

Problems and Prospects of Food Security Management Through PDS in India

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Abstract

This paper provides a review of the public distribution system that seeks to tackle food security and also the nutrition security in India. This paper finds that the government effort alone is inadequate to meet the challenges of universal food security. There is a need to shift from the existing expensive, inefficient and corruption ridden institutional arrangements to those that will ensure cheap delivery of requisite quality grains in a transparent manner and are self-targeting. The main purpose of the PDS in India was to act as a price support program for the consumer during the periods of food shortage of the 1960s. The basic objectives of the PDS in India has been to provide essential consumer goods at cheap and subsidized price to the consumers so as to insulate them from the impact of rising prices of these commodities and maintain the minimum nutritional status of our population.

Key words: Food Security, Public Distribution System.

Introduction :

India is acclaimed internationally for its fast growing economy among the developing countries. At the same time it is struggling with problems of poverty, hunger, unemployment and food insecurity. Though the poverty level has declined remarkably in terms of percentage from 1951 to 2013, hunger and helplessness is not so rare incident in India till date, which creates the idea of food security so relevant for the country at this moment.

Ensuring food security continues to be a challenging issue as well as of vital importance for the developing countries including India. The Millennium Development goals provide us with the starting point to assess the level of food security and prioritize our efforts to achieve it. According to World Development Report (1986), food security is “*access by all people at all times to enough food for an active, healthy life.*” Apart from it, Food and Agriculture Organisation (FAO, 1983) has defined food security in terms of “*ensuring that all have both physical and economic access to basic food they need.*” Food security is a complex issue that has been raised over time. The concept of food security indicates access of food to all people of the country at all times. Food security is described as the state when people have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

However, even after the bill is passed in 2013, food security in India has to be understood as a distressed phenomenon, as with marginal enhancement in their incomes over time – they are forced to cut down on their food consumption to meet up their imperative demands of health and education that were not so important in the earlier period. In order to feed the burgeoning population of India and to attain food security, the efforts for increasing food security and its sustainability through advanced agro and biotechnological ways are to be undertaken. However, problems of climate change, biodiversity, desertification, water depletion, etc. are becoming unfriendly to nature and human health. There is a crucial need for developing the systems to alleviate the environmental disorders in order to boost crop productivity.

In addition to food grains, PDS has also been used in India for the distribution of edible oils, sugar, coal, kerosene and cloth. The most important item covered under PDS in India have been rice, wheat, sugar and kerosene. Together these four items have accounted for 86 percent of the PDS sale. Pulses, which constitute an important source of protein for the poor, have a share of less than 0.2 percent in total PDS sale. PDS in India covers the whole population as no means of direct targeting are employed. PDS distributes commodities worth more than Rs 30,000 cores annually to about 160 million families and is perhaps the largest network of its kind in the world. Figure 1 shows the process of public distribution system in India and Table 1 shows the policies taken by GOI for public distribution system from pre-reform to post-reform period. The Central Issue Price (CIP) fixed by the government remained unaltered till 1997, then a dual pricing structure was introduced under the Targeted Public Distribution System (PDS), in which the issue price for families below the poverty line (APL) were fixed equal to the economic cost, and for BPL were fixed at 50 percent of economic cost. For making the PDS system more efficient, the government reduced the issue price of APL families by 70 percent during 2010-11.

Table1:

India Govt.'s safety net programs interventions, financing arrangements and coverage.

Program/Scheme (yr. of intro.)	Volume of food based transfer	Coverage target gripe	Program interventions
A. Public Distribution System. (1) PDS (up to 1992)	BPL/APL: Wheat (at the rate of) @ 2.34/kg. and rice @ 2.89/kg & etc.	Universal	Price subsidies on rice, wheat, sugar edible oils.
(2) RPDS (1992)	BPL: 20 kg. of rice and wheat/family/month	Backward blocks.	Food subsidies on rice and wheat.
(3) PDS (January (1997)	BPL/APL: 35kg. rice and wheat/family/month	Both poor and nonpoor.	Both price and food subsidies on rice, wheat, sugar, edible oils.
(4) AAY (December, 2000)	Below BPL: 35 kg. Of rice & wheat/family.	Poorest of the poor.	A higher price subsidy on rice & wheat than the BPL rates.

Source: Economic Survey, 2001.

The main reasons for increase in food subsidy include steep rise in minimum support/procurement prices, accumulation of large stocks of grains, rising economic costs of food grains, high off take of food grains under targeted public distribution system and other welfare schemes and constant central issue prices (CIP) of food grains (GoI, 2012e). It is generally believed that high food subsidies are mainly because of inefficient functioning of Food Corporation of India.

Food subsidies are one of the most prominent features of the Indian economy. Because of its socio-political importance to the economy, the food subsidies have been the subject of discussions. Recent spike in subsidies in general and food subsidy in particular is a growing policy challenge for the government. Between 2006-07 and 2011-12 the food subsidy in India more than tripled and several factors have contributed to this increase.

Table : 2

Trends in Minimum Support Price, Procurement Incidentals, Distribution Costs and Economic Cost of Rice and Wheat: 2001-02 to 2012-13(Rs. /quintal).

Year	MSP		Procurement Incidentals		Distribution Costs		Economic Costs	
	Wheat	paddy	Wheat	paddy	Wheat	paddy	Wheat	paddy
2001-02	610	530	134.7	66.8	126.7	119.6	852.9	1098
2002-03	620	550	137.6	61.7	145.5	157.7	884	1165
2003-04	630	550	138.2	30.7	169.7	214.5	918.7	1236.1
2004-05	630	560	182.7	58.5	222.8	256.5	1019	1303.6
2005-06	640	570	171.2	39.1	234.5	272.4	1041.8	1339.7
2006-07	700	620	180.2	193.7	269.4	289.6	117.8	1391.2
2007-08	850	745	164	214.9	244.4	257.8	1311.7	1549.9
2008-09	1000	900	179.6	226.9	245.4	280.8	1380.6	1740.7
2009-10	1080	1000	206.9	288.6	200.4	184.9	1424.6	1820.1
2010-11	1100	1000	212.4	313.1	217.7	223.5	1494.3	1983.1
2011-12	1170	1080	271.8	366.9	252.5	291.3	1651.9	24184.2
2012-13	1285	1250	305.2	383.3	296.3	397.1	1822.2	2418.7

Sources: Food Corporation of India; PRS.

The economic cost of food grains to Food Corporation of India (FCI) is of strategic importance as it has direct impact on food subsidy. Minimum support price is one of the major components of economic costs and accounts for about 70 per cent of FCI's economic cost of food grains and share of procurement incidentals and distribution costs is about 30 per cent. However, FCI has no control on MSP as well as large number of cost items of procurement incidentals and distribution costs.

The centre and states share the responsibilities of identifying the poor, procuring grains and delivering food grains to beneficiaries. In September 2013, Parliament enacted the National Food Security Act, 2013. The Act relies largely on the existing PDS to deliver food grains as legal entitlements to poor households. This marks a shift by making the right to food a justiciable right.

National Food Security Act, 2013 The National Food Security Act gives statutory backing to the PDS. This legislation marks a shift in the right to food as a legal right rather than a general entitlement. The Act classifies the population into three categories: excluded (i.e., no entitlement), priority (entitlement), and Antyodaya Anna Yojana (AAY; higher entitlement). It establishes responsibilities for the centre and states and creates a grievance redressal mechanism to address non-delivery of entitlements. It is yet to be implemented.

Identification of eligible households under existing PDS The government launched PDS in order to target food grains entitlements to poor households. Therefore, identification and classification of beneficiaries is crucial to fulfil the goals of the scheme.

Categorisation of beneficiaries APL and BPL Under PDS, beneficiaries were divided into two categories:

- Households below the poverty line or BPL; and
- Households above the poverty line or APL.

BPL beneficiaries that are currently covered under PDS were identified through a detailed process when PDS was initially launched. The Planning Commission calculated state-wise estimates of the total number of BPL beneficiaries that would be covered under PDS. Each state government was responsible for identifying eligible BPL households on the basis of inclusion and exclusion criteria evolved by the Ministry of Rural Development. Such households were entitled to receive a BPL ration card. APL households were not identified and any household above the poverty line could typically apply for an APL ration card.

Antyodaya Anna Yojana (AAY) :

The AAY scheme was launched in December 2000 for the poorest among the BPL families.⁵ Individuals in the following priority groups are entitled to an AAY card, including: (i) landless agricultural labourers, (ii) marginal farmers, (iii) rural artisans/craftsmen such as potters and tanners, (iv) slum dwellers, (v) persons earning their livelihood on a daily basis in the informal sector such as porters, rickshaw pullers, cobblers, (vi) destitute, (vii) households headed by widows or terminally ill persons, disabled persons, persons aged 60 years or more with no assured means of subsistence, and (viii) all primitive tribal households.

Entitlements under PDS :

Eligible beneficiaries are entitled to subsidised food grains such as wheat and rice. States have the discretion to provide other commodities such as sugar, kerosene, and fortified atta under PDS. Table 2 indicates the entitlements across categories.

Table : 3
Number of beneficiaries and entitlements

Category	Number of beneficiaries (crore families)	Entitlement of foodgrains (kg/family)
AA Y	2.43	35 kg
BPL	4.09	35 kg
APL	11.52	15 - 35 kg
Total	18.04	-

Source: Annual report of dept. of PDS. Govt. of India, 2018.

Management of food grains for PDS :

The central and state governments share responsibilities in order to provide food grains to the identified beneficiaries. The centre procures food grains from farmers at a minimum support price (MSP) and sells it to states at central issue prices. It is responsible for transporting the grains to godowns in each state. States bear the responsibility of transporting food grains from these godowns to each fair price shop (ration shop), where the beneficiary buys the food grains at the lower central issue price. Many states further subsidise the price of food grains before selling it to beneficiaries. The Food Corporation of India (FCI) is the nodal agency at the centre that is responsible for transporting food grains to the state godowns. Specifically, FCI is responsible for: (i) procuring grains at the MSP from farmers, (ii) maintaining operational and buffer stocks of grains to ensure food security, (iii) allocating grains to states, (iv) distributing and transporting grains to the state depots, and (v) selling the grains to states at the central issue price to be eventually passed on to the beneficiaries. Each stage of this process is discussed below.

Procurement of food grains from farmers:

The food grains provided to beneficiaries under PDS are procured from farmers at MSP. The MSP is the price at which the FCI purchases the crop directly from farmers; typically the MSP is higher than the market price. This is intended to provide price support to farmers and incentivise production. Currently procurement is carried out in two ways: (i) centralised procurement, and (ii) decentralised procurement. Centralised procurement is carried out by the FCI, where FCI buys crops directly from farmers. Decentralised procurement is a central scheme under which 10 states/Union Territories (UTs) procure food grains for the central pool at MSP on behalf of FCI. The scheme was launched to encourage local procurement of food grains and minimise expenditure incurred when transporting grains from surplus to deficit states over long distances. These states directly store and distribute the grains to beneficiaries in the state. Any surplus stock over the state's requirement must be handed over to FCI. In case of a shortfall in procurement against an allocation made by the centre, FCI meets the deficit out of the central pool.

The centre procures and stores food grains to: (i) meet the prescribed minimum buffer stock norms for food security, (ii) release food grains under PDS on a monthly basis, (iii) meet emergency situations arising out of unexpected crop failures, natural disasters, etc., and (iv) sell through the Open Market Sale Scheme (OMSS).¹⁰ The central government introduced the Open Market Sale Scheme (OMSS) in 1993, to sell food grains in the open market; this was intended to augment the supply of grains to moderate or stabilise open market prices.

Storage of food grains :

Apart from the food grains requirement for immediate distribution under PDS, the central government maintains minimum buffer reserves of food stocks for emergencies. The food grains procured for PDS and other contingencies are maintained and stored as the central pool stock. FCI is the main government agency entrusted with the storage of food grains in the central pool. According to the storage guidelines of the FCI, food grains are normally stored in covered godowns, silos, and in the open, referred to as Covered and Plinth (CAP).¹¹ However, FCI's own storage capacity has been insufficient to accommodate the central pool stock of food grains. As a result, FCI hires space from various agencies such as the central and state warehousing corporations, state government agencies and private parties. In an evaluation of the storage management of food grains by FCI, the Comptroller and Auditor General (CAG) noted that there is sub-optimum utilisation of the existing storage capacity available with FCI and states.¹⁰ CAP storage involves storage on elevated plinths with polythene covers specially made for this purpose. Normally, CAP storage capacity should only be resorted to for storing food grains during peak procurement seasons. Subsequent storage should be in the covered godowns, as storage in CAP for long duration exposes food grains to the risk of deterioration in quality.

Allocation of food grains to states :

The central government allocates food grains from the central pool to the state governments for distribution to BPL, AAY and APL families. Allocation for BPL and AAY families is done on the basis of the number of identified households. On the other hand, allocation for APL families is made on the basis of: (i) the availability of food grains stocks in the central pool, and (ii) the past offtake (lifting) of food grains by a state from the central pool. Given the food grains stocks in FCI, the centre has the discretion to allocate more grains to states on an ad-hoc basis. In the past, ad-hoc allocations have been provided in the event of floods, droughts, and festivals, etc.

Distribution of food grains to beneficiaries:

The responsibility of distributing food grains is shared between the centre and states. The centre, specifically FCI, is responsible for the inter-state transport of food grains from procuring to consuming states, as well as delivering grains to the state godowns. Once FCI transports grains to the state depots, distribution of food grains to end consumers is the responsibility of state governments.

On receipt of food grains, states allocate the grains to each district and further to each Fair Price Shop (FPS; ration shop) within the first week of the month. State governments are responsible for transporting food grains from the state godowns to the doorstep of each FPS in the state. Across the country, food grains are distributed to a network of around 5.13 lakh FPSs.¹² Beneficiaries buy their monthly food grains entitlements at subsidised prices from these ration shops.

Licensing of fair price shops:

Fair price shops or ration shops form the last mile delivery of the PDS network. Ration shops can be owned privately, by co-operative societies or the government. The owners of ration shops are licensed under the PDS (Control) Order, 2001 to sell essential

commodities at central issue prices. Ration shop owners are issued licenses by state governments and have certain responsibilities under the scheme. These responsibilities include: (i) sale of commodities as per the entitlement of ration card holders at the retail issue prices fixed by state governments, (ii) maintenance of records and the display of information such as the list of BPL and AAY beneficiaries, entitlements of essential commodities, timings of shops, and opening and closing stocks, and (iii) maintenance of accounts of actual distribution of essential commodities and the balance stock at the end of the month to government officials and the gram panchayat.

Pricing of food grains: MSP, CIP and food subsidy:

While the centre procures food grains at the MSP, the price at which food grains are sold under PDS is much lower. The centre sells food grains to states at subsidised prices, known as central issue prices. The food subsidy is the difference between the costs incurred by the centre on MSP (including additional costs) and the central issue price.

Minimum support price :

As mentioned earlier, the MSP is the price at which the centre buys food grains from farmers. Typically, the MSP is higher than the market price and is intended to incentivise production. The MSPs for various agricultural commodities are fixed by the central government based on rates recommended by the Commission for Agricultural Costs and Prices (CACP). The CACP considers certain factors such as the cost of cultivation and remunerative prices for farmers on their produce while determining the MSP. The MSPs recommended by the CACP are finally approved by the Cabinet Committee on Economic Affairs.

Central issue price :

Wheat and rice are sold by the central government at uniform central issues prices (CIP) to states and union territories for distribution under PDS. The issue prices for food grains for AAY and BPL categories have remained constant since 2000 and the CIP of APL categories since 2002.

Review of literature :

Review of selected literature is an essential part of every research process. It helps us to examine and evaluate what has been said earlier on the research subject.

Himanshu and Abhijit Sen (2013) found that many states have revitalised PDS by widening access with positive effects on poverty reduction and on leakage. However, although fewer critics advocate narrow targeting today, the stated purpose of the NFSA 2013 “to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices” ignites critics’ fears that this might restrict the growth of markets by giving legal permanence to MSP-PDS. On the other hand, activists, who demand widened PDS benefits, oppose the very idea that food security can be provided with mere cash.

Amaresh and Nirankar (2011) indicated that it is important to note that though the PDS is not strong enough, it is the only instrument to ensure the food security of the poor, because it serves the purpose only to those who have purchasing power and are ration card holders. An appropriate combination of policies like effective implementation of poverty alleviation programmes, stabilisation of prices, providing universal health facilities are needed along with higher economic growth for enhancing the food security of the poor households.

Ray and Ray (2011) analyzed the food security issue of India during the last few decades and working of PDS with some macro measures. They mentioned that the targeting of individuals as a part of PDS has not been able to solve the problem of hunger. The exclusion of genuine beneficiaries has led to the collapse of the objective of providing food security to the needy. They suggest that states should be given better flexibility in designing their own food security systems and strong social audit mechanisms must be put in action.

OBJECTIVES :

1. To study the problems and prospects of food security Management Through PDS in India.
2. To study the Govt. Policy for PDS development in India.

RESEARCH METHODOLOGY AND DATA COLLECTION :

The present study is based on the secondary data. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

CONCLUSION AND RECOMENDATIONS:

Government procure food grains from farmers at a high price, and then it to all Fair Price Shops (ration shops) to sell those procured food grains at a cheaper rate to people, i.e. Govt. gives subsidy to the farmers and also to the people. But in many cases the ration shop owners sell these subsidized items to the local market at a higher price. The higher income group people do not avail the allocated items from the fair price shops due to perceived poor quality and the shop owners sell it to the open market at the market price. Hence, though the subsidy given to the farmers goes to them, but the subsidy given to the consumers goes to the fair price shop owners in case if the consumer belongs to higher income group. In the context of the above discussion we can easily come to the conclusion that the PDS in India failed to fulfill the major objectives which have been mentioned in the beginning of this paper. Even after the bill is passed, food security for the poor is far from a reality. Hence, since higher income group people do not need the advantage of PDS, the Government should focus on a modified PDS specifically focused towards the people who actually need it.

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