



A Contemporary desk Analysis of Public Distribution System in India, Madhya Pradesh

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Abstract

The Public Distribution System (PDS) plays an important role in the provision of food security. PDS in India facilitates the supply of food grains to the poor at a subsidized price. It also helps to modulate open - market prices for commodities that are distributed through the system. Government accords great importance to the objective of measuring outcomes of PDS so as to ensure that equal distribution system serves up the purpose for which it was set up. The present paper (Attempts a GAP) analyzes of the loopholes in the functioning of agencies like Food Corporation of India & Central Warehousing Corporation engaged in the procurement, transportation, storage and distribution. And suggests remedial measures to make the PDS transparent, efficient and effective without which the vision of food for all cannot be attained in India.

Keywords: PDS, Food-Security, FCI, Madhya Pradesh ,india, analysis

1. Introduction

Food security at the level of each individual child, woman and man is the first requirement for a healthy and productive life. Jawaharlal Nehru had said in 1947, "everything else can wait, but not agriculture". These words are more relevant today than 65 years ago, since our population has grown from 300 to 1,200 million during this period. The vision of food security in developing country like India where corruption is prominent in every sphere of public life can't be fulfilled without the transparent and effective Public Distribution System (PDS) which is a programme of food security that provides a minimum amount of cereals at subsidized prices. Recent data from the 61st round of the National Sample Survey in 2004-2005 establishes that targeting of PDS has led to high rates of exclusion of deprived households from the system and clear worsening of coverage in various States. The concept of Public Distribution System in India appeared during 1942 for the first time in the modern shape as a result of shortage of food grains during World War. Consequently Government started intervention in release of food to the people. This interference of Government in distribution of food grains sustained in major cities, towns and certain other food dearth areas. Infact PDS in India is more than half-a century old as rationing was first introduced in 1939 in Bombay by the British Government as a measure to ensure equitable distribution of food grains to the urban consumers in the face of rising prices. Thus, rationing in times of crisis particularly during famine was the historical ancestor to the national policy of stabilization and management of food grains.

In the face of indistinct inflationary pressures in the economy immediately after Independence, the Government had to reintroduce rationing in 1950. India retained public distribution of food grains as a focused social policy, while it embarked on the path of designed economic development in 1951. In the First Five Year Plan, the scope of distribution system was broadened to make comprehensive to cover all such rural areas which suffered from stable food shortages. Earlier this program was basically urban centric. However, truly speaking food production dropped in 1958, when the Second Plan had just commenced. This factor forced the Government to restart procurement of food grain and cereals and impose control on trading of food grains. It also decided to re-introduce PDS.



2. Background and Rationale for the paper

Security (Food and Human) is one of the major challenges confronting the world today. Food security is inherently interlinked with other current global challenges of economy and climate change. Food security is said to exist when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life (FAO 2009). The most important agenda, in the 12th Five Year Plan would be the implementation of the proposed legislation on food security which provides for food and nutritional security, in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices, for people to live a life with dignity. The poor and vulnerable would constitute the Priority category and others would belong to the General category, leaving out an excluded category of people. The principle of common but differentiated entitlements is proposed in the food security law. Legal entitlements to food-grains are proposed at highly subsidized prices to both Priority and General category, with a differential quantity and prices. Providing legal entitlement to food to people throughout length and breadth of a vast country like India is a challenging task and perhaps the first initiative of such a magnitude.

3. Madhya Pradesh Situation

As per study conducted by the Planning Commission, it has been established that as many as 26 lakh poor families of Madhya Pradesh are deprived from the benefits of Public Distribution System – suppose to be a target based public welfare measure. Today, the biggest challenge before this world's largest ever food scheme i.e. Public Distribution System, is to face and counter the attempts on the parts of Government itself as well as by vested market interests, who are busy in finding ways and means to weaken the scheme with ultimate objective to get it buried.

As per survey conducted by the Planning Commission, 42.43% of population of Madhya Pradesh is living below the poverty line and the numbers of poor families are 47,70,699 who are direct beneficiaries under the Public Distribution System itself. In addition, such beneficiaries are also entitled for subsidized ration under other schemes of the Government.

In Madhya Pradesh, the total number of beneficiaries under the Antodaya Food Scheme are 15.81 lac deprived people, 55.52 hostel students and 49.64 lac poor families. By totaling it up, 60 lakh families in Madhya Pradesh are required to be distributed ration, as per prescribed norms, under the Centrally run Public Distribution System, at the rate of 35 Kgs. of ration per card per family. As such, a total of 25.43 lakh tons of ration is required to be distributed in Madhya Pradesh. However, as against existing 60 lakh beneficiary families, the Government of India is providing ration to State Government sufficient for only for 27.97 lakh families. This means that no ration is being provided for about 60% of beneficiary families and even out of so available ration, about 40% of which is being sold under corrupt practices. **A very recent report of May 2006, submitted by the Planning Commission and a survey agency – ORG Marg**, reveals that although there are 48.74 lakh ration shops for families below the poverty line, but ration is being issued only for 27.97 cardholders. In fact through this study, the Planning Commission made an attempt to prove that remaining card holders are bogus and do not require subsidized ration under Public Distribution System. It may not be out of place to mention here that earlier also, the World Bank, through its studies from time to time, attempted to prove that continuation of PDS is neither useful nor economically viable.

The various analyses, based on public rights, have conclusively established that the expenditure of 42% of State's population is less than Rs. 11/- per day. As such, the obvious conclusion of such analysis is that at least so much of families are just not capable of purchasing wheat at the rate of Rs. 10per Kg. and rice at the rate of Rs. 15/- per Kg., available in the open market. In this given situation, the subsidized ration available from ration shops is the only lifeline for such families. Although, on



the one hand, it is true that more than 50% needs of people living below the poverty line in Madhya Pradesh are being met through public distribution system, but on the other hand, it is also equally true that by adopting impractical approach coupled with pressure from the vested interests of open market, efforts are being made to scuttle this public welfare measure of extreme social and human importance. In the context of Madhya Pradesh, it has been observed that in rural areas, ration shops, on an average, open for only 3 days in a month and even those 3 days are not certain. Therefore, the Government has to ensure that every ration shop remains open throughout the month and instead of ration shops for poor families, there should be Consumer Stores as was the earlier practice. Probing further, it is revealed that the main reason for not opening the ration shops on daily basis is that one group operates as many as 8 ration shops and that too only with one single handed operator/manager for such 8 shops. The reason for this may be due to lower rate of commission for running such ration shops i.e. Rs. 11/- per quintal on rice, Rs. 8/- per quintal on wheat and 24 paise per litre on kerosene. As such, it is not economically viable for such group to appoint separate Managers for each shop. Therefore, to make running of ration shops economically viable and profitable, unless there is at least 4 times increase over the rates of commission, it may not be possible to run such ration shops with honesty and without indulging into any mal-practice.

Further, about 66% of villages are still out of network of ration shops and that is why people of about 37,000 villages still had to travel between 3 and 20 kilometers to fetch their ration. Thus, there is absolute need to increase the number of ration shops.

4. Concept of Public Distribution System

PDS is a system whereby accessibility of vital supplies is assured within easy reach of the consumers in every corner and bend of the country. This is a transaction system where food grain, sugar, and other necessary items like kerosene oil and edible oil etc. are made available to the people of the state at reasonable price to meet their minimum needs. Regular and timely availability of supplies is assured through close monitoring system to make PDS an effective instrument against various forces in the open market and to keep under check the inflator tendencies. Certain supply on fixed and reasonable prices also keeps in control the changeable trends of market due to vagaries of whether and subsequent changing prospects of crops. It serves as a steady stable check on market forces and work as an effective stabilizing factor. PDS also serves as an effective tool of social welfare and directly contributes to the development of rural population at large and the poorest of the poor in particular who can't afford to buy necessary and essential items from open market. PDS also serves as an instrument of rural development especially in far – flung and inaccessible areas.

For the sake of clarity, the history of PDS in India can be into four phases. The first phase was from its origins to 1960, a period when the system was extended to other cities. During this phase, distribution through PDS was usually dependent on imports of food grain. The second phase, from 1960 to 1978, was one which proverb major organizational changes. Specifically, in response to the food crisis of the mid- 1960s, the government of India took a holistic approach to food security, procurement and storage. The third phase, from 1978 to 1991, was marked by large-scale growth of the PDS, supported by domestic procurement and stocks. The fourth phase, from 1991 to the present, is one in which the policy of universal PDS has been replaced by a targeted policy in line with the objectives of economic liberalization. Thus, over the entire period, the PDS grew from a rationing scheme in selected cities to a national universal programme of food distribution and then to a policy targeted at the income-poor.

5. Central Warehousing Corporations (CWC)

The policy purpose is to produce available storage ability necessary for (i) buffer and ready stock of food grains to supply to the Public Distribution System and (ii) General Warehousing. The attempt is to update storage ability and to decrease dependence on the capacity under Cover and Plinth (CAP).



There are three agencies in the public sector which are engaged in building large scale storage/warehousing capacity, namely, Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and 17 State Warehousing Corporations (SWCs). While the ability accessible with FCI is used mainly for storage of food grains, but CWC and SWCs is used for storage of food grains and also other notified commodities. The Warehousing (Development and Regulation) Act 2007 was enacted and notified in September 2007.

The Act ensures that the farmers are able to keep their goods in certified warehouses and use warehouses receipt as a negotiable instrument. With the full execution of this Act, farmers would find it easy to take loans from commercial banks against negotiable warehouse receipts and not resort to distress sales to take care of their urgent cash needs. The Act has since been given effect to in September, 2010. A regulatory Authority namely Warehousing Development & Regulatory Authority (WDRA) has been set up on 26.10.2010 under the Act to register and regulate warehouses issuing negotiable warehouse receipts and to implement other Provision of the Act.

6. Food Procurement Policy

The stockpile of food grains available with the government agencies as on 1 July 2002 was 63.01 million tonnes (mt) — (21.94 mt of rice and 41.07 mt of wheat). This was well above the prescribed buffer stock norms. While the changing demand patterns is one reason for the buildup of surplus food grains, another factor is the propensity of consecutive governments to fix minimum support prices (MSP) for paddy and wheat in excess of the levels prescribed by the Commission for Agricultural Costs and Prices (CACP).

While this has given the farmers an incentive to produce more but it has raised the market prices and reduced the demand for cereals. Studies conducted at the National New Delhi, show that fixing of procurement prices at various levels, higher than the CACP's recommendations has led to the procurement of an additional quantity of 12.8 mt of wheat and 3.4 mt of rice (George 2010). These points to the need to strictly adhere to the recommendations of the CACP. A realistic MSP will help in promoting the diversification of cropping patterns. The system of MSP served the country well in the past three and a half decades but has started encountering certain problems in recent years. This is because the agricultural production scenario has undergone significant changes over the past four years.

Many states, including formerly deficit states like Bihar, Assam and Uttar Pradesh, have reported surpluses of several agricultural commodities, especially cereals and this trend is likely to continue in the coming years as well. The average production of food grains, which was 187 mt during the Eighth Five Year Plan, is expected to have increased to 205 mt in the Ninth Five Year Plan (Revallion 2009). Thus, the increase in average total food production is in excess of the total food grains requirements of around 196 mt at the end of the Ninth Plan as worked out on the basis of normative approach.. The food grains has to be procure at the Minimum Support Price (MSP) fixed by the Government. The MSP for Common and Grade 'A' paddy was fixed at Rs 1000/- and Rs 1030/- per quintal respectively for the 2010-11 Kharif Marketing Season (October, 2010- September, 2011). The MSP of wheat was fixed at Rs1100/- per quintal for the Rabi Marketing Season 2010-11. The comparative MSP of wheat and paddy since 2004-2005 to 2010-2012 (marketing seasons) is given in table no. 2.

7. Transportation and Storage

Transportation and storage from procurement centre to the regional depots is the responsibility of FCI. Transportation is generally arranged through private contractors. Lifting of grains from the regional depots to the issue centre is mainly the responsibility of the Civil Supplies Corporation of the state government. From the issue centre to FPSs it is the responsibility of FPSs, except in state of Andhra Pradesh where the state government provides transportations. Proper storage of such large stocks is an



important aspect of Public Distribution System (PDS). The main goal is to keep the cost down and to prevent deterioration in stocks. Various agencies are engaged in this process. But there is chances of corruption during the transportation as a case came into existence in Ambala district of Haryana state .A truck having 200 KT. wheat as a part of Antyodaya Anna Yojna scheme under PDS was taking it in the open market to be sold was captured by the police. Hence there is possibility of corruption in PDS, if the transportation system is hired from private agencies.

8. Problems

The problems of Public Distribution System have not been uniform in the country. In some states the administration is weak and corrupt. In these states deficiencies regarding huge shortage of stocks, fake supply entries in ration cards, diversion of commodities for sale to open market and bogus ration cards are noted. PDS suffers from irregular and poor quality of food grain made available through Fair Price Shops (FPS). The position in rural areas in this respect is much worse than urban areas .The PDS in rural areas has not been given much attention. Most of the FPSs are economically non-viable, which is the main reason for the low rate of commission. The storage facilities in India are not sufficient to cope with the problems.

There is also a possibility of corruption at local level. The procurement system in India is not uniform. The distribution system of essential commodities is so meager that it can hardly suffice the need of a family. And even for this the consumers have to make repeated visits to the ration shops in their respective areas. Most of the times they come back empty handed with assurance that ration would be made available to them in the next week.

9. Policy and Procedural Suggestions

The following reforms may help in improving the situation confronted with PDS in India and ease of use for the poor:

Presently, there is no clear policy for the identification of BPL families and sometimes fake BPL cards are made by the bureaucrats by involving the local key influencers.

- 1) The PDS is not equipped with the proper storage and transportation facilities. There are various private agencies engaged in the process of transportation. Besides, the FCI and SFCs do not have proper storage facilities. The government should provide transportation to depot holder for taking ration from the district/ regional stores to the FPSs so that there can be check on the corrupt practices while transportation. The state government should construct more storage godowns with the involvement of local bodies.
- 2) It has been found in many states that ration cards are being mortgaged to ration shop owners and the beneficiaries are not aware about their rights. It is suggested that there should clear cut policy regarding ration cards. All card holders must be motivated and should be made aware about their rights. A penalty should be imposed on such owners who are involved in such activities.
- 3) In most of the states the FPSs are equipped with wheat and rice items only. There is non availability of other essential products on FPSs. It is suggested that the dealers should be encouraged to make their shop a multi-product shop so that the customers can be satisfied under a single roof.

10. Conclusion

To sum up, technical and policy reforms should be sure. Banking and Information Technologies should permit governments to bring transparency and pace in all applications without extra expenses. In addition, computerization can help in modernizing the PDS. A number of states are already



innovating in PDS execution, and improved performance can be seen in some cases. Although the introduction of modern tools such as smart cards may not be a panacea for all the evils, it can solve many of the problems particularly that of pilferage and spurious beneficiaries. They are like low hanging fruits which can be picked up easily.

Table: 1 Storage Capacity with FCI

Capacity	1st Apr. 2005	1st Apr. 2006	1st Apr. 2007	1st Apr. 2008	1st Apr. 2009	1st Apr. 2010	1st Apr. 2011	1st Apr. 2012
Covered								
Owned	12.91	12.93	12.94	12.95	12.97	12.97	12.99	13.01
Hired	10.46	09.90	09.34	08.71	10.12	12.89	15.46	17.21
Total	23.37	22.83	22.28	21.66	23.09	25.86	28.45	30.22
CAP (Cover and Plinth)								
Owned	2.25	2.21	2.29	2.20	2.17	2.51	2.62	2.63
Hired	0.41	0.51	0.63	0.03	0.02	0.47	0.54	0.75
Total	2.66	2.72	2.92	2.23	2.19	2.98	3.16	3.38
Grand Total	27.03	25.55	25.20	23.89	25.28	28.84	31.61	33.60

Figures in Million Tonnes



Table no. 2 procurement of wheat for last 5 years

PROCUREMENT OF WHEAT FOR CENTRAL POOL DURING LAST 5 YEARS (MARKETING YEAR-WISE)

[Figs. in lakh tonnes]

Sl. No.	STATES/UTs	2007-08			FCI Share %	2008-09			FCI Share %	2009-10			FCI Share %	2010-11			FCI Share %	2011-12			FCI Share %
		F.C.I.	State Agency	Total		F.C.I.	State Agency	Total		F.C.I.	State Agency	Total		F.C.I.	State Agency	Total		F.C.I.	State Agency	Total	
1	Punjab	7.26	60.54	67.80	10.71	10.74	88.67	99.41	10.80	17.18	90.07	107.25	16.02	16.54	85.55	102.09	16.20	16.64	92.93	109.58	15.19
2	Haryana	3.50	30.00	33.50	10.45	7.85	44.52	52.37	14.99	9.31	59.93	69.24	13.45	9.58	53.90	63.47	15.09	8.27	61.01	69.28	11.93
3	UP	1.32	4.14	5.46	24.18	12.16	19.22	31.38	38.75	4.69	34.13	38.82	12.08	0.25	16.21	16.45	1.50	0.72	33.89	34.61	2.09
4	M.P.	0.06	0.51	0.57	10.53	8.38	15.72	24.10	34.77	3.07	16.61	19.68	15.60	2.40	32.99	35.38	6.78	-	49.65	49.65	-
5	Bihar		0.08	0.08	-	1.36	3.64	5.00	27.20	1.50	3.47	4.97	30.18	0.31	1.52	1.83	16.95	0.54	5.02	5.56	9.77
6	Rajasthan	3.26	0.58	3.84	84.90	7.83	1.52	9.35	83.74	11.52		11.52	100.00	4.76	-	4.76	100.00	13.03	-	13.03	100.00
7	Uttarakhand		0.02	0.02	-	0.36	0.49	0.85	42.35	0.47	0.98	1.45	32.41	0.18	0.69	0.86	20.49	0.06	0.36	0.42	14.43
8	Chandigarh				0.10		0.10		100.00	0.12		0.12	100.00	0.09	-	0.09	100.00	0.07	-	0.07	100.00
9	Delhi	0.01		0.01	100.00	0.06		0.06	100.00	-		-		0.10	-	0.10	100.00	0.08	-	0.08	100.00
10	Gujarat					4.01	0.13	4.14	96.86		0.75	0.75	-	-	0.01	0.01	-	0.32	0.73	1.05	30.22
11	Jharkhand				0.02	-	0.02		100.00			-		Neg.	-	Neg.	-	-	-	-	-
12	Maharashtra					0.10	0.10		-	-		-	-	-	-	-	-	-	-	-	-
13	H.P.									0.01		0.01	100.00	Neg.	-	Neg.		-	-	-	
14	J&K					0.01		0.01	100.00	0.01		0.01	100.00	-	-	-		-	-	-	
15	West Bengal													-	0.09	0.09		-	-	-	
	TOTAL	15.41	95.87	111.28	13.85	52.88	174.01	226.89	23.31	47.88	205.94	253.82	18.86	34.19	190.94	225.13	15.19	39.74	243.60	283.34	14.02

{10.111.109.2}show[PROCUREMENT]Wheat/wheat procurement statistics[Wheat procured during last five years agency wise.xls



Annexure:- 1

Public Distribution System in Madhya Pradesh

- Total No. of BPL Families in MP 49.64 Lac
- Destitute 36.01 Thousand

- Hostel beneficiaries 55.52 Thousand
- Expended AAY Scheme beneficiaries 10 Lac
(No. of beneficiaries of AAY constantly changing)
- Total beneficiaries of PDS 60.5553 Lac Approx.

Network of PDS Shops in MP

- Total Ration Shops in the state 18688
- Ration shops in Urban area 3317
- Ration shops in Rural area 15371
- MahilaUpbhoktaBhandar 744

Access to the Ration shops

- Within the distance of 3 KM. 37946 (82.16 %)
- Within the distance of 3 to 5 KM 6093 (13.19%)
- Within the distance of 5 to 10 KM 1092 (4.10 %)
- Distance more than 10 KM 252 (0.05%)

Access to the villages

- Total No. of Villages 52146
- No. of Villages covered under PDS 46013
- No. of Villages not covered under PDS 6043
- No. of days Ration shops open in rural areas 3 to 4 days

Requirement, Allocation and distribution of Ration

- Total requirement of Grain or Ration / Year 25.43 Lac ton
(Equation: Total no. of beneficiaries X 35Kg per month X 12 months)

- Actual received quantity in the year 2004 2.48 Lac ton

- Difference in requirement and allocation 12.95 Lac ton

- Difference in 51



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