

Public Distribution System

5.21 One of the main constituents of the Government's strategy for poverty alleviation is the Public Distribution System (PDS). Through the PDS, food security is enhanced particularly to the economically weaker sections of the society. The PDS ensures the availability of essential commodities like wheat, rice, sugar, edible oils and kerosene through a network of outlets or Fair Price Shops (FPS). There is at present a network of about 4.6 lakh PDS retail outlets in the country. The Centre procures and supplies these commodities to States and Union Territories who are finally responsible for distribution through the state organised FPS.

5.22 On the basis of the recommendations of the Chief Ministers' Conference held in July, 1996, an effort was made to streamline the Public Distribution System. As a result, the Targeted Public Distribution System (TPDS) was adopted from June, 1997. This system follows a two tier subsidised pricing structure: for families Below Poverty Line (BPL) and for those Above Poverty Line (APL), the former representing the poorest of the poor.

5.23 Under TPDS the Government is committed to issuing 10 kgs of foodgrains per month per BPL family at a price equal to half of the economic cost of Food Corporation of India (FCI). In practice however, the current issue price to BPL families is much less than half of the economic cost. Quantity of foodgrains earmarked to meet BPL requirement is 72 lakh tonnes per annum benefiting an estimated 6 crores population.

5.24 For the population above poverty line (APL), a quantity of 103 lakh tonnes of foodgrains per annum is earmarked for distribution under PDS at a price which as per Government policy should be close to 90 percent of the economic cost. The position of allocations and offtake of rice and wheat since 1991-92 under the PDS is given in Table 5.7.

5.25 The supply of foodgrains for the BPL families is guaranteed to the states by the Centre. Additional quantities required by the states would depend on the availability of stocks in the Central Pool and are made available at a price which is close to FCI's economic cost. Additional

BOX 5.1

The New Wholesale Price Index series with 1993-94 base

The Wholesale Price Index (WPI) is the most widely used price index in India. It is the only general index capturing price movements in a comprehensive way. It is an indicator of movement in prices of commodities in all trade and transactions. It is also the price index in India which is available on a weekly basis with the shortest possible time lag of two weeks. It is due to these attributes that it is widely used in business and industry circles and in Government and is generally taken as an indicator of the rate of inflation in the economy.

The current series of Index Number of Wholesale Prices in India with 1981-82 as base year came into existence from July 1989.

With a view to reflecting adequately the changes that have taken place in the economy since 1981-82, the Government appointed a Working Group to revise the existing WPI series and to examine the commodity coverage, selection of the base year, weighting diagram and other related issues.

The new series with 1993-94 as the base has as many as 435 items in the Commodity basket. To reflect the structural changes in the economy that have taken place over a decade, a large number of commodities have been added and a few with diminished importance have been dropped. In the revised series, "Primary Articles" contribute 98 items, "Fuel, Power, Light and Lubricants" 19 items, and "Manufactured Products" provide 318 items. The number of price quotations in the revised series is spread out to as many as 1918 quotations.

In all, there are 136 new items in the revised series. Out of that, Primary Articles account for 13, Fuel Group contributes 1 and Manufactured Products have 122 new commodities.

The revised weights of the three major groups are given below. Figures in the parentheses are the weights of the respective groups in the 1981-82 series.

- Primary Articles : 22.02 (32.30)
- Fuel, Power, Light & Lubricants : 14.23 (10.66)
- Manufactured Products : 63.75 (57.04)

Annual rates of change in the WPI calculated using both the existing and the new series are given below. It is seen that the new series starts at a higher level than the old series accounting for a relatively higher annual rate of change, but thereafter the two series virtually move in tandem.

A Comparative Statement of the Annual Indices & Annual Rates of Change (All Commodities) of the New Series (Base 1993-94=100) and the Old series (base 1981-82=100) shifted to base 1993-94.

Year	Annual Average WPI		Annual Inflation (%)	
	New	Old	New	Old
1993-94	100.0	100.0	-	-
1994-95	112.6	110.9	12.6	10.9
1995-96	122.3	119.4	8.6	7.7
1996-97	128.0	127.0	4.7	6.4
1997-98	134.4	133.1	5.0	4.8
1998-99	142.4	142.2	6.0	6.8
1999-2000*	146.2	146.0	2.7	2.7

* April-November, 1999

TABLE 5.7
Foodgrains Allocation and Offtake
Under Public Distribution System

(Million Tonnes)

Year	Wheat		Rice	
	Allocation	Offtake	Allocation	Offtake
1991-92	10.36	8.83	11.36	10.17
1992-93	9.25	7.85	11.48	9.69
1993-94	9.56	5.91	12.41	8.87
1994-95	10.80	4.83	13.32	8.03
1995-96	11.31	5.29	14.62	9.46
1996-97	10.72	8.52	15.16	11.14
1997-98	10.11	7.08	12.83	9.90
1998-99	10.11	7.95	12.93	10.74
1999-2000*	7.81	2.66	10.33	5.49

* Allocation up to December 1999, Offtake up to September, 1999.

allocation this year (April - December 1999) is 24.6 lakh tonnes of rice and 22.8 lakh tonnes of wheat. Since December 1997, additional allocations of rice and wheat have been made available to States at APL prices. States are free to add to the quantum and coverage of the subsidy from their own resources. This revised

scheme has been in operation in all states/Union Territories except Delhi and Lakshwadeep where no distinction is made between BPL and APL households for the purpose of PDS coverage.

5.26 The Central Issue Prices (CIP) for wheat and rice issued under TPDS for BPL and APL families are as follows :

Central Issue Prices

(Rs./quintal)

	<u>Wheat</u>	<u>Effective Date</u>
For Families Below Poverty Line (BPL)	250	1st Jun., 97
For Families above Poverty Line (APL)	682	1st Apr., 99

Rice

Common Grade A

For BPL families	350	-	1st Jun., 97
For APL families	-	905	29th Jan., 99
For APL families in J&K, H.P., NE States, Sikkim, & hilly areas of UP	700	905	29th Jan., 99