

**GLOBALIZATION AND PUBLIC DISTRIBUTION  
SYSTEM IN INDIA**

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**MASTER OF PHILOSOPHY**

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Date: 21<sup>st</sup> July 2003

**CERTIFICATE**

Certified that the dissertation entitled "**Globalization and Public Distribution System in India**" submitted by, V. K. Sridhar, is an original work and has not been previously submitted for any degree of this or any other university.

We recommend that this dissertation be presented before the examiners for the consideration for the award of M.Phil degree.

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Madhuri Nayak, (2 years), D/o Dayanidhi Nayak of  
village Badamaribhata died due to starvation death  
on 23.8.2001 in village Badamaribhata (Orissa).

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V. K. Sridhar

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## ABBREVIATIONS

APL	: Above Poverty Line
APC	: Agricultural Price's Commission
BPL	: Below Poverty Line
CACP	: Commission for Agricultural Costs and Prices
DWCRA	: Development of Women and children in Rural Areas
FCI	: Food Corporation of India
FPS	: Fair Price Shops
IRDP	: Integrated Rural Development Programme
ICDP	: Integrated child Development Services
IMF	: International Monetary Fund
JRY	: Jawahar Rozgar Yojna
MSP	: Minimum Support Prices
MKSS	: Mazdoor Kisan Shakti Sangathan
NREP	: National Rural Employment Programme
NGO	: Non-Government Organisation
PDS	: Public Distribution System
RLEGP	: Rural Labour Employment Guarantee Programme
RPDS	: Revamped Public Distribution System
RKS	: Rationing Kriti Samiti
TRYSEM	: Training rural youth for Self-employment
TPDS	: Targeted Public Distribution System
WTO	: World Trade Organization
KAFCS	: Karnataka Food and Civil Supplies Corporation

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## **Introduction**

The Public Distribution System is a heritage of the Second World War. With the outbreak of the war in 1939, the demand for food-grains for armed forces increased while supplies from the exporting countries became uncertain. The uncertainty created speculative motives among the individuals (mainly sellers and businessmen) and this situation induced the sudden spurt in the prices at that time. Following such a condition, several countries introduced rationing of food grains and other essential commodities. Most of the countries, especially the European countries discontinued the rationing system after the war. India too, abolished the system in 1947.

But with the onset of planning, it was reintroduced in 1950 as a welfare scheme and the system has been continuing although it has undergone changes in size, nature and coverage. The drought and food shortage after the mid 1960s heightened the need for strengthening and continuing with a system a food distribution and Public Distribution System (PDS) was made a universal scheme in the 1970s.

Eligible households are given ration card that entails them to buy fixed rations (varying within household size and composition) of selected commodities. The PDS in India is one of the most popular public supports, to provide food security, especially to the poorer segment of the population. But the paradigm shift in the development policy occurred during the tenure of Prime Minister P.V. Narasimha Rao. In order to manage the fiscal crisis the then



government adopted the policy of macro economic stabilization and structural adjustment at the behest of IMF and World Bank. The imperial orthodoxy of structural adjustments preaches that the PDS should be dismantled and the fiscal deficit started adjusting itself by reduction of food subsidy. As a result, the welfaristic oriented PDS has been started from its objectives and taking a path which has resulted in the weakening of welfare.

### **Objective of the Study**

- To examine the functioning of Public Distribution System in India with reference to Indian states.
- To analyze the impact of globalization on the public distribution system in India generally and South Indian states, particularly.
- To examine the changes taking place in the cropping pattern because of globalization and its impact on the food security of the people.
- To investigate how the public distribution system of food has been affected by the shifts in prices of agricultural products and subsequent modification in the agricultural policies.
- To investigate how the PDS in Karnataka has evolved and has reacted to the change in the pattern of agricultural market and to what extent these actions have been successful or unsuccessful.

The present study proposes to investigate the underlying reasons of sustained deprivation of food security to the poor people while abundance of foodgrain is lying down with the government. Though India is a welfare state with a well functioning democracy, hundreds of millions of Indians remain chronically undernourished and food insecure. Concurrently, in many part of India, the livelihoods of cultivators have been threatened by price collapse which has occurred not only with respect to tobacco, coconut and other cash crops but also with respect to rice and wheat, the two major cereal crops in the country.

## **Research Methodology**

The methodology followed is an exploratory and empirical study of the operation of Public Distribution System in India in the historical setting. The study is based on primary as well as secondary sources. The primary sources include various Five Year Plan documents, various policy documents of Government of India. The secondary sources include books, articles published in different journals, news papers, and alternative study conducted by different non government organizations. The study has tried to explain the findings empirically with the help of tables.

## **Chapterisation**

### **Chapter I**

The first chapter deals with the evaluation of PDS and the phases of development in India since Independence which has been divided into four

phases. The four phases explains how the system of PDS has evolved and sustained despite confronting with several problems including severe drought in the sixties and in the eighties. In its steady evaluation of PDS has extended to rural areas with various programmes like IRDP, JRY, TRYSEM, DWCRA etc. The chapter also attempts to find out the main reason for the decline in the poverty in some states like Karnataka and Andhra Pradesh and the increase in the ratio of poverty in states like Bihar and Orissa.

## **Chapter II**

The second chapter deals with the political economy of the PDS. The severe food crisis was averted by High Yielding Variety seeds which helped the Government to maintain buffer stocks. The Agricultural price commission was established to give incentives to the farmers to increase the production. The abundant food stocks were sold at open market and also were exported. The farm lobbies especially from the states of Punjab, Western Uttar Pradesh, Haryana, and Andhra Pradesh have a tremendous influence on the central government in fixing the prices.

## **Chapter III**

The third chapter deals with shifts in cropping pattern which has been induced by globalization through trans-genetic seeds. As investment in agriculture has declined during the 1990's, the multinationals are forcing the rural people to contract farming in Punjab for cultivating tomatoes. The rural

farmers and agricultural laborers are severely affected by the changes in the cropping pattern which has also led to suicides.

#### **Chapter IV**

The fourth chapter is the micro level study of Karnataka in a comparative perspective with other South Indian states, which examines the evolution of PDS in Karnataka. Political parties in Karnataka and Andhra Pradesh see the PDS as an instrument to remain and retain in power. It has resulted in the reduction of the poverty ratio because they introduced various state level schemes which targeted the poor. Thus the chapter tries to investigate the impact of globalization on the operation of PDS in Karnataka as well as other South Indian states.

## CHAPTER-I

### PUBLIC DISTRIBUTION SYSTEM: EVALUATION AND PHASES OF DEVELOPMENT

PDS emerged in India during the mid-sixties in the wake of food crisis which was the result of severe drought in 1966. In order to overcome the problem Government of India opted for a production strategy for spreading the High Yielding Variety (HYV) seed fertilizer technology in a few high potential regions through a policy package consisting of output price support, input price subsidies and a public distribution system.<sup>1</sup> The PDS was revised after the establishment of Food Corporation of India (FCI) and Agricultural Price Commission (later renamed as Commission of Agricultural Costs and Prices (CACP) in 1964-65.

The PDS has multiple objectives, which are conflicting sometimes in nature. From its inception, the objectives of PDS have included the following.<sup>2</sup>

- Rationing during situation of scarcity
- Maintaining price stability
- Keeping a check on private trade, and
- Raising the welfare of the poor (by providing basic foods to the vulnerable population at reasonable prices).

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<sup>1</sup> Madhura, Swaminathan (2000): *Weakening Welfare the Public Distribution of Food in India left word*, New Delhi, P.1.

<sup>2</sup> S.L. Bapna (1990): *Food Security through the PDS: The Indian Experience* in D.S Tyagi and V.S Vyas (ed.) *Increasing Access to Food— The Asian Experience*, Sage Publications, p. 101.

The organizational structure of PDS is delineated in figure 1 below. In India, the Planning Commission (constituted by the expert groups) is the main policy formulating body. The Planning Commission along with management of Food and Civil supplies decides the objectives of PDS.

The FCI, which comes under the jurisdiction of Department of Food, is an implementing body and is the sole central agency in charge of procurement, storage, transport and distribution of food commodities. Prior to the establishment of the FCI in India, procurement from the internal sources was limited and the state Department of Revenue and the development of civil supplies carried on the procurement task by imposing a levy on farmers, traders and millers. But, the major source of procurement prior to mid-sixties was imports under Public Law – 480 handled by the Government of India through the state Trading Corporation (STC).

The organizational structure includes the policy formulation, fixing of objectives, strategy for procurement and distribution of food grains and other essential commodities whereas the phases of development describe the development of PDS over a period of time.

The Government on the recommendation of the Commission for Agricultural Costs and Prices (CACP) fixes the price paid to the seller (procurement). The state government purchases the commodities from the FCI required for distribution within their states at the issue prices charged by the government and then the states are responsible for supplying the commodities to

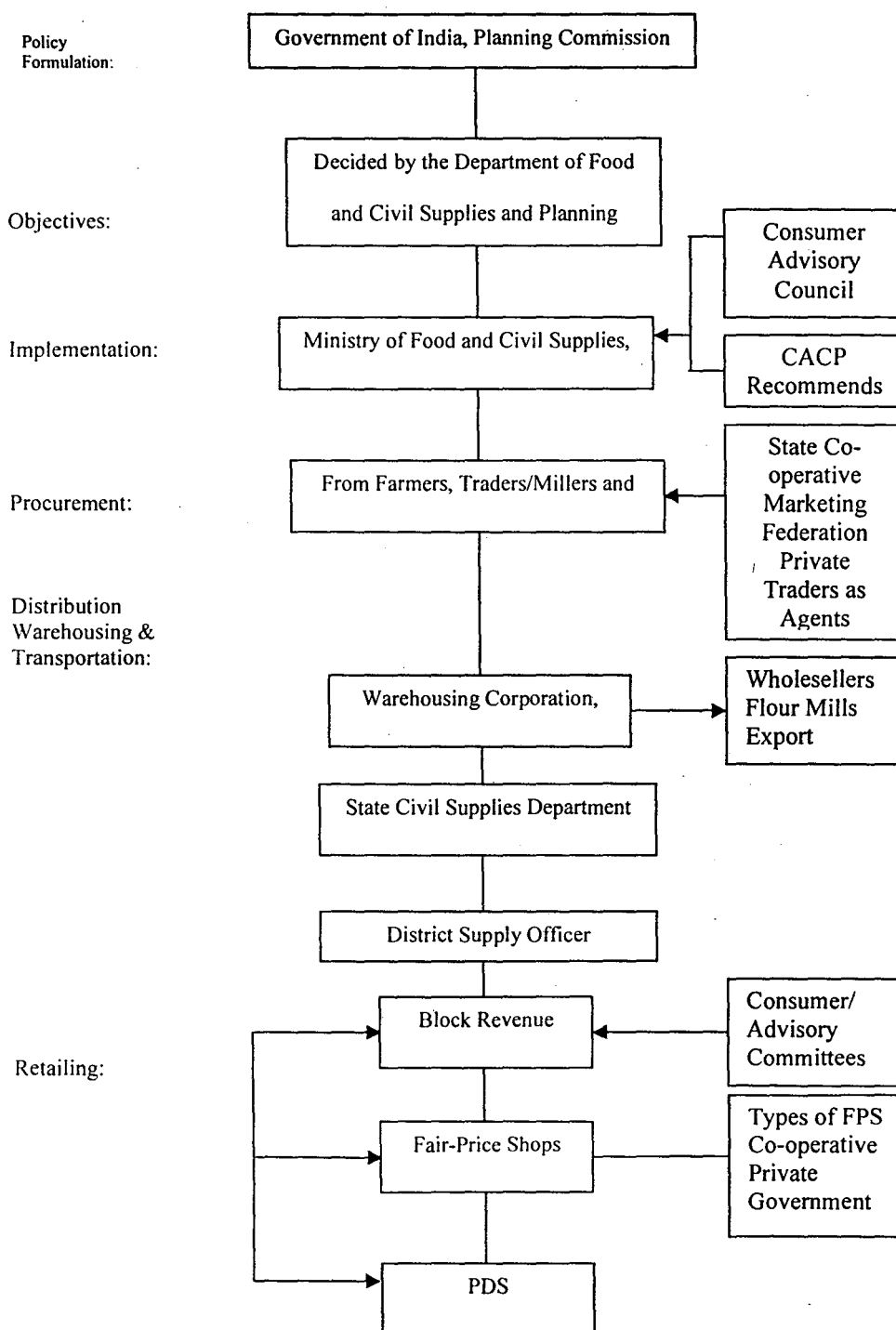
fair price shops. The implementing agency at the state level is the State Civil Supplies Department or corporation.

PDS entitles specified quantities of selected commodities at subsidized prices to different households. In post liberalization period, the norms of PDS have undergone a substantial change, which will be discussed in details in the later part of this chapter. In the present situation, the eligible households are given a ration card that entitles them to buy fixed rations (varying with household size and age composition) of selected commodities. The exact entitlement (quantity, range of commodities and prices) varies across states. The five essential commodities supplied through PDS nationally are rice, wheat, sugar, edible oils, kerosene and additional commodities like pulses, salt, tea are supplied selectively. The commodities are made available through a network of fair-price shops (FPS). As Swaminathan (2000)<sup>3</sup> narrates, in 1998, there was 4.5 lakhs of (FPS) in the country, of which 3.6 lakhs were in the rural areas. Private agents run the shops and co-operatives and few are state owned. As of 1995, there were a total of 182.8 million families with ration cards in the country and, on an average, there were 406-ratio cards assigned to each fair price shop.

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<sup>3</sup> Madhura, Swaminathan (2000); *Weakening Welfare; The Public Distribution of Food in India* Left word Books, New Delhi, p. 8.

**Figure: 1 Organizational Structure of PDS in India**



Source: Madhura, Swaminathan (2002): *Weakening Welfare: The Public Distribution of food in India* Left work Books, New Delhi, p.8.



## **Phases of Development**

### **Phase I: Starting or Restricted Phase (origins to 1960s)**

Bapna (1990) has made a useful classification of the evolution of PDS in terms of 3 phases and Swaminathan (2000) added the fourth phase. Here we have added the recent upgradation in the PDS.

The British Government had first introduced the rationing system in India in 1939. Precisely, it was first introduced in Bombay, which was subsequently extended to six other cities under the Defense of Indian rule. And later on, it was extended to Bengal, Uttar Pradesh, Bihar, Madras, etc. Thereafter, the price control measures were also adopted and received in the price control conferences from time to time. The Department of Food was established in 1942 in order to deal with the problems related to food supply. The situation worsened by the time of occurrence of the Bengal famine and the fall of the amount of rice import from Burma and Japan. As a consequence in 1943, the Food Department set up the food grain policy committee and they recommended the continuing of rationing, maintenance of a reserve stock and extension of the rationing scheme to rural areas.

The system grew slowly, from initial seven cities to 13 cities in 1941, 103 cities and towns in 1944 and 771 cities and towns in 1946.<sup>4</sup> As it was mentioned earlier, rationing was an arrangement for the wartime scarcity and at the end of

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<sup>4</sup> B. M, Bhatia (1985): *Food Security in South Asia*, Oxford and IBH Publishing Company, New Delhi, p.30.

the war, several countries abandoned the rationing system. In 1947, the second food grains policy committee was appointed to review the situation. The committee recommended the scrapping of rationing. It advised reduction in the quantum of imports and liberalization of internal trade. However, these recommendations proved to be short-lived as decontrol resulted in an alarming rise in prices. The controls which were re-imposed in 1949 were continued uninterrupted till the food situation had considerably improved in 1952.<sup>5</sup>

In 1951, the food grains (licensing and procurement) order was passed and fair price shops were opened to prevent any undue rise in prices consequent on the relaxation of controls. In 1953-54, the food zones (for the purpose of restrictions of the movement of wheat) which were introduced during the period of controls were lifted. The Essential Commodities Act was enacted in 1955 with the objective of holding control over production, supply and distribution of trade and commerce, in certain commodities.<sup>6</sup>

The first plan even stated that 'a developmental plan which does not raise the demand for food in the country significantly must be considered inadequate'. Curiously, however, it is considered that the PDS should serve the needs of cities and towns above a certain size and the needs of what is called highly deficit areas such as the Travancore-Cochin. The real aim was price stability for the urban consumers.<sup>7</sup>

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<sup>5</sup> P. M, Bora (1984): *Food Administration in India: A study of an Indian State*. Ajanta Publications, Delhi, p.31

<sup>6</sup> Ghanshyam, Das Ojha (1987): *Organization and Management of Public Distribution System*. Mittal Publications, Delhi, p. 12.

<sup>7</sup> K. R., Venugopal (1992): *Deliverance from Hunger: The PDS in India*, Sage Publications, p. 80.

## **Phase II: Re-organization or the Universal Phase (1968-78)**

In the 1960s, there were major changes in the organizational structure of the Indian food policy. In response to crop failures, food shortages, disturbance due to China war and the price fluctuations, it was decided to make PDS a permanent and universal programme. The shift in emphasis from Agriculture to Industry was evident in the Second five-year plan. Though the government did not officially give up the idea of achieving self-sufficiency in food grains, it imported food grains, if necessary and allocated the major share of resources to industrial development.

There was severe drought as a result of total failure of rain of 1966 and 1967. Prices started skyrocketing and the rationing system continued to serve mainly the urban areas in meeting the food needs of the people. On top of it, there was an overall shortage of food grains in the country which forced the Prime Minister Mrs. Indira Gandhi to agree for devaluation of Indian rupee for getting Public Law (PL-480) wheat from America, realizing the plight of the poor people. The massive import of the PL-480 wheat was perhaps necessary to offset the 1966 famine in India, it also served American interests. But along with this it has a major impact on holding down prices not only of wheat but also of other food grains in India for several years.<sup>8</sup>

The Ford Foundation team's Report in 1959 conjuring up the vision of a dire food crisis looming over India, to abandon the Second five year plans

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<sup>8</sup> B. R. Shenoy (1974): *PL- 480 and India's Food Problem*, New Delhi, Affiliated East-West Press, p. 29.

ambitious industrialization programme in favour of large investment in agriculture, was the first of a series of such ideological shifts. Instead of on ambitious Industrialization, India was advised to build such economic infrastructure as was necessary for this purpose. Interestingly, much of American “aid” which came to India in the 1950’s, was either for PL-480 food imports or basic infrastructure investment, “aid” for developing the industrial base of the Indian economy was limited.<sup>9</sup>

Apart from its role in political legitimacy at the national level, food policy is also part of a project to establish legitimacy in the international arena. In the 1960’s, the advisors of the World Bank and Ford Foundation were very critical of India’s food and agricultural policy. Together with American experts, they argued that food problem could be solved through the application of modern technology, supported by large investments in modern inputs and price incentives to farmers. According to Francine Frankel, foreign experts enjoyed “a maximum influence on the thinking of the Agriculture Minister” in these years.<sup>10</sup>

The Fourth five year plan set out the objectives of PDS, that is to — ensure that consumer prices are stabilized and, in particular, that the interests of the low-income consumers are safeguarded. To ensure that the producers get reasonable prices and continue to have adequate incentives for increasing production and to build up an adequate buffer stock of food grains with a view to

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<sup>9</sup> Prabhat, Patnaik (1985): “One the Political Economic of Economic Liberalization”, *Social Scientist*, Vol. 13, July-August, November 7-8, p. 5.

<sup>10</sup> Frankel, Francina (1978): *India’s Political Economy: the Gradual Revolution*, Princeton University Press, p. 275.

ensuring both the objectives mentioned above. Thus, it was at the beginning of the Fourth Five Year plan (1965-66) that the role of PDS was clearly defined.<sup>11</sup>

Gradually, the production of food grain increased due to the introduction of high yielding variety seeds (HYV) and good rainfall, as a result, import started declining and purchases from the PDS fell. But due to the drought of 1972-73, the distribution of food grain through PDS picked up again. The number of Fair Price shops also increased over time, from 121,032 in 1971-72 to 240,210 by 1975-76.

### **Phase III Expansionary phase or Sustaining Phase (1978-91)**

Around 1967-68, the name of the Fair Price shop scheme was changed into Public Distribution System. But the role and organization of the system remain unchanged. In philosophy, it still remained as an ad hoc programme, with no clear role defined for it on a continuous basis. However, a new phase of public distribution system emerged in 1969 as set out in the Fourth five-year plan. The public distribution system is needed, on a regular basis for the country to provide help to the rural people, and to some extent for generating a downward pressure on the open market prices. The requirements of the PDS should be mostly met through internal procurement.<sup>12</sup>

One of the significant features of this phase was the piling up of the buffer stocks, and this initiated the basis for large-scale expansion of PDS

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<sup>11</sup> P.S., George 1983: Government intervention in food grain markets Centre for Management in Agriculture Indian Institute of Management, Ahmedabad, pp. 3-5.

<sup>12</sup> G, Suryanarayana (1985): *Public Distribution in India*, Chugh Publications, Allahabad, p. 87.

through programmes like food for work, Antyodaya (upliftment of the poorest) etc. The stock of grains with the FCI touched 30 million tonnes by 1987-88. During this phase, PDS worked as an important policy instrument to alleviate poverty.

The initiation of large-scale anti-poverty programme, an increasingly important and internal component of the planning process, occurred after the 1971 parliamentary elections in which Mrs. Indira Gandhi's central election slogan was *Garibi Hatao* (abolish poverty). The political strategy of building an independent national support base that would free her from political dependence upon the party bosses in the states, whose support bases were primarily along the dominant rural proprietary and urban commercial classes. The programmes that followed involved further centralization of the planning process in relation to programs that were to be implemented throughout the country, in the rural areas, and at the local level.<sup>13</sup>

The Fifth plan period (1975-80) saw in its second half a more systematic policy of employment and income generation schemes in drought prone areas through minor irrigation, soil conservation etc. Employment programmes involving payment of wages in kind, which had originated in famine relief, also became systematized owing to the surplus food stocks, which were accumulated with the Government. The Employment Guarantee Scheme in Maharashtra, the National Rural Employment Programme, and Rural Landless Employment

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<sup>13</sup> Paul, R. Brass, (2001): *The Politics of India since Independence*, Cambridge University Press, p. 295.

Guarantee programme fall in this broad “food for work” category.<sup>14</sup> The early 1980s and early 1990s were a period of substantial stock accumulation. In the 1980s part of the stocks were used for food-for work programmes. In the 1990s they were mainly used for exports and open market sales to processed food enterprises, and thus the outcome was poverty reduction in the first case and poverty enhancement in the second.<sup>15</sup>

The Seventh plan linked the main thrust of the system to poverty in as much as it spoke of its expansion in the rural areas with special attention to remote and inaccessible areas, so that the public distribution system becomes supplementary to the Poverty alleviation programmes. A number of anti-poverty programmes were also initiated to combat poverty. The measure initiated for restricting the economy through macro-economic adjustments and trade liberalization also has its impact on employment and income levels of the poor.

The various anti-poverty programmes followed in India can be broadly classified as Income and Employment Generation programmes and targeted distribution programmes. The income and employment generation programmes belong to two broad categories of self-employed and wage employment programmes. The major self-employment programmes include the Integrated Rural Development Programme (IRDP), Training Rural Youth for Self-

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<sup>14</sup> Utsa, Patnaik and Prabhat, Patnaik (2001): ‘The State, Poverty and Development’ in Niraja Jaya Gopal and Sudha Pai (ed.), *Democratic Government in India*, Sage, New Delhi, p. 45.

<sup>15</sup> See *ibid.*, p. 47.

employment (TRYSEM), Development of Women and Children Rural Areas (DWCRA).<sup>16</sup>

### **Integrated Rural Development Programme**

The year 1983-84 witnessed a phenomenal recovery in food grains. Production of food grains surpassed all the earlier levels. This was achieved through the impressive growth both in Rabi and Kharif out put. The massive stocks gave enough cushion to the government and special scheme of supply of food grains in the IRDP blocks and tribal states at specially subsidized prices was taken up in November 1985. Under the scheme, wheat was provided at a central issue price (CIP) of Rs. 125 per quintal to the beneficiaries against Rs. 172 to the beneficiaries of universal PDS and common rice at Rs. 100 per quintal against Rs. 217. At the country level, this was the first attempt to give target orientation to the PDS through fair price shops by providing higher price advantage to the people living in Tribal areas.<sup>17</sup> Integrated Rural Development Programme has been to enable identified rural poor families to augment the incomes and cross the poverty line through acquisition of credit base productive assets.<sup>18</sup> Assistance provided under this programme includes subsidy by the government and a low interest credit by the financial institution for income generating activities. The number of beneficiary families under the IRDP from 1980-81 to November 1998 is estimated to be 53.5 million (an average of 3

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<sup>16</sup> P. S, George (1999): "Some reflections on Food Security in India": Presidential Address, Fifty Ninth Annual Conference of *Indian Society of Agricultural Economics*, Jabalpur, December 1-3, p.33.

<sup>17</sup> S. M, Jharwal (1998): *PDS in India Reassessed*, Manak Publications Pvt Ltd, New Delhi, p. 23.

<sup>18</sup> Government of India (1999), Ministry of Finance, Economic Survey, p. 147.



million families each year). The level of family investment increased from Rs. 1,642 during 1980-81 to Rs. 17,441 during 1998-99.<sup>19</sup>

### **Jawahar Rozgar Yojana**

Jawahar Rozgar Yojana (JRY), which was created by merging the earlier programmes of National Rural Employment Programme (NREP), and Rural Labour Employment Guarantee Programme (RLEGP), is in operation since 1985-86. The 'generation of additional employment on productive works which would either be of sustained benefit to the poor or contribute to the creation of rural infrastructure'.<sup>20</sup> JRY seeks to attain the twin objectives of generation of gainful employment for poor households and asset creation in rural areas, though the emphasis is on the former. Preference is given to underprivileged groups (such as Schedule Castes and Tribes), in addition, 30 percent of the employment opportunities are earmarked for women.<sup>21</sup>

Thus emergence of a regional specific approach to development effort and especially as applied to employment provision is becoming prominent. During the extended drought of 1971-73, EGS activity was supplementary to the vigorous state wide activity effort supervised by technical departments such as public works, roads, forests, irrigation etc. This drought period experience shaped the functioning of EGS in later years.

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<sup>19</sup> Nilkantha, Rath (1985): "Garibi Hatao: Can IRDP Do It?", *Economic and Political Weekly*, Vol. XXVI, No.15, 9 February, pp.238-246.

<sup>20</sup> P. N, Nawani (1995): *Towards food for all ideas for a new PDS*, Publication Division, Ministry of Information and Broadcasting, Government of India, New Delhi, p.59.

<sup>21</sup> R, Radhakrishna and K, Subbarao with S, Indrakant and C, Rau (1997): *India's Public Distribution Systems a National and International Perspective*, *World Bank, Washington, D.C. U.S.A.*, p.8.

The wages under JRY are paid at the rate notified in the prescribed schedule of employment under the minimum wage act for the relevant work, partly in food grains and partly in cash. The central government bears 80% of the cost while the states contribute 20%. JRY differs from other programmes in that it incorporates decentralized decision making by the village panchayat.

### **Training or Rural Youth for Self-employment (TRYSEM)**

It was introduced in 1979 which trains rural youth (in the age of 18-35 years and from families living below the poverty line) in necessary skills and technology to take up livelihood programs in rural areas. Since the seventh plan it has been integrated with IRDP. In this program scope was enlarged to include wage employment for the trained beneficiaries. The trainees are paid stipend, and the trainers get honorarium. A new self-employment scheme for the rural educated youth known as the Prime Minister's Rojgar Yojana (PMRY) has recently been introduced. Therefore, these programs are very modest in term of their coverage and public spending.

### **Development of Women and Children in Rural Areas (DWCRA)**

The DWCRA was launched in 1982-83 as Sub-Component of the IRDP with the specific objective of improving the status of poor women in rural areas.<sup>22</sup> Women are organized into homogenous groups of 15-20, and each such group is provided training in a chosen economic activity along with the

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<sup>22</sup> DWCRA differs from IRDP in its strategy, while the family is the form of IRDP; the group is the focus of DWCRA.

necessary infrastructure. The activities include weaving, fish vending, broom and rope making, brick making etc. DWRCA and IRDP are not naturally exclusive. Women belonging to poor households can become member of DWRCA and also avail of subsidy and credit under IRDP subject to the overall subsidy ceilings. In 1992-93, 9,029 groups were assisted with a public spending (centre and states) of Rs. 117 million.

### **Integrated Child Development Services (ICDS)**

India's most important nation wide centrally sponsored nutrition scheme is the ICDS, which integrates supplementary nutrition with primary healthcare and informal education. By September 1992, about 15 million pre-school children and 2.87 million pregnant and nursing mothers were getting supplementary nutrition under ICDS. ICDS is organized through a chain of projects, each of which is located at community development block covering 1,00,000 populations in rural areas and 35,000 populations in tribal areas. The *Anganwadi* is the focal point in the delivery of ICDS services at the village level.<sup>23</sup>

From the early eighties, the PDS was treated as a permanent feature of the economy and as an integral part of the price stabilization policy since the system demonstrated more resilience and strength even in the face of severe drought. The spatial coverage of the PDS was extended more to the rural areas in 1980-81, with a view of moderating the impact of inflation on consumers, particularly

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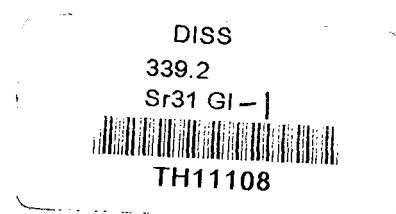
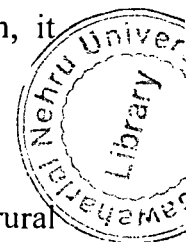
<sup>23</sup> R, Radhakrishna and K.V, Narayana, (1993): Nutritional Program in India, Review and Assessment, *Centre for Economic and Social Studies*, Hyderabad, p.16.

on the weaker section of the society. During the drought of 1987-88, PDS was considered as the single most important instrument of government policy to deal with the after effects of the drought and in combating inflation.<sup>24</sup> The substantial poverty decline was registered during the first phase, 1978-79 to 1987-88, in Andhra Pradesh, Kerala and Maharashtra, which had been implementing the Employment Guarantee schemes. The centrally sponsored rural development Programmes include Integrated Rural Development Programme, Jawahar Rozgar Yojana, Training of Rural Youth for self-employment Integrated child Development scheme.

In the second phase alone 1988-1994, we find that poverty rose in four states; Assam, Bihar, Uttar Pradesh and Haryana. Thus poverty rose in every state in India during the last reform period after 1990, except in five states where poverty continued to decline significantly even after 1990: Andhra Pradesh, Kerala, Karnataka, West Bengal, Tamil Nadu, while in Madhya Pradesh, it declined marginally.

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The main reason for the decline in poverty was the continuation of rural and tribal PDS coverage combine with provision of an additional state level food subsidy which kept basic food grain price affordable for the poor in these states. In states, which undertook none of those policies, the extent of poverty rise was substantial.<sup>25</sup>



<sup>24</sup> S. M, Jharwal (1999): *PDS in India reassessed* Manak Publication Pvt. Ltd., New Delhi, pp. 73-74.

<sup>25</sup> Utsa, Patnaik and Prabhat, Patnaik (2001): 'The State, Poverty and Development' in Niraja Jaya Gopal and Sudha Pai (ed.), *Democratic Government in India*, Sage Publications, Pvt Ltd., New Delhi, pp.63-64.

**Table : 1 Rural Poverty Ratio by State's**

	1973-74	1977-78	1983	1986-87	1987-88	1988-89	1990-91	1992	1993-94
Andhra Pradesh	48.41	38.11	26.53	14.62	20.92	19.49	22.13	27.38	15.96
Assam	52.67	59.82	42.6	39.72	39.35	35.23	33.67	51.68	44.95
Bihar	62.69	63.25	64.37	50.12	52.63	52.44	46.34	61.13	57.97
Gujarat	46.35	41.76	29.8	30.33	28.67	14.79	21.56	33.7	22.17
Haryana	34.23	27.73	20.56	19.49	16.22	13.31	19.46	17.66	28.72
Karnataka	55.14	48.18	36.33	36.62	32.82	45.44	34.9	45.45	28.18
Kerala	59.19	51.48	39.03	33.46	29.1	34.36	30.34	25.96	25.93
Madhya Pradesh	62.66	62.52	48.9	47.76	41.92	39.46	42.44	47.66	40.83
Maharashtra	57.71	63.97	45.53	44.63	40.78	34.79	35.88	53.58	38.6
Orissa	67.28	72.38	67.53	55.16	57.64	52.9	36.53	49.02	49.87
Punjab	28.21	16.37	13.02	12.95	12.06	03.17	09.03	10.17	12.46
Rajasthan	44.76	35.89	33.05	29.16	33.21	26.08	25.92	31.07	27.45
Tamil Nadu	57.43	57.68	53.99	41.88	45.08	38.04	37.53	44.27	32.64
Uttar Pradesh	56.53	47.06	46.45	36.06	41.01	30.53	34.78	47.94	42.64
West Bengal	73.16	68.34	63.05	47.03	48.03	37.02	49.347	43.97	40.33
All India	56.44	53.07	45.61	38.302303	39.18	34.41483	35.04408	43.95514	37.52918.

*Source:* Abhijit Sen, and C.P Chandrashekar (1996): Statistical Truths. Economic Reforms and Poverty, *Frontline*, 23 February, p.103.

#### **Phase IV: Weakening Phase from 1991 to present**

The system of public distribution of food in India is sixty-year-old. Nevertheless, for most of this period, the need for a system of delivery of cheap food was not questioned. The weakness of public delivery system has been exacerbated by the introduction of structural adjustment policies in the 1990s. The demise inflicted on PDS is reflected in changes in policy, in the inflation in food prices, in the supply distribution network and more recently in the introducing of targeting.

The Revamped Public Distribution System (RPDS) was established in January 1992 and later on merged with the IRDP in June 1992. This scheme is meant to serve households located in tribal, hill and arid areas having poor infrastructure and covering 1775 blocks and 170 million people. Under RPDS, rice and wheat are allocated to states and union territories with a quota of 20 kg per family per month at prices lower by 50 paise per kg than the central issue price for normal PDS. In addition, to food grains, RPDS also supplies items like tea, soap, pulses and iodized salt. The targeted public distribution system (TPDS) based on the recommendation of the Chief Ministers conference in July 1996, is another scheme that was launched in June 1997.<sup>26</sup> This was a system in which a distinction was proposed between below poverty line (BPL) and above poverty line (APL) households and a system of dual prices were introduced. The

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<sup>26</sup> Debroy, Bibek and Parth, Shah: (1998): *Agenda for change Centre for Civil Society (eds.) Rajiv Gandhi Institute for Contemporary Studies*, p. 53.

two groups treated differently in terms of the quantities of food grain to which they are entitled and the prices at which the grain is made available to them.<sup>27</sup>

With the introduction of targeting based on poverty line, the PDS has not been able to perform its essential functions. PDS is no longer able to stabilize prices effectively by transferring grain from surplus to deficit regions. Since allocations to states are no longer based primarily on demand relative to production, the main criterion for grain allocation is the incidence of income poverty in a state. For instance, allocations of grains to Kerala, a highly food deficit state and one with the most effective PDS were made according to the size of the “below poverty line” or BPL population.

In practical terms, it is impossible to identify who is “below poverty line” in a given population, without calculating every individual or households income from every source over the entire year. Since there are lakhs of individuals and households in a district, officials are in no position to make any accurate estimate of their status. Arbitrary rules of thumb are suggested for use, which are virtually useless for the purpose of identifying the nutrition deprived. Targeting has introduced a wholly avoidable bottleneck in the accessing of food grains from the PDS by the poor and is an invitation to corrupt practices.<sup>28</sup>

In a country with a large agricultural and informal economy, measuring income poverty is tricky, and in practice, a large number of the income poor are

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<sup>27</sup> Madhura, Swaminathan and Neeta, Mishra (2001): “Errors of Targeting, Public Distribution of Food in a Maharashtra Village”, *Economic and Political Weekly*, vol. XXXVI, no. 26, 30 June, pp.2447-2454.

<sup>28</sup> Utsa, Patnaik (2002) “Agrarian Crisis and global Deflationism” *Social Scientist* Vol. 30, nos. 1-2, January-February, p. 24.

deliberately removed from the BPL category. For example, Dharavi, in Mumbai, which is the Asia's largest slum settlement that has a population of half a million, merely 151 families have been given BPL cards. In short, millions of undernourished persons and persons vulnerable to under-nutrition have been excluded from the BPL category.<sup>29</sup>

The recommendation of the high-level long-term committee constituted in July 2002 has recommended a universal PDS for consumers throughout the country with uniform central prices for rice and wheat. The poverty alleviation function can be insulated from the PDS and the benefits for specific target groups can be given to states as cash assistance. It has been argued that State governments should be allowed flexibility in formulating alternative food security schemes like grain banks for special vulnerable groups or areas.<sup>30</sup>

India's existing food security has succeeded relatively well in preventing gross failures of food supply in almost every region, but it has not done enough for the poor and vulnerable. Certain schemes such as food for work and the Antyodaya Anna Yojana have been expanded recently as part of the effort to reduce the food stocks.

In the longer run it should be possible, with resources currently being spent on holding stocks, to eliminate hunger, make a significant dent on the current appalling levels of malnutrition among India's children, and argument the future quality of human resources.

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<sup>29</sup> Kiran, Moghe (1997): "Redefining the Poor" *frontline*, 14-21 October, p.22.

<sup>30</sup> Madhura, Swaminathan (2002): "Tasks on the grain policy front", *Frontline*, 30 August, p.22.



## CHAPTER-II

### THE POLITICAL ECONOMY OF PUBLIC DISTRIBUTION SYSTEM

The central, state politicians and civil servants shape food policies at the central levels. These politicians are less concerned with their immediate popularity than their colleagues at the level of the federal states. They are also less aware of the practical and political difficulties at the local level resulting from their policies.<sup>1</sup>

The World Bank economic philosophy of trade liberalization is that there should be a substantial cut in operational stocks for PDS and that the large upper stocks held with public authorities could serve as potent source for launching an export drive in the food grains. This is not a correct description of the current situation. There has not been any breakthrough in the growth of food grains output in the country in the recent period. The present surpluses with the FCI are not a consequence of a big rise in productivity in agriculture achieved through cost-reducing technological change. In the last three years the scenario has been different. Food stocks with FCI are mounting mainly due to political economy of support and procurement prices.<sup>2</sup>

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<sup>1</sup> Jos, Mooij (1999): "Dilemmas in food policy about institutional contradictions and vested interests" *Economic and Political Weekly*, Vol. XXXIV, No. 52, 25 December, p. 119.

<sup>2</sup> V.S. Vyas and Pradeep, Bhargava (1997): *Policies for Agricultural Development perspectives from states: An International perspective* (ed.), Institute of Development Studies, Jaipur Rawat Publications, p. 213.

## Different Food Grains Committees

The government of India had constituted 'committees' and 'commissions' both before and after Independence with a fair regularity to investigate the "food problem" and suggest ways to solve it. The food policy objectives and the instruments of implementing it has varied over time, but buffer stock operations have all along featured prominently in food policy discussions in India.<sup>3</sup> The Food Grain Policy Committee appointed in 1943, recommended creation of a reserve of five lakhs tonnes to meet the requirements. It was endorsed during the famine enquiry commission of 1945. Later, the members of the Agricultural Prices Enquiry Sub Committee of 1947 came out with the recommendation of creating the reserve stock between 15-30 lakhs tonnes. The Food Grain Policy Committee of 1948 recommended creation of reserve stocks of 10 lakhs tonnes.<sup>4</sup>

In the first half of 1957, the prices maintained a continuous rising trend despite higher production. This development gave considerable concern to the government, which thought it proper to get the whole matter investigated through a high-powered committee. Accordingly, a food grain enquiry committee was set up in June 1957 with Ashok Mehta as Chairman.

The principal recommendation, therefore was that a price stabilization board to be set up which would keep a constant watch over the price situation in respect of food grains. The measures for maintaining the general price level with

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<sup>3</sup> Krishna, Jai and S.C, Jha (1969): "Buffer Stocks in food grains" in Seminar on food grains Buffer stocks in India. Published by *Indian Society of Agricultural Economics*, Bombay, August, p. 36.

<sup>4</sup> *Ibid.*, p. 38.

reasonable limits, since prices of food grains could be controlled only through controlling the demand and supply of food grains, the committee recommended undertaking timely and effective purchase and sale operation.

In March 1966, Food Grains Policy Committee was set up under the chairmanship of Shri B. Venkatappiah. This committee also endorsed the policy of maintaining buffer stocks as powerful lever to exert a stabilizing influence on the food grains market and on the intra-seasonal movement of prices. The food grains policy referred to them at a time when a year of severe famine had already gone by, and the scarcities were persisting in the second year in succession, there by unleashing very serious problem of management of food economy.<sup>5</sup> They were, therefore, compelled to recommend that the minimum level of the buffer stock at the disposal of the central government should be 4 million tonnes and the stocks that the state governments may choose to hold should be over and above this level.

The main reason for undertaking of buffer stock is not merely variability but also unpredictability of food grains output due to its heavy dependence on the vagaries of the weather. Obviously private trade, which works on a profit motive, cannot be depended upon to carry out costly buffer stock operations in the best interest of the community. When supplies are short and prices are rising, the traders would be generally inclined to add to their stocks; on the other hand, when supplies are large and prices are falling, they are likely to unload their

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<sup>5</sup> K.C., Acharya (1983): *Food Security System of India Evolution of Buffer Stocking Policy and its Evaluation*, Concept Publishing Company, New Delhi, pp. 74-75.

stocks. Such speculative activities have a destabilizing effect on the market, and cause sharp fluctuation in prices, often unwarranted by changes in supplies. They affect the interest of producers and consumers alike and are also harmful to the wider interest of economic development of the country. These market trends can be countered effectively through the buffer stock operations of the government, seeking the support prices when the market is falling and being them down when the market is rising.<sup>6</sup>

### **Functions of the Food Corporation of India**

The Food Corporation of India was set up in 1965 under the Food Corporation of India Act to -

- Provide price support to farmers by providing food grain at a support procurement price.
- Distribute food grains throughout the country to feed the public distribution system (PDS).
- Maintaining buffer stocks to ensure national food security.<sup>7</sup>

The third objective only became dominant from the mid-1970s. One of the prime objectives of the FCI is to feed the supply lines of the public distribution system so that grain can be distributed at 'reasonable' prices, especially to the weaker section of society. (FCI documents do not specifically

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<sup>6</sup> Saran, Ram (1969): "Buffer Stocks in Food Grains" in Seminar on food grains Buffer stocks in India. *The Indian Society of Agricultural Economics*, Bombay, August, p. 87.

<sup>7</sup> Ashok, Gulati (1995): "Changing Gears" *Seminar*, 433, September, p.17.

mention protection the poor as a goal of PDS. Yet, several official statements found in the five years plan documents, since the 4<sup>th</sup> plan, would confirm that protecting weaker sections of the society by supplying concessional food grains was an underlying goal of PDS). The FCI carried larger procurement operations to feed PDS supply lines and directed to keep buffer stocks to ensure national food security against any drought. It also supplied food grain for several anti-poverty programs (such as the Jawahar Rojzgar Yojna) to promote economic access to food.

Thus, the FCI became the main instrument of government policy of providing food security to its people, both in terms of promoting their physical and economic access to food. So long as India was failed with the imminent danger of severe food scarcities, it was natural that planners gave exclusive attention to the problem of increasing production.<sup>8</sup>

### **Role of the Agricultural Price Commission**

The Green Revolution attempted to stimulate agricultural production but in a way maintained the directive role with the Centre through its financing and control of irrigation projects, fertilizer, subsidies and seeds. As commercial agricultural developed and productivity increased, though highly concentrated in a few regions, government procurement increased its significance as the source of supply for the PDS. The formation of the Agricultural Price Commission (APC) in 1965 attempted to give a formal and rationalistic justification to the

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<sup>8</sup> Ibid, p.17.

prices which the state was imposing.<sup>9</sup> The APC defines the objectives of the minimum support price (MSP) as follows—one of the major uncertainties which afflict farming activity emerges from the precipitous fall in the prices of agricultural commodities. The guarantee of MSP removes the uncertainty emanating from the not infrequent phenomenon of a steep decline in prices, caused by temporary gluts in the market. The APC played a major ideological role; its setting of prices was justified as rational and scientific, as providing supporting prices sufficient to cover the cost of production. Leaders of the farmers movement complained that APC initially did seem to try to calculate costs only on the basis of ‘paid –out’ costs.<sup>10</sup> The farmers, particularly the small and even medium farmers were, incurring loss, often repeatedly in three consecutive years, when all costs, including land and family labour costs are deducted from the gross value of output. Since land and family labour are the two major items for which the value is imputed, and since many feel that the land cost is under-valued, family labour in this situation does not really earn what is attributed to it as its opportunity cost.<sup>11</sup>

The APC’s prices were almost always below the free market price, yet by using the term ‘support price’ the APC had implied that the basic function of government pricing was to protect the peasants from the market and the state was providing a better deal than private merchants. The terms of trade moved

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<sup>9</sup> Gail, Omvedt (1994): “We Want the Return for Our Sweat: The New Peasant Movement and the Formation of a National Agriculture Policy”, *Journal of Peasant Studies*, Vol.21, No. ¼, April/May, p.142.

<sup>10</sup> N, Krishnaji (1992): *Pauperizing Agriculture: Studies in Agrarian Change and Demographic Structure*, OUP, Bombay, pp.85-86.

generally in favour of agriculture during 1965-73. The price issue from the point of view of securing reasonable prices for farmers and protecting them from a price crash, did not receive much official attention for a long time, as it was more concerned with the most continuous inflationary conditions ever since the second world war.<sup>12</sup>

The most important concern of the farm lobby till about 1973 appears to be the prevention of fall in the prices of wheat. The availability of rice and wheat was fairly satisfactory and stable during 1968-72. But the price movements of rice and wheat present a picture of striking contrast. While there is no definite pattern in the seasonal fall in wheat prices, although prices kept falling appreciably in the peak arrival season. The seasonal fall in prices has gradually shrunk and finally in 1973 the rice price actually rose in a season when they normally fall.<sup>13</sup>

The government's explanation that the unseasoned rise in the price of rice during October-December 1973 and of wheat during April-June 1974 was largely the result of hoarding of grains by traders and farmers. The difference in the economic environment of the two crops must be mentioned: wheat production increased from 16.5 million tonnes in 1967-68 to 23.25 million tonnes in 1970-71, an annual growth rate of 13.6 percent whereas the production grew during the same period only at a rate of four percent from 37.6 million to

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<sup>11</sup> Nilakantha, Rath (1985): "Prices, Cost of Production and Terms of Trade in Indian Agriculture" *Indian Journal of Agriculture Economic*, Vol.40, October-December, p.452.

<sup>12</sup> M. V, Nadkarni, (1987): *Farmers Movement in India*, Allied publisher, Bangalore, p.32.

<sup>13</sup> N, Krishnaji (1975): "State Intervention and Foodgrain Prices", *Social Scientist*, Vol.3, No.6/7, p.84.

42.2 million tonnes.<sup>14</sup> The surplus food grain available for procurement and stock building were largely surpluses of wheat and the differential treatment of wheat farmer by the government was based on the logic of incentives for further increase in production.

There were broadly two phases, covering 1968-72 and 1975-85, during which stocks held by the government have been allowed to increase from 2 million to 8 million tones during the first and from 8 million to roughly 30 million tones during the second phase respectively. Both these phases cover strings of good harvest, during which PDS along with the Governments free market operations, worked to some extent to keep the prices of essential food grains under control. In fact, an important trend during this period was that, while agriculture prices as a whole increased faster than the general price level, food grain prices increased more slowly, so that it was possible for real wages in agriculture to rise without increasing the product wage. This was an important contributory factor behind the decline in rural poverty which occurred during the period.<sup>15</sup>

The growth of hired labour-based, market-oriented capitalist production has occurred in a far more widespread manner in Punjab, Haryana and Utter Pradesh than elsewhere, though the capitalist tendency is strongly evident in the irrigated regions as well.

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<sup>14</sup> *ibid.*, p.86.

<sup>15</sup> Abhijit, Sen (1996): "Agriculture and Economic Liberalization: The Indian Outlook" in Peter Robb (ed.): *Meanings in Agriculture: Essay in South Asian History and Economics*, OUP, Delhi, pp. 324-325.



By 1986, of the total wheat procured by government, the northern region supplied 95 percent alone; even in the case of rice procurement, nearly two-thirds was supplied by this single region, the other major source being Andhra Pradesh. The central government's procurement of food grain stocks is heavily dependent on this region with its highly commercialized production.

The average annual food grains output per head of population for the three year period of 1984-85 to 1986-87 with the initial triennium 1960-61 to 1962-63, it is found that in a single region of the country alone, namely north and north-west India. It was raised by as much as 64.8 percent, while in every other regions of the country has declined to a smaller or larger extent.<sup>16</sup>The surplus production primarily from the northern region has been channeled through the PDS as well as the free market primarily to the urban and semi-urban areas.

The PDS, which has played a crucial role in offsetting inflation and minimizing urban discontent, has become increasingly dependent on government's procurement of food grains from the north western region.<sup>17</sup> During the past decade, the rise of agrarian protests, organized by the rich peasants and landlords frequently joined by a wider segment of the rural population, has been a significant new political development. Higher agricultural prices and continued subsidies have been their principal demand. These protests gather steam, some what paradoxically just when the FCI was rapidly

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<sup>16</sup> Utsa, Patnaik: (1991): "Food Economy in Peril", *Frontline*, 31<sup>st</sup> August – 13<sup>th</sup> September, p. 84.

<sup>17</sup> Over three fifths of the fair price shops are located in urban areas and the bulk of the remaining are in the rural periphery of urban areas).

accumulating food grain stocks and supporting agricultural prices. There can be no doubt that the principal effect of this action was to ensure a collapse of grain prices from occurring. And the protest must be explained by the fear of surplus producers that without continuing political pressures on the government, the policy would not to continue. In these regions, government institutions have been more favorable than else where in the country. Efforts at diffusion of this technology have not gone every far in the regions characterized by different fact endowments, infrastructure, and institutional structures.

Table 1.1: Annual Output per capita of Foodgrains by Groups of States:  
1960-61 to 1986-87 (Triennial Average)

Region	1960-62 Per capita output (kg.)	1972-74 Per capita output (kg.)	1984-86 Per capita output (kg.)
<b>NORTH &amp; NORTHWEST</b>			
Haryana & Punjab	313.5	454.0	734.9
Uttar Pradesh	184.5	176.9	242.8
Jammu & Kashmir & Himachal Pradesh	113.9	222.1	212.4
	<b>204.6</b>	<b>234.7 (+14.7)</b>	<b>337.2 (+43.9)</b>
<b>EAST</b>			
Assam	145.4	137.9	121.1
Bihar	158.6	140.0	136.9
Orissa	225.1	200.1	217.1
West Bengal	147.5	151.0	154.6
	<b>162.2</b>	<b>152.9 (-5.7)</b>	<b>152.9 (0)</b>
<b>SOUTH</b>			
Andhra Pradesh	180.8	175.3	161.5
Karnataka	161.6	58.0	154.3
Kerala	61.9	58.9	43.6
Tamil Nadu	160.9	146.6	134.1
	<b>152.3</b>	<b>150.4 (-1.2)</b>	<b>1433.9 (-110)</b>
<b>WEST CENTRAL</b>			
Gujarat	103.5	95.2	95.2
Madhya Pradesh	273.9	231.4	237.2
Maharashtra	165.0	110.0	120.7
Rajasthan	241.1	199.8	180.4
	<b>198.6</b>	<b>158.3 (-20.3)</b>	<b>160.3 (-1.3)</b>
<b>ALL</b>	<b>178.9</b>	<b>172.0 (-3.9)</b>	<b>192.1 (+11.6)</b>

NOTE: Figures in brackets indicate percentage change over previous triennium.

Source : Utsa, Patnaik (1998): India's Agricultural development in the light of Historical Experience in T.J, Byres (ed) *The State, Development Planning and Liberalization in India*, Oxford University Press, p.194.

## Role of the Government

In India, agricultural policy is the policy of constituent states. Therefore, both the Planning Commission and the central government ministers in Centre influence state policy agendas. They also affect state-level resource mobilization, allocation and access. The policies of agricultural policy operating at different scales may involve different agendas, procedure, resources and rules of access.<sup>18</sup>

The role of the government is important in managing the food grain economy and its policy. The main constituents of government food management policy are procurement, storage and movement, public distribution and maintenance of buffer stocks of food grain. There are three main types of administered prices: support price, procurement price and issue price.

1. Support price is defined as the granted floor price below which market price is not allowed to dip.
2. Procurement / minimum price is paid by the procuring agency against the procurement from the market.<sup>19</sup> This may be greater or equal to support price but can never be less than the support price. Central government through Food Corporation of India and the various state agencies carry out procurement operations. Surplus states, therefore

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<sup>18</sup> Harriss, Barbara White (2002): "Composite Agricultural Policy and its Implication for Agricultural Reform" *Journal of Social and Economic Development*, vol. 4, no. 1, January, Bangalore, p. 1.

<sup>19</sup> N, Krishnaji (1988): "Agricultural Prices Policy- A Survey with Reference to the Indian Food Grain Economy" Occasional paper no. 2, *Centre for Studies in Social Sciences*, Calcutta, p. 7.

contribute a part of the procured grain to the central pool from where the central government distributes through FCI to various states governments which in turn gives the grains to the public distribution system.

3. Issue prices involves an element of subsidy at which grain could be distributed under public distribution system wherever be its coverage.

The procurement / minimum support price policy is also expected to play the role of stabilizing short-term seasonal or weather-induced fluctuations in prices through the regulatory management of buffer stocks.<sup>20</sup> The procurement and buffer stock policy is guided, apart from the objective of stabilization of agricultural prices, by the goal of using stocks as hedge against inflation, and a measure to vulnerable sections by issuing food grains at a subsidized price.

The twin objective of using procurement and buffer stocks as a hedge against inflation and as a protection for the vulnerable sections appears undermined by the very success of the first objective- the one which has received primacy. The emphasis on the remunerative policy of rewarding the commercially progressive farmers appears to have been responsible for the paradoxical situation now existing.<sup>21</sup>

In 1986, the Agricultural Prices Commission (APC) was renamed as CACP to emphasize the primary of cost of production in determining prices. The CACP

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<sup>20</sup> Krishna, Bharadwaj (1998): "Agricultural Development Under State Planning" in Byres Terevance (ed) *The State Development. Planning and liberalization in India*, Oxford University Press, p. 201.

<sup>21</sup> *Ibid.*, pp. 217-218.

recommends support prices at which, if there are not enough buyers, the government must buy all the supplies offered at that price.<sup>22</sup>

The CACP continued to announce the minimum support/ procurement prices, as in the past two decades, but now supposedly on a cost-plus basis. The CACP takes into account, cost of production, changes in input costs, inter-crop price parity, and parity between the C2 Costs which cover all cash expenses borne by the farmers on seed fertilizers, pesticides, electricity, interest on crop loans, cost of hired labor and machinery etc., besides this it also includes the imputed value of family labor, rental on land and owned capital stock (tractor's tube well etc). So as to reflect the opportunity costs.

The government decides on the support prices for various Agricultural commodities taking into account the recommendation of the CACP, the view of the state governments and central ministers as well as such other relevant factors which in the opinion of the government are important for fixation of support prices.

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<sup>22</sup> V. M, Dandekar (1994): *The Indian Economy 1947-92*, vol. 1: Agriculture, Sage Publication, New Delhi, p. 379.

**Table 1.2: Announcement of MSP by the Government**

Year	Season	Crops	Date of submission of CACP report	Date of Declaration of MSP
1984-85	Kharif	Foodgrains, oilseeds & cotton	-	July 1984 & Sept. 1984
1985-86	Kharif	Foodgrains, oilseeds & cotton	-	27.09.1985 & 11.11.1985
1986-87	Kharif	Foodgrains, oilseeds & cotton	-	29.08.1986 & 25.09.1986
1987-88	Kharif	Foodgrains, oilseeds & cotton	23.02.1987	27.08.1987
1988-89	Kharif	Paddy, Kharif coarse cereals, Pulses, oilseeds & raw cotton	03.02.1988	04.05.1987
1989-90		NA	-	-
1990-91	Rabi		09.08.1990	06.11.1990
1991-92		NA	-	-
1992-93	Rabi	Wheat, barley, gram, rape seed/ mustard and sunflower	24.07.1992	25.08.1992
1993-94	Rabi		29.07.1993	07.10.1993
1993-94	Kharif	Kharif foodgrains, oilseeds & cotton	19.03.1993	22.07.1993
1994-95	Kharif	Kharif foodgrains, oilseeds & cotton	31.03.1994	09.04.1994
1995-96			-	-
1996-97	Kharif	Kharif foodgrains, oilseeds & cotton	11.04.1996	02.08.1996
1997-98	Kharif	Kharif foodgrains, oilseeds & cotton	27.04.1997	02.08.1997
1998-99	Kharif	Kharif foodgrains, oilseeds & cotton	07.04.1998	10.08.1998
1999-00	Kharif	Kharif foodgrains, oilseeds & cotton	05.04.1999	20.07.1999

Source: Commission of Agricultural Cost and Price Reports from 1984-85 to 1999-00

We can see that there is a considerable gap in the submission of CACP report and the declaration of MSP, in addition to the fact that in most of the years MSP is declared well after sowing is completed and farmer is committed to the crop.

The system of minimum supported prices was started in mid-1980s. It was meant to create a favorable incentive environment for the adoption of new technology, based on high yielding variety seeds during which India was facing severe food shortage and mass hunger. The new technology provided a ray of hope to tackle the problem of food shortage and hunger.<sup>23</sup>

The food policy has been highly favourable to rice and wheat production and has resulted in a shift of good quality land and other resources to these crops away from pulses, oil seeds and coarse grains. This has created serious imbalances in demand and supply of several agricultural commodities in the country.

The main reason for the present situation of unprecedented build up of food stocks (in excess of sixty million tonnes) are due to high levels of MSP fixed during the 1990s and a significant role was also played by the decision to target the entire food delivery on the basis of poverty criteria.

Besides political compulsion flowing from Andhra Pradesh, Haryana and Punjab, a significant part was played by two assumptions: the world prices of

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<sup>23</sup> Ramesh, Chand (2003): Paper presented at the workshop on *PDS: Long Term Grain Policy*, Delhi School of Economics, 18 February.



cereals were likely to be higher than Indian prices and that there was significant scope to cut the fiscal involvement of the central government in the food security system. Both these assumptions proved false.<sup>24</sup>

Unfortunately, the recommended MSP by CACP is changed while it is declared by a central government, mostly based on the political interventions and to score some political mileage. Such changes are expected quite often rather as a rule than an exception. The government has to decide whether it wants to pay heed to the farmer's lobby or the expert body. Over the years, this kind of lobbying has increased and it has prevailed.

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<sup>24</sup> Abbijit, Sen (2002): Report of the High level Committee on long-term of grain policy. Ministry of Consumer Affairs, food & Public distribution, p. 5.

**Table 1.3 :****Procurement / Minimum Support Prices of Foodgrains****(Rs. Per quintal)**

Commodity Quality	Year (Crop by the Govt.)	Year (Marketing Year)	Price Recommended Year)	Price announced by the CACP	
1. Paddy (Common)	F.A.Q.	1978-79	1978-79	82	85
		1979-80	1979-80	90	95
		1980-81	1980-81	100	105
		1981-82	1981-82	115	115
		1982-83	1982-83	122	122
		1983-84	1983-84	132	132
		1984-85	1984-85	137	137
		1985-86	1985-86	140	142
		1986-87	1986-87	146	146
		1987-88	1987-88	150	150
		1988-89	1988-89	160	160
		1989-90	1989-90	172	185
		1990-91	1990-91	205	205
		1991-92	1991-92	235	230
		1992-93	1992-93	260	270
		1993-94	1993-94	310	310
	1994-95	1994-95	340	340	
	1995-96	1995-96	355	360	
	1996-97	1996-97	370	380	
	1997-98	1997-98	415	445	
	1998-99	1998-99	440	440	
	1999-2000	1999-2000	465	490	

2. Wheat F.A.Q.	1978-79	1978-79	110	112
	1979-80	1979-80	115	115
	1980-81	1980-81	117	117
	1981-82	1981-82	127	130
	1982-83	1982-83	142	142
	1983-84	1983-84	151	151
	1984-85	1984-85	155	152
	1985-86	1985-86	157	157
	1986-87	1986-87	162	162
	1987-88	1987-88	165	166
	1988-89	1988-89	173	173
	1989-90	1989-90	183	185
	1990-91	1990-91	200	215
	1991-92	1991-92	225	225
	1992-93	1992-93	245	250@
	1993-94	1993-94	305	330@@
	1994-95	1994-95	350	350
	1995-96	1995-96	360	360
	1996-97	1996-97	380	380
	1997-98	1997-98	415	475#
	1998-99	1998-99	455	510*
	1999-2000	1999-2000	490	550
	2000-2001	2000-2001	575	580

@ : Effective price of wheat between 1.4.92 to 30.6.92 was Rs. 280/-per quintal comprising of Rs. 250/- MSP + Central Bonus + Rs. 5/- State bonus.

@@: Including a central bonus of Rs. 25/- per quintal

# : Effective price of wheat between 1.4.97 to 30.6.97 comprising Rs. 415/- MSP + Rs. 60/- central bonus.

\* : Effective price of wheat between 1.4.98 to 10.6.98 comprising Rs. 455/- + Rs. 55/0 central bonus.

*Source:* Raj, Kapila and Uma Kapila (2002) : *Indian Agriculture in the Changing Environment in ensuring food security* (ed.), Vol. II Academic foundation Ghaziabad, pp.347-348.

In order to reduce dependence on imports during years of scarcity, and to reduce volatility in domestic food prices, India has followed a policy of holding large buffer stocks of food grains. A number of committees in the past have examined the question of appropriate level of buffer stocks in order to meet possible contingencies, including two successive droughts. The levels of stocks from year to year depends on factors over which the government has little direct control, such as the volume of production offered for procurement and off take from the PDS. Even though, an important tenet of national food policy has been to ensure that the overall stock level, at any time of the year, does not fall below that required to meet the country's total food requirements during one drought preferably two successive droughts. The experience in managing the droughts of 1979-80 and 1987-88 fully vindicated these policy conditions of acute scarcity of the type witnessed in the 1960's did not occur.<sup>25</sup>

The emerging inverse relation between food production and exportable production in-developing countries is particularly marked in those which have taken structural adjustment loans in the 1980s and have been pushing agri-exportables for a number of years. This inverse relation is just beginning to emerge in India as well.<sup>26</sup> Economic globalization is leading to a concentration of the seed industry, the entry of global corporations into agriculture, the

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<sup>25</sup> Bimal, Jalan (1996): *India's Economic Policy: Preparing for the Twenty First Century*, Viking Penguin Books, New Delhi, p.149.

<sup>26</sup> Utsa, Patnaik (1996): Export Oriented Agriculture and Food Security in Developing countries and India. *Economic and Political Weekly*, Vol. XXXI, Nos. 35, 36 and 37, Special Number, September, p. 2429.

increased use of pesticides, and finally increased debt despair and sometimes suicides among small farmers.

Capital intensive, corporate agriculture is being spread into regions where peasants are poor, but, until now, have been self-sufficient in food. In the region where industrial agriculture has been introduced through globalization, higher costs are making it virtually impossible for small farmers to survive.

### CHAPTER-III

#### **GLOBALIZATION AND PUBLIC DISTRIBUTION SYSTEM: FOOD SECURITY OR INSECURITY**

In developing countries like India agriculture employs the majority of people. Agriculture is a way of life that services a deep human need and performs a variety of different function not just producing crops but also providing jobs and stimulating rural economics.<sup>1</sup> However, in the recent years, under the impact of structural adjustment sponsored by the World bank, and the slogan of 'Globalization' that has been vigorously championed by the recently established world trade organization, it is being said that such quest for domestic self-sufficiency in food production is no longer necessary. It is being argued that, in today's integrated world, it is possible to bridge the gap between domestic demand and supply by way of food import. What this implies is that a country should produce only those commodities that are good in producing at low and competitive prices.<sup>2</sup>

The financial calculus used for competitive advantage calculation is based on 'fixed external price' or a 'fixed international price'. Food prices are not unchanging and fixed; they are a function of imports and exports. When a large country like India stops domestic production and imports larger quantities of particular commodity on the grounds that it is cheaper on the international

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<sup>1</sup> John, Madeley (2000): Hungry for trade: How the poor pay for free trade, Zed Books London, p.26.

<sup>2</sup> Biplab, Dasgupta (2001): Food Security for India: Some Issues, Discussion paper 2/2001, Jadavpur University, Planning Unit, Kolkata, pp.2-3.

market, the international prices go up by the every fact of large-scale import possibilities thus widening the comparative advantage logic. However, under free trade and free mobility of capital, comparative advantage of countries transforms into absolute advantage for transnational corporations, and countries are pushed into a downward spiral of food insecurity through a fallacious logic of competitiveness.<sup>3</sup>

With the Asian crisis from 1997, the advanced countries have been eyeing the Indian market through the incessant pressure exercised through the World Trade Organization (WTO). They have succeeded in getting qualitative restrictions removed fully, years before the mandatory date. Their attempt now is to press for winding up of the public distribution system, which has been considerably undermined already through recent policies.<sup>4</sup>

When trade liberalization policies were introduced in India in 1991, the Agricultural Secretary had stated “food security is not food in the godowns but dollar in the pocket” does not depend on “self-sufficiency” (growing your food as a country) but on “self-reliance” (buying your food from international markets.)<sup>5</sup>

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<sup>3</sup> Vandana, Shiva (2002): Globalization and food security in Vandana Shiva and Gitanjali Bedi (ed) *Sustainable Agriculture & food security; The impact of globalization*, Sage publication, New Delhi, pp.21-23.

<sup>4</sup> Utsa, Patnaik (2002): “Agrarian crisis: A global Deflationism” *social scientist*, vol. 30, no. 1-2, January-February, pp. 15-16.

<sup>5</sup> Vandana, Shiva (2002), *ibid*, 25.

## Food Security or Insecurity

The concept of food security as understood now has been evolved over the last quarter century. Food security concept has been considered at a number of levels; global, regional, national, state, household and individual. Increased food availability at the national level, though necessary to achieve food security, is not a sufficient condition for achieving household and individual food security. Physical access should be accompanied by economic access, which determines people's ability to acquire food.<sup>6</sup>

Food insecurity for many million of people arises from a number of reasons, but the overriding reason is poverty. People go hungry because they are too poor to grow enough or to buy enough food; they do not have the money to exercise effective demand in a free market. Millions of the rural poor are either landless or have only very small plots of land on which they can grow little. But their poverty means they do not have the purchasing power to buy the food that is available.<sup>7</sup> In most rural areas, there are few jobs outside agriculture and the growth rate in rural non-farm employment is slow. This means that few have the chance to earn a wage and income that enable them to buy the food they need.

The food grain security, though essential, cannot be equated with food security. There is insufficient realization that the food basket in the country has become considerably diversified with much greater share being occupied now by

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<sup>6</sup> P.S, George (1999): "Some Reflection on food security in India", Presidential address fifty-ninth annual conference of *Indian society of agricultural economics* Jabalpur, December 1-3, p.11.

<sup>7</sup> John, Madeley ( 2000) *Hungry for trade how the poor pay for free trade* Zed Books, London, pp. 28-29.



non-food grain items such as sugar, edible oils, milk, meat, eggs, vegetables and fruits.

In fact, these non-food grains items of food now account for over 60 percent of consumer expenditure on food. Therefore, even if we are within an easy reach for enabling every Indian to buy enough food grains, we need to move quite a distance for ensuring physical as well as economic access to many of these non-food grain items of food, especially for the poor.

The policy frame work being thought of for food grains has to take into account the need for diversifying agricultural production to meet the emerging need as well as for earning the necessary purchasing power to the poor through the generation of employment opportunities.<sup>8</sup>

The new export oriented agricultural policies that are part of agricultural globalization have led to a shift in India from the production of food crops to commodities for exports, such as cotton, horticulture, sunflower, orchards, eucalyptus etc. This was particularly noticeable in the southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

In the district of Warangal in Andhra Pradesh farmers traditionally grew paddy, pulse, millets, oil seeds, and vegetable crops. They were enticed by promises that cotton would be like 'white gold', yielding high profits, farmers in Warangal have nearly tripled the amount of land used for cotton production in

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<sup>8</sup> C.H, Hanumanta Rao (2002): "food grain suppliers: Causes and Policy Implication", *Mainstream* 11 May, 20 pp-13-14.

the past decade, whilst slashing production of traditional food grains like Jawar and Bajra.<sup>9</sup>

The cash crops like cotton may fetch higher prices, but they also demand a higher level of expenditure. The use of pesticides have increased because of the hybrids are very vulnerable to pest attack. Expenditure on pesticide in the district went up from 2.5 million dollar for the entire decade of 1980's to 50 million dollars in 1997- a 2,000 percent increase. The financial stress is blamed for an epidemic of suicides in Warangal district. More than 500 farmers have committed suicides and this has continued in 1999.

In the northern districts of Karnataka, Bidar, Raichur, Gulbarga, Dharwad, more than 20 peasants have committed suicides by consuming pesticides. Those who committed suicide were market- oriented turdal growing peasants. The shifts in the pattern of cultivation began when the turdal market not only expanded beyond the frontier of the district head quarters, but began to bring huge profits-between 1992 and 1995 alone. Its price went by 8.57 percent for better than wheat, coarse cereals and other pulses. When turdal prices crashed in the open market to Rs. 1,050 made a large peasants look towards moneylenders seem to be the main reason.<sup>10</sup>

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<sup>9</sup> Vandana, Shiva (1998): War against nature and the people of the South in Saran Anderson views from the south the effects of Globalization and WTO and third world countries. Published by *International Forum on Globalization*, February, pp.94-95.

<sup>10</sup> Muzaffar, Assadi (1998): "Farmers Suicides Signs of Distress in Rural Economy" *Economic and political weekly*, Vol. XXXIII, No. 14, 4 April, pp. 747.

## **Role of the Multinational Corporations in Agri-Business**

The export drive has started affecting the basic availability of staple food grains for the poor. The displacement of food grains meant for human consumption include vegetables and fruit production under contract to the transnational corporations which started with Pepsico International activities in Punjab, and the dissemination of genetically engineered sorghum seeds by Cargill despite the opposition from the militant farmers movement in Karnataka.<sup>11</sup>

The agri-business sector has emerged as an important area for export and employment promotions and government support. The assumption (or rather belief) is that it is crucial to provide marketing and processing facilities to the agricultural production sector for its viable growth and development.

The new approach to agriculture in terms of agri-business, means that the character and structure of agriculture will be sought to be so transformed so as to make its organization, finance and management not very different from those of private manufacturing and trading sectors. It means industrialization of rural production and declining importance of agriculture as a separate sector, which will become, increasingly a sub sector of industry in the agro-industrial chain of production.

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<sup>11</sup> Utsa, Patnaik (1996): "Export- Oriented Agriculture and food security in Developing countries and India", *Economic and political weekly*, Vol. XXXI, Nos. 35, 36 and 37, Special number September, pp. 1448.

Since the requirements of export markets tend to be different from those of domestic agri-business markets, the organization of rural and agricultural production will necessarily undergo a change in favour of large scale operation and financing. Therefore, there will be attempts (in fact there are) to organize corporate and contract family and pump capital by agri-business.<sup>12</sup> In the Hoshiarpur area, about 3 thousand areas belonging to a number of farmers are being cultivated more or less as a single unit under the surveillance of Pepsi Foods, to supply tomatoes processed by the company.<sup>13</sup>

Creating a surplus through contracting ensures that the raw materials can be purchased at a pre-determined price. However, the experiment proved disastrous for both Pepsi and the contract farmer's. The farmers had to use higher doses of fertilizer and pesticide, again supplied by the company. When the cost of the seedlings and the other inputs was subtracted, the farmers were left with nothing falsifying the myth that industrial agriculture serves the farmers interest.

Further, rather than creating a surplus to meet the local demands and maintain low prices for themselves, Pepsi's tomatoes were rejected by the people as the skin was too hard for domestic use. Hard skin is a requirement for transportation and for agro-processing. The Hoshiarpur mandis were piled with tomatoes and the prices dropped from Rs 2 per kg to as low as 0.50 per kg. Pepsi

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<sup>12</sup> Sukhpal, Singh (1995): "Structural Adjustment Programme and Indian Agriculture" *Economic and Political Weekly*, Vol. XXX, No. 51, 23 December, pp. 3312-3313.

<sup>13</sup> K.S., Krishnaswamy (1994): "Agricultural Development under the New Economy" *Economic and Political Weekly*, Vol. XXIX, No. 26, 25 June, pp. A-65.

sold its plant to Brook Bond (a subsidiary of the lower group) but continued to supply the seedlings.<sup>14</sup> The farmers contracted by Pepsi to grow tomatoes, potatoes and chilli for their agro-processing plants have stopped growing wheat, rice and pulses.

In Karnataka the reason for the attack on Cargill and Monsanto by the farmer's movement was that it was establishing patent regimes in its areas of operations, eliminates the traditional varieties of seeds, and creates myths about miracle seeds etc. Monsanto symbolizes the terminator technology by a system of monopolizing the totally seed system and the entire food system. Further, Monsanto not only terminates seeds geminating capacity but also terminates soil fertility, bio-diversity and food technology.

Globalization is guided by global market integration of every farmer and every consumer for each agricultural product. This is pushing the majority of small farmers' out of production and poor people out of consumption. The myth that has supposed globalization is that it will lead to growth. But what is a never specified in growth for what and whom. Trade liberalization does lead to growth of profits for global agri-business corporations. But it is leading to a decline in food production and food security, and the erosion of ecological security and economic security for farmers.<sup>15</sup>

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<sup>14</sup> Vandana, Shiva (2002): Globalization and food security in Vandana Shiva and Gitanjali Bedi (ed), *Sustainable Agriculture and food security the Impact of Globalization*. Sage Publication, New Delhi, pp. 66-68.

<sup>15</sup> Assadi, Muzaffar (1996) " Attack on Multinationals Re-enactment of Gandhian violence" *Economic and Political. Weekly*, Vol. XXXI, No. 20, 18 May, pp. 1185.

**Table 1.4**

**Some Releases of Transgenic crops Expected within the next few years**

<i>Company</i>	<i>Transgenic crop</i>	<i>Timescale for introduction</i>
Monsanto/	Bt-cotton	Imminent
Mahyco	RoundUp Ready soyabean	Next two years
	Bt-maize	-ditto-
SPIC	Male-sterility in paddy	Next few years
ProAgro-PGS	Mrinjal-insect resistance	-ditto-
	Cauliflower-insect resistance	-ditto-
	Cabbage-insect resistance	-ditto-
	Mustard-unclear male sterility	-ditto-
Nath Seeds	Nath has entered joint agreement with Seminis and Peto, who in turn have entered into agreements with Monsanto for the introduction of Bt technology to vegetables	Unknown
Bejo Zaden	Bt-cotton	Next few years
Cargill	Bt-cotton	-ditto-
Sandoz	'Genetically modified crop'	Unknown
Indo-American	Leaf-curl resistance in tomato	-ditto-

*Source:* Vandana, Shiva and Tom Crompton (2002): Monopoly and monoculture in the Indian Seed Industry in Vandana, Shiva and Gitanjali Bedi (ed) *Sustainable Agriculture and food Security*, Sage Publications, New Delhi p356.

## **Role of food subsidy**

The trade liberalization has led to budget and cutbacks on extension and withdrawal of low interest credit from co-operatives and public sector banks, peasants have had to take high interest loans from the same companies that sell them hybrid seeds and pesticides. Thus, the corporations have become moneylenders, seed suppliers, and pesticide salesmen rolled into one. As a result peasants have buried under the right of debts.

The food subsidy has two components. One is representing the consumer subsidy and the other relating to the cost of carrying buffer stock. The government fixes the procurement and issue prices of food grains handled by the Food Corporation of India. Often the differences between these two prices, is not sufficient to meet the handling cost of the corporation, and therefore the government reimburses the difference between the economic cost and the issue price to the FCI as consumer subsidy.<sup>16</sup>

The amount of food subsidy depends on a number of factors such as procurement volume, PDS off take, storage levels and efficiency, gap between issue price and procurement price, handling efficiency of the various organizations and interest charges.<sup>17</sup> In the budget of the central government, expenditure on food subsidies is reported under a separate head.

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<sup>16</sup> P.S, George (1996): "Public Distribution System, food subsidy and production incentives". *Economic and Political Weekly*, Vol. XXX, No. 29, 28 September, A-142.

<sup>17</sup> *Ibid.* A—140.

**Table 1.5**  
**Food Subsidy of the Central Government as a Proportion of**  
**Total Government Expenditures and GDP, 1990-91 to 2000-01**

Year	Food subsidy as % Of total expenditure	Food subsidy as % GDP
1990-91	2.3	0.48
1992-92	2.6	0.48
1992-93	2.3	0.41
1993-94	3.9	0.7
1994-95	2.8	0.49
1995-96	2.8	0.46
1996-97	2.5	0.42
1997-98	3.2	0.54
1998-99	3.1	0.53
1999-2000	3.0	0.51

*Source* : Madura, Swaminathan, (2002) Excluding the needy : "The Public Provisioning of food in India" *Social Scientists* vol. 30, nos. 3-4, March-April, p. 56.

The table shows the absolute size of the food subsidy in recent years, and its relative size, that is as a share of aggregate expenditure of central government and of gross domestic product.

The striking paradox of the Indian economy today is that food grain stocks with the government by the end of 2001 were 62 million tonnes of food



grain stocks held with FCI in its various godowns. This was more than three-times the desired level. This came about because combination of more procurement in the past few years, with falling off take from the PDS as the prices were continuously raised. The total off take from the PDS was 10.1 million tones for rice and 8.8 million tonnes for wheat in 1991-92. These had declined to an estimated 6.9 million tonnes for rice and 3.8 million tonnes for wheat by 1995-96.<sup>18</sup> The increases in public food grain stocks well above the usual norms of such holding is seen as a burden and was sought to be disposed through domestic operation in the open market and exports.

According to reports, India exported approximately 4 million tones of rice in 1995-96. The huge increase in exports compared with the pre-reform period. Even for the earlier reform years 1991-92 to 1994-95, the total exports of rice aggregated over the five years amounted to less than 3 million tones.<sup>19</sup>

The competition which Indian farmers will face if there is opening up to agricultural imports from advanced countries is an extremely unfair one. The high total transfers amounting to over US dollar of 28,000 and nearly 20,000 per full time farmer equivalent in the USA and European union in 1995.<sup>20</sup> The large agricultural subsidy, which includes the giant agro-business corporation- in order to under-cut lower cost producers, captures global markets and corporate profits.

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<sup>18</sup> Jayati, Ghosh, Abhijit Sen, C.P. Chandrashekar (1996): "Using food stocks productively" *Economic and Political weekly*, Vol. XXXI, No. 21, No. 2, 25 May, pp. 1236.

<sup>19</sup> Ibid- 1236.

<sup>20</sup> Patnaik, Utsa (2002): "Agrarian Crisis and Global Deflationism" *social scientist*, vol. 30, no. 1-2, January-February, pp. 15-16.

Without the support of large subsidies their grain would be uncompetitive relative to the lower cost of production of developing countries.

The main justification for allowing food prices to increase was reducing government's expenditure on subsidies. However, while more people are eating less due to removal of food subsidies and consequent increase in food prices the government expenditure has actually increased.<sup>21</sup>

The sole objective of fiscal adjustment in recent years has been the reduction of the fiscal deficit to a level which is part of the agreement with International Monetary Fund (IMF). There has been no worthwhile public investment in agriculture and allied sectors, apart from what has been minimally required for World Bank financed or other ongoing projects.

The main aim of distinction between APL and BPL was to reduce the burden of food subsidy by improving its targeting. The actual result was that off take from the PDS fell dramatically, people found that PDS too expensive, especially given its rather poor quality. And these actually increased rather than decreased the burden of food subsidy on the movement because it has to now store more grains.<sup>22</sup> The food subsidy has been directed simply to the costs of carrying these stocks, rather than actually subsidizing the necessary consumption of the population.

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<sup>21</sup> Shiva, Vandana (2002): "The world food summit" *frontline* vol. 19, no. 1, June 22- July 5, pp. 120.

<sup>22</sup> Mihir, Shah, (2003) "why attack the food subsidy". *The Hindu* India's National Magazine Friday 24 January p. 10.

Since the catering of 'food subsidy' in the annual budget of the government of India is nothing but the operational deficit of the FCI which is responsible for buffer stock operations. The total food grain subsidy includes the costs associated with maintaining food stocks (such as holding costs, cost of storage, interest payments and administration). A recent study prepared for the World Bank proposed the following:

“Given the weakness and constraints of Food Corporation of India, the pervasive role of well developed food grain markets, and bearing in mind the improved supply situation, it would seem appropriate to phase out government controls as well as current procurement operations”.<sup>23</sup>

The high cost and the consequent subsidy burden, the distribution operation of FCI have been criticized for their failure to fulfil its main objective of providing food security to the poor, both in term of availability and reasonable prices.<sup>24</sup>

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<sup>23</sup> Madhura Swaminathan, (1999) “Understanding the costs of the food corporation of India” *Economic and Political Weekly*, vol.XXXIV, no. 52, 25 December, pp. A-21.

<sup>24</sup> Dantwala, M.L (1993): “Agricultural policy: Prices and Public distribution system: A review” *Indian Journal of Agricultural Economics*, Vol. 48, No. 2. April-June pp-182.

Table: 1.6 The Subsidy Spiral

<i>Year</i>	<i>Rs crore</i>
1992-93	2,800
1993-94	5,537
1994-95	5,100
1995-96	5,377
1996-97	6,066
1997-98	7,500
1998-99	8,700
1999-2000	9,200
2000-2001	12,000
2001-2002	14,000

*Source* : Vandana, Shiva : 2002: Starvation deaths, overflowing Godowns: How Globalization is Robbing the Indian people of food in Vandana Shiva and Gianjali Bedi (ed) Sustainable Agriculture and food security. Sage Publication, New Delhi, p. 463.

A number of studies on PDS have brought out the problems of PDS such as adequate coverage, lack of price advantage, leakages, urban bias, and inefficiencies of handling agencies, including the food corporation of India.

A recent public hearing in Shankargarh (a remote tehsil of Allahabad district) exposed massive corruption in the PDS. The corruption is institutionalized and built into the system. It is not a secret that large quantities of grain meant for distribution to BPL households in Shankargarh are being sold on the black market. Even the Kotedars (dealers) openly admit this. The

Kotedars themselves are caught in a web of corruption. At every step they have to pay bribes, to get licenses, to lift their quota from the FCI, to keep the inspectors at bays etc.<sup>25</sup>

The high level long term grain policy committee headed by Professor Abhijit Sen of CACP in July 2002 is of the opinion that the FCI has performed its role in its core functions reasonably well and should continue to do so. However, at the moment, its predominant role is in procuring food from a few surplus states rather than ensuring price support to cultivators throughout the country and developing market for grains in relatively underdeveloped regions.

Since state governments have been unable to provide these services, the Sen Committee recommend that the central government intervene to take an initiative to start-up these services by ensuring that FCI opens procurement centers to provide MSP in areas of distress sale. This role is envisaged under section 13 of chapter II of the Food Corporation Act. However, budgetary provisions for this should be treated additional to the normal food subsidy.<sup>26</sup>

The poverty alleviation programmes is pertaining to administrative structure is highly centralized and over bureaucratized and, as such it is not flexible enough to adjust to the needs of the poor. The center has a direct role in financing and designing of poverty alleviation programmes, while the states and panchayat raj institutions play greater role in implementation. The recent

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<sup>25</sup> Testimonies presented at a public hearing on the right to food, held at Shankargarh on 9<sup>th</sup> April 2002, and further investigation by Sankalap a local NGO.

<sup>26</sup> Abhijit, Sen (2002): Report of the High level committee on food grains policy, *Department of food & public distribution, Ministry of common affairs, food & public distribution*, New Delhi p.16.

starvation deaths in Kashipur (Orissa) highlight the failure of welfare and development schemes initiated from above without giving power to the people through the Panchayats.<sup>27</sup>

Panchayat as institution of local government at the village, block and district levels have a greater role in ensuring food security. The local self-government is the best instrument to contribute to all the three mentioned components of food security; availability, distribution, and access. Greater involvement of the Panchayats with the PDS can help in carrying food reaching the needy and that is why the PDS is listed as one of the 29 functions of Panchayat under the eleventh schedule of the Constitution.<sup>28</sup> Social security programmes with some food component broadly fall into three groups: employment programmes for the able-bodied, welfare programmes or social assistance for specific vulnerable groups (including infants, pregnant women, disabled and old-aged persons) and programmes for basic education and nutrition of children.

In rural areas, the different dimensions of food insecurity are best depicted by poor women, who are traditionally held responsible for harvesting grains, cooking them, distributing them with households, consuming the left-

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<sup>27</sup> Prdeep, Chattervedi (2002); *Food security in South Asia* concept publishing company, New Delhi, pp. 123-124.

<sup>28</sup> N., Sivanna, (2003): "Public Distribution of Karnataka" *Institute for Social and Economic Change*. Bangalore, pp.3, (unpublished).

overs and often suffering hunger, to reduce food insecurity of other household members.<sup>29</sup>

The elected women member's should be given greater responsibilities, in design, implementation and monitoring of location-specific food security schemes. Pregnant women are the worst affected, since maternal and fetal under nutrition in the birth of the children with low weight (less than 2.5 kg) such children are handicapped at birth in brain development. In terms of impact on women and children, nutrition programmes that have both short and long term benefits are very important. Tamil Nadu integration Nutrition project is an example of success in India. The project aims at improving the health status of pre-school children as well as of pregnant and nursing mother.<sup>30</sup>

### **Role of the Non –Government Organizations**

The NGOs, community initiatives, people's organizations and the civil society in general are playing an important role in strengthening the Panchayat and municipalities. After the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments, a large number of NGO's in India are helping to create enabling conditions for the success of the Panchayat. The awareness building programs, training elected member (especially women) and ensuring them active participation in elections

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<sup>29</sup> Neela, Mukherjee and Amitabh, Mukherjee (1994): "Rural Women & food insecurity: What a food Calendar Reveals". *Economic and Political Weekly*, vol. XXIX, no. 11, 12<sup>th</sup> March, p.597.

<sup>30</sup> M.S., Swaminathan, (2002): "using the food mountain" *The Hindu* India's national newspaper, 10 November, p. 10.

and arising Panchayat in planning and implementing social development strategies and programmes.<sup>31</sup>

The local bodies, with their constitutional legitimacy and interaction with citizen groups and voluntary organizations present an ideal meeting point between the state and the society. It can respond to the policies and programmes as they impinge at the local level disseminate useful information and perform the watch dog function; it can take a proactive role in ensuring food security to the disadvantaged section of the community.<sup>32</sup>

In Orissa the largest NGO named Agragamme is working in policy partnerships with state and central governments extend into a wide range of areas. It is filling spaces in policy areas that government schemes do not address effectively, and in motivating and supporting community development initiatives. It has also attempted to extend the coverage provided by PDS by encouraging community organization to establish fair price shops in areas not previously served by a PDS retail outlet. For example, in the hilly upper Chabri region in Orissa there were no fair price shops until 1992. PDS retail outlets have been supplemented in some villages by community grain stores (Kutumbh Panthi) and community grain banks established with Aggregamme assistance.<sup>33</sup>

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<sup>31</sup> C Steven, La Rue, Rudolph and Sussane, Rudolph (1997): *The Indian Hand Book*, (ed) Fitzroy Dearborn publishers, p.3.

<sup>32</sup> George Mathew, (2002): Panchayat Raj and food security in Pradeep Chauturvedi (ed) *Women and food security Role of Panchayat*, concept publishing company, New Delhi, p. 26.

<sup>33</sup> Bob, Currie, (2000): *The politics of hunger in India. A Study of Democracy, Governance and Kalahandi's Poverty*. Macmillan Press Ltd., New Delhi, pp. 159-60.



Another NGO called Rationing Kriti Samiti in Mumbai is a federation of mainly slum based NGOs that has sought to make the PDS work better for the poor. The work of the RKS network has involved interaction with both providers and policy makers – sometimes in partnership, but mainly in confrontation.<sup>34</sup>

The Rationing Kriti Samiti has been quite effective in a number of cases where local slum based organizations were able to draw on the support of their counterparts in other localities. In a more or less spontaneous protest action that occurred in Bainganwadi neighborhood in August 2000, one Rationing Kriti Samiti affiliate were able to mobilize people from other groups in the network. The owner of a local ration shop had long been a target of RKS charges that he had been misappropriating grains meant for ration-card holders.

The Mazdoor Kisan Shakti Sanghattan (MKSS) has facilitated pioneering social audit by gram sabhas into a number of public works. However, despite clean evidence of corruption and even admittance of guilt in certain cases, the local administration did not take punitive or remedial action.<sup>35</sup>

The Government of Rajasthan promulgated the Rajasthan Panchayati Raj (amendment) Ordinance 2000, which empowers local village communities to exercise direct statutory control over the implementation of all works implemented within the ward of which they are members. This is a response to powerful and determined grass root movements of poor rural communities in

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<sup>34</sup> Rob, Jenkins and Anne Marie Goetz, (2002): Civil society Engagement and India's public Distribution System" Prepared and presented at *World Development Report*. Workshop held at Oxford, 4-5 November, p.1.

<sup>35</sup> Bunker Roy (1996) "Rights to Information", *Economic and Political Weekly*, no. 19, 11 May, p. 1120.

Rajasthan for the right to information, and the actual practice of social audit by village communities, which came to be known as 'Jan Sunwais or public hearing'. The ordinance vests village communities with legal authority, and in fact so far as to lay down explicitly that utilisation and completion certificates can only be awarded by ward sabha after the conduct of ward sabha meeting.<sup>36</sup>

The right to information act can be used to hold the public offices accountable. Goa, Tamil Nadu, Maharashtra, Rajasthan, Gujarat and Karnataka have already given their citizens the right to information. The intention of the right to information is to help common people participate in the process of decision-making and bring in more transparency in the government's working. Better information produces a more effective government, and helps towards a more flexible development of policy. The working of the distribution system and the fair price shops, where the right to information act can be used as a tool for empowerment.<sup>37</sup>

Public action can play a leading role in economic development and in bringing social opportunities within the reach of the people as a whole. The role of public activism in influencing government policy can be particularly important in promoting the positive function of the government. The positive function includes the provision of basic public service such as health care, immunization, primary education, social security, environment protection and

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<sup>36</sup> Report of the Working Group on Decentralized Planning and Panchayat Raj institution for the Tenth Five year plan 2000-2007, Government of India Planning Commission 2001, Working group Sr. no. 66/2001.

<sup>37</sup> See *The Hindu* National Newspaper Monday, 1 July 2002.

rural infrastructure. The vigilance and involvement of the public can be quite crucial not only in ensuring an adequate expansion of these essential services but also in monitoring their functioning.<sup>38</sup>

Public action and social movements can do a great deal to challenge social inequalities without necessarily involving the agency of the government. In understanding the process of economic development and the barriers that are faced, attention must be paid to the diverse roles and potentially extensive reach of public action

Active pressure groups, which too are (in a broad sense) part of the public, can make economic policy severely constrained by extracting concessions for sectional interests that may divert resources from broad development objectives to narrow pursuit of specific advantages.

In the more literate states, disadvantaged sections of the population have been relatively successful in putting down their needs on the political agenda. The best example is Kerala, where high levels of literacy achieved early on have helped to empower the public to demand extensive state involvement in the provision of health care, public distribution, social security, and of course education itself.<sup>39</sup>

The strengthening of civil society can some times impede poverty reduction and other developmental goals by making political majorities more

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<sup>38</sup> Jean, Dreze, and Amartya Sen (1996): *Indian's Economic Development and Social Opportunity* Oxford University Press, p. 89.

<sup>39</sup> *Ibid.*, pp. 90-100.

difficult to establish, and reinforcing preferential bias and patronage in the mechanisms through which authority, resources and influence are distributed. The lack of food security for the poor arises from their insufficiency of purchasing power, and any rational strategy of ensuring food security would necessarily involve tackling the problem from both the demand and the supply side. Putting purchasing power in their hands through programmes generating productive employment and incomes preferably of such a nature as to create badly needed rural assets, on the one hand and extending the coverage of the ration shops on the other so that they can access necessities at affordable prices.

## CHAPTER-IV

### PUBLIC DISTRIBUTION SYSTEM: COMPARATIVE PERSPECTIVE OF SOUTH INDIAN STATES

The prime concern of social and economic security measures of the Indian State has been to protect, conserve and improve the living conditions of the people, especially the poor. In promoting these measures, the state has playing a crucial role through its welfare policies and programmes, both at the national and state levels with a view to ensuring 'social equity' and 'social order' in the society. The Government has developed an all-India Public distribution system, and implemented the same in all the states. At the same time, individual state governments have made their own adjustments to some extent, and some states have complemented government policies and subsidies with their state-wise programmes. On the whole, however, policy thinking about the PDS happens in terms of grand schemes and big overall solutions. The specificities of particular localities are not sufficiently taken into account. The economy, the characteristics of the state and the political processes, as well as the characteristics of the civil society are all likely to important for understanding the experience of the PDS in a particular state.<sup>1</sup>

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<sup>1</sup> Jos, Mooij : (2001): Food and Power in Bihar and Jharkhand PDS and its functioning, *Economic and Political Weekly Vol. XXXVI, No.33, 25<sup>th</sup> August, p. 3290.*

The responsiveness to the needs and concerns of poor people in a particular state differs in their political perceptions of food security. Some state level parties (for instance the Telugu Desam Party in Andhra Pradesh) see the efficient distribution of food as critical to their main objective; maintaining political support and gaining (or retaining) state power. Jos Mooij, has examined the discrepancy between, on the one hand, the willingness of state governments in Karnataka to use the PDS as a political tool, and on the other, the aversion shown to such a strategy by their counterparts in Bihar. As Mooij puts it; ‘PDS in Karnataka works reasonably well. Most poor people receive some subsidized food grains every month. Karnataka politicians see the scheme as important and use it to enhance their popularity and attract votes’.

Karnataka has a wide network of PDS covering 111.00 lakh (as on 30-11-2002) card holders both in urban and rural areas. Upto mid seventies the PDS in Karnataka mainly catered to the needs of 11 cities and 13 towns covered by informal rationing.<sup>2</sup> The main food grains items distributed through the PDS are rice and wheat. In addition to it sugar, palmolein oil, kerosene and bajra-are also distributed.

Karnataka state has a typical composition having a large share of its area under severe climatic constraints with a highly diversified agricultural sector. The

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<sup>2</sup> N Sivanna (2002) “Public Distribution in Karnataka” *Institute for social and Economic Development*, Bangalore (unpublished), p. 3.

state has the largest share of drought prone areas of the country and higher than the country's share of poor but that did not deter the state from achieving better rates of reduction in poverty ratio.<sup>3</sup>

The responsibility of distributing essential food grain is with the department of food and civil supplies and its functions are monitored by two organizations. — Directorate of Food and Civil Supplies and Karnataka State Food and Civil Supplies Corporation. The Directorate, monitors the Food and Civil Supplies and its functioning with Director, two Joint Directors, one looks after exclusively the procurement and PDS matters and the other administration and civil supply matters. The Directorate has set some objectives like, making the food available to the people regularly, checking the prices of the items and reducing fluctuations, ensuring physical availability of food grains in remote, hilly and in accessible areas, implementation of the policies related to procurement storage, and distribution of food grains.

Karnataka Food and Civil Supplies Corporation were established in 1973 by the then chief Minister Devraj Urs, who became the chairman of the Corporation Board. Between 1973 and 1992, the Corporation has had 21 different chairmen. Some of them were ministers, others were relative outsiders though usually linked

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<sup>3</sup> R.S., Desphande, and T. Ravendra Naik (2002): Impact of Minimum Support Prices on Agricultural Economy: A Study in Karnataka Executive Summary. *Institute for social and Economic Development*, Bangalore, p.6.

with the ruling party. The main activity of Karnataka Food and Civil Supplies Corporation is a wholesale and retail of food grains distributed through the PDS.

The wholesale of PDS commodities is a relatively simple activity. There is a certain fixed quantity allotted every month to the state. The task of Karnataka Food and Civil Supplies Corporation is to see that the allotted quantities are transported from the FCI godowns to the Karnataka Food and Civil Supplies Corporation warehouses, and subsequently to the fair price shops. The state government fixes the wholesale margins.<sup>4</sup> The effectiveness of the price policy at the state level, involves the availability of market infrastructure at the state level and the initiative taken by the state governments in creating institutional structure for monitoring agricultural prices.

In case of Karnataka, the state government has recently constituted an Agricultural Price Commission. The Government of Karnataka in its order establishing the Price Commission states that the Commission on Agricultural Prices is constituted to recommend prices, those could be sustained in the market, and support prices at which the state government should intervene in the agricultural market.<sup>5</sup> Therefore at the institutional level, the state government has

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<sup>4</sup> Jos, Mooij: (1999) "Bureaucrats in Business" State Trading in food grains in Karnataka and Kerala: *Journal of Social and Economic development*, Vol. II, No. 2 July-December, p. 247.

<sup>5</sup> R.S. Desphande, and T. Ravendra Naik (2002): "Impact of Minimum Support Prices on Agricultural Economy": A Study in Karnataka Executive Summary. *Institute for Social and Economic Development*, Bangalore, pp.6-7.



taken a bold step towards formalizing a price monitoring system and thereby it has given a fillip to organizing a price policy at the state level. This institutional initiative will go a long way in building price policy at the state level.

In social terms, it is the upper *jatis* among the backward castes who have become the new ruling castes; the Yadavas, the Kumis, and the Koiris. In Karnataka, the bigger land owning classes belong largely to the two dominant castes: Lingayats and Vokkaligas, while the tenants belong to lower castes. The domination of the Lingayats and Vokkaligas during 1956-72 periods is not surprising considering their relative economic and numerical strength.<sup>6</sup>

Devaraj Urs was a political phenomenon of considerable significance for Karnataka. He was the first person from a numerically small caste to become chief Minister. He also had longest tenure to date as chief Minister of state from 1972-80, barring the period of his dismissal and President's rule during 197-78. Devaraj Urs put together a state of Congress candidates at the 1972 state elections, which contained a higher proportion of people from disadvantaged groups and a small number of lingayats and Vokkaligas. He then developed a series of gradualist, reformist programs to assist disadvantaged groups. These included schemes to

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<sup>6</sup> Lalitha, Nagraj, (1982): "Limits of populism Devaraj Urs and Karnataka politics", *Economic and Political weekly*, 11<sup>th</sup> September, p. 1504, Vol. XVII, No. 37.

provide houses for the poor, pensions for the aged, and child development programmes among poorer group's etc.<sup>7</sup>

One of the impressive achievements of the Devraj Urs regime was the restructuring of land relations in the state through the introduction in 1974, of an amendment to the Land Reform Act of 1961. The amendment enabled tenants to become owner of the land they were cultivating. In order to ensure that land was shiftily transferred the Karnataka Land Reforms Act makes it mandatory for the state government to constitute a tribunal for each taluk.<sup>8</sup> Every tribunal consists of the Assistant Commissioner as the chairman and four other members nominated by the state government. Of the four one should belong to the schedule caste or schedule tribe.<sup>9</sup> The planning strategy underwent significant change, under Devaraj Urs regime, the provision of basic needs to the poor, and the creation of a large number of jobs being accorded high priority.

Several new programmes intended to benefit significantly segments of the country's population were initiated. Small Farmers Development Agency (SFDA), Marginal Farmers and agricultural laborers programme, Drought Prone Areas Programme (DPAP). The Karnataka government's implementation of these

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<sup>7</sup> Ibid p. 1503.

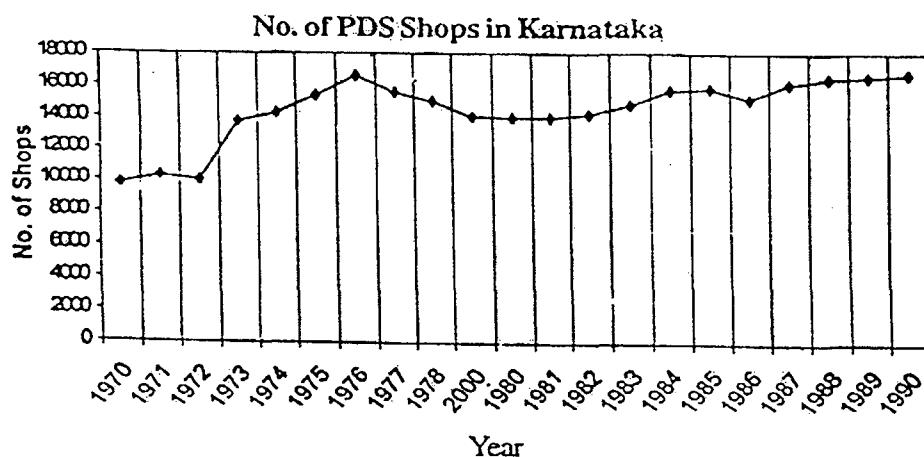
<sup>8</sup> James, Manor, (2003): Pragmatic progressive in Regional politics: The case of Devraj Urs in Ghanshyam Shah (ed.) *Caste and Democratic politics in India* Publishers Permanent Black, Delhi, p. 271.

<sup>9</sup> M.N., Srinivas, and K.N, Panini (1984): "Politics and society in Karnataka" *Economic and Political weekly*, Vol. XIX, No.2, 14 January, p. 71.

programmes was exemplary, but it decided, on its own initiative to extend them to districts which had been not covered under the central government schemes.<sup>10</sup>

It is common knowledge in Karnataka that land policy, food policy and distribution policy was extremely important during the Devraj Urs regime, but not specifically defined. Mooijs analysis of the food policy in Karnataka begins with 1983 (taking that year as a landmark), and ignores developments during 1972-80. The number of fair price shops and off-take under the PDS became greater after 1972-73, and also because of the drought of 1972-73. This is supported by the data.

Figure 1.1



Source: R.S. Deshpande, (2002) Book Reviews of Jos Mooij "food policy and the Indian state; The Public Distribution System in South India" in *Journal of social and Economic Development*, January-June, Vol. IV, no.1, p. 107

<sup>10</sup> Ibid, p. 71.

PDS in Tamil Nadu was extended to the rural areas in 1977. It caters to households with monthly incomes of Rs 1,000 and below. Tamil Nadu Government believes that PDS should provide food grains to the identified target groups at affordable prices and rice was subsidized.

The objective of the Andhra Pradesh PDS scheme is to target people living below the poverty line, defined by a monthly income of Rs 500 per month per household or an annual income of Rs 6,000 per household. It aims to assure 5 kg of rice per month, subject to a ceiling of 25 kg. The scheme does not discriminate between adult and child and in order to ensure inter-personal equity, provides 5kg of rice per member of the households at affordable prices; it sells all the three varieties –common, fine, and superfine- at Rs 2 per kg.

In Kerala it is a comprehensive system covering every household, whereas Tamil Nadu Andhra Pradesh and Karnataka attempt to cover households identified on the basis of income with subsidize food grains sold to the identified households while Kerala does not.

In Karnataka, Janata Government in 1983 introduced Green card system which was an attempt to target the subsidized rice to the poorest of the poor. The green card system when introduced the identified number of poor families in Karnataka was about 23 lakhs which subsequently the Congress I Government continued this scheme increasing the number to 52 lakh cards.

The Green Card Scheme involved the introduction of a different price system for PDS food grains. Families holding a Green Card could buy rice in 1985 for a Rs 2 per Kg, and wheat or coarse grains for Rs.1.25-1.50 per kg other house holds holding ration cards would pay up to Rs 0.75 more for per kg in the fair price shops. The price difference was paid as a subsidy by the Government of Karnataka. The unique feature of the Green Card scheme has been that the government itself has taken the responsibility of transporting food grains from taluk head quarters to the door steps of fair price shops located in rural areas. In addition, to the above-mentioned scheme, from early 1986, the government has been implementing the Integrated Tribal Development programme especially to supply subsidized food grains to the families living in tribal areas.

Under the revamped public distribution system (started in 1985), the government has identified 71 blocks under Drought Prone Area Programme spreading in the districts of the state. To alleviate poverty, the government is implementing several anti-poverty programmes. The state-sponsored schemes include:

- Negilubhagya — Providing ploughs or loans.
- Bhagya Jyoti — Rural electrification scheme.
- Rural Employment Guarantee schemes.
- Pensions to the aged and handicapped people.

- House site for rural poor and drought relief scheme.<sup>11</sup>

In Karnataka every household is entitled to a ration card, but there are several types of cards. According to the objectives of the TPDS, BPL families would benefit because commodities are sold at a cheaper rate. In Karnataka, however green card holders profited already from a cheaper rate because they received an additional subsidy from the government of Karnataka. Before the introduction of TPDS they paid Rs. 3.20 for a kilo of price. Under the TPDS this is Rs. 3.50.<sup>12</sup> There are disadvantages of the scheme, the reduced availability of PDS food grain plus the fact that lay of the people who benefited from the precious scheme will be excluded from the new one. In short, the TPDS has been and will be very harmful to the system of food distribution in Karnataka. The TPDS met with much critique from the states like Kerala, Karnataka, West Bengal, Orissa and Haryana. A state like Kerala, which is not self-sufficient in food grain production and which drew as much as 181 lakh tonnes from the PDS, will then be left with an entitlement of not more than 180,000 tones, perhaps marginally enhanced to reflect the greater availability of grain in the central pool. The rest of the population irrespective of the degree of vulnerability would then be left to the vagaries of the market.

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<sup>11</sup> Vinod, Vyasulu (1995): "Management of poverty alleviation programmes in Karnataka: An overview" *Economic and Political Weekly*, 14-21 October, p. 2646, Vol. XXX, Nos. 41 and 42.

<sup>12</sup> Ibid, p.21.

Overall, in south India from 1980's onwards, food became an issue in populist policies. Cheap food was among the promises with which politicians or political parties tried to win the favour of the electorate. Moreover increasing political awakening and emancipation of larger parts of the population made it necessary for politicians and political parties to formulate policies that appealed to voters.<sup>13</sup>

India presents a considerable amount of existential differences in socio-economic and political spheres within which PDS operates as an institutional mechanism of the state. The most important material basis of these inequalities in Indian society is the distribution of land. The pattern of land holding is a major correlate of political structure, social hierarchy and economic relations.

Possession of land confers on the possessor the mutually reinforcing attribution of political privilege and social prestige. The variation in agrarian structure and increasing population has perpetuated inequality and poverty in the country. Since agriculture is the predominant sector and the majority of the population depends upon it, a segment of the population holds ownership of large extent of lands and the majority of the population are either the tenants or agricultural labourers. Thus the agrarian structure of our society is marked by great inequalities of wealth, power and status.<sup>14</sup>

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<sup>13</sup> Jose, Mooij: (1998): "food policy and politics: The Political Economy of Public Distribution in India", *Journal of Peasant Studies*, Vol. 25, No. 2, p. 88.

<sup>14</sup> Andre, Beteille (1974): *Studies in Agrarian Social Structure*; Oxford University Press, New Delhi, p. 38.

## CONCLUSION

The Public Distribution System in India, which was initiated as an adhoc war time measure to mobilise food supplies and to prevent rise in prices is one of the largest such systems in the world. PDS has been largely confined to the urban population and as such did not perform the role of guaranteeing adequate food entitlements to the rural poor in times of crises. The situation has changed dramatically for the better during the eighties, when some state governments have extended the scheme to the rural areas on a regular basis, and also introduced targeting (confining it to certain vulnerable groups), some more successfully than others.

The upward revision of issue price has reduced the price differential between the open market price and the central issue price. Only the states which are prepared to give a further subsidy, such as Andhra Pradesh and Karnataka, and the food deficit state of Kerala, have lifted their allotments from the FCI. Karnataka had a reasonably lively civil society. The resilience of caste and other social institutions meant that society was not dependent upon or structured by groups access to the state, since organized interests had decades of experience with democracy, their leaders and activists possessed many of the bargaining, organizing and lobbying skills to make open, decentralized politics



work creatively. Karnataka was largely free of extreme socio-economic inequalities that generate oppression, desperation, and various conflicts that make it difficult for liberal institution to function. Whereas in other states PDS allotments have not been lifted, particularly in the states of Bihar, Uttar Pradesh and Orissa. Because the issue price and open market prices are almost identical in these states, leading to virtually dysfunctional of PDS.

A particular state policy on hunger can be only assumed in a composite context of policy on agricultural production, policy on PDS, and policy on drought and famine relief. The policies on drought and famine relief are also critical components of state policy on food security. Unfortunately, however, public policy on drought has been handicapped by a short term, relief oriented perspective, enabling it to act only when drought and / or famine conditions manifest themselves. It has rarely engaged with the long-term concern for drought and its mitigation, despite injunction to the contrary by a series of committee reports from the Planning Commission.

India is no longer as vulnerable to famine as it has historically been, since the Bengal famine in 1942-43. The vastly improved network of roads and railways no doubt helped in rushing supplies from all over the country but the efforts of rising prices and short supplies were felt everywhere. During famine

people were temporarily dislocated in their employment, especially agricultural labourers for whom wages could not keep pace with the rising price of food grain which reflected negatively on the entitlement of the poor.

The greatest profits out of the misery and starvation of people are made by landlords, loaders and merchants Noble Laureate Professor Amartya Sen has gone on record that Bengal famine was a result of lack of purchasing power and not lack of food availability.

The big farmers get greater direct benefits than small farmers, whose marketable surplus is usually bought up at harvest time by traders or their agents at prices below procurement prices. The procurement operation and distribution through the PDS outlets, involved a certain amount of government subsidy. Furthermore, procurement was somewhat linked with the policy of providing a minimum support price to the farmers. Thus the public distribution system has had links with food security for the vulnerable segments of the population, budgetary support for food subsidy and price policy. Most of these policies were initiated to achieve the national goals such as self-sufficiency in food production, equity and resource use efficiency.

The farmers movement which asks for higher prices cannot be said to have been fought for the rural society as a whole they hardly project the

interests of rural labourers and deficit farmers. Since they formed the poorest section of the rural society and also the bulk of the rural population considering the country as a whole or even the state as a whole, the movements cannot be considered as of mass character in a national or aggregate perspective.

The system of minimum support prices have been helpful in several ways from a situation of massive shortages during sixties India has emerged as a grains surplus country, and food security has attained at the national level. However, these have had adverse effects also.

The food policy has been highly favourable to rice and wheat production when compared to pulses, oilseed, and coarse grains. This has created serious imbalances in demand and supply of agricultural commodities in the country. The PDS's increasing failure in recent years has much to do with the political constraints facing the ruling coalition government in New Delhi. Because the government relies for its parliamentary majority in the support of regional parties from key grain producing states- in particular, Haryana, Punjab, Andhra Pradesh, and Tamil Nadu, the government has increased the price paid to farmers by the Food Corporation of India.

The success of an attempt to ensure food security in India hinges on critical policy decision at the macro-level. The WTO, which regulates, inter-

alia global agricultural trade for India, has an agenda for the deregulation of commodity and export markets. It involved elimination of movement restrictions, the urbanized operation of freight transport, the privatization of storage, the deregulation of agro-processing from its special (protected or restricted) small scale industry, the dismantling of subsidies on fertilizer and electricity, with increased exports. It also involved in dismantling or privatising most of the activities of the public distribution system, the liberalization of the land market, starting with land lease deregulation – and permission for corporate investment in ‘waste land’ and degraded forest.

The transition to sustainable agriculture is imperative for food security, both at the national and the local level (biodiversity, the barriers of sustainable agriculture, and that which is being destroyed by mono-cropping, it the key to food security at the domestic and community levels). Large-scale corporate farms being created for export are aggravating the non-sustainable use of natural resources. Therefore strengthening sustainable agriculture will protect people’s livelihood and environment.

The policies and programmes for increased food production, both for some consumption and for commercial purposes, influence household food security through increased physical access and increased purchasing power

through sale of agricultural production and promotion of employment opportunities. The huge stocks provide an opportunity to the government in terms of available resources for enabling a sustainable increase in employment and poverty allocation resources, particularly in the rural areas, where rural population continues to have insufficient access to the minimum sustainable requirements of food.

The major long term agricultural programmes can be utilized by the rural poor only when the poor gets control over resources, especially land. In the absence of adequate measures on land reforms (redistribution, tenancy reform and contribution of holders) the poor have not been able to derive the full benefits of measures in many areas.

Finally in a country like India where there is mass poverty, where food consumption is low and where expenditure on food, accounts for the bulk of the total family expenditure, we need to expand and strengthen PDS and not undermine or disband effective policies of food security.

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