

A raw deal for the poor

The government's restructured PDS is a classic case of redistributing poverty, says Uttam Gupta

THE Union cabinet is reported to have approved the restructured public distribution system (RPDS) which retains its "universal" character, i.e. access to the poor and the well-off, but seeks to specially price it for the former, even as the latter are expected to pay higher. The administration of the RPDS will be by the states which are expected to identify the poor families and issue separate ration cards.

Under the package, every poor family will get 10 kg of foodgrains (wheat or rice) per month at Rs 3 per kg for wheat, and Rs 3.50 per kg for rice (common variety). Families above the poverty bench-mark will, however, have to pay Rs 5.25 per kg for wheat, Rs 7 per kg for rice for their purchases from the ration shop.

Although, this may sound a better deal for the poor, a close scrutiny of the facts, both about the quantity offered for sale through RPDS and their prices will reveal that they may even be worse-off.

Under the existing PDS, a poor family gets about 20 kg per month on an average from the ration shop, as against its requirement of about 50 kg to meet the desired calorie intake (400 gm per person per day and a family of 4). This means that the balance of 30 kg has to be bought at the market place.

Taking the current issue price of wheat through the PDS at Rs 4.02 (last revised in February 1994), the expenditure on purchases from the ration shop is Rs 80.4. The price at the market place is significantly higher, i.e. a minimum of Rs 7 per kg. The cost of buying the balance of 30 kg will be Rs 210. In total, the poor family spends Rs 290 per month.

Under the RPDS, the supplies from the ration shop will be reduced to 10 kg, thus forcing the poor to buy the balance of 40 kg from the market. Consequently, each poor person will be spending much more, i.e. Rs 310 ($10 \times 3 + 40 \times 7$) on its total purchases. For a family buying simply rice, or both wheat and rice, the outcome will be similar.

What has finally come to the fore is at variance with the package originally mooted by the ministry of civil supplies at the food ministers' conference. The latter proposed supply of 20 kg to the poor at half the economic cost (price paid to the farmer plus handling and distribution

cost), i.e. Rs 2.75 per kg. This would have led to a clear saving of Rs 25 per month when compared to the existing PDS scheme ($4.02 - 2.75 \times 20$).

Then came the announcement by the Prime Minister on August 15, 1996, that a poor family would get 10 kg at half the prevailing issue price, i.e. Rs 2.01 per kg. This looked quite attractive. But, the cost of reduction in quantity to half more than neutralises this benefit. The monthly expenditure under the PM's package would have been about Rs 300 ($10 \times 2.01 + 40 \times 7$).

The proposal finally approved by

about 50 million tonne per annum. Against this, the maximum sale ever made through PDS was 20.8 million tonne in 1991-92. The present limited infrastructure alone is thus unable to fully meet the foodgrain needs of the poor.

But, the government seems to be deliberately glossing over it. Since, it cannot avoid its soft corner for the better-off and, at the same time, wishes to bring the left-out amongst the poor within the PDS fold, it has preferred to hit the poor already covered by the PDS, by reducing their entitlement.

tribution. Reducing or eliminating these inefficiencies should receive priority.

The Food Corporation of India (FCI) should be run as an autonomous body, and not as an extension of the government. It should be entitled to a reasonable margin on the basis of each tonne for handling and distribution cost. In fact, such a system is already in operation regarding the handling of imported urea. This would force the FCI to reduce cost and minimise wastages.

Needless to say that this, by itself, will be a major achievement specially against the backdrop of intense pressure for increasing prices on supplies from PDS to check growth in food subsidy.

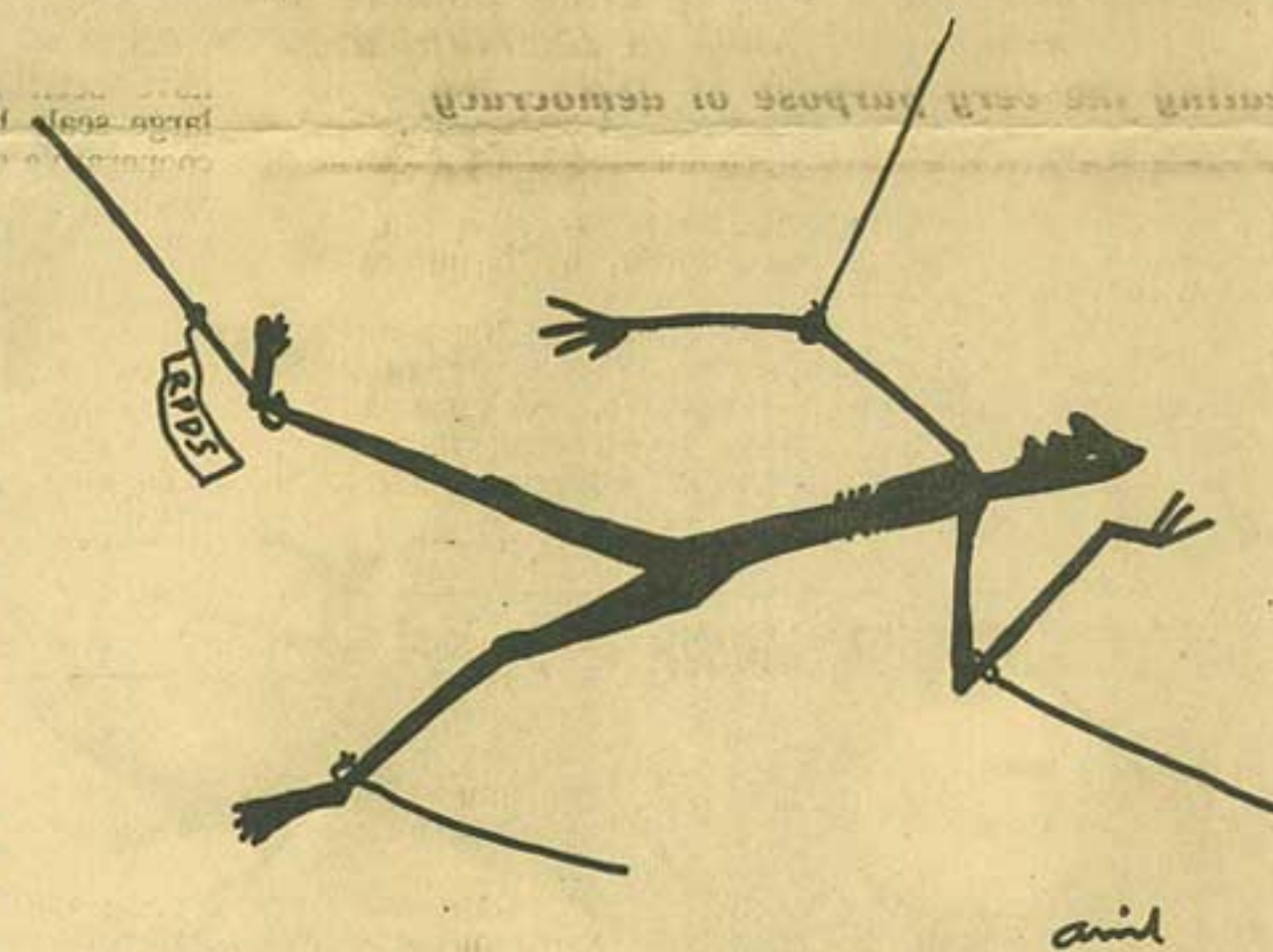
The prices in the market place also need to be brought down to reasonable levels. This would not only be helpful to the poor who buy a major chunk of their requirements in the market, but also provide relief to a majority of the non-poor facing financial constraints. A two-pronged strategy is needed to achieve this.

First, the Central and the state governments should remove various taxes and duties on foodgrains and inputs, e.g. fertilisers used in their production, besides reducing administered prices, i.e. power tariff, fuel rates, warehousing rentals etc. To achieve this, the government should carry out effective reforms in various organisations supplying the inputs and services to the food sector.

Secondly, there is need to generate competitive pressure to minimise the element of profiteering by private traders. The cooperatives which are already involved in the supply and distribution of agricultural inputs and have a vast network, may be roped in for buying and selling of foodgrain.

The aim should be to supply a substantial share of the consumption needs through those at reasonable prices. However, to get good results there is need for revamping their structure and freeing them from bureaucratic control.

The supply of required quantities of foodgrain to meet the needs of the growing population, specially the poor, at affordable prices depends on our ability to increase foodgrain production and maintain self-sufficiency. Timely corrective steps are needed to reverse all unfavourable trends and improve soil health.



the cabinet is a blend of the unfavourable features of the PM's package and the ministry's original proposal, i.e. the quantity recommended by the former and the price by the latter. This makes the poor significantly worse-off than under the existing PDS.

The problem with the government's approach originates in its anxiety to appease every segment of the population. It seeks to bring all the poor within the fold of the PDS, and at the same time, does not want to leave out the better-off.

According to the Expert Group, the number of poor in the country is estimated at 350 million. Based on an average of 400 gm per day per capita, their requirements alone work out to

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The government should use the PDS exclusively for meeting the foodgrain needs of the poor families only. In fact, the existing infrastructure is capable of serving 40 per cent of their needs which would be about 20 million tonne (50×0.4). To achieve this, all that it has to do is to exclude the better-off instead of penalising the poor already under the PDS.

The poor need some price relief. Presently, the issue price of wheat is Rs 4.02 per kg against the cost of supplying it, i.e. about Rs 5.5 per kg. With the price to the farmer being only Rs 3.8 per kg, the higher cost of supplying is mainly due to the inefficiencies in handling and dis-