

# Public Distribution System

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Public distribution system is a structure that is sponsored by a government and includes a chain of shops trusted with the work of distributing basic food and non-food commodities to the disadvantaged group of the society at very low prices. The central and state governments shared the accountability of regulating the Public distribution system.

**In news:** Public Distribution System and Food Security

**Placing it in syllabus:** Economy

## Dimensions

- Background
- Identification of Households
- Coverage by state
- Rising Food Subsidy
- Shantha Kumar Committee
- Measures to improve PDS
- One Nation One Ration Card

## Content:

### Background:

- Public distribution system (PDS) is a government-sponsored chain of shops entrusted with the work of distributing basic food and non-food commodities to the needy sections of the society at very cheap prices.
- Wheat, rice, kerosene, sugar, etc. are a few major commodities distributed by the public distribution system.

### Beginnings

- India's Public Distribution System (PDS) is the largest distribution network of its kind in the world.

- PDS was introduced around World War II as a war-time rationing measure.
- Rationing in crisis periods particularly during shortage was the historical antecedent to the national policy of stabilization and management of food grains.
- Before the 1960s, distribution through PDS was generally dependant on imports of food grains.
- It was expanded in the 1960s as a response to the food shortages of the time; subsequently, the government set up the Agriculture Prices Commission and the Food Corporation of India to improve domestic procurement and storage of food grains for PDS.
- By the 1970s, PDS had evolved into a universal scheme for the distribution of subsidised food.
- In the 1990s, the scheme was revamped to improve access of food grains to people in hilly and inaccessible areas, and to target the poor.

### **TPDS**

- In 1997, the government launched the Targeted Public Distribution System (TPDS) to resolve the problems of poor communities.
- The prime aim of TPDS is to provide subsidised food and fuel to the poor through a network of ration shops.
- Food grains such as rice and wheat that are provided under TPDS are procured from farmers, allocated to states and delivered to the ration shop where the beneficiary buys his entitlement.
- The centre and states share the responsibilities to identify the poor, procuring grains and delivering food grains to beneficiaries.

### **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 Case 2001**

- Following a number of starvation deaths in the State of Rajasthan, the People's Union for Civil Liberties (PUCL) filed a writ petition on behalf of the impoverished who were deprived of the required employment and food relief mandated by the Rajasthan Famine Code of 1962.
- It contended that the "right to food" is essential to the right to life as provided in Article 21 of the Constitution
- The PIL raised 3 pertinent questions and asks for the Supreme Court's opinion on matters regarding the right to food in India.
- The first and foremost concern raised is about the food grains rotting in the Government godowns when thousands still die in our country from starvation
- It asks the Supreme Court whether Article 21, which bestows the right to life and liberty, encompasses the right to food.
- The final question poses whether the right to food meant that the government has a duty to provide food to the people affected by drought.
- Regular hearings on this case have been held since April 2001 and this has received much attention; both at home

and abroad. Although the Court is yet to announce its final judgment on the matter, it has issued various interim orders.

### **Among these interim orders is the order to the government to:**

- (1) introduce cooked mid-day meals in all primary schools,
- (2) provide 35 kgs of grain per month at highly subsidised prices to 15 million destitute households under the Antyodaya component of the PDS,
- (3) double resource allocations for Sampoorna Grameen Rozgar Yojna (India's largest rural employment program at that time, now superseded by the Employment Guarantee Act), and
- (4) universalize the 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.

### **NFSA 2013**

- In September 2013, Parliament passed the National Food Security Act, 2013. The Act relies largely on the existing TPDS to deliver food grains as legal entitlements to poor households.
- This marks a paradigm shift in the approach to food security from welfare to rights based approach – by making the right to food a justiciable right.
- The Act legally entitles upto 75% of the rural population and 50% of the urban population to receive subsidized food grains under Targeted Public Distribution System.
- About two thirds of the population therefore is covered under the Act to receive highly subsidized foodgrains.

## **Nature of PDS:**

- PDS is additional 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.
- The vision of the project is to ensure Food Security for citizens of the country.
- Under the PDS, presently commodities like 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 pulses, edible oils, iodized salt, spices, etc.

## **Identification of Households:**

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

## **Under TPDS, beneficiaries were divided into two categories:**

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

## **Identification process:**

- 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.

#### 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 <sup>1</sup>	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 <sup>2</sup>	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 <sup>3</sup>	Identify eligible households	Based on above criteria

<sup>1</sup>Source: Department of Food and Public Distribution, Planning Commission, Ministry of Rural Development, PDS.

## 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:

- landless agricultural labourers,
- marginal farmers,
- rural artisans/craftsmen such as potters and tanners,
- slum dwellers,
- persons earning their livelihood on a daily basis in the informal sector such as
- porters, rickshaw pullers, cobblers,
- destitute,
- households headed by widows or terminally ill 4 persons, disabled persons, persons aged 60 years or more with no assured means of subsistence, and
- all primitive tribal households.

## Coverage by state:

- The responsibility of distributing food grains is shared between the centre and states.

- Centre, specifically Food Corporation of India (FCI), is responsible for allocation of required foodgrains to States/UTs, transportation of foodgrains up to designated depots in each State/UT and providing central assistance to States/UTs for delivery of foodgrains from designated FCI godowns.
- Once FCI transports grains to the state depots, distribution of food grains to end consumers is the responsibility of state governments.

The States/UTs are responsible for effective implementation which includes:

- identification of eligible households, and issuing ration cards to them,
- distribution of foodgrain entitlements to eligible households through fair price shops (FPS),
- issuance of licenses to Fair Price Shop dealers and their monitoring,
- setting up effective grievance redressal mechanism and necessary strengthening of Targeted Public Distribution System (TPDS)

Across the country, food grains are distributed to a network of around 5.13 lakh FPSs. Beneficiaries buy their monthly food grains entitlements at subsidised prices from these ration shops.

### **Rising Food Subsidy:**

- While the centre procures food grains at the MSP, the price at which food grains are sold under TPDS is much lower.
- The centre sells food grains to states at subsidised prices, known as central issue prices.
- The food subsidy is the difference between the costs incurred by the centre on MSP (including additional costs) and the central issue price.

- The centre reimburses FCI and state agencies with the food subsidy, since they are responsible for procurement and selling the procured food grains to states at CIP.
- The food subsidy also includes the buffer subsidy, which is the cost borne by FCI and states for maintaining buffer stocks beyond the prescribed time frame.
- 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:**

***Record procurements in recent years :***

- According to current trends, the government procures nearly one-third of the cereals production, which amounts to almost half of the marketed surplus (total production minus captive consumption by farmers) of wheat and rice.
- Over the last few years, the procurement of food grains has been increasing steadily with a quantity of 70 million tonnes in 2012-13, comprising nearly 36% of production.

***Increasing costs of buying (at MSP) and handling food grains:***

- 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.

### ***Stagnant CIP***

- 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

### **Shantha Kumar Committee:**

The government had set up this six-member committee to suggest restructuring or unbundling of FCI to improve its financial management and operational efficiency in procurement, storage and distribution of food grains.

### ***Important recommendations of the committee include:***

- **Reduce the number of beneficiaries** under the Food Security Act—from the current 67 per cent to 40 per cent.
- **Allow private players** to procure and store food grains.
- **Stop bonuses on minimum support price (MSP)** paid by states to farmers, and adopt a cash transfer system so that MSP and food subsidy amounts can be directly transferred to the accounts of farmers and food security beneficiaries.
- **FCI should involve itself in full-fledged grains procurement only in those states which are poor in procurement.** In the case of those states which are performing well, like Haryana, Punjab, Andhra Pradesh,

Chhattisgarh, Madhya Pradesh and Odisha, the states should do the procurement.

- **Abolishing levy rice:** Under levy rice policy, the government buys a certain percentage of rice (varies from 25 to 75 per cent in states) from the mills compulsorily, which is called levy rice. Mills are allowed to sell only the remainder in the open market.
- **Deregulate fertiliser sector** and provide cash fertiliser subsidy of Rs 7,000 per hectare to farmers.
- **outsource of stocking of grains:** The committee calls for setting up of negotiable warehouse receipt (NWR) system. In the new system, farmers can deposit their produce in these registered warehouses and get 80 per cent of the advance from the bank against their produce on the basis of MSP.
- **Clear and transparent liquidation policy for buffer stock:** FCI should be given greater flexibility in doing business; it should offload surplus stock in the open market or export, as per need.

## Measures to improve PDS:

To improve the current system of the PDS, the following suggestions are made:

- Vigilance squads should be strengthened to detect corruption, which is an added expenditure for taxpayers.
- Personnel-in-charge of the department should be chosen locally.
- Margin of profit should be increased for honest business, in which case the market system is more apt anyway.
- F.C.I. and other prominent agencies should provide quality food grains for distribution, which is a tall order for an agency that has no real incentive to do so.
- Frequent checks and raids should be conducted to eliminate bogus and duplicate cards, which is again an added expenditure and not foolproof.

- The Civil Supplies Corporation should open more fair price shops in rural areas.
- The fair price dealers seldom display the rate chart and quantity available in the block-boards in front of the shop. This should be enforced.
- some social activists have suggested that pulse is an important source of protein so besides rice / wheat pulses like arhar (toor) should also be included in PDS system

## **One Nation One Ration Card:**

- The Union Minister announced the project One Nation One Ration Card on January 20, 2020.
- The scheme will roll out to the whole India from June 1, 2020, due to CoronaVirus the process was delayed and made it unavoidable.
- As of August 1, 2020, 24 States/Union Territories in India adopted and implemented ration card portability in their provinces.
- One Nation One Ration Card is of great significance to help migrant workers for getting their food supplies as per the National Food Security Act (NFSA).
- The Indian government wants to implement the scheme all over the nation by March 2021, to get ration for all the beneficiaries.

## **Benefits of ONORC Scheme:**

- By this scheme, the poor migrant workers will get sufficient food grains. The migrant workers and their families can access PDS benefits from anywhere in the country.
- The PDS shop owners are selling the food grains in the market if the beneficiary's absence. So by this scheme, black marketing will be reduced.
- The hunger deaths in the country also reduce and will improve the rank of India in the Global Hunger Index

Ranking.

### **Features of One Nation One Ration Card Scheme:**

- All the previous Ration Card Holders can avail of the benefit of the One Nation One Ration Card scheme. No need of getting new cards for the old ration cardholders.
- Beneficiary's identification based on Aadhaar through the electronic point of sale (e PoS) devices at Public Distribution System shops for eligibility. States with 100% PoS machines at PDS shops come under the ONORC scheme.
- All the citizens of India can apply for ration cards and children below 18 years come under their parent's ration cards.
- At present states of India are having different formats and languages of ration cards, under the ONORC scheme all the states must follow only one format. The government of India requested to issue ration cards in two languages, one in their local language and the other language is English or Hindi.
- Ration cards of the new format will have a standard 10-digit ration card number. The first two digits will be the state code, the next two digits are running ration card numbers and the other two digits used to generate Unique Member IDs for each beneficiary of the ration card.
- Every BPL Family gets 35 kg of food grains under the scheme.

**Mould your thought:** The Public Distribution System contributes significantly in the provision of food security. Evaluate.

### ***Approach to the answer:***

- Introduction
- Discuss the evolution of PDS

- Discuss the TPDS and NFSA
- Mention the problems in PDS
- Suggest ways to tackle these issues and ONORC
- Conclusion