

21 July 2011

Dr. Manmohan Singh
Prime Minister of India

Respected Prime Minister,

We are a group of research scholars and student volunteers who have just spent three weeks surveying the Public Distribution System (PDS) around the country. We are writing to share a few thoughts on the National Food Security Act in the light of this experience.

Our survey covered more than 100 randomly-selected villages spread over nine states (Andhra Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Orissa, Rajasthan, Tamil Nadu, and Uttar Pradesh). We inspected the local Fair Price Shops and interviewed more than a thousand “BPL” households. Oblivious of the heat or rain, we reached the country’s remotest nooks and crannies and spared no effort to understand people’s situation and views.

This survey points to an impressive revival of the PDS across the country. In all the sample states, with the notable exception of Bihar, there have been major initiatives in the recent past to improve the PDS and these efforts are showing results. Most of the sample households were getting the bulk if not the whole of their foodgrain entitlements under the PDS (up to 35 kgs per month, at a nominal price). The days when up to half of the PDS grain was “diverted” to the open market are gone.

We also found that the PDS had become a lifeline for millions of rural households. A well-functioning PDS virtually guarantees that there is always food in the house. This is an enormous relief for people who live on the margin of subsistence, and a welcome support for everyone. It is a big step towards the end of hunger, which has blighted this country for centuries.

The bad news is that the BPL list is very defective. In many states, entire communities have been left out, and almost everywhere, there are enormous exclusion errors. This has severely reduced the effectiveness of the PDS as a tool of food security. *Therefore, we support the case made recently by a group of academic economists for a "near-universal PDS", whereby all households are entitled to food subsidies unless they meet well-defined exclusion criteria.*

The said economists also believe that there is a strong (though unspecified) “theoretical case” for cash transfers as an alternative to the PDS. We discussed this proposal with the respondents, and

found that a large majority opposed it. The reluctance was particularly strong in areas with a well-functioning PDS, and among poorer households. Further, we felt that the reasons they gave for opposing cash transfers were generally quite thoughtful and convincing.

In most cases, the reasons pertained in one way or another to food security – an overwhelming concern for poor households. For instance, many respondents were worried that money might be misused or frittered away. Where markets are distant, they wondered where they would buy grain, and how they would cope if there is a sudden increase in local food prices. Even where markets are accessible, there were apprehensions, such as a fear that traders might raise prices if the PDS is closed. Similarly, the local bank was often said to be too far, overcrowded, or difficult to handle. Many respondents had a bitter experience of the banking system in the context of NREGA wage payments. In contrast, the familiarity and convenience of the local Fair Price Shop were widely valued. It is only in areas where the PDS was not working, notably Bihar and parts of Uttar Pradesh, that we found substantial interest in cash transfers as a possible alternative.

Accordingly, we urge you to ensure that the National Food Security Act includes the strongest possible safeguards against a hasty transition from food entitlements to cash transfers.

We do recognize, of course, that there is enormous scope – and urgent need – for further improvements in the PDS. We have some suggestions on this too, and would be glad to discuss them with you at your convenience.

Yours sincerely,

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PDS Survey 2011 Selected Findings

A detailed survey of the PDS was conducted in nine Indian states in May-June 2011 by student volunteers. Two important findings:

1. Evidence of a major revival of the PDS across the country (even in states like Orissa and Uttar Pradesh). Main exception: Bihar.

2. Where PDS works, people much prefer food to cash transfers.

	Average monthly purchase of PDS grain (kg/household)	Average purchase as proportion of full quota ^a (%)	Proportion (%) of respondents who:	
			Prefer food to cash	Prefer cash to food
Andhra Pradesh	14.9	99	91	6
Orissa	29.2	97	88	6
Chhattisgarh	33.3	95	90	2
Himachal Pradesh	37.1	93	81	9
Tamil Nadu	17.9	92	71	11
Rajasthan	26.0	87	60	15
Uttar Pradesh	30.7	77	42	34
Jharkhand	24.9	71	66	22
Bihar	11.2	45	21	54
All States	24.0	84	67	18

^a "Full quota" refers to PDS grain entitlements of sample households, based on official norms. Additional grain quotas supplied in response to recent Supreme Court orders have been accounted for in Himachal Pradesh, Orissa, Rajasthan and Uttar Pradesh; other states did not lift this additional quota. For Orissa, figures pertain to rice only (wheat entitlements are not clear).

Note: The survey was conducted in 106 random-selected villages, spread over two districts in each sample state. It covered 1,227 BPL households (including "Antyodaya" households and related categories). The figures are provisional and subject to minor revisions.