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## EVOLUTION OF PUBLIC DISTRIBUTION SYSTEM IN INDIA

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### ABSTRACT

*In this paper evaluate the reducing poverty is one of the major development challenges facing India; the country has introduced a wide range of economic reforms, including a direct anti-poverty program, the Public Distribution System (PDS).*

### KEYWORDS

Evolution of Public Distribution System, Essential commodities, food grains at affordable prices, wide range of economic reforms, anti-poverty programme.

### INTRODUCTION



*hare the food and serve all lives  
This is the cardinal principle of equity*

- *Thirukkural 322*

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

PDS is operated under the joint responsibility of the Central and the State Governments. The Central government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including has allocation within State, identification of families below the poverty lines, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Governments. Under this has PDS, presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea, etc. Though India's social sector spending is higher than many other developing countries, one of its flagship welfare programs — the public distribution system (PDS) — is fraught with leakages, a World Bank report said Wednesday.

The PDS scheme, which consumes around one percent of the country's gross domestic product (GDP) and covers upto 25 percent of the poor households, has had limited success, as only 41 percent of the food grain released by the government reach their target, the report said.

'Only 41 percent of the grains released by the government reach households, according to 2004-05 national sample survey (NSS), with some states doing much worse,' the World Bank study said.

According to the report, apart from leakages, the PDS also suffers from an ill-conceived procurement system. The government's policy of minimum support price for farmers too contributes to grain wastage every year. 'There will continue to be large grain stocks purchased each year, which need to be drawn down,' it said. The report recommended that in the medium to long term, the government should consider replacing the system with the option of cash transfer, while continuing food-based support for specific situations like natural disasters. Experiences in India and in many other countries have highlighted the benefits of target cash transfer. These diverse experience stress the need for further evaluations and the fact that immediate and medium term solution may vary in different states,' Roberto Zagha, the World Bank's country director for India, told reporters here. Zagha gave the examples of states like Bihar and Chattisgarh, which are testing alternate system of food allocation like food stamps and coupons coupled with community participation and robust monitoring of the system.

### EVOLUTION OF PUBLIC DISTRIBUTION SYSTEM

Public Distribution of essential commodities had been in existence in India during the inter-war period. PDS, with its focus on distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of 1960. PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers. As the national agricultural production had grown in the aftermath of Green Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s. PDS, till 1992, was a general entitlement scheme for all consumers without any specific target. Revamped Public Distribution System (RPDS) was launched in June 1997.

Evolution of public distribution of grains in India had its origin in the 'rationing' system introduced by the British during the World War II. In view of the fact that the rationing system and its successor, the public distribution system (PDS) has played an important role in attaining higher levels of the household food security and completely eliminating the threats of famines from the face of the country, it will be in the fitness of things that its evolution, working and efficacy are examined in some details.

It was really the generation of World War's own compulsions that forced the then British Government to introduce the first structured public distribution of cereals in India through the rationing system—sale of a fixed quantity of ration (rice or wheat) to entitled families (ration card holders) in specified cities/towns. The system was started in 1939 in Bombay and subsequently extended to other cities and towns. By the end of 1943, 13 cities had been brought under the coverage of rationing and by 1946; as many as 771 cities/towns were covered. Some rural areas, suffering from chronic shortage were also covered. The Department of Food under the Government of India was created in 1942, which helped in food matters getting the serious attention of the government. When the War ended, India, like many other countries, decided to abolish the rationing system. This was in 1943. However, on attaining Independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy immediately after independence "which were accentuated by the already prevailing high global prices of food grains at the end of the War, which was around four times higher than the prewar prices". (Bhatia, 1985)

Public distribution of food grains was retained as a deliberate social policy by India, when it embarked on the path of a planned economic development in 1951. It was, in fact, an important component of the policy of growth with justice. In the first five year plan, the system, which was essentially urban based till then was extended to all such rural areas which suffered from chronic food shortages. It was also decided to have two variations of the system, Statutory Rationing Areas, where food grains availability was. Supposed to be only through the Ration Shops and Non-Statutory Rationing Areas, where such shops would only supplement the open market availability. The system, however, continued to remain an essentially urban oriented activity. In fact, towards the end of the first five year plan (1956), the system was losing its relevance due to comfortable food grains availability. The net (gross minus 12.5 per cent for seed, feed and wastage) retail level availability of food grains had jumped from 54.0 million tonnes in 1953 to 63.3 million tonnes in 1954 and remained at 63 plus million tonnes up to end of the first five year plan. This situation even prompted the government to abandon procurement of foodgrains and remove all controls on the private trading in food grains. However, true to its cyclic nature, the production dropped to 58.3 million tonnes in 1958, when the second five year plan had just started and forced the government to not only restart the procurement of cereals and put control on trading of food grains but re-examine the need for public distribution system (PDS). It was decided to re-introduce PDS. Other essential commodities like sugar, cooking coal, kerosene oil were added to the commodity basket of PDS. There was also a rapid increase in the Ration Shops (now being increasingly called the fair price shops-FPSs) and their number went up from 18000 in 1957 to 51000 in 1961. Moreover, quantity of food grains distributed through PDS started getting increased with PL-480 availability. Thus, by the end of the Second Five Year Plan, PDS had changed from the typical rationing system to a social safety system, making available food grains at a 'fair price' so that access of households to food

grain could be improved and such distribution could keep a check on the speculative tendencies in the market. The concept of buffer stocks was also incorporated in the overall food policy, although no buffer worth the name was required to be created in view of easy and continuous availability of PL-480 grains.

Creation of Food Corporation of India and Agricultural Prices Commission in 1965 consolidated the position of PDS. Government was now committed to announce a minimum support price for wheat and paddy and procure of quantities that could not fetch even such minimum prices in the market. The resultant stocks were to be utilized for maintaining distribution through the PDS and a portion of these were used to create and maintain buffer stocks. In fact, if stocks happened to be inadequate for maintaining a certain level of distribution through PDS, government had to resort to imports to honour its charge to PDS consumers. All through the ups and downs of Indian agriculture, PDS was continued as a deliberate social policy of the government with the objectives of:

- i) Providing foodgrains and other essential items to vulnerable sections of the society at reasonable (subsidised) prices;
- ii) to have a moderating influence on the open market prices of cereals, the distribution of which constitutes a fairly big share of the total marketable surplus; and
- iii) to attempt socialisation in the matter of distribution of essential commodities.

The PDS seeks to provide to the beneficiaries two cereals, rice and wheat and four essential commodities viz. sugar, edible oil, soft coke and kerosene oil. However, state governments, which actually manage the system at the ground level, are exhorted to add other essential commodities like pulses, salt, candles, matchboxes, ordinary clothes, school text books/copies and the like. Supply of additional items through PDS is especially relevant in interior areas, which are away from markets and where one or two traditional shopkeepers, who also double up for money-lenders, have the market monopoly. A number of state governments have set up Civil Supplies or Essential Commodities Corporations to buy such additional items directly from the manufacturers and use the existing structure of PDS to arrange for the sale at lower than market rates.

## METHODOLOGY

The study was based on secondary data. The secondary data were collected from different sources like journals, periodicals, government reports, and working papers, government statistical reports is the universe of the study. The bulk of secondary data constitute socio-economic data of selected Public distribution of food grains was retained as a deliberate social policy by India. Evolution of public distribution of grains in India had its origin in the 'rationing' system for the PDS - Procurement, Off-Take and Stocks period from 2005-06 to 2011-12.

## REVIEW OF PDS IN INDIA

The PDS has been functioning for more than four decades now, if we leave aside its predecessor, the rationing system. Its greatest achievement lies in preventing any more famines in India. As recently as during the 1987 drought, considered worst in the century, the PDS helped the country overcome it with dignity and effectiveness. "The result of diet and nutrition survey during the 1987 drought showed that widespread hunger and its consequences experienced earlier in 1960, & 1970 were arrested in 1987". (Nutrition assessment & Analysis NIN, March 1992). Of course, build up of a buffer in preceding years provided the wherewithal's to PDS as well as food for work type of programmes. Its major drawback, however, has been its lack of effective contribution towards household food security. In fact, it remains one of the weaker components of the food policy trioka of procurement, distribution and stocking. The other two components have fully exhibited their worth. But for carefully worked out support prices with a structure to guarantee these, the farmer would not have been induced to produce more and more foodgrains. In fact, without FCI and other procuring agencies ready at thousands of purchase centres to step in and purchase grain if the producer was not getting higher price than the Government announced procurement price, the private trade could never have handled the huge quantities that come to market at harvest time and prices would have crashed, making all the efforts and investment of farmer go waste. As for the buffer stocks, it was the stock built in the preceding years (which had reached an all time high of 27 million tonnes on 1.7.1986), which came handy and enabled the country to meet the challenge thrown up by the great drought of 1986-87, a challenge which was met successfully without seeking any food aid from any quarter. No desperate purchases were required and import of some wheat and rice could be deferred to 1988-89 when the country could import on its own terms. The PDS also, no doubt, played a great role by making available rice and wheat at the fixed prices to consumers in all nooks and corners of the country, thereby preventing the spectre of famine in any part of the country. This distribution network also supplied grains for the "food for work" type programmes taken up on a large scale to fight the drought. The shortcomings noticed in the functioning of PDS as it is structured presently, range from it being urban biased and pro-rich to its ineffectiveness in reaching the poor. The system has, however, come to stay, notwithstanding its shortcomings, because millions of India's poor derive direct or indirect benefits from the very existence of this system. The World Bank in their report of 1991 has observed that "poverty consideration will compel India to sustain publicly sponsored foodgrain procurement, storage and distribution efforts. These programmes are even more important in a period of economic downturn and adjustment, to ensure an adequate safety net". As regards urban bias, a study has shown that "in case of all commodities except coal, more than 50 per cent of the total quantity purchased under PDS is in the rural areas... PDS is rural based at all-India level for rice, coarse cereals, sugar and cloth. These items constitute more than 60 per cent of the total PDS purchases. Hence, it appears that PDS is not urban biased but pro-rural" (Mahendra Dev & Suryanarayana, 1991). As regards its being pro-rich, the same study finds that "more or less all the population [income] groups depend uniformly to the same extent on the PDS with respect to all commodities in rural areas, even though there were slight variations", (Dev & Suryanarayana, 1991). Thus, even though PDS appears to be even-handed for all income groups, this very finding points to its failure in achieving its basic goal of helping the poor.

It is also said that PDS is not cost effective, its operations are too costly and the ratio between procurement and transportation is too high pointing to 'wasteful' movements. It is also mentioned that storage losses are very high. However, if one was to analyse the various costs of FCI, it will be seen that almost 80% of the costs of FCI are non-controllable and FCI just cannot do anything if these rise. Examples of such costs are minimum support price/ procurement price which have increased by almost 20% per annum in the past four years; interest rates for bank credit; rail and road transportation cost etc. Thus, hardly 20% of the costs are amenable to cost reduction by FCI and efforts need to be intensified in increasing labour productivity i.e., handling costs; rationalisation of movement plans to avoid criss-cross movement; reduction in transit and storage losses etc.

Another valid criticism of the PDS is its marginal impact, as far as income transfer to poor households is concerned, with too many or everyone being eligible to draw foodgrains from PDS, the per capita transfer of income is very small. In an study based on National Sample Survey's 42nd round (NSSO, 1990), it has been found that "the value of the subsidy is so little even for those households who make all their purchases of cereals from rationshops. For the bottom 20% of the rural population, the subsidy is no more than Rs. 2.08 per capita per 30 days. With the average family size of 6, the subsidy per family is almost Rs. 12.50 per month. In other words, it is useful to note here, one person day of additional employment per family per month would provide the same income support as provided by the cereals distributed under PDS" (Parikh, 1993).

Most of the above shortcomings flow from the universal nature of the present PDS, with benefit having been thinly spread over all the beneficiaries, be they rich or poor. "While a number of studies have suggested proper targeting of PDS, none of them have discussed the costs and political feasibility of targeting. The administrative costs of targeting have been reported to be high in some developing countries. Many studies have also reported a high percentage of leakages in the event of targeting". (Radhakrishnan & Rao, 1993). The main weakness in PDS i.e. not reaching poor effectively stems from the universality of the PDS coverage. Every household, irrespective of its income, can have an entitlement card and draw foodgrains against it. This in turn leads to low scales per household and first come first served system of delivery. These two combine to allow leakages and diversions on the one hand and "no commitment" syndrome on the part of the poor households on the other. If PDS could be targeted to the poor, a larger proportion of the household's requirement could be met by enhancing the scale and it would also be able to generate a commitment on the part of card holders on the system. Beneficiaries could then be organised and educated. They would then monitor the supplies and sales themselves to ensure that supplies reach the fair price shop in proper quantity and quality and are sold to genuine beneficiaries. The entitled households would also then demand their quota from the FPS owner and would not be turned away by the shopkeeper by saying that whatever quantity had come has been sold away or that the bad quality grains were supplied (in some cases replaced by



unscrupulous vested interest) and beneficiary would find such stocks not worth purchasing at that price. Targeting of PDS to the really needy is, therefore, immediately required and an effective PDS maintained till such time the country has poor, needy households.

### POLICY REFORMS REQUIRED IN PDS

Almost all food-managers, experts and even members of the political executive feel that targeting PDS to poor is a fundamental reform that cannot be deferred for too long. In the study report submitted by the author to the Minister for Civil Supplies (Nawani, N.P., Sept. 1993) not only the targetisation of PDS has been strongly recommended but the way it can be implemented, keeping the twin objectives in mind, that of making PDS an effective safety net for poor and keeping distribution within limits set by domestic procurement and subsidy budget. As an effective PDS will greatly enhance food security for poor households, it is proposed to deal with it in somewhat greater detail. However, before we go on to that, a brief description of some measures already initiated by the Prime Minister (When he was also holding the portfolio of the Minister for Civil Supplies, Consumer Affairs and Public Distribution) in 1992 will be in order.

### REVAMPING OF PDS

With the change of the political executive at the national level in 1991, the present Prime Minister accorded very high priority to the PDS and for quite some time himself looked after the Ministry. It was felt that the really vulnerable areas and people were not getting the desired benefits of PDS due to their disadvantageous geographic location, weak PDS infrastructure and low purchasing power. It was, therefore, decided that PDS should be reoriented for ensuring effective reach to the remotest and the most disadvantaged areas of the country which also had the concentration of poor. Accordingly, around 1750 blocks, composed of tribal, hilly, drought prone and 'decertified' areas, were identified and included in crash programme designated "Revamped PDS" or for short "RPDS". The plan of action included:

- i) A number of new FPS to be opened so that physical access of beneficiaries is improved;
- ii) Special campaign to be mounted by the state governments to cancel the bogus entitlement cards and to issue new cards to households found to be without them;
- iii) To progressively bring more and more FPS under the system of FPS doorstep delivery of PDS commodities;
- iv) Set up vigilance committees of local people with substantial representation of women for each FPS at the village level and also at higher levels;
- v) Improve the supply chain by constructing or hiring small intermediary godowns; and
- vi) Introduce additional commodities through FPS, in these areas.

"An analysis of the implementation of RPDS has shown that during 1992-93, per capita allocation in RPDS areas was higher than other areas and whereas offtake (actual distribution) against allocation was only 73 per cent in other areas it was 91% in RPDS areas. States were also moving towards the norm of 20 kg./family/month. The positive trend that emerges from the analysis is that the PDS, which was predominantly urban till the mid 1980s has now been effectively targeted for the traditionally deficit areas covered by RPDS." (Min. of Civil Supplies etc., 1993).

### TARGETING PDS TO ONLY POOR HOUSEHOLDS

Poverty and associated hunger is a curse and every civilized society endeavours to alleviate extreme manifestations of poverty in their own way. Every country tries to do it-be it an economic giant and torch-bearer of the free markets like USA or a small happy go lucky Jamaica. The underlying policy approach is, however, more or less same and is basically built on 'providing direct assistance to poor households' so that their access to essentials of life like food is improved. The policy could be implemented through an income transfer mechanism like Food Stamps or cash doles (as in USA etc.) or a dual price system (e.g., through a PDS as in India etc.). These mechanisms or their variations, cost money and this has to come from the food subsidy budgets of the country. In India, a country of around 900 million people, of which around one third lived in poverty as per 1986-87 estimates, any programme seeking to achieve such a goal will require vast sums of subsidy and it, therefore, becomes imperative that it is utilised in the most cost effective manner so that it helps poor households to attain adequate levels of food security in the true sense. An important question that arises is whether, in the present scenario, when availability of subsidy is greatly constrained by overall fiscal deficit, can we continue to fritter away whatever amount of food subsidy we can mobilize? Since we simply cannot do this, we just cannot continue with a PDS which consumes none-too-small Rs 30000 million subsidies annually, but allows it to be available to anybody who wishes to draw on it, irrespective of whether he is poor or rich. Besides, the inherent weakness of a universal PDS, as organised now, allows quite a bit of diversion and leakage. Part of the subsidy is, therefore, going to the non-poor and even to the FPS dealers, handling contractors and some state functionaries involved in unscrupulous siphoning off and replacement of commodities. Such wastage of this precious and limited subsidy cannot be allowed any longer, and therefore, there is no alternative but to direct the subsidy to the poor and nobody else. Once this is accepted, the mechanism for achieving such focus can be chosen, depending on the situation prevailing in the country. We will also have to decide whether to create an altogether new mechanism or build upon the four decades old foundation provided by the PDS. It will also be necessary to ensure that the size of the population to be covered should be such that they all can be effectively accommodated under the newly created safety net, the largeness of the net being limited by the physical (government stocks of food grains) and financial (amount available for food subsidy) resources of the country. The present PDS can hardly be described as a safety net. Each and every Indian and also some ghost card holders, presently constitute the unorganized crowd that jostles under the ungainly net, nobody knowing who is able to receive the shelter under it or who, requiring such shelter badly, is being kept out or pushed out. As explained earlier, in this vast country, with millions of poor, we cannot dispense with the net altogether; there is therefore, no option but to mend the net, erect it afresh with only the needy households under it.

### RISING HUNGER AND MALNUTRITION PROBLEM

In other words, a person would have to be earning less than half the minimum wage of Rs 88 (which itself is inadequate) to be considered poor. If universalisation of the PDS is not accepted, those earning less than the minimum wage need to be considered poor.

The concept note assumes without any justification that the nation may not be able to procure the required amount of food grain or bear the cost of a food subsidy. It is therefore proposing to reduce the scale of issue to 25 kg per BPL household, or 5 kg per person. This, despite the Supreme Court ruling that every BPL family shall be given 35 kg, and that no changes shall be effected in any food-related scheme without its permission. This will result in families having to buy 10 kg from the market, paying more for the same amount of food than earlier.

Taking all this into consideration, the Wadhwa Committee recommends that "the income criterion needs to be revisited" and that "estimation of poverty should not be made on a criteria (sic) which is less than the minimum wage fixed by the state for agricultural labourers". Also, that "the government may also consider using calorie intake per person per day as an indicator of poverty".

The People's Health Movement has demanded that every person be given enough food grain to ensure 2,400 calories per day. Moreover, the predominance of cereals and lack of adequate pulses, oil, fruit and vegetables in the diet of most Indians is what is causing high levels of malnutrition among them. We need to find ways to get these items to the populace through the PDS, if malnutrition is to be addressed.

The concept note does not mention the word 'malnutrition' at all; it completely ignores the contentious issue of defining who is poor and how much and what constitutes 'adequate and nutritious food'.

It does not recognize anywhere that entitlements should be linked to levels of malnutrition, if food security is to be achieved. It concentrates wholly on how to reduce the number of BPL families, reduce entitlements, and reduce subsidies. A great way indeed to ensure food security and raise India's position on the World Hunger index!

The survey confirms other recent evidence of substantial improvements in the PDS around the country. In most of the sample States, there have been major initiatives in the recent past to improve the PDS, and it seems these efforts are showing results.

Also of interest are provisional figures on PDS purchases for 2009-10 (the latest "thick round" of the NSS) computed by the National Sample Survey Organization. Starting with the good news, these figures suggest that on average PDS purchases of wheat and rice have more or less doubled between 2004-05 and 2009-10. This, again, is consistent with independent evidence of a revival of the PDS in recent years.

NSS-based estimates of diversion rates, however, remain high. Applying the method described earlier to these provisional figures, the diversion rate for 2009-10 seems to be around 41 per cent. This is 13 percentage points lower than in 2004-05, but still very high. The diversion rates improved (that is, declined) in almost every State, with big improvements in some States: down from 23 per cent to 8 per cent in Andhra Pradesh, from 85 to 47 per cent in Jharkhand, from 76 to 30 per cent in Orissa, and from 52 to 11 per cent in Chhattisgarh. Interestingly, these are four States where the PDS Survey also found evidence of major improvements. In 2009-10, none of India's major States had an estimated diversion rate higher than 75 per cent (the top rate, found in Bihar), in contrast with 2004-05 when as many as eight major States had that distinction. This broad-based improvement is good news, but needless to say diversion rates remain unacceptably high. The question remains how these high diversion rates (41 per cent at the national level) square with the fact that BPL households in the PDS Survey were able to secure 84 per cent of their PDS entitlements. Even if the comparison is restricted to the nine sample States, a similar contrast applies.

There are at least two possible explanations. First, the PDS Survey is more recent: it took place two years after the NSS survey. And as mentioned earlier, there is consistent evidence of steady improvement in the PDS in recent years in many States. However, it is difficult to believe that progress has been so rapid as to explain, on its own, the full contrast between the two surveys. Second, the PDS Survey is restricted to BPL households in rural areas.

### PUBLIC DISTRIBUTION SYSTEM (PDS)

The Public Distribution System is a channel through which government supplies essential commodities at a subsidized price to the consumer so as to stabilize food grain prices and provide food security to the poor and vulnerable. The PDS is not targeted but universal. It is estimated that the cardholders are in a position to save about Rs.400/- a month by purchasing commodities in the Fair Price Shop. In the case of rice alone, Rs.300/- would be saved as the price of ordinary rice in the market varies between Rs.17/- and Rs.30/- per kg. In the State, 1.85 crore ration cardholders are entitled to 20 kgs of rice each month, in addition to one kg of thurdhal, urad dhal and fortified atta along with one litre of palm oil. Nowhere in the country, have the cardholders got rice at one rupee per kg. On an average the monthly off take of rice at the PDS is about 2.9 lakh tonnes. This scheme is popular among the lower and middle class and particularly the cardholders living below poverty line in the State.

TABLE-1: STATUS OF CARDS IN CIRCULATION IN THE STATE AS ON MARCH 2009

Sl.No	Total No. of family Cards in Circulation	200.55 lakhs
1	Rice Cards	84.7%
2	AAY Cards	9.2%
3	Sugar Cards	5.5%
4	No Commodity Cards	0.3%
5	Police Cards	0.3%

Source: PDS Data.

The number of cards in circulation in 2005 was 187.70 lakhs and in 2008 it has increased to 200.28 lakhs recording an average annual growth rate of issuing cards works out to 2.2 percent. The overall annual average addition in a year is 4.19 lakh cards of which rice cards were 3.86 lakhs.

### FOOD SUBSIDY AND SUPPLY OF RICE

The scheme of supply of rice at Rs.2 per kg. has been under implementation in the state from 3.6.2006. There are 1.79 lakh family cardholders eligible to get rice at this subsidized rate. Supply of rice at such a low price in the state has gone a long way in eliminating hunger by enabling highest level of affordability and utilization by the poor. The price of rice supplied in the PDS in Tamil Nadu is much lower than the issue price of rice fixed by the GOI. Therefore, the state Government sanctions subsidy to the TNCSC under the Non-Plan budget. The details of expenditure made towards subsidy during the Tenth Plan are given below:

TABLE-2: FOOD SUBSIDY AND SUPPLY OF RICE

Sl.No	Year	Rice	Sugar	Kersone	Total Subsidy
1	2002-03	1188.38	8.50	43.12	1240.00
2	2003-04	758.39	-	41.61	800.00
3	2004-05	955.96	37.25	41.79	1035.00
4	2005-06	1044.42	109.21	41.37	1200.00
5	2006-07	1728.00	180.00	42.00	1450.00
6	Total	5480.15	334.96	209.89	6025.00

Source: Five year plan, Government of India, New Delhi.

### FAIR PRICE SHOPS

There are at present 28,995 fair price shops serving 1.90 crore families. The problem of providing greater access of the public to the fair price shops has been solved to some extent by liberalizing the norms for opening the shops. 700 The details of fair price shops functioning in Tamil Nadu as on 31.3.2007 are as follows:

TABLE-3: FAIR PRICE SHOPS

Sl.No	Agency	Full Time	Part Time	Total
1	TN Civil Cooperation	1092	65	1157
2	Cooperatives (RCS)	21599	5418	23017
3	Mobile Fair Price Shop	36	0	36
4	Women Fair Price Shop	548	82	630
5	Others	141	14	155
6	Total	23416	5579	28995

Source: Five year plan, Government of India, New Delhi.

The overall average off take of rice for the four year period was 33.44 lakh tonnes. The annual average growth rate in the off take of rice is 4.3 percent which is higher than the growth rate of 2.2 percent in the issue of family cards. An addition of 1.40 lakh tonnes of rice is noticed in the overall off take every year. The fair price shop which is the outlets through which the PDS is carried out in the State has been steadily going up in its numbers. As on January 2009, the total number of fair price shops functioning in the State is 29961, of which 27939 (93.3%) come under the control of the Co-operative department followed by the Tamil Nadu Civil Supplies Corporation Ltd. 1183 shops (3.9%), Women fair price shops numbering 649 (2.2%) and others 177 (0.6%). Among the total, full time shops are 23545 (78.6%) and the remaining 6416 (21.4%) are part time shops.

### FAMILY CARDS

The state has evolved a system of issuing family cards on an option basis whereby all the families, which prefer to draw rice under PDS, have been issued with green color cards and families which want only sugar or do not want any commodity, have been issued with white color cards. White color card holders with

sugar option are eligible for an additional quantity of three Kg of sugar per month. Issue of family cards to eligible families is a continuous Process. The family cards in circulation as on 31.3.2007 are given below:

TABLE-4: FAMILY CARDS

Sl.No	Family Cards	Total
1	Green cards( Rice)	17869509
2	White cards( Sugar)	1031523
3	Kakchi cards( Police Kerosene Only)	40246
4	Non cards( No Commodities)	51928

Source: Five year plan, Government of India, New Delhi.

Public Distribution System a large subsidy each year keeps the system going (see Table below). A close look at the Table would show that the level of food subsidies as a proportion of total Government expenditure has gone up from about 2.5 percent or below at the beginning of the 1990s to about 3 percent towards the end of the decade. One of the issues in the PDS operation has been how to contain the food subsidy within reasonable levels.

TABLE 5: PUBLIC DISTRIBUTION SYSTEM - PROCUREMENT, OFF-TAKE AND STOCKS (Million tones)

Year	Procurement			Off Take			Stocks		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2005-06	26.69	14.79	41.48	25.08	17.17	42.25	13.68	2.01	16.62
2006-07	26.30	9.23	35.53	25.06	11.71	36.77	13.17	4.70	17.93
2007-08	26.29	11.13	37.42	25.22	12.20	37.43	13.84	5.80	19.75
2008-09	32.84	22.69	55.53	24.22	14.88	39.50	21.60	13.43	35.58
2009-10	32.59	25.38	57.98	26.89	21.97	48.86	26.71	16.13	43.36
2010-11	31.13	25.92	56.79	29.80	23.03	52.87	28.82	15.36	46.35
2011-12	7.79	27.88	35.67	2.28	1.68	3.96	25.27	35.88	61.30

Source: Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

TABLE 6: MINIMUM SUPPORT PRICE FOR FOOD GRAINS ACCORDING TO CROP YEAR (FAIR AVERAGE QUALITY) PER QUINTAL

Year	Paddy	Coarse Cereals	Wheat	Gram	Arhar(tur.)	Moong	Urad
2004-05	560	515	640	1425	1390	1410	1410
2005-06	570	525	650	1435	1400	1520	1520
2006-07	580	540	750	1445	1410	1520	1520
2007-08	645	600	1000	1600	1550	1700	1700
2008-09	850	840	1080	1730	2000	2520	2520
2009-10	950	840	1100	1760	2300	2760	2520
2010-11	1000	880	1120	2100	3000	3170	2900
2011-12	1080	980	-	-	3200	3500	3300

Source: Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

## CONCLUSION

Public distribution of food grains was retained as a deliberate social policy by India, when it embarked on the path of a planned economic development. It was, in fact, an important component of the policy of growth with justice. In the first five year plan, the system, which was essentially urban based till then was extended to all such rural areas which suffered from chronic food shortages. It was also decided to have two variations of the system, Statutory Rationing Areas, where food grains availability was. Supposed to be only through the Ration Shops and Non-Statutory Rationing Areas, where such shops would only supplement the open market availability. The system, however, continued to remain an essentially urban oriented activity. The PDS seeks to provide to the beneficiaries two cereals, rice and wheat and four essential commodities viz. sugar, edible oil, soft coke and kerosene oil. However, state governments, which actually manage the system at the ground level, are exhorted to add other essential commodities like pulses, salt, candles, matchboxes, ordinary clothes, school text books/copies and the like. Supply of additional items through PDS is especially relevant in interior areas, which are away from markets and where one or two traditional shopkeepers, who also double up for money-lenders, have the market monopoly. A number of state governments have set up Civil Supplies or Essential Commodities Corporations to buy such additional items directly from the manufacturers and use the existing structure of PDS to arrange for the sale at lower than market rates.

This quantity-rationing food subsidy program has contributed to the upward pressures on food prices and ensured access of food to urban consumers. Yet, the findings of this report suggests that the welfare gains of PDS in terms of income transfer were very meager and the impact on poverty and nutritional status minimal. This paper estimates the gains and costs of PDS, assesses the Indian government's recent moves towards a better targeted PDS, and considers various options for reform.

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