



ROLE AND EFFECTIVENESS OF PUBLIC DISTRIBUTION SYSTEM IN PROVIDING FOOD SECURITY IN INDIA

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Abstract

The issue of food security is pivotal to the sustenance and growth of any economy. Food security stands as a fundamental need, basic to all human needs and the organization of social life. It is the assurance of access to adequate nutrition, either through direct effort or exchange at acceptable prices. Food security for a country means sufficient quantity of essential commodities produced, stored properly and made available to all of the people, especially the under privileged sections. This paper describes the close linkages existing between food security and Public Distribution system (PDS), socio-economic development, rural health, human rights and improving human development indicators in the developing country like India. This paper reviews status of public distribution system and its relationship with the problem of food security and poverty incidence among the states of India. Poverty indices for all the states in India are calculated then it appears that the PDS is widely accessible to the households in the region.

Key words: *Public Distribution System (PDS), Food Corporation of India and Food security.*

Introduction

The Public Distribution System, which dates back to before Indian independence, was originally conceived as an instrument for protecting consumers from food shortages, and producers from price fluctuations. It was initially localized only in a few urban centers, but in the 1980s its reach widened, and it gradually assumed the features of a poverty alleviation program, with the specific proclaimed task of providing food security to vulnerable households. Rice and wheat are by far the two most important staples provided by the PDS. The central Government, through a series of specific institutions and committees, decides the procurement price (the price paid to producers and millers for the quantities they have to supply to the central pool), the amounts that each state must procure, and those that each state is entitled to lift from the pool. Each state, instead, independently decides actual procurement mechanisms, and it has the option to offer higher procurement prices and/or allowing a lower retail price. For a very long time each state was also allowed to decide on targeting policies, that is about the rules for the distribution to the beneficiaries. The fact that important aspects of the PDS management are left to the discretion of the states has led to important differences in the way the system works across states. In most cases the quantities of staples made available by the system are negligible, the subsidy very small, and until recently most states did not implement any effective targeting scheme, so that richer households were allowed to benefit from the system as much as, or more than, the poor.

To face the growing dissatisfaction with the system, in June 1997 the Indian government replaced the PDS with the Targeted Public Distribution System (TPDS). In this new system rice and wheat are offered at low prices only to households whose income, land-holding and other assets are below specified thresholds.

Even before the introduction of the TPDS, a targeted and relatively important distribution system was already present in Andhra Pradesh. In 1983, Andhra Pradesh implemented what became known as the 2 Rupees per Kilogram program. A special ration card was distributed to the beneficiaries, and entitlement was based on a means test. To be eligible it was necessary to have an annual family income below Rs 6000 or land ownership below certain thresholds. The means test, though, has never been strictly enforced. The ration card entitled every member of the family to buy 5 kilograms of rice per month, with a ceiling of 25 kilograms per family per month. At the end of January 1992, after a political turnover, the rice scheme became less generous. The subsidized price

almost doubled to 3.5 Rs per kilogram and the ceiling per family was reduced to 20 kilograms per family. This is the change that we exploit to identify how the implicit subsidy offered by the system affects child anthropometry.

Objectives of the Study

1. To examine various laws and regulations governing food security.
2. To analyse changes brought by National Food Security Act in Public distribution system.

Methodology

The data for the present study is collected purely from secondary sources. The data was collected from various governmental reports, statistical abstracts, articles, books etc.

Role of PDS in Ensuring Food Security

It is a joint responsibility of Central Government, State Government and Union Territory Administration to ensure the smooth functioning of the public distribution system. While the responsibility of the Central Government is to procure, store and transport it from purchase points to Central godowns, the responsibility of State Government and Union Territory Administrations is to lift these commodities from the central go-downs and distribute them to consumers through the network of Fair Price Shops. Food Corporation of India (FCI) procures and distributes food grains, to provide subsidized food to the poor, to mitigate regional inequalities through moving the food surplus to deficit areas and to stabilize agricultural prices. The universal coverage of the PDS was replaced by the Targeted Public Distribution (TPDS) in 1997 in order to achieve the objective of food security through sale of foodgrains to APL householders at economic cost and confirming the food subsidy bill toward the identified BPL families whose number crossed 97 million families in 2007 (Govt. of India, 2007).

Laws and Regulations Governing Targeted Public Distribution System (TPDS)

PDS has evolved from the late 1930s into its current form. Table 1 traces the developments related to TPDS since its introduction and the various laws and regulations that govern its implementation.

Table 1, Timeline of PDS: 1930s to present

Evolution of PDS	Timeline	Details
PDS	1940s	Launched as general entitlement scheme
TPDS	1997	PDS was revamped to target poor households
Antyodaya Anna Yojana	2000	Scheme launched to target the 'poorest of the poor'
PDS Control Order	2001	Government notified this Order to administer TPDS
PUCL v/s. Union of India	2001	Ongoing case in Supreme Court contending that "right to food" is a fundamental right
National Food Security Act	2013	Act to provide legal right to food to the poor

Source: Sakshi Balani "Functioning of the Public Distribution System an Analytical Report, December 2013, p.2.

Essential Commodities Act and PDS (Control) Order

TPDS is administered under the Public Distribution System (Control) Order 2001, notified under the Essential Commodities Act, 1955 (ECA). The ECA regulates the production, supply, and distribution of essential commodities including edible oils, food crops such as wheat, rice, and sugar, among others. It regulates prices, cultivation and distribution of essential commodities.

The PDS (Control) Order, 2001 specifies the framework for the implementation of TPDS. It highlights key aspects of the scheme including the method of identification of beneficiaries, the issue of food grains, and the mechanism for distribution of food grains from the centre to states.

PUCL vs. Union of India, 2001

In 2001, the People's Union for Civil Liberties (PUCL) filed a writ petition in the Supreme Court contending that the "right to food" is essential to the right to life as provided in Article 21 of the Constitution. During the ongoing litigation, the Court has issued several interim orders, including the implementation of eight central schemes as legal entitlements. These include PDS, Antyodaya Anna Yojana (AAY), the Mid-Day Meal Scheme, and Integrated Child Development Services (ICDS). In 2008, the Court ordered that Below Poverty Line (BPL) families be entitled to 35 kg of food grains per month at subsidised prices.

National Food Security Act, 2013

During September 2013, Parliament passed the National Food Security Act (NFSA), 2013. The NFSA seeks to make the right to food a legal entitlement by providing subsidised food grains to nearly two-thirds of the population. The Act relies on the existing Targeted Public Distribution System (TPDS) mechanism to deliver these entitlements.

The National Food Security Act gives statutory backing to the TPDS. 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 TPDS:

The government launched TPDS in order to target food grains entitlements to poor households. Therefore, identification and classification of beneficiaries is crucial to fulfill the goals of the scheme.

Categorization of Beneficiaries

APL and BPL

Under TPDS, beneficiaries were divided into two categories:

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

BPL beneficiaries that are currently covered under TPDS were identified through a detailed process when TPDS was initially launched. The Planning Commission calculated state-wise estimates of the total number of BPL beneficiaries that would be covered under TPDS. 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. 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 TPDS

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 TPDS. Table 2 indicates the entitlements across categories.

Table 2, Number of Beneficiaries and Entitlements

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

Sources: Unstirred Question No. 256, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on February 26, 2013; Department of Food and Public Distribution; PRS.

Process for identification of eligible households

The centre and states identify eligible BPL households through a detailed process, as seen in Table 3.

Table 3, Process for identification of BPL families

Authority	Role	Details
National Sample Survey Organisation	Conducts sample survey of consumer expenditure every five years	Consumer expenditure is the expenditure of a household on some basic goods and services. The expenditure on this basket of goods is the basis for the poverty line
Planning Commission	Estimates state-wise poverty, i.e., the number of people below the poverty line	Uses NSSO household expenditure data
Central government	Allocates food grains to each state based on state-wise poverty estimates of Planning Commission and population projections of the Registrar General of India as of March 2000	The number of BPL families has been calculated using 1993-94 poverty estimates by Planning Commission. This number has not been revised despite the release of new poverty estimates by the Planning Commission in 2004-05 and 2011 -12
Ministry of Rural Development	Comes out with criteria for inclusion and exclusion from BPL list as part of its BPL Census	Criteria for classification of BPL families, as per BPL Census 2002, include parameters like size of land holding, clothing owned, food security, means of livelihood etc.
State governments	Identify eligible households	Based on above criteria

Sources: Department of Food and Public Distribution; Planning Commission; Ministry of Rural Development; PRS.

The government does not identify APL households; therefore, any household above the poverty line is eligible to apply for a ration card. The centre allocates food grains to states for APL families in addition to BPL families; however, this allocation is based on availability of food grains in the central stocks and the average quantity of food grains bought by states from the centre over the last three years. Hence, the allocation to a state increases if its off take increases over the previous years.

Table 4 depicts the change in poverty since 1993, as estimated by the Planning Commission. According to the data, the percentage of the total rural and urban population that is poor has declined by 23.4 percentage points from 1993-1994 to 2011-2012. This implies that the number of poor households in the country eligible for assistance as BPL families would have come down. However, the government did not reduce the estimated number of BPL households and continues to provide BPL allocations based on 1993-94 poverty estimates.

Table-4, National percentage poverty estimates (1993 - 2012)

Year	Rural	Urban	Total
1993 - 94	50.1	31.8	45.3
2004-05	41.8	25.7	37.2
2011-12	25.7	13.7	21.9

Sources: Review of Expert Group to Review the Methodology for Estimation of Poverty, Planning Commission, 2009; Press Note on Poverty Estimates, 2011 - 12, Planning Commission, 2013; PRS.

Rising Food Subsidy

The food subsidy, the difference between the cost of procuring food grains and the price at which they are issued to beneficiaries under TPDS, is borne by the central government. The food subsidy has increased over the years, having more than quadrupled from Rs 21,200 crore in 2002-03 to Rs 85,000 crore in 2012-13. The factors that contribute to the rising food subsidy are: (i) record procurements in recent years, as discussed above, (ii) increasing costs of buying (at MSP) and handling food grains, and (iii) a stagnant CIP.

The cost of handling food grains (MSP and other costs) has increased due to rising costs of production and increasing costs for handling and distributing food grains. The cost of producing rice and wheat has gone up primarily due to sharply rising input costs such as labour and energy costs, including fertilisers. Costs of handling food grains or procurement incidentals, which include cost of gunny bags, and charges to state governments for storage and interest, etc., have also been increasing. In addition, since procurement is concentrated in a few states, the cost of distributing these food grains to other states has also increased. These combined factors contribute to the rising costs of procurement and ultimately add to the food subsidy bill. In contrast, the CIP of cereals (the price at which food grains are sold to beneficiaries under TPDS) such as rice and wheat have remained constant since 2002. The widening difference between the rising cost of procuring and handling food grains and the constant issue price has been a major factor for the rising food subsidy.

Change in Food Subsidy with Implementation of the Act

Food subsidy is likely to increase initially as the new Act is implemented, and rise steadily thereafter. The initial increase will be due to a rise in per kg subsidy as the average issue prices under the new Act are lower than the current level. The subsequent growth will be driven by two factors. Since, the proportion of the population covered is constant; the number of eligible beneficiaries will increase with the population growth. This will result in an increase in the quantity of food grains to be procured. Second, the MSP will tend to rise with inflation in input prices; if the issue prices are not revised upward, the subsidy per kg of grains will increase.

Food subsidy, as a percentage of GDP, has increased from 0.5% in 2007-08 to 0.8% in 2012-13. The rising food subsidy is due to the constant CIP of food grains and an increasing MSP. In real terms, the subsidy per person has increased over this duration.

Cost Estimates of Implementing the Act

When the Bill was introduced in Parliament in 2011, the government estimated the annual cost of implementation at about Rs 95,000 crore. In its representation to the Standing Committee, the central government estimated that the actual expenditure or the food subsidy would be closer to Rs 1,12,000 crore. However, other experts such as the CACP have estimated an expenditure of about Rs 6 lakh crore for the next three years. The Food Ministry has been reported saying that the total cost of implementation will be Rs 1.26 lakh crore. Table 10 compares cost estimates by various experts.

Table 5, Cost Estimates of Implementing the National Food Security Act, 2013

National Food Security Act, 2013	Commission for Agricultural Costs and Prices
95,000 - 1,26,000	2,41,263 - 2,17,485

Sources: National Food Security Act, 2013; Standing Committee on Food, Consumer Affairs and Public Distribution; Commission for Agricultural Costs and Prices; PRS.

Shortfall in storage capacity with FCI against the central pool stock

After obligations under TPDS have been met, the food grains that have been procured need to be stored as a buffer stock. The government also aims to create storage capacity for procured food grains in procuring states and transfers food grains from surplus regions to deficit regions. While there has been a sharp hike in procurement from 19.6 million tons in 2008 to 82.0 million tons in 2012, FCI's storage capacity (both owned and hired) has not increased commensurate to the growth in procurement. In its report, the CAG found that from 2008-09 onwards, due to the increase in procurement of food grains, there was a severe strain on storage capacity available in the country for the central pool stock.

Changes in TPDS with Food Security Act, 2013

The National Food Security Act, 2013 seeks to make the right to food a statutory right. The Act implements some key changes to the existing TPDS, as can be seen in Table 6.

Table 6, Comparison of existing TPDS with the National Food Security Act

Provision	Current TPDS	National Food Security Act 2013
Implication for 'right to food'	Set up under administrative order; no legal backing	Provides statutory backing for right to food
Coverage	90.2 crore beneficiaries = 18.04 crore families x 5 (average no. of members in a family)	Up to 75% of rural and up to 50% of urban population, about 81.34 crore beneficiaries
Categories	MY, BPL, and APL	AAY, priority, and excluded
Entitlements per category	BPL and AAY: 35 kg/family/month APL: 15 - 35 kg/family/month	Priority: 5 kg/Person/month AAY: 35 kg/family/month
Prices of food- grains	AAY: Rs 3/kg for rice, Rs 2/kg for wheat, and Re 1/kg for coarse grains Other categories: differs across states	All categories: Rs 3/kg for rice, Rs 2/kg for wheat, and Re 1/kg for coarse grains
Identification of beneficiaries	Centre: releases state-wise estimates of population to be covered under TPDS creates criteria for identification States: Identify eligible households	Centre: releases state-wise estimates of population to be covered under Act States: create criteria for identification identify eligible households
Centre-state responsibility	Centre: procurement: state-wise allocation; transport of grains up to state depots; storage States: delivery of grains from state depots to ration shop to beneficiary	Same as current system with some additions Centre: provides food security allowance to states to pass on to beneficiaries Centre and states: not responsible for failure to supply food grains during force majeure conditions, e.g., war, flood, drought
Grievance redressal mechanism	State governments responsible for ensuring monitoring; vigilance committees to be set up at state, district, block and ration shop levels	Appoints district grievance redressal officers; establishes State Food Commissions; and vigilance committees at state, district, block and ration shop levels

Sources: PDS (Control) Order, 2001; National Food Security Act, 2013; PRS.



Conclusion

The need to improve implementation of TPDS is generally acknowledged. MS Swaminathan, a well-known agricultural economist in India, suggests that food security is based on continuous reform of PDS, effective storage of food grains and a sustained effort to increase agricultural productivity. The challenges to global food security continue to increase with rise in demand, protectionism and market volatility. The criticisms of TPDS include the exclusion of a large number of deserving households due to problems associated with identification. This program aims to cover the entire food supply chain under PDS including Food Corporation of India (FCI), State Civil Supplies Corporation, State Warehousing Corporation and Lead societies. Improving agricultural productivity would improve food security. Most states are net importers of foodgrains. Moreover, agriculture is widely considered to be a part of life rather than an economic undertaking – the continued use of traditional techniques has also resulted in lower productivity.

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