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Rethinking on PDS

With prices in the free market at par, ration shops have lost their raison d'être, says Uttam Gupta

IN April, the Centre was carrying foodgrains stock of about 28 million tonnes which was almost double the norm considered necessary for meeting the requirements of the PDS. Apart from the daunting problems of storage, progressive increase in the cost of carrying the huge stocks is another major worry. According to official estimates, this went up from only about Rs 400 crore in 1992-93 to about Rs 1200 crore in 1993-94 and further to about Rs 1700 crore during 1994-95.

The above factor contributed predominantly to a whopping increase of Rs 5,100 crore in the food subsidy, in 1994-95. This is senseless against declining off-take of foodgrains from the PDS on one hand and substantial increase in the issue price of sales from the ration shop on the other. This translates to more subsidy being given on reduced sales at higher prices.

The government's response to the situation of rising stocks has been arbitrary, delayed and ineffective. On August 14, 1994, the Prime Minister had announced three schemes: (i) To supply wheat at subsidised prices to bread manufacturers for facilitating sale at lower price, (ii) making subsidised foodgrains available for supporting the food for work programme and, (iii) ensuring subsidised supply of foodgrains for SC/ST students in hostels in identified backward areas. The quantum of foodgrains for these schemes adds up to less than 1.0 million tonnes and thus addresses only the fringe of the problem of bulging stocks.

Open market sales undertaken by the FCI at Rs 410-Rs 460 per quintal for wheat, though somewhat lower than the prevailing market price, continued to be higher than the issue price from the ration shops. When consumers have generally found the latter to be too high, how can they be expected to buy at a still higher price?

As regards export, so far this has been a big disappointment. Considering the underlying world market situation and our cost, the government has only two choices i.e. either export with heavy subsidy or not export at all. Damage/deterioration due to prolonged storage will also ultimately add to the cost.

The management of food stocks is not an isolated issue. The present

crisis is the inevitable outcome of the manner in which the issue of food security has been addressed. Food security means that the poor should have easy access to food at prices they can afford.

Considering that their numbers are estimated at about 300 million and taking 400 grams per capita per day as the basic minimum per individual for adequate nutrition, their total food needs will be about 45 million tonnes. As against this, the sale of foodgrains through the PDS is no more than 20 million tonnes even in a normal year. Clearly, the PDS is

brought within the umbrella of centrally sponsored supply and distribution arrangements. This is physically impossible and it would also be unwise to attempt it.

The government should play the role of a facilitator. First and foremost, is the production aspect. So far, the achievement in terms of overall foodgrains production has been good.

Supply and marketing of farmer's produce to facilitate timely sales at remunerative prices is the second important area that should receive attention. Herein, centralised arrangements are a total misfit. It is an

of the states, there are cooperative marketing federations (CMF). They have a well spread infrastructure, including storage space and even enjoy credit facilities from the banks. They should be made to carry out this function, but only after debureaucratising their existing set-up and inducting farmers' representatives both at the helm and down the line as well.

For retail level sales and distribution, debureaucratised cooperative organisations should be encouraged. Sale from these outlets will be at prices that cover the cost of buying, handling and reasonable profit margin. There is no reason why prices under such an arrangement should not be affordable to the consumers. The government will also not have to give subsidy support.

Wherever necessary, the cooperative retail outlets may be induced to reach out to hilly and inaccessible areas for which some transport and capital subsidy may be needed. Already, the concerned state governments have subsidy regimes under various area development programmes. The same money could be better utilised by suitably restructuring the schemes to accommodate the provision for such retail outlets with minimum additional cost.

The savings consequent to dispensing with the PDS should be deployed for building roads, storage space, providing telecom facilities, opening bank branches and establishing marketing centres; in other words, target the resultant savings on a sustained basis in facilitating production, supply, movement and distribution in a cost-effective manner.

There is no need to get unduly worried over the issue of transferring foodgrains from surplus states to deficit areas, a job which is presently being coordinated by the FCI. The concerned state governments may directly enter into suitable arrangements based on clearly identified needs. Apart from reducing cost, this will also facilitate a more effective execution of procurement plans and avoid supply-demand mismatches.

Dissemination of data on production, supplies and stock etc., is an essential requirement. This data base will be extremely helpful in sending appropriate signals with regard to supply demand balance at different levels for facilitating necessary adjustments.

leaving a vast ocean of poor people outside its ambit.

Moreover, the earlier benefits has also disappeared with steep increases in issue price of foodgrains. With prices in the free market at par, the raison d'être for selling from the ration shop no longer exists.

Even though, there are some inaccessible and extremely backward areas not generally served by the free market, it is a moot question whether the PDS paraphernalia with its predominantly urban focus is really serving them and to what extent.

Our approach to the concept of food security must change. Of course, the government would need to keep the poor masses in view. This does not mean that all of them should be

effort in which farmers should themselves be involved. Let there be a farmers' union at the village level and federation of such unions at the district levels. They should own storage space for which the state governments should provide necessary assistance, both technical and financial. Roads have to be in good shape to enable these unions/federations bring the produce to the marketing centres.

Presently, the writ of the traders looms large at the *mandis*. Because of their stranglehold and financial muscle, farmers do not get a good price. Consumers' miseries start right there. There is an urgent need to break their power. Bulk buyers at the *mandis* must necessarily be those who care for the weak. In majority

