

The PDS System in Kerala: A Review

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INTRODUCTION

PDS is primarily a social welfare and antipoverty programme of the Government of Indiaⁱ. Essential commodities like rice, wheat, sugar, kerosene and the like are supplied to the people under the PDS at subsidised prices. It has been one of the most important elements in India's safety net system for almost 50-yearsⁱⁱ and also the most far reaching in terms of coverage as well as public expenditure on subsidies. PDS provides rationed amounts of basic food items (rice, wheat, sugar, edible oils) and other non-food products (kerosene, coal, standard cloth) at below market prices to consumers through a network of fair price shops disseminated over the countryⁱⁱⁱ. The scale of the programme is evident from the fact that it handles 15 per cent of the total availability of rice and wheat.^{iv} With a network of more than 400,000 Fair Price Shops (FPS), the Public Distribution System (PDS) in India is perhaps the largest distribution machinery of its type in the world. The PDS is said to distribute commodities worth more than Rs 15,000 crore to about 16 crore families each year. The success of this huge network is dependent on its ability to translate a macro level self-sufficiency to a micro level, by ensuring availability of food grains for poor households.^v The Public Distribution System is considered as the principal instrument in the hands of government for providing a safety net to the poor and the downtrodden. The system serves triple objectives namely protecting the poor, enhancing the nutritional status and generating a moderate influence on market prices. Thus, the main objectives of the PDS can be summarized as follows:

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

But whether or not these objectives are being met is the question of the hour. Can the enormous public expenditure on this system for the procurement, transportation, storage and distribution of commodities be justified? Scholars are of the opinion that the system itself should be made redundant and that the time has come for an entirely different scheme to ensure food security. In this paper we aim to study the PDS in Kerala- a State which has gone from being considered as a model for the implementation of the programme to a State where 70% of the population no longer uses the PDS, where black marketeering and corruption is rampant and where the system has now become more or less redundant after the shift in 1997 from the Universal PDS system to the Targeted PDS system. What caused this reversal and what can be done about it? These are some of the questions we hope to explore in our paper.

AIM OF THE PAPER

- To study the evolution of the Public Distribution System in Kerala- the Universal System, which existed prior to 1997 and the Targeted PDS, which came in post 1997?
- To analyse the impact of the shift in the TPDS in the state.
- To suggest possible solutions to restructure the programme.

EXECUTIVE SUMMARY

The paper is an attempt to study the PDS system in Kerala-often referred to as the 'Kerala Model' of implementation of the food security programme which subsidizes consumers and procures grain from farmers at prices higher than market prices . After attaining self sufficiency in food production, the main challenge of the PDS was translating this macro level food security to a micro level, so that households in states which couldn't produce enough food to feed its population and depended on imports could avail of the surplus in states which produced more than what was necessary to feed their population. In 1997 there was a shift from the Universal PDS system to the Targeted PDS system with regards to cereals sold under the PDS. The population was divided into two categories-Below Poverty Line (BPL) and Above Poverty Line (APL). The subsidies were greater for the BPL categories, with rice being sold at Rs 3 per kg for BPL families and at Rs 8.9 per kg for APL families-this was done with the intention of providing more assistance to those who really needed it, whereas the APL families were capable of purchasing grains at a higher price. This would reduce the food subsidy bill of the government as well. In 2000 yet another category was created- the Antyodaya Scheme, which identified the poorest 10 % of the BPL families.

In this paper we focused on the evolution of the PDS in Kerala, and found that there was a lot opposition for the shift from the Universal System, which had been hailed by studies as being perhaps the best model of PDS implementation in the country, in terms of coverage in particular. There were Fair Price Shops (FPS) within a two km radius for every ration card holder. Kerala is a state which has a comparative advantage for cash crop production (rubber mainly) and is dependent on imports mainly for food. Under the targeted PDS, the Centre had identified 24% of the population as being BPL and the allotments to the state had been reduced from the time of the Universal PDS. Ration shop owners would get less profit and had more incentive to sell their goods in the

black market as it was much more profitable. Today at least 70% of the population does not use the PDS system as opposed to the figures of 95% coverage which was quoted by all major studies, under the Universal System.

On the surface, though it might seem that the shift to the Targeted system was to blame for this complete change in the 'Kerala Model', it becomes pretty apparent that the blame for the decline in the utilization of the PDS cannot be blamed on the shift alone. Firstly, the use of the number of ration cards issued was the measure of the effective coverage of the population. However prior to 1997, the ration card was the primary identity card for the population and holding one was necessary for getting things like gas connections. However today there is a voter Id card and bankcards can also be used as Id cards. Hence the need for holding a ration card is no longer pressing. Most people don't bother renewing their cards at all. It is only now, when inflation is spiraling high that some APL families are coming back to the ration shops according to FPS owners.

Earlier, under the Universal system itself, the PDS was being used twice as much by poorer families than higher expenditure classes. With the increase in prices for APL families under the TPDS and the fact that now the ration card is no longer the primary identity card, combined with factors like globalization and the increasing number of retail shops in the state (offering greater variety at prices which though higher, more than made up the difference with the higher quality and choice), it is impossible to say definitively that Kerala would have continued to have 95% coverage and utilization of the PDS if the shift to the TPDS system had not taken place.

We conclude by suggesting some reforms to the PDS system. There is a need to explore the possibility of introducing innovative ideas such as smart cards, food credit/debit cards, food stamps and decentralized procurement in order to eliminate hunger and make food available to the poor wherever they may be in a cost-effective manner. We look into the possibility of introducing a food-stamps programme. A pilot food-coupon programme took place in Andhra Pradesh. According to information about this programme from the Tenth Plan Document, Rice and kerosene were not released unless the coupon was produced. Introduction of the coupon system reduced the number of bogus cards or those with ineligible families by approximately eight lakh and in saving about 20,000 tonnes of rice and 7,100 kilo litres of kerosene every month. In financial terms, the exchequer saved Rs. 9 crore per month on rice and Rs. 5.67 crore per month on kerosene as subsidy. Using biometric ration cards would ensure that the cardholder would have to be physically present when his rations were being purchased and the data entered-this would also reduce corruption in the system.

In conclusion it seems obvious that today the PDS in Kerala is redundant for the majority of the population, and since the subsidies come at such an enormous cost, it is definitely the need of the hour to reform and restructure the system.

EVOLUTION OF THE PDS SCHEME

The focus and coverage of PDS have changed widely over the years. Initially during the World War civilian consumption was restricted so as to divert food items to meet the food requirement of defense forces. Subsequently frequent occurrence of drought throughout the country made the planners think about food shortages. In order to overcome these shortages, the ration system came in to existence. Fair Price Shops were opened to distribute the items of mass consumption in urban areas. Thereafter, it was extended to rural areas. From the year 1992, the Revamped PDS was introduced in those areas where Drought Prone Area Programme and Dessert Development Programme were in operation. Under this system people were allowed to purchase essential items from the FPS at relatively lower subsidized rates. After, the Chief Ministers' Conference held in July 1996, a revised scheme known as the Targeted PDS was introduced countrywide with a network of 4.74 lakh FPS. Under the TPDS a two-tier subsidized pricing system is followed. Cardholders are classified as Above Poverty Line (APL) and Below Poverty Line (BPL). The BPL families are entitled to receive the essential commodities at a price, which is very close to the economic cost. BPL families are identified based on the methodology given by Lakdawala Expert Group on estimates of poverty. The TPDS was further extended in December 2000 to include the Antyodaya Anna Scheme. It consists of the identification of 10 million of the poorest families out of the total BPL population of 65.2 million- 'the Poorest of the Poor', and provides them with 25 kg of food grains per family per month at the price of Rs 2 per kg of wheat and Rs 3 per kg of rice.^{vii}

PRIOR TO 1997: The Universal PDS System In Kerala.

It is well known that Kerala had one of the best run and most effective PDS networks in India. Prior to the introduction of targeting, Kerala was the only state in India with near-universal coverage of the PDS.

- In 1991, around 95 per cent of all households were covered by the PDS and possessed a ration card. Though the number of ration cards issued alone does not necessarily translate to mean that all these card-holders are using the ration cards, this is the measure used by most studies to calculate the reach and coverage of the PDS and Kerala's PDS was internationally acclaimed as being a model system worth emulating by the other states in the country.
- Secondly, the quantity of food grain purchased from the PDS has been higher than in most other states, making a significant contribution to household nutrition. According to one study in 1989, the quantity of food-grains per person per year distributed through the PDS was 5 kg in Haryana, 6 kg in Uttar Pradesh, 8 kg in Bihar, 9 kg in Madhya Pradesh, 23 kg in West Bengal and 52 kg in Kerala. By 1991, according to one calculation, the average amount of rice and wheat bought per consumer from the ration system in Kerala was 69.6 kg. The annual purchase of grain from the PDS in Kerala provides about one-half of the cereal requirements of a person.
- Thirdly, the monthly entitlement of food grain per adult was 13.8 kg in Kerala (or 460 grams per day), satisfying the minimum requirement of 370 gms of cereals per person per day recommended by the Indian Council of Medical Research.
- Fourthly, the functioning of ration shops and the delivery system has been better than in other parts of the country and this is reflected in consumer surveys. Given the scale and effectiveness of the PDS, it has been noted that the PDS has contributed to an improvement in consumption and nutrition in Kerala.

Kerala is a food deficit state-this means that the agricultural production is geared towards cash crops instead of food crops like rice and wheat. "Food production is inadequate in Kerala, where the trend has been dwindling paddy cultivation and the extension of cultivated area under cash crops. Some farmers in Kerala have switched to producing rubber since rubber prices raised to a record 123 rupees a kilo in Kerala after crude oil prices more than doubled in a year, according to the government's Rubber Board. The state accounts for more than 90 percent of the natural rubber produced in India, the world's fourth-biggest grower.^{viii} The tropical climate in Kerala is ideal for rubber, helping growers achieve an average

yield of 1,879 kilograms a hectare, the highest in the world. The area producing rubber has almost doubled to 494,400 hectares during the past 25 years, according to the Planning Board. Still, government curbs on converting paddy land to cash crops ensure that farmers are holding back. The State had, however, learned to cope with the fact that it was not self-sufficient in food-grain production by maintaining what has often been hailed as the most effective public distribution system (PDS) in the country, which ensures access to food-grains to almost the entire population using imports from other States.^{ix}

The benefits of the system were equitably spread across income groups in both rural and urban areas. There were 14,234 fair price shops through which rice and wheat procured by the Food Corporation of India, sugar and kerosene are distributed by the State Civil Supplies Department. Significantly, 12,203 of these shops were in the rural areas. Each retail outlet served about 400 households and, according to the State Government, no individual needed to walk more than 2 km to fetch his ration. The system required a certain minimum off take in all these shops if they are to be viable.

According to Government figures, Kerala's total food grain requirement in 1997 was 48 lakh tonnes a year and internal production accounted for only 10 lakh tonnes. Twenty four lakh tonnes used to be provided under the PDS, the rest of the requirement being met from the open market.

Kerala was rated among the best performers in raising rural household consumption and reducing rural poverty, partly because of its effective system of public distribution. Significantly, the poor used the PDS more than the rich. A survey found about 85 per cent of consumers met all or part of their rice requirements from fair price shops.

WHAT HAPPENED IN 1997?

The PDS in India was criticised on a wide front: its failure to serve the Below Poverty Line (BPL) population, for its perceived urban bias, negligible coverage in States with a high density of rural poor and finally, the lack of transparent and accountable arrangements for delivery. Given that backdrop, the Government acted to streamline PDS during the Ninth Five Year Plan period by issuing special cards to BPL families and selling food-grains to them through PDS outlets at specially subsidised prices.^x Thus from June 1997 PDS turned into the Targeted Public Distribution System (TPDS), with the aim of targeting the poorest household by differentiating the access quantities and prices at which one is allowed to buy. The differentiation under the present scheme is made with respect to the State Official Poverty Lines. Those households below the poverty line (BPL households) are entitled to ration cards, which allow them to buy more quantity at a higher subsidized price. The main features of the TPDS can be summarized as follows:

- Introduction of targeting or specifically, the division of the entire population into below-poverty-line (BPL) and above-poverty-line (APL) categories, based on the poverty line defined by the Planning Commission for different states for 1993-94.
- Change in Centre-State control in respect of allocations, as the size of the BPL population and the entitlements for the BPL population are decided by the Central Government.

THE TDPS IN KERALA

The TPDS has affected Kerala's PDS in several ways:

- First, as 25 per cent of Kerala's population has been termed BPL by the Planning Commission, the guaranteed and subsidised allocation of grain for BPL households under the TPDS accounts for only 10 per cent of the previous PDS ("lifting") supply. The Kerala government has identified 42 per cent of households as BPL households and is providing the BPL subsidy to these households from the state budget. Given that Kerala is a food deficit state, in the pre-TPDS period, the state own production accounted for 20 per cent of grain requirements, the PDS accounted for 32 per cent and the rest came from private trade (This is according to official data on PDS and not the NSS consumption data). If the allocation to the APL is stopped, then the PDS allocation to Kerala, it is estimated, will account for 3.8 per cent of the grain requirements of the state, as opposed to the 32% the PDS was providing earlier. Thus, TPDS has

changed the share of the PDS in the total grain requirements of Kerala. This has had implications on domestic availability of rice and on prices.

- Secondly, the Kerala government has continued to provide additional grain to BPL households as well as maintained its entitlements for APL households.
- Thirdly, because of the various schemes and the different prices under the TPDS scheme certain distortions are created- consumers have information problems when PDS prices are frequently changed, rolled-back, and differentiated according to scheme and card, there is confusion among consumers as to the appropriate prices to be paid. It would be better if the TPDS scheme had remained unchanged for a few years at least, after the switch, as the constant change in prices led to information problems among consumers and opened up scope for malpractice by people who made use of the confusion regarding the scheme to charge higher prices.
- Finally, there is evidence that ration shops are becoming unviable and are closing down. With the higher APL prices, ration shops have lost their advantage in relation to private stores for the majority of the population and it is reported that people have begun to shift to private traders. With a smaller number of ration cards to serve, and upper bounds on margins that can be charged to BPL consumers, the net profits of fair price shop owners/dealers are lower under the TPDS than before. Since there are some economies in costs, such as in the case of transport, the distribution of smaller quantities is likely to make many shops unviable. As compared to a monthly sale of 7,500 kg of rice and 2,000 kg of wheat in early 2000, fair price shops are now selling 1,400 kg of rice and 200 kg of wheat a month. Since sales from fair price shops have declined, many are estimated to be making losses. According to the Government of Kerala, the earnings per fair price shop fell from Rs 3,711 before March 2000 to Rs 1,493 in late 2001. After deducting all expenses, the net income of a fair price shop dealer is now negative. This explains the fact that 250 to 350 retail stores have become non-functioning.^{xi}

A major criticism of the TPDS is the appropriateness of income poverty, specifically the absolute poverty line used by the Planning Commission, to define the poor for the PDS. The current definition of eligibility for BPL status is based on the official poverty line as estimated by the Planning Commission in 1993-94 (adjusted for population levels in 2000). This was set at an income level of Rs. 360 per month. By this definition, the target group comprised 37 per cent of the rural population and 32 per cent of the urban population in 1993-94. The question is whether the official poverty line represents a very low level of absolute expenditure, and if so, whether it excludes a larger section of the population who experience low and variable incomes. These doubts are raised by

the fact that other criteria such as nutritional criteria show that a much larger proportion of the population is food insecure.

According to the National Sample Survey, 70 per cent or more of the total population consumed less than 2,100 calories in all available years since 1993-94. Alternatively, if we take the food share as an indicator of food insecurity then an even larger majority of the population is categorised as vulnerable. According to the 1999-2000 National Sample Survey on consumption expenditure, the food share (or food expenditure as a share of total expenditure) was over 60 per cent for the lower 80 per cent of rural households, and lower 40 per cent of urban households. The yardstick used to identify the poor in China is a food share of 50 per cent, and if this yardstick was to be used in India, the large majority of our population would be poor. Thus, the narrow targeting of the PDS based on absolute income poverty is likely to have excluded a large part of the nutritionally vulnerable population from the PDS.

A comparison of estimates from the NSS 55th round (for 1999-2000) as well as from the NSS 50th round (for 1993-94) on the quantity and value of rice and wheat purchased from the PDS by persons in different monthly per capita expenditure (mpce) group are interesting to study as they show that the TPDS in Kerala has not made much of a difference in the level of monthly per capita purchase from the PDS between these two surveys. For instance, in Kerala, the per capita purchase of grain from the PDS in rural areas was 4.51 kg in 1993-94 and 4.58 kg in 1999-2000. Since the large price difference between BPL and APL consumers came about only in March 2000, with the APL price equated to the economic cost of FCI, the observed decline in off take by APL households, as well as all households, in the last two years, is not reflected in the survey data from the 55th round.

According to the NSS data however, there is a trend towards an increase in the quantity purchased by the lower expenditure groups, and a decrease in the quantity purchased by the higher expenditure groups between 1993-94 and 1999-2000. Hence targeting by way of exclusion of the upper expenditure groups appears to be taking place in Kerala. But even in 1993-94, during the phase of general PDS, the households in the poorest expenditure group purchased roughly twice (in rural areas and more than twice in urban areas) the quantity purchased by those in the highest expenditure group.

However it would not be correct to blame the switch from the Universal system to the Targeted system for the fact that the PDS in Kerala is no more able to boast of a 95% coverage record.

In Kerala, ration cards were widely acknowledged as identity cards, and many families kept and renewed their cards as a means of identification. However now

that there are so many other accepted identity cards studies should be carried out to see how many have renewed their cards after 2005. On speaking to a FPS owner, one is likely to hear that the TPDS is the cause for the change in the effectiveness of the famed 'Kerala model' PDS. But actually, even in the time of the Universal PDS system, the measure of the effectiveness of the PDS was based upon the number of ration card holders, and then ration cards were the accepted identification card, hence most people made sure they held ration cards. Today however there are other accepted cards for identification and studying the number of people who renewed their ration card in 2005 would probably show a sizeable decrease in the number of ration card holders. If a person needs a gas connection today and he or she is classified as APL and they do not possess a ration card, they only need to show their voter id card to get the new gas connection. The logic behind showing the ration card was so that the authorities could ensure that a person was not buying kerosene using the PDS and at the same time purchasing a gas connection. Hence one cannot blame the shift to the TPDS system for the fact that people are moving away or choosing not to use the PDS.

It is very clear that the system cannot be dismantled completely because there is a part of the population that does depend on it heavily, but one cannot blame the TPDS system per say for the fact that PDS has become more or less defunct for a sizeable part of the population. With globalization and the advent of retail shops into the state, APL consumers prefer to spend some extra money for purchasing products of superior quality and much greater range than those available through the PDS. However some ration shop owners have stated that with inflation, a few APL families have moved back to procuring some supplies using the PDS.

SUGGESTED REFORMS:

While there are tonnes of excess food stocks lying at the FCI go-downs getting wasted every year, there lies another half of the population who die of starvation. This paradoxical situation of 'overflowing go-downs' and 'vulnerable sections of society not consuming adequate food' can be rectified to a certain extent by restructuring the Public Distribution System.^{xii} There is a need to explore the possibility of introducing innovative ideas such as smart cards, food credit/debit cards, food stamps and decentralized procurement in order to eliminate hunger and make food available to the poor wherever they may be in a cost-effective manner. In cases where job opportunities as well as availability of grains are limited, food-for-work programs should be implemented and also innovative schemes like Community grain banks can be set up in such areas from where the needy can borrow grain in times of need and repay the grain once the crisis is over. Finally, a minimal amount of social security must be provided to those who are old, sick or disabled and cannot take on work even if it is available. Such special schemes are required to ensure that the people do not go hungry^{xiii}.

Buffer stocks

Since the Green revolution there has been a diversification in the consumption pattern with a lesser demand for cereals. Also due to a comparatively lesser population the amount of cereals demanded came down resulting in higher wastages.

"Another factor is the tendency of successive governments to fix minimum support prices (MSP) for paddy and wheat in excess of the levels prescribed by the Commission for Agricultural Costs and Prices (CACP). This has given the farmers an incentive to produce more and, it has raised the market prices and reduced the demand for cereals according to studies conducted at the National Council of Applied Economic Research". This points to the need to strictly adhere to the recommendations of the CACP. A realistic MSP will help promote the diversification of cropping patterns.

The FCI maintains buffer stocks at a level that is much higher than the required level. What it should ideally do is to maintain a safe level of stocks and then deal in open market operations according to the demand and supply in the market. Its aim should be to maintain a stable position and thereby ensure food security rather than trying to procure all that the farmer has to offer at very high MSPs and add to the woes of economic instability. Another method of tackling the

excess stock is to deal with export and import operations as and when it is required. This will effectively mean a smaller buffer stock and thereby lesser wastage. According to information revealed from a RTI petition filed in Delhi, the FCI has spent crores of rupees over the past decade in just disposing off the rotten foods lying in the go-downs. This food could easily have fed all the starving people in the country for a year.

“The high carrying cost of stocks in excess of the buffer norms pushes up the food subsidy bill and actually amounts to subsidy to the cereals producers/surplus farmers. The Expenditure Reforms Commission (ERC) has recommended that the cost of holding stocks in excess of the requirement for food security and for PDS could be reflected in the budget as producers’ subsidy rather than consumer subsidy.”^{xiv}

Kerosene as a Subsidised Commodity

The provision of kerosene through the PDS, meant to help BPL families is actually being diverted to non-poor sources where it is adulterated with diesel and sold in the open market. According to a study carried out by the National Council of Applied Economic Research (NCAER) and commissioned by the Petroleum and Natural Gas Ministry, the total amount of kerosene distributed in the country through PDS is around 11 million tonnes per annum (mtpa), of which 35% is diverted. The study further found out that of the volume diverted, 18% is used to adulterate diesel. That would mean that almost 700,000mtpa of kerosene ends up in diesel. The Business Standard newspaper issue on 22nd February, 2008 quoted an internal note of the Oil Ministry that acknowledged the price differential between PDS kerosene (Rs 9) and other fuels like diesel (Rs 38 per litre today), is encouraging large-scale, organised adulteration.”

According to the Tenth Plan Document, the subsidy on kerosene should be phased out by raising its supply price under PDS while eliminating all domestic central (e.g. Cenvat) and state (e.g. sales tax) taxes on it so as to encourage private supply through petroleum retail outlets and small dealers rather than FPS. Alternately, if kerosene is to be retained under PDS, the extent of subsidy given should be reduced so that there is less incentive for diversion.

Hence it is irrational to continue subsidizing kerosene at the current rate of subsidy through the PDS.

THE FOOD STAMP SOLUTION

The food stamp system can address the problem of rations being diverted to other sources and the poor not being able to avail of the rations. An idea is that food stamps will be allocated to each family- perhaps a finger print system based biometric 'smart' card could be given instead of a ration card, so the family's details could be included in the card, along with the amount of food stamps each member would be eligible for. The purpose of using biometrics is that it ensures that only a finger-printed member of that family could come to claim the stamps, and that person would have to be physically present while claiming the stamps. This could prevent the manufacture of spurious cards and also ensure that families wouldn't get cheated out of their rations, because the authorized ration dealers would not be able to claim their subsidy unless they showed the food stamps they got from the families in exchange for goods to the government. Black marketeering could be reduced this way and after a few years the government would get a more accurate idea of how much grain was actually being sold through the PDS system, so they could adjust their allotments accordingly. This would lead to a better mechanism for allocation of grains to the States and less wastage of food by leaving it to rot in FCI go-downs- The excess food could be sold in the open market operations instead the Government having to incur high storage costs for the grain and disturbingly high costs to get rid of the rotting grain.

CONCLUSION

In Kerala it has been observed that especially among the coastal fishing regions, people would pledge their ration cards to the ARDs in return for money. What is apparent is that Kerala has taken a complete u-turn in utilization of the PDS- from a scenario where the majority of the population was dependent on the PDS system to a state where 70% are excluded from the system completely.

Though the TPDS has not achieved anything remarkable in the State, it cannot be said that continuing under the universal PDS would have been better for Kerala. What the targeted system aims to do is basically provide more subsidies for the poor who need it the most, and to reduce subsidies to APL families who are thought to be able to afford to pay more. The government could then narrow down the allocation of grains and reduce its food subsidy bill. However in practise the TPDS has its own share of problems such as the unclaimed stock for APL families being sold in the black market and ration shops claiming that they are out of stock, denying food to those who need it most, because it is more profitable for these owners to sell their stock to the private markets on the side. Today there is additional cause for concern however as inflation and spiraling prices have led to a few APL families turning back to the PDS. These families were more or less excluded from the PDS after the price hike in 2000, which led to the prices of some commodities sold by the PDS being comparable to the prices in the free market. Programmes to restructure the system should be seriously considered because an enormous amount of public money is being spent without really having much of an impact to improve food security. The Finance Minister P. Chidambaram came on record on 20th December, 2007 saying that the cost of transferring a rupee of benefit to the poor through the PDS is Rs 3.65. According to most development indicators, Kerala is doing extremely well as compared to most Indian states, and because of education, social awareness, women's empowerment and political awareness, people in Kerala have a much better standard of living than people in the poorest states in the north of the country, and for the most part are not ignorant of the schemes initiated by the State on their behalf. People have chosen to abandon the PDS system altogether, which makes it quite obvious that a complete restructuring of the food subsidy programme is vital in order to save crores of rupees going waste as futile public expenditure and to help people in a more effective, efficient manner.

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