
UNIT 21 PUBLIC DISTRIBUTION SYSTEM AND FOOD SECURITY

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21.0 OBJECTIVES

After going through this unit you will be in apposition to:

- explain the concepts of food self-sufficiency and food security;
- explain the role of the public distribution system in providing food security;
- identify the weaknesses of the public distribution system; and
- suggest measures to improve the efficiency of the public distribution system.

21.1 INTRODUCTION

You may agree that everybody in the society should have access to certain basic requirements such as food, shelter and clothing. Apart from these there should be access to essential services such as safe drinking water, health and education. This is referred to as the concept of basic needs. The rich and middle-income groups may not find it difficult to fulfill their basic needs. However, it may be a vital issue for the poor section of the society.

The concept of basic needs is very broad and takes care of many aspects as mentioned above. However, the poor segment of population in India may not have the purchasing power to have adequate amount of food or reasonable shelter or clothing. In such cases it becomes a responsibility of the government to provide the basic needs. In this unit we will discuss the provision of food security to the poor section in India.

21.2 SELF-SUFFICIENCY IN FOODGRAINS

You have learnt in 'EEC 12: Indian Economic Development since Independence' that achievement of self-sufficiency is one of the important objectives of Indian planning. In this context realization of self-sufficiency in foodgrains is quite important.

You have seen in earlier units that the level of agricultural production was low in the early years of planning. Also the growth rate in foodgrains production was low. In order to meet the demand for food India had to depend on imports of foodgrains from abroad. Thus India was not self-sufficient in foodgrains at that time. The severe droughts in 1965 and 1966 forced India to seek food aid from foreign countries on a massive scale.

21.2.1 Realisation of Food Self-sufficiency

During the mid-1960s India adopted the green revolution technology (new high yielding varieties of Mexican wheat and dwarf rice varieties) which led to remarkable growth in agricultural production. India achieved self-sufficiency in foodgrains during the mid-1970s. Since then India's reliance on foodgrains imports for feeding its populace has almost stopped.

It is true that India has been able to avoid large-scale famine deaths in the post-independence years. During the British rule, famine deaths in India used to be a common occurrence. Shortly before Independence, 4 million people died during the Great Bengal Famine of 1943. Since Independence there has not been any such incident of large-scale deaths due to famine. There is, however, widespread prevalence of malnutrition every year. Also there are reports of starvation deaths taking place in various parts of the country. Despite high growth and self-sufficiency in food production over the years, a significant portion of our population still lacks food security.

21.2.2 Food Self-sufficiency and Food Security

In a developing economy like India where foodgrains have the largest share in the food basket of the poor, food security basically means that people have physical and economic access to foodgrains. As far as physical access to foodgrains is concerned, it can be achieved by augmenting production (or even by imports of foodgrains). However, this alone is not sufficient. Food security requires that people also have economic access to food, i.e., they have enough purchasing power so that they can purchase the required amount of food. Although India has become food secure in recent years, there are according to FAO estimates, about 200 million Indians who are "chronically food insecure". These include marginal farmers, Scheduled Tribes, Scheduled Castes, landless labourers and casual labourers.

Secondly, self-sufficiency in foodgrains at the national or macro level does not necessarily mean self-sufficiency at the regional or state level. In India only five states have a surplus food production while other states are food deficit states. In order to maintain food security there should be smooth flow of foodgrains from surplus to deficit states.

Thirdly, higher production of foodgrains does not automatically solve the problem of food security. It alone does not guarantee that food is available to those who need it. Such a situation arises when poor people cannot afford to buy adequate quantities of foodgrains simply because they do not have the required income or purchasing power. This could give rise to a highly deceptive situation of food surplus.

21.2.3 Prevalence of Malnutrition

The physical as well as economic access to food does not guarantee that people get

a balanced diet. Lack of balanced diet results in malnutrition. Moreover, poor households people may not be in a position to afford a diet which will contain adequate calorie intake.

These issues are important as more than one half of women and children in India are undernourished. Almost half the women in the age group of 15-49 and three-fourths of the children are anaemic. According to an ORG-MARG survey, “almost one fifth of all rural households face the prospects of hunger, 14 per cent of all households do not get two square meals a day”. Even by the government’s own estimate (in 2000), around one crore families do not get two square meals a day. The recent survey data from National Families Health Survey 1998-99 show that 47 per cent of children in the 0-4 age group are malnourished on a weight-to-age criteria. According to the National Nutrition Monitoring Bureau data on rural population in ten states only half of the adults had normal nutrition status while the rest suffered from different degrees of chronic energy deficiency.

21.3 PRODUCTION AND AVAILABILITY OF FOODGRAINS

The entire foodgrains produced in India is not available for consumption. Part of it is used as seeds to be used in next year while some portion go as waste due to improper storage or loss during transit. Still some part of the produced foodgrains will be required as animal feed. The remaining portion, which is available for human consumption, is termed as net production. In the Indian case about 87.5 per cent of total foodgrains production is available for human consumption while 12.5 per cent of foodgrains production is used as seeds or animal feed or go as waste.

The availability of foodgrains may be different from production. Availability can be more than production through two means: First, availability can be increased by importing foodgrains from abroad. On the other hand, availability will be reduced if there is exports of foodgrains. Second, stock of foodgrains is maintained by the government and by individuals. Availability in a particular year can be increased by drawing upon the existing stock of foodgrains. Thus change in stock also influences availability.

Growth of agricultural production slowed down considerably in the 1990s as compared to the earlier decade. Compared to 3.2 per cent per year in the 1980s, food production in the 1990s has grown only at 1.5 per cent which is below the population growth rate. This decline in growth has taken place despite the fact that during the greater part of the 1990s normal monsoon rain was received.

Table 21.1: Net Availability, Procurement and Public Distribution of Foodgrains

(million tonnes)

Year	Net Production	Net Imports	Net Availability	Procurement	Public Distribution	Imports as% of availability	Procurement as % of production
1	2	3	4	5	6	7	8
1960-61	72.0	3.5	75.7	0.5	4.0	4.6	0.7
1970-71	94.9	2.0	94.3	8.9	7.8	2.1	9.3
1980-81	113.4	0.7	114.3	13.0	13.0	0.6	11.4
1990-91	154.3	(-)0.1	158.6	19.6	20.8	Neg.	12.7
2000-01	182.8	(-)1.4	167.5	35.5	12.8	(-)0.8	19.7
2001-02	171.6	(-)2.7	156.3	42.2	11.3*	(-)1.7	24.6

* up to November 2001

Source: Economic Survey

As you will see later, the government procures or purchases foodgrains from the market and maintains a stock. The purpose of keeping such a stock is to stabilize prices and assure that the poor get access to food. As the growth rate in foodgrains during the 1990s was lower than the population growth rate, there should have been a decline in the stock of foodgrains because of higher demand. However, this did not happen. Rather the foodgrains stock increased. You can see from Table 21.1 that procurement as a percentage of net production has increased from 9.3 per cent in 1970-71 to nearly 25 per cent in 2001-02. In the absence of commensurate increase in public distribution foodgrains stock with the government has increased to 58 million tonnes in 2002.

As a result of the slow growth in food production and increasing foodgrains stocks, the amount of foodgrains available to the public has declined from an average of 510 grams per day per person in 1991 to 458 grams in 2000 (see Table 21.2). According to the provisional estimates, per capita per day availability of foodgrains is only 417 grams in 2001. Per capita availability of pulses (which are the main source of protein) has fallen much more drastically. It has declined from 67 grams per person per day in 1961 to 32 grams in 2000. According to the provisional estimates, it is only 26.4 grams in 2001.

It is argued by some that consumption of foodgrains per capita is declining because there is growing substitution of foodgrains by non-cereal foods namely fruits, vegetables, milk, fish, egg and meat. The 55th round (1999-2000) of the National Sample Survey (NSS) on household consumption shows declining share of consumption expenditure on food and, within food, on foodgrains in particular. Other researchers, however, point out that, since rising production of animal husbandry products (milk, eggs and meat) means rising animal feed requirements, the total cereal demand in the economy should, in fact, increase rather than decline.

According to the Ninth Five Year Plan document, at the all-India level people spend on an average about 63 per cent of their total expenditure on food in the rural areas and about 55 per cent in the urban areas. Of the expenditure incurred on all food items the expenditure on foodgrains accounts for 45 per cent in the rural areas and about 32 per cent in the urban areas. The bottom 30-40 per cent of the population spend over 70 per cent of the total expenditure on food. Of this expenditure on food, people in rural areas spend about 50 per cent on foodgrains while those in the urban areas spend about 40 per cent.

Table 21.2: Net Availability of Cereals and Pulses

Year	Per capita net availability per day (grams)		
	Cereals	Pulses	Total
1961	399.7	69.0	468.7
1971	417.6	51.2	468.8
1981	417.3	37.5	454.8
1991	468.5	41.6	510.1
2000	426.0	32.0	458.0

Source: Economic Survey

Agricultural Prices

In recent years, there has also been increasing domination of market forces in the food sector. As a result of these factors, including the government policies of continuously raising procurement prices, food prices have soared too high, which has put the food security of millions of households in the country at a risk.

Although the current rate of inflation in the economy is low, high inflation rate all through the decade of 1990s has led to a sharp rise in absolute price levels of most of the essential commodities, especially of food articles. The movement in wholesale price index for agricultural and industrial products during the 1990s indicates that prices of agricultural products have increased at higher rate than the prices of industrial products (see Table 21.3). One of the most important determinants of the standard of living is the price of foodgrains. This has major impact on their real income, especially for the relatively poorer sections whose incomes are largely spent on foodgrains.

Table 21.3 : Index Numbers of Wholesale Prices of Agricultural Commodities Relative to Manufactured Products (Base: 1993-94 =100)

Year	Price Index Agricultural Products*	Price Index of Manufactured Products	Agricultural Price index as per cent of Manufacturing price
1994-95	116.1	112.3	103.3
1995-96	126.0	121.9	103.3
1996-97	136.4	124.4	109.7
1997-98	140.3	128.0	109.6
1998-99	157.2	133.6	117.7
1999-00	159.1	137.2	116.0
2000-01	163.7	141.7	115.5

* Composite index of the sub-groups Food Articles and Non-Food Articles

Source: Economic Survey

Therefore, it is essential to protect the poor from a continuous increase in foodgrains prices. However, an upward pressure on foodgrains prices has been an in-built phenomenon in our system. The procurement prices of foodgrains have been increased every year keeping in view the argument that it will provide an incentive for the farmers to increase production.

Check Your Progress 1

- 1) What is meant by food security? Can self-sufficiency in foodgrain guarantee food security?

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- 2) What is the extent of malnutrition among poorer sections of our society?

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- 3) Describe the trend in growth of food production in the country. What impact the slow growth in food production in recent years has had on per capita net availability of cereals and pulses?

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21.4 OBJECTIVES OF PUBLIC DISTRIBUTION SYSTEM

The objectives of the public distribution system (PDS) are threefold: i) price stability, ii) price support to farmers, and iii) making grain “affordable”, through distribution from surplus to deficit regions and to the poor. You may have observed that immediately after crop harvest there is excess supply in the market which brings down prices. The marginal and small farmers sell part of their produce under distress to meet pending demand. These groups are exploited by local traders who offer very low price for purchase of foodgrains. The procurement of foodgrains by the government helps the farmers in getting remunerative prices. Similarly, in case of temporary shortages the PDS has an important role to play. It guards against sharp price rise by releasing increased supply to the market. Thus PDS works to stabilize prices as well as it offers price support to farmers. Moreover, there is a need to transfer foodgrains from surplus states to deficit states. The PDS caters to this need.

The public distribution system (PDS) is supposed to insulate the poor from the impact of rising prices of essential commodities and maintain their minimum nutritional status. The modern public distribution system for foodgrains was set up in 1965, as part of an overall strategy of food management.

An important aspect of the country’s food management policy is to maintain a *buffer stock*. This constitutes an essential component for ensuring food security through the public distribution system. The buffer stock provides the basic and most flexible instrument for moderating short-term effects of supply or production shortfalls. The prescribed buffer stock level during a year ranges from a maximum of 24.3 million tonnes (14.3 million tonnes of wheat and 10 million tonnes of rice) in July to a minimum of 20.8 million tonnes (4.0 million tonnes of wheat and 11.8 million tonnes of rice) in April.

21.4.1 Operational Aspects

PDS is operated under the joint responsibility of the centre and state governments. The central government has the responsibility for procurement, storage, transportation and bulk allocation of essential commodities namely wheat, rice, sugar, imported edible oil and kerosene to the states. These commodities are made available at fixed Central Issue Prices (CIPs), which are determined by the central government. However, the CIPs has been lower than the economic costs of foodgrains which includes purchase, storage and transportation costs. Thus PDS generally involves subsidies which is borne by the central government. The state governments have the responsibility of distribution to consumers including target groups through a network of 4, 63,000 fair price shops (FPSs).

21.4.2 Procurement Mechanism

The Food Corporation of India (FCI) is the main agency for procurement, storage and distribution of foodgrains. Foodgrains (wheat, paddy & coarsegrains) are procured by the FCI in association with State procuring agencies. Rice is procured from rice millers and dealers under statutory levy. Procurement of foodgrains under price support serves the twin purposes of providing remunerative prices to the farmers and of building buffer stock of foodgrains.

Wheat, paddy, and coarse-grains are procured in Purchase Centers opened in Surplus States by FCI/State Agencies. Quantities procured by the State Governments/Agencies are taken over by FCI on payment of incidental charges etc. The Rabi Marketing Season commences on 1st April every year. Bulk of the procurement is completed within 45 days.

Procurement of rice through statutory levy: A certain percentage of rice milled by millers has to be handed over to FCI under the Levy Orders issued by the State Governments under the Essential Commodities Act. The levy percentage varies from 10% in Pondichery to 75% in Haryana, Punjab and Orissa. The levy prices are announced well before the Kharif Marketing Season, which begins on 1st October every year.

The PDS, however, has not been very successful in providing food security to the poor. In the past few years the importance of the PDS as an outlet for foodgrains at controlled prices has diminished greatly as a result of steep and frequent increases in procurement prices followed by more than proportionate increase in the central issue prices of foodgrain (see Tables 21.4 and 21.5). In 1991-92 the minimum support (procurement) price (MSP) of wheat was Rs. 277 per quintal. It increased to Rs. 610 in 2000-01 while the MSP of wheat for Rabi 2001-02 was fixed at Rs. 620 per quintal. A similar increase is observed in the case of paddy also.

The real beneficiaries of the large increase in procurement prices have been the surplus farmers of wheat and rice in four states, which account for nearly 90 per cent of the procurement. Andhra Pradesh, Punjab and Haryana are the major rice procuring states, while Punjab, Haryana and Uttar Pradesh account for the bulk of wheat procurement. According to R. Radhakrishna, "The strong arm tactics of the powerful farm lobbies in prosperous states like Punjab and Haryana have actually hurt a large number of farmers in other parts of the country".

Table 21.4 : Minimum Support/Procurement Price of Wheat and Paddy

(Rs./quintal)

Crop year	Wheat	Paddy (common variety)
1991-92	275	230
1992-93	330	270
1993-94	350	310
1994-95	360	340
1995-96	380	360
1996-97	475	380
1997-98	510	415
1998-99	550	440
1999-00	580	490
2000-01	610	510
2001-02	620	530

Source: Economic Survey

21.5 PUBLIC DISTRIBUTION MECHANISM

The PDS, till a few years ago was a general entitlement scheme to all consumers without any targeting. This system had many shortcomings. According to the Planning Commission, despite the mounting food subsidy bills, the system has failed to translate the macro level self sufficiency in foodgrains achieved by the country into household level food security for the poor. In a system with access to all, rich and poor alike, the quantum of PDS supply to each household formed only a small proportion of a family's total requirement. Another fallout of the universal PDS has been that the states with the highest incidence of poverty, viz., Orissa, Bihar, Madhya Pradesh and Uttar Pradesh are the ones whose per capita PDS off-take has been the lowest. The universal PDS, thus, did not serve the poor well especially in the poorer states. A need was felt for devising a system of targeting so that the subsidies benefit only those sections that the state wants to protect. A targeted system was also felt necessary in order to contain the total food subsidy to the minimum necessary level.

21.5.1 Target Beneficiaries for PDS

In June 1997, Targeted Public Distribution System (TPDS) was introduced, under which two sets of PDS issue prices were announced, one each for Above Poverty Line (APL) and Below Poverty Line (BPL) households. Since the inception of the TPDS, both the APL and BPL prices have been revised several times.

Table 21.5 : PDS Issue Price of Wheat and Rice

(Rs./quintal)

Year	Wheat	Rice
1990-91	234	289
1991-92	280	377
1992-93	280	377
1993-94	330	437
1994-95	402	537
1995-96	402	537
1996-97	402	537
1997-98		
BPL	250	350
APL	450	700
1998-99		
BPL	250	350
APL	450	905
1999-2000		
BPL	250	350
APL	682	905
2000-01		
BPL	415	565
APL	830	1130
2001-02		
BPL	415	565
APL	610	830
FCI's Economic Cost		
1997-98	799	937
1998-99	800	995
1999-00	872	1111
2000-01	830	1148
2001-02	839	1174

Sources: Economic Survey 2001-02

In order to cut down food subsidy, the Union Budget for 2000-01 proposed drastic revisions in the PDS with far reaching implication for the food security of the poor. The government fixed the final price of foodgrains to below poverty line (BPL) families at 50% of economic cost and to above poverty line (APL) families at the economic cost. Consequently, the selling price of wheat under PDS to BPL and APL families was increased drastically. This, in fact, was the largest ever increase in the PDS prices. The PDS, instead of insulating the poor from rising open market prices, has become an instrument for pushing up prices.

As a result of the hike in PDS prices of foodgrains, the difference between the free market and the PDS prices has narrowed down significantly. In fact, market prices are often lower than APL prices for wheat supplied through PDS. This is because of the massive inefficiencies in the Food Corporation of India (FCI) operations which have made 'the FCI's economic cost' (incurred for procurement, storage and transportation) more than the open market price. The FCI's charges for handling and storage of foodgrains are absurdly high. The annual stockholding cost for Food Corporation of India has been rising rapidly for many years. It was Rs. 13,518 crore in 2001- 02. The government expenditure on buffer-stocking foodgrains is now more than its entire Plan and non-Plan outlay on agriculture, rural development, irrigation and flood control. The difference between the economic cost and the CIP, called the consumer subsidy, is borne by the central government. The consumer subsidy and the carrying cost of buffer stock together add up to total food subsidy. The huge amount of food subsidy helps sustaining food prices at very high levels.

21.5.2 Off-take under PDS

The off-take of foodgrains under PDS has been declining for several years (see Table 21.6). Whenever the off-take is less than procurement, these operations unwittingly reduce overall market supply and push up prices. Procurement of foodgrains, on the other hand, has been witnessing an increasing trend. As a result, stocks of foodgrains at FCI have reached unmanageable levels. The stock of foodgrains was 63 million tonnes in July, 2002. The country does not need a buffer stock of more than 16.8 million tonnes of foodgrains in the month of January to tide over any problems caused by unforeseen factors. Extra stocks are being maintained at an enormous cost to the nation. Even though the problem of malnutrition and semi-starvation is widespread in the country, food stocks at the FCI have been increasing primarily because the people's purchasing power has declined in recent years. Huge stocks give a false impression of abundance.

Table 21.6 : Foodgrains Procurement, Offtake under PDS, and Central Stocks

(Million tonnes)

Year	Procurement (Central Pool)	Offtake (Under PDS)	Central Stocks
1996- 97	20.38	19.66	20.0
1997 -98	23.63	16.98	18.2
1998- 99	24.49	18.69	24.2
1999- 00	31.41	17.07	31.4
2000- 01	35.45	11.72	45.7
2001- 02*	33.96	8.38	58.0

Note: *Procurement as on January 29, 2002; Off-take (under PDS) up to December 2001; Central Stocks as on January 1, 2002.

With the frequently announced hike in the issue prices, the offtake of foodgrains from the PDS has fallen significantly. Purchases in APL category have stopped altogether because of the government policy of selling foodgrains to APL families at the economic cost. The government's policy has in effect eliminated the APL population completely from the PDS network. Faced with the problem of massive stocks, the government in July 2001 lowered the price of wheat and rice sold through the PDS to families in the APL category by 30 per cent.

21.5.3 Consequences of Excess Stock

The Controller and Auditor General of India (CAG) has been highly critical of the government's procurement and distribution policy. CAG, in a paper published in December 2000, states that 'This policy of procurement, without regard to requirement, has had several deleterious consequences. First, it has deprived consumers of more free access to grain. Had the foodgrains not been procured, to that extent a larger quantity would have been available in the market. Second, it is not the case that this additional procurement was in the interest of expanding the buffer stock. The stock of foodgrains has generally been significantly higher than buffer stock norms and this extra stocking has led to extra costs estimated at about Rs.1200 crore per year between 1993-94 and 1997-98. Third, procurement beyond requirement adversely affected prices. Had the additional supplies been available in the market, it would have had a sobering effect on prices. Lastly, it is common knowledge that losses during storage depends upon the duration of storage, the longer the storage the higher the losses.'

Ever rising MSP for wheat and rice has worked to check crop diversification in major grain producing states like Punjab and Haryana. Although ecologically unsustainable in the long-run, the wheat-rice cycle is highly rewarding economically compared to other available options. High procurement prices of rice encourages farmers in these states to produce rice, a highly water-intensive crop, despite the fact that these regions are not suitable for rice production from long-term sustainability point of view. The report on long-term grain management by the Abhijit Sen Committee finds this 'mono-crop-strategy' environmentally unsustainable. Free electricity to the farmers leads to wasteful use of a scarce common property resource like ground water which cannot be sustained for long. As a result of intensive use ground water for irrigation, water table in these regions has gone down. Farmers now have to bore much deeper for water, which has drastically increased irrigation costs.

21.5.4 Decentralisation of PDS

The government in the budget for 2001-02 proposed a significant change in management of the food economy. It was proposed that the Centre plays a considerably reduced role in future. Instead of providing subsidised foodgrains, financial assistance is to be provided to the state governments to enable them to procure and distribute foodgrains to BPL families at subsidised rates. FCI's responsibility will be limited to procurement of foodgrains for maintaining food security reserves and for the state governments who will assign it the task on their behalf. However, given the poor financial condition of most states, it is difficult to imagine state governments adequately discharging this important responsibility. Most of the states are deep into a debt trap. They are borrowing even to pay the salaries to their employees.

The government so far has been unable to effect this policy change towards decentralization of procurement of foodgrains. Decentralised procurement has started only in a few states (UP, MP and West Bengal). State governments of Punjab, Haryana and Andhra Pradesh (which are surplus states) and Kerala (a deficit state) are strongly opposed to the very basic philosophy of decentralized procurement. They point out to the lack of necessary infrastructure and financial resources at the disposal of the states. Without taking steps to remove these deficiencies, decentralized

procurement would increase the likelihood of less procurement, even non-procurement, which would be against the interests of farmers (who would be compelled to resort to distress sales). Traders may be the only beneficiaries of such a system. The high level committee on long-term grain policy, headed by Abhijith Sen, has in its report recommended continuation of the existing minimum support price base system of open-ended procurement of foodgrains by the FCI. The committee has, however, advocated rationalization of the MSP to reflect actual production costs incurred by farmers.

21.6 WELFARE SCHEMES ON FOOD SECURITY

Apart from the distribution of foodgrains at concessional prices to the poor households, the government has introduced a number of grain-based welfare schemes. These schemes cater to the needs of the poorest families, the disabled and aged who do not have regular income support.

The Government in December 2000 launched a scheme, the *Antyodaya Anna Yojana*, with the aim to provide 25 kg. of foodgrains per family per month to one crore poorest of the poor families (out of the total 6.52 crore BPL families) at subsidized rates of Rs.2 per kg. of wheat and Rs.3 per kg. of rice. The identification of the poorest of the poor families is done by gram panchayats and gram-sabhas. In contrast with other components of the public distribution system, this programme is apparently working reasonably well. The scheme is however too limited in scope to make any dent on poverty. The coverage includes only a small fraction of the poor in the country. Given that a typical family's food requirement is about 50 kg per month, 25 kg meets only half of the monthly requirement. The Antyodaya Scheme is also unlikely to result in any significant reduction in foodgrains stocks as it could result in an outflow of 3 million tonnes at most from the stock of over 60 million tonnes.

The Government started *Annapurna Scheme* under the Ministry of Rural Development from 2000–01. 10 kg of foodgrains per person per month is supplied under the scheme free of cost to poor senior citizens or persons above the age of 65 but not drawing pension under the National old Age Pension Scheme.

In August 2001 the Government announced a scheme, the *Sampoorna Gramin Rozgar Yojana* under which states would be supplied 5 million tonnes of foodgrains monthly by the center free of cost for undertaking employment based programmes. Some of the other welfare schemes of the Central Government are Food for Work Programme launched in January 2001 in states/ areas affected by natural calamities and Mid Day Meal Scheme.

21.7 EXPORTS OF FOODGRAINS

As mentioned earlier, India was a major importer of foodgrains till the middle of the 1970s. During the later part of the 1970s and 1980s, Indian imports of foodgrains were quite small. India has now become a net exporter of foodgrains (see Table 21.7). The government has recently removed quantitative restrictions on the export of grain. India exported 1.9 million tonnes of rice in 2001. In 2002, exports of rice are expected to rise to 4.2 million tonnes (16.8% of global rice exports). In 2001–02, more than 5 million tonnes of wheat was exported. India has now become the seventh largest wheat exporter in the world. Our foodgrain exports are rising, even while a large portion of the country's population goes hungry. The export price of wheat has been pegged at Rs. 4310 per tonne. The government is selling grain (wheat and rice) to foreign nationals at a price at which it is sold to the BPL families, i.e., at half of FCI's economic cost. The government refuses to cut issue price for the BPL families on the contention that it would further increase the subsidy burden. But, at the same time, it continues to provide heavy subsidy to foodgrain exports. This way, benefits

of food subsidy, paid for by the Indian tax payer, are being enjoyed more by consumers and animal feed manufacturers in countries like South Korea, Malaysia, Bangladesh, UAE, Indonesia, Oman, Iraq and the Philippines rather than the poor Indian families it was intended for.

Table 21.7 : Net Imports of Foodgrains

(Million Tonnes)

Period	Net Imports
1951 – 60	29.2
1961 – 70	57.3
1971 – 80	17.5
1981 – 90	15.0
1991- 2000	(-) 7.3

Source: Economic Survey

21.8 REVIEW OF PERFORMANCE OF PDS

The government could possibly utilize the bulging stocks of foodgrains to alleviate poor people's misery by undertaking food for work schemes on a large scale. Food stocks can be utilized to create local assets such as pond and undertake water conservation. Some parts of the country face drought every year. Only 40 per cent of the gross cropped area is irrigated, rest of the area depends on rains. There are always some parts in the country every year where rains are not adequate. Drought brings hunger, death and untold misery to millions of people. Given our dependence on rains, droughts cannot be totally avoided, but the ill effects of drought can be managed. You may have observed that foodgrains production falls in drought affected areas.

But shortage of foodgrains is not the real problem. The country has over 60 million tonnes of foodgrains stocked in FCI godowns. As has been clearly pointed out by Amartya Sen, a famine is caused by shortage of purchasing power rather than of foodgrains. In drought-affected areas, there is a big fall in incomes of landless laborers and small farmers. Rural employment schemes are the only effective means of giving some purchasing powers in the hands of these worst affected sections of rural society. Therefore, in a situation of drought, rural employment schemes should be undertaken on a large scale. Since the mid-1990s, there has been a steep decline in employment generation through rural employment schemes. This decline needs to be reversed. Increased budgetary provision should be made for these schemes since they are very essential in our fight against poverty and starvation.

Providing food subsidy is not a populist measure: this cannot be called untargeted expenditure. Such assistance to weaker sections is necessary as it helps them in sustaining themselves. Given the fact that a large segment of the population in the country is still below the poverty line, a pro-people policy framework demands continuation of food subsidy. The cut in food subsidy is against the interest of the poor. The Supreme Court in an interim judgment delivered in November 2001 has decreed that the benefits of nutrition related programmes must be treated as legal entitlements. M.S. Swaminathan has suggested that in addition to integrated food-for-work programmes, grain banks should be set-up in villages as insurance against food scarcity.

It is true that the present PDS is beset with many serious problems. There is widespread leakage of PDS grains to the open market through bogus ration cards. It would not be an exaggeration to say that the real beneficiaries of the PDS subsidy are the unscrupulous traders. Studies show that corruption in the PDS is responsible for more than one-third of foodgrain and sugar not reaching the poor.

According to a study of diversion of PDS commodities into the open market system conducted by Tata Economic Consultancy Services (1998), it was found that, at the national level, there was a diversion of 36 per cent of wheat supplies, 31 per cent of rice and 23 per cent of sugar. The diversion is more in northern, eastern and north-eastern regions. Diversion of rice is estimated to be 64 per cent in Bihar, 54 per cent in Orissa and 53 per cent in Delhi. In the case of wheat, diversion is estimated to be 69 per cent in Punjab and 53 per cent in Haryana and Delhi.

The grain available at PDS outlets is often of low quality. It is feared that a significant portion of the grain held in storage for long periods has been spoiled. The focus of the PDS is mainly on cereals, especially rice and wheat; pulses are given very little attention. This makes goal of nutritional balance (which is an important aspect of food security) hard to achieve.

The PDS has benefited the poor only marginally. NSS consumption data indicates that PDS provided only about 8 to 20 percent of the food purchases of the poor. The rest came from open market. Definitely PDS needs reforms. But a subsidised PDS for the well-targeted groups still remains the best form of food security for the poor. There is absolutely no justification for dismantling of the PDS. There are some people with blind faith in the institution of market that advocate phasing out of the PDS. To the extent that the PDS provided food security to the poor, it is seen as a hindrance to the free play of market forces in a very important sector of the economy, the food sector.

Considering the fact that the poor are ill equipped to face and absorb the shocks of structural changes taking place in the economy. What is required is the institution of a comprehensive structure of safety nets. Notwithstanding many economic, political and administrative factors discussed above which prevent the full realization of its potential, the PDS is a highly relevant scheme, which needs to be further strengthened. In order to effectively serve the purpose of providing food security to the poor, the prices of foodgrains sold through the PDS should be kept at very low levels. A country flush with huge stocks of foodgrains can hardly have any justification for widespread malnutrition and starvation. If supply conditions warrant, certain essential items like pulses, edible oils, sugar, etc. should be imported as a short term measures on public account for the PDS channels. The country now has foreign exchange reserves of over \$100 billion which is far in excess of our needs. Part of these excessive reserves can be spent on import of essential items to meet the shortfall in domestic supply. Steps also need to be taken to discourage exports of fruits, vegetables and pulses which are in short supply.

The *Antyodaya Anna Yojana* can be easily expanded to cover more number of poorest families with an enhanced entitlement. Estimates show that if two crore poorest families are covered under this scheme and each family is provided with 50 kg. of foodgrains per month, it would require about 12 million tonnes of foodgrain per year. This scheme can be easily administered, unlike other schemes such as mid-day meals, which are marred by logistic problems. This would, of course, entail increased subsidy but that would be a small price to pay as it would provide food security to the people living in situation of extreme poverty. In addition, it would also provide a solution to the problem of excessive food stocks.

The Abhijit Sen committee on long-term foodgrains policy of India examined the PDS and conclude that the present excess stocks are more accurately attributed to a fall in consumption than to increased production.

Check Your Progress 2

- 1) What are the main aims of the public distribution system?

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2) Why was the targeted public distribution system started?

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3) Discuss the procurement policies of the government.

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4) What are the main problems facing the public distribution system? In what ways its efficiency can be improved?

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21.9 LET US SUM UP

Although India achieved self-sufficiency in foodgrains in the mid-1970s, a significant portion of our population still lacks food security. The government policy of keeping MSP of foodgrains high has led to bulging stocks of foodgrains which, in turn, has resulted in decline in the amounts of foodgrains available to the public.

The PDS was set up in the mid-1960s, as part of an overall strategy of food management. The aim of PDS is to enhance food security particularly for the economically weaker sections of the society. In practice, however, the PDS has benefited the poor only marginally. It is beset severely with the problem of corruption. There is, however, no justification for dismantling of the PDS. A subsidised PDS for the well-targeted groups still remains the best form of food security for the poor. The massive food stocks, which at present are a burden on the exchequer, can be utilized to alleviate poverty by undertaking food for work programme on a large scale.

21.10 KEY WORDS

- Consumer subsidy** : The consumer subsidy is the difference between the economic cost (the cost incurred by the central government by way of procurement, storage, transport and distribution) and the central issue price (CIP).
- Food security** : Food security means that people have physical and economic access to foodgrains.
- Food subsidy** : The food subsidy is the total of the consumer subsidy and the carrying cost of the buffer stock.
- Minimum Support Price (MSP)** : The price at which the government buys farm produce from farmers. The farmers can sell their produce (e.g. wheat and rice) to the government at this price if they are unable to sell at higher price in the market.

21.11 SOME USEFUL BOOKS

Government of India, *Economic Survey*, recent issue

Planning Commission, *Tenth Five Year Plan 2002-2007*, Government of India.

21.12 ANSWERS/ HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Read Sub-section 21.2.2 and answer.
- 2) Read Sub-section 21.2.3 and answer.
- 3) Read Section 21.3 and answer.

Check Your Progress 2

- 1) Read Section 21.4 and answer.
- 2) Read Sub-section 21.5.1 and answer.
- 3) Read Sub-section 21.4.2 and answer.
- 4) Read Section 21.8 and answer.