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## Promoting misery amidst plenty

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**U**NDER the Antodaya scheme recently announced by the prime minister, the government proposes to supply 25 kg of foodgrains per month to families living below poverty

line (BPL) at a special price of Rs 2.0 per kg wheat and Rs 3.0 per kg rice. It has stated that this is aimed primarily at helping the poor and should not be misconstrued as an attempt to solve its own problems (read excessive stocks in its granaries). In order to get an idea of the real reason, we need to take a look at its actions under the targeted public distribution system (TPDS).

But, first a word about the actions of the man who established TPDS in June 1997. Mr H D Deve Gowda, the then prime minister, decided to supply to BPL families foodgrains at 50 per cent of prevailing issue price, but, reduced their monthly entitlement from existing 20 kg to 10 kg. For a family of four, foodgrains requirement to ensure acceptable

nutritional level is about 50 kg per month. In view of this, even at the earlier level of 20 kg per month, the family was getting only 40 per cent of its needs. For balance, it was dependent on purchase from market at much higher price. It would have got relief if only the quantity had remained unaltered. But, by reducing this to half, Mr Deve Gowda more than offset the benefit of price reduction. What he gave from one hand was taken away from the other!

Even as the present government announced doubling of allocation to BPL families, it merely reinstated what they were entitled to before 1997. At the same time, it raised issue price by about a hefty 70 per cent. Its contention that at revised level, BPL households were still paying 50 per cent of the 'economic cost' cannot detract attention from the fact that they were made to pay more than what they were paying earlier.

The economic cost is a sophisticated nomenclature for cost of procurement, handling and distribution incurred by the Food Corporation of India (FCI), the agency doing the job on behalf of the government. For

these operations, it is paid on 'actual' basis. There is no transparency about these even as the figure dished out by powers that be is treated as sacrosanct.

Against this backdrop, the government also took an in principle decision to supply foodgrains to families above poverty line (APL) at 100 per cent of economic cost and to BPL at 50 per cent. What this really means is that whenever, cost goes up (including increase due to inefficiencies), price on supplies to all households including BPL will be automatically raised. Thus, even as authorities will continue to claim that the poor is subsidised, in reality, he will be paying more and more.

But, this created a problem for the government. It resulted in a precipitous decline in the offtake of foodgrains from PDS. For instance, offtake of wheat declined from 9.2 million tonnes in 1996-97 (before coming into force of TPDS) to 5.7 million tonne in 1999-2000. During current year, this is expected to be only 3.95 million tonnes. This together with increase in procurement from 8.16 million tonnes in 1996-97 to 14.14 million tonnes in 1999-2000

and further to about 16.35 million tonnes during 2000-01 (likely) has led to mounting stocks. The scenario in case of rice is broadly similar.

The highly ineffective supply and distribution arrangements have further aggravated the situation. Having failed in its efforts to increase exports and sales under FCI's open market sales scheme (OMSS), the government is now banking on Antodaya Scheme to reduce stocks. Given the weaknesses in the distribution system, it is wishful thinking to expect dramatic results. And, whatever increase in offtake is there, the benefit will largely accrue to APL households as with higher price differential, diversion will become more rampant.

A viable strategy to deal with the problem of 'misery amidst plenty' should aim at (i) dismantling FCI and involving state outfits and private sector in handling and distribution, (ii) making payments to these agencies based on normative principles, (iii) abolishing APL category and restricting supply from PDS only to poor families and (iv) intensifying rural development activity specially road projects.