Updated Value Addition Material 2020

ECONOMIC DEVELOPMENT

PDS, BUFFER STOCK & FOOD SECURITY
PUBLIC DISTRIBUTION SYSTEM, BUFFER STOCKS AND FOOD SECURITY

Contents

1. Public Distribution System in India ................................................................. 2
   1.1. Objectives ................................................................................................ 2
   1.2. Context and Evolution of PDS in India .................................................. 3
   1.3. Limitations of PDS in India ................................................................... 4
   1.4. Targeted Public Distribution System ..................................................... 4
       1.4.1. Key Features of TPDS ..................................................................... 4
       1.4.2. Issues related with TPDS ................................................................. 5
   1.5. Recent PDS Reforms ............................................................................. 6
   1.6. Reforms required for revamping India’s PDS ......................................... 7
   1.7. Alternatives to TPDS ............................................................................ 9
   1.8. Universal PDS vs. Targeted PDS ............................................................ 9

2. Buffer Stocks ...................................................................................................... 11
   2.1. Introduction ............................................................................................ 11
   2.2. Buffer Stock Policy of India ................................................................... 11
   2.3. Critical Evaluation of Buffer Stocks in India ........................................... 12

3. Food Security ...................................................................................................... 14
   3.1. Introduction ............................................................................................. 14
   3.2. Qualitative and Quantitative Dimensions of Food Security ..................... 14
       3.2.1. Quantitative Dimension of Food Security in India ......................... 14
       3.2.2. Qualitative Dimension of Food Security in India ......................... 15
   3.3. Challenges in ensuring Food Security ..................................................... 15
       3.3.1. Integrated Child Development Scheme (ICDS) ......................... 16
       3.3.2. Mid-Day Meal (MDM) Scheme .................................................... 16
       3.3.3. Critical Appraisal of ICDS and MDM ............................................. 16
       3.3.4. National Nutrition Mission ............................................................ 17
   3.4. National Food Security Act, 2013 ............................................................ 17
       3.4.1. Key Features of the Act ................................................................. 17
       3.4.2. Food Security & Nutritional Security ............................................. 18
   3.5. Pilot scheme on fortification of rice and its dispersal through PDS .......... 20
       3.5.1. Defining food fortification .............................................................. 20
       3.5.2. Need for food fortification .............................................................. 21
       3.5.3. Challenges to food fortification ...................................................... 21
   3.6. WTO and Food Security ........................................................................ 21
       3.6.1. Recent debates in WTO meets over Food Security ....................... 22

4. Previous Year UPSC Questions ........................................................................ 23

5. Vision IAS GS Mains Test Series Questions .................................................... 23

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1. Public Distribution System in India

The Public distribution system (PDS) is a food security system established under the Ministry of Consumer Affairs, Food, and Public Distribution. It includes within its fold a government-sponsored chain of approximately 5.35 lakh fair price shops entrusted with the work of distributing basic food and non-food commodities to the needy sections of the society at very cheap prices.

The responsibility of operating PDS is jointly shared by the Central and the State Governments.

- The Central Government, through Food Corporation of India (FCI), undertakes procurement, storage, transportation and bulk allocation of food grains to the State Governments.
- Operational responsibilities like allocation within the State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc., lies with the State Governments.

Under the PDS, presently the commodities namely 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.

1.1. Objectives

The Public distribution System primarily evolved as a system of management of scarcity through distribution of food grains at affordable prices. However, it seeks to achieve other objectives like:

- to provide essential consumer goods at cheap and subsidized prices to the consumers.
- to insulate them from the impact of rising prices of these commodities.
- to maintain the minimum nutritional status of our population.
- to put an indirect check on the open market prices of various items.

However, it must be kept in mind that the PDS is merely supplemental in nature. It is not intended to make the entire requirement of any of the commodities distributed under it available to a household or section of the society. It acts as a safety net and attempts socialization in matter of distribution of essential commodities. PDS supply chain can be broken into three segments:

1. Procurement of food grains;
2. Storage & transportation;
3. Distribution of foodgrains.

To put simply, PDS begins when the government buys foodgrains through the Food Corporation of India (FCI) from farmers in the procurement stage and terminates when the beneficiaries receive the intended quality and quantity of foodgrains from the Fair Price Shops. It seeks to provide to the beneficiaries cereals and essential commodities like rice, wheat, sugar and
kerosene oil. However, state governments manage the system at the ground level and are exhorted to add other essential commodities like pulses, salt, candles, matchboxes, ordinary clothes, school text books/copies and the like. A number of state governments have set up Civil Supplies or Essential Commodities Corporations to buy such additional items directly from the manufacturers and use the existing structure of PDS to arrange for the sale at lower than market rates.

1.2. Context and Evolution of PDS in India

India’s Public Distribution System (PDS) is the largest distribution network of its kind in the world. It was introduced around World War II as a war-time rationing measure. Prior to the 1960s, distribution through PDS was generally dependent on imports of food grains. The system was then expanded in response to the food shortages of the time. Following this, the government set up the Agriculture Prices Commission (later renamed to CACP) 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.

- In 1992, a Revamped PDS (RPDS) was launched in 1775 blocks throughout the country. This was done to strengthen & streamline the PDS and to improve its reach to poor families especially in the far-flung, hilly, remote and inaccessible areas. RPDS covered areas where special programmes like Drought Prone Area Program (DPAP), Integrated tribal development program (ITDP), Desert Development Program (DDP) were under operation and in certain Designated Hill Areas (DHA).

- In 1997, Targeted PDS (TPDS) was launched with special focus on the poor families. TPDS aimed to provide subsidized food and fuel to 6 crore poor families for whom 7.2 MT foodgrains was earmarked annually, 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 of identifying the poor, procuring grains and delivering food grains to beneficiaries.
  - Over and above the TPDS allocation, ‘additional allocation’ was also given periodically to the states. This transitory allocation was to benefit APL population. But, this allocation was issued at higher prices than the ones at BPL quota.

- In December 2000, the government launched Antyodaya Anna Yojana (AAY) to benefit the poorest of the poor people. 25kg per month per household (increased to 35kg in 2002) was provided at the highly subsidised rate of Rs 2 per kg of wheat and Rs 3 per kg of rice. The scheme aimed to reach one crore Antyodaya households. The, AAY has undergone three phases of expansion and now covers 2.5 crore poorest of the poor people. In between 2003-2006, 3 expansions took place which included 1.5 crore people (38% of BPL) belonging to terminally ill, widows, senior citizens with no societal support, landless and marginal farmers, primitive tribal groups, etc have been added to AAY.

- In 2013, National Food Security Act (NFSA) was enacted. It introduced individual entitlement of 5 kg per person per month foodgrains to around 82 crore of population.

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Notwithstanding sound intentions the government has failed to deliver via PDS due to some inherent limitations of the scheme some of which we are going to discuss in the next part.

1.3. Limitations of PDS in India

1. **Limited benefits to poor from PDS:** Both Rural and Urban poor have not benefited much from PDS and their dependence on the open market has been much higher than on PDS.

2. **Urban Bias:** For quite a longer period of time, PDS remained limited mostly to urban areas. Although, there has been expansion of PDS in rural areas now, but its effectiveness in terms of timely and adequate availability remains under question.

3. **The burden of food subsidy:** After inclusion of NFSA-2013, the burden of food subsidy has become huge. Also, APL category people have little to no incentives to buy from PDS, so there has been increasing stock with FCI. Other than that the procurement prices have been rising continuously due to rich farmers’ lobby and issue prices are getting lower due to populist policies. All of this together are making the PDS unsustainable.

4. **Loss of Food Grain:** An estimated 61,824 tonnes of foodgrains have been damaged between 2011-12 & 2016-17. Various reasons for the damage of food grains, including pest attacks, leakages in godowns, procurement of poor quality stocks, exposure to rains, floods, and negligence on the part of the persons concerned in taking precautionary measures etc.

5. **Inefficiencies in the operations of FCI:** The economic cost of FCI food grains operation has been rising on account of increase in procurement prices and other costs (distribution cost, carrying cost, etc.) and also due to inefficiencies caused by highly centralised and bureaucratic mode of operations.

6. **PDS results in Price increases:** Due to large procurement of food grains every year by Government, the net quantities available in open market reduce. This leads to increase in Price. This dual market system i.e. PDS and Open market operates to the disadvantages of poor, especially those who are excluded from the food security system.

7. **Challenges in Delivery Mechanism:** These include challenges like card issue, Quantity and Quality Issues i.e. (35 kg/family vs 5 kg/PHH); Measurement issues; Timeliness of supply; Record maintenance; Seasonality etc.

1.4. Targeted Public Distribution System

This system has been adopted by Government of India since 1997 specifically targeting poor people. It seeks to provide foodgrains to people Below Poverty Line at highly subsidized rate from the PDS and foodgrains to people above poverty line at much higher prices. The identification of the poor under the scheme is done by the States. TPDS maintains universal character of PDS but has special focus on BPL. Total number of families covered under BPL and AAY is 6.52 crores. The allocated amount is 35 kg per month per household to BPL and AAY, while for APL, it will be between 15 kg to 35 kg/month/household.

1.4.1. Key Features of TPDS

1. **Targeting:** Those earning a maximum of Rs. 15,000 per annum are kept within BPL. Initially 10 kg of food grains were provided per household per month, but in 2002 the limit was revised to 35 kg/household/month.

2. **Dual Prices:** In 2000, the Central Issue Prices for the PDS to state governments was set at 50% of the economic cost of FCI for BPL families and at 100% of the economic cost for APL families. In 2001, a third price was also issued for beneficiaries of ANTYODAYA ANNA YOJANA (Rs 2/kg of wheat and Rs. 3/kg of rice per family under AAY).

3. **Central-State Control:** PDS is designed and managed by State Governments, while the Central Government allocates the foodgrains to the states. Under TPDS, the size of the BPL population and the entitlement for them is decided by the Central Government.
Management of food grains for TPDS

The central and state governments share responsibilities in order to provide food grains to the identified beneficiaries. The Central Government procures food grains from farmers at a minimum support price (MSP) and sells it to states at central issue prices. It is responsible for transporting the grains to godowns in each state. States bear the responsibility of transporting food grains from these godowns to each fair price shop (ration shop), where the beneficiary buys the food grains at the lower central issue price. Many states further subsidise the price of food grains before selling it to beneficiaries.

The Food Corporation of India (FCI) is the nodal agency at the Centre, responsible for transporting food grains to the state godowns. More specifically, FCI is responsible for:

- procuring grains at the MSP from farmers,
- maintaining operational and buffer stocks of grains to ensure food security,
- allocating grains to states,
- distributing and transporting grains to the state depots, and
- selling the grains to states at the central issue price to be eventually passed on to the beneficiaries.

1.4.2. Issues related with TPDS

1. **Targeting:** It has both conceptual and operational issues. Conceptual issues include the problems related with **definition of eligibility for BPL status based on income poverty line** does not cover a large number of vulnerable population. Under operational issues, **Identification has been considered as the biggest challenge.** Exclusion errors are so high that 63% of the poor household were not covered by the system (NSS-2007). A high Inclusion Error is also reported as APL were having unacceptably large amount of subsidised grains. NCAER reports about ‘ghost’ card holders. The Gram Panchayats and the Gram Sabhas are given responsibility of identification, but in states where these bodies are not functional, PDS dealers are seen performing the task and benefitting from it.

2. **Import Burden in case of shortfall:** According to current trends, the government procures nearly one-third of the cereals production. This is almost half of the marketed surplus of wheat and rice. In the years when production if high, procurement of this quantity of food grains is easier. However, in years of drought and domestic shortfall, India will have to resort to large scale imports of rice and wheat, exerting significant upward pressure on prices.
3. **Imbalances in availability of storage capacity across states:** On the one hand, there is a shortage of space in consuming states, such as Rajasthan and Maharashtra, while on the other hand, a major portion of total storage capacity is concentrated in states undertaking large procurement such as Punjab, Haryana, Andhra Pradesh, Uttar Pradesh and Chhattisgarh.

4. **Leakages and diversion:** The major part of leakage is due to diversion of food grains to the open markets because of widespread prevalence of corruption. Transport and diversion losses also take place. There is problem of ghost beneficiaries as well. Between 1999 and 2012, leakages of food grains rose from 9% in 1999-2000 to 36% in 2011-12. The leakage of wheat (63%) leakage is much higher than rice (47%).

5. **Late and irregular arrival of grains in fair price shop:** Lack of awareness among poor households about the exact arrival of grains at the Fair Price Shops creates the problem of physical and economic access.

6. **No variation in purchase across expenditure groups:** A successful targeting is said when there is continuous decrease in quantity purchased from PDS with increase in income.

7. **TPDS has failed in transferring cereals from surplus to deficit regions:** Prior to targeting, PDS distribution reflected demand, as it was more attractive in areas of low cereal production, low cereal consumption and high cereal prices. The policy of targeting and allocation of grain on the basis of the income poverty line has worked against the earlier objective of price stabilisation through grain movements across the country. Further, in the universal PDS, automatic stabilisation was ensured as demand for grain from fair price shops increased at a time when the gap between the PDS price and the market price rose. Again, in the new system, with APL priced out of the PDS, and BPL quotas low and fixed, the ability to undertake stabilisation has been weakened.

8. **Burden of subsidy has increased:** Because of introduction of AAY and low prices for BPL, and exclusion of APL as they are not getting any incentive to buy from fair price shops (hence increasing the stock with FCI), the burden of subsidy has pushed the burden of subsidy further.

1.5. **Recent PDS Reforms**

1. **Digitization of ration cards:** This allows for online entry and verification of beneficiary data. Besides, online storing of monthly entitlement of beneficiaries, number of dependants, offtake of food grains by beneficiaries from FPS, etc. States of Andhra Pradesh, Gujarat, Tamil Nadu, Madhya Pradesh etc have undertaken this exercise on a large scale.
2. **Linking with Adhar**: 56% of the digitised cards have been seeded with unique identification number Aadhaar. This leads to better identification and hence improved targeting.

3. **Computerisation of FPS allocation**: This makes declaration of stock balance, issuance of web-based truck challans, etc very convenient. Furthermore, it allows for quick and efficient tracking of transactions. Several states have also installed **ePOS (electronic point of sale) devices** at the fair price shops to track the sale of foodgrains to actual cardholders on a real time basis.

4. **Use of Global Positioning System (GPS) technology**: States like Chhattisgarh and Tamil Nadu use GPS technology to track movement of trucks carrying food grains from state depots to FPS. This checks leakages to a great extent.

5. **DBT**: Three UTs-Chandigarh, Puducherry and Dadra and Nagar Haveli have implemented DBT on a pilot basis.

1.6. **Reforms required for revamping India’s PDS**

**Procurement Side Reforms**

- States which have gained sufficient experience (Andhra Pradesh, Chhattisgarh, Punjab, Haryana and MP) should be encouraged to procure for PDS directly from the farmers.
- FCI should focus on states which suffer from distress sale at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc.
- Private sector should be encouraged to shoulder the responsibility of procuring, storage and distribution of PDS commodities.
- Negotiable warehouse receipt system (NWRS) should be taken up on priority and scaled up quickly.
- GoI should widen its procurement basket so as to incorporate adequate nutrient mix. It will prevent skewed incentive to wheat and rice only and promote crop diversification.
- A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks than buffer norms.

**Supply Side Reforms**

- End to end computerization: Mapping of FPS and the registered customers at each FPS will help to identify exact requirements at each FPS. Timely and adequate allotment of goods at Fair Price Shops (FPS) in adequate quantities.
- Monthly declaration of sales by FPS to prevent piling up of excess inventories.
- Truck dispatch information & stock availability at FPS through SMS to registered users.
- GPS based tracking of trucks carrying PDS goods.
- FPS should be operated through Gram Panchayats, Cooperatives, Self Help Groups etc.

**Consumer Side Reforms**

- Proper identification of beneficiaries and creating a web database with allotted quantity of each goods as per entitlement.
- Computerized entry via AADHAAR authentication at Point of Sale (POS).
- Pilot testing of cash transfers in PDS, starting with large cities with more than 1 million population; extending it to grain surplus states, and then giving option to deficit states to opt for cash or physical grain distribution.
- Toll Free Number for complaint registration.

**ONE NATION, ONE RATION CARD**

As part of the Economic relief package amid COVID 19 outbreak, the Central government has announced the national rollout of a ‘One Nation, One Ration Card’ system in all states and Union Territories by March 2021. Under this ‘One Nation, One Ration Card’ system, beneficiary will be able to buy subsidized food grains from any FPS across the country using their existing/same ration card that is Aadhaar linked.
Under present Public Distribution System (PDS), a ration cardholder can buy food grains only from Fair Price Shop (FPS) that has been assigned in the locality in which he/she lives. The Partha Mukhopadhyay Working Group on Migration recommended for portability of Public Distribution System and its benefits in 2017. Subsequently, Government launched Integrated Management of Public Distribution System (IM-PDS) in April 2018.

The new system will identify beneficiary through biometric authentication on electronic Point of Sale (ePoS) devices installed at FPS. Under this, a migrant will be allowed to buy maximum of 50% of family quota. This is to ensure that the individual, after shifting to another place does not buy the entire family quota in one go. Once 100 per cent of Aadhaar seeding and 100 per cent installation of ePoS devices is achieved, national portability of ration cards will become a reality. Currently, it is enabled in 17 States and UTs.

Benefits of ONORC

- Provide intra-state as well as inter-state portability of ration cards benefitting inter/intra state migrants to avail benefits.
- Inter-state portability at IMPDS portal
- Intra state at Annavitrata Portal
  - Annavitrata Portal has been implemented to display electronic transactions made through ePoS devices for distribution of subsidized foodgrains to beneficiaries. This portal also shows all India picture of Aadhaar authentication of beneficiaries besides allocated and distributed quantity of foodgrains up to district level.
- Helps to remove bogus ration card holders through an integrated online system.
- It can control rising food subsidy bill by preventing leakages etc.

Challenges in implementation of ONORC

- Technological glitches
  - Aadhaar authentication - Around 85.41% of ration cards have been linked to Aadhaar up until August 2019, still leaving out a significant number.
  - e-PoS machines - As per data on the Annavitrata portal, out of total 79,050, only 37,392 FPS have e-PoS machines as of January 2020. This is further low in states like Bihar and West Bengal, with some of highest out-migration rates in India.
  - Internet connectivity and reliability - Internet penetration remains low in India, especially in rural India.
- Poor quality of rural electrification - Running E-PoS machine under new scheme requires a steady source of electrical power. Survey by Ministry of Rural Development in 2017 indicates that only half of all villages get more than 12 hours of power supply, with power failures being rampant.
- Huge gap in data on patterns of domestic migration - This will challenge state governments in making appropriate quantities of rationed commodities available for masses. Unplanned distressed migration can further make it difficult to tackle problem at hand.
- Centre state relations - Efforts to align different state implementation policies on food security may be seen an encroachment on state subjects. This might create room for mistrust between Central and state governments and require engagement based on principles of cooperative federalism.
- Disincentivizing provisions for local food habits and needs: In current system, over and above central government’s allocations, some states distribute additional food items such as iodised salt, spices, and pulses, among others, as per their capacity and local needs. As burden of eligible beneficiaries will be different for every state (based on in/out migration), new system may disincentivize states from diversifying diets of local people.

Conclusion

ONORC scheme has to cross multiple hurdles to be implemented successfully. Nevertheless, it has potential to achieve increased access to subsidized food by most vulnerable sections of the population. It can prove to be instrumental in bringing the country closer to achieving its Sustainable Development Goal 2 of Zero Hunger in India by 2030.
1.7. Alternatives to TPDS

1. **Cash Transfers**: The high level committee chaired by Shanta Kumar in 2015 had recommended gradual introduction of cash transfers in PDS, starting with large cities with more than 1 million population; extending it to grain surplus states, and then giving option to deficit states to opt for cash or physical grain distribution. DBT in the name of lady of the house, and routed it through PM Jan Dhan Yojana, and dovetailing it with the UIDAI has also been suggested. This will help in better targeting, and plugging leakages. 

   With a massive proportion of bank accounts being already linked with Adhar, the case for authorities in adopting DBT with respect to public distribution system (PDS) beneficiaries becomes stronger. For instance, out the around 6.72 crore beneficiaries in Tamil Nadu, Aadhaar-linking has been done for 6.68 crore. Besides, a majority of the ration cardholders are either Pradhan Mantri Jan Dhan Yojana (PMJDY) account holders (1.05 crore PMJDY account holders in Tamil Nadu) or recipients of subsidy on cooking gas cylinders. So they are already getting financial assistance from government agencies through their bank accounts.

2. **Food Coupons**: Beneficiaries can be given coupons instead of money, which can be used to buy food grains from any grocery store. Under this system, grains will not be given at a subsidised rate to the PDS stores. Instead, beneficiaries will use the food coupons to purchase food grains from retailers (which could be PDS stores). Retailers take these coupons to the local bank and are reimbursed with money. According to Economic Survey reports, such a system will reduce administrative costs. This can also remove the problems of procurements, diversion and black marketing of food grains.

3. **UBI**: A Universal Basic Income has also been touted as an alternative. Such an initiative imparts a sense of agency on the beneficiaries, helps them make choices on their own and also saves up on administrative costs.

1.8. Universal PDS vs. Targeted PDS

When PDS was first introduced, it was a universal entitlement scheme. In 1997, it was changed into the Targeted PDS. Unlike most states in the country, Tamil Nadu retained the Universal PDS, providing subsidised food grains to the entire population. Its PDS success story has been inspirational. However, there are both advantages and limitations to this approach:

1. Subsidised PDS commodities are distributed to all residents without classifying them into different categories. According to the Justice Wadhwa Committee Report, non-classification helps the state avoid errors of exclusion of eligible and vulnerable families.

2. A universal scheme will create an unnecessary burden over the exchequer, as this will have huge inclusion error because those who do not need the security, such as rich people, will get automatically included in it. But, at the same time a universal PDS will remove the exclusion error seen in targeted schemes due to misidentification of beneficiaries, rampant corruption, leakages and diversion in the PDS, etc. Some critics are of view that a more inclusion error, but less or no exclusion error is more favourable condition for the success of PDS. Also, rich people can be persuaded to give up their subsidy, as successfully done in LPG.

3. A high procurement of food grain will have to be done for a Universal PDS. This will increase the price of wheat and rice in open markets. It calls into question the ability of the government to to import such quantities of highly subsidized food grains in the event of shortfall.

4. India is home to a large number of migrants, non-citizens etc. A targeted PDS excludes these people as they do not have required documents for ration card. A universal PDS will bring them under the fold of food security. But both budget and grains are limited. Universal schemes implemented in North Africa suggests that it involves unnecessary high costs and no significant benefits to the poor.

5. However, universal programs lack the element of ‘affirmative action’.
Food Corporation of India (FCI)

FCI is a statutory organisation set up in 1965 under Food Corporation Act 1964. It is the main agency providing foodgrains to the PDS. Its primary duty is to undertake the purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs. FCI is mandated with three basic objectives:

1. to provide effective price support to the farmers, also, it ensures that the farmers are getting the announced remunerative prices and the consumers are getting food grains at the uniform price fixed by the Government.
2. to procure and supply grains to PDS for distributing subsidized staples to economically vulnerable sections of society.
3. keep a strategic reserve to stabilize market (for basic food grains).

Recommendations of High Level Committee on Restructuring of FCI

The Committee was set up in 2014, with Shanta Kumar as Chairman. It submitted its report in 2015.

1. On Procurement Related Issues:
   - FCI should hand over procurement to those States which have gained sufficient experience (Andhra Pradesh, Chhattisgarh, Punjab, Haryana and MP). It should focus on states which suffer from distress sale at prices much below MSP, and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc.
   - Negotiable warehouse receipt system (NWRs) should be taken up on priority and scaled up quickly.
   - GoI needs to revisit its MSP policy which gives skewed incentive to wheat and rice only and neglects crop diversification.
   - MSP policy should work in coordination with trade policy so that the landed costs of imported crops are not below their MSP.

2. On PDS And NFSA Related Issues:
   - GoI should defer implementation of NFSA in states that have not done end to end computerization; have not put the list of beneficiaries online for anyone to verify, and have not set up vigilance committees to check pilferage from PDS.
   - The current coverage of 67% Population under NFSA is a huge fiscal burden. It should be brought down to 40%.
   - Gradual introduction of cash transfers in PDS, starting with large cities with more than 1 million population; extending it to grain surplus states, and then giving option to deficit states to opt for cash or physical grain distribution.
     - Cash transfers can be indexed with overall price level to protect the amount of real income transfers.
     - Cash can be given in the name of lady of the house.
     - Cash can be routed through Prime Minister’s Jan-Dhan Yojana (PMJDY) and dovetailing Aadhaar and Unique Identification (UID) number.

3. On stocking and movement related issues: FCI should outsource its stocking operations to the private sector.

4. On Buffer Stocking Operations and Liquidation Policy: the current system is extremely ad-hoc, slow and costs the nation heavily. A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks than buffer norms.

5. On Labour Related Issues:
   - Increase mechanisation to reduce the number of manual labour requirements and offices.
   - At top level, hire executives from private sector
   - Daily wage contractual labour or outsourcing should be done wherever possible

6. On direct subsidy to farmers: Farmers be given direct cash subsidy (of about Rs 7000/ha) and fertilizer sector can then be deregulated.
   - This will plug diversion of urea to non-agricultural uses, as well as to neighbouring countries.
   - This will also help raise the efficiency of fertilizer use.
   - This may also help those who take loans from money lenders at exorbitant interest rates to buy fertilizers or other inputs, thus relieving some distress in the agrarian sector.
2. Buffer Stocks

2.1. Introduction

A buffer stock is a system or scheme which buys and stores stocks at times of good harvests to prevent prices falling below a target range (or price level), and releases stocks during bad harvests to prevent prices rising above a target range (or price level). So, it neutralizes the fluctuation in production of a given crop, so that the prices may remain stable.

In times of surplus production, government procures the crops from farmers through MSP so that the farmers do not suffer negatively for producing more. In times of deficit, government releases the buffer stocks in a phased manner so that interests of the consumers do not suffer, and they are able to meet their nutritional requirements at reasonable prices.

2.2. Buffer Stock Policy of India

The concept was introduced in the fourth five year plan (1969-74), and a buffer stock of food grain was to be maintained by FCI on behalf of the Government of India to meet the monthly release of food grains for supply through PDS (Targeted Public Distribution System, TPDS and Other Welfare Schemes (OWS) to meet emergency situations arising out of unexpected calamities such as crop failure, natural disasters, etc. and for market intervention to augment supply in case of deficit production of food grains, so that, the open market prices get moderated.

Food grain stocking norms refers to the level of stock in the central pool that is sufficient to meet the operational requirements of food grains i.e. for distribution under Targeted Public Distribution System TPDS, Other Welfare Schemes (OWS) and exigencies at any point of time. Earlier this concept was termed as Buffer Norms and Strategic Reserves.

Buffer norms are fixed by CCEA (Cabinet committee on Economic Affairs chaired by PM) on quarterly basis as on 1st April, 1st July, 1st October, and 1st January of every financial year. The buffer norms have been revised in January 2015.

Operational stock = Stocks earmarked for TPDS + OWS and Food security stocks/reserves.

In addition to the buffer norms, a strategic reserve of 30 lakh tonnes of wheat and 20 lakh tonnes of rice is also maintained. This stock is termed as Food Grain Stocking Norms.

The Buffer norms of food grains in the central pool have been revised in 2015 and Cabinet Committee on Economic Affairs, CCEA has approved that in case the stock of food grains is more than the revised buffer norm, the Department of Food and Public Distribution will offload excess stock in the domestic market through open sale or through exports.

From 2015, Government has decided to create a buffer stock of 1.5 lakh tonnes of pulses to control fluctuation in their prices. NAFED, SFAC and FCI will procure pulses for buffer stock.

Food stock above the minimum buffer norms are treated as ‘Excess Stock’, and government can liquidate them through export, open market sales or additional allocation to states.
2.3. Critical Evaluation of Buffer Stocks in India

There are several problems in operating and designing a sustainable food intervention system. From procurement to distribution, the system is handled mainly by the government (although more recently some part of the logistics have been handed over to private contractors, based on tender-auctions) and is plagued with inefficiencies. Some of the inefficiencies are given below:

1. **Open-ended procurement**: FCI has to procure a large amount of grain from market due to increasing commitment of government, and has become a buyer of last resort. For instance, in 2016-17, Government ended up procuring more than 30% of the marketable surplus of wheat.

2. **Procurement Prices have become Support Prices**: Procurement prices which were kept for maintaining the buffer stock has virtually become the prices for purchasing whatever amount the farmer offers for sale. Consequently in times of scarcity, farmers don’t get the benefits and in case of excess production, markets are not able to function optimally so as to restore the balance between demand and supply. Besides, the quantity purchased exceeds the storing capacity of FCI and leads to excessive damage of procured grains.

3. **One tool serving many objectives**: Using the same instrument to achieve the twin objectives of ensuring remunerative price to farmers and providing the procured food grains to the poor at highly subsidized prices creates conflicts. By implication, this entails a huge gap between the purchase price and issue price, and consequently a larger subsidy bill.

4. **Inefficient Inventory management**: In the absence of clear targets for the stock level, the whole inventory management system of the FCI becomes inefficient and thus costly.
   a. **First, the FCI's inventory management policy has a counter-cyclical character**: The government should procure grain in times of abundant supplies in the market, and release it in times of scarcity. However, the need to meet the needs of the TPDS and the other food-based welfare schemes, the government not only withholds stocks during a bad crop year (because it expects off-take to be higher than normal), it also steps up its procurement, pushing up prices in an already supply-constrained market.
   b. **Inefficient Inventory management**: Even after allocating to the mandated schemes and maintaining reserves, an excess of millions of tons of grain remain in the FCI godowns.
There is no pro-active, pre-defined, sustainable policy practiced for this residual grain. As a policy, such residual grain, which is of good quality, can be released through two channels.
   i. It could be released in the domestic market under the open market sale scheme (OMSS)
   ii. Grain can be released in the global markets through exports (depending on the prevailing export policy)
Grain of inferior quality or destroyed grain is disposed of as feed, generally at a pre-determined reserve price.
The policy towards international grain trade has been of an ad-hoc nature, with the domestic grain supply and price situation determining the export/import policy every year. Also, there have been frequent bans on grain export. While, OMSS-Domestic remains a failure because the issue prices are always kept higher and poor quality of released grains. Both, the methods have proved inadequate for disposing off the residual grain.

5. **Rising cost of Operation:** Under grain management, FCI’s main heads of costs are acquisition costs, which include the pooled cost of grain and procurement incidentals, and distribution costs (these are costs involved in the allocation and distribution of grains to various states/UTs under various food-based welfare schemes). To maintain strategic stocks, FCI incurs buffer-carrying costs, which include the cost of warehousing, stock maintenance etc. and this cost of FCI is called “annual rate of buffer carrying cost”. This cost has more than doubled since 2001-02. There has been rise in all the above mentioned costs due to:
   a. **Higher acquisition cost:** MSPs and Bonuses are continuously increasing. Mandi charges, milling charges, administrative charges are increasing as well. The economic costs of FCI for acquiring, storing and distributing food grains is about 40 per cent more than the procurement price.
   b. **Higher storage costs and losses due to inadequate capacity:** FCI’s average annual rate of increase in storage capacity has been a meager 4.5 percent while the growth rate of rice and wheat stocks in the central pool has been more than 18 per cent. Data for the year 2011-12 show that FCI’s storage and transit losses have increased by close to 147 per cent in nominal terms between 2006-2007 and 2011-2012, much of which is accounted for by a 164% increase in storage costs in the period.

6. **De-facto nationalization of the grain market:** With more than 75 per cent of the marketable surplus procured by the government, very little grain is available for the open market. This lower market supply exerts an upward pressure on prices in the open market, neutralizing much of the consumer benefits that the subsidy provides. Also, the Essential Commodities Act, APMC Act and state government interferences adversely affect the price competitiveness of Indian grain in the international market.

7. **Increasing gap between per capita production and per capita availability:** Although rice and wheat production rose by 29 per cent between 2000 and 2012, **per capita net availability of grains went down by close to 1 per cent.** When rising stock levels with the government reduces grain availability for consumption, it counters the whole objective of buffer stocking. The idea was to procure grain and distribute it to the needy to improve the access to and availability of grain. However, if the grain is procured, stored, and not distributed/released when needed, then it could, contrary to the objectives of the system, increase food insecurity.

8. **Inefficiencies in the targeted public distribution system:** Along with high amount of pilferage, inclusion and exclusion errors, the economic cost of operation has also increased more than 100% in last decade, while the issue price has remained constant. The huge amount of financial implication can be observed by following facts (2014)
   a. India’s food subsidy bill has grown more than 25 times (in nominal terms) during the last two decades
b. it is more than one per cent of annual gross domestic product (GDP) and five per cent of the agricultural GDP
c. and is nearly one-third of all subsidies given by the central government.

3. Food Security

3.1. Introduction

The definition of food security has evolved over a period of time. As a concept, food security originated in the mid-1970s, in the wake of global food crisis. The initial focus of attention was assuring the availability and to some degree the price stability of basic foodstuffs at the international and national level. This was then broadened to incorporate the demand side of food security in early eighties. During the nineties issues such food safety, nutrition, dietary needs and food preferences were also considered important ingredients of food security.

In FAO report on 'The State of Food Insecurity, 2001', food security is defined as a "situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life".

World Summit on Food Security stated that the "four pillars of food security" are availability, access, utilization, and stability i.e. food security over time.

To accomplish all the above criteria, requires not only an adequate supply of food but also enough purchasing power capacity with the individual or household to demand adequate level of food.

Food Security vis-a-vis Constitution of India

In the Indian context, the underpinnings for food security of the people can be found in the Constitution, though there is no explicit provision on right to food.

The fundamental right to life enshrined in Article 21 of the Constitution has been interpret by the Supreme Court and National Human Rights Commission to include right to live with human dignity, which includes the right to food and other basic necessities.

Under Directive Principles of State Policy, it is provided under Article 47 that that the State shall regard raising the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties.

Providing food security has been focus of the Government of India’s planning and policy. Attainment of self-sufficiency in foodgrains production at the national level has been one of the major achievements of the country. In order to address the issue of food security at the household level, Government is implementing the Targeted Public Distribution System under which subsidized foodgrains is provided to eligible households. To further strengthen the efforts to address the food security of the people, the Government enacted the National Food Security Act, 2013.

3.2. Qualitative and Quantitative Dimensions of Food Security

The adequate supply of food involves two dimensions:

- Quantitative Dimension or overall food availability in the economy.
- Qualitative Dimension pertaining to the fulfillment of nutritional requirements.

3.2.1. Quantitative Dimension of Food Security in India

India gained self-sufficiency in the food grains in 1970s mainly because of green revolution and has sustained it since then. India's foodgrains production is estimated at a record 291.95 million tonnes in the 2019-20 crop year. Thus, in terms of per capita food requirements, India is self-sufficient in the production of major food crops like wheat and rice.
3.2.2. Qualitative Dimension of Food Security in India

While the per capita food availability is sufficient, food is not equally distributed. Due to anomalies in the distribution channels and disproportionate purchasing power capacity of people, the nutritional requirements of vulnerable sections are not adequately addressed.

This can be gauged from the following facts:

- According to State Of Food Security and Nutrition in The World 2020 Report of FAO, the number of undernourished people in India declined from 249.4 million in 2004-06 to 189.2 million in 2017-19.
- It further said that the prevalence of stunting in children under 5 years of age in India declined from 47.8% in 2012 to 34.7% in 2019 or from 62 million in 2012 to 40.3 million in 2019.
- It estimated that the number of adults (18 years and older) who are obese grew from 25.2 million in 2012 to 34.3 million in 2016, growing from 3.1% to 3.9%.
- The number of women of reproductive age (15-49) affected by anaemia grew from 165.6 million in 2012 to 175.6 million in 2016.
- The number of infants 0-5 months of age exclusively breastfed grew from 11.2 million in 2012 to 13.9 million in 2019.
- Recently released NFHS-4 report also shows similar facts i.e. 53% women (15-49 years of age) and 58.4% of children (6-59 months) are anaemic and 35.7% of children (under 5) are underweight.
- The Global Hunger Index 2020 report has placed India at 94th position among 107 countries, much behind Bangladesh, Pakistan and Nepal.

3.3. Challenges in ensuring Food Security

Over the coming decades, a changing climate, growing global population, rising food prices, poor agricultural growth rate (trends shown below) and environmental stress factors will have significant yet highly uncertain impacts on food security.

Moreover, a significant proportion of population is economically backward to be able to afford adequate food for fulfilling their dietary requirements. Despite the availability of government support programs, there have been numerous questions at international forums like WTO over government public procurement and distribution of food grains to the needy people.

To tackle the quantitative and qualitative aspect of food security problem, India provides three food-based safety nets and one monitoring programme.

- Public Distribution System (PDS)
- Integrated Child Development Scheme (ICDS)
- Mid-Day Meals Program (MDM)
- National Nutrition Mission (POSHAN ABHIYAAN)
3.3.1. Integrated Child Development Scheme (ICDS)

A centrally sponsored scheme launched in 1975, it is one of the largest child intervention programs in the world with a holistic package of 6 basic services for children up to 6 years of age, and for pregnant and lactating mothers. These services are:

a) Supplementary feedings (Child-500 calories, 12-15gm protein for 300 days, Pregnant mothers-600 calories, and 18-20 gm protein)

b) Immunization
c) Health Checkups
d) Referral services
e) Health and nutrition education to adult women
f) Non-formal pre-school education to 3-6 years old.

3.3.2. Mid-Day Meal (MDM) Scheme

MDM is the world’s largest school feeding program reaching out to about 11 crore children in Schools and Education Guarantee centres (EGS) across the country. National Program of nutritional support to primary education, also called MDM scheme was launched in 1995. It is a nationwide central scheme intended to improve:

- the enrolment and regular attendance and
- to reduce the dropouts in schools.
- to improve nutritional status of primary school children.

From 2008-09, Children from upper primary level i.e. till Class VIII were also included in the scheme. For primary students-300 calories and 8-12 gm protein and for upper primary students-700 calories and 20 gm protein has been kept as norm.

3.3.3. Critical Appraisal of ICDS and MDM

India’s one of the biggest flagship programs, the Rs 8,000 crore-a-year Supplementary Nutrition Program (SNP) to fight child malnourishment under ICDS suffers from gross violations and misuse of rules and has failed in meeting its ends.

1. Due to meager allocation of resources and faulty policy designs, the overall impact of ICDS and MDM over malnutrition has remained very limited. The states with high degree of malnutrition, have low coverage of both the schemes.

2. Poor quality of nutrient deficient meal is being served at most of the schools.

3. ICDS has limited itself with just one function of Supplementary Nutritional Program (SNP) and is not concerned about other functions. Also, it focuses on children 3-6 years of age, so, 0-3 years (when maximum nutrition is required) old suffer neglect.

4. Since food is nutrition deficient in ICDS as well, children are facing the problem of hidden hunger i.e. prevalence of Iodine, calcium, iron or Vitamin A deficiency.

5. Child Immunization and pre-school education is neglected under ICDS, except in Tamil Nadu (FOCUS report).

6. ICDS is poorly implemented. Also, several posts such as of CDPO and supervisors remain vacant in many states.

7. Rampant corruption, fudged records and bland panjiri has become the reality of ICDS. FOCUS reports (Focus on Children Under Six Report by Right To Food Campaign NGO) show that corruption is the main reason for failure of ICDS and MDM in removing malnutrition. It was found that ‘panjiri’ (ready-to-eat energy mix) meant for children is being used illegally to feed the cattle of rich and influential in Uttar Pradesh.

8. MDM is falling prey to private contractors. Also, political leaders and influential business people have formed SHGs and mahila mandals to gain such contracts.
3.3.4. National Nutrition Mission

It is a flagship programme which would be executed with the Ministry of Women and Child Development (WCD) as the nodal ministry along with other ministries like Ministry of Drinking Water and Sanitation, Ministry of Health and Family Welfare etc. which ensures convergence with various programmes.

**Target:** The mission, to be implemented in three phases, has a target to reduce stunting, undernutrition, and low birth weight by 2 per cent per annum, and anaemia among children (of 6-59 months) and women/adolescent girls (15-49 years) by 3 per cent annually. It would also strive to achieve reduction in stunting from 38.4% (NFHS-4) to 25% by 2022 (Mission 25 by 2022).

**Salient Features:** The salient features of India’s National Nutritional Mission include the following:

- NNM as an apex body will monitor, supervise, fix targets and guide the nutrition related interventions through the life cycle concept.
- Mapping of various schemes contributing under malnutrition
- ICT (Information and Communication Technology) based real time monitoring system.
- Incentivizing states/UTs for meeting targets
- Incentivizing Anganwadi Workers (AWW) for using IT based tools and eliminating the need for registers
- Measurement of height of children at Anganwadi Centres
- Social Audits to track the health progress of the children
- Setting-up Nutrition Resource Centres


It marks a paradigm shift in approach to food security – from a welfare to rights based approach. The Act legally entitles up to 75% of the rural population and 50% of the urban population to receive subsidized foodgrains under Targeted Public Distribution System. About 67% of the total population therefore is covered under the Act to receive highly subsidized foodgrains.

The Act seeks to provide food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity and for matter connected therewith or incidental to it. The Act brings the Right to Food within the framework of legally mandated entitlements.

3.4.1. Key Features of the Act

1. It entitles 75% of the rural population and 50% of the urban population (67% of the population i.e. 80 crore people) for subsidized grain under TPDS.
2. The act provides ‘individual entitlement’ and each individual will be provided 5 kg of wheat, rice or coarse cereals a month at the rate of Rs 3, Rs 2, and Re 1 per kg respectively. These Prices may be changed by the Central Government from time to time, but after 3 years of the act only and not above the MSP.
3. 2.43 crore people under AAY will get 35 kg food grain per household per month, like earlier.
4. There is a special focus on nutritional support to pregnant women and lactating mothers and children up to 14 years of age by entitling them to nutritious meals. Pregnant women will also be entitled to receive cash maternity benefit of Rs. 6,000 in order to partly compensate her for the wage loss during the period of pregnancy and also to supplement nutrition.
5. The act contains an important provision for **women empowerment by giving status of head of the household to the eldest woman of the household**, for the purpose of issuing of ration cards.

6. State Governments have been given responsibilities to identify the households within 365 days of the passage of the act.

7. For children below 6 months, **exclusive breast feeding** is to be promoted. For children between 6 month to 6 years, **age-appropriate free meals** will be provided by the Aanganwadi Centres. For children between 6-14 years of age (unto Class VIII) will be given **Mid Day Meal** at public schools.

8. Every pregnant and lactating mother will get free meal at local aanganwadi (till 6 months of delivery) and a **maternity benefit of Rs 6000** in instalments.

9. A **State Food Commission** will be set with a chairperson, five members and 1 secretary (including at least 2 women, and 1 member each from the SC and ST community)

10. If concerned state government is not able to provide the food grain, then **equivalent food security allowance** has to be provided.

11. Act includes three schedules:
   a. **Schedule 1** prescribes issue prices for the PDS.
   b. **Schedule 2** prescribes nutritional standards for MDM, take home rations and related entitlements.
   c. **Schedule 3** lists various provisions to advance food security under 3 broad headings:
      - revitalisation of agriculture (land reform, R&D, etc.)
      - procurement, storage and movement of food grains, and
      - other provisions (safe drinking water, sanitation, healthcare, adequate pensions for vulnerable, etc.)

### 3.4.2. Food Security & Nutritional Security

The National Food Security Act primarily focuses on providing food security via expansion of the PDS. However, the extent to which this would lead to nutritional security depends on the manner in which households respond to the availability of cheap cereals.

**Effect of Cereal Subsidies:**

Households keep o balancing their needs like ensuring adequate calorific consumption, enhancing the quality of their diets, improving living conditions and investing in the health and education of household members. Cereal subsidies are thought to have two kinds of effects:

- **Income Effect:** For those households that value dietary diversity, being able to buy cheap cereals will free up money to purchase other foods such as milk, fruits, nuts, and perhaps eggs and meat.
- **Substitution Effect:** For households that have other dominating consumption needs, money saved by purchasing subsidised cereals may be devoted to those needs and diverted from food expenditure (substitution effect).
The issue of dietary diversity has received little attention in Indian policy discourse until recently. This issue deserves considerable attention especially as India approaches an epidemiological transition with the increasing incidence of non-communicable diseases (NCDs). Although communicable diseases remain dominant in the country, the prevalence of NCDs is rising. Cardiovascular diseases, strokes, diabetes, and cancer are the four leading NCDs in India. India has the highest number of people with diabetes in the world and this burden has been rising over time, which is why it is often referred to as the 'diabetic capital of the world'.

Some part of this increase in the occurrence of the disease can be attributed to the rising consumption of processed foods and refined foodgrains as unprocessed foods and healthier cereals like small millets are considered inferior foods that households abandon as they get rich. However, increasing incomes have not led to improving diets. Thus, it is important to examine the extent to which the availability of subsidised cereals affects dietary diversity.

### 3.4.2.1. Role of TPDS in shaping Household & Nutritional Security in India

The National Food Security Act focuses on providing food security via expansion of the PDS. Greater access to subsidised grains for the poor was expected to reduce malnutrition, leading to a concomitant fall in the number of underweight children. However, most national level surveys conducted during this period including the National Family Health Survey-4 did not find any correlation between PDS use and decline in malnutrition. Another expectation which has been belied is that with a rise in incomes, households would increasingly buy higher quality grains from the market rather than the PDS shops. Rather than declining, PDS use has risen sharply in both urban and rural areas for the poor as well as the non-poor. These trends have been covered in detail below.

### 3.4.2.2. Coverage of TPDS

- The number of households that do not own any card declined from 19 per cent to 14 per cent of the total households between 2004-05 and 2011-12. The proportion of households holding Below Poverty Line (BPL) or Antyodaya Anna Yojana (AAY) cards increased from 36 per cent of all households to 42 per cent between 2004-05 and 2011-12. Much of this increase comes from expansion of the AAY programme.
- Although BPL and AAY card holders come from the poorer sections of the society, this correlation is not perfect. The use of the consumption-based poverty line cut-off suggested by the Tendulkar Committee indicates that only 29 per cent of the BPL cardholders are poor while 71 per cent are not poor. In contrast, about 13 per cent of the APL cardholders are poor while 87 per cent are not poor. Thus, many non-poor have BPL cards while some of the poor are excluded from the ownership of BPL cards.
- The access of the poor to AAY/BPL cards has improved because of the issuance of more cards. However, the access of the rich has also improved because the programme has failed in efficient targeting and an increased proportion of cards have been distributed to the whole population.

### 3.4.2.3. Access and Use of the TPDS

- There was a striking rise in PDS use between 2004-05 and 2011-12. In 2011-12, about 27 per cent of all households purchased cereals from the PDS whereas by 2011-12, this proportion had risen to 52.3 per cent.
- Every category of cardholders has recorded a growth in PDS use during the period under study. While almost all the BPL and AAY cardholders are seen to purchase PDS grains, as many as 32 per cent of the Above Poverty Line (APL) cardholders also use the PDS.
- Despite the increase in the use of PDS by the purchasing households, the amount of purchase or the share of PDS grain to the total grain consumed has remained more or less stable.
• PDS use increased not just for food grains but also for kerosene, with 79 per cent of the PDS card holders purchasing kerosene from PDS shops. Although the use of kerosene as a primary cooking fuel is negligible, nearly 28 per cent of the households use kerosene in conjunction with biomass (e.g. firewood) and LPG.

3.4.2.4. Role of BPL/AAY Subsidies in Shaping Food Expenditure

• There are significant differences between consumption patterns of households with BPL/AAY cards and those not having access to these cards. Studies have shown that at any given income level, households with BPL/AAY cards are more likely to buy cereals from PDS shops than those with APL cards. Since only BPL cardholders are eligible for subsidised cereals, this is not surprising.
• The expenditure incurred on food by households with BPL/AAY cards is less than the corresponding expenditure incurred by those who do not have these cards.
• Households with BPL/AAY cards invariably try to obtain their caloric needs from cheaper cereals rather than from more expensive items like dairy, fruits, nuts and meats. Rising incomes lead to greater dietary diversification for households without BPL cards than those with BPL cards.
• Food expenditure and food consumption vary between households that experience income growth vis-à-vis those that experience income declines.
• Regardless of access to PDS, food expenditure among households that suffer economic distress does not change substantially. It could be because they economise in other areas. However, food expenditure for households experiencing income growth increases.
• Growth in incomes leads to a higher increase in food expenditure by households without BPL/AAY cards than for those with these cards.
• While all households experiencing substantial income growth increase their cereal consumption, this increase is lower for households without BPL/AAY cards as compared to those with these cards.

Rising income is more likely to increase milk consumption in households without BPL/AAY cards than in those with these cards, suggesting that higher incomes coupled with the absence of subsidies on cereals lead to greater dietary diversification.

3.5. Pilot scheme on fortification of rice and its dispersal through Public Distribution System (PDS)

Department of Food and Public Distribution under the Ministry of Consumer Affairs recently approved a centrally-sponsored pilot scheme on fortification of rice and its dispersal through Public Distribution System (PDS). Financial assistance of up to 90 per cent in case of North-Eastern, Hilly and Island States and up to 75 percent in case of rest of the States has been extended by GOI. Government of India has also advised all states and UTs especially those states and UTs, which are distributing wheat flour through PDS, to distribute fortified wheat flour through PDS.

3.5.1. Defining food fortification

Food fortification is the deliberate addition of one or more micronutrients to food so as to correct or prevent a deficiency and provide a health benefit. These nutrients may or may not have been originally present in the food before processing. Food fortification is a “complementary strategy” and not a replacement of a balanced & diversified diet to address malnutrition.

It has the following benefits:
• Can improve the health of a large section of the population, all at once since the nutrients are added to staple foods that are widely consumed.
is safe method of improving nutrition among people as the quantity added is very small and well regulated as per prescribed standards.

is a socio-culturally acceptable way to deliver nutrients to people as it does not require any changes in food habits and patterns of people and does not alter the characteristics of the food—the taste, the feel, the look.

is cost effective and delivers quick results. The Copenhagen Consensus estimates that every 1 Rupee spent on fortification results in 9 Rupees in benefits to the economy.

3.5.2. Need for food fortification

Nearly 70% of people in India consume less than half of their recommended dietary allowance (RDA) of micronutrients. The deficiency of micronutrients is also known as “hidden hunger” and leads to various diseases like Night Blindness, Goitre, Anaemia and various birth defects.

According to the National Family Health Survey (NFHS-4):

- 58.4 percent of children (6-59 months) are anaemic.
- 53.1 percent women in the reproductive age group are anaemic.
- 35.7 percent of children under 5 are underweight. Around 50-70% of these birth defects are preventable, caused due to deficiency of Folic Acid.

3.5.3. Challenges to food fortification

- **Voluntary nature**: Fortification continues to be voluntary rather than mandatory leading to limited efforts to fortify by state governments and private sector.
- **Poor implementation by states**: Although some states have adopted fortification in ICDS, MDMS and PDS, but due to lack of definitive policy guidelines, budgetary constraints, technical knowledge and logistic support, states have not adopted fortification in a holistic manner.
- **Weaknesses of FSSAI**: It lacks resources and manpower to effectively carry out its mandate.
- **Lack of awareness**: There is a lot of misinformation and ignorance about the usage and benefits of fortified food as of now.

3.5.3.1. Way Forward

- A fortification initiative will combat high malnutrition, promote food processing industry and also improve customer satisfaction. Therefore the government must reform its institutional structure and its overall implementation to mainstream this key initiative.

3.6. WTO and Food Security

According to WTO, people are considered food secure when they have access to sufficient, safe, nutritious food to maintain a healthy and active life. Public Stockholding is a policy instrument used by a Government to procure, stock and distribute the food whenever the need arises. Minimum Support Price (MSP) is one of the instruments of Public Stockholding.

Stockpiling and distributing food are considered legitimate policy objectives and are hence permitted under WTO Rules. However, purchasing of food at fixed prices or “administered” prices which are higher than market is considered an act of subsidizing. This kind of support for purchasing food at fixed price is counted towards the Country’s overall ceiling on trade-distorting support under the WTO Rules.

Currently, there is cap of 10% (fixed subsidy) for procurement of food from farmers in order to feed the needy and the poor. This cap can constrain procurement of food grains and also implementation of food aid programs in developing countries. As per the Agreement on Agriculture (AoA) of WTO, purchase of farm produce at higher prices than the market is considered as subsidizing the farmers.
The methodology that is used for subsidy calculation is based on price index of 1986-1988 and that does not take into consideration the inflation. The WTO has a provision that Member countries may give subsidy in order to maintain the local market. For example, Agreement on Agriculture (AoA) excludes certain policies from reduction commitments (Green Box).

Public Distribution programs of developing countries are included in the trade distorting Amber box measures which requires reduction in the commitments. G33 Countries (a group of 47 nations) of which India is a prominent member, are demanding that the programs for food security measures should be exempted from subsidy reduction commitment of WTO. These food security measures, Public Stockholding programs should be removed from amber box to green box subsidies which are exempted from reduction commitments.

However, there is strong opposition from US, EU and such other developed countries to provide unrestrained or unlimited market price support under the banner of Food Security Measures or Public Stockholding.

- **At 2013 Bali Ministerial Conference**, ministers agreed that on an interim basis, public stockholding programmes would not be challenged legally even if a country’s agreed limits for trade-distorting domestic support were breached, subject to certain safeguards. They also agreed to negotiate a permanent solution to this issue by the end of 2017 (Peace Clause).
- At present such subsidies are classified as trade distorting and capped at 10% of production value (for developing countries).
- The safeguards include several tough conditions such as these subsidies must not affect the food security of other countries and world prices, information has to be shared, etc.
- **At 2015 Nairobi Ministerial Conference**, the resolution was reaffirmed that the members must take all concerted efforts to agree on a permanent solution.

**3.6.1. Recent debates in WTO meets over Food Security**

**India’s position**

India has been repeatedly demanding permanent legal solution to this problem. India has agreed to WTO’s Trade Facilitation Agreement on a promise that the public stockholding issue shall be resolved. There has to be a workable solution to the issue of public stockholding issue which is better than mere peace clause.

A proposal by India and China has called on developed countries to eliminate their “amber box” support with an argument that this type of support would remove one of the biggest imbalances in the current farm trade rules by obliging the biggest subsidizers to reduce their special entitlements.

India’s Public Stockholding Program under the National Food Security Act (NFSA) is much more than a mere welfare program. India is being accused of giving high price to the procurement as compared to the market price. However, in fact, the procurement prices are not always higher than the market prices. Farmers generally sell their produce to the Government because of the stability of the prices.

In a nutshell, following are India’s demands:

- to find out a permanent solution for its public stockholding programmes for food security.
- special safeguard mechanism for millions of farmers from unforeseen surges in agricultural imports.
- an agreement for removing bottlenecks for facilitating trade in services.

**The G-33 Coalition of developing countries** led by Indonesia in 2014 and 2015 had offered several options to reach a permanent solution, such as to:
• include these ‘support programmes’ for food security under Green Box which is exempted from any subsidy reduction commitments.
• modify the rules to address the historical inequities in the existing WTO’s Agreement on Agriculture.
• G-33 countries also want that “traditional staple food crop” term used in Bali decision be replaced by “foodstuffs” to cover all food crops.

The above two proposals (inclusion in Green Box, and addressing historical inequalities) have been defied by US, EU, Canada, Australia, Brazil, Thailand, Pakistan, etc. They argue that inclusion in green box:
• will amount to a carte blanche i.e. unrestricted power to act on one’s own discretion,
• would lead to unsustainable production; and
• the permanent solution must be based on the Bali agreement, which affirms that such programmes lead to distortion.

WTO 11th Ministerial Conference at Buenos Aires in December, 2017 ended in a stalemate with no permanent solution.

4. Previous Year UPSC Questions
1. Food Security Bill is expected to eliminate hunger and malnutrition in India. Critically discuss various apprehensions in its effective implementation along with the concerns it has generated in WTO. (2013)

5. Vision IAS GS Mains Test Series Questions
1. **Buffer stocking of food grains is seen as a vehicle to deliver strategic food and agricultural domestic support policies, however, there is a growing consensus that the programme has been not just costly but also imprudently wasteful. Critically evaluate.**

**Approach:**
• Briefly discuss the government’s program of buffer stocking of food grains.
• Critically evaluate by analysing its success as well as shortcomings.
• Suggest reforms for the same.

**Answer:**
The buffer stocking of food grains ensure that there exists sufficient food grains to meet the operational requirement of food grains and exigencies at any point of time. The operational requirement includes monthly distributions under TPDS and other welfare schemes, while exigencies include situations like a shortfall in production, natural calamity, inflation etc. The Food Corporation of India is the main agency for procurement, storage and distribution of food grains in India.

The benefits of maintaining buffer stocks have been immense:
• Provides an effective price support to farmers.
• Meets social objective of distributing subsidized food grains to economically vulnerable sections of society.
• Acts as reserve to stabilize markets for basic food grains.
• Crucial for nutritional security and for implementing the National Food Security Act 2013.

But, the execution of this program may be criticized on several grounds:
• The procurement and storage of such large quantities of stocks has high cost implications. The FCI has been carrying buffer stocks in excess of buffer stocking...
norms. The underlying reasons as highlighted by Shanta Kumar committee include export bans, open ended procurement with distortions and absence of pro-active liquidation policy for excess stock.

- Since the storage is not commensurate with procurement, there is high degree of wastage due to climatic conditions, pest attacks, degradation, etc.
- Crowding out of private trade from the market. This has impacted prices in the open market in an adverse manner.
- The benefits of procurement have not gone to larger number of farmers beyond a few states. Only 6 percent of farmers could sell their produce to agencies.
- A high degree of regulation of grain markets by the government has led to huge wastage at very high costs.
- Diversions of grains from PDS amounted to 46.7 percent in 2011-12 (based on calculations of off take from central pool and NSSO's (68th round) consumption data from PDS)
- Despite having buffer stocks in much excess of stocking norms, this system has failed to remove malnutrition, and bring stability in food grain prices.
- It has caused imbalances in the national production basket where pulses crop has become secondary choices for farmers.
- Various reforms to improving buffer stock operations include:
  - A transparent liquidation policy is the need of hour, which should automatically kick-in when FCI is faced with surplus stocks over the buffer norms.
  - Need to provide greater flexibility to FCI with business orientation to operate in Open Market Sale Scheme (OMSS) and export markets.
  - FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation, State Warehousing Corporation, and even state governments that are building silos through private sector on state lands (as in Madhya Pradesh). It should be done on competitive bidding basis, inviting various stakeholders and creating competition to bring down costs of storage.
  - Various reforms to improving buffer stock operations include:
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    - India needs more bulk handling facilities and better mechanization in handling buffer stocks. For example, Silo bag technology and conventional storages where ever possible should replace ‘Cover and Plinth (CAP)’ storage, promoting gradual containerization to reduce transition loss and improve turn-around-time etc.

2. **Financial support to farmers through various instruments has been a crucial aspect of agricultural policy of the government. Examine whether the proposal of moving towards direct transfer of benefits and universal crop insurance would alleviate the existing concerns in the current scenario.**

**Approach:**

- In the introduction, explain the current financial support to the farmers, as highlighted by the given statement.
- Discuss the issues with current instruments of financial support and measures needed to address them.
- Provide a solution oriented conclusion.

**Answer:**

To address the financial problem of farmers government came up with schemes like Interest Subvention Scheme, loan waiver, MSP and subsidies in different sectors (fertilizer, electricity etc.). However, there are certain issues with respect to economy and efficiency of such approaches. For example, it is seen that at least 30 to 40 per cent of crop loans under the interest subvention scheme is getting diverted to non-agricultural uses. Under these circumstances the need for moving towards direct transfer of benefits and Universal crop insurance has been felt.
Direct Transfer

Benefits

• Reduce leakages, which currently hover around 30 to 40 per cent.
• Will promote equity as a subsidy package can be designed on a per-hectare basis, with smaller landholders getting a higher per-hectare rate.
• Convergence: Directly transferred money to farmers’ accounts linked to Aadhaar for all input subsidies like fertilizers, seeds, farm machinery and credit, will give them freedom to choose the right mix of inputs at market prices.
• Address market distortions: Transferring input subsidies to farmers’ accounts will let the markets for inputs be freed.
• Post-harvest losses will also be covered and Time Bound Payment of Losses will prevent delays and further worsening of Farmers’ Distress.

Challenges

• Issue of upfront payment: not all farmers can pay market prices for say, fertilisers and wait for the subsidy to be credited to their bank accounts.
• Exclusion of sharecroppers by virtue of their not ‘owning’ land.
• Inadequate penetration of banking services.

Crop Insurance Scheme

Currently crop insurance scheme has limited penetration due multiple conditionalities, in terms of season, crop etc. Moreover, due to significantly high premium rate, insurance coverage is very less. Therefore, it is argued that Universal Crop Insurance Scheme should be launched.

Benefits

• Increased penetration: It would increase the coverage of insurance scheme.
• Financial security: This would ensure financial security to distressed farmers, reducing farmer suicide.
• Formalise agriculture: With increased penetration of insurance in farming sector, a beginning can be made towards the formalization and taxation of agriculture.

Challenges

• Universal crop insurance scheme would need huge financial resources.
• Universal crop insurance without matching extension services might encourage farmers to take unsustainable risks, thereby making insurance unviable.

Way forward

Steps such as PM Fasal Bima Yojana, changes in land leasing laws (which allow formal recognition of non-landowning cultivators) are the moves in good direction and could offer solution. Thus, both direct transfer of benefits and Universal Crop Insurance, if applied creatively and equitably, have the potential to alleviate the current concerns and leakages.

3. Even though India’s Public Distribution System (PDS) has produced multiple success stories in the past decade, imposition of Aadhaar-based biometric authentication threatens to disrupt the progress achieved thus far. Comment.

Approach:

• In the introduction point out the success stories of states like Chhattisgarh in making PDS effective.
• Discuss the new Aadhaar based biometric technology and how it is disrupting the progress made by earlier PDS reforms.
• Give suggestions to deal with challenges produced by introduction of the new technology and how they can be overcome.

**Answer:**

Public Distribution System (PDS) was started with the objective of providing food security to all citizens. In the last decades, as in Chhattisgarh and other states demonstrated that PDS system can be made effective and free of ailments of leakages and corruption by:

• broad coverage,
• clear entitlements,
• de-privatisation of PDS shops,
• computerisation

Survey data reflects that this system was working reasonably well for BPL households: on average, they were receiving 84 per cent of their food grain entitlements from the PDS.

In recent years the goals of NFSA 2013 have been envisaged to be achieved by Aadhaar based biometric authentication in the TDPS system.

Despite multiple advantages of this system, many argue that government’s push for Aadhaar based biometric authentication in the PDS is obstructing the progress achieved so far for following reasons:

• It requires multiple fragile technologies to work at the same time: the PoS machine, the biometrics, the Internet connection, remote servers, and often other elements such as the local mobile network.
• Further, it requires at least some household members to have an Aadhaar number, correctly seeded in the PDS database. As biometrics data cannot be downloaded so internet dependence is inherent for Aadhaar. Lack of internet connectivity in poorer states make it as inappropriate technology.
• Failing internet connection alternative mechanisms such as maintaining registers is fraught with confusion and lack of transparency.
• Biometric identification is not infallible and is prone to non correctable errors (for example finger prints of manual labours with cuts and bruises is a source of error). This may lead to exclusion of genuine candidates.

Nonetheless, Aadhaar based biometric authentication can be a potent tool for the government, in making the PDS more effective across following identified areas:

• Reducing leakages,
• Clear identification of beneficiaries,
• Portability in identification,
• Aadhaar based authentication at the delivery point (BAPU),
• Aadhaar-based authentication to track food grain movement etc:

For this to happen following steps can be taken:

• Not making Aadhar mandatory, as also observed by the Supreme Court, till a satisfactory system is evolved.
• Employing end-to-end technology solution such as the one developed by Bosh with mobile devices for the digitization of the PDS. It would do away technological limitations of existing PoS system. Adopting a flexible system that is easily customizable as each State has its own different requirements for PDS supplies.
• In case there is no data connectivity, there should be option of offline mode as well, wherein the credentials of the buyer are captured and verified locally, and later synced with the back-end when connectivity is established.

4. What are the issues in effective implementation of Targeted Public Distribution System (TPDS) in India? Do you think direct benefit transfer as an alternative to TPDS is a viable solution to attain food security?

Approach:
• Briefly explain the existing Targeted Public Delivery System (TPDS) of food grains in India.
• State the issues that hinder effective implementation of TPDS.
• Analyze if the DBT system is a viable alternative to TPDS to attain food security.

Answer:
The TPDS operates through a multi-level process in which the Centre procures food grains from farmers at MSP and allocates them to states. State governments identify eligible households and deliver food grains from depots to ration shops. The National Food Security Act, 2013, modified the TPDS programme from a welfare approach to a rights-based approach of social protection.

The issues in effective implementation of TPDS include:
• Inaccurate identification of beneficiaries: As per a report by NITI Aayog, only 29% of BPL cardholders and 13% of APL card holders are poor based on Tendulkar committee poverty line.
• Leakage and diversion of subsidized food grains during transportation to the ration shop and from the ration shop into the open market.
• Most of the procurement occurs in few surplus states and that too mostly from large farmers, whereas distribution is done throughout the country. This leads to a situation where grains have to be moved large distances (e.g. between Punjab and North-east states), leading to increased costs and wastages.
• Overall procurement incidentals (costs incurred in procurement and storage) are also high.
• CAG audit revealed shortfall in government’s storage capacity and imbalance regarding storage capacity across regions.
• Wastage of food grains due to lack of cold storage facilities.
• Shanta Kumar Committee report revealed inefficiency and corruption in the system.
• The amount slated for procurement is expected to increase under NFSA, raising concerns regarding its sustainability. It also results in rising cost of food grains in open market.

DBT, through JAM trinity, has been successfully implemented for income transfers like widows’ pensions, scholarships, LPG subsidy like PAHAL etc. Similarly, DBT for food subsidy could minimize the problem of exclusion of poor consumers and make targeting beneficiaries easier by removing intermediaries. It would also enable the dismantling of an elaborate PDS system, with consequent prevention of leakage and saving of huge costs.

Challenges of DBT for food subsidy
• It generates a new dependence on the banking system, which has limited coverage in terms of region and beneficiaries.
• DBT for food carries the risk of diversion of subsidy for non-food uses.
• DBT for food is not linked to inflation, thereby making food beyond affordability during high prices.
• MSP as remunerative prices for farmers is inseparable part of TPDS which stands denied in case of DBT.

Well researched choice based DBT where beneficiaries can choose if they would prefer to avail cash DBT in lieu of in kind benefits through PDS may be a feasible solution.

5. **Highlighting the objectives of Public Distribution System in India, discuss the issues associated with it. Also, critically discuss the role technology can play in addressing these issues.**

**Approach:**
- In the introduction, briefly write about the PDS.
- Discuss its objectives and associated issues.
- Highlight the benefits of technology to PDS.
- Discuss the issues in using technology in PDS.

**Answer:**

Public distribution system 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. India has one of the biggest public distribution systems in the world. It satisfies the following objectives:

- PDS aims at providing essential commodities at affordable prices to the low-income sections of the society.
- It also caters to bring about the distributive justice in the society.
- PDS plays a role of buffer between the downtrodden and price uncertainties of the free market.
- It aims at removing poverty, malnutrition and hunger and thus improving health and standards of living of citizens at lower development pyramid.

PDS system has often been blamed for high inefficiency, leakages and rural-urban bias. It faces the following issues:

- Identification of beneficiaries has not been uniform and standardized.
- Due to corruption, economically well-off people get registered as beneficiaries.
- PDS is suffering with the problem of leakage.
- PDS commodities are often replaced with low quality commodities.
- High level of buffer stocks often leads to wastage of food grains and deterioration in quality.

Technology has the potential to solve many of the issues of PDS such as:

- Technology enables the direct benefit transfer of benefits in the bank account of beneficiaries. It empowers the beneficiaries to execute the economic decisions in the free market. In the face of competition from free market, public distribution system also gets improved.
- Aadhaar enabled authentication of beneficiaries can help curb the duplication of beneficiaries. Thus, removing the misuse of subsidy and improving the PDS supply chain efficiency.
- GPS tracking of stocks, SMS alerts to beneficiaries, CCTV monitoring of fare price shops, etc. can improve the general efficiency and monitoring of PDS.
However, technology can not be a panacea for all ills in PDS. Digital divide and digital illiteracy make beneficiaries vulnerable. The inaccuracy of biometrics and Aadhar authentication leave no choice for beneficiaries. The lack of and low speed of internet connectivity in far flung regions of India make technological solution of PDS a hindrance in providing benefits to beneficiaries.

6. **Identify the maladies affecting the proper functioning of the Targeted Public Distribution System (TPDS). Comment on the feasibility of alternatives available to TPDS.**

**Approach:**
- Briefly explain TPDS in the introduction.
- Bring out the issues that hinder proper functioning of the Targeted Public Distribution System (TPDS).
- Discuss the feasibility of alternatives available to TPDS.
- Suggest a way forward.

**Answer:**
Launched in 1997, TDPS aims to provide subsidised food and fuel to the poor through a network of ration shops. Food grains such as rice and wheat are procured from farmers, allocated to states and delivered to the ration shop where the beneficiary buys his entitlement. The National Food Security Act 2013 relies on existing TPDS to deliver food grains as legal entitlements to poor households.

**Maladies affecting TPDS**
- **Identification of beneficiaries:** TDPS is prone to inclusion and exclusion errors resulting in entitled beneficiaries not getting food grains while those ineligible are getting undue benefits.
- **Ghost Cards** are made for non-existent people. This indicates grains are diverted from deserving households into the open market.
- **Large Procurement:** As 75% of the population is eligible, government has to procure food grains in large amounts. In the years of drought and domestic shortfall, grains are to be imported, exerting an upward pressure on the prices.
- **Leakages:** The off take of grains have increased. But CACP data shows consumption at 60% of off take. Rest 40% is leaked into open market.
- Food grains are leaked during transportation to the ration shop and from the ration shop itself into the open market.
- **Inefficiencies in the supply chain** including procurement, storage and delivery mechanisms.
- **Food Subsidy:** The cost of procuring and delivering food grains is about six times its sale price. This raises questions regarding the financial feasibility of the whole exercise.
- **Storage Capacity:** There is imbalance in the storage capacity across states. This compromises quality of food grains. In 2010, Supreme Court made observation regarding rotting grains due to inadequate storage facilities.

**Alternatives to TPDS:**
- **Direct Benefit Transfer (DBT):** Cash reduces administrative cost, expands choice and encourages competitive pricing among grocery stores. However direct monetary benefits are not **inflation proof.** Financial inclusion, financial literacy and physical accessibility of food grains are other major hindrance.
• **Universal PDS**: Removes the errors of exclusion of eligible and vulnerable families. However, its financial viability in the long run is questionable. The better off sections experience an income transfer at the cost of large subsidies for the government. Universal PDS also reduces the entitlements of the poor. Also, the per-capita entitlement of the poor is lower since there is an upper limit to the entitlements per household and average size of poor households is higher.

• **Food Coupons**: Reduces corruption, offer more choice and the beneficiaries can avoid poor quality grains. However, the coupons can be counterfeited.

**Way Forward:**

• Despite shortcomings, TDPS has been an effective method to ensure food security, poverty alleviation and empower weaker sections of the society.

• In order to improve the efficacy of TPDS, the government has taken up several measures such as door-step delivery of food grains, correct identification of beneficiaries, improve food grains offtake, greater monitoring and vigilance, improving viability of fair price shop operations.

The Plan Scheme on end-to-end Computerisation of TPDS Operations, facilitating digitization of ration cards/beneficiary and other databases, computerisation of supply-chain management, setting up of transparency portals and grievance redressal mechanisms, is a step in the right direction.
Heartiest Congratulations to all successful candidates

7 in Top 10 Selections in CSE 2019
From Various Programs of Vision IAS

2 AIR
Jatin Kishore

3 AIR
Pratibha Verma

6 AIR
Vishakha Yadav

7 AIR
Ganesh Kumar Baskar

9 in Top 10 Selections in CSE 2018

1 AIR
Kanishak Kataria

2 AIR
Akshat Jain

3 AIR
Junaid Ahmad

4 AIR
Shreyans Kumat

5 AIR
Srushti Jayant Deshmukh

7 AIR
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