

Demand for Grants 2026-27 Analysis

Food and Public Distribution

Highlights

- The expected cost of providing free foodgrains for five years is around Rs 12 lakh crore. Rise in procurement cost and the Central Issue Price being zero has led to an increase in the food subsidy bill.
- Procurement of foodgrains for NFSA is concentrated in a few states, with 92% of wheat coming from three states, and 65% of paddy coming from five states.
- Rice and wheat are the two main foodgrains provided under NFSA. To support nutritional requirements, distribution of fortified rice and coarse grains are being undertaken.

The Department of Food and Public Distribution (DFPD) is responsible for ensuring food security through procurement, storage, and distribution of foodgrains, and for regulating the sugar sector.¹ The Department is under the purview of the Ministry of Consumer Affairs, Food and Public Distribution. This note examines the budget allocation to the Department and discusses related issues.

Overview

In 2026-27, the Department has been allocated Rs 2,35,047 crore, same as the revised estimate for 2025-26 (Rs 2,35,048 crore).² Allocation to the Department accounts for 4.4% of the budgeted expenditure of the central government in 2026-27.

Table 1: Allocation to the Department of Food and Public Distribution (in Rs crore)

Head	2024-25 Actuals	2025-26 RE	2026-27 BE	% change from 25-26 RE to 26-27 BE
PMGKAY	1,99,500	2,27,754	2,27,429	-0.1%
Assistance to state agencies*	6,945	6,000	6,500	8.3%
Assistance to Sugar Mills for Ethanol Capacity	600	600	600	0%
Sugar Subsidy under PDS	367	400	200	-50%
Other	295	294	318	8%
Total	2,07,707	2,35,048	2,35,047	0%

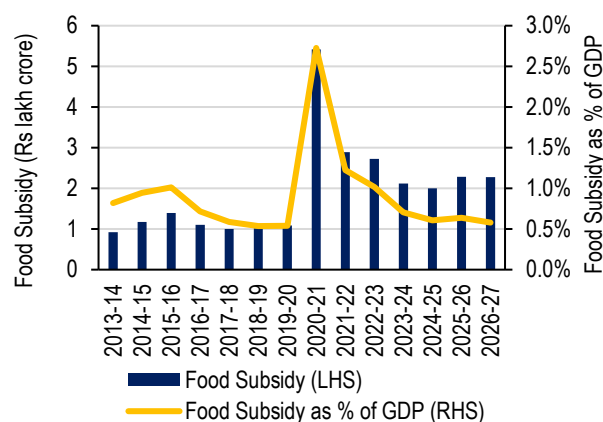
Note: *For intra-state movement of grains and margin of fair price shop dealers.

Sources: Demand No. 15, Expenditure Budget, Union Budget 2026-27; PRS.

PMGKAY

In 2026-27, Rs 2,27,429 crore has been allocated towards the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY). This amounts to 97% of the budget allocation for the Department.

Figure 1: Food subsidy estimated at 0.6% of GDP in 2026-27



Note: Food subsidy bill was higher between 2020-21 and 2022-23 due to clearing of pending dues of FCI and distribution of additional foodgrains during the COVID-19 pandemic.

Source: Budget at a Glance, Union Budget 2025-26; PRS.

The allocation for the scheme in 2026-27 has seen a small decrease of 0.1% over the revised estimate for 2025-26. In 2025-26, as per revised estimates, expenditure towards the scheme (Rs 2,27,754 crore) is estimated to be 12% higher than the initial budget estimate (Rs 2,03,000 crore).

The scheme implements the legal entitlement for households under the National Food Security Act, 2013 (NFSA). NFSA provides for subsidised foodgrains to up to 75% of the population in rural areas and 50% in urban areas. Beneficiaries of PMGKAY are divided into Antyodaya Anna Yojana (AAY) which covers the “poorest of the poor” families, and priority households (PHHs). AAY households are eligible to receive 35 kg of foodgrains per month, and PHHs are eligible to receive five kg of foodgrains per person per month. There are 2.3 crore AAY households and 18.3 crore PHH households as of January 2026.³ Foodgrains are being provided entirely for free under the scheme since January 2023. Free foodgrains have been approved to continue until 2029.^{4,5}

Foodgrains for the scheme are procured from farmers at notified prices by: (i) the Food Corporation of India (FCI), or (ii) state governments under the decentralised procurement scheme. The Department allocates foodgrains procured by FCI to states. The scheme provides subsidy to FCI and states to cover costs of procurement, transportation, and storage of foodgrains. It also covers the cost incurred by FCI in maintaining buffer stock to ensure food security in the country. State governments are responsible for identifying beneficiaries and distributing foodgrains through Fair Price Shops (FPS).

In addition to foodgrains, AAY households are also eligible to receive sugar at a subsidised rate. The sugar subsidy is estimated at Rs 200 crore in 2026-27, a decrease of 50% from the revised estimate for 2025-26.

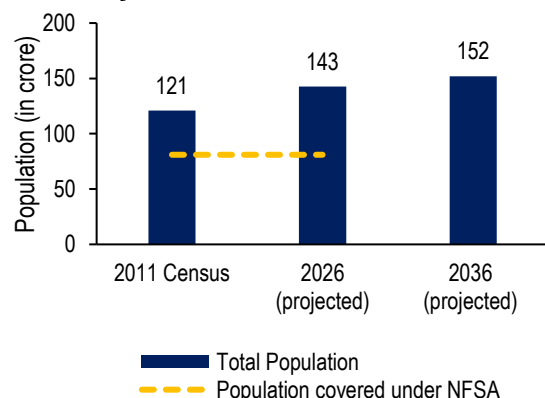
Beneficiary coverage under NFSA

Currently, PMGKAY covers 67% of the total population as per the 2011 Census, amounting to a maximum coverage of around 81.35 crore persons.⁵ As of August 2025, states have identified 80.6 crore beneficiaries.⁶ DFPD (2025) noted that there is a scope for the addition of 79 lakh beneficiaries as per the extant coverage.⁶

The coverage was determined in 2013 based on 2011 census and household consumption expenditure survey of 2011-12, and has remained unchanged.⁷ Since then, population and poverty levels have changed which may necessitate a review of the number of beneficiaries under the scheme. An increase in population raises concerns of there being beneficiaries who may not be able to avail NFSA benefits.⁹ A decline in poverty suggests households that have moved out of poverty since would continue to be included as beneficiaries.¹¹

Outdated population data: The 2013 Act provides that the number of persons to be covered in rural and urban areas of the state shall be calculated based on the population estimates as per the latest census. The proportion of population eligible under NFSA has not been updated, as the subsequent decadal census due in 2021 was postponed due to the COVID-19 pandemic.⁸ This has led to concerns that the number of eligible beneficiaries may have increased but they are not getting benefits as per NFSA. The Supreme Court (2021) observed that the central government should take steps to re-determine the number of persons to be covered under NFSA.⁹ In August 2025, DFPD observed that it would not be proper to re-determine the coverage under NFSA in the absence of updated census data.⁶ It observed that any change is possible only after data of the next census is published. The next census is set to be conducted in 2027.¹⁰

Figure 2: Population of India is estimated to increase by 18% between 2011 and 2026



Source: Population Projections for India and States 2011-2036, National Commission on Population; PRS.

Decline in poverty: In 2015, a High-Level Committee on Restructuring of FCI (Chair: Mr. Shanta Kumar) observed that 67% coverage under NFSA is on the higher side.¹¹ It had observed that a relatively lower 40% coverage could comfortably cover below poverty line (BPL) households, and some even above that.¹¹ Between 2011-12 and 2022-23, India is estimated to see a further decline in BPL persons (Table 2).¹²

Table 2: Decline in poverty in India between 2011-12 and 2022-23

Poverty Line	2011-12		2022-23	
	Poverty Rate	Persons (in crore)	Poverty Rate	Persons (in crore)
USD 2.15 / INR 44 (2017)	16.2%	21	2.4%	3.4
USD 3.00 / INR 62 (2021)	27.1%	34	5.3%	7.5

Note: INR values are based on World Bank's USD INR Purchasing Power Parity (PPP) values for the respective year. Source: "India's Poverty Story Transformed", Factsheet, Press Information Bureau, June 7, 2025; PRS.

Between 2004-05 and 2011-12, inclusion error under PDS was estimated to increase from 29% to 37%.¹³ Inclusion error refers to ineligible persons getting undue benefits. One reason for increase could be non-poor still being identified by the government as poor and being allowed to use ration cards, despite a change in status.¹³ An evaluation study commissioned by DFPD in six districts of Bihar in 2023 noted that selection of PHH and AAY households have not been updated in recent years.¹⁴ It observed that families have upgraded with income and standard of living and ought to be excluded as per the criteria defined by the government. However, they continue to be listed as beneficiaries. It further noted that fresh and regular surveys are needed to determine the status based on the criteria defined by the state government.¹⁴

Under NFSA, states determine inclusion/exclusion criteria for PHH households.¹⁴ Criteria generally factor income level, nature of employment, tax payee status, and possessions such as land, house, vehicles, and AC.^{14,15,16} Thresholds may vary across states.^{14,15,16} The criteria for AAY households has been defined by the central government.¹⁷ It includes: (i) landless agricultural labourers, (ii) marginal farmers, rural artisans, slum dwellers, and persons who earn livelihood on a daily basis in the informal sector, and (iii) primitive tribal households.

Level of benefit for BPL households: The High-Level Committee on Restructuring of FCI (2015) had observed that allocating five kg foodgrains per person to priority households made BPL households worse off.¹¹ This is when compared to the earlier framework of the TPDS under which they were entitled to seven kg of foodgrains per person.¹¹

Removal of Bogus Ration Cards: Another issue which impacts the reach of the scheme to the beneficiaries is duplicate or bogus ration cards.

Efforts have been taken to streamline the recognition of genuine beneficiaries. The Department has set up a central repository of all beneficiaries under the Act, under the “One Nation One Ration Card” initiative.¹⁸ All ration cards are to be linked with Aadhaar. The deadline for e-KYC and Aadhaar linking has been extended several times, with state-specific deadlines.¹⁹ The issuance of new ration cards, or updated cards linked to Aadhaar is only to be done after real-time cross-verification from this central repository to ensure no duplication persists.²⁰ As of December 2025, 99% of ration cards have been seeded with Aadhaar.²¹ While most states have reported near 100% completion of Aadhaar seeding, Arunachal Pradesh (81%) and Meghalaya (78%) lag.²¹

The 15th Finance Commission (2021) observed that around 2.75 crore ration cards were deleted since January 2013 on grounds of ghost, fraudulent, duplicate, or ineligible beneficiaries, death, and migration.²² However, it noted that these deletions did not lead to any impact on the overall expenditure, as new eligible beneficiaries were included to replace them.²² As of December 2025, 6.77 crore ration cards have been deleted.^{23,24}

Trends in Expenditure

Wheat and rice are two major items distributed under PMGKAY. In 2024-25, the economic cost incurred by FCI stood at Rs 28.5 per kg for wheat and Rs 40.4 per kg for rice (Table 3). Economic cost refers to the total cost in supplying foodgrains including procurement, storage, and distribution. This cost has grown at an annualised rate of 3% between 2014-15 and 2024-25 for both wheat and rice.²⁵

Table 3: Economic cost of foodgrains for FCI in 2024-25 (revised estimates)

Head	Wheat		Rice	
	Rs/kg	% share	Rs/kg	% share
Pooled Cost of Grain	22.2	78%	32.4	80%
Procurement Incidentals	3.0	10%	5.2	13%
Statutory Charges	2.1	7%	2.9	7%
Labour and Transport Charges	0.4	1%	0.7	2%
Storage and Interest Charges	0.3	1%	0.5	1%
Other	0.2	1%	1.0	3%
Distribution Cost	3.3	12%	2.9	7%
Freight	1.8	6%	1.1	3%
Handling	0.6	2%	0.6	2%
Storage	0.5	2%	0.5	1%
Administrative Overheads	0.6	2%	0.6	1%
Total	28.5	100%	40.4	100%

Source: Budget and Cost, Food Corporation of India; PRS.

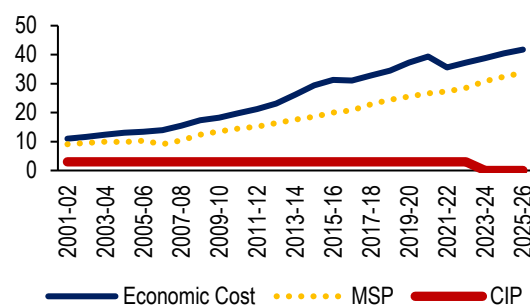
Around 80% of the total cost in case of both wheat and rice is towards pooled cost of grain. This primarily represents the amount paid to farmers for

procurement at MSP. MSP is recommended by the Commission for Agricultural Costs and Prices, and approved by the Union Cabinet. The increase in the economic cost in recent years has mainly been driven by the increase in MSP. Procurement incidentals added about three rupees per kg for wheat and about five rupees per kg for rice in 2024-25. Of this, statutory charges are a major component which include charges paid to mandis, commission to Arathiya and societies, and milling charges and driage allowances in case of rice. Distribution cost adds a further three rupees per kg for both wheat and rice. These include costs incurred towards road and rail freight, associated handling, and storage.²⁵

CIP has not been revised to keep up with the rise in the economic cost:

At the time of enactment, NFSA provided for subsidised price of foodgrains to households as follows: (i) three rupees per kg for rice, (ii) two rupees per kg for wheat, and (iii) one rupee per kg for coarse grains. The prices under NFSA were to be applicable for three years from the commencement of the Act. Subsequently, the central government could revise prices such that it does not exceed MSP. Over the years, while MSP and the overall economic cost rose steadily, the central issue price (CIP) remained unrevised. CIP is the price at which the central government issues food grains to states for distribution to beneficiaries.

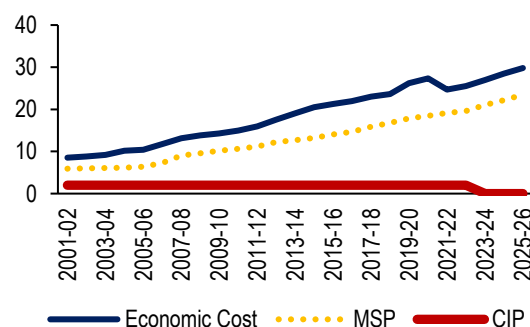
Figure 3: CIP vis-à-vis Economic Cost of Rice (Rs/kg)



Note: Figures for 2024-25 are revised estimates and 2025-26 are budget estimates.

Source: Budget and Cost, Food Corporation of India; PRS.

Figure 4: CIP vis-à-vis Economic Cost of Wheat (Rs/kg)



Note: Figures for 2024-25 are revised estimates and 2025-26 are budget estimates.

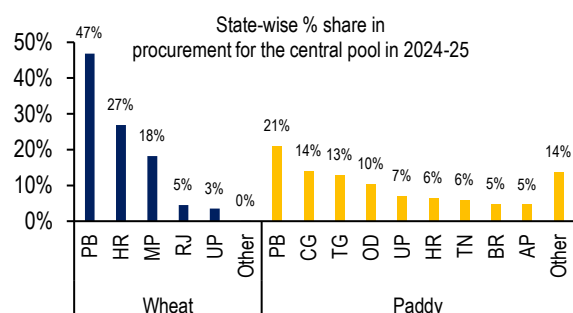
Source: Budget and Cost, Food Corporation of India; PRS.

CIP continued to remain fixed at the rates originally specified under NFSA. Since 2023, CIP has been revised down to zero to implement the announcement of free foodgrains under PMGKAY. The rising gap has been bridged with an increase in subsidy. The expected cost of providing free foodgrains is around Rs 12 lakh crore over five years.²⁶ The Economic Survey (2020-21) and the 15th Finance Commission had recommended increasing CIP to offset rising economic cost and contain the food subsidy bill.²⁷

Procurement remains concentrated in a few states:

One of the objectives under NFSA to advance food security is geographical diversification of procurement.²⁸ However, procurement has remained highly concentrated in a few states (Figure 5).²⁹ For instance, in 2024-25, 92% of wheat procurement was from three states – Punjab, Haryana, and Madhya Pradesh.²⁹ 65% of paddy procurement in that year was from five states – Punjab, Chhattisgarh, Telangana, Odisha, and Uttar Pradesh.²⁹ This leads to longer transport chains for distribution.

Figure 5: Punjab and Haryana accounted for 64% of wheat and 27% of paddy procurement



Source: Unstarred Question No. 996, Rajya Sabha, Department of Food and Public Distribution, December 9, 2025; PRS.

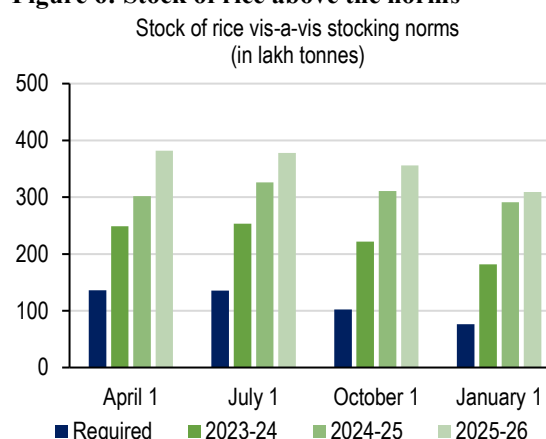
Many states yet to implement decentralised procurement:

To enhance efficiency of procurement and reduce food subsidy outgo, the central government introduced the Decentralised Procurement Scheme (DCP) in 1997-98.^{30,31} Under this scheme, states themselves procure, store, and distribute foodgrains for their NFSA beneficiaries, with any surplus handed over to the central pool and deficits bridged by FCI.³² However, DCP covered only about 65% of the procurement of both wheat and rice in 2024-25.²⁹ As of December 2025, 17 states are implementing DCP for paddy, and seven states are implementing DCP for wheat.^{29,33} The Department (2022) had informed the Standing Committee (2022) that since decentralised procurement requires the state governments to make arrangements for funds, storage, and manpower, they hesitate to adopt it.³⁴ The Standing Committee (2022) recommended that all states should adopt the decentralised procurement of foodgrains.³⁴ It had recommended the central government to help states in adopting the scheme. The Committee observed that this would also ensure that available foodgrains are suited to local taste.

Stocks significantly above norms: FCI's stocking norms seek to: (i) meet prescribed minimum stock for food security, (ii) ensure availability for monthly release of foodgrains under PDS, (iii) meet emergency situations such as crop failure, natural disasters, and (iv) enable market intervention by augmenting supply to moderate open market prices.³⁵ CAG (2023) observed that average stock was almost two times the stock required to be maintained between 2017-18 and 2022-23.³⁵ This trend has continued in recent years (see Figure 6 and 7). CAG (2023) noted that as a result, FCI incurs a higher expenditure towards procurement and storage, which leads to a higher outgo towards food subsidy. It highlighted that there are no prescribed norms for the maximum stock level. As of January 1, 2026, stock of wheat was about two times the norms, and that of rice was about four times the norms.³⁶ CAG also observed that between 2017-18 and 2022-23, the liquidation of stocks through open market sale or exports was inadequate.³⁵

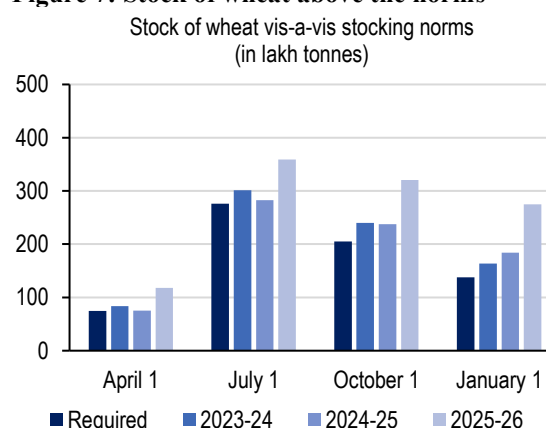
DFPD (2020) had noted that FCI follows an open-ended procurement policy under which it procures whatever food grains are offered by farmers.³⁷ The 15th Finance Commission (2021) had observed that open-ended procurement far beyond stocking norms creates a shortage in the open market.²²

Figure 6: Stock of rice above the norms



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

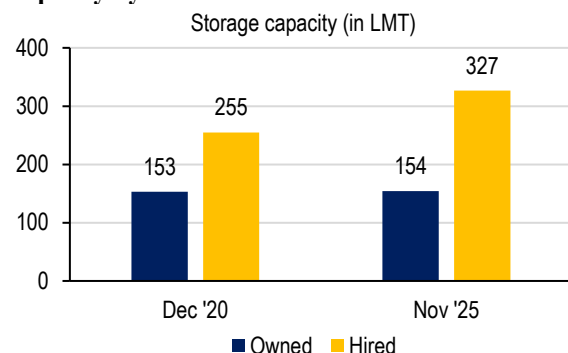
Figure 7: Stock of wheat above the norms



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

Dependence on hired storage: As of December 2025, FCI owned storage capacity worth 154 Lakh Metric Tonnes (LMT).³⁶ It has also hired storage capacity worth 327 LMT to fill the gap in capacity (68% of the total capacity with FCI).³⁶ It hires storage capacities from Central and State Warehousing Corporations, state agencies, and private parties. For private parties, it issues short-term as well as longer guaranteed periods under Private Entrepreneurs Guarantee (PEG) scheme.³⁸ In addition, total capacity with state agencies was 449 LMT.³⁶

Figure 8: Increasing reliance on hired storage capacity by FCI



Source: Food Grain Bulletin December 2025, Department of Food and Public Distribution; PRS.

DFPD (2025) noted that hiring or constructing godowns through warehousing corporations and private investors is more cost-effective than FCI building and maintaining them.³⁹ However, the Standing Committee (2025) observed that there has been no comprehensive assessment or evaluation of total rental liabilities compared to the cost of ownership.³⁹ It highlighted that a lack of systematic analysis makes it difficult to assess whether relying on hired storage is indeed more cost-efficient.³⁹ In December 2025, DFPD informed the Standing Committee that it has formed a committee of three officers to study the matter.⁴⁰

Targets for addition of storage capacity not met:

CAG (2023) noted that 20 LMT storage capacity was completed against a target of 110 LMT between 2017-18 and 2021-22.³⁵ The shortfall was mainly in construction of steel silos where 12 LMT capacity was completed against a target of 100 LMT.

Table 4: Status of godown construction by FCI (in MT)

Year	Target	Achievement	
		In number	In %
2022-23	16,640	11,140	67%
2023-24	50,100	1,760	4%
2024-25*	58,540	10,000	17%

Note: *Data for 2024-25 as of January 31, 2025.

Source: 8th Report, Standing Committee on Consumer Affairs, Food and Public Distribution, March 2025; PRS.

The Standing Committee (2025) highlighted that annual targets for construction of godowns by FCI

have not been met between 2022-23 and 2024-25.³⁴ DFPD highlighted following as key issues in execution of works: (i) delay in land acquisition, (ii) halt in work during extended monsoons, (iii) challenges in working at full pace due to difficult terrain and climate in north-east and hill states, and (iv) resistance from local residents.³⁹

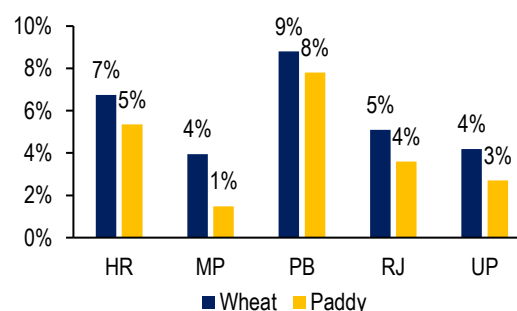
Inefficiencies in transportation: CAG (2023) highlighted certain gaps in transportation planning by FCI which led to higher costs.³⁵ For instance, FCI had not availed Railways' Long-Term Tariff Contract policy of 2017. This Policy provides certain concessions in tariff to high-volume customers. CAG observed that FCI could have earned a rebate of Rs 1,736 crore between 2017-18 and 2021-22 by availing this policy.

Transit losses by FCI from rail and road was valued at Rs 1,652 crore in the five years between 2017-18 and 2021-22. Transit losses occur due to pilferage, short loading, and spillage during movement and loading and unloading operations.

CAG noted that FCI incurs: (i) transportation charges for moving food grains from railhead to its own godowns, and (ii) handling expenditure twice at its own depots at the time of receipt and issue of food grains to states. It observed that if food grains were directly issued from railhead to state government godowns instead of FCI godowns, it could have led to savings. It estimated that even a 10% direct issue of food grains in the state of Jharkhand could result in savings of Rs 159 crore over five years. CAG highlighted that there are no formal guidelines on the direct issue of food grains.

High statutory charges in some states: Increase in MSP has a direct bearing on statutory charges levied by state governments.³⁵ This is because these charges are fixed at a percentage of MSP. These charges include market fee, mandi fee, and Arhatia commission. In June 2022, the central government had requested states to only allow statutory charges up to 2% of MSP.³⁵ CAG (2023) highlighted that high-procurement states such as Punjab and Haryana are levying significantly higher statutory charges.³⁵ It observed that no remedial action has been taken despite similar observations made around 2012-13.

Figure 9: Average statutory charges levied by select states as of 2023



Source: Report No. 20 of 2023, CAG; PRS.

Leakages under PDS

Leakages refer to food grains not reaching intended beneficiaries. These may be due to: (i) exclusion of beneficiaries, (ii) diversion to non-beneficiaries, and (iii) losses, pilferage, or damages during operations. Recent public data on leakages is not available. The Standing Committee (2015-16) had taken note of a private study by ICRIER which estimated that 47% of off-taken grains did not reach intended beneficiaries in 2011-12.^{41,42} A more recent study by ICRIER has estimated this figure to be 28% in 2022-23.⁴³ DFPD (2024) has contested the methodology of the 2022-23 ICRIER study and stated that it conflates offtake and distribution.⁴⁴ Offtake figures also account for stocks in transit, buffer allocations, operational reserves, and stock for other welfare schemes. These are not immediately distributed to the households. DFPD observed that the report's estimates are fundamentally incorrect as they fail to account for these distinctions.⁴⁴

Direct Benefit Transfer: NFSA states that central and state governments will endeavour to take certain reforms such as introduction of cash transfer and food coupon schemes. The High-Level Committee on Restructuring of FCI (2015) observed that a large share of NFSA beneficiaries in rural areas are farmers and agricultural labourers.¹¹ The government buys foodgrains at MSP from such persons and later distributes subsidised foodgrains back to them under PDS. The Committee had recommended exploring cash transfer as an alternative for such populations to reduce expenditure and improve effectiveness. To address concern on erosion of value, it recommended indexing cash transfer to inflation.¹¹ The Committee had estimated that this would save around Rs 30,000-35,000 crore.¹¹

Cash transfer is being implemented in three UTs since 2015.⁴⁵ These are Chandigarh, Puducherry, and Dadra and Nagar Haveli (only in urban areas). DFPD (2022) observed that this measure aims to: (i) reduce the need for huge physical movement of foodgrains, (ii) provide greater autonomy to beneficiaries to decide their consumption basket, (iii) enhance dietary diversity, (iv) reduce leakage, and (v) improve targeting.⁴⁵ As per the Rules under NFSA, cash transfer can be introduced in identified areas upon written consent of the state government.⁴⁵ Government of Puducherry had sought an exemption from cash transfer, which was denied by the central government.⁴⁶

A more recent pilot for cash transfer was attempted in one block in Ranchi, Jharkhand in October 2017.⁴⁷ It was withdrawn after 10 months.⁴⁷ A social audit found that nearly 97% of beneficiaries and 95% Gram Sabhas said 'no' to cash transfer.⁴⁷ Challenges faced included: (i) delay in accessing ration due to lack of information about receipt of money and time taken in withdrawing money, (ii) money being deducted against borrowings and other liabilities to banks, and (iii) time and money spent in going to nearby bank to withdraw the subsidy amount.⁴⁸ Beneficiaries visited bank outlets

multiple times to find out whether they have received subsidy.⁴⁸ Dealers saw a dip in revenue as beneficiaries were not taking rations regularly.⁴⁸

One concern with cash transfer is that cash could be spent on non-food items. The World Bank (2017) noted that food vouchers/stamps are used in several countries, which could address this issue.⁴⁹ In India, food coupons have been tried in states such as Andhra Pradesh, Bihar, and Jammu and Kashmir.⁵⁰

Nutritional Balance

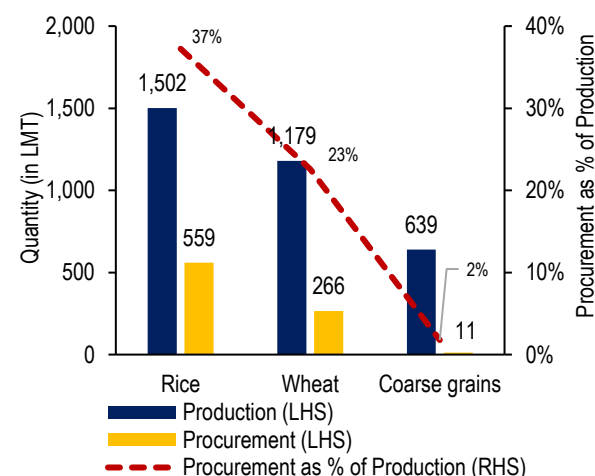
Commodity basket has not been diversified: NFSA envisages diversification of commodities distributed under PDS as one of the reforms. Rice and wheat continue to be two major foodgrains being provided under PMGKAY (Table 5).³⁶ DFPD (2022) noted that coarse grains have better nutritional value and is implementing a policy for encouraging procurement and distribution of coarse grains.⁵¹ These include Jowar, Bajra, and Ragi. As of 2025-26, the share of coarse grains in the overall allocation under PDS remains miniscule.³⁶ During the COVID-19 pandemic, NFSA beneficiaries were also provided one kg of pulses per household per month free of cost for around eight months between April to November.^{52,53} However, this provision was not continued. In addition, subsidised sugar is provided to around 1.9 crore AAY households.⁵⁴

Table 5: Rice and wheat remain two major foodgrains provided under PDS (allocation under NFSA in LMT)

Item	2015-16		2025-26	
	Quantity	% share	Quantity	% share
Rice	278	56%	361	65%
Wheat	215	44%	184	33%
Coarse grains	1.5	0.3%	8.6	1.6%
Total	495	-	554	-

Source: Food Grain Bulletins for December 2015 and 2025; PRS.

Figure 10: Procurement of coarse grains remains low (2024-25)

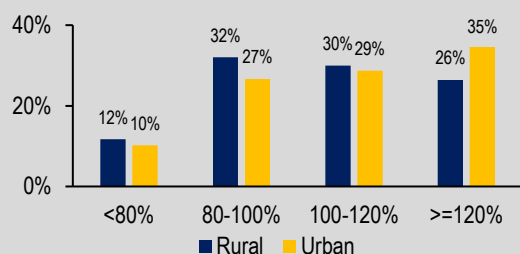


Source: Food Grain Bulletin - December 2025, Department of Food and Public Distribution; PRS.

Calorie Intake in India

In 2023-24, around 12% of the rural households consumed less than 80% of the recommended calorie intake per day.⁵⁵ The corresponding figure for urban areas was around 10%. Among the bottom 10% of the households ranked by consumption expenditure, more than 25% consumed below this threshold.

Figure 11: Distribution of households against the norm for calorie intake in 2023-24 at all-India level



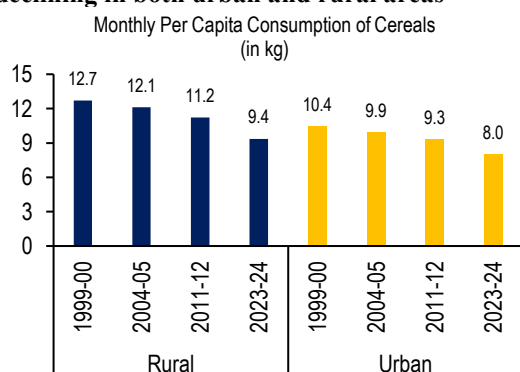
Source: Nutritional Intake in India (2022-23 and 2023-24), MoSPI; PRS.

Health implications of dependence on cereals:

ICMR (2024) observed that a significant proportion of Indian population relies heavily on cereals.⁵⁶ This results in poor intake of essential nutrients and increases the risk of insulin resistance and associated disorders. It recommended diversifying food sources and limiting cereals to 45% of the daily calorie intake. In 2023-24, contribution of cereals at all-India level was 48% in rural areas and 41% in urban areas.⁵⁵ Cereal intake was higher than the recommended level in 11 states in rural areas, and five states in urban areas (Table 13 in annexure). States such as Odisha, Jharkhand, and Chhattisgarh observed a higher dependence on cereals.⁵⁵

Reducing preference for cereals: Over the years, cereal consumption level has seen a decline (Figure 12).⁵⁷ The 15th Finance Commission noted that this indicates a reduced preference for wheat and rice.²² It recommended that given changing preferences and in order to maintain nutritional balance, the government should take steps to diversify commodities distributed under PDS.²²

Figure 12: Consumption of cereals has been declining in both urban and rural areas



Source: Household Consumption Expenditure Survey 2023-24, MoSPI; PRS.

Table 6: Sources of protein intake in rural areas

Source	1993-94	2011-12	2023-24
Cereal	69%	62%	45%
Pulses	10%	11%	9%
Milk	9%	11%	11%
Egg, Fish, and Meat	4%	5%	12%
Others	8%	12%	22%

Sources: Nutritional Intake in India Reports of 2011-12 and 2023-24, MoSPI; PRS.

Rice fortification: Rice fortification is the process of adding fortified rice kernels (FRK) containing micronutrients to normal rice.⁵⁸ These micronutrients include iron, folic acid, and Vitamin B12. This is done to enhance nutritional content of food grains. Fortified rice was introduced under PDS in a phased manner between 2021 and 2024.⁵⁸ The aim is to reduce the prevalence of anaemia (iron deficiency). The Union Cabinet has given approval for distribution of fortified rice under PMGKAY and other welfare schemes up to December 2028.⁵⁹ The cost of fortification is covered under food subsidy. The cost for fortification under all schemes is estimated at Rs 17,082 crore for the period between April 2024 and December 2028.⁶⁰ In 2023, a white paper released by NITI Aayog and ICMR-National Institute of Nutrition (NIN) observed that: (i) fortified rice will result in a modest decrease in anaemia, and (ii) iron deficiency may persist among adolescent girls despite rice fortification.⁶¹

Fortified rice is subject to FSSAI regulations.^{62,63,64} These regulations require batch-wise testing.⁶⁵ FSSAI has notified 56 labs across 15 states for this purpose as of December 2025.⁶⁶ 13 states and eight UTs do not have any approved labs. Notably, these include Bihar, Andhra Pradesh, and Chhattisgarh which have 13.4 crore NFSA beneficiaries.⁶⁷

News reports have highlighted concerns such as: (i) potential for adverse health impact of fortified rice on sickle-cell or thalassemia patients, and (ii) public perception and acceptance challenges such as misconception of fortified rice being 'plastic rice'.^{68,69,70,71,72} The 2023 White Paper by NITI Aayog and ICMR-NIN concluded that there is no evidence for adverse outcomes of fortified rice among sickle cell anaemia and thalassemia patients.⁶¹ However, it also observed that to inform policy decisions, impact evaluation, adverse effect study and cost-effectiveness analysis is necessary. DFPD noted that no advisories for such patients are required by bodies such as WHO or USA Food and Drug Administration.⁷⁵ In India, FSSAI regulations of 2018 had earlier required an advisory for such patients, however, this requirement was removed in 2023 following a scientific review.⁷³ FSSAI has conducted lab tests to address misconceptions regarding 'plastic rice'.⁷⁴ Evaluation studies commissioned by DFPD (2023) have noted that there is a need to address doubts regarding FRK being plastic rice through awareness campaigns.^{14,16}

Initiatives to improve PDS

Automation of Fair Price Shops (FPS): FPS are required to install electronic point of sale (ePoS) devices. The ePoS system enables Aadhaar authentication of beneficiaries and electronic records of all sale transactions. As of March 2025, out of 5.43 lakh FPS, 5.41 lakh were operational with ePOS devices.⁷⁵ In December 2025, 97.9% of transactions at ePOS-enabled FPS were through Aadhaar authentication.⁷⁶

One Nation One Ration Card: This initiative allows a beneficiary to get benefits from any FPS of their choice, anywhere in the country. As of February 2025, this has been enabled across all 36 states and UTs.⁷⁷ In December 2025, 0.5% of ePOS transactions were inter-state and 18% were that of intra-state portability.

eKYC: KYC of beneficiaries is done to verify if the seeded Aadhaar number belongs to the same person as appearing in the ration card. As of October 2025, eKYC was completed for 86% of beneficiaries.⁷⁸ States with lower completion rate include: Manipur (5.5%), Meghalaya (39%), and Uttarakhand (41%). See Table 14 in annexure for state-wise status.

Smart-PDS: This scheme is being implemented for three years between 2023-24 and 2025-26.⁷⁹ It aims to sustain information technology-led reforms. It provides for an integrated central system covering all PDS operations.

Sugarcane

DFPD is responsible for formulation of policies and regulations for the sugar sector.¹ This includes fixing the Fair and Remunerative Price (FRP) of sugarcane which is payable to farmers by sugar mills, and regulating export of sugar, and a minimum selling price for sugar. For the 2025-26 crushing season, the FRP has been increased from Rs 340 per quintal in 2024-25 to Rs 355 per quintal for 2025-26.⁸⁰

Table 7: Surplus sugar production in recent years (in LMT)

Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Sugarcane production	4,054	4,394	4,905	4,531	4,546
Sugar stock position					
Carry-over stock	145	110	85	70	57
Production	274	310	359	330	320
Total Availability	419	420	444	400	377
Domestic Consumption	250	265	273	280	297
Export	59	70	110	63	1
Closing Stock	110	85	61	57	79

Note: Export restrictions were enforced in 2023-24 leading to much lower export. Carry over stock of 2022-23 is corrected from 2021-22 closing stock figure.

Source: Annual Report 2024-25, DFPD; PRS.

Surplus production: In recent years, sugarcane production has been more than adequate to cover domestic sugar consumption (Table 7). Surplus is being utilised in mainly two ways: (i) export of sugar to other countries, and (ii) production of ethanol for blending with petrol.⁸¹

The NITI Aayog Taskforce on Sugarcane and Sugar Industry (2020) had observed that FRP has been fairly remunerative for farmers compared to other competing crops.⁸² Returns from sugarcane cultivation are 60%-70% higher than most other crops. Further, sugar mills are required to buy sugarcane within a specified radius. These policies incentivise sugarcane cultivation as farmers are insured and protected against price risks.

Introduction of policies for increasing ethanol blending may have further strengthened incentives for sugarcane production. Under the National Biofuel Policy, 2018, the central government aims to achieve 20% ethanol blending in petrol by 2025-26.⁸³ In July 2025, average blending rate of 19.95% was achieved.⁸⁴ Currently, ethanol is produced from sugarcane juice, molasses, damaged foodgrains, rice from FCI, and maize.⁸⁵ About 62% of ethanol supply between 2021-22 and 2023-24 was from molasses, sugarcane, and sugar (Table 8). The government has incentivised ethanol production through policies such as: (i) administered price for procurement, and (ii) interest subvention for setting up ethanol distilleries and enhancing existing capacity.^{84,86} Molasses-based annual distillery capacity is proposed to increase from 426 crore litres in 2020 to 760 crore litres by 2025.⁸⁵

Table 8: Feedstock of ethanol supply to oil marketing companies (in crore litre)

Feedstock	2021-22	2022-23	2023-24	Average share
Molasses, Sugarcane Juice, Sugar Syrup, Sugar	340	369	270	62%
Damaged Food Grains	23	32	116	11%
Maize	0	32	286	20%
Rice from FCI	46	74	0	8%
Total	408	506	672	-

Source: Unstarred Question No. 193, Rajya Sabha, DFPD, July 22, 2025; PRS.

Sugarcane is a water intensive crop. On average, one kg of sugar requires around 1,500-2,000 kg of water.⁸⁷ The NITI Aayog Task Force (2020) had noted that pressure on water table due to sugarcane cultivation has become a concern in states such as Maharashtra.⁸⁷ The Expert Committee on Roadmap for Ethanol Blending in 2020-25 had recommended reducing reliance on water-intensive crops for ethanol production.⁸⁵

Issues related to pricing: Some state governments fix their own State Advised Price (SAP) at levels higher than the FRP announced by the central government.⁸⁷ This may cause a strain on the financial health of the sugar mills. The NITI Aayog Task Force (2020) recommended that sugarcane prices must be linked to sugar prices.⁸⁷ Increases in FRP should be kept moderate and states announcing SAP should also bear the additional costs associated with it.⁸⁷

Currently, four states have announced SAP higher than FRP: (i) Punjab, (ii) Haryana, (iii) Uttar

Pradesh, and (iv) Uttarakhand.⁸⁸ The Commission for Agricultural Costs and Prices (2024) observed that Haryana and Punjab pay the difference between FRP and SAP, whereas in Uttar Pradesh and Uttarakhand, the gap is filled by sugar mills.⁸⁸

The Commission further noted that the SAP system distorts sugar markets and does not incentivise improvements in sugar recovery rates. The Commission recommended that SAP should be discontinued and the states should adopt FRP/Revenue Sharing Formula (RSF) system. If a state opts to retain SAP, the difference between SAP and FRP should be directly paid to farmers through direct benefit transfer.⁸⁸

Table 9: FRP vs SAP (Rs per quintal)

Year	All-India FRP	State Advised Price (SAP)			
		Haryana	Punjab	Uttar Pradesh	Uttarakhand
2020-21	285	335	300	315	317
2021-22	290	355	360	340	345
2022-23	305	365	370	340	345
2023-24	315	379	381	360	365

Source: Sugar Policy 2025-26, Commission for Agricultural Costs and Prices; PRS.

Annexure

Table 10: Procurement, offtake under NFSA, and stock of food grains (in lakh tonnes)

Year	Rice				Wheat			
	Procurement	Offtake	% Offtake	Stock	Procurement	Offtake	% Offtake	Stock
2015-16	342	273	96.3%	222	281	223	93.0%	145
2016-17	381	293	96.6%	231	230	229	95.4%	81
2017-18	382	316	100.5%	249	308	225	94.2%	132
2018-19	444	305	97.3%	294	358	219	91.5%	271
2019-20	518	306	98.5%	322	341	222	93.3%	247
2020-21	602	298	96.8%	291	390	220	91.5%	273
2021-22	576	268	89.2%	323	433	217	87.7%	190
2022-23	543	342	92.4%	249	188	171	94.7%	83
2023-24	525	358	93.4%	302	262	157	92.1%	75
2024-25	559	347	93.6%	382	266	169	91.9%	118

Note: Offtake data is for NFSA. % offtake is calculated against allocation made under NFSA for that year. Stock as of April 1 of the next financial year.

Source: Foodgrains Bulletins of various months, DFPD; PRS.

Table 11: Production and procurement of rice for central pool (in lakh tonnes)

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Andaman & Nicobar Islands	0.1	0.0	0.1	0.0	0.1	0.0
Andhra Pradesh	79.4	27.6	73.4	20.4	81.6	25.6
Arunachal Pradesh	2.5	0.0	2.6	0.0	2.6	0.0
Assam	56.2	4.0	55.4	2.6	49.0	5.7
Bihar	70.2	28.2	79.0	20.6	83.0	26.3
Chandigarh	0.0	0.1	0.0	0.2	0.0	0.2
Chhattisgarh	98.1	58.7	97.0	83.0	103.7	78.0
Dadra & Nagar Haveli and Daman & Diu	0.4	0.0	0.4	0.0	0.3	0.0
Delhi	0.2	0.0	0.2	0.0	0.2	0.0
Goa	0.9	0.0	1.0	0.0	0.8	0.0
Gujarat	24.0	1.2	24.1	0.6	24.5	0.2
Haryana	51.1	39.8	59.8	39.5	60.6	36.2
Himachal Pradesh	1.3	0.1	1.7	0.2	1.4	0.3
Jharkhand	14.9	1.2	15.2	0.5	27.8	1.4
Jammu & Kashmir	6.0	0.2	6.4	0.2	6.4	0.2
Karnataka	42.8	0.1	31.3	0.0	39.5	0.0

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Kerala	6.0	5.0	5.0	3.8	5.2	4.0
Ladakh	0.0	0.0	0.0	0.0	0.0	0.0
Lakshadweep	0.0	0.0	0.0	0.0	0.0	0.0
Madhya Pradesh	70.2	31.0	72.4	28.3	91.1	29.1
Maharashtra	39.0	12.4	39.0	7.8	38.7	10.7
Manipur	3.5	0.0	3.5	0.0	4.2	0.0
Meghalaya	2.8	0.0	2.7	0.0	2.8	0.0
Mizoram	0.4	0.0	0.4	0.0	0.4	0.0
Nagaland	3.7	0.0	3.7	0.0	3.4	0.0
Odisha	82.5	53.8	84.7	48.2	95.3	58.2
Puducherry	0.7	0.0	0.6	0.0	0.5	0.0
Punjab	129.9	122.0	143.6	124.1	143.6	116.1
Rajasthan	5.8	0.0	7.5	0.0	9.2	0.0
Sikkim	0.1	0.0	0.1	0.0	0.1	0.0
Tamil Nadu	75.6	23.0	68.0	23.8	70.9	32.6
Telangana	158.8	62.9	168.7	63.9	174.5	71.3
Tripura	7.9	0.0	7.9	0.0	7.2	0.2
Uttarakhand	6.3	6.0	6.4	4.9	5.9	4.5
Uttar Pradesh	161.4	43.9	159.9	36.1	207.6	38.7
West Bengal	154.8	21.8	156.9	16.8	160.2	19.9
Total	1,357.6	543.2	1,378.3	525.5	1,501.8	559.3

Sources: Foodgrains Bulletins of various months, DFPD; Unified Portal for Agricultural Statistics; PRS.

Table 12: Production and procurement of wheat for central pool (in lakh tonnes)

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Andaman & Nicobar Islands	0.0	0.0	0.0	0.0	0.0	0.0
Andhra Pradesh	0.0	0.0	0.0	0.0	0.0	0.0
Arunachal Pradesh	0.1	0.0	0.1	0.0	0.1	0.0
Assam	0.1	0.0	0.1	0.0	0.1	0.0
Bihar	65.1	0.0	71.7	0.0	71.9	0.1
Chandigarh	0.0	0.0	0.0	0.1	0.0	0.1
Chhattisgarh	1.9	0.0	1.8	0.0	2.4	0.0
Dadra & Nagar Haveli and Daman & Diu	0.0	0.0	0.0	0.0	0.0	0.0
Delhi	0.8	0.0	0.8	0.0	0.8	0.0
Goa	0.0	0.0	0.0	0.0	0.0	0.0
Gujarat	34.6	0.0	37.7	0.0	38.7	0.0
Haryana	109.3	41.9	111.9	63.2	114.0	71.5
Himachal Pradesh	5.9	0.0	7.9	0.0	6.5	0.0
Jharkhand	4.4	0.0	4.8	0.0	5.5	0.0
Jammu & Kashmir	5.9	0.0	5.9	0.0	5.9	0.0
Karnataka	2.0	0.0	1.9	0.0	2.1	0.0
Kerala	0.0	0.0	0.0	0.0	0.0	0.0
Ladakh	0.1	0.0	0.1	0.0	0.1	0.0
Lakshadweep	0.0	0.0	0.0	0.0	0.0	0.0
Madhya Pradesh	227.3	46.0	225.8	71.0	245.1	48.4
Maharashtra	23.7	0.0	19.9	0.0	22.9	0.0
Manipur	0.1	0.0	0.1	0.0	0.1	0.0

State/UT	2022-23		2023-24		2024-25	
	Production	Procurement	Production	Procurement	Production	Procurement
Meghalaya	0.0	0.0	0.0	0.0	0.0	0.0
Mizoram	0.0	0.0	0.0	0.0	0.0	0.0
Nagaland	0.0	0.0	0.0	0.0	0.0	0.0
Odisha	0.0	0.0	0.0	0.0	0.0	0.0
Puducherry	0.0	0.0	0.0	0.0	0.0	0.0
Punjab	167.8	96.5	177.4	121.1	179.9	124.6
Rajasthan	106.4	0.1	97.0	4.4	112.8	12.1
Sikkim	0.0	0.0	0.0	0.0	0.0	0.0
Tamil Nadu	0.0	0.0	0.0	0.0	0.0	0.0
Telangana	0.1	0.0	0.1	0.0	0.1	0.0
Tripura	0.0	0.0	0.0	0.0	0.0	0.0
Uttarakhand	8.3	0.0	8.7	0.0	8.6	0.0
Uttar Pradesh	336.1	3.4	353.4	2.2	356.5	9.3
West Bengal	5.6	0.0	5.9	0.0	5.7	0.0
Total	1,105.5	187.9	1,132.9	262.0	1,179.5	266.1

Sources: Foodgrains Bulletins of various months, DFPD; Unified Portal for Agricultural Statistics; PRS.

Table 13: Percentage of Calories from Cereals in 2023-24

State	Rural	Urban	State	Rural	Urban	State	Rural	Urban
Andhra Pradesh	45.9	42.7	Jharkhand	55.1	50.0	Punjab	35.5	33.8
Assam	51.2	43.8	Karnataka	42.2	37.1	Rajasthan	46.1	43.8
Bihar	51.0	47.5	Kerala	37.9	37.4	Tamil Nadu	41.0	37.0
Chhattisgarh	56.0	50.2	Madhya Pradesh	48.5	44.9	Telangana	50.5	41.5
Gujarat	42.0	35.4	Maharashtra	44.9	39.6	Uttar Pradesh	48.5	43.1
Haryana	38.0	33.4	Odisha	57.5	48.7	West Bengal	53.6	46.8

Source: Nutritional Intake in India (2022-23 and 2023-24), MoSPI; PRS.

Table 14: Status of eKYC completion for NFSA beneficiaries as of October 2025

State/UT	Number of Ration Cards	Number of Beneficiaries	Beneficiaries with eKYC completed	Completion Rate (in %)
Andaman & Nicobar Islands	17,992	61,261	60,932	100%
Andhra Pradesh	88,37,973	2,68,23,200	2,50,59,919	93%
Assam	70,33,972	2,44,94,885	2,07,38,508	85%
Arunachal Pradesh	1,86,417	8,51,047	4,55,291	54%
Bihar	2,08,36,105	8,32,20,904	6,51,44,413	78%
Chandigarh	82,850	3,41,954	3,32,148	97%
Chhattisgarh	56,18,976	1,98,49,313	1,72,65,202	87%
Delhi	17,40,621	72,77,995	59,12,891	81%
Dadra & Nagar Haveli and Daman & Diu	57,781	2,65,160	2,12,253	80%
Haryana	42,11,814	1,64,32,686	91,66,316	56%
Himachal Pradesh	7,40,855	28,25,555	27,49,841	97%
Goa	1,22,279	4,46,965	3,38,861	76%
Gujarat	75,83,635	3,52,78,131	3,20,67,896	91%
Jammu & Kashmir	16,60,400	67,40,632	58,78,557	87%
Jharkhand	60,30,329	2,62,98,890	2,00,82,241	76%
Karnataka	1,09,13,532	3,98,69,604	3,96,91,980	100%
Kerala	42,42,928	1,45,80,356	1,44,01,091	99%
Ladakh	28,880	1,13,349	1,13,349	100%
Lakshadweep	4,629	20,179	17,674	88%

State/UT	Number of Ration Cards	Number of Beneficiaries	Beneficiaries with eKYC completed	Completion Rate (in %)
Madhya Pradesh	1,31,86,400	5,35,08,215	4,94,22,460	92%
Maharashtra	1,67,85,945	6,83,22,243	4,03,74,787	59%
Manipur	5,82,335	21,15,890	1,15,371	6%
Meghalaya	4,21,888	21,45,105	8,40,140	39%
Mizoram	1,79,564	7,06,210	5,67,687	80%
Nagaland	3,33,943	11,78,425	9,02,732	77%
Puducherry	1,91,253	6,34,390	3,43,134	54%
Rajasthan	1,09,43,305	4,43,98,244	4,13,40,735	93%
Sikkim	97,081	3,80,556	3,13,915	83%
Tamil Nadu	1,17,14,899	3,60,00,980	3,20,94,193	89%
Telangana	56,46,580	1,91,69,600	1,66,18,534	87%
Tripura	6,03,764	23,44,930	19,34,861	83%
Punjab	40,50,878	1,51,67,073	1,30,97,735	86%
Odisha	96,48,379	3,25,41,555	3,09,41,730	95%
Uttarakhand	13,97,689	60,80,620	25,20,196	41%
Uttar Pradesh	3,62,02,876	14,57,02,235	13,14,15,709	90%
West Bengal	1,37,30,496	5,99,14,052	5,89,62,690	98%
All-India	20,56,69,243	79,61,02,389	68,14,95,972	86%

Source: Unstarred Question No. 1793, Rajya Sabha, Department of Food and Public Distribution, December 16, 2025; PRS.

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