Distribution System in nutshell, is a system of distributing essential commodities to the vulnerable sections of the society the control of Government departments and agencies at a affordable prices, to protect them from the acute high prices in the market. This is a system totally controlled by the Government. The system was started in 1939 at the time of Second World War. Shortage of food and massive rise in their prices at the time of World War was the reason to start the scheme. Till date, the PDS is an integral part of the Indian Food Policy and plays a crucial role in providing essential goods to the poor people at reasonable prices. Providing essential commodities, maintaining regular supply of essential commodities, stabilizing the price of essential commodities in the market, alleviation of poverty, checking and controlling of inflation and keeping a check on the malpractices of private traders are the objectives of the PDS. Government departments, corporations and other agencies are involved in the functioning of PDS and are working effectively to make this system successful and also accountable to public by taking it to the actual beneficiaries.
REFERENCES:


