

# Organization and Working of Public Distribution System in India: A Critical Analysis

Brij Pal<sup>1\*</sup>

1. Department of Public Administration, S. A. Jain College, Ambala City 134003, Haryana, India

\* E-mail of the corresponding author: drbrijpal@yahoo.com

## 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 critically analyzes the organizational structure and their 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

## 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 & 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 programme 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. 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 not 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.

### **3. Organization and Working**

For the proper management and distribution of food grains the government of India has created Ministry of Consumer Affairs, Food and Public Distribution. The ministry has been divided into two departments namely Department of Food and Public Distribution and Department of Consumer Affairs. The department of food and public distribution is again divided into two parts for the purchase and storage of food grain.

#### *3.1 Food Corporation of India (FCI)*

FCI was setup on 14th January 1965 having its headquarters at Chennai under the Food Corporations Act 1964 to implement the following objectives of the National Food Policy:

- Efficient price support operations for conservation the interests of the farmers.
- Distribution of food grains throughout the country for Public Distribution System and
- Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security.

FCI is the largest corporation in India and probably the largest supply chain management in Asia. It operates through 5 zonal offices and 26 regional offices. Each year, the Food Corporation of India purchases roughly 15-20 per cent of India's wheat output and 12-15 per cent of its rice output (Singh & Sen 2011). The purchases are made from the farmers at the rates declared by the Govt. of India. This rate is called as MSP (Minimum support Price). There is no limit for procurement in terms of volume; any quantity can be procured by FCI provided the stock satisfies FAQ (Fair Average Quality) specifications with respect to FCI. The stocks are elated through all India and issued to the State Government nominees at the rates affirmed by the Government of India for further distribution under the PDS for the use of the ration card holders. FCI itself does not directly deal out any stock under PDS and its operation end at the way out of the stock from its depots. The difference between the purchase price and sale price, along with internal costs, are reimbursed by the Union Government in the form of Food Subsidy. At present the annual subsidy is around \$10 billion (Sud 2011). FCI by itself is not a Decision making authority; it does not

decide anything about the MSP, imports or exports. It just implements the decisions made by the Ministry of Food and Ministry of Agriculture.

### *3.2 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.

## **4. 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 2010-2011 (marketing seasons) is given in table no. 2..

## **5. 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.

## 6. 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.

## 7. 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, the BPL cardholder is identified by the local bureaucracy with the help of Gram Panchayat and there is no involvement of Gram Sabha in this process. There is no clear policy for the identification of BPL families and sometimes fake BPL cards are made by the bureaucrats by involving the Sarpanches/ Panches. The bureaucrats should involve the GS in the selection of BPL card and the list of the BPL families should be passed in the meetings of the GS.
- 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.
- 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.
- 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.

## 8. 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.

### References

- Bandyopadhyay (1997), "Food Security and Liberalization", *New Age* **45**(1), 8.
- Choudhry, R.C. & Rajakutty (1998), "Five Years of Rural Development in India: Retrospect and Prospect", NIRD Hyderabad, 28.
- Dantwala, M.L. (1993), "Agricultural Policy: Prices and Public Distribution System: A Review", *Indian Journal of Agricultural Economics* **48**(2), 173.
- Div, S. Mahendra (1996), "Food security: PDS Vs. EGS – A tale of two States", *Economic and Political Weekly* **31**(27), 1752.
- Geetha, S. & Suryanarayana, H. (1993), "Revamping PDS: Some Issues and Implications", *Economic and Political Weekly* **28**(41), 2207.
- George, P. S. (2010), "Public Distribution System, Food Subsidy and Production Incentives", *Economic and Political Weekly* **34**(49), 140..
- Howes, Stephen & Jha, Shikha (1992), "Urban Bias in Indian Public Distribution-System", *Economic & Political Weekly* **27**(19), 1022-30.
- Jena, A.C. (1996), "Public Distribution System and Involvement of Panchayat Raj Institutions", *Kurukshetra* **45**(1&2), 114.
- Ravallion, M. (2009), "How Relevant is targeting to the success of an Antipoverty Program", *The World Bank Research Observer* **24**(2), 205-231.
- Singh, Himanshu & Abhijit, Sen (2011), "Why Not a Universal Food Security Legislation", *Economic & Political Weekly* **46**(12), 16.
- Sud, Surinder (2011), "PDS Subsidy increase at a higher rate for APL category", *Business Standard*, 6.

### About Author

**DR. BRIJ PAL (RO'02-APS'04-AP'08)**. The author became Research Officer (RO) in 2002 at the Institute of Integrated Himalyan Studies (University Grants Commission Center of Excellence) Himachal Pradesh University, Shimla, India, Additional Private Secretary to Minister of Law & Justice, Government of India in 2004 and Assistant Professor & Head Department of Public Administration in 2008 at S. A. Jain College, Ambala City, Haryana, India. The author obtained his Post Graduate and Doctor of Philosophy Degree in Public Administration and awarded University Research Fellowship from Kurukshetra University, Kurukshetra, Haryana, India. Besides, he got LLB Degree from Chaudhary Charan Singh University, Meerut, Uttar Pradesh, India. The major fields of studies are Rural Development, Indian Administration and Contemporary Social Problems.

Table-1 Storage Capacity with FCI

Figures in Million Tonnes								
Capacity	1st Apr. 2004	1st Apr. 2005	1st Apr. 2006	1st Apr. 2007	1st Apr. 2008	1st Apr. 2009	1st Apr. 2010	1st Apr. 2011
<b>Covered</b>								
<b>Owned</b>	12.82	12.91	12.93	12.94	12.95	12.97	12.97	12.99
<b>Hired</b>	10.85	10.46	09.90	09.34	08.71	10.12	12.89	15.46
<b>Total</b>	<b>23.67</b>	<b>23.37</b>	<b>22.83</b>	<b>22.28</b>	<b>21.66</b>	<b>23.09</b>	<b>25.86</b>	<b>28.45</b>
<b>CAP ( Cover and Plinth)</b>								
<b>Owned</b>	2.21	2.25	2.21	2.29	2.20	2.17	2.51	2.62
<b>Hired</b>	1.36	0.41	0.51	0.63	0.03	0.02	0.47	0.54
<b>Total</b>	<b>3.57</b>	<b>2.66</b>	<b>2.72</b>	<b>2.92</b>	<b>2.23</b>	<b>2.19</b>	<b>2.98</b>	<b>3.16</b>
<b>Grand Total</b>	<b>27.24</b>	<b>27.03</b>	<b>25.55</b>	<b>25.20</b>	<b>23.89</b>	<b>25.28</b>	<b>28.84</b>	<b>31.61</b>

Table-2 Wheat Procurement for Central Pool for Last Ten Years

WHEAT PROCUREMENT FOR CENTRAL POOL FOR LAST TEN YEARS (MARKETING SEASON WISE)

Sl No	STATES/ Uts	[Figures in lakh tonnes]											
		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Bihar			2.94	0.41	0.01	0.15	0.01		0.08	5.00	4.97	1.83
2	Chandigarh	-		0.12	0.16	Neg.		-			0.10	0.12	0.09
3	Delhi	0.02		0.50	0.35	0.12	0.02	0.02		0.01	0.06	-	0.10
4	Gujarat	Neg.		0.43				-			4.14	0.75	0.01
5	H.P.			0.02	0.02	0.01	Neg.					0.01	Neg.
6	Haryana	38.70	44.98	64.09	58.88	51.22	51.15	45.29	22.29	33.50	52.37	69.24	63.47
7	J&K	-			-		Neg.	Neg.			0.01	0.01	0
8	Jharkhand										0.02	Neg.	Neg.
9	M.P.	5.42	3.51		4.24	1.88	3.49	4.84	Neg.	0.57	24.10	19.68	35.38
10	Maharashtra							-		-	0.10	-	
11	Punjab	78.32	94.24	105.60	98.63	89.38	92.40	90.10	69.51	67.80	99.41	107.25	102.09
12	Rajasthan	6.37	5.34	6.76	4.61	2.59	2.79	1.59	0.02	3.84	9.35	11.52	4.76
13	UP	12.61	15.45	24.48	21.11	12.13	17.41	5.80	0.49	5.46	31.38	38.82	16.45
14	Uttarakhand			1.40	1.83	0.67	0.54	0.40	Neg.	0.02	0.85	1.45	0.86
15	West Bengal												0.09
<b>TOTAL</b>		<b>141.44</b>	<b>163.52</b>	<b>206.34</b>	<b>190.24</b>	<b>158.01</b>	<b>167.95</b>	<b>147.85</b>	<b>92.31</b>	<b>111.28</b>	<b>226.89</b>	<b>253.82</b>	<b>225.13</b>

Neg. - Less than 500 tonnes

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. **Prospective authors of IISTE journals can find the submission instruction on the following page:**

<http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a fast manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

### **IISTE Knowledge Sharing Partners**

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

