

The Public Distribution System in India (1939-2001)

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Abstract

Purpose- This paper traces the creation, growth, contributions and ills of the nation-wide public distribution system in India that is responsible for procuring and distributing food grains to vulnerable sections of India's population.

Sources of material and data: Government documents, books and journal papers.

Keywords-distribution system, food, public policy

Paper Type-Extended abstract

A public distribution system (PDS) is a mechanism initiated, directed and controlled by a government or public agency for distributing essential supplies to the population (Ojha, 1987). The public distribution system in India is considered to be the largest food grain distribution network in the world. It is designed to provide specified quantities of wheat, rice and kerosene at subsidized prices to millions of consumers through a network of over 462,000 "fair price shops" (Rao, 2008). This paper traces the evolution of the system from its inception in the 1940's until the year 1997 when it was restructured with the intention of improving the targeting the really needy sections of the population.

Phase 1: 1939-1947

The public distribution system in India was created by the British colonial government during World War II. In the 1930's India was a net importer of foodgrains, especially rice (Knight, 1954). Soon after the outbreak of World War II, the British government in India became concerned about rising prices of foodgrains and convened a number of conferences between 1939 and 1942 to discuss price control measures. The Japanese conquest of Burma put a stop to import of rice from there and the food situation in India became very serious. A massive famine occurred in Bengal during 1942-43 in which an estimated 1.5 to 3 million people died from starvation. In response to this tragedy, the British government in India created a Department of Food to coordinate procurement of foodgrains from surplus areas and organize distribution in food deficit areas (Dholakia & Khurana, 1979; Mooij, 1998). Rationing was instituted in several cities, "fair price shops" were opened, and controls were implemented on prices and movement of foodgrains. The controls remained in place when India gained independence in August 1947.

Phase 2: 1948-1965

Independent India chose a socialist form of government with a major role for the state in the country's economy. The Planning Commission was created to prepare five-year plans for the nation's development. The first plan for 1951-56 highlighted the need for a clear food policy. It recognized the problem of food scarcity, emphasized the necessity of increasing food production and highlighted the need for continued government involvement in food procurement and distribution (Planning Commission, First Plan). Food grain production increased in the first four years of the first plan and food prices started to decline. Controls were gradually relaxed from 1952 onwards and completely removed by 1954. Unfortunately there were poor harvests during 1955-57 leading to food shortages and high inflation which forced the government to reintroduce control in 1957 (Khurana & Dholakia, 1983).

Harvests in India continued to be poor from 1957 to 1965 and substantial quantities of wheat were imported from USA under the PL-480 agreement in order to manage the food situation. The public distribution system was expanded. The number of "fair price shops" increased from just 38,000 in 1957-58 to 136,000 in 1965-66 (Mooij, 1998). The second and third five-year plans did not discuss

food matters in detail and food policy remained more or less as stated in the first five-year plan. A landmark initiative during the third five-year plan period was the creation of the Food Corporation of India (FCI) in 1964 for managing the government's foodgrain interventions. A wholly owned enterprise of the Central government, the FCI was given the responsibility of procuring foodgrains from farmers at reasonable prices, moving and storing them as required, and issuing them to state governments at subsidized prices for distribution to consumers through the fair price shops (Chopra, 1979). From 1948 to 1965, the twin objectives of food policy in India were maintaining price stability and ensuring availability of necessities such as rice, wheat, sugar and kerosene.

Phase 3: 1965-1997

From about 1965, the government focused on increasing domestic production of food. The Fourth Plan document explicitly mentioned the need for ensuring that the farmers were given a decent price for their produce so that they had incentives to increase production. It was decided to continue the public distribution system, create buffer stocks, and impose restrictions on foodgrain movements where necessary (Planning Commission, Fourth Plan). The focus on production paid off and volume of foodgrains produced rose sharply. The volume distributed through the PDS grew from 10.1 million tons in 1965-66 to 16.6 million tons in 1991-92. The number of fair price shops was increased from 110,000 in 1965-66 to 399,000 in 1991-92 (Mooij, 1998).

Access to the PDS in India is available to people who have documents called "ration cards". These cards entitle the individual to a buy specified quantity of rice, wheat, sugar and kerosene every month from a designated "fair price shop" at a subsidized price (Singh, 1979; Kacker, 1979). Till 1996, the PDS was open to all ration card holders irrespective of their income. However, the coverage of the PDS was not universal because the proportion of consumers who bought from the PDS was a modest fraction of the total population. Ahluwalia (1993) estimated that only 33% of wheat buyers, 40% of rice buyers and 19% of edible oil buyers used the PDS. Ahluwalia (1993) also indicates that about a third of the foodgrain quantity and over 50 percent of edible oil leaked from the system and was being illegally sold in the open market. The PDS has also been criticized for being urban-centric and not sufficiently oriented to the rural areas where the bulk of India's population resides (Howes & Jha, 1994). Consumer issues with the PDS include difficulty in getting ration cards, irregular and inconvenient timings of "fair price" shops, inadequate availability, poor service, poor product quality and adulteration of foodgrains (Singh, 1979). The fair price shops have their own problems such as irregular and inadequate supplies, irregular purchases by consumers, inadequate margins and poor returns on investment (Kacker, 1979).

Phase 4: After 1997

Foodgrains are sold at a subsidized price in the public distribution system in India. The subsidy is picked up by the Central government. The quantum of subsidy has increased substantially over the years from INR 2450 million in 1990-91 to INR 75000 million in 1997-98. The food subsidy as a percentage of government spending rose from 2.33 percent in 1990-91 to 3.23 percent in 1997-98 (Planning Commission, Tenth Plan). As the subsidy bill mounted, government became increasingly concerned that in spite of the huge subsidy, the PDS in the form that existed then was not really delivering food security to the poor. The Ninth Five-Year Plan for 1997-2002 declared that a universal PDS is no longer sustainable or desirable. In June 1997, the government introduced the targeted PDS (TPDS) where a distinction was made between people who were living below the poverty line (BPL) and those who were living above the poverty line (APL). The PDS was restructured to provide 10 kilograms of foodgrains per month to about 58 million BPL families at a highly subsidized price of 50 percent of the economic cost. Rations to above poverty line (APL) families were to be reduced over the long run but in the interim were to be given at 90 percent of economic cost (Planning Commission, Ninth Plan). In subsequent years, because of huge buffer stocks with the FCI, the foodgrain entitlement of BPL families was increased to 20 kilograms per family on 1st April 2000 and 35 kilograms per family from July 2001 (Planning Commission, Tenth Plan). Notwithstanding these efforts at better targeting of the PDS, and the various e-governance measures adopted since then for improving the functioning of the PDS, severe nutritional deficiencies continue to exist among vulnerable sections of the Indian population particularly among women and children, and India remains fairly low down in the country rankings on the Global Hunger Index (Maseiro, 2014).

Conclusion:

The public distribution system in India is massive in terms of scale and scope. It was created during a period of wartime shortages with the objective of ensuring availability of food for city dwellers and those living in food deficit areas. Price stabilization and access to foodgrains were important objectives initially. Over time, the system has grown substantially in terms of geographical reach, amount of buffer stocks held, volume of foodgrains distributed and also cost of operation. It has also been plagued by problems like poor targeting, undue wastage, leakages and poor consumer service. The issues involved in managing the system are complex and challenging.

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