

Demand for Grants 2023-24 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 5% of the budget of the central government in 2023-24.¹

The **Department of Consumer Affairs** is responsible for spreading awareness among consumers about their rights, protecting their interests, implementing standards, and preventing black marketing.² In 2023-24, the Department has been allocated Rs 251 crore, a 14% increase over the revised estimate of 2022-23.³ However, the allocation to the Department has declined by 87% in 2022-23 at the revised estimate stage as compared to the budget estimate stage.

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.⁴ In 2023-24, the Department has been allocated Rs 2,05,514 crore (almost the entire allocation of the Ministry).⁵ This is a decrease of 31% as compared to the revised estimate of 2022-23.

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

Department	2021-22 Actuals	2022-23 Revised	2023-24 Budgeted	% change 2023-24 BE over 2022-23 RE
Food & Public Distribution	3,04,361	2,96,304	2,05,514	-31%
Consumer Affairs	2,211	220	251	14%
Total	3,06,571	2,96,523	2,05,765	-31%

Sources: Expenditure Budget, Union Budget 2023-24; 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.

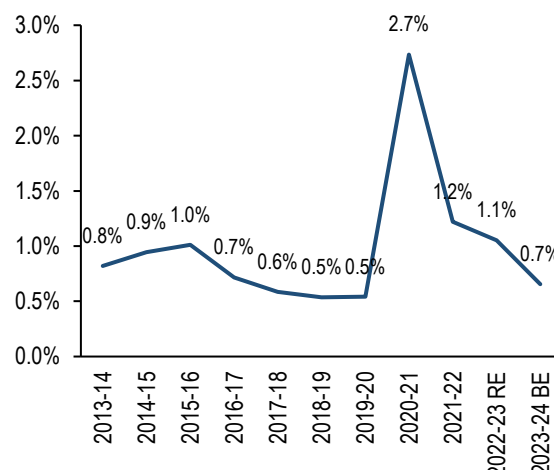
Overview of Finances

Food subsidy is the largest expenditure by the Department of Food and Public Distribution. 96% of the Department’s allocation in 2023-24 is towards food subsidy (see Table 7 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 (known as Central Issue 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.^{6,7} 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.

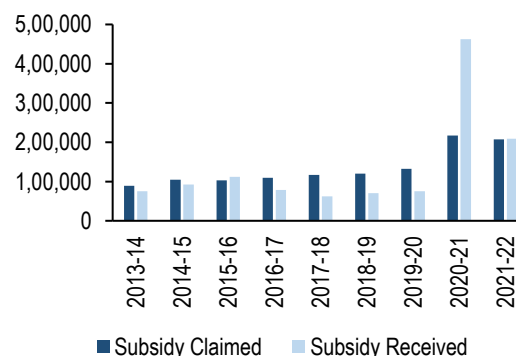
The subsidy also covers the storage cost incurred by FCI in maintaining buffer stocks in order to ensure food security in the country. Figure 1 shows the expenditure on food subsidy during 2013-14 to 2023-24 as a percentage of GDP. The spending on food subsidy as a percentage of GDP decreased between 2013-14 (0.8%) and 2019-20 (0.5%). However, this downward trend was driven by releasing less subsidy than what was originally claimed by the FCI.⁸

Figure 1: Expenditure on food subsidy (as % of GDP)



Note: RE is revised estimate; BE is budget estimate. Sources: Union Budget Documents; MoSPI; PRS.

Figure 2: Subsidy claimed by FCI vs released by government (Rs crore)



Sources: FCI; PRS.

The amount of unpaid subsidy to the FCI had steadily increased over the last few years. While the

central government released less than claimed subsidy, it provided loans to the FCI through the National Small Savings Fund (NSSF). In the budget for 2021-22, 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 to 2.7% of GDP. 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 Rs 3.9 lakh crore.⁹ In December 2022, the Union Cabinet decided to provide foodgrains under NFSA free of cost to the eligible beneficiaries. This would be applicable for a one-year period from January 1, 2023.¹⁰

Table 2: Foodgrain allocation and expenditure under PMGKAY

Phases	Foodgrains allocated (lakh metric tonnes)	Expenditure (Rs crore)
Apr 20–Jun 20	120	44,834
Jul 20–Nov 20	201	68,351
May 21–Jun 21	80	26,602
Jul 21–Nov 21	199	67,266
Dec 21–Mar 22	159	53,344
Apr 22–Sep 22	239	85,838
Oct 22–Dec 22	120	44,763
Total	1,118	3,90,998

Sources: Unstarred Question No. 1994, Rajya Sabha; PRS.

Components of food subsidy

Expenditure on food subsidy can be classified under the following three heads (break-up in Table 3):

- **Subsidy to FCI:** The Food Corporation of India (FCI) receives subsidy for procuring food grains from farmers at government notified prices and selling them at lower subsidised prices. It also receives subsidy for the storage cost incurred in maintaining buffer stocks.
- **Subsidy to states:** Under the decentralised procurement scheme, states may choose to undertake the operations of procurement, storage, and distribution on behalf of FCI. In such cases, states are provided with subsidy.
- **Sugar subsidy:** Under this, one kg of sugar per family per month is provided at subsidised rates to families covered under the Antyodaya Anna Yojana. This is less than 0.2% of the total subsidy bill.

In addition, Rs 7,425 crore has been allocated as assistance to states for intra-state movement of foodgrains and margins of fair price shop dealers. In the budget for 2023-24, the subsidy allocated to the FCI and states is expected to be 36% and 17% lower as compared to the revised estimate of 2022-23, respectively.

Table 3: Break-up of food subsidy (Rs crore)

Subsidy	2021-22 Actuals	2022-23 Revised	2023-24 Budgeted	% change in 2023-24 BE over 2022-23 RE
Subsidy to FCI	2,08,929	2,14,696	1,37,207	-36%
Subsidy to states (decentralised procurement)	79,790	72,283	59,793	-17%
Sugar subsidy	250	216	350	62%
Total	2,88,969	2,87,194	1,97,350	-31%

Sources: Expenditure Budget, Union Budget 2023-24; PRS.

Issues in the Sector

Coverage under NFSA

The NFSA provides that subsidised foodgrains be provided to up to 75% of the rural population and up to 50% of the urban population (as per the census).⁶ On an average, it covers 67% of the total population of the country. As per the 2011 census, the number of eligible beneficiaries covered under NFSA is around 80 crore. Who should receive food subsidy has been a key question. On one hand there have been suggestions to identify beneficiaries as per the latest population figures to increase coverage. On the other hand, experts have suggested to reduce the coverage under NFSA while increasing the entitlements for priority households.

The next decadal census was to be conducted in 2021. However, due to the COVID-19 pandemic, it has been postponed until further orders.¹¹ In the backdrop of this delay and the increase in population during the intervening period, the number of people getting food subsidy under NFSA may be less than 67% of the population. According to the population estimates prepared by the National Commission on Population, India's population as on March 1, 2021 is expected to be 136 crore as compared to 121 crore in 2011.¹² Going by this estimate, the number of people who are eligible to be covered under NFSA would be around 91 crore which is more than the current number of beneficiaries receiving subsidised foodgrains.

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.¹³ 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.¹³ Note that certain states run an expanded version of the PDS. According to the central government, more than six crore state ration cards exist which cover another 25 crore people over and above the NFSA mandate.¹⁴

Various experts have noted that the coverage of NFSA is high, but the allocation to priority households is low. In 2011-12, the per capita consumption of cereals in rural areas was 11.2 kg and in urban areas was 9.3 kg.¹⁵ Compared to this, under NFSA, priority households are entitled to receive 5 kg of foodgrains (primarily rice and wheat) per person per month. In the last two years, some of the consumption gap was being met through the additional allocation of foodgrains under PMGKAY, which was discontinued in December 2022.

The High Level Committee on Restructuring of Food Corporation of India (2015) had recommended that the central government should rethink the coverage of population under NFSA.¹⁶ It noted that allocating 5 kg foodgrains per person to priority households made them worse off compared to the earlier framework of targeted PDS under which they were entitled to 7 kg of foodgrains per person.¹⁶ It had recommended reducing the overall coverage for NFSA to around 40% of the population. This would cover all families below the poverty line and some families above that. At the same time, it recommended increasing the allocation of foodgrains to priority households to 7 kg per person.

Free provision of foodgrains under NFSA is against long-standing recommendation of revision of CIP

Under the National Food Security Act, 2013, food grains are allocated to the beneficiaries at the Central Issue Price (CIP). These prices have not changed since July 1, 2002.¹⁷ The Standing Committee on Food, Consumer Affairs and Public Distribution (2017) noted that the food subsidy bill has increased due to increase in MSP of wheat and rice with respect to the CIP, increased off take of food grains under targeted PDS, and implementation of NFSA in all states/UTs.¹⁸ The Economic Survey 2020-21 noted that the central government's food subsidy bill is becoming unmanageably large.¹⁹

Table 4: Central Issue Price (in Rs per kg)

Food grain	NFSA	BPL	APL
Rice	3.00	5.65	7.95
Wheat	2.00	4.15	6.10

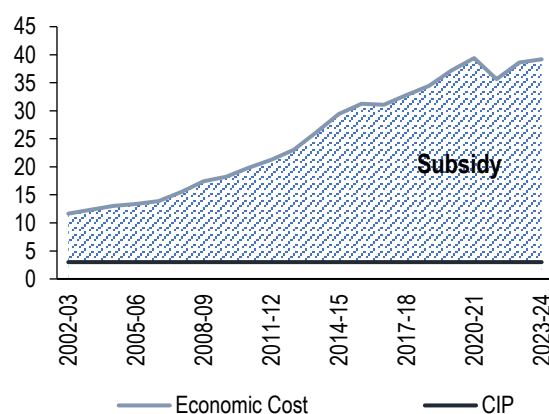
Note: BPL – Below Poverty Line, APL – Above Poverty Line.
Sources: FCI; PRS.

Food subsidy has three elements: (i) consumer subsidy, (ii) cost of maintaining buffer stock, and (iii) subsidy on coarse grains, regularisation of FCI's operational losses and other non-plan allocation to states.²⁰ Consumer subsidy is the difference between the economic cost and CIP. Economic cost includes cost of procurement, acquisition, and distribution. In 2002-03, from when the CIP has been effective, the economic cost of rice was Rs 11.7 per kg and for wheat it was Rs 8.8 per kg.²⁰ In 2023-24, the economic cost of rice is estimated to be Rs 39.2 per kg while that for

wheat is estimated at Rs 27 per kg.²⁰ 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.⁶

In 2023, the central government will provide free foodgrains to all eligible beneficiaries under the NFSA.¹⁰ This distribution of foodgrains has now been renamed as PMGKAY (after the scheme which ran from April 2020 to December 2022).²¹ The free distribution of foodgrains under NFSA is against the recommendations given in the past with respect to the revision of the CIP.

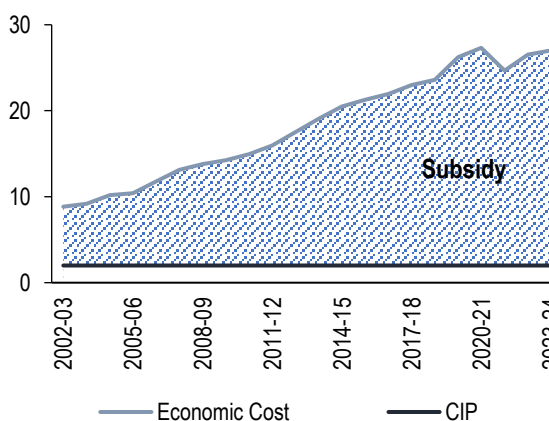
Figure 3: Subsidy on a kg of rice (in Rs/kg)



Note: Figures for 2022-23 are revised estimates and 2023-24 are budget estimates.

Sources: FCI; PRS.

Figure 4: Subsidy on a kg of wheat (in Rs/kg)



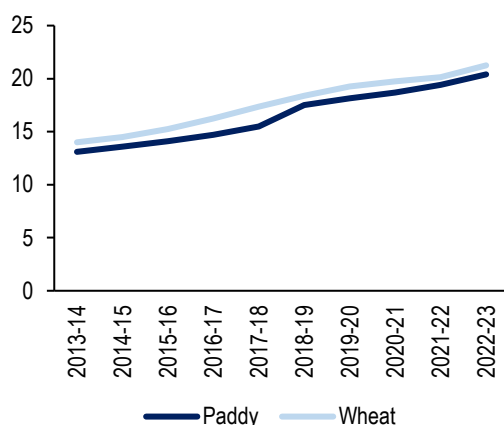
Note: Figures for 2022-23 are revised estimates and 2023-24 are budget estimates.

Sources: FCI; PRS.

The Economic Survey 2020-21 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. The 15th Finance Commission observed that the increase in economic cost of food grains will need to be partially offset by increasing CIP of subsidised foodgrains.²² Increase in expenditure on food subsidy may hinder investments in the agriculture and food sector.¹⁶ One recommendation has been to provide foodgrains at the prevailing subsidised rates only to the AAY households.¹⁶ However, the prices for

priority households must be linked to MSP. The rise in economic costs is driven by periodic increases in MSP (Figure 5).

Figure 5: Increase in MSP of paddy and wheat (in Rs/kg)



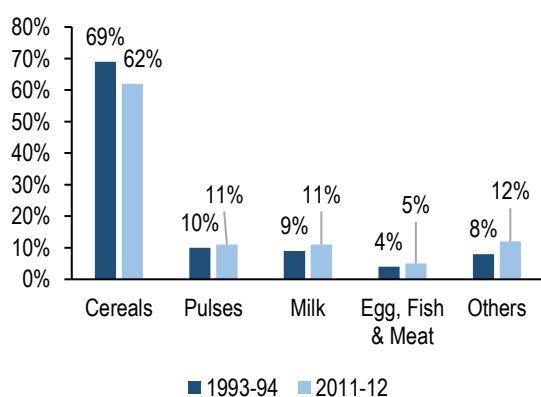
Sources: Commission for Agricultural Costs and Prices; PRS.

Distribution of commodities under NFSA may not cater to nutritional requirements of the beneficiaries

According to the National Family Health Survey – 5, 50% of the women and 48% of the men surveyed between the ages of 15-49 reported consuming pulses or beans daily.²³ Around 49% of the respondents reported consuming milk or curd daily.²³ One of the reforms prescribed under NFSA includes diversifying the commodities distributed under PDS over a period of time.⁶ 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 despite certain structural changes in consumption patterns of people.

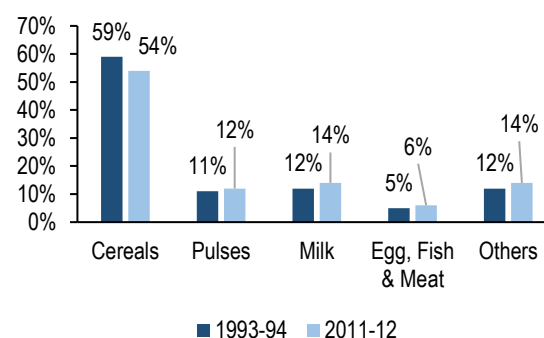
Between 1993-94 and 2011-12, the amount of protein intake by consuming cereals decreased in both rural areas and urban areas.²⁴ There was an increase in the share of proteins consumed through items such as pulses, milk, and egg, fish and meat.²⁴

Figure 6: Protein intake in rural areas



Sources: Nutritional Intake in India 2011-12, NSSO; 15th Finance Commission; PRS.

Figure 7: Protein intake in urban areas



Sources: Nutritional Intake in India 2011-12, NSSO; 15th Finance Commission; PRS.

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 2011-12.²⁴ Other sources of consumption such as pulses, milk, fish, and meat contain more than 20% protein but account for only 15% of total protein intake in India.²⁴

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.²⁵ 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 2011-12 and 2021-22, the domestic production of pulses has increased at an annual rate of 5% as compared to the increase of 2% in the total production of foodgrains.²⁶ However, 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 decline to 3.6% by 2030-31.²⁷ This is in contrast to wheat and rice where the domestic production is more than sufficient to meet the domestic consumption demand. As long as India continues to be import dependent for meeting its consumption needs for pulses, it may be challenging to include them as one of the commodities given under NFSA.

Delivery of food subsidy

Leakages in PDS: Leakages refer to food grains not reaching the intended beneficiaries. Note that recent data on leakages is not publicly available. The latest available data is for 2011. According to the 2011 data, leakages in PDS were estimated to be 46.7%.^{16,28} 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 entitled to food grains but who are not on the beneficiary list.^{29,30}

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 2011-12.³¹ Inclusion errors occur when those who are ineligible get undue benefits. Inclusion errors had increased from 29% in 2004-05 to 37% in 2011-12.³¹

Considering the significant leakages under the PDS, the High-Level Committee (2015) had recommended the incorporation of Aadhaar and biometric authentication.¹⁶ In February 2017, the Ministry made it mandatory for beneficiaries under the National Food Security Act, 2013 to use Aadhaar as proof of identification for receiving food grains.³² However, non-linking of Aadhaar with ration cards is not a ground for cancellation of ration cards.³³ 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, 2023.³⁴ 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 4.28 crore bogus cards between 2014 to 2021.³³ As on February 4, 2022, 93.5% of the ration cards have been seeded with Aadhaar (of at least one member of the household).³⁵

Note that 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.³⁶ In its judgement, the Court held that services cannot be denied to beneficiaries due to Aadhaar authentication failure.³⁶

Table 5: States where complete FPS automation is pending

State/UT	Total FPS	Operational ePoS	% FPS Automation
Andaman and Nicobar Islands	464	445	96%
Assam	33,987	19,078	56%
Chhattisgarh	12,304	12,004	98%

Sources: 18th Report, Standing Committee on Consumer Affairs, Food and Public Distribution, 2022; PRS.

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.³⁷ In addition to this, ePoS devices also upload the electronic records of sale transactions to centralised servers in states/UTs.³⁷

As on February 2, 2022, 97% of all FPSs have operationalised ePoS.³⁵

In May 2022, the Department of Food and Public Distribution revised the central assistance paid to states/UTs for meeting, among other expenses, the margins paid to FPS dealers.³⁸ Under the revised norms, the margin of FPS dealers have been increased from 70 paise per kg to 90 paise per kg in general category states and from Rs 1.43 per kg to Rs 1.8 per kg in north-eastern, Himalayan, and island states.³⁸

However, certain ground surveys have indicated that Aadhaar based authentication and automation of FPSs have led to problems of exclusion. For instance, a study in rural Jharkhand (2017) found that certain households were unable to pass the biometric authentication test and were hence unable to timely access their food entitlements.³⁹ Certain households with elderly couples reported issues with fingerprint recognition. The survey also found that quantity fraud (providing less than entitled foodgrains to beneficiaries) persisted even after the implementation of PoS devices.³⁹

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.⁶ 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.¹⁶ This implies that the government often procures, stores, and distributes grains to the same persons that they are buying grains from at MSP.¹⁶ 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.¹⁶ 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.¹⁶

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.⁴⁰ 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 and improve targeting.⁴⁰ However, even after seven 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.⁴¹ However, its request was turned down by the Centre.⁴¹ A DBT pilot project started in the Nagri block of Jharkhand was discontinued in 2018, 10 months after it was launched.⁴² 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.⁴² Moreover, some beneficiaries also had to borrow money in order to be able to buy rations.⁴²

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 lift their entitled foodgrain from any FPS across the country with their existing ration card.⁴³ It is being implemented in all states/UTs. Between August 2019 and November 2022, more than 93 crore portability transactions were carried out under ONORC. However, only 0.6% of these accounted for inter-state transactions while the remaining were intra-state transactions.⁴³ Bihar accounts for 31% of the total portability transactions, followed by Andhra Pradesh at 12% and Rajasthan at 11%.⁴³

Procurement of foodgrains

There are two broad procurement systems: (i) centralised and (ii) decentralised.⁴⁴ 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. At present, 15 states undertake decentralised procurement for rice while eight states undertake the decentralised procurement of wheat.³⁵

Table 6: Procurement of rice and wheat for central pool (in lakh metric tonnes)

Year	Rice	Wheat
2015-16	342.18	280.88
2016-17	381.06	229.61
2017-18	381.74	308.24
2018-19	443.99	357.95
2019-20	518.26	341.32
2020-21	602.45	389.92
2021-22	575.88	433.44
2022-23	434.83*	187.92

Note: *Rice procurement data up to January 31, 2023.
Sources: FCI; PRS.

In 2022-23, the wheat procurement for the central pool was 57% less as compared to the procurement in 2021-22.⁴⁵ This was driven by lower domestic production of wheat and sale of wheat by farmers in the open market to benefit from higher prices in the aftermath of geo-political tensions.⁴⁶ As a result of the lower procurement of wheat in 2022-23, the stock of wheat in the central pool as on January 1,

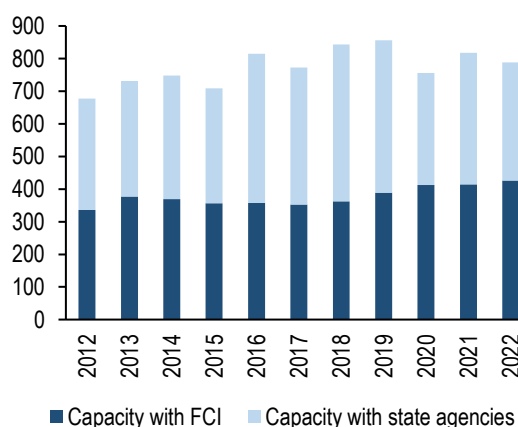
2023 was 171.7 lakh metric tonnes.⁴⁷ While this was above the foodgrain stocking norms of 138 lakh metric tonnes for wheat as on January 1 of each year, the actual stock in the central pool was the lowest since 2017.^{47,48}

Decentralised procurement: The Standing Committee on Food, Consumer Affairs, and Public Distribution (2022) noted that after 24 years of starting decentralised procurement, the scheme has not been implemented by all states/UTs.³⁵ 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.³⁵ 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.³⁵ The Standing Committee recommended that all states/UTs should adopt the decentralised procurement of foodgrains. This would ensure the effective implementation of NFSA and make available foodgrains suited to local tastes for distribution under PDS.³⁵ The Committee had recommended the central government to help states in adopting decentralised procurement.

Storage Capacity

In 2023-24, the central government has allocated Rs 104 crore for creation of storage capacity through FCI and state governments.⁵ FCI has its own network of storage infrastructure. Further, it also hires additional storage facilities from Central Warehousing Corporation and state warehousing corporations.⁴⁹

Figure 8: Storage capacity for central pool stocks (in lakh metric tonnes)

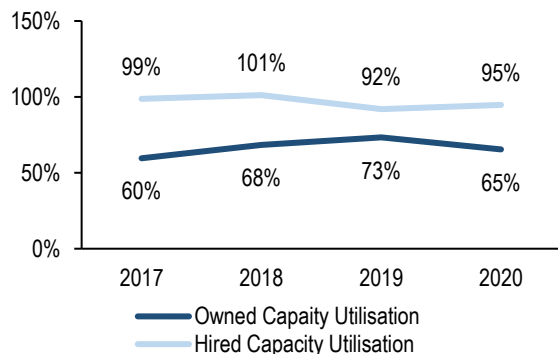


Note: Data as on April 1 of each year.
Sources: FCI; PRS.

The existing storage facilities are primarily conventional godowns where the foodgrains are stacked in bags.⁴⁹ During peak procurement periods, FCI also uses cover and plinth (CAP) facilities for short-term storage of foodgrains.⁴⁹ As on April 1, 2022, the storage capacity with FCI for central pool stocks was 427 lakh metric tonnes.⁵⁰ The High Level Committee (2015) had

recommended that CAP storage should be gradually phased out with no grain stocks remaining in CAP for more than three months.¹⁶ The Committee also recommended to replace CAP storage with silo bag technology and conventional storages wherever it was possible.

Figure 9: Hired and owned storage capacity utilisation of FCI



Note: Data as on June 1 of every year. Data for covered and CAP storage.

Sources: 13th Report, Standing Committee on Food, Consumer Affairs and Public Distribution, 2021; PRS.

The Standing Committee (2021) noted that the utilisation of hired storage capacity is much higher than the storage capacity owned by FCI.⁴⁹ The Committee recommended that godowns should be hired only when it is absolutely necessary.⁴⁹ It recommended that FCI should utilise its own storage capacity to the maximum to save funds spent on renting storage space.⁴⁹ The Standing Committee (2021) was informed that storage capacity is hired only when there is absolute necessity for it.⁴⁹ This is the reason that hired capacity is utilised fully. Also, hired storage facility allows more flexibility in responding to changes in procurement pattern or change in offtake of food grains.⁴⁹

The Standing Committee (2022) noted that physical and financial targets for construction of godowns was not met between 2019-20 and 2021-22.³⁵ In 2021-22, against a target of 30,020 metric tonnes storage in north-eastern states, 20,000 metric tonnes was constructed up to February 8, 2022.³⁵ In other states, no construction of godowns could be completed in 2021-22 against a target of 26,220 metric tonnes. The reasons for not meeting construction targets of godowns was cited to be: (i) COVID-19 related lockdowns, (ii) inability of state governments to timely hand over land parcels in the north east, (iii) local interference and law and order situation, and (iv) difficult geographical terrain.³⁵ The Committee noted that inadequate storage space hampers the efficiency of the PDS. It recommended improving the pace of construction of storage godowns going ahead in both north eastern and other states.³⁵

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 factories, training in sugar technology, and regulation of supply of free sale sugar. As of December 16, 2022, Rs 5,143 crore were pending in dues to sugarcane farmers for the sugar seasons (October-September) up to 2021-22.⁵¹ According to the Department, domestic production in excess of demand leads to an accumulation of sugar stock.³⁵ In a normal sugar season, the production of sugar is around 310-320 lakh metric tonnes against domestic consumption of about 260 lakh metric tonnes.³⁵ This causes blockage of funds and adversely affects the liquidity of sugar mills, thereby leading to accumulation of arrears to sugarcane farmers.

Ethanol Blending Programme: The central government has been implementing the ethanol blended petrol (EBP) programme to increase the value addition in sugar industry and clear the arrears of sugarcane farmers.⁵² The National Biofuel Policy, 2018, mandated 10% blending of ethanol into motor fuel by 2022 and 20% by 2030.³⁵ The target of achieving average 10% blending was achieved in June 2022.⁵³ The original target has been revised to achieve 20% blending by 2025-26.³⁵ In order to utilise the excess stock of sugarcane, the central government has permitted the production of ethanol from sugarcane juice, molasses (by-product in the production of sugar), sugar, and sugar syrup.³⁵ The ethanol supplied to oil marketing companies (OMCs) has increased from 38 crore litre in ethanol supply year (December-November) 2013-14 to over 452 crore litre in 2021-22.⁵³

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.⁵⁴ A Task Force on Sugarcane and Sugar Industry (2020) recommended that sugarcane prices must be linked to sugar prices.⁵⁴ Increases in FRP should be kept moderate and state announcing SAP should also bear the additional costs associated with it.⁵⁴ 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.⁵⁴ The central government also fixes the minimum selling price for white/refined sugar. This was increased from Rs 29 per kg to Rs 31 per kg with effect from February 14, 2019.⁵⁵ 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.⁵⁴ It observed that raising the selling price would help sugar mills to cover their production and maintenance costs.

Annexure

Table 7: Allocation to major heads of expenditure under the Department in 2023-24 (Rs crore)

	2021-22 Actuals	2022-23 Budgeted	2022-23 Revised	2023-24 Budgeted	% change in 2023- 24 BE over 2022-23 RE
Food subsidy	2,88,969	2,06,831	2,87,194	1,97,350	-31%
Subsidy to Food Corporation of India (FCI)	2,08,929	1,45,920	2,14,696	1,37,207	-36%
Subsidy to states (decentralised procurement)	79,790	60,561	72,283	59,793	-17%
Sugar subsidy payable under PDS	250	350	216	350	62%
Assistance to state agencies for intra-state movement of food grains and for margin of fair price shops' dealers	6,000	6,572	6,572	7,425	13%
Investment in equity capital of FCI	2,500	1,900	1,900	-	-100%
Scheme for providing assistance to Sugar Mills for expenses on marketing costs and costs of transport on export of sugar	3,478	-	21	-	-100%
Scheme for Assistance to Sugar Mills for 2019-20 season	2,121	-	15	-	-100%
Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity	160	300	260	400	54%
Department	3,04,361	2,15,960	2,96,304	2,05,514	-31%

Sources: Demand No. 15, Department of Food and Public Distribution, Expenditure Budget, Union Budget 2023-24; PRS.

Table 8: Procurement, offtake, and stocks of food grains (in million tonnes)

Year	Procurement			Offtake			% Offtake	Stocks		
	Rice	Wheat	Total	Rice	Wheat	Total		Rice	Wheat	Total
2004-05	24.7	16.8	41.5	23.2	18.3	41.5	100%	13.3	4.1	18.0
2005-06	27.6	14.8	42.4	25.1	17.2	42.3	100%	13.7	2.0	16.6
2006-07	25.1	9.2	34.3	25.1	11.7	36.8	107%	13.2	4.7	17.9
2007-08	28.7	11.1	39.9	25.2	12.2	37.4	94%	13.8	5.8	19.8
2008-09	34.1	22.7	56.8	24.6	14.9	39.5	70%	21.6	13.4	35.6
2009-10	32.0	25.4	57.4	27.4	22.4	49.7	87%	26.7	16.1	43.3
2010-11	34.2	22.5	56.7	29.9	23.1	53.0	93%	28.8	15.4	44.3
2011-12	35.1	28.3	63.4	32.1	24.3	56.4	89%	33.4	20.0	53.4
2012-13	34.0	38.2	72.3	32.6	33.2	65.9	91%	35.5	24.2	59.8
2013-14	31.9	25.1	56.9	29.2	30.6	59.8	105%	30.5	17.8	49.5
2014-15	32.0	28.1	60.2	30.7	25.2	55.9	93%	23.8	17.2	41.3
2015-16	34.2	28.1	62.3	31.8	31.8	63.7	102%	28.8	14.5	43.6
2016-17	38.1	22.9	61.0	32.8	29.1	61.9	101%	29.8	8.1	38.0
2017-18	38.2	30.8	69.0	35.0	25.3	60.3	87%	30.0	13.2	43.4
2018-19	44.4	35.8	80.2	34.4	31.5	65.9	82%	39.8	17.0	56.8
2019-20	51.8	34.1	86.0	34.4	26.4	60.8	71%	49.1	24.7	73.9
2020-21	60.1	39.0	99.1	56.3	36.8	93.1	94%	49.8	27.3	77.9
2021-22	58.1	43.3	101.4	53.3	49.1	102.3	101%	54.9	19.0	74.4

Note: Total stocks include coarse cereals.

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

Table 9: Status of end-to-end computerisation of PDS operations

State/UT	Digitisation of Ration Cards	Aadhaar Seeding with Ration Cards	Online Allocation of Food grains	Computerisation of Supply Chain
Andhra Pradesh	100%	100%	Implemented	Implemented
Arunachal Pradesh	100%	60%	Implemented	-
Assam	100%	47%	Implemented	Implemented
Bihar	100%	100%	Implemented	Implemented
Chhattisgarh	100%	100%	Implemented	Implemented
Goa	100%	98%	Implemented	Implemented
Gujarat	100%	99%	Implemented	Implemented
Haryana	100%	100%	Implemented	Implemented
Himachal Pradesh	100%	100%	Implemented	Implemented
Jharkhand	100%	98%	Implemented	Implemented
Karnataka	100%	100%	Implemented	Implemented
Kerala	100%	100%	Implemented	Implemented
Madhya Pradesh	100%	100%	Implemented	Implemented
Maharashtra	100%	100%	Implemented	Implemented
Manipur	100%	99%	Implemented	-
Meghalaya	100%	28%	Implemented	Implemented
Mizoram	100%	97%	Implemented	Implemented
Nagaland	100%	90%	Implemented	Implemented
Odisha	100%	99%	Implemented	Implemented
Punjab	100%	100%	Implemented	Implemented
Rajasthan	100%	100%	Implemented	Implemented
Sikkim	100%	100%	Implemented	Implemented
Tamil Nadu	100%	100%	Implemented	Implemented
Telangana	100%	100%	Implemented	Implemented
Tripura	100%	100%	Implemented	Implemented
Uttar Pradesh	100%	100%	Implemented	Implemented
Uttarakhand	100%	100%	Implemented	Implemented
West Bengal	100%	80%	Implemented	Implemented
Andaman and Nicobar Islands	100%	100%	Implemented	Implemented
Chandigarh	100%	100%	NA	NA
Dadra and Nagar Haveli and Daman and Diu	100%	100%	Implemented	Implemented
Delhi	100%	100%	Implemented	Implemented
Jammu and Kashmir	100%	100%	Implemented	Implemented
Ladakh	100%	99%	Implemented	Implemented
Lakshadweep	100%	100%	Implemented	NA
Puducherry	100%	98%	NA	NA
Total	100%	93.5%	34	31

Sources: 18th Report, Standing Committee on Food, Consumer Affairs, and Public Distribution (2022); PRS.

Table 10: Outstanding dues of sugarcane farmers (Rs crore)

State	2017-18 and earlier	2018-19	2019-20	2020-21	2021-22	Total Arrears
Andhra Pradesh	1	22	36	0	4	63
Bihar	18	50	39	4	0	111
Chhattisgarh	0	0	0	0	0	0
Gujarat	54	0	0	0	6	60
Haryana	0	0	0	0	48	48
Karnataka	3	4	0	0	0	7
Madhya Pradesh	8	0	0	0	5	13
Maharashtra	205	45	0	68	71	390
Odisha	3	0	0	0	0	3
Punjab	0	0	31	6	7	44
Tamil Nadu	1,380	73	0	0	221	1,674
Telangana	0	0	0	0	0	0
Uttar Pradesh	137	0	0	9	2,406	2,552
Uttarakhand	36	108	0	0	34	178
Total	1,845	303	106	88	2,802	5,143

Sources: Unstarred Question No. 1215, Rajya Sabha, December 16, 2022; PRS.

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