UNIT 10 PUBLIC DISTRIBUTION SYSTEM

Structure
10.0 Objectives
10.1 Introduction
10.2 Background of Public Distribution System (PDS)
10.3 Central Issue Price for Rice and Wheat
10.4 Antyodaya Anna Yojana
10.5 Quantity of Foodgrains Issued under Targeted Public Distribution System (TPDS)
10.6 Implementation Related Shortcomings of TPDS
10.7 Measures Taken to Strengthen TPDS and Check Diversion of Foodgrains
10.8 Let Us Sum Up
10.9 Key Words
10.10 Some Useful Books/References
10.11 Answers/Hints to Check Your Progress

10.0 OBJECTIVES

After going through this unit, you should be in a position to:
• define the Public Distribution System (PDS) and discuss how an efficient PDS ensures food security;
• learn about the Central Issue Price (CIP) of foodgrains;
• discuss the Targeted Public Distribution System (TPDS), shortcomings of TPDS and measures taken to strengthen TPDS; and
• explain how to check diversion of foodgrains.

10.1 INTRODUCTION

India's food security policy has an important objective to ensure availability of foodgrains to common and poor people at an affordable price. The policy has been successful in the sense that foodgrains have been made available to the poor consumers living in remote and inaccessible areas. The efficient Public Distribution System (PDS) introduced in the country has ensured the food security and nutritional requirements of the people. The PDS was introduced by the Government of India with the assistance of State Governments as a system of management of scarcity and for distribution of foodgrains and other items at cheaper prices to a large number of population living in the different parts of the country.
Over the years, PDS has become an important part of Government of India’s food policy and economy. It is important to clarify that PDS is only supplemental in nature and is not intended to provide the entire requirements of foodgrains or other commodities distributed under this programme to a household or a section of society.

As mentioned above, PDS is operated jointly by the Central Government and State Governments. The Central Government, through its nodal agency, the Food Corporation of India, established under Act of Parliament in 1965, has assumed the responsibility of procurement, storage and transportation of foodgrains to the State Governments. The operational responsibility of Central Government includes allocation of monthly quota of foodgrains to the State Governments and issue of the same to the States’ Food Supply Departments. On the other hand, lifting of foodgrains from FCI’s godowns, distribution to Fair Price Shops (FPS) and further distribution of foodgrains through FPS to consumers is the responsibility of the State Governments.

In addition to this, identification of families below poverty line and very poor families, issue of ration cards to different categories of beneficiaries and supervision and monitoring the function of fair price shops is also being done by the State Governments. Under the Public Distribution System, this has now been designated as Targeted Public Distribution System (TPDS), the commodities viz., wheat, rice, sugar and kerosene are being allocated to the State Governments/Union Territories for distribution. Some of the State Governments and Union Territories also distribute salt and match boxes etc., under TPDS.

10.2 BACKGROUND OF PUBLIC DISTRIBUTION SYSTEM (PDS)

The Public distribution of essential commodities particularly foodgrains was introduced in India during the inter-war period. In 1960, there was acute food scarcity in the country and it was decided that essential commodities should be made available at cheaper prices to the consumers in urban areas. Since then, the system has substantially contributed to check the rising prices of foodgrains and ensured the availability of foodgrains particularly in urban and semi-urban areas. Due to increase of foodgrains production as a result of green revolution, the area of PDS was extended to villages, particularly, in tribal areas in 1970s and 1980s.

Up to 1992, Public Distribution System (PDS) was a general scheme for all consumers without any specific target. However, in June, 1992, Revamped Public Distribution System (RPDS) was launched in 1775 blocks of the country. From June, 1997, the Targeted Public Distribution System (TPDS) was introduced with a view to serve the population below poverty line living in rural and urban areas. The consumers were divided in two categories below poverty line and above poverty line based on certain norms prescribed by the Planning Commission.

The RPDS was launched to strengthen and streamline the PDS as well as to make available foodgrains to consumers living in far-flung, hilly, remote and inaccessible areas. The areas where Drought Prone Area Programme (DPAP), Integrated Tribal Development Project (ITDP) and Desert Development Programme were running were included in revamped PDS. The prices of foodgrains in RPDS were kept Rs. 50 paise per kg below the Central Issue Price(CIP) and foodgrains up to 20 kgs per month per ration card were issued.
In June, 1997, the Government of India decided to focus on the poor of the country and they were supposed to be the main target for making available foodgrains at cheaper prices. Therefore, the scheme was named as Targeted Public Distribution System (TPDS). Under this programme, the States were required to identify the below poverty line population and make foolproof arrangement for distribution of foodgrains to them through fair price shops at affordable cheaper prices.

Initially, the scheme was formulated for the benefit of about 6 crores poor family for whom a quantity of 72 lakh metric tonnes of foodgrains was allocated annually. The identification of BPL population was done by the State Governments as per the State-wise poverty estimate of the Planning Commission for 1993-94 based on the methodology of the “Expert Group on Estimation of Proportion and Number of Poor” headed by Late Prof. Lakdawala. The allocation of foodgrains to the State Governments/UTs was made on the basis of average consumption in the past, i.e., average annual off take of foodgrains under the PDS during the past 10 years at the time of introduction of TPDS.

In addition to this, transitory allocation to the tune of 103 lakh metric tonne annually was also made to States for distribution of foodgrains at subsidized prices to the Above Poverty Line (APL) population as it was considered that this segment of population should not be suddenly deprived from cheaper foodgrains being distributed through fair price shops by the State Governments.

Later on, it was requested by the State Governments that allocation of foodgrains to Below Poverty Line (BPL) families should be increased. Therefore, the Government of India increased the allocation to BPL families from 10 kg to 20 kg of foodgrains per family per month at 50 per cent of the economic cost. The allocation to APL families was made at economic cost with effect from 1st April, 2000. The quantity of allocation to APL family was retained at the same level as at the time of introduction of TPDS.

The number of BPL families has been increased with effect from 1st December, 2000 by shifting the base to the population projections of the Registrar General as on 1st March, 2000 instead of the earlier population projection of 1995. With this increase, the total number of BPL families are 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced 1997.

Under these PDS schemes, the end retail price is fixed by the State Governments/UTs after taking into consideration the margins of wholesalers/retailers, transportation charges, levies, local taxes, etc.

Under the TPDS, the States are requested to issue foodgrains at a difference of not more than 50 paise per kg over and above the CIP for BPL families. Flexibilities to State Governments/UTs have been given in the matter of fixing the retail prices by removing the restrictions of 50 paise per kg over and above the CIP for distribution of foodgrains under TPDS, except with respect to Antyodaya Anna Yojana where the end retail prices is to be retained at Rs.2/- per kg for wheat and at Rs.3/- per kg for rice.
10.3 CENTRAL ISSUE PRICES FOR RICE AND WHEAT

Wheat and rice are issued by the Central Government from its Central Pool Stock to State Governments/UTs at uniform Central Issue Price (CIP) for TPDS. The CIPs of foodgrains for TPDS are generally fixed below the economic cost. The Central Government incurs a huge expenditure in the form of food subsidy on this account. It is important to mention that as a social obligation the foodgrains are supplied to Below Poverty Line (BPL) families and Antyodaya Anna Yojana beneficiaries at highly subsidized rates.

After streamlining and restructuring the Public Distribution System (PDS) with focus on poor (Targetted PDS), two different CIPs have been fixed, one for the BPL families and another for the APL families.

The CIPs of Rice and wheat issued under TPDS for various categories of beneficiaries are given in Tables 10.1 and 10.2.

Table 10.1: Central Issue Prices of Common and Grade ‘A’ Rice for TPDS (Rs. per quintal)

<table>
<thead>
<tr>
<th>With effect from</th>
<th>Rice</th>
<th>APL</th>
<th>BPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.12.97</td>
<td>Common</td>
<td>550</td>
<td>350</td>
</tr>
<tr>
<td>1.12.97</td>
<td>Grade ‘A’</td>
<td>700</td>
<td>350</td>
</tr>
<tr>
<td>29.01.99</td>
<td>Common</td>
<td>700</td>
<td>350</td>
</tr>
<tr>
<td>29.01.99</td>
<td>Grade ‘A’</td>
<td>905</td>
<td>350</td>
</tr>
<tr>
<td>1.04.2000</td>
<td>Common</td>
<td>1135</td>
<td>590</td>
</tr>
<tr>
<td>1.04.2000</td>
<td>Grade ‘A’</td>
<td>1180</td>
<td>590</td>
</tr>
<tr>
<td>25.07.2000</td>
<td>Common</td>
<td>1087</td>
<td>565</td>
</tr>
<tr>
<td>25.07.2000</td>
<td>Grade ‘A’</td>
<td>1130</td>
<td>565</td>
</tr>
<tr>
<td>12.07.2001, 1</td>
<td>Common</td>
<td>795</td>
<td>565</td>
</tr>
<tr>
<td>12.07.2001, 1</td>
<td>Grade ‘A’</td>
<td>830</td>
<td>—</td>
</tr>
<tr>
<td>1.4.2002</td>
<td>Common</td>
<td>695</td>
<td>565</td>
</tr>
<tr>
<td>1.4.2002</td>
<td>Grade ‘A’</td>
<td>730</td>
<td>—</td>
</tr>
<tr>
<td>1.7.2002</td>
<td>Common</td>
<td>795</td>
<td>565</td>
</tr>
<tr>
<td>1.7.2002</td>
<td>Grade ‘A’</td>
<td>830</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Department of Food & Public Distribution, Govt. of India.

The CIP of common rice to APL families is applicable to J&K, H.P., North Eastern States, Sikkim and Uttaranchal. From the Table 10.1, it is known that the CIPs of common and Grade ‘A’ rice for BPL families are much less than that for the APL families. From the year 2000 till date, there is not much change in the CIP of common rice and the price has slightly been reduced.
Institutional Infrastructures: Public, Private and Public-Private Partnerships

Table 10.2: Central Issue Price of Wheat

<table>
<thead>
<tr>
<th>Effective from</th>
<th>BPL</th>
<th>APL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.6.97</td>
<td>250</td>
<td>450</td>
</tr>
<tr>
<td>29.1.99</td>
<td>250</td>
<td>650</td>
</tr>
<tr>
<td>1.4.99</td>
<td>250</td>
<td>682</td>
</tr>
<tr>
<td>1.4.2000</td>
<td>450</td>
<td>900</td>
</tr>
<tr>
<td>25.7.2000</td>
<td>415</td>
<td>830</td>
</tr>
<tr>
<td>12.7.2001</td>
<td>415</td>
<td>610</td>
</tr>
<tr>
<td>1.4.2002</td>
<td>415</td>
<td>510</td>
</tr>
<tr>
<td>1.7.2002</td>
<td>415</td>
<td>610</td>
</tr>
</tbody>
</table>

Source: Department of Food & Public Distribution, Govt. of India.

From the Table of CIP of wheat, it is clear that price for BPL families are much less than the price for APL families. Further, the BPL price of wheat has not been increased from the year 2000 to till date.

Check Your Progress 1

Note: a) Use the spaces given below for writing your answers.
    b) Check your answer with those given at the end of the unit.

1) What are the main aims and objectives of food policy of India?

2) What is the Targeted Public Distribution System?
3) What are the central issue prices of wheat and rice for BPL families?

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10.4 ANTYODAYA ANNA YOJANA

Since the introduction of Targeted Public Distribution System (TPDS) in 1997, it was felt that there are some poorest and destitute people in the country who are not able to purchase the foodgrains even at BPL rate. They have very poor purchasing capacity as they have no fixed income and are not able to get employment for most of the period of the year. It was revealed that there is a segment of poorest among the BPL population in some hunger prone areas of the country.

A National Sample Survey (NSS) pointed out that about 5 per cent of the total population in the country is not able to get two square meals a day. It was felt that a scheme for the most destitute population to make available foodgrains at highly subsidized rate is needed and, therefore, a new scheme known as Antyodaya Anna Yojana (AAY) was launched in December, 2000 for one crore poorest of the poor families of the country.

It was planned that about one crore people who are poorest among the below poverty line (BPL) families covered under TPDS within the states should be identified and foodgrains at highly subsidized rate should be supplied to them through Fair Price Shops.

Under this scheme, wheat and rice was made available to these people at highly subsidized rate of Rs. 2/- per kg and Rs. 3/- per kg respectively. The State Governments and UTs were requested to bear the distribution cost including the margin of Fair Price Shops dealers as well as the transportation cost. Initially, 25 kgs foodgrains per family per month was issued, which was increased to 35 kg w.e.f. 1st April, 2002.

- **First Expansion of AAY**

  From 2003-2004, the AAY Scheme was further expanded by adding another 50 lakhs BPL households which are headed by widows, terminally ill people, disabled persons and persons of 60 years age or more with no assured means for their support. With this increase, 1.5 crores families were covered under AAY.

- **Second Expansion of AAY**

  In the Union Budget of 2004-05, it was announced that AAY was further expanded for another 50 lakhs families who are at the risk of hunger. Order to this effect was issued on 1st August, 2004. The following class of population was covered under AAY.

  - Land-less agricultural labourers, marginal farmers, rural artisans/craftsmen, such as potters, tanners, weavers, blacksmith, carpenters, slum dwellers and persons
Institutional Infrastructures:
Public, Private and Public-Private Partnerships

earning their livelihood on daily basis in informal sector like porters, coolies, rickshaw pullers, hand cart pullers, etc.

- Families headed by widows terminally ill people, disabled persons, persons aged 60 years or more with no assured means for their support.

- Third Expansion of AAY

In the Union Budget of 2005-06, further expansion of AAY to cover another 50 lakhs BPL households was announced. Thus, the total coverage of household families under Antyodaya Anna Yojana increased upto 2.5 crores.

10.5 QUANTITY OF FOODGRAINS ISSUED UNDER TARGETED PUBLIC DISTRIBUTION SYSTEM (TPDS)

Since 1997, the quantity of foodgrains issued to BPL families has been gradually increased from 10 kg to 35 kg per family per month. The first increase was made from 1.4.2000 wherein quantity was enhanced up to 20 kg per family per month. This was further increased from 20 kg to 25 kg per family per month with effect from July, 2001.

Initially, the Antyodaya families were provided 25 kg of foodgrains per family per month at the time of launching of the scheme. The quantity of the foodgrains issued under APL, BPL and AAY has been increased upto 35 kg per month per family w.e.f. 1st April, 2002 with a view to enhance the food security at the household level and to increase the nutritional requirement. It is important to mention here that 59 per cent of calories (in terms of kilo calories per day per person), 58 per cent of total protein and 13 per cent of total fat are derived from cereals intake.

- Achievements of TPDS

After June, 1997, the PDS has now become a major food security scheme for the poor families living in different parts of the country, particularly in remote hilly rural areas.

i) The TPDS scheme fulfills about 50 per cent of the cereals requirement of the poor family every month.

ii) The offtake of foodgrains under BPL scheme has considerably increased and during 2003-04, it was 199 lakh metric tonnes which is about 83 per cent of the total PDS offtake.

iii) The Central Issue Prices (CIPs) of foodgrains for BPL and Antyodaya families have not been increased much since the year 2000.

iv) The total offtake of foodgrains under TPDS was around 239 lakh metric tonne in 2003-04, which is the highest level achieved so far.

v) The CIP for AAY category is kept lowest, i.e. Rs.2/- per kg for wheat and Rs. 3/- per kg for rice. This is much below the economic cost of these grains.
Allocation and Off Take of Foodgrains under TPDS

The details of allocation made under TPDS and off take of foodgrains are as under:

Table 10.3: Allocation made under TPDS, OffTake and Percentage Off Take

<table>
<thead>
<tr>
<th>Year</th>
<th>Total TPDS Allocation</th>
<th>Total TPDS Off Take</th>
<th>Percentage Off Take</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>180.88</td>
<td>131.53</td>
<td>72.72</td>
</tr>
<tr>
<td>1998-99</td>
<td>226.77</td>
<td>184.45</td>
<td>81.34</td>
</tr>
<tr>
<td>1999-2000</td>
<td>239.00</td>
<td>168.07</td>
<td>70.32</td>
</tr>
<tr>
<td>2000-01</td>
<td>274.59</td>
<td>117.89</td>
<td>42.93</td>
</tr>
<tr>
<td>2001-02</td>
<td>300.08</td>
<td>135.65</td>
<td>45.21</td>
</tr>
<tr>
<td>2002-03</td>
<td>743.28</td>
<td>198.56</td>
<td>26.71</td>
</tr>
<tr>
<td>2003-04</td>
<td>712.32</td>
<td>239.31</td>
<td>33.60</td>
</tr>
<tr>
<td>2004-05</td>
<td>417.99</td>
<td>157.96</td>
<td>37.79</td>
</tr>
</tbody>
</table>

On carefully examination of the allocation of foodgrains and their off take, it is revealed that off take was maximum during 1998-99 and it is continuously showing the declining trend. The reasons for less off take needs to be examined. Whether this is due the lack of purchasing capacity of the poorest in rural areas or due to poor management of the TPDS in some states needs to be looked on. Sometimes the FPS owners are not able to lift the allocated stocks due to lack of finance. Non-issue of ration cards to the needy people in villages in a number of States is also one of the reasons of poor off take under TPDS. There may also be some implementation related problems, which should be removed.

10.6 IMPLEMENTATION RELATED SHORTCOMINGS OF TPDS

Some of the major deficiencies observed in the functioning of TPDS in various States are as follows:

- Incorrect Identification of BPL Families

There has been large number of complaints that the identification of BPL beneficiaries was not correct and many eligible families have been left out of the BPL purview. There was a pre-condition of possession of the BPL card for identification under Antodaya Anna Yojana and a large number of very poor people coming in the category of AAY who were not having BPL cards could not get the AAY cards. Requirement of permanent address and delay in verification of antecedents made it very difficult for home less and urban destitute to get a BPL / AAY ration cards.
Institutional Infrastructures: Public, Private and Public-Private Partnerships

- **Non Issue of Ration Cards**

In some of the States/UTs like Goa, Himachal Pradesh, Manipur, Rajasthan, A&N Islands, Chandigarh, Dadra & Nagar Haveli and Lakshdweep, the identification of BPL and AAY families have not been completed and ration cards to all beneficiaries have not been issued.

- **Non-availability of Adequate Foodgrains in the Fair Price Shops (FPSs)**

Due to shortage of resources, some of the states as well as FPSs dealers are not able to lift the adequate quantity of foodgrains as a result the beneficiaries/consumers particularly in the rural areas are not able to get their foodgrains from FPSs. There are also reports that some quantity of foodgrains meant for TPDS and other welfare schemes are diverted to open market. This needs to be checked by the State Governments.

### 10.7 MEASURES TAKEN TO STRENGTHEN TPDS AND CHECK DIVERSION OF FOODGRAINS

It has frequently argued that the PDS system has failed to deliver the desired result for which it was planned due to several shortcomings as discussed above. The following are the some of measures taken to overcome various shortcomings in the PDS system in order to make system effective and target oriented.

1) **Citizen Charter**

This charter contains, *inter alia*, the basic relevant information for the consumers and a model procedure and time schedule for various services to be provided by the State/Central Governments.

2) **Involvement of Panchayati Raj Institution**

Under the guidelines for implementation of the TPDS, the State Governments are supposed to involve Gram Panchayats and Gram Sabha in the identification of BPL, AAY families.

3) **Area Officers Scheme**

From February, 2000 the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution had appointed Area Officers for different States/UTs to coordinate with the State Governments for regular and effective monitoring of TPDS. The observations/discrepancies reported by these Area Officers are communicated to the State Governments for taking remedial measures.

4) **Constitution of Task Force**

Task Force team with senior officers of the Department of Food & Public Distribution, FCI and Central Warehousing Corporation (CWC) had been constituted to check irregularities, if any, in the distribution of foodgrains under TPDS and AAY.

5) **Monitoring the Quality of Foodgrains**

Officers of the Quality Control Cell of the Department of Food & Public Distribution as well as State Government officers regularly inspect the Fair Price Shops and
collect the samples of foodgrains for analysis purposes. Incidences of supply of poor quality of foodgrains are brought to the notice of concerned Organisation for taking remedial measures. Sealed samples of foodgrains issued from FCI or State Governments’ depots are displayed on the fair price shops for the benefit of consumers.

Check Your Progress 2

Note:  
(a) Use the spaces given below for writing your answers.
(b) Check your answer with those given at the end of the unit.

1) What is Antyodaya Anna Yojana (AAY)?

2) What are the issue prices of wheat and rice under Antyodaya Anna Yojana?

3) How many families are covered under this scheme at present?

4) What are the shortcomings of TPDS?

10.8 LET US SUM UP

In this Unit we have discussed the basic objective of the food policy of the Government of India, which aims at providing cheaper foodgrains to the large number of population living in different parts of the country particularly in the tribal, remote, hilly and inaccessible areas. The Public distribution system was introduced in 1960.
This was further strengthened and focused on the targeted group, i.e., poor people in 1997 and known as Targeted Public Distribution System.

It was felt that the benefit of TPDS is not reaching to the poorest and destitute people of the country and a scheme for making available foodgrains at highly subsidized rate to these people was needed. Therefore, a new scheme in addition to TPDS, known as, Antyodaya Anna Yojana was launched in December, 2000 for One crore poorest of the poor families of the country.

The scheme has been expanded 3 times and now about 2.5 crores people are covered under this scheme. The Central Issue Prices on which the foodgrains under various public distribution schemes are issued are fixed by the Government of India and these prices are much below than the economic cost of the foodgrains. Under Antyodaya Anna Yojana, wheat at the rate of Rs.2/- per kg and rice at Rs.3/- per kg in the scale of 35 kg foodgrains per month per family are issued.

There are some implementation related shortcomings in TPDS. Due to financial constraints, sometimes State Governments as well as FPS dealers are not able to lift the allocated stocks of foodgrains. The possibility of leakage and diversion of some foodgrains to open market is not ruled out. Government of India and State Governments have taken a number of measures to remove these shortcomings. Area officers, members of the Task Force Teams constituted by the Government of India regularly monitor the TPDS and other schemes of the Government and wherever shortcomings are observed, these are brought to the notice of the concerned authorities for taking the remedial measures.

10.9 KEYWORDS

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>Allocation</td>
<td>The quantity of foodgrains (quota) which is issued to the state Governments.</td>
</tr>
<tr>
<td>Antyodaya Anna Yojana (AAY)</td>
<td>The scheme of distribution of foodgrains amongst poorest of poor people at highly subsidized prices.</td>
</tr>
<tr>
<td>APL</td>
<td>Above poverty line population.</td>
</tr>
<tr>
<td>BPL</td>
<td>Below poverty line population.</td>
</tr>
<tr>
<td>Off take</td>
<td>The quantity of foodgrains (quota) which is actually lifted by state Governments.</td>
</tr>
<tr>
<td>Targeted Public</td>
<td>The scheme of distribution of foodgrains at cheaper.</td>
</tr>
<tr>
<td>Distribution System</td>
<td>prices focused on the targeted group, i.e., poor is known as Targeted Public Distribution System.</td>
</tr>
</tbody>
</table>

10.10 SOME USEFUL BOOKS/REFERENCES


### 10.11 ANSWERS/HINTS TO CHECK YOUR PROGRESS

#### Check Your Progress 1

1) The main aim and objectives of the food policy of the Government of India are to provide cheaper foodgrains to large number of poor population living in different parts of the country particularly in tribal, hilly, remote and inaccessible areas. Stabilizing the market price of foodgrains by making procurement, storage and distribution of foodgrains through various schemes is also an objective of food policy.

2) The targeted public distribution system introduced in 1997 focused on poor people and beneficiaries were categorized in below poverty line and above poverty line segments. The emphasis was to make available foodgrains to below poverty line population.

3) The Central Issue Price of wheat and rice for BPL families are Rs.4.15 per kg and Rs.5.65 per kg, respectively.

#### Check Your Progress 2

1) The Antyodaya Anna Yojana is meant for poorest among poor (BPL) families wherein wheat and rice are supplied at highly subsidized rates.

2) The issue prices of wheat and rice under Antyodaya Anna Yojana are Rs.2 and Rs.3 per kg, respectively.

3) About 2.5 crores families are covered under Antyodaya Anna Yojana.

4) The important shortcomings of TPDS are that most of the poor people have not been issued proper ration cards to get the benefit of subsidized foodgrains being issued under these schemes. Besides, some quantity of the TPDS appears to be diverted to open market.