UNIT 3 PUBLIC DISTRIBUTION SYSTEM

Though it is important to produce the required amount of food for a country, yet its distribution to the public (in a way that the weaker sections of society also get their share), is equally important. In this unit you will learn about the working of the public distribution system of food through outlets like fair price shops.

Structure

3.8 Answers to Check Your Progress Exercises

3.0 OBJECTIVES

After studying this unit, you will be able to:

- explain and define the working of the Public Distribution System;
- relate the working of the Public Distribution System to benefits for the consumers;
- identify the benefits of Fair Price Shops; and
- explain the concept of Food subsidies.

3.1 INTRODUCTION

The system of the Government and its agencies supplying the essential commodities to the consumers at reasonable prices is called the Public Distribution System (PDS). Let us try to understand how it began in our country.

The institution of fair price shops came into existence during the Second World War. Earlier the Government had made. arrangements to open grain shops in different industrial and rural areas for the distribution of specified quantities of foodgrains at subsidised rates to labourers. To stabilise the prices of food grains, the Government organised fair price shops where card-holders could make purchases at fixed prices. Thus, the Government tried to influence the prices in the open market. The Central Government formulated a scheme in 1956 for the extensive sale of foodgrains through fair price shops. All the State Governments were asked to open a large number of fair price shops mainly for the distribution of rice and wheat. The total distribution of food grains in 1956 from the Government stocks was 2.1 million tonnes.

Till 1992 PDS was a general entitlement scheme for all consumers without any specific target. In June 1992 Revamped Public Distribution System (RPDS) was launched in tribal, hilly and drought prone areas. Its main aim was to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly and inaccessible areas where substantial sections of the poor live. In June 1997, the Government of India launched the Targeted Public Distribution system (TPDS) with focus on the poor. Under TPDS, states are required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains. The working of the PDS and TPDS are described next.

3.2 THE PUBLIC DISTRIBUTION SYSTEM (PDS) AND TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS)

In this section we will learn about the PDS and TPDS, which is perhaps the largest distribution network enhancing the food security for the poor.

3.2.1 Public Distribution System (PDS)

Let us try to understand how the PDS works in the country. The farmers producing the foodgrains are distributed throughout the length and breadth of the country. So also, the consumers are geographically distributed. Most of the consumption points are the large townships and urban areas where food is not grown. The food grown, by the farmers will have to be supplied to these consumption centres. As you know, there are both rich and poor people, and in the case of an increase in the prices, it is the latter who stand to suffer.

The trading community usually takes care of assembling the crops grown by the farmers and marketing them to the consumers. But, left to themselves, the traders indulge in speculative activities i.e. they speculate (expect) the prices to increase during the non-harvest season because of low availability of foodgrains. This goes by the simple principle in economics which says that when the demand for a commodity is more than its supply, the price of that commodity increases. Hence, there is a possibility of the traders hoarding (stocking) the commodity and thus creating an artificial scarcity in the market. This leads to an increase in the prices of foodgrains when the traders release their stock, thus enabling them to make higher profits. It is here that the Government intervenes to prevent such a situation and comes to the rescue of the consumers.

PDS evolved as a major instrument of the Governments economic policy for ensuring availability of foodgrains to the public at affordable prices as well as for enhancing the food security for the poor.

The Government agencies which are involved in the PDS are the Food Corporation of India and the Food and Civil Supplies Corporations for the State Governments. They buy the foodgrains grown by the farmers usually at the regulated markets. They store these grains and transport them to the distribution (off take) points. From these points, the retailers (Fair Price Shops) buy the commodities and ultimately sell the grains to the consumers at the Minimum Support Price (MSP). The Central Government fixes the quota month-wise for each state regarding the quantity of foodgrains which can be sold through the PDS. This quota depends upon the needs of the population of the state and its contribution to the central pool of food stocks. Rice and wheat are the two commodities which have been given maxium emphasis for the sake of procurement and distribution through the PDS.

These commodities are not standardised (मानकीकृत) throughout the country because the needs of different states are different. Hence, you see that some State Governments are distributing many commodities of common use through fair price shops such as wheat, rice, sugar, kerosene etc. PDS as it stood had been widely crticized for its failure to serve the population Below the Poverty Line (BPL), its urban bias, and limited coverage.

So the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. In the next sub-section we will try to understand how Targeted Public Distribution System (TPDS) works in the Country.

3.2.2 Targeted Public Distribution System (TPDS)

The PDS, till 1992 was a general entitlement scheme for all the consumers without special targets. In 1997, the TPDS become "targeted", wherein different ration cards were issued to households "Below Poverty line" (BPL) and those "Above Poverty Line" (APL), and each category having different entitlements. Conceptually, the transition from universal PDS to TPDS was a move in the right direction, as it was designed to target all the poor households and raise the unit subsidy and ration quota considerably for them.

The Targeted Public Distribution System with the focus on the poor is therefore a means of distributing foodgrain and other basic commodities at subsidised prices through "fair price shops" (FPS). The center allocates food grains to states/UT

Three distinctive ration cards are issued under this scheme in the following categories.   .

a) **Below Poverty Line (BPL):** Determination of the families under this category in various states is based on the recommendations of the Planning Commission. A fixed quantity of 20kg foodgrains per family per month is issued under this category, at a cost of 50% of economic cost.

b) **Above Poverty Line (APL) :** Families which are not covered under BPL are placed under this category, The stocks are issued at a cost of 100% of economic cost.

c) **Antyodaya Anna Yojna :** During the year 2000-2001 Government of India decided to release foodgrains under Antyodya Anna Yojna. Under this scheme the poorest strata of population out of earlier identified BPL population is covered. Foodgrains are being provided to poorest of the poor families out of BPL families at highly subsidised rates of Rs.2 per kg of wheat and Rs.3 per kg of rice. They are issued 35 kg of foodgrains per family per month. This is the biggest scheme in the world with a view to enhance the food security at the household level.

However, since 2001, the State/UT could decide the retail issue prices for distribution of food grain under TPDS. (Sources : dfpd.gov.in/pds.tpds.htm updated on 14/1/22).

Identification of BPL and Antyodya Families Under TPDS

State Governments formulate suitable guidelines for the purpose of identification of families living, Below the Poverty Line, including the Antyodya families, as per the estimates adopted by the Central Government. The State Governments also involve the Gram Panchayats and Nagar Palikas in identification of BPL families. The main thrust is to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, toddy tappers, weavers, black-smiths, carpenters etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sector like potters, rickshaw pullers, cart-pullers, fruit and flowers sellers on the pavement etc. in urban areas.

3.3 WORKING OF THE PUBLIC DISTRIBUTION SYSTEM/ TARGETED PUBLIC DISTRIBUTION SYSTEM

You will now see how the TPDS helps the consumers.

There are two important concepts which you have to understand. They are the Market Price and the Issue Price. Market price is the price of a commodity prevailing in the open market. You usually concentrate on the wholesale price in the open market. This is because the retail price depends upon the wholesale price. Issue price is the price at which the Government releases (sells) its stock to the retailers (Fair price shops) for distribution. Here again, the price you pay in your shop will be more than the issue price itself. The information on prices will usually be converted to Index numbers (Price Indices) to facilitate a better comparison between different points of time. In very simple terms, the price index can be estimated in the following way as already highlighted in Section 9.5, Unit 1.

Price of wheat in 2001-2002: Rs.700 per quintal

Price of wheat in 2007-2008 : Rs.960 per quintal

Let us assume the Base year as 2001-20002, i.e. we want to observe the changes in the prices of wheat over a period of time in comparison with those prevailing in 2001-2002.

Therefore the price index of wheat for:

$$2001\text{-}2002 \text{ is } = \frac{700}{700} \times 100 = 100.00$$

$$2007\text{-}2008 = \frac{960}{700} \times 100 = 137.00$$

Remember that Index numbers are all pure numbers without any units.

Now you can say that the price of wheat has increased by almost 37 per cent between 2001-2002 and 2007-2008.

The benefit to the consumers due to the TPDS can be realised when you compare the movement of wholesale (open market) prices and issue prices over the years. The following table clearly shows the movements of the two between 2020 to 2021 in India.

Table 3.1: Wholesale Price and Central Issue Price For Wheat and Rice (Rs./Quintal)

	Wholesale Price* (Average of all States)		Central Issue Price# (Uniform throughout the country w.e.f. 1/7/2002)					
Year			**Wheat**			**Rice**		
	Wheat	Rice	APL	BPL	AAY	APL	BPL	AAY
Dec 2020	1764	3256	610	415	200	#795/830	565	300
Dec 2021	2127	3377	610	415	200	#795/830	565	300

APL Above Poverty Line

BPL Below Poverty Line

AAY Antyodaya Anna Yojna

#JK, HP, Sikkim, Uttaranchal & NE states price is Rs 795/-per quintal.

Source: * agmarknet.gov.in/pricetrends/

fci.gov.in/sales.php

Looking at Table 3.1 you can see that in the case of rice and wheat the market price has increased over a year whereas the issue price has remained constant from 2002 to 2021. Another point to note here is that every year, in the case of both rice and wheat, the index number of wholesale price is greater than that of the issue price.

These results indicate that the consumers have derived benefits from the TPDS in the form of paying lower prices for the commodities they have purchased.

Effective income gain for all BPL households in all states of India is Rs 2027.07 Crores.

(*Source*: Performance Evaluations of TPDS, Programme Evaluations, organisations, Planning Commission, GOI, Delhi, March,2005)

You have seen how the consumers can derive benefits from the TPDS. You should not forget that the benefits not only include the availability of foodgrains at lower prices but also the availability of the commodities throughout the year. The TPDS in India is recognised as a permanent feature of the strategy to control prices, to reduce fluctuation in prices and to achieve an equitable distribution of essential commodities i.e. all people can have access to buying the essential items at reasonable prices. The TPDS involves a very good co-ordination between production, procurement, transportation, storage and distribution.

Commodities recognised for sale by TPDS

The Government of India has recognised the following commodities as essential items reflecting the needs of the common man.

1) Cereals-rice and wheat

2) Sugar

3) Edible Oil

4) Soft Coke (for fuel)

5) Kerosene

6) Controlled Cloth

7) Pulses

8) Spices

9) Toilet and Washing Soaps

10) Iodized salt

11) Exercise Books for Children

However, the Central Government has confined its responsibilities to the four commodities viz., wheat, rice, sugar and kerosene oil. These four commodities form the core of the TPDS. It is not necessary to standardise the commodities sold throughout the country through the TPDS because the needs of different states will be different. Hence, you see that some State Governments are distributing a large number of essential commodities through fair price shops.

The Central Government also helps the State Governments in acquiring many commodities of common use like razor blades, toilet soaps, cycles, and tubes, etc., at wholesale prices for distributing through the fair price shops.

The working of the TPDS is periodically reviewed in consultation with the State Governments. At the Central Government level, an Advisory Council on the Public Distribution System has been constituted to review its working from time to time.

All the State Governments have also established such Advisory Councils at district and tehsil levels.

Expansion of the PDS has been an important point of action in the the 20-point programme. Special emphasis is laid on increasing the number of fair price shops in the areas which have not been sufficiently served by the PDS. Hence, the expansion of PDS to TPDS is supplementary to the poverty alleviation programmes.

3.4 FAIR PRICE SHOPS

As the name itself indicates, a fair price shop is one in which the commodities are sold at reasonable and fixed prices. As far as possible, the Government recognises the co-operative stores as fair price shops. However, many private traders are also permitted to sell the commodities through the TPDS by being recognised as fair price shops by the Government.

There are 5.27 lakh Fair Price Shops operational in India (pib.gov.in, 27/3/18) These fair price shops are scattered over both the urban and rural areas. The BPL, APL families can derive benefits from them.

As mentioned earlier, several essential commodities are being sold by the fair price shops. The more important of these commodities are foodgrains, sugar, edible oil and kerosene oil.

In our country there is a system of rationing followed for distribution of commodities by the fair price shops. In fact, they are more popularly called 'ration shops'. Any person or family willing to buy commodities from the ration shops should possess a 'ration card'. The ration card which serves as a permit will be issued only by the Directorate of Food and Civil Supplies of the concerned State Government. On application to the Directorate, a ration card is issued to a family. The family is also referred to the particular shop from where they can buy their supplies. All families living in the jurisdiction of a particular office (Directorate) are eligible to become ration card holders.

The major advantage of buying your requirements from a ration shop is that you can get the commodities at lower prices as compared to buying the same in the open market (any other shop). Secondly, the prices at which these commodities are sold in the ration shops do not fluctuate as much as they do in the other shops. For example, the price of edible oils increases during the festive season in other shops, while in the ration shop it does not. Hence you are assured of your quota of commodities at stable prices.

The rationing system has been particularly helpful to the poorer sections of society. As you learnt in the first unit, the poor spend a very large portion of their income on food articles. So, when these commodities are available to them at lower prices, they will be benefitted. Further, because the ration shop network is fairly widespread, they can have access to these commodities close to their homes.

Thus, the Government's policy relating to the Public Distribution System and the fair price shops go together. This policy has helped all sections of the population to avail the essential commodities at stable prices.

Check Your Progress Exercise 1

1) What happens if the distribution of food items is entirely left to the traders?

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2) Explain briefly the procedure adopted in the Public Distribution System.

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3) Differentiate between ‘Market Price’ and ‘Issue Price’ of foodgrains.

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4) What is a Price Index? How does it help us?

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3.5 FOOD SUBSIDIES

A subsidy is that component of the total price which a buyer need not pay. Food subsidy is one which helps the consumer buy his food at cheaper rate than what he would have actually paid for.

Subsidies are usually awarded by the Government, either Central or State. The main intention of a subsidy is to help the buyer purchase his requirements at cheaper prices. In fact, subsidies are sometimes also used to encourage the consumption of some commodities. Examples of such subsidised products include new commodities sold in the market or indigeneously produced goods as against imported ones.

Subsidies may come either in the form of absorption of certain costs by the Government or in the form of cash. You may have observed that during the loan melas, when loans are given to poor people, it will usually be in the form of providing productive assets like sewing machines, etc. Out of the total loan of Rs. 5000 granted, Rs. 1500 will be subsidy and the remaining Rs. 3500 will be the loan component. The other form of subsidy may be in the form of non-transfer of some costs to the consumer. For example, the Government may incur heavy costs in transporting the goods from one place to another, but will not include these costs in the prices it fixes for the consumers. Most of the public service utilities – such as drinking water, bus transport, electricity, etc., are subsidised in this form for our benefit.

To understand the extent of food subsidy given by the Government, you should learn a few things more than what you already know.

In the beginning of the unit, you saw that there is a difference between the market price and issue price. You also saw that the issue price is the price at which the Government sells its stock to the retailers. But the Government has to first buy the commodities to build up its stock. The procedure of buying stocks by the Government through its agent i.e., the Food Corporation of India (FeI) is called procurement.

The food grains are procured by the FCI from either the open market or collection in terms of some compulsory sales by the millers. The price at which FCI buys the foodgrains is called 'procurement price'.

Procurement prices are fixed by the Government of India. The prices at which different commodities like rice, wheat, coarse grains, etc. are procured will be different. As a matter of policy, the Government announces the procurement prices for different commodities at the beginning of the sowing season. Hence, if you closely observe, the procurement prices for kharif crops (June to November) are announced in June. while those for rabi crops (October-November and March-April) are announced in November.

Such an announcement of procurement prices in the beginning of a crop season has a favourable impact on the producers. This is because the farmers are aware that this is the minimum price at which they have to sell their produce. The procurement price is fixed according to the recommendations of an advisory body called Commission on Agricultural Costs and Prices. This body was formerly known as the Agricultural Costs and Prices Commission. This Commission takes into account the average cost of production of the crop (cost per quintal) for its recommendations of procurement prices.

In addition to the payment of procurement price, the FCI has to spend a huge amount of money as incidentals. These include the following:

1) Obligatory charges (Mandi charges, sales tax, cost of gunny bags)

2) Storage and interest charges

3) Handling charges (labour, internal movements etc.)

4) Establishment charges

5) Other miscellaneous charges

The FCI also incurs costs on the following items of distribution.

1) Freight

2) Interest

3) Transit and storage loss

4) Handling expenses at the godowns

5) Administrative overheads

Thus you see, the total cost of procurement includes

a) Procurement price b) Procurement incidentals and c) Distribution incidentals When you add these three, you arrive at the cost of procurement (per tonne or quintal) which is called the **‘Economic Cost’**.

The difference between the 'Economic' cost of procurement and the central issue price of a commodity is what is considered as 'Consumer Subsidy'. The benefit of this subsidy directly goes to the consumers. Similarly, the consumer subsidy is worked out for all the' commodities procured and distributed separately.

Table 3.2 gives the economic cost and central issus prices of wheat and rice, and subsidy provided by Government of India in 2019-2020.

Table 3.2: Economic Cost and central Issue Prices of wheat and rice and subsidy provided by Government of India

ECONOMIC COST 2019-2020 (Rs Per Qtl.)			**AAY**	**BPL**	**APL**
WHEAT	2623	CIP (Rs Per Qtl.)	200	415	610
		Subsidy	2423	2208	2013
RICE	3720	CIP (Rs Per Qtl.)	300	565	830
		Subsidy	3420	3155	2890

Source: Annual Report 2019-2020 of Department of Food and Public Distribution. Internet source: http://fcamin.nic.in

The consumer subsidy per unit of the commodity multiplied by the total quantity of the commodity procured gives the subsidy amount for each commodity. An addition of all amounts spent on all commodities gives you the total consumer subsidy on food.

The Table 3.3 indicates the method of calculation of consumer subsidy.

Table 3.3 Economic Cost of wheat and 2019-2020
(in Rs.per Quintal)

Cost Component		Rice	Wheat
a)	Pooled cost of grain	2555	1785
b)	Procurement incidentals	467	285
c)	Acquisition cost (a+b)	3023	2071
d)	Distribution cost	696	551
e)	Economic cost (c+d)	3720	2623
f)	Issue price*		
	i) APL	795/830	610
	ii) BPL	565	415
	iii) AAY	300	200

Internet Source: fci.gov.in/finance.php?

source: fci.gov.in/sales.php

Similarly economic cost of procurement can be worked out for other commodities like rice and coarse grains.

The expenditure on food subsidy in the year 2019-2020 to the Government of India was 1.08.688 Crores (Source : prsindia.org/budgets/parliament/demand-for-grants)

Another important component of food subsidy is the expenses incurred on maintaining the buffer stock of grains. In very simple terms "Buffer Stock" is the total quantity of grains held by the Government agencies, mainly the Food Corporation of India to meet any emergency requirements offoodgrains during times of shortage of production. For instance, in the year] 987 -88, when the entire country was affected by drought, there was a shortfall in the production of food grains to the tune of about 20 million tonnes. Table 3.4 depicts the total stock in the central pool as on July 2012.

Table 3.4: The Total Stock in the Central Pool as on 1/7/2012
(Figure in Lack MT)

Food grains	With FCI	With State Government Agencies	Total Central Pool
Rice	203.02	104.06	307.08
Wheat	59.32	338.76	498.08
Total	362.34	442.82	505.16

Internet source: dfpd.gov.in/portal/magazine/June 2012

This buffer stock is needed to stabilise the availability of foodgrains in the country as well as to stabilise their prices.

Maintaining these buffer stocks involves costs to the Government. These costs include cost of money used (interest), storage charges, administrative costs, etc. These costs are almost entirely borne by the Government. These are called "Carrying costs of buffer stock".

In sum, food subsidy is a sum of consumer subsidy and carrying cost of buffer stock.

The major advantage of food subsidy granted by the Government is to the consumers themselves. Consumer subsidies help the consumers get their foodgrains at cheaper prices. Expenditure on carrying buffer stocks helps the consumers by way of stabilising the availability of food grains as well as stabilising their prices.

Check Your Progress Exercise 2

1) List the commodities whose distribution is carried out by the Central Government.

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2) Mention the important benefits in buying the essential commodities from a fair price shop.

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3) What are the components of food subsidy? Explain each in brief.

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4) How does 'Buffer Stock' help the consumers?

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Practical Activity 1

Visit a Fair Price Shop and another regular Retail Shop in your locality and record the prices at which the following commodities are sold in these two shops (Remember the quality of the commodity selected in these two shops should be the same)

Commodity	Price at Fair Price Shop (Rs/kg or litre)	Price at Retail Shop\ (Rs/kg or litre)
1) Rice		
2) Wheat		
3) Suji		
4) Sugar		

5) Maida

6) Palm Oil

7) Kerosene Oil

Comment on your observations

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3.6 LET US SUM UP

In this unit you have learnt the meaning, origin and working of the PDS and TPDS System. You have also identified the commodities sold by the TPDS. You have understood the concept of a Fair Price Shop and the way the consumers are benefitted by the Fair Price Shops. You are now familiar with the concepts of food subsidy, procurement price and buffer stock and also the manner in which these. are operated by the Government. You will now appreciate the benefits which the consumers gain from the Government's policy of the Public Distribution System.

3.7 GLOSSARY

Buffer Stock	:	Stock of essential commodities held by the Government to meet emergency situations.
Consumer Subsidy	:	The difference between the Economic Cost of procurement and the Issue Price of a Commodity is Consumer Subsidy. The non-transfer of certain costs to the consumer such as procurement and distribution incidentals by the Government forms the consumer subsidy.
Fair Price Shop	:	A retail outlet where essential commodities can be bought at prices fixed by the Government.
Food Subsidy	:	A subsidy is that component of the total price which a buyer need not pay. Food subsidy is one which helps the consumer buy his food at a cheaper rate than what he would have actually paid for it. It is the sum total of consumer subsidy & carrying cost of buffer stock.
Freight	:	Goods transported by commercial transport.

Issue Price : The price at which the Government releases its stock.

Market Price : The price prevailing in the open market (wholesale).

Price Index : An indicator of the percentage change in price with respect to a base period.

Procurement Price : The procedure of buying stock by the Government through its agent [Food Corporation of India (FCI)] is called procurement price.

Public Distribution System : The system of the Government distributing essential commodities through fair price shops.

Procurement : The process of Government buying commodities from producers to supply them to consumers through Public Distribution System.

Rationing : The system of quota of essential commodities permitted to be bought under the Public Distribution System.

3.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1) If the distribution of food items is entirely left to the traders, there is a possibility of the traders hoarding (stocking) the food items and thus creating an artificial scarcity in the market. This leads to the increase in the prices of foodgrains when the traders release their stocks, thus leading to higher profits for them. Under these circumstances, it is the poor who stand to suffer the most.

2) In the Public Distribution System, the Government agencies like Food Corporation of India (FCI) and the Food and Civil Supplies Corporation of the State Governments buy the foodgrains from the farmers at a regulated market. These agencies store the grain bought, transport it to the distribution (Off take) point from where the retailers (Fair Price Shops) buy the food items for selling to the consumers. The month-wise quota for each state is fixed by the Central Government. This quota depends upon the needs of the population of the state.

3) The market price is the price of a commodity prevailing in the open market. The issue price is the price at which the Government releases (sells) its stock to the retailers (Fair Price Shops) for distribution. Though the price one pays in the Fair Price Shop is more than the issue price, it is still much lower than the market price.

4) Price index is a figure which indicates the current level of price of a particular commodity as compared to a previous level or base price. The index number (price indices) facilitate a better comparison of prices at different points of time.

Check Your Progress Exercise 2

1) The commodities whose distribution is carried out by the Central Government are:

Wheat

Rice

Sugar

Kerosene

2) The important benefits to the consumers in buying the essential commodities from a Fair Price Shop are:

i) One can get the commodities at lower prices as compared to buying the same in the open market.

ii) The prices do not fluctuate much. One is assured of one's quota of commodities at stable prices.

iii) Since the ration shop network is fairly widespread one can have access to these commodities very close to one's home, thus resulting in low buying cost.

3) The food subsidy is the sum total of consumer subsidy and carrying cost of buffer stock. Consumer subsidy comprises expenditure of the Government for procuring and distributing food. Besides the procurement price the Government spends on procurement incidentals such as Mandi charges, sales tax, cost of gunny bags, storage, and miscellaneous charges. Similarly. the distribution incidentals of the Government include freight, interest, transport and storage losses, handling expenses at the godowns, and administrative overheads. The difference between the total cost of procurement (Economic cost) and the issue price is consumer subsidy. The benefit of which goes directly to the consumers. The carrying costs of buffer stock include cost of money used (interest), storage charges, administratives cost for maintaining the buffer stock, etc. which are almost entirely borne by the Government.

4) The buffer stock helps the consumer by stabilising the availability of foodgrains in the country and by stabilising the price of foodgrains. The buffer stock of foodgrains is utilised to make up the shortages in times of emergency such as drought, flood, etc. If the bufferstock does not make up this shortage, the prices of food grains in the market will shoot up and the foodgrains will not be available to the needy sections of the population.