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**TWENTY-FIFTH
ANNUAL CONFERENCE
OF
MEMBERS OF THE IIPA**

(November 1, 1981)

**PUBLIC DISTRIBUTION OF ESSENTIAL
COMMODITIES IN INDIA : OBJECTIVES,
POLICIES AND IMPLEMENTATION**



**THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
INDRAPRASTHA ESTATE, RING ROAD
NEW DELHI-110002**

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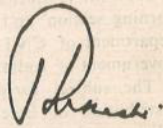


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(iv)

I am thankful to the members of the Institute, who contributed papers and also to those who took part in the discussion and enlivened the proceedings.

I am grateful to Prof. M. V. Mathur and Shri A. Majumdar for having found time to preside over the Conference and guide its deliberations.



(P. R. DUBHASHI)
Director

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PROCEEDINGS OF THE TWENTY-FIFTH ANNUAL
CONFERENCE OF MEMBERS

(November 1, 1981)

The twenty-fifth annual conference of the members of the Indian Institute of Public Administration was held in New Delhi on November 1, 1981. The subject for discussion at the conference was "Public Distribution of Essential Commodities in India : Objectives, Policies and Implementation".

The conference was attended by one hundred and forty-five members of the Institute. Prof. M. V. Mathur presided over the conference in the morning session and Shri A. Majumdar, Secretary of the Department of Civil Supplies, Ministry of Civil Supplies, Government of India, in the afternoon session. Prof. Kamta Prasad faculty member of the Institute, had prepared the theme paper. In addition to the theme paper, 28 other papers on the theme were submitted. Besides, the reading material received from different agencies of central/state governments was also circulated.

P. R. DUBHASHI (DIRECTOR)

Friends, I heartily welcome you to this twenty-fifth annual conference of the members of the Indian Institute of Public Administration. We celebrated the Silver Jubilee of the Institute two years ago but I realise that so far as the annual conference is concerned, this happens to be its silver jubilee year.

The subject of Public Distribution of Essential Commodities that has been chosen for the Annual Conference this year is of extreme importance to the well being of the common citizens of this country. And in the context of shortages of various essential commodities and of the inflationary spiral that is operating in our economy for the last several years it has become extremely important to ensure a regular supply of essential commodities to the common man. In our country this ought to be done through a system of public distribution. Now to what extent this system of public distribution has been effective in realising its objectives is a matter

of very great importance for our country. The subject has received a fairly good response from our members and I believe as many as 27 papers have been already received. Some of the papers were received much after the time indicated and it was difficult to get them circulated but we have made every attempt to make these papers available. Besides, we invited some of the state governments and agencies like the National Cooperative Development Corporation which is responsible for the distribution of essential commodities in rural areas to supply us material and I am really very glad that the National Cooperative Development Corporation has responded and material has been placed at the disposal of members. I especially requested Shri Arvind Majumdar, Secretary of the Department of Civil Supplies in the Ministry of Civil Supplies, Government of India who has been handling public distribution system and policies connected therewith with the Government of India for several years, to be present and I am happy to know that he is also with us this morning.

I am very glad that Prof. M. V. Mathur a distinguished member of the Indian Institute of Public Administration and one of the Vice Presidents of our Institute has kindly agreed to take the Chair for the first session. I would now request him to begin the conference with his opening remarks. After his opening remarks there will be a presentation of the theme paper by one of our faculty member, Prof. Kamta Prasad who, not only has prepared the paper but has also made an analysis of the issue involved and has attempted some kind of classification of the papers received.

Yesterday in the course of the discussion at the annual general body meeting some members felt the need for organising the conference in a more effective way. As I had said one of the way was to discuss the subject in groups each dealing with a particular aspect and try to arrive at some kind of a consensus on conclusions emerging out of the conference. I do hope that we will be successful in organising the conference of today in a more systematic manner as desired by our members.

I would now request the Chairman of this session of the conference, Prof. M.V. Mathur, to give his opening remarks

and start the discussion of the conference.

1ST SESSION

M. V. MATHUR

Mr. Director, Prof. Kamta Prasad and Friends : It is an honour to preside over the opening session of this conference. I would not like to take too much of your time in making my own opening remarks but I should certainly like to comment on one aspect because as the Director has very rightly pointed out this happens to be a Silver Jubilee session of the conference and as a Silver Jubilee session, I would like to make one or two observations for your consideration not only necessarily for today's discussion but also for organising the conference in future. I am actually linking these observations with reference to certain observations made by our distinguished members last evening. It was brought to our notice that there are certain important issues or burning issues to which the members of the Institute should devote their attention. My suggestion would be, that apart from a theme—a major theme which is selected by the executive council for discussion, the branches, the members themselves could identify and my own suggestion would be, Mr. Director, that if you think it proper, we could request them to indicate to you before they depart today of the themes they consider to be very important for purposes of discussion by the institute. In that case you will help this conference in selecting the theme. The regional branches or in some cases if they happen to be local branches could pick out some of these themes before they come for this annual conference. They could have their own discussion whose highlights could be presented in a properly organised session of this annual conference of the members of the Indian Institute of Public Administration. This is a suggestion which I wish to place before you for your consideration arising out of the Silver Jubilee aspect of this conference.

So far as the major theme for our discussion today is concerned, namely, "Public Distribution of Essential Commodities—Objectives, Policies and Implementation", I did have

occasion to go through the paper which Prof. Kamta Prasad has very kindly prepared. It was possible for me to have a quick look at the papers which have been circulated earlier. I find that our members are certainly very enthusiastic since we have been told that even papers were received till late last night and efforts have been made to place them for your consideration.

This theme itself is very important one, a very topical one and if you look at it from the aspect of public distribution which would certainly imply both its economics and its effectiveness, one would see that we shall see a great deal of silver lining yet in our system, and it is from this point of view that the discussion by very well informed members of IIPA could be very helpful and therefore at this juncture I can only draw your attention to its importance and if possible before this Session concludes I shall say a few words after Prof. Kamta Prasad has highlighted its major theme. And, therefore, may I now on behalf of all of you request Prof. Kamta Prasad to come and present the major theme paper and introduce the theme to the conference.

KAMTA PRASAD

Mr. Chairman, Sir, Distinguished Members of the Indian Institute of Public Administration, Ladies and Gentlemen: It is my privilege that I have been given this opportunity to initiate discussion on this topic of burning importance for the welfare of our teeming millions, before this august gathering of eminent intellectuals, distinguished administrators and experts in different disciplines. The public distribution system has been with us for the last 40 years when it was introduced during the world war II period and since then the system has continued more or less though there have been attempts made from time to time to do away with it. There are a number of issues which arise when we try to look at the system during the last 40 years especially in its present form. These issues and viewpoints have been contained in my theme paper which I shall assume as read since it has already been circulated. I may use some of the information and data given to them. What I am going to do is to highlight

certain issues which should be taken up for discussion so that the discussion that follows becomes more meaningful and we are able to formulate certain policy recommendations which we may send to the government for their due consideration. I have circulated a two page note, Issues for Discussion. That would form the basis of my lecture today.

Issues for Discussion

Now while formulating these issues I have also taken into account some of the issues which have been thrown in the papers submitted by other members to the conference and classified them and analysed them.

First, we come to the needs and objectives of the system. As we know, the system has two clear-cut objectives: One with regard to availability of essential commodities especially to the more vulnerable section of the society and the other though not so clearly pronounced about the stability of prices.

I would take up the second objective first. So far as the stability of prices over long run is concerned, it cannot be ensured by public distribution in an inflationary situation. If the cost of cultivation goes up, support/procurement prices for agricultural product will go up unless government is prepared to subsidise to a massive extent and increasing extent, issue prices are bound to go up. Maybe there will be a lag between open market and issue prices. But this will be a constant factor. The issue prices will also be following an upward trend and this has been the experience so far despite subsidy and despite efforts to maintain price stability. Moreover our knowledge of the price behaviour, as to what level of intervention is needed to stabilise prices has been very limited so far. In the absence of that, it is not possible for the government or anybody to specify a particular quantity which can bring about the stability in the open market price. The objective has been to make available quantities of specific commodities at reasonable prices which should be lower than the market prices and sometimes even lower than the cost of acquisition by the government itself. The rest is accounted for by subsidy. I, therefore, concentrate primarily on the other objective of making goods available to the

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Cereals, specially rice and wheat have been the mainstay of our public distribution system for the last 40 years, other commodities have very marginal significance. In the case of cereals, we find that quite often not more than 10 million tonnes of cereals have been supplied through PDS for the last several years. There are reasons why their quantity is around this figure during this period despite the need for more. According to an estimate made by Gulati and Krishnan the requirements should be 25 million tonnes if you want cereals to be supplied to the rural poor also. The National Commission on Agriculture had arrived at a figure of 12 million tonnes in 1975 which was based on a little modification of the existing system whereby urban centres are covered. Should the requirements be served by 10 million tonnes of foodgrains or should it be more? Ten million tonnes constitutes about 10 per cent of our total cereal requirements. Should public distribution cater to 10 per cent of the requirements or more? Ten per cent certainly is going to provide only a small cover so far as the country is concerned. As has been shown in my paper, the amount gets exhausted in meeting the requirements of metropolitan places like Delhi, Bombay, Calcutta and states like Kerala, Maharashtra and West Bengal. The rest of the country does not get much of the supplies from the public distribution system. Therefore, the issues posed are:

What should be the quantity of foodgrains and other items to be supplied through the PDS? How to determine it?

Does the PDS serve the interest of the most vulnerable section such as people below the poverty line as it claims to do?

Now my submission is that it does not. The bulk of the poor in the rural areas are not covered by it. Secondly, the supply gets exhausted in the better off areas. Coarse grains required by poor people are not supplied through fair price shops. The daily wage earners like to buy a commodity on a daily basis whereas fair price shops sell on fortnightly basis. The daily wage earners could like to go to

private traders for several reasons which I have listed in the paper. If the public distribution system does not serve the interests of the poor people, then the issue that I am posing is:

How far is it justified to subsidise it at the cost of those comparatively more vulnerable section having no access to it?

The public distribution is a subsidised system. The subsidy is running into Rs. 600 crores a year. How far it is legitimate to subsidise the system when it does not serve the interest of the poorest of the poor?

Why the system is not expanding, but stagnating at around 10 million tonnes is because of the difficulty of making adequate procurement. Where do you get the grain from? How to procure? The basic objection raised against Mohan Dharia's scheme of production *cum* distribution relates to feasibility of procuring the needed quantities. Inclusion of other commodities amounts to spreading the net too wide. How to ensure that the government is in a position to get supplies. The difficulties of procurement in the case of foodgrains for which we have experience during the last 15-20 years are there. Different systems of procurement have been worked out. For example levy on the producers: levy on the miller and/or trader; purchase by exercise of the right of pre-emption or monopoly procurement *cum* trading by the government which had been experimented for a brief period in the year 1973. We have tried different methods but we have not succeeded in procuring a sizable amount.

Several issues arise with regard to the question of procurement which is the most important aspect related to the public distribution system. These are as below:

Is it feasible to procure sufficient quantities of items for feeding an expanded PDS under the present political system? If so, what measures can be adopted for the purpose? Is it possible to avoid compulsion?

How government can manage PDS efficiently without having control over adequate supply and means of

production? In what cases/circumstances PDS requires production under public sector?

If substantial expansion in procurement does not take place, and reliance on imports is avoided, then how can one enable the PDS to reach the hitherto neglected but more vulnerable sections of population such as the rural poor? What changes in policy are needed for this purpose?

As I see, on this as on others, there is a conflict between administrative convenience and social justice. Administrative convenience is always in favour of maintaining the *status quo* whereas if we maintain *status quo* the objective of social justice is lost. If we go in for social justice, we have to include the poorer section within the purview of the public distribution system. One way to do this is to cover the whole country so that the poorest of the poor is automatically covered. If we do that, then we require a sizable amount of procurement which does not seem to be feasible under the present political system. The other thing to do is to restrict the PDS only to the poorer section which means a re-orientation of the present system. This is not easy as it would imply a departure from the established set-up which we have been maintaining for the last 40 years.

The last four or five issues relate to some of the basic administrative problems at the micro level. Assuming that the system continues without changing the coverage, or the overall framework, what problems do arise? Are we doing our work efficiently and economically, to the satisfaction of our consumers? This is the next set of issues that we have.

With regard to the working of the PDS the most frequent complaint that is received is that supplies do not become available in time. The shop owners can always say they went to the FCI depot to get their supplies but came back disappointed; customers go to their ration shop; they in turn go back disappointed. This problem has been posed by several paper writers. A basic issue is how to avoid erratic supply from the central pool? One of the basic reason is that the public distribution system is optional in character; it is based on informal rationing. It is a disequilibrium

system. At the time of scarcity the demand on the public distribution system increases. At the same time prices in the open market rise high, which make farmers reluctant to sell to the government. As a result, procurement declines, and so does the supply available with the PDS, resulting in excess demand. On the other hand, when there is abundance, open market prices come down. Demand on the public distribution system decreases and supply increases because farmers are willing to sell to the government at the support price or procurement price.

It can and now it has of course been made less of a disequilibrium system because of the operation of buffer stock. The need for buffer stocks in our country has been emphasised since long and yet because of administrative, financial and other reasons it could not be possible for the government to create buffer stocks. Buffer stocks are maintained from one year to another for tiding over the problem of excess demand and excess supply. You build up your stocks with excess supply; you draw from it in the year of excess demand. Late in 1975-76 when there was a bumper crop, the government went in for sizable amount of buffer stock and since 1975 we have a reasonably comfortable buffer stock. We are not sure whether stocks are optimal. Questions like the following, therefore, need to be taken up for discussion:

What are the administrative, financial and other implications of having a buffer stock? How to fix its optimum quantity? What should be the policy towards warehousing and movement of stock? Are the present transportation arrangements satisfactory?

We will be able to supply items at reasonable prices to consumers only when handling charges are within reasonable bounds. In my paper, I have given some evidence which indicates that handling charges are high. More evidence is needed. Hence I pose the question whether there is any scope for reducing handling charges of FCI and other public sector agencies involved in the PDS. If so what measures may be suggested for the purpose?

Then I come to issues related to malpractices and corruption at the shop level which have been dealt with by large number of paper writers. How to deal with them? What measures to adopt so that in future because of the policy recommendations some improvement takes place? One alternative is to entrust the work to the cooperatives in place of fair price shops. But from the field data, we have seen that cooperatives are no better off. In the case of Gujarat, Bihar and other states we find that instances of cooperatives indulging in blackmarketing and malpractices are as frequent as in the case of fair price shops. Moreover, politicians in our country some of whom are associated with corruption are very much in the cooperatives. Giving it to the cooperatives is not in any way going to solve the problem.

Another method is to adopt legal measures like putting the offenders behind the bars, imposing fines, etc. Legal measures may help in the short run but not in the long run. Lawyers will find loopholes to take care of the law. When I analyse corruption, I find that it has three basic necessary ingredients: (i) Scarcity, (ii) Secrecy, and (iii) Subsidy. We cannot do without scarcity and subsidy in the PDS. However, we can take care of secrecy. There is an undue amount of secrecy in the government functioning. I am not for keeping everything open but there is too much secrecy. Information about stocks available should be made available to the village or concerned ward in a town or city. Let it be known to all the concerned people through appropriate media. This will provide deterrent to corruption. The following are, therefore, some of the issues that arise in this connection:

How to take care of several malpractices and corruption which prevail at the shop level? Can replacing private traders by cooperatives provide any solution? Can it be tackled by adopting punitive measures? Will publicising the availability of stocks be of any use? What about popular participation and control by local committees? Will the involvement of voluntary agencies be helpful?

Now this (*i.e.*, local committees) again has been tried in several states. The moment power is given to a small group, that group has been seen to become corrupt. Local committees are being tried in some states. I am sceptical of success. A basic issue that arises here is how far it is possible to have public distribution system free from corruption in a society which is itself corrupt?

Let us, therefore, be not very optimistic. As there is very little time, I would like to conclude by posing two more issues. What changes in distribution are needed if public distribution system is to serve the interests of the poor? Should there be separate fair price shops for the daily wage workers, landless labourers and the other poorest section of society with a different set of norms and administrative procedures?

How far is it advantageous to combine fair price shops and agencies supplying fertiliser, improved seeds and pesticides in rural areas?

I feel that the important issues that should demand our attention have already been posed. If you tackle these issues and give some suggestions we will have done our job. My request will be, not to go through the history of the PDS. History is more or less known, let us also not spend much time on explaining the problems; let us concentrate on measures to improve the system.

With this request I close. I thank you once again for giving me this opportunity.

M. V. MATHUR

Thank you very much Prof. Kamta Prasad for very ably highlighting the various issues which will need the attention of the members of the conference. I do not know whether we shall be able to have tentative answers to these queries and therefore one of the considerations which I would like to make if the objective which the Director made in his opening remark is to be met — he said as a result of this conference maybe certain suggestions would emerge which we will be forwarding to the government for their consideration. I am sure before forwarding them for consideration

we would be sure of facts and figures and the recommendations which we make and therefore if all that is not possible by the end of today's session, then there should be a follow up by a group in this Institute. We shall certainly do that before we send it.

Prof. Kamta Prasad has very rightly highlighted a few queries and if the figures are to be believed then our attempt is to cover the 61 crores of our population within this network. It is a very large figure. Then the minimum supply of these essential commodities is far off. That is our attempt to be met either through cooperatives, government-owned shops or licensed fair price shops. If the consensus of the members of this conference is coming immediately, then it is a very very ambitious scheme. Perhaps in our view, in very many of our areas so far as the objectives are concerned, we play like giants but when it comes to implementation it is actually nil. What we do is nowhere near to what we plan. This takes away people's faith. We should attempt a system so that we shall be able to carry it out in a reasonably satisfactory fashion. It appears to me that in the rural areas, the basic supply of these essential commodities to non-producers is assumed on account of our age old system of making payment not in rupees but in kind. We find the barter system has been effective by and large. But I think the basic problem arises on account of the fact that in our society where production is not enough and where distribution of income is so uneven, how do we ensure that the basic minimum supplies of essential commodities are made available to the 61 crores of people. This is really a complicated question which we shall have to tackle and whether through the existing system or alternative system and it is on this that the Institute after it has done some basic work should be able to offer suggestions to the government.

Friends, I am thankful to the Director for asking me to chair this session. I am going to make an announcement regarding a very happy Coffee Break after which we will request Shri Majumdar, Secretary of the Civil Supplies Department who has to wrestle with the problem to come and take the chair.

2ND SESSION

A. MAJUMDAR

I thank the Director of the IIPA for giving me this opportunity to be present in the twenty-fifth annual conference where a very important policy regarding the public distribution system—what is popularly known as PDS—is being discussed. It is also very gratifying to note that a large number of papers have been received on this subject covering various aspects.

Prof. Kamta Prasad has summarised the list of issues which are supposed to be considered. From the list I find that he has virtually covered all the different aspects of the functioning of the PDS. I do not know whether it would be possible for the conference to consider in depth all the issues. But nevertheless whatever important views or observations are made would undoubtedly be very useful in getting an enlightened public opinion on a system of distribution which has been in existence for more than four decades.

Prof. Mathur has very rightly commented on the over ambitiousness nature of the scheme in that it proposes to have a population coverage of about 61 crores. I think this impression he has derived from the statement which is usually circulated about the total number of fair price shops in the country—statewise giving a column 'Population Coverage'. The whole idea of population coverage—that particular column has been to demonstrate for what population you have a shop. This is with reference to basically the spatial availability of shops with reference to population. Generally speaking it has been the decision that for every 2000 people, roughly there should be a fair price shop.

Now coming back to government's claim which I do not think government has ever claimed—that it is going to supply essential commodities to all the 61 crores of the population which in terms of comprehensiveness and administrative management would be, I agree, a very very difficult task for infrastructural facilities and other systems of distribution will have to be geared.

I would like to make another comment before I go into

individual issues. Very briefly a comment was made about the introduction of palmolein. In deciding that it is a very high cost luxury item and it is not an essential commodity those who are aware of the edible oil situation in the country may know that groundnut oil, mustard oil and sesame oil and a few other edible oils are in short supply today. These oils cannot be procured from the domestic market. Therefore, it has been the policy of the government to import oil. Amongst the oils imported, palm oil which is popularly known as palmolein and RBD palm oil are the two cheaper varieties of oil generally acceptable to the consumers. Palmolein is an oil which by look, taste and cooking point of view is similar to refined groundnut oil. Therefore, there is a very great demand for palmolein in Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala and other groundnut consuming areas. In addition to palmolein for states like West Bengal, Assam, Bihar, Eastern UP where preference is for mustard oil, rapeseed oil which is the nearest equivalent to mustard oil is being distributed. In North India, Western U.P., Rajasthan, Delhi and a few other places where there is demand for vanaspati, people are accustomed to this as a cooking media. RBD palm oil which again is by look, taste as well as from the cooking point of view as effective as vanaspati is being distributed. Therefore, in distributing edible oil, what is being distributed is common man's cooking medium. It is not that something expensive is being introduced.

After making these few observations which are mainly in the nature of giving information to the members who have taken all the trouble to discuss the public distribution system, I may mention that public distribution system, as I recall Prof. Kamta Prasad has very rightly pointed out in the beginning, has evolved over a period of time covering 30-40 years. It is a system which no one has on a piece of paper worked out over night what it has approved as a plan document and started implementing it. All the essentials of Indian economic management and mismanagement have been reflected in the public distribution system as in any other scheme of socio-economic relevance that has been introduced in the country. Therefore, there is need to

consider this distribution system from the historical as well as empirical point of view. I agree the evaluation of its functioning, the extent to which it has been able to deliver the goods to the consumers, a proper appraisal of the system is necessary. But unfortunately so far, it is my experience, no serious objective study has been made about the system. Because all over the country if you go, you will find that the people, the government institutions responsible for implementing the system, all have accepted it as something which cannot be replaced. Therefore, when we think in terms of alternatives between a public distribution system and what would be the alternative, the only thing which has been periodically propounded is private distribution system as against a public distribution system. Now if we treat private distribution system as an alternative to public distribution system, I am afraid the issue becomes something which cannot be discussed in a conference of this type. Because in private distribution system, the element of motivation force is private profit whereas in a public distribution system this element of profit perhaps may remain in the institutional set-up as a profit of the corporate community. Individuals operating and running the system have only one thing to guide them—service to the community. Now this service, as we have rightly been emphasising from time to time should be a service in the sense as a business enterprise rendered to the consumers. Therefore, between public distribution system and its alternative a private distribution system, this particular debate which has been going on in the country we perhaps may not discuss at this conference.

In India on an average if the foodgrain production is reckoned to be about 100 million tonnes and if the 12.5 per cent seed and wastage is deducted, we are left with 87.5 million tonnes as the net available foodgrain. Out of this net available foodgrain, if you take away about 10 million tonnes of pulses, then you are left with 77.5 million tonnes of cereals. Now as a percentage if you see out of this 77.5 million tonnes of cereals the producers would be reckoning quite a sizable portion for their own consumption. If 50 per cent is retained on an average for the entire country, then what we are left as market surplus would be around 37

to 38 million tonnes of foodgrains. As against that in the public trade they distribute anything between 10-14 million tonnes depending on the situation. From the public point of view I consider this to be a dominant market force which has been able to create a very big moderating influence in the open grain market. This is one of the things which needs to be very carefully analysed. What I have stated is a very general way. But this is an area where the dominant role of the public distribution system in moderating the open market prices for sales particularly has to be accepted as a very major contribution. In the absence of public distribution system of this magnitude, perhaps the open market price over the years would have been more erratic and the consumers would have suffered more by way of price rise.

Regarding the items to be covered under the public distribution system as has been very rightly pointed out essentially today cereals, sugar and edible oils are the three major items. So far as cereals are concerned, it has been amply demonstrated from expenditure surveys that an average Indian consumer's expenditure on food still continues to be a major item. Therefore, necessarily in public distribution system, the item of food that is cereals should have been prominent and in my opinion this is a very right thing to do. That is to maximise distribution of cereals through public distribution system. At one stage an attempt was made to introduce pulses but it was not possible because due to stagnancy in production there is not enough scope for procurement and its distribution.

So far as the other items are concerned, again I would point out that sugar which is a source of energy, and edible oil which is another important ingredient in India have been included. Cereals, sugar and edible oil continue and constitute a major part of the dietary intake of an average Indian. Based on these considerations the public distribution system in India can be viewed as a means to support and supplement to the extent possible the nutritional need of the community.

Regarding the other items introduced, these have been control cloth, soap, match boxes, etc., which are also items of mass consumption. The whole idea in extending a few of these

items of mass consumption is to make the fair price shop economically viable. But from our policy point of view we have always emphasised that the public distribution system commodity coverage should essentially be items of food, that is cereals, sugar and edible oils; controlled cloth to the extent we can manufacture it would also be distributed through these outlets.

Now one issue that has been raised. There is no such thing as uniformity of commodities throughout the country. Barring these three or four essential commodities which I have just now mentioned the state governments which are implementing the public distribution system are free to include any commodity they wish to include. For instance, it has been even suggested in many places that the fair price shops would even sell some of the family planning items. In certain inaccessible areas where there is a fair price shop it could be permitted to sell postal stamps, money order forms and things like that exercise books for school going children. The whole idea is that fair price shops should become a focal point for the rural as well as as urban consumers where most essential items of daily needs are available at reasonable prices throughout the year.

Now I agree that in fair price shops at the micro level there are several problems of management. Now to see the problem again I may bring to your notice that in the country today if you take all these items into account that is cereals, edible oils and sugar, the total value of these commodities would mean a total turnover of around 3000 to 4000 crores. These 3000 to 4000 crores of turnover through these 300 retail shops, procurement being done from another 6000 to 7000 retail points, all over the country, some commodities being imported from abroad, some commodities being lifted from factories and distributed to different destinations depending on production and consumption pattern is the kind of task for which by way of infrastructure, although a considerable amount of stability and perfection has been achieved, still there is need to further improve in this direction some of these short supply items reported in the fair price shops. Due to failure of operational need, due to inherent constraints in the infrastructure as well as other supporting system, this

is an area where I think considerable amount of objective, constructive and helpful suggestions to improve the distribution system is necessary. Now in the plan for the first time Government of India has accepted it within the policy framework as an essential feature of the economy. What does it really mean? It means only one thing, public distribution system which was being handled depending on supply demand situation either with indifference or seriousness has now to be treated like any other public welfare activity. If we are supporting the public distribution system despite imperfection, we are not satisfied with the output or whatever you add to input; if we are supporting the public health system, which despite its many imperfections seems to be accepted as a permanent government's responsibility. It is for the first time that the government has accepted public distribution system also as a responsibility of the government to ensure that people get essential commodities at a reasonable price. Now naturally the question will be there. To what extent this coverage could be and should be extended? Having accepted this responsibility, I may mention that in addition to the national level organisations like the FCI which is handling foodgrains, the State Trading Corporation which is handling imported oil, then the National Consumer Cooperative Federation which is handling controlled cloth; there are 13 civil supply corporations which have been established to take care of the distribution system within the states. Now once this is done, the task or the programme of the public distribution system has to be given the requisite emphasis to deal with management problems. I may mention government is fully aware of the imperfections at the micro level and these problems have also been posed to government at several conferences where discussions have taken place with the officials of the state government. What Prof. Kamta Prasad at the concluding stage mentioned was: To what extent malpractices and the so-called corruption be kept out when there is widespread corruption in the society at large. This is an issue which I think has much broader and much larger dimensions. This cannot be discussed here but administratively whatever treatment could be exercised to minimise that corruption through appropriate measures such

as constitution of advisory committees by intensive inspection at administrative level, by tightening the law relating to the enforcement of these various licences granted to the fair price shops, are being done and for this purpose in my opinion what is necessary is really strengthening of the supply administration in general all over the country.

Today the need for public distribution system has been emphasised mainly on two considerations. A large number of people live below the poverty line which is 50 per cent by the Planning Commission suffering from a nutritional gap which according to a certain estimate should be around 2,400 calories. So their present level of income is not permitting them to have this nutrition mainly from cereals partly from sugar and edible oil, etc., and certain other items. This being the situation how do we reach the people if they do not have enough purchasing power. Even in rural areas, people are paid in cash. To that extent public distribution system is relevant there also. We use the words 'vulnerable section' and this by and large includes most of the agricultural workers, marginal farmers, village artisans who do not produce enough for their own consumption and also I agree vulnerable section' will include a large section of the urban consumers. Therefore, the emphasis in public distribution system has shifted from urban to rural areas as would be evidenced from the large number of shops opened in the rural areas earlier. The number of shops in the rural areas by and large are more than what it used to be. Today out of the 2,97,000 figure I think almost 2,40,000 are in the rural areas and rest in the urban areas. And the second part of it which I think is very important is that the public distribution system has to be treated as a consumers protection system.

Now to take up the question of deficiency in the functioning of the public distribution system. "I went to the shop I did not get the commodity. I had to go there on the 4th day I got part of it." This kind of imperfection in the delivery system is to be found not only in the public distribution system but also in the private distribution system, depending on the particular item we are buying. There is minimal irritation under private distribution system because the large number of shops that are available enable the consumers to

move from one shop to the other. Yet there is another aspect. We will buy whatever is available from so and so shop. The point I am emphasising is that break-down in the supply system of any essential commodity in our country takes place in public distribution system as well as private distribution system. In public distribution system it gets more pronounced and people talk about it more. Any kind of comparison or any kind of evaluatory approach to public distribution system has to be made in the context of the historical growth in the country within the imperfection of the socio-economic milieu within which we are operating and anything that should be done to improve it should, in my opinion, be in the nature of managerial and operational input of the right type so that the various points in the delivery system get proper lubrication so that there is no unnecessary breakage of these linkage and people take it as part of their own economic system. I thought that being somewhat associated with this system and having seen it functioning I should speak rather frankly with all of you. Of course so far as Government of India is concerned we have an open mind in the public distribution system and any one who can give any kind of suggestion which is going to improve the system is welcome to refer such an idea and will receive our best attention and consideration and even I am willing to mention if anybody wishes to discuss with any one at the government level is free and all of you are welcome.

Thank you Mr. Director for the opportunity which I thought I should make full use and now I will be interested in listening to the various suggestions. Thank you.

A. MAJUMDAR

Dr. Hoshiar Singh (absent), Shri M. V. S. Prasada Rau may like to present his paper.

M. V. S. PRASADA RAU

Mr. Director, Distinguished Friends, Ladies & Gentlemen: I have submitted a paper which has been circulated. I am grateful to the Director for having circulated it though I

sent it somewhat late. I do not want to tax your patience. I will not touch upon points covered in the papers.

Sir, the public distribution system for essential commodities in the Andhra Pradesh State has been functioning quite satisfactorily because after its inception in 1979 the government has been taking concrete measures on its actual content. The Chief Minister of Andhra Pradesh Mr. P. Anjiah has been personally directing strong measures in the field of civil supplies control and vigilance though civil supply is not the portfolio of Mr. Anjiah. The Andhra Pradesh Government does not believe in short term palliatives but has taken very fine measures both short-term and long-term. We have been trying control and procurement of rice and other essential commodities for Andhra Pradesh which as you know is the granary of India. These have been taken up in February-March 1981 under the personal control of the District Magistrate and government has created a new director general of supplies and vigilance of the full rank of inspector general of police and more power has been given to the district magistrate and there is also an additional inspector of police vigilance. On the other side we have made an Additional Director and he deals more or less exclusively with civil supplies. A new direction has been given to the activities of the Andhra Pradesh Civil Supplies Corporation and a new Andhra Pradesh Essential Commodity Corporation has been formed and much administrative routine work has been spread out.

Vigilance committees have been formed at the Village-cum-District level and these committees, Sir, have just been created in July or August by an executive order. These have been given statutory recognition by an ordinance shortly and I have been informed by my colleague, the Civil Supplies Commissioner that the minister has proposed that this should be replaced by an Act or legislation.

Another important measure is that the government of the state has constituted a Cabinet Sub-Committee on Essential Commodities and Public Distribution System and this is chaired by the chief minister and in his absence by the labour and civil supplies minister. This includes other departments concerned with civil supplies.

An important point raised by Professor Prasad was that the public distribution system activities have not reached the people below the poverty line. Now our state government has fixed a rate schedule and price structure for eatable items given in Annapurna canteen and hotels meant for small men—labourers and daily wage earners. Government has set apart Rs. 3 crores straightaway for public distribution through the Annapurna canteens to daily wage workers to give them food at concessional rate. You can get a complete meal for Rs. 1.25. What used to be done for the labour class through the canteens meant for labourers in industrial undertakings has been done on a mass scale in Hyderabad, in Secunderabad and in big cities. This is going to be extended to the district also but there is a good deal of opposition. Money lenders, reactionaries and vested interests have come forward along with the members to put pressure to see the Annapurna canteens are not opened and trying to create law and order problem also. This has been taken care of by the government.

Prof. Kamta Prasad has made reference to corruption and malpractices. Though one cannot turn his eyes away from this important factor of corruption, there is no need to over-emphasise it also. Corruption is there all over the world. There is no need to emphasise this very much. Corruption emboldens blackmarketeers and unscrupulous traders, demoralises the honest persons and so on and so forth and saps the morale and energy of the society at large. Prof. Kamta Prasad has also said. I think perhaps the learned professor has been too hard. Government has made a claim. I for one feel from the horses mouth somebody has said, it was Prof. Mathur who said, we plan in a very big way and our actual performance is like pigmies. If we do not plan in a giant way then performance will be less. I feel we should just go by the intention of the government also, not mere successes achieved by the very nature. In view of the insurmountable problem that the government is facing I feel a good job has been done in the public distribution system. PDS is the only hope. The Essential Commodities Act has been implemented to the best of our ability and I think we have to strengthen the resolve of the central

government as far as PDS is concerned.

N. K. PRASAD

Mr. Chairman, Director IIPA and Faculty Members of the IIPA : I am thankful for this opportunity. I think all of you are aware that public distribution system is closely linked with our social system, our administrative system and in a democracy with the political system. So success or failure of the public distribution system depends on the success of the working of other systems. I am very sorry to admit that the image of public administration in this country is going down day by day and public distribution system has also its major contribution to make in this matter because to this system the administrative system comes in direct contact with the common man. There is a close inter-connection. So unless the administrative system improves, its efficiency, integrity and method of working, naturally the public distribution cannot succeed to the extent it is desired.

Then there is another fundamental problem. In a society in which we are living today, government does not control the means of production—the entire means of production. Unless the state has control over the means of production, it cannot also control the means of distribution in a very satisfactory way and therefore we have to admit that public distribution has to serve the limited purpose, to limit the number of people.

Prof. Mathur rightly said, if we become ambitious to serve 51 crores, we cannot succeed. But my point is different. Fiftyone crores of people do not need this system. I do not think they need because if the people who are living below the poverty line most of them do not have purchasing power to buy goods from the FPS particularly the rural people. There are very few who have purchasing power to buy even sugar and cereals. What is happening? Most of the articles meant for weaker sections of the people are diverted and that leads to corruption and black-marketing. Then there are better sections of people. They can very well afford to buy goods from the open market private distribution system. Therefore, my suggestion in this regard is that we

should be very pragmatic in this matter. Let us limit this system as an instrument of real service to those who need the service and this can be done by limiting the supply through fair price only to those whose income is below a particular level. Why should we serve business men, senior civil service men. I will be affected by it but I do not mind in the larger interest. My suggestion is you should limit the scope and you should also limit the items. The basic need has to be met first. That is the right approach in a socialistic society. Sugar in rural areas I do not think it is very relevant. Poor people cannot afford sugar.

Then price is a very important factor. Prof. Kamta Prasad observed that stability of price is very different to bring about but I do not agree with this. Conceptually we have to change the approach towards the public distribution. If the system is to be used as an instrument of service to one who is very poor who cannot afford to buy from the private distribution system then government has to make a sacrifice and has to supply articles of daily needs to the poor people at a constant price, at a very low price. It may be given subsidy but that must be done if government really wants to become a social government. My suggestion is price level has to be kept low and maintained constantly.

We are using the traditional traders for running fair price shops. Although the basic approach is not profit motive, traditional trader is accustomed to working only on a profit motive. He finds new ways of corruption and new ways of earning more from the system and that is why this system has become co-existent with corruption. As the system percolates, corruption has percolated. Therefore, we should try to encourage, as far as possible, other persons like unemployed, semi-employed, der-employed to undertake fair price shops. My point is that we shall have to give up that traditional approach in this matter if we are serious about making the system very effective. Thank you.

GHANSHYAM DAS OZHA

Chairman Sir, Esteemed Director and hon. members of this audience: I have submitted a paper which is already

circulated. The basic problem facing our country is : 50 per cent of the population are living below the poverty line. Secondly, I would like to comment on the paper of Shri M. V. S. Prasada Rau according to whom public distribution system in Andhra Pradesh is a success. I am working on my Ph.D. thesis. My findings are quite different. Whenever a commodity is introduced in the Essential Commodities Act no serious thought is given to make it available. I request the authority that serious thought is to be given before a particular commodity is included in the list of essential commodities. The moment it is included in the list that commodity disappears from the market.

Another thing regarding procurement of foodgrains is that it depends on the vested interests. For example, when our country has failed to implement land reforms, it is not possible to meet internal requirements. Naturally when procurement fails, public distribution system fails. There is less scope of its success.

Another thing, dual pricing as far as it is concerned results in a great deterrent to the controlled price and of the open market. There are leakages in commodities meant for control and for public distribution system. As far as my humble suggestion is concerned, dual pricing in the mass consumption goods should be avoided.

Then regarding rural areas, even in Andhra Pradesh there are no ration cards. There is no proper dissemination of information. Ration dealer is appointed. Eighty per cent of reports reveal that majority of the dealers were selling their ration quota at source. Quota does not reach the village. That is the state of affairs. If there is proper dissemination of information and cards are distributed then of course there will be an improvement.

Then another thing. There is no effective public participation. Public distribution is a public programme and no programme can be effective unless people—the consumers—are participating effectively. This can improve upon to some extent the public distribution system.

Many people have pointed out to huge amount of subsidy. This subsidy runs into thousands of crores. It is our duty

to know who are the beneficiaries of this subsidy. I do not understand why professors and higher officers should be covered by the public distribution system. When you are covering the whole country it is not possible to cover it up. My only suggestion is target group should be identified. There are many indicators which have also been discussed. Here I would like to conclude by saying that public distribution is neither public in character nor distribution in content. Thank you.

S. S. P. YADAV

Mr. President, Director and dear friends : On this momentous occasion when we are deliberating on the effectiveness of the public distribution system I am reminded of a dialogue from Shakespeare's Macbeth. I crave your indulgence for quoting the same. Macbeth states :

If you feel lured somewhat from courage you will not fail.

This is applicable to the public distribution. If we have the political will and administrative capability of the highest order, this public distribution system is bound to succeed. There is no doubt about it. As a matter of fact public distribution system is an important instrument of government policy to meet the basic needs of the largest segment of the population. It ensures a fair price and minimum cost of distribution. As a matter of fact it is not a system of distribution under public ownership as prevalent in Socialist Bloc countries. It is supposed to be essentially a public distribution system in India supervised and guided by the state. Since this public distribution system was started under conditions of scarcity it is of utmost importance that it has shifted from higher priority items of production to the system of distribution. That is why production and distribution become the focal points of our attention. And in this context we have to devise ways and means to streamline the distribution system, then only the avowed purpose of public distribution system can be achieved. One thing very signi-

ficant that up till now more or less it has been urban oriented, it has to be rural oriented. In this context I can say that fair price shops are living plants of the public distribution system especially in the rural areas. These fair price shops do not function well on account of economic viability or remoteness, etc. So in this respect the consumers cooperative can play a vital role although the role of cooperative societies is not very encouraging. But as Shri A.B. Gorawala has said: Cooperatives in India have failed but true side by side we have a consumers cooperative also come in the picture so that they can function and cater to the real needs of the people. Of late stringent measures have been taken and also legal measures to combat wrong procedures, blackmarketeers and hoarders. But what is needed is enforcement by the existing leaders vigorously.

As was pointed out corruption is a way of life. It has to be stopped because this hydra-headed monster is eating into the vitals of the society. So we cannot leave it and therefore alleviation is necessary. Although in theory consumer is considered to be the ultimate sovereign but as a matter of fact this is a myth because of the complication of market system. Actually manufacturers and traders have upper hand and that is why there is necessity of having consumer movement. Consumer education is *sine qua non* for the success of the movement.

There is also the necessity of streamlining the existing system of fair price shops. What is needed is replacement of present unscrupulous traders by new parties with clean business record to keep security money equivalent to three months' turnover with nationalised bank and this money would be liable to be forfeited if alleged malpractices are substantiated. I think these things would go to improve the image of the public distribution system.

NAVANIT SINHA

Respected Chairman, Director : My paper is in your hand. I would like to draw your attention to some of the important points.

Sugar, salt, match boxes are not easily available at

T. N. RASTOGI

Chairman Sir, Mr. Director, Ladies and Gentlemen: Mr. Majumdar mentioned very briefly about the need of an indepth study to be made on the public distribution system. Surely it is a question of having facts and objectives so that the whole system can be regulated in an orderly and methodological manner. The main stream through the public distribution system should be on two parameters:

- (i) a national consumption policy; and
- (ii) parameters should be on the question of distribution. Country's economic development against a wider setting of the political crisis facing the nation needs a well thought out distribution system wherein the public distribution has to be envisaged in an egalitarian setting of the nation.

I am reminded of the first document of the Planning Commission. If you turnover page 35 of the first document—the First Five Year Plan—you will find a rational description in all its profundity insofar as the subject matter of public distribution is concerned within the planned apparatus of economic development.

In a system in which profits from production are closely linked to marketability, government operation of the distribution system at selected points is *prima facie* capable of producing direct control over production. And then therefore primacy of distribution over production is the basic postulate insofar as objectives and other imperatives for the public distribution system in this country are concerned. Data appear on the public distribution system and economic development. There I have shown how the poor have been getting more and more poor. Therefore, it is only a question of having streamlining of the country's distribution system for which census of distribution is a major necessity.

The country's public distribution system requires a new dimension with the element of subsidy percolating into the systems analysis of the public distribution policy. I justify my assumption of the national consumption policy as I assert that

a rampant inflation is the most regressive form of taxation in a stagnant economy. Therefore, basically we have to think of a national consumption policy and operational survey to think of having certain requirements, certain signals, certain wherewithals and that would be through a census of distribution which was hinted at by the secretary about the indepth study to have larger dimension of the whole system analysis. Thank you.

SHRI AMLE*

My subject is Public Distribution of Essential Commodities and Role of Cooperatives. How the cooperatives can function and play an important role. My paper has been circulated, I shall confine to only two points.

What is the need for giving protection to the rural consumers? Now as you are well aware as many as 80 per cent of the village area there is need for protection because they are subject to exploitation because they are poor; they do not have much of purchasing power. Those who have purchasing power they are also exploited. Then the fair price shops alone will not be economically viable. In addition to the essential commodities they take up another few items so that it becomes viable proposition.

The second point which I wanted to emphasise. In the Sixth Five Year Plan the emphasis is on efficiency and socially relevant marketing techniques taking advantage of the economies of bulk handling, procurement and distribution and stretching to control prices. That is what the Sixth Five Year Plan has envisaged particularly the socially relevant marketing technique. Why should there be essentially a democratic set-up and infrastructure by the cooperative network. Primary village societies and most of them—40-50 per cent are already engaged in the distribution of essential commodities. National Cooperative Development Corporation is a Corporation under an Act of Parliament under ministry of agriculture. Through the private banking system these primary village societies are engaged in the

*From National Cooperative Development Corporation

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distribution of essential articles. To encourage them to take to streamline all essential commodities, there are certain primary societies and 2000 marketing societies. The objective behind these cooperatives is naturally to undertake distribution of essential articles. Then the fair price shops which are part of the system should be allotted to these cooperatives so that along with the fair price shops they can take up anything and it can become a valuable proposition. In the village a good many of them are members of the society. They will have training. They could have fertilisers. they can sell and get the supply aspects from the market. That is the nucleus growth centre and they have got all facilities. Those facilities are provided and those societies which do not have can be provided. Now the question is why this?

Cooperatives have developed and the cooperatives will not indulge in malpractices like adulteration.

Cooperatives do not indulge in charging unofficial premium through shortages and thus build up a loyal clientele through shortages.

Because of their relatively larger size and organisation, cooperatives are able to provide certain services like cleaning and packing of cereals and pulses which again is an advantage valued by the consumer.

Cooperatives have an easy access to the resources they borrow at a comparatively low interest rate and therefore can function with low overheads.

The cooperatives have built up a dependable infrastructure over the years at district and state levels. With this infrastructure available at the disposal of cooperatives at state level, we feel if the cooperatives are given a free role to play it would deliver the goods.

A. MAJUMDAR

I think we have come to the end of the discussion on this very important topic. I personally think the discussion has been extremely useful, constructive, critical and informative. It was also stated by one of the speakers that we should not be the beneficiaries of the public distribution system. By "we,"

we mean certain income group officials. But so far as I am concerned in the target group at least to have the benefit of the discussion of public distribution system, I am sure would be permissible. But one thing I may clarify that this point of excluding a certain income group from the purview of the public distribution system which was discussed earlier has often been given up. That it means in our country the level of income even if you take income-tax payers hardly you will be able to exclude 4-5 per cent people. Secondly, administratively identification of this target group either on income from land or any other consideration has posed a very major problem. Even if you are in a position to prepare it once, its periodical revision would pose a very major problem. In most of the states even preparation of family ration cards of foodgrains and essential commodity cards and its revision has been a very major administrative problem considering the population in our country. But generally speaking I find that there has been a general acceptance also about the information need and further development of the public distribution system in the country to give it a proper direction so that ultimately the benefits are shared by the deserving group.

Several suggestions have been made to improve the system and I have no hesitation in mentioning that our review at the official level also indicates several lapses, malpractices, malfunctioning, etc., in the system. But in our country within the present administrative framework, constant effort is necessary to improve the working.

Sir, as I mentioned, constructive criticisms made in this conference would be all considered and I am also willing after I have discussed the details with the Director of the IIPA to organise a special study in depth on the public distribution system. What would be the nature and scope of the study and how this should be organised all those details would be discussed. But certainly from my ministry I would be interested in getting a proper study made by the IIPA. As I said, the main focus of the study would be within the framework of the various economic policies and socio-economic conditions prevailing in the country. How can we improve the system? If we confine our terms of reference within these parameters, it will be possible for us at the policy

level to implement them and to that extent the conference of this type would be able to contribute not only to the policy formulation but also effective implementation of policy.

While I must thank my friend, Mr. Dubhashi, who has taken over as Director of the Institute, I am glad immediately after taking over he has brought into focus a subject of great importance which he had also to tackle at some stage of the period in my ministry. I am sure it would be possible for something useful and constructive to come.

Thank you Mr. Dubhashi and I am very glad also to make acquaintance with several of the participants who have got interested in public distribution system and I think this topic of public participation will be helpful in the long run.

P. R. DUBHASHI (DIRECTOR)

It now remains for me to propose a hearty Vote of Thanks for a very useful discussion on this extremely important subject of public distribution system.

I must first thank all the members who have come all the way leaving their busy programme in their place to come and participate in this conference.

I am particularly thankful to those members who have contributed papers and made contribution to the deliberation of the conference.

I must also sincerely thank Prof. Mathur one of our Vice-Presidents and Shri Majumdar for having chaired two sessions of this conference in such an able manner. I think it is because of their very wise leadership that this conference went off in an orderly manner and discussion was successful.

I do not have to thank Prof. Kamta Prasad because he belongs to my internal faculty at the Institute of Public Administration.

The conference we thought would lead to certain conclusions and I for one clearly see that four points have emerged very clearly out of our discussion :

First, public distribution system has become now an essential part of our economy. It is looked upon as a bulwark of protection of consumer and it arises inevita-

bly out of the responsibility of government to look after the wellbeing of the people. It cannot be ended, it certainly has to be mended.

A second important aspect that has come out of your deliberation is that public distribution to be effective may have to be selective and may have to be directed especially to the vulnerable section of our society.

The third important conclusion that has emerged is that while public distribution system cannot be ended, its mending must be in a concentrated manner on management especially on the delivery system. From the point of view of management, there are many things which are left to be desired : its accountancy, its orderliness, its propriety, stocks and supply to the consumers and above all its integrity. The curse of corruption which is rampant in our socio-economic system is particularly strong when we talk of the public distribution system. How then we deal with the aspects of management in order to see that public distribution system works in an efficient manner.

And fourthly, an important point that has emerged is that there must be popular participation in the operation of the public distribution system in our country. We thought of India as a democratic system and one of the important features of a democratic system is people do not just vote once in five years; people do take part in the operation of the public affairs and this is one part of public affairs where popular participation can make a significant contribution.

A very concrete point that has emerged out of the deliberations is the need as indicated by the Secretary of the Ministry of Civil Supplies, for a study indepth of the public distribution system and maybe the services of the Indian Institute of Public Administration would be found useful by government to undertake such an indepth study.

Yesterday in the Annual General Body Meeting a very pointed reference was made to the need for the work of the Institute to be directed towards the important aspect of socio-economic life of our country. Public distribution is

one such aspect. I do hope an indepth study of the public distribution through the agency of the IIPA would be yet another contribution of our Institute to the socio-economic development and management of our national life. I once again thank you.

PUBLIC DISTRIBUTION OF ESSENTIAL COMMODITIES IN INDIA—AN EVALUATION

KAMTA PRASAD

INTRODUCTION

The system of public distribution of a few essential commodities in India has become a permanent feature of the Indian economy inasmuch as it has been in existence for nearly four decades. It has also formed an important plank of government's welfare policy stated in the successive five year plans. Born in a period of acute scarcity of essential commodities which prevailed during World War II, the system owes its more or less continued existence due to the failure of the private trade to provide essential items at reasonable prices during periods of shortages. It has survived attempts made from time to time to do away with it principally because, despite its shortcomings, it has been found to be the best possible alternative for dealing with a shortage dominated economy that India has been so far. Having evolved out of an immediate response to crisis situations, the system betrays adhocism and lack of any long range planning including a gap between its intentions and strategy. It has undergone some changes from time to time in response to changes in the economic situation: its scope has been broadened sometimes and narrowed at others; the commodities covered have changed from year to year; the quantum of per head ration increased or decreased; and yet the essential features and the overall perspective have remained more or less the same. Broadly speaking these comprise the following.

1. It is a system of sale of selected commodities through

agencies such as fair price shops or cooperatives which though not owned by the government are expected to subserve public interest as they operate under governmental control and direction.

2. The sale through the above agencies does not (except in limited areas covered under statutory rationing) dispense with the functioning of the free market mechanism but works along with it giving rise to the phenomenon of mixed economy in essential commodities. It is largely optional in the sense that the card holders are free to purchase the items from the open market also.
3. Of the commodities supplied, rice, wheat and sugar have continued to occupy the predominant position throughout the period. Kerosene and controlled cloth have been other important commodities.
4. The government feeds the public distribution system with supplies, fixes the prices at which they are to be sold and the amount sold per head. The government obtains the supplies by internal procurement and/or by imports and from time to time maintains a buffer stock for the purpose.
5. It has been primarily an urban-oriented system. "Its genesis as well as growth has been in those sensitive urban areas where shortages of foodgrains and other essential commodities could become a political liability for the government. The initial urban bias of the PDS has been somewhat mitigated in recent years but it continues to determine the dominant character of the commodity mix as well as distribution points of the PDS."¹
6. The aim is to provide at least a basic minimum quantity of essential items at reasonable prices specially to the more vulnerable sections of population and also to stabilise their open market prices or at least to prevent an undue rise in such prices under

¹Nikhilesh Dholakia and Rakesh Khurana, "Status and Prospects of PDS: An Introduction" in Nikhilesh Dholakia and Rakesh Khurana (eds.), *Public Distribution Systems*, New Delhi, Oxford and IBH Publishing Co., 1979, p. 7.

conditions of shortage. However, in the absence of any clear idea of how much of the commodities the government should release in the market in order to stabilise the price line and on account of the limited stocks that it has for the purpose, the second objective has remained largely amorphous and non-operational. Our evaluation is, therefore, concerned primarily with the first objective.

7. The prices charged are usually lower than open market prices and also generally lower than cost of supplies incurred by the government, thereby necessitating subsidies. The PDS is thus a relief agency and not a market agency.

PDS—A Disequilibrium System

The largely optional character of the PDS, based on informal rationing creates a state of permanent disequilibrium in the PDS characterized sometimes by excess demand and sometimes by excess supply. People flock to the PDS in times of shortages but move away from it when supplies are easily available. Procurement on the other hand follows an entirely opposite pattern. Thus during periods of shortages, procurement from the farmers declines while pressure on the PDS increases. In the absence of adequate stocks, which used to characterize the period before 1976, the authorities were forced to work sometimes in a "farm to mouth" or "ship to mouth" situation. On the other hand, during periods of abundance and fall in open market prices, procurement increases while off-take from the PDS declines resulting in excess supply and pressure on storage. The lack of continued support by the public has another disadvantage. As one director of civil supplies of a state government pointed out a few years ago, this "makes long term planning and building of public distribution infrastructure difficult. This is one of the most important state level problems of administering the public distribution system."²

²V.B. Buch, "Problems of Administering the Public Distribution System at the State Level" in Nikhilesh Dholakia and Rakesh Khurana (eds.), *Public Distribution System*, op. cit., p. 139.

THE SCOPE OF THE PUBLIC DISTRIBUTION SYSTEM

The main problem associated with the system has been its inadequate scope despite the impressive increase in the number of fair price shops from 135,977 in 1966 to 275,000 in 1980 and population covered from 299 million in 1971 to 611 million or more than 90 per cent of total population in 1980 (Table 1). Most of this increase is illusory. Population shown as covered can at most be regarded as giving an idea of persons who are eligible to draw supplies of foodgrains and other commodities from the public distribution system and the figures showing the increase of fair price shops indicate, at best, a strengthening of organisational infrastructure which could be and has been utilised in periods of scarcity in specific areas.*

TABLE 1 COVERAGE OF PUBLIC DISTRIBUTION SYSTEM

Year	Number of Fair Price Shops	Population covered ('000 persons)
1966	135,977	N.A.
1967	142,815	N.A.
1968	140,402	N.A.
1969	138,777	N.A.
1970	122,038	N.A.
1971	121,032	299,470
1972	165,081	411,690
1973	200,655	435,250
1974	221,975	431,290
1975	240,210	469,470
1976	236,196	565,990
1977	238,622	589,090
1978	238,985	613,040
1979	243,828	610,280
1980	275,000	611,030

Source: *Bulletin of Food Statistics*.

*As a result, the famine and starvation deaths which used to plague the country earlier have become quite rare. This is an important achievement of the PDS.

The restricted scope of the PDS becomes obvious once we examine facts regarding the range and quantities of commodities supplied, which provide the real yardstick for measuring the impact of the system.

Range of Essential Commodities

Since it is neither desirable nor administratively feasible to carry on fair distribution of everything, it is necessary to have a list of essential commodities. The Essential Commodities Act, 1955, no doubt, provides such a list but it is very large (it contained 65 items in 1978-79³) as a result of which the sanctity of essential nature is lost. In actual practice, the range of commodities supplied through the PDS has been confined to rice, wheat, sugar, kerosene, coarse cloth and sometimes edible oils and soft coke, though there has been a demand for the introduction of other essential commodities also. The Mohan Dharia Committee on Essential Commodities and Articles of Mass Consumption (1973) suggested the inclusion of the following ten essential items in the public distribution system: (1) coarse cereals, (2) pulses, (3) sugar, (4) vanspati and processed edible oils, (5) milk, (6) common clothing, (7) standard footwear, (8), kerosene oil and commercial/domestic fuels, (9) standard washing materials, and (10) school text-books. However, no action was taken in this direction by the government. Shri Dharia got an opportunity to introduce this scheme when he became Minister for Commerce and Civil Supplies during the Janata Government of 1977-79. Accordingly, a Production-cum-Distribution Scheme for essential commodities was launched by the government of India on July 1, 1979. In addition to commodities already supplied, manufactured items like toilet and washing soaps, match boxes, tea, coffee and exercise books were included for distribution through fair price shops. The state governments were free to add any more items they considered desirable. However, the scheme could not take off and the position remains virtually unchanged. At present, cereals, levy sugar, imported edible

³Government of India, Department of Civil Supplies, *Annual Report, 1978-79*, p. 20.

oils, kerosene, soft coke and controlled cloth are being distributed under the PDS. But it is well known that commodities other than rice, wheat and sugar occupy a very marginal position. There is nothing objectionable in this so far as rice and wheat are concerned since cereals constitute an important place in the consumption basket specially of low income groups who spend a substantial part of their income on them. However, the less importance given to coarse grains on the one hand and the more to sugar on the other do not seem that justifiable. Here, it should also be borne in mind that "prices of coarse cereals which dominate foodgrain consumption of poor in India have usually tended to rise faster (and, with a good crop, also decline faster) than the prices of superior cereals".⁴

Shri Dharia's scheme or any other scheme extending the list of commodities to be supplied at reasonable prices (which in effect means lower than market prices) will be widely welcomed provided it can really work. However, there are grave doubts about the feasibility of any such proposal if past experience in respect of cereals is any guide. The problems of procuring, transporting and supplying all these items of certain quality, in adequate quantity and at reasonable prices remain formidable. The scheme, if it is to cover the entire population of the country may amount to imposition of levy on producers and taking over their entire stocks and ultimately monopoly state trading in these commodities. This will also require resources—financial, managerial and administrative—beyond the present capability of the government. The problem will be less formidable under the present restricted coverage of the PDS catering to the interests of a privileged urban-based minority. But then, it will amount to subsidising this section at the cost of those comparatively more vulnerable sections having no access to the PDS. If a choice is to be made between extending the range of commodities to be supplied to a limited section of urban middle class who are already

⁴Kalpana Bardhan, Discussion Paper on "Problems Relating to Public Distribution of Foodgrains", ICSSR sponsored Research Programme on Public Distribution (Mimeographed), p. 9.

deriving maximum benefits from the PDS and concentrating on a very few items of critical mass consumption such as foodgrains but extending the supply to cover the weaker sections left untouched so far, there is no doubt that it should fall on the second alternative. This general conclusion may, however, be amended to take care of the requirements of certain critical areas such as the hilly tracts of Himachal Pradesh, Meghalaya, Uttar Pradesh, Ladakh, etc., where traders are known to exploit the situation and charge exorbitant prices for such commodities as salt or match box, etc.

Quantity Coverage under Cereals

As regards cereals, it can be seen from the data given in Table 2 that the quantity supplied has been stagnating around 10 million tonnes. Barring the exceptional years of 1966 and 1967 about 9 to 14 per cent of the available quantity of cereals has been supplied through the PDS. It has also been estimated that the overall volume of foodgrains distributed through the PDS constitutes only about 30 per cent of the grain quantities going through the trading channels in India.⁵ There has been a shrinkage of area under statutory rationing under which government assumes the sole responsibility of meeting the consumers' requirements of controlled commodities. On the eve of independence 54 million people were under statutory rationing.⁶ Now it is confined only to Greater Calcutta and Durgapur/Asansol industrial complexes covering a population of about 9.5 million.⁷ The rest of the country comes under the system of informal rationing which does not impose any obligation on the part of the government to meet the requirements of consumers. Barring recent years of easy availability, releases through the PDS have been limited by the stocks of foodgrains and other commodities available with the governments. There has been frequent reports of fair price shops

⁵Kamala Prasad, "Distribution of Foodgrains in India", *Bulletin of Grain Technology*, Vol. XVI, No. 3, December 1978, p. 206.

⁶*Ibid.* p. 207.

⁷Government of India, Department of Food, *Annual Report, 1980-81*, p. 21.

not receiving adequate supplies on a regular basis.⁸

TABLE 2 PUBLIC DISTRIBUTION OF FOODGRAINS
(⁰⁰⁰ TONNES)

Year	Quantity supplied through PDS	Net Availability of cereals	Quantity supplied through PDS as percentage of Net Availability of cereals
1960	4,937	60,820	8.1
1961	3,977	64,551	6.2
1962	4,365	64,845	6.6
1963	5,178	64,763	8.0
1964	8,665	69,294	12.5
1965	10,079	73,719	13.7
1966	14,085	64,802	21.7
1967	13,166	66,573*	19.8
1968	10,221	76,233*	13.4
1969	9,385	76,529*	12.3
1970	8,841	79,297*	11.1
1971	7,816	83,987*	9.3
1972	10,487	86,518*	12.1
1973	11,414	80,129*	14.2
1974	10,790	88,384*	12.3
1975	11,253	80,563*	14.0
1976	9,174	90,665*	10.2
1977	11,729	89,430*	13.1
1978	10,183	99,532*	10.3
1979	9,983	103,453*	9.6
1980*	12,766	93,091	13.7

*Provisional.

Net Availability : Net production + Net Imports + Change in government stock.

Note : During 1979 and 1980, in addition to the amount supplied through PDS as noted above, 1682 and 2071 thousand tonnes of cereals respectively were supplied through Food for Works Programme.

Source : *Bulletin of Food Statistics*.

⁸For empirical evidence on this, see V.B. Singh, "Some Determinants of the Effectiveness of Fair Price Shops" and S. C. Jain, "Employment Promotion through Fair Price Shops: Report of an Experience in Gujarat State" in N. Dholakia and R. Khurana (eds.) *Public Distribution System*, op. cit., p. 69 and 105 respectively.

At this stage, mention may be made of a few estimates of the quantities of grain required for PDS under certain assumptions. The National Commission on Agriculture estimated this to be 12 million tonnes for the year 1975 to cover : (i) all cities and towns with population over one lakh excluding those in surplus areas in surplus states, and cities in Jammu & Kashmir and Kerala; (ii) all industrial towns covered under the scheme of All India Consumer Price Index Numbers for Industrial Workers; (iii) chronically drought-prone areas excluding those included under (i) and (ii) and excluding big cultivating households in those areas; and (iv) flood affected areas.

While working out the estimates of public distribution requirements, a supply level of 12 ozs. per day for each consumption unit has been assumed in respect of the urban population, the rural workers in the drought prone areas and the population in the flood affected areas—for the whole year in the former two cases and only for three months in the latter. Also, a lower level of 8 ozs. per day per consumption unit has been assumed in respect of small cultivators in the drought prone areas.⁹

Prof. I.S. Gulati and T.N. Krishnan have estimated the requirement to be 25 million tonnes for the year 1973 to cover agricultural labourers, other non-cultivating rural population and the urban population excluding income tax payers and their families and non-tax paying well-off groups like those in professions and business. The total number of people to be covered under the Gulati-Krishnan scheme was 298 million persons or 51 per cent of the total population in 1973 as against the NCA estimate of 136 million for 1975. They base their estimates on a minimum daily quantity of about 280 grammes per capita which they derived on the basis of the weighted average of the actual cereal consumption by the bottom-most decile of the rural and urban people in 1964-65.¹⁰

⁹National Commission on Agriculture : Interim Report on Agricultural Price Policy February 1975 as mentioned in Kalpana Bardhan, op. cit., p. 2.

¹⁰I.S. Gulati and T.U. Krishnan, "Public Distribution and Procurement of Foodgrains", *Economic and Political Weekly*, May 24, 1975 and February 21, 1976 as quoted in K. Bardhan, op. cit., p. 203.

The quantity required would obviously be a function of number of people planned to be covered and the per capita quantity of ration. The former in turn would depend upon the area, the classes or categories of people to be covered whereas the latter should be fixed in the light of nutrition requirements, the availability of local cereal substitutes such as Tapioca in Kerala and such other consideration as the operation of free school feeding programme, if any.¹¹ It is not clear how the per capita quantum of ration is fixed by the government. Most probably this is determined in the light of availability of stocks.

Identification of Beneficiaries

Since the PDS meets only a limited portion of the demand for cereals as well as other commodities, it becomes important to identify its beneficiaries. The system is justified ostensibly in the name of the weaker sections of society though, not much attempt has ever been made to confine the beneficiaries to consumers with low income. Gujarat is reported to have identified this category by excluding households having annual income exceeding Rs. 8,000 (or having land or shops yielding more than equivalent income) from receiving foodgrains quota but not sugar. However, even on this basis 86 per cent of the population could become eligible as on 1st July, 1976.¹² When the entire population is eligible, as is the case in most parts of the country, the extent of benefit derived by the weaker section depends upon whether or not adequate supplies of the items required by them are made available in the areas inhabited by them and their ability to arrange enough cash to buy their provision on a fortnightly basis as required by the fair price shops. Difficulties arise because much of the supplies are pre-empted by better off sections, because coarse grains are not often supplied and because the daily wage earners prefer to buy their provisions on a daily basis. In this connection, attention may

¹¹Centre for Development Studies, Trivandrum, "Poverty, Unemployment and Development Policy—A case study of Selected Issues with Reference to Kerala", Vol. I, March 1975 as quoted in K. Bardhan, *op. cit.*, p. 5.

¹²V.B. Buch, *op. cit.*, p. 134.

also be drawn to the experience of Gujarat State. Due to inadequate funds, all items are not stocked simultaneously by the FPS. As a result, the lowest of the low suffers the most. "The village units functioning under the influence of the local elite would give priority to sugar and rice while milo and maize could be the last items to be distributed."¹³ Also the Committee on the Economics of Public Distribution System in Gujarat found that the location of fair price shops did not quite correspond to that of the more vulnerable sections of population.¹⁴ A question that deserves to be looked into in this connection is to what extent is it justified to subsidise the PDS when the benefits from it do not flow to the poorest of the poor.

Table 3 gives an idea of the marked inequitous distribution through the PDS during the year 1977. Urban areas which account for only 20 per cent of population covered 68 per cent of offtake of foodgrains from the PDS leaving only 32 per cent for rural areas where 80 per cent of the population reside of which about half is stated to be below the poverty line. Bulk of the rural supplies have gone to Kerala (39%), West Bengal (19%) and Maharashtra (14%) in that order. Kerala is a special case by itself because according to some the whole of the state could be regarded as one big 'urban conglomerate' where the entire population is covered on a uniform basis due to the fact that mainly cash crops are grown there, leaving the state highly deficit in food. The rural population in the states other than Kerala taken together was supplied with only 1,903 thousand tonnes which turn out to be only 20 per cent of the total offtake of foodgrains. One can, therefore, safely make the statement that barring Kerala and to some extent West Bengal and Maharashtra, the rural poor in the country has been left out of the purview of the PDS. Even in urban areas, the benefits seem to have gone mostly to the metropolitan cities of Bombay, Calcutta and Delhi and other cities in the states of Maharashtra, West Bengal and Kerala. There are marked inter-state disparities as can be seen from the fact that about

¹³V.B. Buch, *op. cit.* p. 138.

¹⁴Kalpana Bardhan, *op. cit.* p. 6.

TABLE 3 TOTAL OFFTAKE OF WHEAT, RICE, COARSE GRAINS AND THEIR DISTRIBUTION THROUGH FAIR PRICE SHOPS IN RURAL AND URBAN AREAS DURING 1977

(In '000 tonnes)

State	Total offtake of foodgrains				Offtake of foodgrains in rural areas	Offtake of foodgrains in urban areas
	Rice	Wheat	Coarse grain	Total	Total	Total
Andhra Pradesh	171.0	143.0	2.0	316.0	N.R.	N.A.
Assam	204.0	284.0	—	488.0	N.R.	N.A.
Bihar	87.0	459.0	—	546.0	73.5	472.5
Gujarat	35.0	234.0	119.0	388.0	138.0	250.0
Haryana	10.0	139.0	—	149.0	34.9	114.1
Himachal Pradesh	2.0	28.0	—	30.0	11.8	18.2
Jammu & Kashmir	108.0	151.0	4.0	263.0	68.9	194.1
Karnataka	312.0	440.0	177.0	929.0	N.R.	N.A.
Kerala	1380.0	85.0	—	1465.0	1204.0	261.0
Madhya Pradesh	90.0	192.0	36.0	318.0	19.3	298.7
Maharashtra	409.0	840.0	202.0	1451.0	438.0	1013.0
Manipur	5.0	2.0	—	7.0	N.R.	N.A.
Meghalaya	52.0	14.0	—	66.0	20.3	45.7
Nagaland	7.0	14.0	—	21.0	1.9	19.1
Orissa	123.0	141.0	—	264.0	93.3	170.7
Punjab	7.0	223.0	—	230.0	9.6	220.4
Rajasthan	—	100.0	20.0	120.0	41.6	78.4
Sikkim	19.0	3.0	—	22.0	Neg.	22.1
Tamil Nadu	465.0	436.0	—	901.0	214.0	687.0
Tripura	25.0	5.0	—	30.0	20.2	9.8
Uttar Pradesh	65.0	472.0	—	537.0	36.9	500.1
West Bengal	832.0	1209.0	—	2041.0	580.0	1461.0
Andaman & Nicobar Islands	11.0	6.0	—	17.0	8.5	8.5
Arunachal Pradesh	17.0	3.0	—	20.0	19.0	1.0
Chandigarh	1.0	15.0	—	16.0	0.1	15.9
Dadra & Nagar Haveli	Neg.	Neg.	—	Neg.	—	—
Delhi	45.0	531.0	—	576.0	25.0	551.0
Goa, Daman & Diu	35.0	29.0	—	64.0	30.4	33.6
Mizoram	29.0	1.0	—	3.00	12.8	17.2
Pondicherry	5.0	1.0	—	6.0	0.8	5.2
Lakshdweep	4.0	Neg.	—	4.0	4.0	—
TOTAL	4555.0	6200.0	560.0	11315.0	3106.8	6468.2

(N. A.)—Not available. (N.R.)—Not Received. (Neg.)—Negligible.
Source: Ministry of Agriculture & Irrigation as given in *Commerce*, Sept. 15, 1979, p. 507.

60 per cent of the offtake has been in the five states of West Bengal, Kerala, Maharashtra, Karnataka and Tamilnadu, leaving only 40 per cent for the rest of the country. On the other hand, some of the poorest states of the country such as Bihar, Uttar Pradesh, Madhya Pradesh, Orissa which taken together account for 38 per cent of the population received only 1,665 tonnes or 15 per cent of the offtake.

According to a study covering the period 1970-76, "(a) the operation of the central pool of cereals was not able to ensure a more balanced distribution in the country; (b) by and large, almost all the states could not make up their deficiencies with an allocation from the central pool; and (c) that the allotment from the central pool is not governed by the actual needs of different states."¹⁵ "The fact indeed is that public distribution has resulted in many cases in preempting commodities in short supply for consumption of selected privileged sections and areas, and in the process, worsening the position of those, by and large vulnerable sections who have to fend for themselves in the open market both as regards availability and price."¹⁶

Procurement

If PDS is to become an effective instrument of serving the interests of the vulnerable section of population and of equitable distribution of at least the foodgrains if not the other basic necessities, then it must either reorient its policy or expand the scope of its operation. There are several difficulties in extending its scope such as inadequate storage capacity, finance, administrative capability, etc. But the chief difficulty lies in acquiring adequate stocks of cereals, specially during years of shortage when the pressure on public distribution is greater and farmers are less willingly to sell to the government on account of considerably higher prices in the open market. As is well known, the system has been fed by two sources—internal procurement and import—the magnitudes of which are given in Table 4.

¹⁵S. Narayanan and D.V.L.N.V. Prasad Rao, "Cereals and the Central Pool", *Eastern Economist*, June 1, 1979.

¹⁶*Economic and Political Weekly*, June 16, 1979, p. 985.

This shows how internal procurement has gradually become more important. This is as it should be. Internal procurement must become main instrument of feeding the PDS. Massive import of grains can at most be resorted to in years when world prices fall below the national levels.

TABLE 4 PUBLIC DISTRIBUTION OF CEREALS: SUPPLY SOURCES

Year	('000 tonnes)		
	Internal Procurement	Imports	Public Distribution
1960	1,275	5,137	4,937
1961	541	3,495	3,977
1962	479	3,640	4,365
1963	750	4,556	5,178
1964	1,430	6,266	8,665
1965	4,031	7,462	10,079
1966	4,009	10,358	14,085
1967	4,462	8,672	13,166
1968	6,805	5,694	10,221
1969	6,381	3,872	9,385
1970	6,714	3,631	8,841
1971	8,857	2,054	7,816
1972	7,665	445	10,487
1973	8,424	3,614	11,414
1974	5,645	4,874	10,790
1975	9,563	7,407	11,253
1976	12,853	6,515	9,174
1977	9,974	555	11,719
1978	11,098	—	10,183
1979	13,828	—	9,981
1980*	11,108	—	12,766

*Provisional.

Source: Bulletin of Food Statistics.

The systems of procurement have varied over the years and from state to state. The main systems are: (i) levy on the producer, (ii) levy on the miller and/or trader, (iii) purchase by exercise of the right of pre-emption, and (iv) monopoly purchase-cum-compulsory procurement. There have been periods when inter-state private trading of foodgrains were banned to enable state governments to

maximise procurement. However actual procurement upto 1975 often fell short of the targets, which were nothing but modest, because of the higher open market prices. The situation took a drastic turn from 1975-76 when a series of good crops led to a crash in open market prices necessitating support operations. Inter-State restrictions on movement of grains on private account have since been removed. However, the maximum amount procured even during the favourable years 1976-80 did not exceed 13.8 million tonnes which does not enable the authorities to make substantial expansion of the system. The tide is again turning in another direction, and the current year is witnessing difficulties in procuring the targeted amount fixed at conventional levels.

The problem essentially is how to procure a sufficient quantity of foodgrains at reasonable prices without jeopardizing the farmers' incentives to produce more. Several suggestions have been made from time to time. But none of them have been found to be completely satisfactory. According to a statement made by the Union Minister of Agriculture and Civil Supplies in the Lok Sabha on August 24, 1981.¹⁷ Government is not in favour of monopoly procurement and take-over of trade. Purchase by the government in the open market at market rates may not serve the objective of releasing supplies at reasonable prices to consumers without increasing the quantum of subsidy which is already considered high. The suggestions of linking directly or indirectly the sale to farmers of agricultural inputs such as seeds and fertilizers or provision of credit to a reciprocal sale of grains by them to the government at procurement prices made by Foodgrains Policy Committee 1966 and repeated by others or of collecting land revenue in terms of grain (Vinoba Bhave) have not been tried presumably on account of administrative difficulties. A complete ban on private wholesale trading in foodgrains has been another method suggested from time to time and unsuccessfully experimented in the case of wheat for a brief period during 1973-74. "The basic issue in the methods of procurement is whether or not the government is prepared to

¹⁷The Statesman, September 25, 1981.

exercise compulsion, which is implicit in any system of controlled distribution. It may be desirable politically 'to minimise compulsion' but there seems to be no escape from it so long as shortage lasts and controlled distribution is thought to be socially necessary and desirable."¹⁸

Policy Options

In view of the above difficulties inherent in procurement, a substantial expansion of the PDS so as to extend its benefits to the hitherto neglected, but more vulnerable sections of population without depriving the current beneficiaries does not seem to be feasible. Besides, it is also likely to involve huge expenditure and put a tremendous burden on the administrative system. The other alternative is to reorient the PDS by limiting its accessibility to the poorest section so that it can truly serve its stated purpose of protecting the interests of vulnerable sections. In other words, it should be changed from an area based to a target based programme. This is administratively more difficult, specially in rural areas. It can be somewhat simplified by linking it with the recently introduced Integrated Rural Development Programme which is identifying the poorest of the poor in the rural areas. Let PDS form an integral part of the IRDP. It is true that in an absolute sense, the income of most of the people is low enough to justify access to PDS. But given the limited supplies available with it, a clear cut decision regarding who should receive priority in the light of stated objectives is called for, so that a suitable strategy is worked out.

Thus, there are two policy options with respect to coverage of the PDS. First, one can decide about the feasible level of procurement in the light of existing economic, political and administrative constraints and then decide about the sections of society to be covered by that amount. Alternatively, one can first decide about the coverage on the basis of needs and then take up appropriate measures—economic, political and administrative—to procure the needed quantity.

¹⁸D.M. Bhatia *India's Food Problem and Policy Since Independence*, Bombay. Somaiya Publication Pvt. Ltd., 1970, p. 182.

This is all that we can say about the most crucial aspect of the PDS. There is here, as elsewhere, a conflict between administrative convenience and social justice. Political expediency as well as administrative convenience favour the status quo whereas social justice would require a change in the system of procurement with attendant political risks or in the system of distribution with additional administrative tasks or a combination of both.

ADMINISTRATION, COST AND EFFICIENCY OF THE PDS

Apart from coverage, another aspect that is of interest to us is the cost and efficiency of the system in areas in which it has been operating. The system is administered jointly by the central and state governments as well as their specialised agencies. In the case of foodgrains, the Food Corporation of India, on the basis of instructions issued by the Department of Food, Government of India releases monthly stocks to the state governments or the state food and civil supplies corporations. A number of states supplement this by their own procured stocks. The responsibility for supplying to the fair price shops rests by and large with the state agencies. However, direct supplies by the FCI to the FPS are made in Delhi and Kerala for both wheat and rice and in Andhra Pradesh and West Bengal for wheat alone. For this purpose, both the FCI and the state governments or the states' food and civil supplies corporations maintain depots. Generally the stocks are released every fortnight. In the case of other commodities like edible oils, vanaspati, onions, etc., the responsibility is primarily discharged by the Civil Supplies Department of the Government of India, NAFED and NCCF assisted by the state agencies.

Buffer Stocks

Successful operation of the PDS would require buffer stocks so as to take care of recurrent imbalances in demand and supply on account of excessive fluctuations in production. The possession of large stocks by the government also acts as a restraining influence on the speculative tendency of the private traders. The need for having buffer stocks to

stabilise supplies and prices of foodgrains had been recognised as early as 1943 when the Foodgrains Policy Committee recommended the creation of a central foodgrain reserve of not less than 5 lakh tonnes. Different foodgrain commissions or committees as well as the five year plans have underlined the importance of buffer stocks.¹⁹ But actual achievement till 1975 was far from satisfactory. Stocks with the government were generally of the operational type needed for meeting the annual requirements of the PDS. But buffer stocks are meant to be carried out from one year to another for the specific purpose of reducing instability in supplies and prices over the years. It was only after the 'green revolution' of the middle sixties that the government started building up buffer stocks. According to one estimate the quantity under buffer stock was around 5 million tonnes on April 1, 1972. But the subsequent fall in production during 1972-73 and 1973-74 eliminated whatever buffer stocks had been built up during 1968-71. An attempt to build up a sizeable buffer stock was made since October 1975 consequent upon bumper foodgrains production, record procurement and decline in offtake from the PDS. The total stock with the government at the end of May, 1976 swelled upto 14.4 million tonnes as against 4.4 million tonnes at the end of May, 1975. In 1976, the government set up a Technical Group to give some idea of the optimum size of the buffer stock. On the basis of its recommendations, the government decided in February 1978 to build up and maintain a buffer stock of 12 million tonnes in addition to the operational stocks needed for running the PDS, the quantum of which as estimated by the Technical Group varied for different points of time, the range being 3.5 to 3.8 million tonnes as on April 1 to 8.2 to 8.8 million tonnes as on July 1 every year. Besides, it was also decided that the buffer stock would not be allowed to be drawn below the level of 5 million tonnes. Replenishment of the stocks through imports should be undertaken simultaneously to take advantage of the seasonal low prices in the world market.

¹⁹For details, see S. D. Sarna, "Buffer Stocking of Foodgrains in India", *Agricultural Situation in India*, September, 1975.

Foreign exchange reserve sufficient to cover import of 6 million tonnes of cereals has also to be kept for meeting abnormal situation arising out of extreme scarcity due to two successive crop failures.²⁰

The management of operational as well as buffer stocks would in turn require adequate storage facilities of requisite standard properly dispersed at procurement, distribution and intermediate centres like major rail terminals. There has been a gradual increase in storage capacity owned by the FCI from 3451.5 thousand tonnes in 1970-71 to 5470.5 thousand tonnes in 1975-76 and to 7722.9 thousand tonnes in 1980-81.²¹ Besides the FCI hires storage from state agencies and private sources. The storage capacity (owned and hired) available with the FCI has increased from 7,975 thousand tonnes at the end of 1971 to 16,428 thousand tonnes by the end of 1979. Yet storage problems have been faced from time to time specially in the post harvest period of certain years due to large market arrivals in a short period of time coupled with transportation problems. The requirements of storage increased considerably during the period since 1976 as can be seen from Table 5. The peak level of stocks touched a figure of 21,437 thousand tonnes in June 1979. The government policy assumes the availability of storage on the following basis.²²

- (i) covered storage for the entire buffer stock;
- (ii) capacity computation after making allowance for 8 per cent operational space,
- (iii) transitional arrangements for storage in the open-CAP (cover and plinth), and
- (iv) capacity to be largely in conventional bagged storage.

Cost

There can be no two opinions that the PDS should be managed as efficiently as possible so that the cost of its operation is kept within reasonable bounds. Only then it

²⁰Kamala Prasad, *op. cit.*, p. 214.

²¹Government of India, Department of Food, *Annual Report*, 1980-81, p. 94, Annexure VI.

²²Kamala Prasad, *op. cit.*, p. 216.

TABLE 5 STOCKS OF FOODGRAINS WITH THE GOVERNMENT

Year-end	Stocks** ('000 tonnes)
1960	2,801
1961	2,636
1962	2,281
1963	2,259
1964	1,016
1965	2,079
1966	2,216
1967	1,956
1968	3,991
1969	4,453
1970	5,569
1971	8,137
1972	3,443
1973	3,134
1974	2,730
1975	8,289
1976	19,032
1977	17,406
1978	17,160
1979	17,519
1980*	11,763

*Provisional.

**Including quantities in transit, docks and holds of steamers.

Source : *Bulletin of Food Statistics*.

will be in a position to fulfil its objective of supplying essential items at reasonable prices. Unfortunately this is not so. For example, in the case of wheat, while the procurement price in early 1979 was Rs. 112.50 per quintal, the handling charges of the Food Corporation of India came to about Rs. 36 per quintal that is 32 per cent which by any reckoning is high.²³ As a result, the PDS has become a high cost network, the full incidence of which is not felt by the consumers because of the huge subsidies given by the government. These on foodgrains amounted to 297 crores in 1975-76,

²³Commerce, March 10, 1979.

Rs. 452 crores in 1976-77, Rs. 563 crores in 1977-78, Rs. 560 crores in 1978-79 and about Rs. 600 crores in 1979-80 and 1980-81. The amount will go up if account is also taken (as it should be) of the administrative cost incurred by the government in maintaining the PDS.

The costs comprise market charges, warehousing charges, transport charges, distribution costs, loss through damage and pilferage, interest on working capital and administrative overheads. Each of these should be reviewed to yield economies. For example cost can be reduced by changing the present system of delivery of procured grain into the central pool and releases from it to the states. There is need to work out supply demand balances on district levels so that the amount procured within a district is used first for meeting the requirements of the same district and the balance exported to or imported from neighbouring districts as far as possible. "Our systems of packaging, weighing, transportation, quality specifications and handling have remained substantially the same since the introduction of government intervention in foodgrain trade In the matter of transportation, attention at long distance movement has not been matched equally by the attention to short-distance movement and movement from farm to the market place. A composite programme may, perhaps, help to reduce losses. Losses even in the long distance transportation by train might be reduced by changing the design of the door of wagons so that cutting and spillage is avoided Looking at the whole range of activities, it appears that there is scope for technological innovations and it may be appropriate to identify areas, carry out proper surveys and introduce simple devices that may increase operational efficiency and reduce losses."²⁴ The supply and stocking procedures would also need to be streamlined. According to a study of certain shops in Gujarat State in 1974-75 made by Shri S.C. Jain, "nearly 12 days a month were required to make deposits, obtain challans and receive, weigh and move out the supplies from godown to the shop."²⁵

²⁴Kamala Prasad, *op. cit.*, p. 226.

²⁵S.C. Jain, *op. cit.*, p. 105.

Quality and Grading

The quality of cereals, supplied through the PDS has not received much emphasis on account of the overriding concern with making the supplies available. Complaints of inferior or defective quality of grain supplied come from time to time. According to a study of FPS in Lucknow conducted by Prof. V.B. Singh²⁶ during 1968-69, the quality of wheat supplied was not always good and this had led several cardholders to supplement their purchases from the open market. Even the vulnerable section did not depend on wheat supplied by the FPS if it could afford to do so because of the inferior quality of grain supplied. But the quality of sugar supplied has generally been good and more or less comparable to that available in the open market. As a result, Prof. Singh had found that most cardholders (*i.e.*, about 99% including even those in the high income group made purchases of sugar from the FPS. According to a former chairman of the Food Corporation of India, a problem that arises in the case of maintenance of quality of foodgrains is that "the surplus procuring states insist on low grain specifications with a view to helping their producers and the Centre has been accommodating them so far to augment procurement. The rice millers lobby is also influential, and strong enough to manage the lowering of specifications, through pressures at various levels at the right time, and then to pass on poor quality grain to the government agencies, keeping the comparatively better stocks for their open market sales".²⁷

Quite often problems also arise due to preference of different states for different types of grains. Kerala, West Bengal and Maharashtra are three states which depend most on the PDS. Kerala prefers only parboiled rice whereas West Bengal prefers a combination of parboiled rice and wheat, and Maharashtra raw rice, coarse grain and wheat. It is not easy to match grain and varietal composition of supplies accordingly. Thus while the major deficit

²⁶V.B. Singh, *op. cit.*

²⁷R.N. Chopra, *Evolution of Food Policy in India*, Delhi, Macmillan India Ltd., 1981, p. 217.

states of Kerala and West Bengal prefer parboiled rice, the major rice exporting states like Punjab, Haryana and Andhra Pradesh produce mainly raw rice, though they are slowly switching over to the parboiled variety specially after the centre allowed a premium of Rs. 5 per quintal in the price of this processed variety.²⁸

Micro Level Problems

There are a number of problems in administering the PDS at the level of the shops and cardholders. Thus surveys conducted in Ahmedabad city indicated that 14 per cent of the households in the lower income group did not own foodgrain cards²⁹ and a survey in Lucknow showed that one third of the cardholders made small or no purchases of wheat and rice from FPS.³⁰ And as a study based on Gujarat experience points out, "there have been many cases of small cooperative societies being unable to stock all essential commodities simultaneously. They obtain and distribute items such as coarse grains, rice, sugar, etc., by turn as funds are limited much to the inconvenience of consuming public."³¹

Analysing the results of empirical surveys conducted at different points of time, *i.e.*, 1964, 1972 and 1976 which were related to consumer cooperatives, super bazar and ration shops, all in the role of a fair price shop, Shri M.P. Kacker found no marked improvement in the customer perception of a fair price shop over a period of time.³² In fact, over the years, certain malpractices have crept into their operation. These include "non-maintenance of proper accounts; possession of excess or short stocks than shown in the account books; showing more number of persons in the register of cards than in the cards; selling commodities other than authorised, issue of ration against bogus cards;

²⁸R. M. Chopra, *op. cit.*, p. 216.

²⁹V.B. Buch, *op. cit.*, p. 135.

³⁰V.B. Singh, *op. cit.*, p. 69.

³¹V.B. Buch, *op. cit.*, p. 138.

³²Madhav P. Kacker, "Managerial Aspects of Fair Price Shops" in N. Dholakia and R. Khurana (eds.) *Public Distribution System*, *op. cit.*, p. 83.

charging higher prices for controlled commodities; non-display of samples/stocks; adulteration of commodities sold in the fair price shops; delay in lifting of stocks; irregular opening and closing of shops and selling of articles without cash memo."³³ These are confined not only to private fair price shops but are found even in the agencies belonging to public and cooperative sector. For instance, of the 330 charges of mismanagement and malpractices in fair price shops received in 1975 in the State of Gujarat, 167 were from private units and almost an equal number, *e.g.*, 163 from units under the cooperative fold.³⁴

One reason for these malpractices could be the extremely inadequate profit margin allowed on and other restrictions inherent in PDS transactions. According to S.C. Jain's study the margin of 2 per cent allowed is very low. "If the minimum wage legislation for shop employees were to be enforced rigorously, it is difficult to see how the present margin would suffice. It requires an offtake of 200-225 quintals a month at a four per cent margin to break even at an earning of Rs. 350-375 approximately after paying salary to weighman, shop rent, commission and transport charges.³⁵ A Hyderabad survey indicates that only 19 out of 40 shops reported a net monthly income of more than Rs. 500 during the months of August to December 1975. About 9 shops reported an income of less than Rs. 300 per month. Even the model profitability plan prepared by civil supply authorities in Hyderabad which was based on 800 cards, left a net income of Rs. 582.27 per month on a total investment approximating Rs. 28,000. This income would represent only a moderate level of earning and that also subject to the uncertainties created by improvement in the availability of rationed items in the open market.³⁶ It is well known that the owner of a fair price shop has very little freedom in matters such as deciding the product mix, setting the price and profit margin, selecting the sources of supply, number and types of customers, etc.

³³Kamala Prasad, *op. cit.*, p. 207.

³⁴V. B. Buch, *op. cit.*, p. 140.

³⁵S. C. Jain, *op. cit.*, p. 105.

³⁶Madhav P. Kacker, *op. cit.*, p. 75.

If, despite the low rates of legitimate earnings, most of the licensees cling to their business³⁷ and there has often been a general clamour among the traditional foodgrain retailers to obtain a ration shop licence, it is because the shop builds up contact with the customers which may be used for pushing up the sale of other non-regulated commodities, and provides opportunities for supplementing their income by indulging in unfair practices in controlled commodities. According to one author "these unfair practices were considered by some sections of trade as accepted trade conventions to compensate for an otherwise uneconomical operation".³⁸ And according to Dholakia and Khurana "it is likely that in the past the fair price shops may have been used as instrument of extending political patronage".³⁹ Now that the PDS has come to stay as a permanent feature of the Indian economy, there is clearly a need for a review of aspects related to ownership, operation and economic viability of fair price shops. Let us hope the present conference provides some useful suggestions on these as well as other aspects of the functioning of PDS described earlier.

³⁷See for example S.C. Jain and V.B. Singh, *op. cit.*

³⁸M.P. Kacker, *op. cit.*, p. 74.

³⁹N. Dholakia and R. Khurana, *op. cit.*, p. 7.

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