

# Demand for Grants 2025-26 Analysis

## Food and Public Distribution

The Ministry of Consumer Affairs, Food and Public Distribution has two Departments: (i) Food and Public Distribution, and (ii) Consumer Affairs. Allocation to the Ministry accounts for 4.3% of the budgeted expenditure of the central government in 2025-26.<sup>1</sup>

The **Department of Consumer Affairs** is responsible for spreading awareness among consumers about their rights, protecting their interests, implementing standards, and preventing black marketing.<sup>2</sup> In 2025-26, the Department has been allocated Rs 4,361 crore, 41% lower as compared to the revised estimate of Rs 7,345 crore in 2024-25.<sup>3</sup> This is due to a decrease in the allocation towards the Price Stabilisation Fund. This Fund is used to maintain a buffer stock of pulses, onions, and potatoes so that they can be made available in the market when required.

The **Department of Food and Public Distribution** is responsible for ensuring food security through procurement, storage, and distribution of food grains, and for regulating the sugar sector.<sup>4</sup> In 2025-26, the Department has been allocated Rs 2,11,406 crore, an increase of 3% over the revised estimate of 2024-25.<sup>5</sup>

**Table 1: Allocation to the Ministry (in Rs crore)**

Department	2023-24 Actuals	2024-25 Revised	2025-26 Budgeted	% change 2025-26 BE over 2024-25 RE
Food & Public Distribution	2,32,223	2,05,475	2,11,406	3%
Consumer Affairs	273	7,345	4,361	-41%
<b>Total</b>	<b>2,32,496</b>	<b>2,12,820</b>	<b>2,15,767</b>	<b>1.4%</b>

Note: BE is budget estimate and RE is revised estimate. Sources: Expenditure Budget, Union Budget 2025-26; PRS.

This note examines the allocation to the Department of Food and Public Distribution. It also discusses the broad issues in the sector and key observations and recommendations made in this regard.

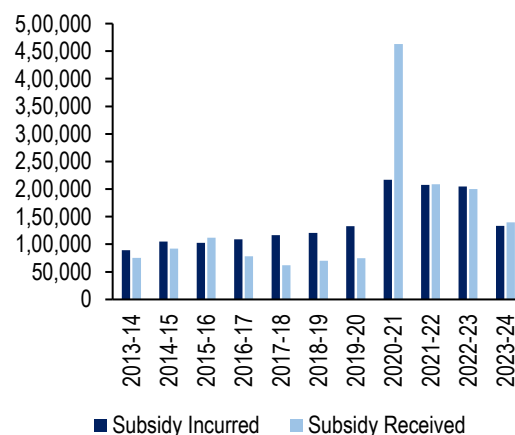
### Overview of Finances

Food subsidy is the largest expenditure by the Department of Food and Public Distribution. 96% of the Department's allocation in 2025-26 is towards food subsidy (see Table 6 in the Annexure for more details). The subsidy is provided to the Food Corporation of India (FCI) and states for procuring food grains from farmers at government notified prices and selling them at lower subsidised prices

under the National Food Security Act (NFSA), 2013. The Act mandates coverage of up to 75% of the population in rural areas and 50% in urban areas.<sup>6,7</sup> Beneficiary households under the Act are divided into Antyodaya Anna Yojana (AAY, i.e., the poorest of poor families) and priority households. AAY households are eligible to receive 35 kg of foodgrains per month and priority households are eligible to receive 5 kg of foodgrains per person per month at subsidised prices.

The subsidy also covers the storage cost incurred by FCI in maintaining buffer stocks in order to ensure food security in the country. The amount of unpaid subsidy to the FCI had steadily increased until 2019-20. While the central government released less than claimed subsidy, it provided loans to the FCI through the National Small Savings Fund (NSSF). In 2020-21, the central government made provisions to repay the loans taken from NSSF and clear the past dues of the FCI. As a result, the expenditure on food subsidy increased sharply in 2020-21.

**Figure 1: Subsidy incurred by FCI vs released by government (Rs crore)**



Sources: FCI; PRS.

Between 2020-21 and 2022-23, food subsidy also included expenditure on account of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY). Under the scheme, 5 kg additional foodgrains were allocated per person per month free of cost to eligible beneficiaries at an expense of over three lakh crore rupees.<sup>8</sup> In December 2022, the Union Cabinet decided to provide foodgrains under NFSA free of cost to the eligible beneficiaries for a one-year period from January 1, 2023.<sup>9</sup> This was later extended for five years starting from January 1, 2024.<sup>10</sup>

**Table 2: Break-up of food subsidy (Rs crore)**

Subsidy	2023-24 Actuals	2024-25 Revised	2025-26 Budgeted	% change 2025-26 BE over 2024-25 RE
Subsidy to FCI	1,39,661	-	-	-
Subsidy to states (decentralised procurement)	71,733	-	-	-
Sugar subsidy	420	420	420	0%
PMGKAY	-	1,97,000	2,03,000	3%
<b>Total</b>	<b>2,11,814</b>	<b>1,97,420</b>	<b>2,03,420</b>	<b>3%</b>

Sources: Expenditure Budget, Union Budget 2025-26; PRS.

## Issues in the Sector

### Coverage under NFSA

Under NFSA, subsidised foodgrains are provided to up to 75% of the rural population and up to 50% of the urban population.<sup>6</sup> This coverage is linked to population estimates as per the latest available census. It does not provide for a mechanism to revise coverage based on the increase in population between two censuses. As per the 2011 census, the number of eligible beneficiaries covered under NFSA is around 80 crore (67% of the total population in 2011).

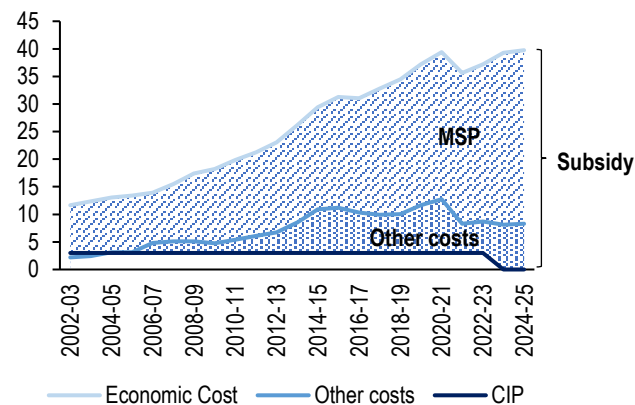
The next decadal census was due in 2021. However, due to the COVID-19 pandemic, it has been postponed until further orders.<sup>11</sup> In July 2022, the Supreme Court observed that the central government should come with a formula or policy such that the benefits under NFSA are not restricted as per the 2011 census.<sup>12</sup> The Court noted that the 'Right to Food' is a fundamental right under Article 21 of the Constitution. It recommended that the central government may use projections of population increase during 2011-2021 to ensure more needy people are covered under NFSA.<sup>12</sup> As per India's population projections for March 2025, over 90 crore people could be eligible for getting subsidised foodgrains. As of June 2020, over six crore state ration cards exist which cover another 25 crore people over and above the NFSA mandate.<sup>13</sup>

However, some experts have found the existing coverage under NFSA to be too high.<sup>14</sup> The High Level Committee on Restructuring of FCI (2015) had recommended that the central government should rethink the coverage of population under NFSA.<sup>14</sup> It noted that allocating 5 kg foodgrains per person to priority households made below poverty line households worse off compared to the earlier framework of targeted PDS under which they were entitled to 7 kg of foodgrains per person.<sup>14</sup> It had recommended reducing the overall coverage for NFSA to around 40% of the population. At the same time, it recommended increasing the allocation of foodgrains to below poverty line households to 7 kg per person. In 2022-23, the monthly per capita

consumption of cereals in rural areas was 9.6 kg while in urban areas it was 8.1 kg.<sup>15</sup>

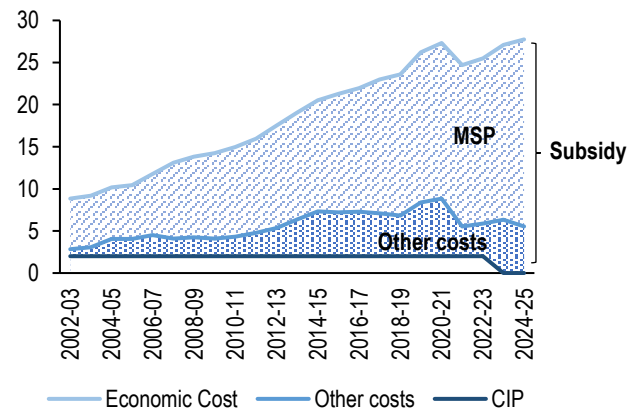
### Central issue price and management of expenditure on food subsidy

Food subsidy is the difference between the central issue price (CIP) and the economic cost of managing foodgrains.<sup>16</sup> It also includes the cost of maintaining buffer stocks and other allocations to state governments.<sup>16</sup> CIP is the rate at which foodgrains are issued by the central government while economic costs include the cost of acquiring and distributing foodgrains. Over the years, the increase in food subsidy has been driven by non-revision of the CIP despite an increase in the economic costs of foodgrains (see Figure 2 and Figure 3). In 2002-03, the economic cost of rice was Rs 11.7 per kg and for wheat it was Rs 8.8 per kg.<sup>16</sup> In 2024-25, the economic cost of rice is estimated to be Rs 39.8 per kg while that for wheat is estimated at Rs 27.7 per kg.<sup>16</sup> The NFSA provides that the CIP may be periodically revised by the central government in a manner such that it does not exceed the minimum support price for rice, wheat, and coarse grains.<sup>6</sup>

**Figure 2: Subsidy on a kg of rice (in Rs/kg)**

Note: Figures for 2023-24 are revised estimates and 2024-25 are budget estimates.

Sources: FCI; PRS.

**Figure 3: Subsidy on a kg of wheat (in Rs/kg)**

Note: Figures for 2023-24 are revised estimates and 2024-25 are budget estimates.

Sources: FCI; PRS.

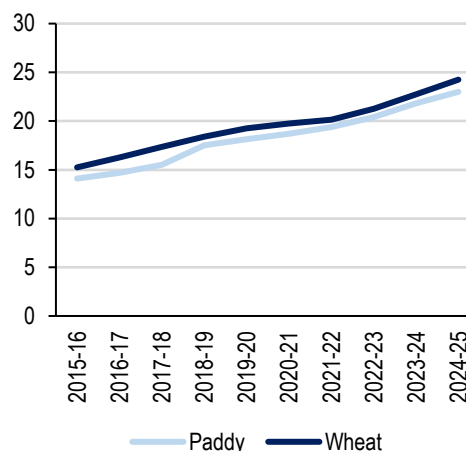
The Economic Survey 2020-21 noted that the central government's food subsidy bill is becoming unmanageably large.<sup>17</sup> The Survey noted that while it is difficult to reduce the economic cost of food management, there is a need to consider revising CIP to reduce food subsidy bill.<sup>17</sup> The 15<sup>th</sup> Finance Commission had also observed that the increase in economic cost of food grains will need to be partially offset by increasing CIP of subsidised foodgrains.<sup>18</sup> One recommendation has been to provide foodgrains at subsidised rates only to the AAY households.<sup>14</sup>

From January 2023 onwards, the central government has been providing free foodgrains to all eligible beneficiaries under the NFSA.<sup>9</sup> This distribution of foodgrains was renamed to PMGKAY (after the scheme which ran from April 2020 to December 2022) and subsumed food subsidy to FCI and subsidy to states for decentralised procurement.<sup>19</sup>

In November 2023, the Union Cabinet decided to provide free foodgrains under PMGKAY for a five-year period from January 1, 2024.<sup>10</sup> The distribution of free foodgrains is expected to cost

around Rs 12 lakh crore over five years.<sup>10</sup> The free distribution of foodgrains under NFSA is against the recommendations given in the past for revising CIP.

**Figure 4: Increase in MSP of paddy and wheat (in Rs/kg)**



Sources: Commission for Agricultural Costs and Prices; PRS.

#### Case Study: Impact of CIP on food subsidy in 2023-24

Under the NFSA, the CIP can be revised by the central government up to the MSP for wheat, rice, and coarse grains.<sup>6</sup> As discussed earlier, one of the recommendations in managing the food subsidy bill has been the revision of CIP. The tables below assess the impact on food subsidy for different rates of CIP. The figures have been computed based on rice and wheat distributed at NFSA rates in 2023-24 in three scenarios. MSP for rice and wheat was fixed at Rs 21.8 per kg and Rs 22.8 per kg respectively.

**Table 3: Food subsidy with free grains (currently implemented)**

	Rice	Wheat
Quantity (lakh tonnes)	366	165
Total cost (Rs crore)	1,43,970	44,762
Sale proceeds (Rs crore)	0	0
Subsidy (Rs crore)	1,43,970	44,762

**Table 4: Food subsidy with earlier NFSA rates**

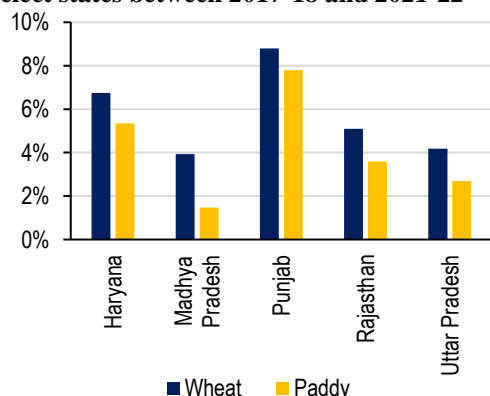
	Rice	Wheat
Quantity (lakh tonnes)	366	165
Total cost (Rs crore)	1,43,970	44,762
Sale proceeds (Rs crore)	10,986	3,304
Subsidy (Rs crore)	1,32,983	41,458

**Table 5: Food subsidy with CIP equal to MSP (cap under NFSA)**

	Rice	Wheat
Quantity (lakh tonnes)	366	165
Total cost (Rs crore)	1,43,970	44,762
Sale proceeds (Rs crore)	79,944	37,583
Subsidy (Rs crore)	64,026	7,179

Note: Earlier NFSA rates were Rs 3 per kg for rice and Rs 2 per kg for wheat. Economic cost taken as per FCI estimates. Sources: FCI; Commission for Agricultural Costs and Prices; Department of Food and Public Distribution; PRS.

**Figure 5: Average statutory charges levied by select states between 2017-18 and 2021-22**



Sources: Storage Management and Movement of Foodgrains by FCI, CAG; PRS.

The cost of acquiring foodgrains for the central pool also includes various statutory and non-statutory charges imposed by state governments.<sup>20</sup> Statutory charges (such as mandi charges) are levied by state governments as a percentage of MSP. For instance, the average statutory charges in Punjab between 2017-18 and 2021-22 for wheat was 8.8% while for paddy it was 7.8%.<sup>20</sup> In Haryana, these charges were at 6.8% and 5.4% for wheat and paddy, respectively. This is higher than other states (see Figure 5). With the annual increase in MSP, the quantum of statutory charges paid also increases.

Non-statutory charges include mandi labour, transportation cost, and milling charges. There is also significant inter-state variability in non-statutory charges.<sup>20</sup> CAG (2023) noted that such

charges contributed to the rise in acquisition costs of foodgrains which has a significant impact on Centre's food subsidy.<sup>20</sup> It observed that reducing acquisition costs would need reduction in statutory and non-statutory charges levied by states. The central government has requested all states to cap statutory charges at 2% of MSP.<sup>20</sup>

### ***Commodities distributed under NFSA have not been diversified***

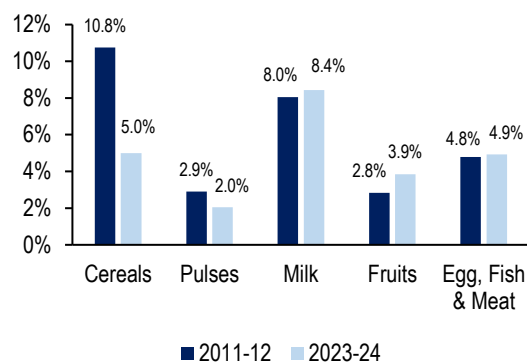
The PDS was introduced to alleviate food scarcity through the distribution of foodgrains at affordable prices.<sup>21</sup> However, it may not be catering to the evolving nutritional needs of the beneficiaries. Over the years, sources of dietary consumption have diversified.<sup>22</sup> Certain health indicators have also worsened between 2015-16 (NFHS-4) and 2019-21 (NFHS-5). For instance, 57% of the women in the age group of 15-49 years were anaemic as per NFHS-5 as compared to 53% as per NFHS-4.<sup>22</sup> The percentage of anaemic men between 15-49 years increased from 23% to 25%.<sup>22</sup>

One of the reforms prescribed under NFSA includes diversifying the commodities distributed under PDS over a period of time.<sup>6</sup> However, foodgrains distributed under PDS primarily include only cereals (rice, wheat, and coarse grains). This has not changed since the Act was implemented in 2013. The dietary guidelines released by the Indian Council of Medical Research prescribe consuming a variety of food items to meet the daily intake of 2,000 calories.<sup>23</sup> This includes pulses, milk/curd, vegetables, and fruits with cereals accounting for 42% to 45% of daily energy requirements.<sup>23</sup>

Between 2011-12 and 2023-24, there has been a decrease in the share of monthly per capita consumption expenditure (MPCE) spent on food items in both rural and urban areas. The share of cereals in total MPCE for rural areas decreased from 10.8% in 2011-12 to 5% in 2023-24 while that for urban areas decreased from 6.7% to 3.8% in the same period. On the other hand, the share of food items like milk and milk products and fruits have increased in the total MPCE.

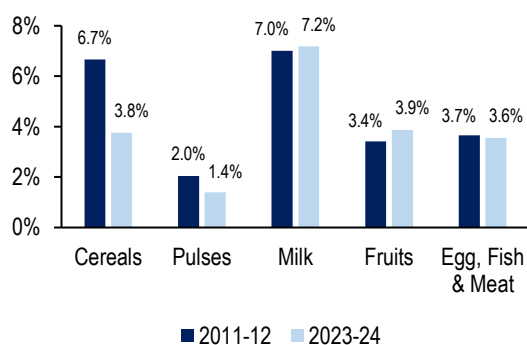
There has also been a decrease in the amount of protein intake by consuming cereals.<sup>24</sup> There was an increase in the share of proteins consumed through items such as pulses, milk, and egg, fish and meat.<sup>24</sup> Moreover, while cereals or foodgrains contain only 10% protein, their share as a percentage of total protein intake in rural and urban areas was more than 50% in 2011-12.<sup>24</sup> Other food items such as pulses and meat contain more than 20% protein but accounted for only 15% of the total protein intake in India.<sup>24</sup> The 15<sup>th</sup> Finance Commission had noted that the decrease in the share of cereals in food consumption indicated a reduced preference for wheat and rice and an increase in preference for other protein-rich food items.<sup>24</sup>

**Figure 6: Share of select food items in total MPCE for rural India (in %)**



Note: Cereals include cereal substitutes, pulses include gram, milk includes milk products, and fruits include fresh and dry fruits. Values for 2023-24 taken without imputation. Sources: Fact Sheet, Household Consumption Expenditure Survey: 2023-24; PRS.

**Figure 7: Share of select food items in total MPCE for urban India (in %)**



Note: Cereals include cereal substitutes, pulses include gram, milk includes milk products, and fruits include fresh and dry fruits. Values for 2023-24 taken without imputation. Sources: Fact Sheet, Household Consumption Expenditure Survey: 2023-24; PRS.

**Pulses under PMGKAY:** Pulses can be a better source of protein as compared to cereals and can help improve nutrition intake for NFSA beneficiaries. Under the first phase of the PMGKAY between April to June 2020, the central government distributed one kg of pulses per household per month free of cost for NFSA beneficiaries.<sup>25</sup> Between July to November 2020, one kg of chana was provided free of cost per family per month to beneficiaries covered under the NFSA. However, the allocation of pulses was not continued after that under PMGKAY.

Between 2013-14 and 2023-24, the domestic production of pulses has increased at an annual rate of 2.3%, similar to the increase in the total production of foodgrains.<sup>26</sup> However, the production of pulses has been characterised by significant variability. For instance, in 2016-17, production of pulses increased by 42% over 2015-16, but in 2018-19, it decreased by 13% over 2017-18. Moreover, India continues to be import dependent for meeting its domestic needs for consumption of pulses. India's import dependency for pulses in 2020-21 was 9% which is estimated to

decrease to 3.6% by 2030-31.<sup>27</sup> In 2023-24, India's production of pulses decreased by 7% to 242 lakh tonnes compared to 2022-23 while imports almost doubled to 47 lakh tonnes. This is in contrast to wheat and rice where the domestic production is more than sufficient to meet the domestic consumption demand.

A 2016 report on incentivising production of pulses had observed that increasing domestic availability of pulses would need higher MSP along with effective procurement.<sup>28</sup> It had recommended gradually creating a buffer stock in pulses of 20 lakh tonnes.<sup>28</sup> Note that pulses are more difficult to store than cereals making it tougher to create buffer stocks.<sup>29</sup> They suffer greater damage from insects and microorganisms. This leads to quantitative losses and reduces the nutritive value due to vitamin loss and deterioration of protein quality.<sup>29</sup>

### *Delivery of food subsidy*

**Leakages in PDS:** Leakages refer to food grains not reaching the intended beneficiaries. According to the 2011 data, leakages in PDS were estimated to be around 47%.<sup>14,30</sup> Leakages may be of three types: (i) pilferage or damage during transportation of food grains, (ii) diversion to non-beneficiaries at fair price shops through issue of ghost cards, and (iii) exclusion of people who are entitled to food grains but are not on the beneficiary list.<sup>31,32</sup>

Based on the Household Consumption Expenditure Survey (2022-23), a paper published by the Indian Council for Research on International Economic Relations (ICRIER) has estimated leakages of foodgrains under PDS at 28%.<sup>33</sup> This includes foodgrains supplied by FCI and state governments. The study has estimated leakages based on the difference between offtake of foodgrains and actual household consumption.<sup>33</sup> Note that both the Standing Committee (2015) and the High Level Committee (2015) had cited an earlier ICRIER study while discussing PDS leakages in 2011.

However, the Department has contested the methodology of the ICRIER study based on the 2022-23 survey. It said that while offtake refers to the quantity of foodgrains lifted by states, distribution represents their delivery to beneficiaries.<sup>34</sup> Offtake figures include stocks in transit, buffer allocations, and operational reserves which are not immediately distributed to households. As per guidelines of the Department, states/UTs are required to lift the foodgrains allocated for a particular month by the last day of the preceding month.<sup>35</sup> This is done to ensure that the foodgrains lifted are distributed to the beneficiaries in the allocation month itself.<sup>35</sup>

Exclusion errors occur when entitled beneficiaries do not get food grains. It refers to the percentage of poor households that are entitled to but do not have PDS cards. Exclusion errors had declined from 55% in 2004-05 to 41% in 2011-12.<sup>36</sup> Inclusion errors

occur when those who are ineligible get undue benefits. Inclusion errors had increased from 29% in 2004-05 to 37% in 2011-12.<sup>36</sup>

Considering the significant leakages under the PDS, the High-Level Committee (2015) had recommended the incorporation of Aadhaar and biometric authentication.<sup>14</sup> In February 2017, the Ministry made it mandatory for beneficiaries under the NFSA to use Aadhaar as proof of identification for receiving food grains.<sup>37</sup> However, non-linking of Aadhaar with ration cards is not a ground for cancellation of ration cards.<sup>38</sup> The deadline for applying for Aadhaar enrolment in order to avail subsidised food grains or cash transfer of food subsidy has been extended several times and currently stands at March 31, 2025.<sup>39</sup> According to the central government, due to measures such as digitisation of ration cards, deduplication, and identification of fake/ineligible ration cards, states/UTs have cancelled about six crore ration cards between 2013 to 2024.<sup>40</sup> As of January 2025, almost all ration cards were seeded with Aadhaar.<sup>41</sup>

At times, beneficiaries may face issues with Aadhaar authentication while availing PDS benefits. According to the data submitted by UIDAI to the Supreme Court, the Aadhaar authentication failure rate (across all purposes) was 8.5% for iris scans and 6% for fingerprints.<sup>42</sup> In its judgement (2018), the Court held that services cannot be denied to beneficiaries due to Aadhaar authentication failure.<sup>42</sup>

Automation of fair price shops (FPS) by installing electronic point of sale devices (ePoS) has been another reform which has been suggested to address leakages in PDS. This helps in transparent distribution of food grains after unique identification of beneficiaries.<sup>43</sup> In addition to this, ePoS devices also upload the electronic records of sale transactions to centralised servers in states/UTs.<sup>43</sup> As of December 2024, 99.6% of the total FPSs across states were equipped with ePoS devices.<sup>44</sup>

However, certain issues have been observed with the authentication of beneficiaries through ePoS devices. These issues have been flagged in evaluation studies commissioned by the Department regarding the implementation of NFSA across states. For instance, a survey conducted in six districts of Bihar between January to June 2023 highlighted that biometric authentication of beneficiaries remained a significant challenge.<sup>45</sup> The problem was especially acute for older beneficiaries and children.<sup>45</sup> The study also found that certain FPS dealers were not comfortable in operating the ePoS machines and had to hire a person to operate the devices during distribution of foodgrains.<sup>45</sup> At times, poor internet connectivity also hampered the timely distribution of foodgrains in certain districts which were surveyed.<sup>45</sup> Issues with biometric authentication of beneficiaries have also been observed in other states such as Jharkhand and Odisha.<sup>46,47</sup>



**Direct Benefit Transfer (DBT):** The NFSA provides that one of the reforms in targeted PDS is the introduction of schemes such as cash transfer and food coupons.<sup>6</sup> The High-Level Committee on FCI (2015) had observed that a majority of the rural population covered under NFSA are farmers or people working on farms.<sup>14</sup> This implies that the government often procures, stores, and distributes grains to the same persons that they are buying grains from at MSP.<sup>14</sup> The Committee recommended that it would be better to provide cash subsidy to such farmers and farm workers. This was seen to reduce the subsidy expenses of the central government while at the same time improve the effective subsidy support received by the beneficiaries.<sup>14</sup> The Committee estimated that this would save around Rs 30,000-35,000 crore for the central government. It recommended giving cash transfers indexed to inflation.<sup>14</sup>

In September 2015, the central government started pilot projects for providing food subsidy through cash transfers. This is being implemented in Chandigarh, Puducherry and urban areas of Dadra and Nagar Haveli.<sup>48</sup> According to the central government these pilot projects aim to: (i) reduce the need for physical movement of foodgrains, (ii) provide greater autonomy to beneficiaries to choose their consumption basket, and (iii) reduce leakages along with improving targeting.<sup>48</sup> However, even after nine years of starting the pilot projects, the uptake of DBT across states has been limited. The government of Puducherry had sought an exemption from the DBT scheme under NFSA.<sup>49</sup> However, its request was turned down by the Centre.<sup>49</sup> A DBT pilot project started in the Nagri block of Jharkhand was discontinued in 2018, 10 months after it was launched.<sup>50</sup> According to news reports, a social audit of the scheme had revealed that some beneficiaries took more than four days in accessing the ration after receiving the money.<sup>50</sup> Moreover, some beneficiaries also had to borrow money in order to be able to buy rations.<sup>50</sup>

#### Cash transfers for rice in Karnataka

In 2023, Karnataka introduced the Annabhagya scheme to provide an additional five kg foodgrains over the regular NFSA entitlements.<sup>51</sup> Due to the inability to secure additional stocks of rice for distribution under the scheme, Karnataka has been providing cash transfers to the beneficiaries in lieu of rice. Rs 170 per month is provided through direct benefit transfer for purchasing five kg of rice at Rs 34 per kg.<sup>51</sup> Till February 16, 2024, the state had transferred Rs 4,595 crore to around four crore beneficiaries.<sup>51</sup>

**One Nation One Ration Card (ONORC):** In order to facilitate nationwide portability of NFSA entitlements, the central government has implemented the ONORC. Under the scheme, NFSA beneficiaries have the choice to procure their entitled foodgrain from any FPS across the country with their existing ration card.<sup>52</sup> It is being implemented in all states/UTs. Between August

2019 and March 2023, almost 100 crore portability transactions were carried out under ONORC. However, only 0.7% of these accounted for inter-state transactions while the remaining were intra-state transactions.<sup>53</sup>

#### Procurement of foodgrains

There are two broad procurement systems: (i) centralised and (ii) decentralised.<sup>54</sup> Under the centralised procurement system, foodgrains are procured either directly by the FCI or by state government agencies (at MSP). Foodgrains procured by state agencies are handed over to FCI for storage, distribution, or transportation. Under decentralised procurement, state government/agencies procure, store, and distribute rice/wheat/coarse grains within the state. The excess stocks of rice and wheat are handed over to FCI in the central pool. The expenditure incurred by the states and its agencies are reimbursed by the central government. As of November 2024, 17 states/UTs undertook decentralised procurement of paddy/rice while nine states undertook the decentralised procurement of wheat.<sup>44</sup> See annexure for state-wise procurement of rice and wheat for the central pool.

**Decentralised procurement:** The Standing Committee on Food, Consumer Affairs, and Public Distribution (2022) had noted that even after 24 years of starting decentralised procurement, the scheme has not been implemented by all states/UTs.<sup>55</sup> The Department had informed the Committee that since decentralised procurement involves the state governments to make arrangement for funds, storage, and manpower, they hesitate to adopt it.<sup>55</sup> Decentralised procurement of foodgrains is considered to be more effective as it does not require FCI to take over the stock of foodgrains and then release it to states.<sup>55</sup> The Standing Committee recommended that all states/UTs should adopt the decentralised procurement of foodgrains.<sup>55</sup> This would ensure the effective implementation of NFSA and make available foodgrains suited to local tastes for distribution under PDS.<sup>55</sup> The Committee had recommended the central government to help states in adopting decentralised procurement.

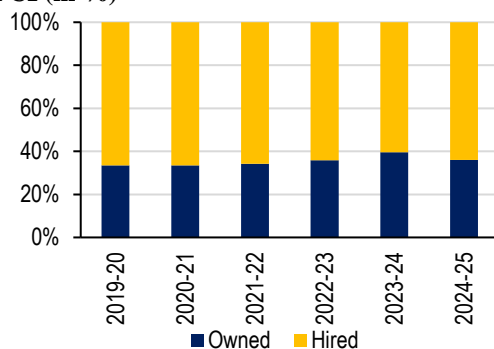
#### Storage of foodgrains

In order to store foodgrains for their distribution under PDS and other welfare schemes, FCI has its own as well as hired storage capacity.<sup>56</sup> FCI hires storage capacities from Central and State Warehousing Corporations, state agencies, and private parties.<sup>56</sup> New godowns are constructed by FCI primarily through private participation.

CAG (2023) noted that between 2018 and 2022, FCI's owned storage capacity was largely unchanged (barring an increase in 2022 due to reassessment of capacity).<sup>20</sup> There was a significant shortfall in owned storage capacity particularly in states which contributed significantly to FCI's

procurement of foodgrains. For instance, in Punjab, against an average procurement of 228 lakh tonnes of foodgrains between 2017-18 and 2021-22, FCI's average owned storage capacity was only 31 lakh tonnes. CAG noted that the increase in hired storage capacity has increased the food subsidy bill of the central government.<sup>20</sup> Charges for hiring storage capacity increased from Rs 2,713 crore in 2017-18 to Rs 3,097 crore in 2021-22.<sup>20</sup>

**Figure 8: Owned vs hired storage capacity with FCI (in %)**



Note: Data as on June 30 of each year.  
Sources: FCI; PRS.

The Standing Committee (2024) observed that FCI has consistently not met its target of constructing storage and godowns between 2019-20 and 2023-24.<sup>44</sup> According to the Ministry, a major hurdle in the construction of storage is land acquisition from state governments which take up significant time.<sup>44</sup> Other issues include, difficult topographical conditions (in North Eastern states) and poor weather conditions. The Committee recommended the Ministry to constitute a high-level committee which would include state government officials to address these issues.<sup>44</sup>

### Sugarcane

The Department is also responsible for formulation of policies and regulations for the sugar sector. This includes fixing the Fair and Remunerative Price (FRP) of sugarcane which is payable to farmers by sugar mills, regulating production and international trade of sugar, and fixing minimum selling price of sugar. As of December 2024, Rs 4,525 crore were pending in dues to sugarcane farmers for the sugar seasons (October-September) from 2021-22 to 2024-25.<sup>57</sup> Domestic production of sugar in excess of demand leads to an accumulation of sugar stock. In a normal sugar season, the production of sugar is around 320-360 lakh metric tonnes against domestic consumption of about 260-280 lakh metric tonnes.<sup>53</sup> This surplus production affects the liquidity of sugar mills, thereby leading to accumulation of arrears to sugarcane farmers.

One of the ways to tackle excess sugar production is the export of excess sugar.<sup>58</sup> However, often it is difficult for the Indian sugar industry to compete in the international market.<sup>58</sup> Most of the overseas market is already captured by other surplus sugar

producing countries. The cost of producing sugar in India is also higher as compared to other exporters.<sup>58</sup> A Task Force on Sugarcane and Sugar Industry (2020) had noted that while the cost of producing sugar in India was Rs 36 per kg, globally this cost was much lower at Rs 18.5 per kg.<sup>58</sup> Sugarcane is also a water intensive crop. On average, one kg of sugar requires around 1,500-2,000 kg of water.<sup>58</sup> The task force had noted that pressure on water due to sugarcane cultivation has become a concern in states such as Maharashtra.<sup>58</sup>

**Ethanol Blending Programme:** Excess sugarcane can be used in the central government's ethanol blending programme. Currently ethanol is produced from sugarcane juice, molasses, damaged foodgrains, rice from FCI, and maize.<sup>53</sup> Under the National Biofuel Policy, 2018, the central government aims to achieve 20% ethanol blending in petrol by 2025. As of ethanol supply year (December to November) 2023-24 (up to October 20, 2024), India had achieved 13.9% blending of ethanol in petrol.<sup>44</sup> In sugar season 2021-22, about 36 lakh tonne of excess sugar was diverted for the production of ethanol.<sup>53</sup> India's ethanol production capacity currently stands at 1,683 crore litres against the requirement of 1,700 crore litres to achieve the 20% blending target.<sup>44</sup> To meet the 20% blending target, about 60 lakh tonnes of sugar will be diverted by 2025.<sup>53</sup> This is expected to address high sugar inventories, improve liquidity of sugar mills, and enable timely payment of dues to farmers.<sup>53</sup> In the sugar season 2023-24, 24 lakh tonnes of sugar was diverted for the production of ethanol.<sup>59</sup> This was 6% of the total sugar stocks in 2023-24. However, any increase in sugarcane production to meet ethanol blending targets may put further stress on the water table in states producing the crop. Note that Brazil, which also blends ethanol in fuel, has increased the use of corn in its production.<sup>60</sup>

**Sugarcane prices:** Certain state governments fix their own State Advised Price (SAP) at levels higher than the FRP announced by the central government. This causes further strain on the financial health of the sugar mills. The Task Force on Sugarcane and Sugar Industry (2020) recommended that sugarcane prices must be linked to sugar prices.<sup>58</sup> Increases in FRP should be kept moderate and states announcing SAP should also bear the additional costs associated with it.<sup>58</sup> The Task Force recommended a staggered payment mechanism for sugarcane. However, it should be ensured that the entire dues to the farmers are cleared within two months.<sup>58</sup> The central government also fixes the minimum selling price for sugar. This was increased from Rs 29 per kg to Rs 31 per kg with effect from February 14, 2019.<sup>61</sup> The task force had recommended increasing the minimum selling price of sugar to Rs 33 per kg with it being reviewed six months after notification.<sup>58</sup> It observed that raising the selling price would help sugar mills to cover their production and maintenance costs.

## Annexure

**Table 6: Allocation to major heads of expenditure under the Department in 2025-26 (Rs crore)**

Head	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	2025-26 Budgeted	% change 2025-26 BE over 2024-25 RE
Food subsidy	2,11,814	2,05,250	1,97,420	2,03,420	3%
Subsidy to Food Corporation of India (FCI)	1,39,661	-	-	-	-
Subsidy to states (decentralised procurement)	71,733	-	-	-	-
Sugar subsidy payable under PDS	420	0	420	420	0%
PMGKAY	-	2,05,250	1,97,000	2,03,000	3%
Assistance to state agencies for intra-state movement of food grains and for margin of fair price shops' dealers	8,704	7,075	7,075	7,075	0%
Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity	400	450	600	600	0%
<b>Department</b>	<b>2,32,223</b>	<b>2,13,020</b>	<b>2,05,475</b>	<b>2,11,406</b>	<b>3%</b>

Sources: Demand No. 15, Department of Food and Public Distribution, Expenditure Budget, Union Budget 2025-26; PRS.

**Table 7: Production and procurement of wheat for central pool (in lakh tonnes)**

States	2019-20			2020-21			2021-22			2022-23			2023-24		
	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%
Bihar	65	0	0%	56	0	0%	62	5	7%	62	0	0%	65	0	0%
Gujarat	24	0	0%	33	1	2%	33	2	5%	33	0	0%	35	0	0%
Haryana	126	93	74%	119	74	62%	124	85	69%	104	42	40%	109	63	58%
Himachal Pradesh	6	0	0%	6	0.03	1%	6	0.1	2%	5	0.03	1%	6	0.03	1%
Jammu and Kashmir	7	0	0%	5	0	0%	5	0.2	5%	6	0	0%	6	0	0%
Madhya Pradesh	165	67	41%	196	129	66%	182	128	70%	230	46	20%	227	71	31%
Maharashtra	12	0	0%	18	0	0%	21	0	0%	21	0	0%	24	0	0%
Punjab	183	129	71%	176	127	72%	172	132	77%	149	96	65%	168	121	72%
Rajasthan	101	14	14%	109	22	20%	110	23	21%	101	0	0%	106	4	4%
Uttar Pradesh	327	37	11%	338	36	11%	355	56	16%	340	3	1%	336	2	1%
Uttarakhand	10	0.4	4%	9	0.4	4%	10	1	15%	9	0	0%	8	0	0%
Others	1	0.1	13%	1	0.1	10%	18	0.2	1%	17	0	0%	1	0.1	8%
<b>Total</b>	<b>1,026</b>	<b>341</b>	<b>33%</b>	<b>1,066</b>	<b>390</b>	<b>37%</b>	<b>1,096</b>	<b>433</b>	<b>40%</b>	<b>1,077</b>	<b>188</b>	<b>17%</b>	<b>1,092</b>	<b>262</b>	<b>24%</b>

Note: Prod is production and proc is procurement.

Sources: 6<sup>th</sup> Report, Standing Committee on Consumer Affairs, Food and Public Distribution, December 16, 2024; PRS.**Table 8: Outstanding dues of sugarcane farmers as on December 13, 2024 (Rs crore)**

State	2021-22	2022-23	2023-24	2024-25	Total Arrears
Andhra Pradesh	-	-	8	30	38
Bihar	-	-	-	159	159
Karnataka	-	-	-	1,405	1,405
Maharashtra	32	10	2	526*	570
Tamil Nadu	-	-	11	24	35
Uttar Pradesh	37	128	1,212	574	1,951
Uttarakhand	-	-	10	149	159
Others	28	-	32	148	208
<b>Total</b>	<b>97</b>	<b>138</b>	<b>1,275</b>	<b>3,015</b>	<b>4,525</b>

Note: \*: Data is up to November 30, 2024.

Sources: Starred Question No. 336, Lok Sabha, December 18, 2024; PRS.



**Table 9: Production and procurement of rice for central pool (in lakh tonnes)**

States	2019-20			2020-21			2021-22			2022-23			2023-24		
	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%	Prod	Proc	%
Andhra Pradesh	87	55	64%	79	57	72%	78	45	57%	79	28	35%	73	20	28%
Assam	50	2	4%	52	1	3%	44	4	9%	56	4	7%	55	3	5%
Bihar	63	13	21%	67	24	35%	77	30	39%	70	28	40%	79	21	26%
Chhattisgarh	68	51	75%	72	48	66%	80	62	77%	98	59	60%	97	83	86%
Gujarat	20	0.1	1%	21	1	3%	21	1	4%	24	1	5%	24	1	2%
Haryana	48	43	89%	44	38	86%	46	37	80%	51	40	78%	60	39	66%
Himachal Pradesh	1	0	0%	1	0	0%	2	0.2	11%	1	0.1	7%	2	0.2	9%
Jammu and Kashmir	6	0.1	2%	6	0.3	4%	5	0.3	5%	0	0	-	6	0.2	2%
Jharkhand	30	3	8%	28	4	16%	29	5	17%	15	1	8%	15	1	3%
Karnataka	36	0.4	1%	43	1	3%	43	1	3%	43	0	0%	31	-	-
Kerala	6	5	80%	6	5	82%	5	5	105%	6	5	83%	5	4	76%
Madhya Pradesh	48	17	36%	44	25	57%	48	31	64%	70	31	44%	72	28	39%
Maharashtra	29	12	40%	33	13	39%	36	12	34%	39	12	32%	39	8	20%
Odisha	84	48	57%	88	53	60%	93	48	52%	83	54	65%	85	48	57%
Punjab	118	109	92%	128	136	106%	129	125	97%	130	122	94%	144	124	86%
Rajasthan	5	0	0%	6	0	0%	5	0.05	1%	6	0	0%	7	-	-
Tamil Nadu	72	22	31%	69	31	44%	79	19	24%	76	23	30%	68	24	35%
Telangana	74	75	100%	102	95	93%	124	74	60%	159	88	56%	169	64	38%
Uttar Pradesh	155	38	24%	155	45	29%	153	44	29%	161	44	27%	160	36	23%
Uttarakhand	7	7	104%	7	7	100%	7	8	108%	6	6	95%	6	5	76%
West Bengal	159	18	12%	135	19	14%	167	24	14%	155	22	14%	157	17	11%
Others	24	0.3	1%	56	0.4	1%	24	1	2%	29	0.4	1%	23	0.4	2%
<b>Total</b>	<b>1,189</b>	<b>518</b>	<b>44%</b>	<b>1,244</b>	<b>602</b>	<b>48%</b>	<b>1,295</b>	<b>576</b>	<b>44%</b>	<b>1,358</b>	<b>569</b>	<b>42%</b>	<b>1,378</b>	<b>525</b>	<b>38%</b>

Note: Prod is production and proc is procurement.

Sources: 6<sup>th</sup> Report, Standing Committee on Consumer Affairs, Food and Public Distribution, December 16, 2024; PRS.

**Table 10: Procurement, offtake, and stocks of food grains (in lakh tonnes)**

Year	Procurement			Offtake			% Offtake	Stocks		
	Rice	Wheat	Total	Rice	Wheat	Total		Rice	Wheat	Total
2004-05	246.7	168.0	414.7	232.0	182.7	414.7	100%	133.4	40.7	179.7
2005-06	275.8	147.9	423.7	250.8	171.7	422.5	100%	136.8	20.1	166.2
2006-07	251.1	92.3	343.4	250.6	117.1	367.7	107%	131.7	47.0	179.3
2007-08	287.4	111.3	398.7	252.3	122.1	374.4	94%	138.4	58.0	197.5
2008-09	341.0	226.9	567.9	246.2	148.8	395.0	70%	216.0	134.3	355.8
2009-10	320.3	253.8	574.1	273.7	223.5	497.2	87%	267.1	161.3	433.1
2010-11	342.0	225.1	567.1	299.3	230.7	530.0	93%	288.2	153.6	443.1
2011-12	350.6	283.3	633.9	321.2	242.6	563.8	89%	333.5	199.5	534.0
2012-13	340.4	382.2	722.6	326.4	332.1	658.5	91%	354.7	242.1	597.6
2013-14	318.5	250.7	569.2	292.1	306.2	598.4	105%	305.0	178.3	494.7
2014-15	320.4	281.3	601.7	307.3	252.2	559.4	93%	237.9	172.2	413.1
2015-16	342.2	280.9	623.1	318.2	318.4	636.6	102%	287.8	145.4	435.7
2016-17	381.1	229.3	610.4	327.9	291.0	618.9	101%	297.5	80.6	379.7
2017-18	381.8	308.3	690.1	350.1	252.8	602.8	87%	300.2	132.3	433.6
2018-19	443.3	358.0	801.3	344.4	314.7	659.1	82%	397.6	169.9	568.1
2019-20	519.9	341.3	861.2	349.7	272.2	621.9	72%	491.5	247.0	738.9
2020-21	600.7	389.9	990.6	568.6	368.4	937.0	95%	499.3	273.0	779.3
2021-22	592.7	433.5	1026.2	552.1	505.9	1058.0	103%	550.4	189.9	745.2
2022-23	569.5	187.9	757.4	639.9	291.6	931.5	123%	433.8	83.5	521.6
2023-24	524.6	262.0	786.6	405.1	271.8	676.9	86%	531.5	75.0	610.3

Note: Total stocks include coarse cereals.

Sources: Handbook of Statistics on Indian Economy, Reserve Bank of India; PRS.

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