

3. Prices

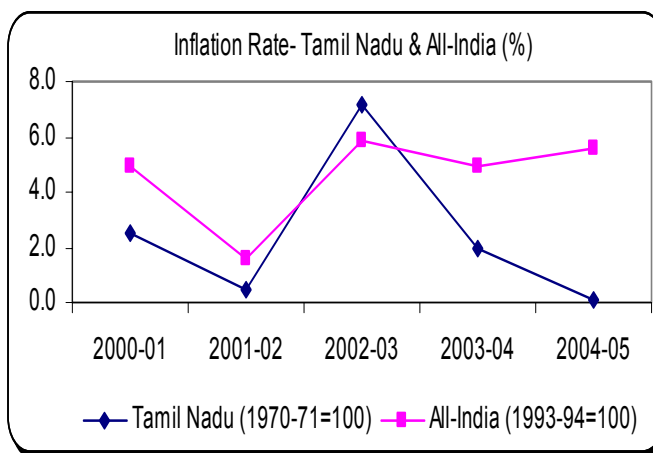
There was considerable easing in the inflationary level in the State during 2004-05 on top of the significant moderation experienced in 2003-04. The rate of increase in the prices of commodities, as seen through the prism of the Wholesale Price Index and Consumer Price Index was only moderate. Despite a substantial shortfall in agricultural production, price situation was managed well keeping the inflation at a very low level because of the abundant stock of foodgrains in the State / country.

Table - 1 : Price Situation : Tamil Nadu & All India

Year	Wholesale Price Index				Consumer Price Index for Industrial Workers			
	Tamil Nadu (1970-71=100)		All India (1993-94=100)		Tamil Nadu (1984=100)		All India (1984=100)	
	Index	% Change	Index	% Change	Index	% Change	Index	% Change
2001-02	1234.4	0.5	161.8	1.6	476	6.0	468	5.2
2002-03	1328.9	7.2	171.3	5.9	503	5.7	487	4.1
2003-04	1350.8	2.0	179.7	4.9	509	1.2	504	3.5
2004-05	1352.1	0.1	189.8	5.6	525	3.1	525	4.2

Source: Department of Economics and Statistics, Chennai; Central Statistical Organisation, Govt. of India; Labour Bureau, Govt. of India, Shimla.

The inflationary pressure exerted by the Wholesale Price Index was much lower at 2.0 per cent during March 2004 against 7.2 per cent seen during the corresponding period of the previous year. The Index at 1350.8 by the end of March 2004, slowly moved to 1352.1 during the last week of March, 2005, witnessing a very meager increase of 0.1 per cent, on a point-to-point basis. As the State experienced a normal rainfall during 2004-05, there was no constraint on the supply side. Ultimately the general price level was maintained at a stable level. Though the all-India Index with different base year could not strictly be compared with that of State Index, the movements of two Indices alone may be considered for our purpose. Similar to the subdued rate witnessed in the State Index, the inflation at the all India also remained stable during 2003-04. The all-India Index during 2004-05 warmed up slightly to reach a comparatively higher rate of 5.6 per cent which however, is not only higher than that of 2003-04 but also of State. The inflation rate based on Consumer Price Index for Industrial Workers during 2003-04 moved in tandem with the movement of WPI in both State and all-India. A further increase in the State Index was contained at 3.1 per cent and 4.2 per cent in all-India. Accordingly, price inflation based on Consumer Price Index for Agricultural Laborers also remained at 0.6 per cent and 2.7 per cent at the State and all India levels, respectively.



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The reform process initiated in early 1990s has satisfactorily yielded the result at the State and National levels. The double digit inflation recorded between the five-year period ending 1995-96 had come down to 4.2 per cent in the early 2000s at the all India level.

Similarly the 9.3 per cent inflation witnessed at the all-commodity index during early 1990s in the State had decelerated to 7.4 per cent in the late 1990s and 3.2 per cent in early 2000s. The early 2000 period extended upto December 2004 also saw a benign level of 3.0 per cent. This trend was also seen in 'primary articles' and 'manufactured products' groups. The dismantling of the Administrative Price Mechanism had staved the price index of 'Fuel, power and light' group during 1990s which later in early 2000s had eased.

Table - 2 : Price Behaviour after Reform Process

Period	Annual Average Inflation (%)							
	All Commodities		Primary Articles		Fuel, Power & Lubricants		Manufactured Products	
	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India	Tamil Nadu	All India
1991-92 to 1995-96	9.3	10.6	10.9	11.3	9.5	11.3	7.4	10.1
1996-97 to 2000-01	7.4	5.1	6.6	5.4	16.3	13.0	7.8	3.1
2001-02 to 2003-04	3.2	4.2	2.8	3.8	6.9	6.9	3.2	3.4

Source: 1. Economic Survey, 2003-04, Govt of India (For All-India).

2. Computed by DEAR (For Tamil Nadu).

Behaviour of Wholesale Price : Tamil Nadu:

The overall price situation in the State at the Wholesale level, on a point-to-point basis exhibited a subdued rate of inflation. The rate prevailed during 2000-01 at 2.5 per cent had come down to 0.5 per cent which, however, stabilised the Index at more or less the same level (1352.1) in 2004-05 after registering a peak 7.2 per cent rise in 2002-03 and later at 2.0 per cent in 2003-04. On an average basis also a moderate inflationary rate of 4.9 per cent during 2003-04 was seen, followed by 1.8 per cent in 2004-05

Wholesale Price Index :

The warming up of the all-commodity Index since January 2003 (from 4.2%) continued till it reached a 7.4 per cent increase during May 2004 on a point-to-point basis. The price rise soared during the summer months would have been induced by the demand push of the primary articles. Unlike in previous two years, the year 2003-04 had witnessed a gradual softening of the Index through out the year. The price increase was very modest in the range of 2.0 per cent to 7.4 per cent.

The inflationary spiral in early 2004-05 (April and May) at 1.7 per cent later moved only upto 2.8 per cent (August). From September 2004 onwards uncoiling of the spiral was visible till it touched almost 'nil' rate by the end of the year.

Table - 3 : Wholesale Price Index - Monthly Movement

(Point to point percentage change)

Month	2001-02	2002-03	2003-04	2004-05
April	2.6	0.6	7.4	1.7
May	3.2	0.3	7.4	1.7
June	2.0	0.7	7.0	2.1
July	2.5	0.7	6.4	2.5
August	2.4	1.7	5.0	2.8
September	1.8	3.0	4.2	2.6
October	1.8	2.6	4.0	2.2
November	2.4	2.3	4.0	2.2
December	1.3	3.3	4.0	2.0
January	0.5	4.2	3.2	0.8
February	1.4	5.7	2.0	1.0
March	0.5	7.2	2.0	0.1

Source: Computed from data furnished by DOES, Chennai

Wholesale Price Index - Quarterly Movement:

The seasonal fluctuations are noticed while analysing the quarterly movement of the Wholesale Price Index. The movement of the all- commodity index was controlled at a lower level and it even showed a negative movement in the second and fourth quarters of 2003-04. During the second quarter all the three groups had witnessed a decline. In the last quarter (Jan-March) or the harvesting season of 2003-04 primary articles group had displayed a decline while 'fuel' group remained constant and 'manufactured' group had a significantly lower 2.4 per cent increase. A notable decline in the all-commodity Index was seen in all the four quarters of 2004-05 (ie) from 2.1 in the first quarter to 0.4 per cent, (-)0.1 and (-)2.2 per cents in subsequent quarters. The 'primary articles' group had experienced negative trend in second and third quarters. As for 'manufacturing' group, a modest increase in the range of 0.6 to 1.2 per cent noticed the first three quarters had turned to a negative trend in the last quarter.

Table - 4 : WPI Quarterly Movement

(Point to point % Change)

Group	2002-03				2003-04				2004-05			
	I Qr.	II Qr.	III Qr.	IV Qr.	I Qr.	II Qr.	III Qr.	IV Qr.	I Qr.	II Qr.	III Qr.	IV Qr.
Primary Articles	3.5	2.6	1.2	1.2	3.6	(-)0.1	(-)0.2	(-)2.6	3.4	(-)0.2	(-)15.3	12.7
Fuel, Power & Light	2.0	2.6	2.3	2.6	5.3	(-)1.1	2.6	-	1.3	(-)0.4	0.3	0.0
Manufactured products	0.9	2.3	(-) 0.1	2.0	(-)0.3	(-)0.1	1.1	2.4	0.6	1.2	0.6	(-)0.58
All Commodity	2.3	2.5	0.7	1.6	2.0	(-)0.1	0.5	(-)0.4	2.1	0.4	(-)0.1	(-)2.2

Source: DOES, Chennai - 6.

Wholesale Price Index : Group-wise Movement:

The pace of increase of the all commodity index was determined by the behaviour of the groups / subgroups. The WPI accommodates three groups with differential weights depending upon the importance of the groups . The 'primary articles' group with a weight of 52.69 had witnessed 0.6 per cent increase in 2003-04 against a higher 8.6 per cent in 2002-03 which helped to

control the rise in WPI. The 'manufactured products' group with an assigned weight of 44.05 also experienced moderation with an increase of 3.1 per cent in 2003-04 against 5.3 per cent in the previous year. The 'fuel' group index that moved at a faster rate of 6.8 per cent has a very low weight of 3.26 in the all-commodity Index.

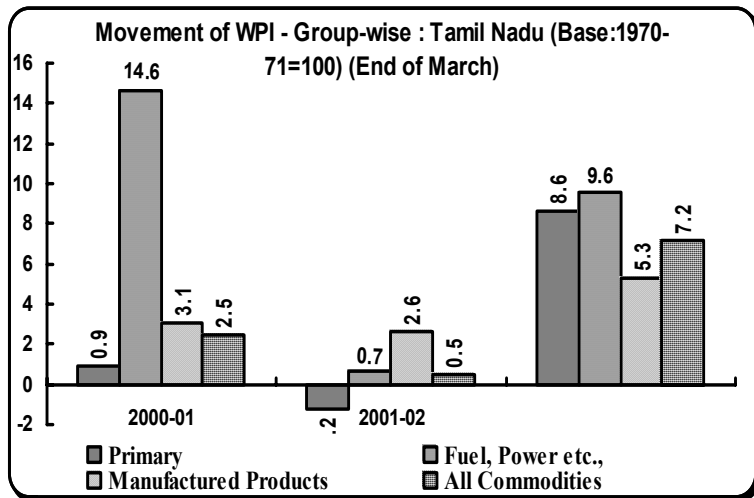


Table - 5 : Movement of WPI and Groups

Group	Weight	2002-03		2003-04		2004-05	
		Index	% change	Index	% change	Index	% change
Primary Articles	52.69	1313	8.6	1321	0.6	1302	(-)1.5
Fuel, Power & Light	3.26	2200	9.6	2350	6.8	2377	1.2
Manufactured Products	44.05	1272	5.3	1312	3.1	1336	1.8
All Commodity	100.0	1324	7.2	1351	2.0	1352	0.1

Source: DOES, Chennai - 6.

Similar analysis for 2004-05 highlights an increased pressure exerted by the 'primary articles' (from 16.5% to 54.80%) and subdued rates in other groups.

Primary Articles:

The 'primary articles' group comprises three sub-groups viz. food articles, non-food articles and minerals. The price decline in foodgrains was nullified by the increases at the 'fruits / vegetables' category of items. The 'oilseeds' category had witnessed a sharp deceleration from 29.7 per cent in 2002-03 to 1.3 per cent in 2003-04.

Table - 6 : Movement of Primary Articles : Sub-group-wise
(% increase - Point to point)

Sub-group	Weight	2001-02	2002-03	2003-04
1. Food Articles	32.3	0.4	7.6	(-)0.1
i. Foodgrains	12.3	3.8	8.0	(-)3.9
ii. Fruits & Vegetables	5.4	(-)3.7	8.4	4.0
2. Non-food Articles	19.6	(-)4.5	11.5	2.3
i. Fibres	6.0	(-)23.2	27.5	12.5
ii. Oilseeds	5.4	4.1	29.7	1.3
iii. Other non-food articles	8.2	0.2	(-)1.9	(-)1.7
3. Minerals	0.8	1.9	-	-
Primary Articles	52.69	(-)1.2	8.6	0.6

Source: Department of Economics and Statistics, Chennai - 6.

Fuel, Power and Light Group:

The 'energy' group Index has included the sub-groups of coal mining, mineral oils and electricity, of which 'electricity' is assigned a weight of 1.6 and mineral oils 1.2. Due to the impact of revision of administered prices as and when it

was effected in the international market has played a vital role in the 'every group' Index. These revisions induced fluctuations. However, the double digit rate of increase witnessed in 2002-03 was brought down to a single digit level in the subsequent years.

Table - 7 : Movement of 'Energy' Group - Sub-group level
(Point to point basis)

Sub-group	Weight	2001-02	2002-03	2003-04
1. Coal mining	0.4	729.2	-	-
2. Mineral oils	1.2	(-)2.3	14.2	7.3
3. Electricity	1.6	7.1	5.2	8.7

Source: Department of Economics and Statistics, Chennai - 6.

Manufactured Products:

The movement of this Index depends upon the behaviour of 'primary articles' and 'energy group'. During 2003-04, the overall price increase in this group was 3.1 per cent against 5.3 per cent in the previous year. Among the sub-groups, 'food products' had declined to 4.2 per cent during 2003-04 from a very alarming increase of 24.4 per cent in the previous year. The sub-group 'basic metals and alloys' had witnessed more than an astronomical 30.0 per cent increase during the year.

Table - 8 : Movement of Manufactured Products Group

(% change on point to point basis)

Sub-group	Weight	2001-02	2002-03	2003-04
1. Food Products	6.8	10.5	24.4	(-)4.2
2. Beverages, Tobacco and tobacco products	0.3	1.0	0.1	-
3. Textiles	9.0	2.1	5.8	2.8
4. Paper and paper products	1.1	(-)1.5	0.4	(-)0.6
5. Leather & leather products	2.4	5.8	0.7	1.3
6. Rubber & rubber products	1.5	-	0.4	-
7. Chemical & chemical products	3.4	(-)0.7	0.4	8.1
8. Non-metallic mineral product	1.5	(-)11.2	(-)8.5	5.9
9. Basic metals & alloys	2.3	(-)1.3	1.5	31.7
10. Machinery and transport	11.0	4.1	2.4	1.8
11. Miscellaneous products	4.9	4.8	5.2	7.0

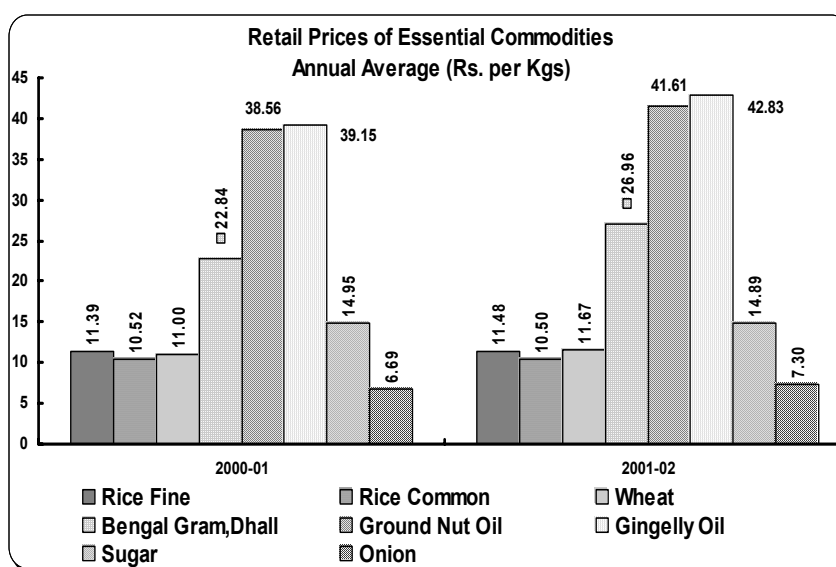
Source: Source: Department of Economics and Statistics, Chennai - 6.

Movement of WPI : Commodity Level:

The Wholesale Price Index with 1970-71 base year accommodates about 147 commodities in its basket. At the commodity level the movement of wholesale prices are analysed for the years 2002-03 and 2003-04 and following observations are made.

Type of change	Commodity
Commodities without change	Milk, Raw wool.
Declined in both years	Bengal gram, Potatoes.
Increased in both years	Wheat, cotton and cotton cloth, kerosene, petrol and diesel, electricity, maida and bakery products, motor cycles and cycles.
Increased in 2002-03 & Decreased in 2003-04	Rice, Jowar, Onion, Fruits, egg, meat, coffee, groundnut and oil, gingelly and oil, suji.
Decreased in 2002-03 & Increased in 2003-04	Tea, sugar, dairy products, bricks, cement.

As noted, the prices of many of the day to day consumption articles including rice have softened which, in turn, increased the purchasing power of the poor people. Construction materials like bricks and cement had become expensive in 2003-04. All the fuel goods like petrol, kerosene, diesel and the electricity



witnessed increased prices in both the years along with bakery products and cotton, silk and related cloths due to demand-driven factors.

In continuation of the movement of the Index the actual prices that prevailed in the market at the wholesale and retail levels were analysed and presented below:

Table - 9 : Wholesale & Retail Prices of Select Commodities

(Rs. per unit)

Commodities	Wholesale		Retail		Col.5 over Col.3
	2002-03	2003-04	2002-03	2003-04	
1. Rice - fine	10.91	11.23	11.95	12.2	8.6
2. Rice - common	9.92	10.62	10.88	11.5	8.3
3. Wheat	11.23	10.63	12.54	12.0	12.9
4. Ragi	6.63	7.66	7.80	8.8	14.9
5. Bengalgram	21.96	21.11	24.41	24.0	13.7
6. Redgram Dhal	25.54	26.81	27.82	28.9	7.8
7. Groundnut oil	50.97	53.27	54.01	56.6	6.3
8. Gingelly oil	54.14	60.67	55.63	62.9	3.7
9. Coconut oil	55.90	66.03	58.82	69.2	4.8
10. Gur - I sort	11.73	12.55	13.80	14.7	17.1
11. Sugar	13.05	13.36	13.61	13.9	4.0
12. Chillies	35.48	38.94	37.97	42.0	7.9
13. Corriander	29.80	33.54	32.67	37.4	11.5
14. Turmeric	32.51	37.57	41.24	47.6	26.7
15. Garlic	35.12	24.91	39.17	28.0	12.4
16. Tamarind I sort	23.04	24.28	26.08	27.2	12.0
17. Potato	7.35	6.47	9.37	8.8	36.0
18. Onion - Bellary	5.32	8.19	6.63	9.4	14.8
19. Tomato	6.13	8.53	7.78	10.5	23.2
20. Banana - Poovan (per dozen)	6.08	7.12	8.46	11.0	54.5
21. Milk (litre)		12.50	12.75	12.9	3.2

Source: Department of Economics and Statistics, Chennai - 6.

Among the commodities of everyday use, the price variation between per unit wholesale and retail prices was in the range of 3.7 per cent (gingelly oil) to 26.7 per cent (turmeric). In case of perishables, the variation was higher to the extent of 23.2 per cent (tomato), 36.0 per cent in potatoes and 54.5 per cent in banana poovan.

Consumer Price Indices:

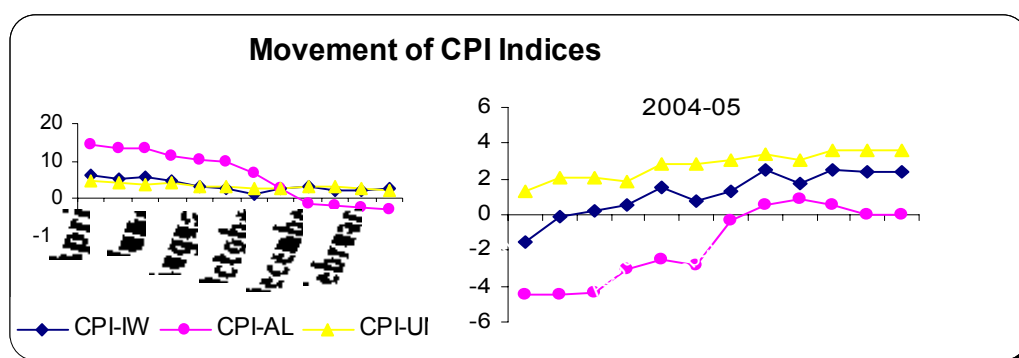
The price behaviour at the retail level is analysed using various Consumer Price Indices (CPI) like - Industrial Workers, Agricultural Labourers and Urban Non-Manual Employees. By comparing the month-wise movement of all these indices for the State, it could be observed that price increase of all the indices were contained during 2004-05. The CPI-AL which had negative rates in the latter part of 2003-04 continued similar trends for the first seven months of 2004-05. Thereafter, the Index showed positive rates though insignificant. There was acceleration in the first half of 2003-04. Thereafter, it decelerated and declined towards the end of the year.

Table - 10 : Consumer Price Indices of Tamil Nadu

(Point-to-point basis)

Month	2002-03			2003-04			2004-05		
	CPI-IW	CPI-AL	CPI-UNME	CPI-IW	CPI-AL	CPI-UNME	CPI-IW	CPI-AL	CPI-UNME
April	6.4	6.1	7.3	6.4	14.4	4.7	(-)1.5	(-)4.5	1.3
May	6.1	5.3	6.9	5.4	13.6	4.1	(-)0.1	(-)4.5	2.1
June	5.6	5.6	6.7	5.6	13.5	3.9	0.2	(-)4.4	2.1
July	5.5	5.3	5.8	4.5	11.3	4.0	0.6	(-)3.1	1.9
August	6.0	5.6	5.7	3.3	10.3	3.0	1.5	(-)2.5	2.8
September	7.1	6.6	5.9	2.7	9.9	3.1	0.8	(-)2.8	2.8
October	6.4	6.9	6.0	1.3	6.7	2.8	1.3	(-)0.3	3.1
November	6.2	9.3	5.0	2.5	2.9	2.7	2.5	0.6	3.4
December	5.4	12.7	3.9	3.0	(-)1.4	3.3	1.8	0.9	3.1
January	5.6	13.1	3.5	2.3	(-)2.0	3.2	2.5	0.6	3.6
February	5.6	13.4	3.7	2.3	(-)2.5	2.7	2.4	0.0	3.6
March	5.7	13.8	3.9	2.5	(-)2.8	2.0	2.4	0.0	3.6

Source: Computed by DEAR.



Consumer Price Index for Industrial Workers (CPI-IW):

The CPI-IW with 1984=100 base year has 52 Centers spread over the country which include six Centers in Tamil Nadu with a cumulative weight of 10.92. A closer look at the Centre-wise movement of the Index brings out that: (i) The indices at the State and national levels had decelerated much favourably in the State during 2003-04 which later in 2004-05 warmed up slightly. (ii) In all the six Centers in the State, rate of increase was mild with Salem Centre registering a decline.

Table - 11 : Consumer Price Index for Industrial Workers - Centre-wise
(Base : 1982 = 100)

(Point-to-point basis)

	Chennai	Coimbatore	Coonoor	Salem	Trichy	Madurai	Tamil Nadu	All India
Weight	3.47	1.89	1.54	1.16	1.35	1.51	10.92	100.0
2002-03	4.4	8.9	7.4	3.3	5.7	4.7	5.7 (4.4)	4.1 (2.9)
2003-04	2.1	1.6	0.4	1.7	(-)2.4	2.8	2.5 (3.8)	3.8 (3.9)
2004-05	3.9	1.0	1.0	(-)0.4	7.8	3.1	3.0 (1.3)	4.2 (3.8)

Figures in brackets indicate inflation based on annual average.

Source: Labour Bureau, Shimla.

Consumer Price Index for Agricultural Labourers (CPI-AL):

The commodities consumed by the rural households represented by (CPI-AL) with 1986-87 base on a point-to-point basis registered a decline in price level by 2.8 per cent in Tamil Nadu during 2003-04 on a point-to-point basis during 2003-04. At the national level also the rise was within comfortable limits with an increase of 2.5 per cent at the national level by the end of 2003-04 against 4.9 per cent in 2002-03.

**Table-12: Consumer Price Index For Agricultural Labourers
(Base: 1986-87)**

	Tamil Nadu		All India	
	Point to point	Average	Point to point	Average
2002-03	13.8	8.5	4.8	3.3
2003-04	(-)2.8	6.0	2.5	3.8
2004-05	0.0	(-)1.7	2.4	2.6

Source: Central Statistical Organisation, Government of India.

Consumer Price Index for Urban Non-manual Employees - CPI(UNME):

The CPI-UNME with 1984-85 base year indicates a significantly lower level of 2.0 per cent increase at the State level and 3.4 per cent rise at the National level. Among the five Centres covered in Tamil Nadu, in four centres the inflationary rate based on CPI-UNME hovered around 2 per cent in 2003-04 while a decrease in price level was seen in Madurai.

**Table-13: Consumer Price Index For Urban Non-Manual Workers
(Base: 1984-85)**

(Point to Point variation)

Centre	Chennai	Coim-batore	Salem	Trichy	Madurai	Tamil Nadu	All India
Weight	3.86	1.61	1.43	1.83	1.80	10.53	100.0
2002-03	3.8	6.6	4.3	4.2	2.5	3.7	3.8
2003-04	2.8	2.1	2.2	2.7	(-)0.7	2.0	3.4
2004-05	4.2	2.8	2.6	2.8	4.4	3.6	4.0

Source: Central Statistical Organisation, Government of India.

Public Distribution System (PDS) :

The PDS is an intervention designed to provide basic food security to the people in general and persons who are below the poverty line in particular. PDS endeavour to provide basic requirements of food to the masses.

The number of BPL families in the State, as estimated by Govt. of India is 48.63 lakhs. The PDS benefits these poor by providing adequate cushion against falling purchasing power by enhancing the nutritional status. PDS also stabilises the prices of essential commodities in the open market and provides a safety-net for the poor, particularly in the event of severe droughts and ensures food security. Affordability, availability and accessibility are the salient points of the PDS.

The State is implementing the PDS throughout the State by means of a well established network. Universal coverage is the core element of the system in the State. Revamped Public Distribution System had been superceded by the Targeted Public Distribution in 1997. Antyodaya Anna Yojana, an off-shoot of the PDS came into existence in November 2001. The dual pricing of the rice per kg., as fixed by the Government of India and Tamil Nadu is presented below:

- Government of India : BPL Rs.5.65 APL Rs.8.30
- Government of Tamil Nadu : No distinction between APL and BPL category
Rs.3.50 for the entire quantity of rice.
- AAY : Rs.3.00 for the entire quantity of rice.

Table - 12 : Ration Quantity of Rice for a BPL Family

No. of members in a family	Quantity issued per month
- one adult	12 kgs.
- one adult + one child	14 kgs.
- Two or one adult + 2 children	16 kgs.
- Two adults and one child or one adult with 3 children	18 kgs.
- Three adult and above	20 kgs.

Source: Policy Note, Cooperation, Food and Consumer Protection, 2004-05.

As at the end of January 2005, number of family cards in operation was 185.33 lakhs ,of which,160.87 lakhs opted for rice,11.05 lakhs fore sugar and 13.10 lakhs for kerosene. Remaining 0.31 lakh cards were issued to police personals. This apart,about 18.4 temporary cards were also issued to Tsunami affected people during 2004-05 in the State . Agency-wise distribution of Fair Price Shops (28174) functioning in the State is given below:

Table - 13 : Network of Fair Price Shops (FPS)

Agency	Full time	Part time	Total
FPSs under TNCSC	1091	58	1149
FPSs under Co-operatives	21805	4643	26448
Women FPSs	367	174	541
Mobile Shops	36	-	36
Total	23299	4875	28174

Source: Cooperation, Food and Consumer Protection Department, Policy Note, 2005-06.

A large chunk of 26448 FPSs are functioning under Co-operatives followed by that operated through TNCSC.Procurement of paddy from the farmers through Direct Procurement Centres opened for the purpose to supplement the Central Pool allotment . During 2004-05 paddy procurement from the farmers of Cauvery Delta Region was extended to other districts like Sivagangai ,Ramanathapuram, Erode, Madurai, Dindugal, Theni and Tirunelveli. The State has opened 1012 direct Purchase Centres for Khariaf season,2004-05. As on 01.03.05 about 7.0 lakh M.T. paddy was procured through these Centres.

Total liftment of rice under CPA stood at 57.10 lakh tonnes upto March,2005 against a total allotment of 47.59 lakh tonnes and Tamil nadu Civil Supplies Corp. has procured under decetralised procurement system 9.28 lakh tonnes of rice @ Rs.550 per quintal for ordinary variety and Rs. 580 for fine /super fine variety.

The Government has been incurring a huge financial commitment because of issue of rice at a heavily subsidised rate to the poor. Total subsidy on this score increased from Rs.1.81 crores in 1980-81 to Rs.219.31 crores in 1990-91 and further to Rs.800 crores in 2002-03. Subsidy had reached a plateau at Rs.1540 crores in 2000-01. Because of substantial subsidy provided by the Government, the poverty-stricken people have been realising significant consumers' surplus by way of drawal of items of mass consumption from the Fair Price Shops at relatively modest rates. It reflects Government's serious concern for the betterment of poor.

While the PDS is fairly well established and has served to fulfill the basic needs, there are certain issues which may require to be addressed like: targeting, rationalisation of subsidies consistent with the twin objectives of balancing concerns for social justice and equity and prudent fiscal management.