

Poor are given short shrift

Uttam Gupta says that the restructured public distribution system is against the needy and favours the better-off sections

IN his address to the nation on Independence Day, the Prime Minister had announced that the households falling below the poverty line would get 10 kg of foodgrains (rice or wheat) from the restructured public distribution system (PDS) at half the prevailing prices from October 3. On the face of it, this might appear to be a substantial relief, but a closer scrutiny will bring out that the poor man may not be better off at all.

Taking the cereal requirement of about 400 gm per person per day for the desired calorie intake and a poor family of four persons on an average, the monthly requirement works out to about 50 kg. Against this, under the existing dispensation, the quantity of foodgrains supplied to the ration card holder from the PDS is substantially lower. While the actual quantity may vary from state to state, let us work on the basis of an average of about 20 kg. This means that the balance 30 kg i.e., 60 per cent, have to be bought in the market place.

The PDS also caters to the better-off sections by supplying the same quantity as for the poor i.e. 20 kg per month. This is notwithstanding the fact that the former supplement a significant portion of their calorie requirements through other means i.e. taking more of milk, eggs and vegetables etc., leading to lower dependence on cereals. In many cases, consumption of cereals may be 25 kg per month or even lower. Such families thus get 80 per cent of the requirements from the PDS, having to buy only 20 per cent from the market.

Presently, the issue price of wheat from the PDS is Rs 4.02 per kg (last revised in February 1994), whereas the prevailing market price is a minimum of Rs 7 per kg. In view of this and on the basis that the poor family gets 40 per cent from the PDS and buys the balance 60 per cent from the market, the effective price on the

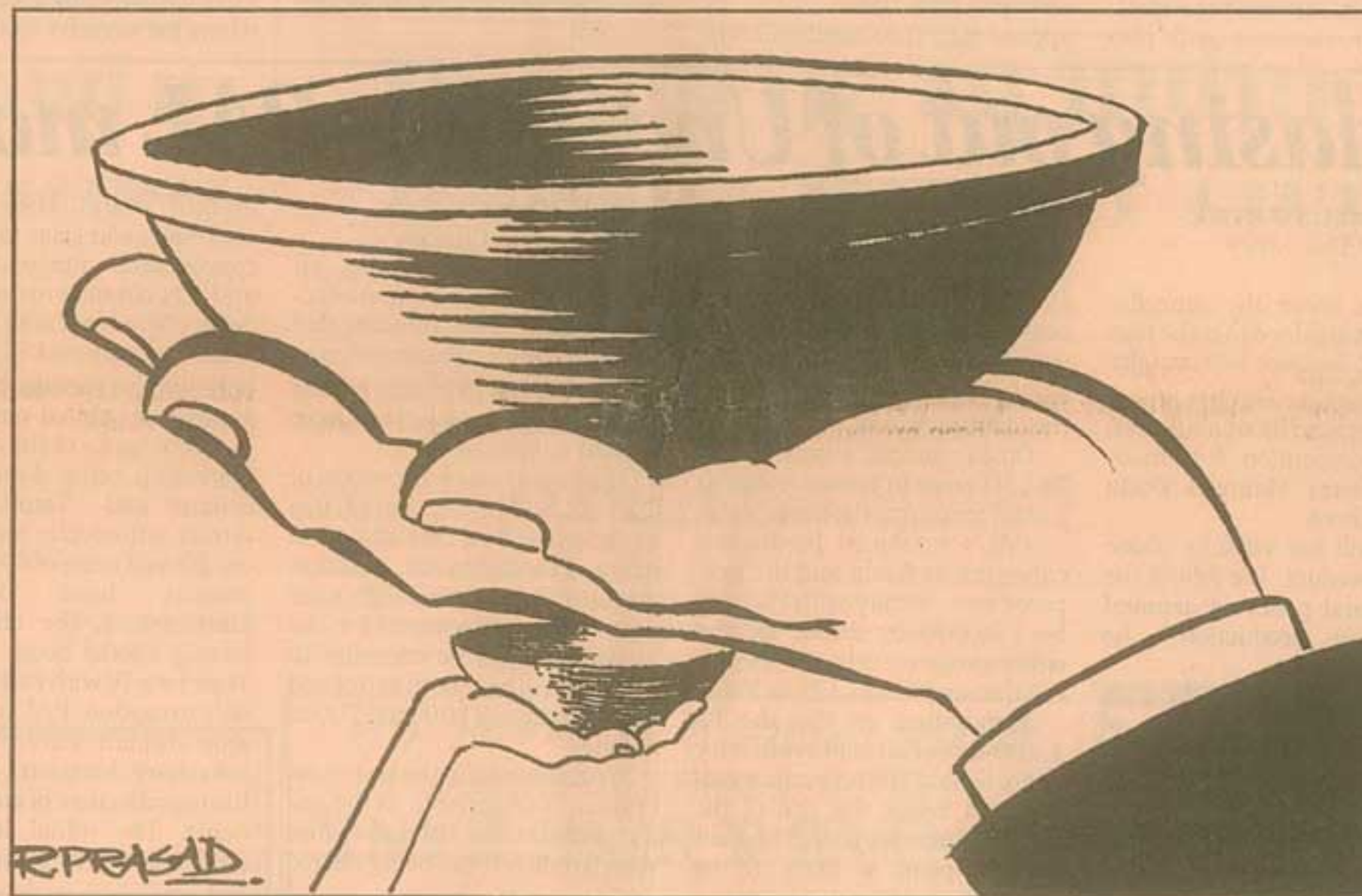
total purchases works out to Rs 5.80 (4.02 x 0.4 + 7.0 x 0.6). In sharp contrast, the better-offs, which get 80 per cent from PDS and balance 20 per cent from market, pay an effective price of only Rs 4.62 per kg (4.02 x 0.8 + x 0.2). The PDS, which draws its legitimacy from need to help the poor, thus favours the better-off sections of the community.

Under the proposed package, the poor family will be entitled to only 10 kg of wheat or 20 per cent of the requirements from the PDS, but, at half the price i.e. Rs 2.01 per kg. It will thus have to buy the balance 40 kg or 80 per cent in the market place. On a weighted average basis, it will be spending Rs 6.0 per kg (2.01 x 0.2 + 7 x 0.8) as against Rs 5.80 per kg under the existing set-up. This is because the contemplated benefit of lowering the price is more than offset by curtailing the entitlement by half.

At the recent State Food Ministers' Conference, the Union Ministry of Food and Civil Supplies mooted sale of the entire 20 kg at half the economic cost or the actual cost of supplying foodgrains. Had the PM stuck to this proposal, this would have given the poor an uplift. By deviating from this and slashing the supplies from PDS to half, the Centre has only reduced their access to an essential need.

The Government has no plans to exclude the better-offs from the ambit of the PDS. Nor is there any indication that their quota of supplies will be slashed. In the cited example, the better-off family would continue to pay an effective price of Rs 4.62 per kg. Even as the poor family becomes worse off, the restructured PDS will be even more tilted in favour of the better-offs.

The Government's expressed commitment to addressing the needs of the population below the poverty line is not matched by a proper approach and back-up action. The sops promised by it are aimed primarily to gain political mileage and do not reflect a genuine desire to help the



poor. Far from improving their lot, this casual and motivated approach is bound to harm them further.

Tackling the food needs of the poor would require a clear perception of the magnitude and nature of the problem and hard decisions followed by a concrete plan of action. The problem has three dimensions. First, a major chunk of the poor do not have access to the PDS. Second, even those having access get only a portion of their actual requirements from PDS. Third, in recent years, even though the issue prices have increased at regular intervals pressure for further hikes are only mounting.

According to the methodology adopted by the Expert Group, the number of poor in India is about 340 million. Taking 400 grams as the cereal requirement per person per

day, about 50 million tonnes per annum are needed to supply their needs in full. Against this, the maximum quantities ever sold through the PDS were 20.8 million tonnes during 1991-92. Considering that these include sales to the better-off sections the quantities going to the poor would be much less.

Supplies from PDS have little meaning unless prices are affordable. Against the issue price of Rs 4.02 per kg, the actual cost of supplying wheat is about Rs 5.50 per kg even though the procurement price is only Rs 3.8 per kg. This is mainly because of the inefficiencies in handling and distribution. Reducing/eliminating these inefficiencies should receive top priority which will take the pressure off the issue price and help in maintaining it at the existing level. This would

apply to rice and other cereals as well.

The FCI should be made a completely autonomous body run by professionals by stripping it from bureaucratic controls. It should be entitled to reasonable remuneration on a per tonne basis for handling and distribution cost on par with the system pertaining to imported urea. This would force FCI to optimise its inventory, reduce cost and minimise wastages.

Procurement prices may not properly reflect the cost of production. This is because of lack of transparency in the exercises involved in fixation of the prices. Often, the actual increase allowed by the Government is more than recommended by CACP. A more transparent system based on clearly laid-down guidelines/norms will help in ensuring that the prices are not arti-

ficially inflated. This will have a sobering effect on the issue price.

Foodgrain prices in the market place have shot up steeply. While the recent hike in POL prices is being made a scapegoat, the increase has a considerable element of profiteering by traders. Against this backdrop, parallel efforts are needed to bring down prices to reasonable levels. These are necessary to provide relief to the poor on market purchases, and also help those who are above the poverty line but cannot afford the high-cost food due to financial constraints.

This can be done by roping cooperatives in the buying and selling of foodgrains. They are already involved in the supply and distribution of agricultural inputs and have a vast network. The aim should be to supply a major share of the consumption needs through the cooperatives at reasonable prices which would also keep private traders on their toes. However, for the co-operatives to be able to do an effective job, it is imperative to revamp their structure apart from freeing them from bureaucratic control.

Several state governments are levying a variety of taxes and duties on agricultural inputs such as fertilisers, which raise the production cost and, in turn, the selling prices of foodgrains to the consumer. This is despite the declared policy of subsidising the sale of fertiliser. There is a tax on the sale of foodgrains as well. The state governments should refrain from levying taxes on fertilisers and foodgrains in order there is no cascading effect on the cost of food.

The Central and state governments which are the main suppliers of transport, storage and handling services, should, besides, take necessary steps to reduce the cost of these services for keeping down the cost of handling and distribution and, in turn, the selling price of foodgrains.

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