

Demand for Grants 2017-18 Analysis

Food and Public Distribution

The Ministry of Consumer Affairs and Public Distribution has two Departments: (i) Food and Public Distribution, and (ii) Consumer Affairs. This note examines the allocations for the Department of Food and Public Distribution.

Overview of Finances

Budget Estimates 2017-18

(Details in Annexure)

Table 1: Allocations for the Ministry (Rs crore)

| Department | 2015-16 Actuals | 2016-17 Revised | 2017-18 Budgeted | % change in 2017-18 over 2016-17 |
|----------------------------|-----------------|-----------------|------------------|----------------------------------|
| Food & Public Distribution | 1,40,521 | 1,40,178 | 1,50,505 | 7.4% |
| Consumer Affairs | 290 | 3,810 | 3,727 | -2.2% |
| Total | 1,40,810 | 1,43,988 | 1,54,232 | 7.1% |

Sources: Expenditure Budget, Union Budget 2017-18; PRS.

Department of Food and Public Distribution is responsible for ensuring food security through procurement, storage and distribution of food grains.¹ The Food Corporation of India (FCI) is responsible for some of these functions.² In 2017-18, the Department has been allocated Rs 1,50,505 crore, which is 98% of the Ministry's allocation.³ Allocation to this Department accounts for 7.6% of the central government's budgeted expenditure.

Department of Consumer Affairs is responsible for spreading awareness among consumers about their rights, protecting their interests and preventing black marketing.⁴ In 2017-18, the Department has been allocated Rs 3,727 crore, which is 2% of the Ministry's allocation.³

As seen in Table 2, food subsidy has been the largest component of the Department's expenditure (94% in 2017-18), and expenditure on food subsidy has increased six-fold over the past 10 years. Food subsidy is given to FCI under the National Food Security Act, 2013 (NFSA) or to states for the decentralised procurement (DCP) of food grains. NFSA covers 80 crore people, and it is mandated to cover 75% of the population from rural areas and 50% from urban areas.⁵

Table 2: Expenditure on food subsidy (2007 to 2017) (Rs crore)

| Year | Food subsidy | % increase over previous year | % of total budget |
|---------|--------------|-------------------------------|-------------------|
| 2007-08 | 31,328 | 30% | 4.4% |
| 2008-09 | 43,751 | 40% | 4.9% |
| 2009-10 | 58,443 | 34% | 7.8% |
| 2010-11 | 63,844 | 9% | 5.3% |
| 2011-12 | 72,822 | 14% | 5.6% |
| 2012-13 | 85,000 | 17% | 6.0% |
| 2013-14 | 92,000 | 8% | 5.9% |
| 2014-15 | 1,17,671 | 28% | 7.1% |
| 2015-16 | 1,39,419 | 18% | 7.8% |
| 2016-17 | 1,35,173 | -3% | 6.7% |
| 2017-18 | 1,45,339 | 8% | 6.8% |

Note: Figures for 2016-17 are revised estimates; and for 2017-18 are budget estimate.

Sources: Expenditure Budget, Union Budgets 2006-07 to 2017-18; PRS.

Till 2016-17, expenditure on food subsidy was provided under various heads. These heads included subsidy given to FCI for imported oils, and interest subsidy for sugar mills, among others.

As seen in Table 3, from 2017-18, expenditure has been classified under three heads: (i) subsidy to FCI for the Targeted Public Distribution System (TPDS), (ii) subsidy to states for DCP, and (iii) sugar subsidy.

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

| Subsidy | 2015-16 Actuals | 2016-17 Revised | 2017-18 Budgeted | % change in 2017-18 over 2016-17 |
|-------------------------------|-----------------|-----------------|------------------|----------------------------------|
| Subsidy to FCI on food grains | 45,000 | 1,00,000 | 1,07,139 | 7.1% |
| Subsidy to states on DCP | 10,000 | 30,673 | 38,000 | 23.9% |
| Sugar subsidy | 4,500 | 4,500 | 200 | -95.6% |
| Other subsidies* | 80,470 | 1,407 | 0 | NA |
| Total | 1,39,970 | 1,36,580 | 1,45,339 | 6.4% |

* The overhead 'other subsidies' has been subsumed under 'subsidy to FCI on food grains' from 2016-17.

Sources: Detailed Demand for Grants 2017-18, Department of Food and Public Distribution; PRS.

In 2017-18, the FCI has been allocated Rs 1,07,139 crore. In 2015, the Standing Committee noted that the requirement of funds by the Department, is not being covered by allocations- despite the overall food subsidy bill rising every year (see Table 4).¹⁹

As a result, lower funds are allocated to FCI, which leads to FCI requiring ways and means advances from the government (Rs 50,000 crore in 2017-18).

These advances are loans which have to be repaid with interest in the same financial year.

Table 4: Shortfall of funds allocated to the Department (in Rs crore)

| Year | Total requirement | Total allocation | Shortfall |
|----------|-------------------|------------------|-----------|
| 2012-13 | 1,17,297 | 84,554 | 32,743 |
| 2013-14 | 1,43,198 | 89,740 | 53,458 |
| 2014-15 | 1,71,230 | 1,10,500* | 60,730 |
| 2015-16* | 1,46,348 | 1,19,919 | 26,429 |

*Budgeted estimates.

Sources: Report of the Standing Committee on Food and Public Distribution on Demand for Grants 2016-17; PRS.

Sugar Industry: In 2017-18, Rs 496 crore has been allocated for the development of the sugar industry, which is 70% lower than the revised estimates of 2016-17. The allocated money is used to provide financial assistance to the sugar industry and facilitate payment to sugar cane farmers.

Note that as of August 2016, Rs 6,598 crore was outstanding against sugar mills for payment of dues to farmers.⁶ State-wise details of the arrears can be found in Table 18 of the Annexure.

Issues with delivery of food subsidy

In this section, we examine some issues with the delivery of food subsidy, and discuss alternative subsidy systems that have been proposed by various committees and experts over the years.

A. Provision of food subsidy

The Public Distribution System (PDS) sought to provide food security to people below the poverty line. Over the years, the Department's expenditure on food subsidy has increased, while the ratio of people below poverty line has reduced (Table 5).

Table 5: Poverty ratio and number of poor persons

| Year | Poverty Ratio (%) | Number of Poor (Crore) |
|---------|-------------------|------------------------|
| 1973-74 | 54.9% | 32.1 |
| 1977-78 | 51.3% | 32.9 |
| 1983 | 44.5% | 32.3 |
| 1987-88 | 38.9% | 30.7 |
| 1993-94 | 36.0% | 32.0 |
| 2004-05 | 27.5% | 30.2 |
| 2011-12 | 21.9% | 26.9 |

Note: Figures from 1973-74 to 2004-05 have been computed using the Lakdawala Methodology, and figures for 2011-12 have been computed using the Tendulkar Methodology. Sources: Planning Commission; PRS.

A similar trend can also be seen in the proportion of undernourished persons in India, which reduced from 24% in 1990 to 15% in 2014 (Table 6).

Table 6: Undernourishment data (1992-2016)

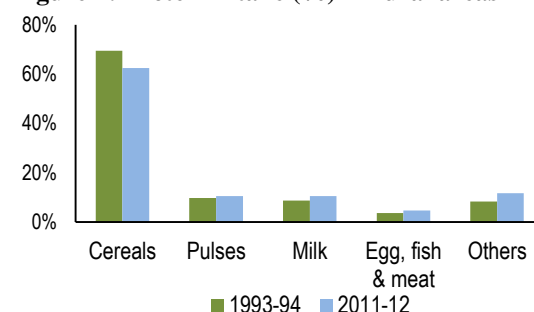
| Year | Number of undernourished persons (crores) | Proportion of undernourished in total population (%) |
|----------|---|--|
| 1990-92 | 21 | 24% |
| 2000-02 | 19 | 18% |
| 2005-07 | 23 | 21% |
| 2010-12 | 19 | 16% |
| 2014-16* | 20 | 15% |

*Provisional data.

Sources: Food and Agriculture Organisation, 2015: Table 5.14, Chapter 5, Economic Survey 2015-16; PRS.

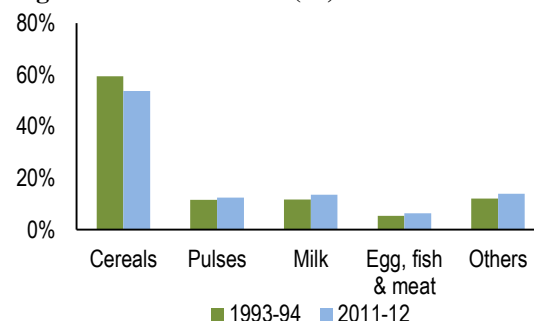
Nutritional balance: The NFSA guarantees wheat and rice to beneficiaries, to ensure nutritious intake of food. As can be seen in Figure 1 and Figure 2, there has been a change in the nutritional intake pattern among people both in rural and urban areas.

Figure 1: Protein intake (%) in rural areas



Sources: "Nutritional intake in India 2011-12", NSSO; PRS.

Figure 2: Protein intake (%) in urban areas



Sources: "Nutritional intake in India 2011-12", NSSO; PRS.

The share of cereals or food grains as a percentage of food consumption has reduced from 13% to 8% in the country, whereas that of milk, eggs, fish and meat has increased.⁷ This indicates a reduced preference for wheat and rice, and a rise in preference towards other protein rich food items. The NFSA states that the state and central governments should undertake steps to diversify commodities distributed under PDS.^{5,29}

More details related to the intake of calorie and nutrients by the rural and urban population can be found in Table 10 and Table 11 of the Annexure.

Imbalance in farm production: Minimum Support Price (MSP) is the price at which the government purchases a farmer's produce. It seeks to incentivise farmers to grow crops on which the support is offered, by assuring a guaranteed price

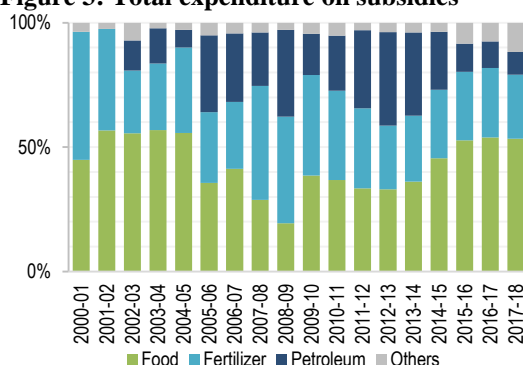
floor. Typically, food grains for PDS are procured at the MSP. As a result, procurement under MSP has been restricted to wheat and rice in a few states, to maintain a buffer stock for release under PDS.^{8,9}

It has been argued that this skews the production of crops in favour of wheat and rice, and does not offer an incentive for farmers to produce other items such as pulses.¹⁰

B. Delivery of food subsidy

Currently, distribution of food grains is undertaken as part of the Targeted Public Distribution System (TPDS). In 2017-18, out of the centre's total expenditure on subsidies, 52% was spent on providing food subsidy (Figure 3).

Figure 3: Total expenditure on subsidies



Note: Figures for 2016-17 are revised estimates and for 2017-18 are budgeted estimates.

Sources: Union Budget documents; PRS.

The NFSA states that the centre and states should introduce schemes for cash transfers to beneficiaries.⁵ Various experts and bodies have also suggested replacing TPDS with a Direct Benefit Transfer (DBT) system.^{10,11} Advantages and disadvantages of these methods of delivering benefits have been discussed below.

- **TPDS:** TPDS assures beneficiaries that they would receive food grains, and insulates them against inflation and price volatility. Further, food grains are delivered through fair price shops in villages, which are easy to access.^{20,29}

However, high leakages have been witnessed in the system, both during transportation and distribution. These include pilferage and errors of inclusion and exclusion from the beneficiary list. In addition, it has also been argued that the distribution of wheat and rice may cause an imbalance in the nutritional intake.^{5,29} Beneficiaries have also reported receiving poor quality food grains as part of the system.

- **Cash Transfers:** Cash transfers seek to increase the choices available with a beneficiary, and provide financial assistance. It has been argued that the costs of DBT may be lesser than TPDS, owing to lesser costs

incurred on transport and storage. These transfers may also be undertaken electronically.^{20,29}

It has been argued that cash received as part of DBT may be spent on non-food items.

Further, such a system may expose beneficiaries to inflation. In this regard, one may also consider the low penetration and access to banking in rural areas.¹²

The Cash Transfer for Food Security Rules, 2015 were notified in September 2015.¹³ The Rules provide for DBT by states with the approval of the centre, or in identified areas. As of March 2016, DBT for food subsidy was being implemented on a pilot basis in Puducherry, Chandigarh, and Dadra and Nagar Haveli.¹⁴ Note that the government has launched DBT for other subsidies such as LPG and fertiliser across the country.

The High Level Committee on Restructuring of FCI in 2015 had also recommended the introduction of biometrics and Aadhaar to plug leakages in PDS. Such transfers could be linked to Jan Dhan account, and be indexed to inflation.¹⁵ As of November 2016, 107.8 crore Aadhaar cards had been issued, covering 89% of the population.¹⁶

The Committee also suggested that switching to DBT for food subsidy would reduce the food subsidy bill of the government by more than Rs 30,000 crore. While making this recommendation, the Committee illustrated this by taking the case of subsidy given on rice (Table 7). It assumed that as part of DBT, the government would transfer Rs 22/Kg for rice to a beneficiary.

Table 7: Illustration: subsidy given on Rice

| | |
|--|----------|
| 1. CIP | Rs 3/Kg |
| 2. MSP | Rs 20/Kg |
| 3. Subsidy (3=2-1) | Rs 17/Kg |
| 4. Cost to government (Subsidy + Costs on procurement, storage and distribution) | Rs 27/Kg |
| 5. Cash subsidy to beneficiaries | Rs 22/Kg |
| 6. Government saving (6=5-4) | Rs 5/Kg |
| 7. Increase in beneficiary benefit (7=5-3) | Rs 5/Kg |

Sources: High Level Committee Report on Reorienting FCI, January 2015; PRS.

C. Revision of central issue price (CIP)

Under NFSA, food subsidy is given to beneficiaries at the CIP, which was last revised in 2002. CIP for wheat and rice can be found in Table 8.

Table 8: Central Issue Price (Rs/Kg)

| Commodity | AAY | BPL | APL |
|-----------|------|------|------|
| Rice | 3.00 | 5.65 | 7.95 |
| Wheat | 2.00 | 4.15 | 6.10 |

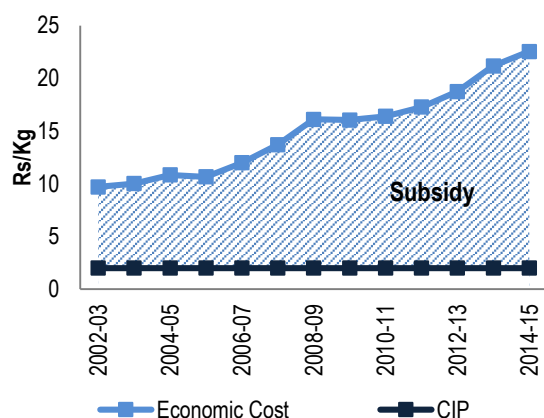
Note: AAY-Antyodaya Anna Yojana, BPL-Below Poverty Line, APL-Above Poverty Line.

Sources: TPDS, Department of Food and Public Distribution.

In comparison to the CIP, the economic cost (including procurement, stocking, distribution) for wheat is Rs 23/kg and for rice is Rs 33/kg as of February 2017.¹⁷ Food subsidy is calculated as the difference between the economic cost of procuring food grains, and their CIP.

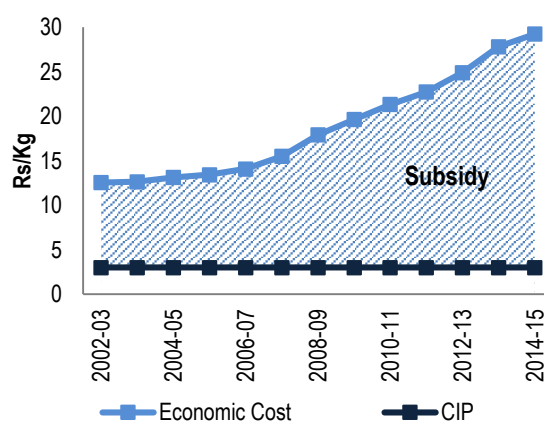
While the economic cost for rice has increased from Rs 1,098/quintal (approximately Rs 11/Kg) in 2001-02 to Rs 3,264/quintal in 2017-18, and of wheat, from Rs 853/quintal to Rs 2,409/quintal over the same period, the CIP has not been revised.^{17,2} This has led to an increasing gap between the economic cost and CIP, leading to an increase in expenditure on food subsidy.¹⁰ Trends in economic cost, CIP and subsidies for wheat and rice can be found in Figure 4 and Figure 5 below.

Figure 4: Subsidy on a Kg of Wheat (Rs)



Sources: High Level Committee Report on Restructuring of FCI, January 2015; PRS.

Figure 5: : Subsidy on a Kg of Rice (Rs)



Sources: High Level Committee Report on Restructuring of FCI, January 2015; PRS.

In 2016-17, the Ministry had stated that increasing the CIP could be one of the measures to bridge the gap between the funds it requires, and the funds it is actually allocated.¹⁸ Details related to the procurement of food grains, off-take and stock can be found in of the Annexure.

D. Current challenges in PDS

Leakages in PDS: Leakages refer to food grains not reaching intended beneficiaries. According to 2011 data, leakages in PDS were estimated to be 46.7% (see Table 12).^{2,19}

These 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.^{20,21}

Note that under NFSA, states are responsible for identification of beneficiaries. In 2016, the Comptroller and Auditor General (CAG) found that this process had not been completed by the states, and 49% of the beneficiaries were yet to be identified.²² It also noted that inclusion and exclusion errors had been reported in the beneficiary lists.

Over the years, some solutions that have been suggested include: (i) DBT of food subsidy, and (ii) end to end computerisation of the entire system.^{2,28} Details regarding the status of computerisation of PDS can be found in Table 14 of the Annexure.

To check inefficiency in PDS and plug leakages, the government and other experts have suggested the integration of Aadhaar with PDS. This is expected to facilitate the removal of bogus ration cards, check leakages and ensure better delivery of food grains.^{2,23,24}

In February 2017, the Ministry made it mandatory for beneficiaries under NFSA to use Aadhaar as proof of identification for receiving food grains.²⁵ Persons without Aadhaar numbers have been allowed to get a card till June 30, 2017. Till then a person may be allowed to show an enrolment slip for Aadhaar, or other specified ID proofs such as a Voter ID card or passport.

Note that as of January 2017, while 100% ration cards had been digitised, the seeding of these cards with Aadhaar was at 73%.²³ With close to 27% of the ration cards yet to be seeded into Aadhaar, the impact of making it mandatory to receive food grains may be considered. For details related to deleted ration cards due to detection of bogus, fake, and duplicate cards, see Table 17 of the Annexure.

Storage: The Department allocates funds for the construction of godowns to increase storage capacity. This includes allocations for the Warehousing Development and Regulatory Authority (WADA). In 2017-18, Rs 60 crore has been allocated for storage and godowns, and Rs 15 crore has been allocated to WADA.

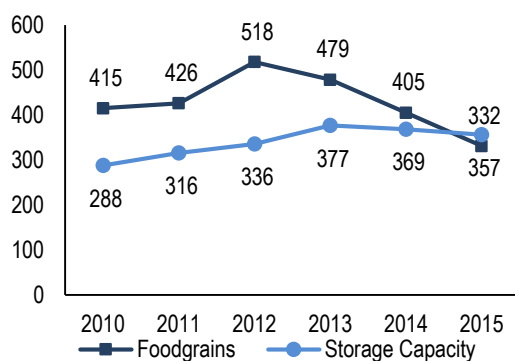
As of 2016-17, the total storage capacity in the country is 788 lakh tonnes, of which 354 lakh tonnes is with the FCI and 424 lakh tonnes is with

the state agencies.²⁶ The total stock of food grains in the country as of November 2016 was 314 lakh tonnes.

The CAG in its performance audit found that the available storage capacity in states was inadequate for the allocated quantity of food grains.²² For example, as of October 2015, of the 233 godowns sanctioned for construction in Maharashtra, only 93 had been completed. In Assam, although the storage capacity was enough for the state's allocation, the conditions of the godown were found to be too damp for storage. Some of the storage in Jharkhand was also found to be unfit, either because of its remote location or the damaged condition of the godowns.

The CAG also noted that in four of the last five years, the stock of food grains in the central pool had been higher than the storage capacity available with the FCI (see Figure 6).²²

Figure 6: Stock and Capacity of FCI (lakh tonnes)



Sources: CAG Performance Audit on Preparedness for Implementation of National Food Security Act, 2013; PRS.

As seen in Figure 6, it was only in 2015 that the stock of food grains was lower than the storage capacity. According to the CAG, this was owing to an increase in procurement under Decentralised Procurement (DCP), and less food grains in the central pool.²² Under DCP, the state governments undertake procurement, storage and distribution of food grains on behalf of the central government. The states are reimbursed by the centre for the expenditure incurred by them.²⁷

Note that during 2016-17, while the food subsidy given to FCI reduced by 3% over the budgeted estimates, the allocation to states for DCP increased

by 14%.³ This may indicate that the government is increasing allocations for DCP by states, and reducing its expenditure on centralised procurement by the FCI.

The centre has allocated Rs 4,500 crore in 2017-18 as assistance to states for intra-state movement of food grains and for the margin of fair price shop dealers. This allocation is 80% higher than the revised estimates of 2016-17.

Fair Price Shops: It has been observed by various experts and the Ministry that the margins on which the Fair Price Shops operate are low.²⁸ Further, in the absence of economic viability, there may be cases where the dealer resorts to unfair practices. In order to make these shops viable, states have taken various steps:

- Chhattisgarh provided seed capital of Rs 75,000 to each fair price shop free of any interest for 20 years. It also increased the commission on food grains from Rs 8/quintal to Rs 30/quintal.
- States such as Assam and Delhi have permitted the sale of non-PDS items at these fair price shops. Such items include oil, potatoes, onion, tea, and mobile recharge coupons.

Quality of food grains

There have been various issues related to the quality of food grains supplied under the PDS network. A survey conducted in 2011 had noted that people complained about receiving poor quality food grain which had to be mixed with other grains to be edible.²⁹ There have also been complaints about people receiving food grains containing alien substances such as pebbles. Poor quality of food may impact the willingness of people to buy food from fair price shops, and may have an adverse impact on their health.³⁰

The Ministry has stated that while regular surveillance, monitoring, inspection and random sampling of all food items is under-taken by State Food Safety Officers, separate data for food grains distributed under PDS is unavailable.³¹ In the absence of data with regard to quality testing results of food grains supplied under PDS, it may be difficult to ascertain whether these food items meet the prescribed quality and safety standards.

¹ Department of Food and Public Distribution, <http://dfpd.nic.in/>.

² Report of the High Level Committee on Reorienting the Role and Restructuring of Food Corporation of India, January 2015, http://www.fci.gov.in/app2/webroot/upload/News/Report%20of%20the%20High%20Level%20Committee%20on%20Reorienting%20the%20Role%20and%20Restructuring%20of%20FCI_English_1.pdf.

³ Expenditure Budget, Union Budget 2017-18, <http://unionbudget.nic.in/ub2017-18/eb/allsbef.pdf>.

⁴ Functions and the duties of the Department of Consumer Affairs, Department of Consumer Affairs,

<http://consumeraffairs.nic.in/forms/contentpage.aspx?lid=204>.
⁵ National Food Security Act, 2013, <http://indiacode.nic.in/acts-in-pdf/202013.pdf>.

⁶ Unstarred Question No. 3711, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on August 9, 2016,

<http://164.100.47.190/loksabhaquestions/annex/9/AU3711.pdf>.

⁷ "Nutritional Intake in India 2011-12, NSS 68th Round, National Sample Survey Office, Ministry of Statistics and Programme Implementation, October 2014,

http://mospi.nic.in/sites/default/files/publication_reports/nss_report_560_19dec14.pdf.

⁸ Volume II, Economic Survey of India 2015-16, <http://indiabudget.nic.in/es2015-16/echapvol2-05.pdf>.

⁹ Task Force on Agricultural Development, NITI Aayog,

http://niti.gov.in/mgov_file/Raising%20Agricultural%20Productivity%20and%20Making%20Farming%20Remunerative%20for%20Farmers.pdf.

¹⁰ “Prices, Agriculture and Food Management”, Chapter 5, Economic Survey 2015-16, <http://unionbudget.nic.in/budget2016-2017/es2015-16/echapvol2-05.pdf>.

¹¹ Working Paper 294, “Leakages from Public Distribution System”, January 2015, ICRIER, http://icrier.org/pdf/Working_Paper_294.pdf.

¹² ‘Report of the Internal Working Group on Branch Authorisation Policy’, Reserve Bank of India, September 2016,

<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/IWG99F12F147B6E4F8DBEE8CEBB8F09F103.PDF>.

¹³ “The Cash Transfer of Food Subsidy Rules, 2015”, Ministry of Consumer Affairs, Food and Public Distribution, September 3, 2015, http://dfpd.nic.in/writereaddata/Portal/News/32_1_cash.pdf.

¹⁴ Achievements & Initiatives taken by the Ministry of Consumer Affairs, Food & Public Distribution during 2016, Ministry of Consumer Affairs, Food & Public Distribution, Press Information Bureau, December 26, 2016.

¹⁵ Report of the High Level Committee on Reorienting the Role and Restructuring of Food Corporation of India, January 2015,

http://www.fci.gov.in/app2/webroot/upload/News/Report%20of%20the%20High%20Level%20Committee%20on%20Reorienting%20the%20Role%20and%20Restructuring%20of%20FCI_English_1.pdf.

¹⁶ Unstarred Question No. 1281, Lok Sabha, Ministry of Electronics and Information Technology, Answered on November 23, 2016,

<http://164.100.47.190/loksabhaquestions/annex/10/AU1281.pdf>.

¹⁷ Economic Cost, Food Corporation of India (last accessed on February 9, 2017), <http://fci.gov.in/finances.php?view=23>.

¹⁸ Tenth Report of the Committee on Demands for Grants (2016-17) in respect of Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution), May 2016,

http://164.100.47.193/lssccommittee/Food.%20Consumer%20Affairs%20&%20Public%20Distribution/16_Food_Consumer_Affairs_And_Public_Distribution_10.pdf.

¹⁹ Third Report of the Standing Committee on Food, Consumer Affairs and Public Distribution: Demands for Grants 2015-16, Department of Food and Public Distribution,

http://164.100.47.193/lssccommittee/Food.%20Consumer%20Affairs%20&%20Public%20Distribution/16_Food_Consumer_Affairs_And_Public_Distribution_3.pdf.

²⁰ The Case for Direct Cash Transfers to the Poor, Economic and Political Weekly, April 2008,

http://www.epw.in/system/files/pdf/2008_43/15/The_Case_for_Direct_Cash_Transfers_to_the_Poor.pdf.

²¹ Performance Evaluation of Targeted Public Distribution System, Planning Commission of India, March 2005,

http://planningcommission.nic.in/reports/peoreport/peo/peo_tps.pdf.

²² Audit on the Preparedness for Implementation of National Food Security Act, 2013 for the year ended March, 2015, Report No. 54 of 2015, Comptroller and Auditor General of India,

http://cag.gov.in/sites/default/files/audit_report_files/Union_Civil_National_Food_Security_Report_54_of_2015.pdf.

²³ Unstarred Question No. 844, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on February 7, 2017, <http://164.100.47.190/loksabhaquestions/annex/11/AU844.pdf>.

²⁴ “Envisioning a role for Aadhaar in the Public Distribution System”, Unique Identification Authority of India, Planning Commission, June 2010, http://uidai.gov.in/UID_PDF/Working_Papers/Circulated_Aadhaar_PDS_Note.pdf.

²⁵ S.O. 371 (E), Gazette of India, Ministry of Consumer Affairs, Food and Public Distribution, February 8, 2017,

<http://egazette.nic.in/WriteReadData/2017/174131.pdf>.

²⁶ Annual Report 2016-17, Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution,

<http://dfpd.nic.in/writereaddata/images/annual-140217.pdf>.

²⁷ Decentralised Procurement Scheme, Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution, <http://dfpd.nic.in/decentralized-procurement.htm>.

²⁸ Newsletter of the Department of Food and Public Distribution, Jan-March, 2015,

http://dfpd.nic.in/writereaddata/images/pdf/Final_English_version_of_newsletter_May_29_2015.pdf.

²⁹ Revival of the Public Distribution System: Evidence and Explanations, The Economic and Political Weekly, November 5, 2011,

http://www.epw.in/system/files/pdf/2011_46/44-45/Revival_of_the_Public_Distribution_System_Evidence_and_Explanations.pdf.

³⁰ Food Subsidy, The Economic and Political Weekly, December 27, 2014,

http://www.epw.in/system/files/pdf/2014_49/52/Food_Subsidy.pdf.

³¹ Unstarred Question No. 2124, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on November 29, 2016, <http://164.100.47.190/loksabhaquestions/annex/10/AU2124.pdf>.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research (“PRS”). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure

Detailed expenditure table

Table provides an overview of expenditure on the major schemes of the Ministry, provided in the Demands for Grants (2017-18). In addition, major shifts in the budgetary allocation are shown in the last two columns.

Table 9: Major heads of allocation in the Department of Food and Public Distribution (in Rs crore)

| Major Heads | Actual 2015-2016 | Budget 2016-2017 | Revised 2016-2017 | Budget 2017-2018 | % increase in 2017-18 (BE) over 2016-17 (RE) | Increase |
|---|---------------------|---------------------|----------------------|---------------------|--|---------------|
| Secretariat | 41 | 52 | 52 | 55 | 5% | 3 |
| National Sugar Institute, Kanpur | 20 | 24 | 21 | 21 | 1% | 0 |
| Other Establishment Expenditure of Food, Storage and Warehousing | 16 | 23 | 18 | 19 | 6% | 1 |
| Food Subsidy | 1,39,419 | 1,34,835 | 1,35,173 | 1,45,339 | 8% | 10,166 |
| <i>Of which:</i> | | | | | | - |
| Food Subsidy to FCI under NFSA | 1,12,000 | 1,03,335 | 1,00,000 | 1,07,139 | 7% | 7,139 |
| Food Subsidy for DCP of Food grains under NFSA | 22,919 | 27,000 | 30,673 | 38,000 | 24% | 7,327 |
| Sugar Subsidy payable under PDS | 4,500 | 4,500 | 4,500 | 200 | -96% | -4,300 |
| Assistance to State Agencies for intra- state movement of food grains and FPS dealers margin under NFSA | 2 | 2,500 | 2,500 | 4,500 | 80% | 2,000 |
| Development of Sugar Industry | 750 | 2,000 | 1,672 | 496 | -70% | -1,176 |
| Strengthening of PDS Operations | 63 | 80 | 80 | ... | | |
| Storage and Godowns | 79 | 52 | 52 | 60 | 15% | 8 |
| Warehousing Development and Regulatory Authority | 15 | 18 | 15 | 15 | 0% | - |
| Other | 115 | 567 | 595 | - | | |
| Total | 1,40,521 | 1,40,150 | 1,40,178 | 1,50,505 | 7% | 10,327 |

Sources: Expenditure Budget, Vol. 2, Union Budget 2017-18; PRS.

Table 10: Share of calorie intake from different food groups (%)

| | Cereals | Pulses, nuts & oilseeds | Vegetables & fruits | Meats, eggs & fish | Milk & milk products | Miscellaneous food |
|--------------|---------|----------------------------|------------------------|-----------------------|-------------------------|-----------------------|
| Rural | | | | | | |
| 1993-94 | 71.0 | 4.9 | 2.0 | 0.7 | 6.2 | 2.4 |
| 1999-00 | 67.6 | 5.5 | 2.0 | 0.8 | 6.2 | 2.3 |
| 2004-05 | 67.5 | 5.0 | 2.2 | 0.8 | 6.4 | 3.0 |
| 2009-10 | 64.2 | 4.5 | 1.8 | 0.7 | 6.8 | 6.0 |
| 2011-12 | 61.1 | 5.2 | 1.9 | 0.8 | 7.1 | 7.0 |
| Urban | | | | | | |
| 1993-94 | 58.5 | 6.1 | 3.3 | 1.0 | 8.0 | 5.6 |
| 1999-00 | 55.1 | 6.9 | 2.9 | 1.1 | 8.2 | 5.5 |
| 2004-05 | 56.1 | 6.7 | 3.2 | 1.1 | 8.6 | 5.3 |
| 2009-10 | 55.0 | 5.9 | 2.6 | 1.0 | 9.4 | 5.9 |
| 2011-12 | 51.6 | 6.4 | 2.6 | 1.1 | 9.1 | 8.6 |

Sources: Table T18, "Nutritional Intake in India, 2011-12", NSSO; PRS.

Table 11: Share of protein intake (%)

| Year | Cereals | Pulses | Milk & milk products | Egg, fish & meat | Other food |
|--------------|---------|--------|----------------------|------------------|------------|
| Rural | | | | | |
| 1993-94 | 69.4 | 9.8 | 8.8 | 3.7 | 8.4 |
| 1999-00 | 67.4 | 10.9 | 9.2 | 4.0 | 8.4 |
| 2004-05 | 66.4 | 9.5 | 9.3 | 4.0 | 10.8 |
| 2009-10 | 64.9 | 9.1 | 10.0 | 4.0 | 12.0 |
| 2011-12 | 62.5 | 10.6 | 10.6 | 4.7 | 11.7 |
| Urban | | | | | |
| 1993-94 | 59.4 | 11.5 | 11.7 | 5.3 | 12.1 |
| 1999-00 | 57.0 | 13.1 | 12.4 | 6.0 | 11.5 |
| 2004-05 | 56.2 | 11.0 | 12.3 | 5.5 | 15.0 |
| 2009-10 | 56.4 | 11.3 | 13.8 | 5.6 | 13.0 |
| 2011-12 | 53.7 | 12.4 | 13.6 | 6.4 | 13.9 |

Sources: Table T21, "Nutritional Intake in India, 2011-12", NSSO; PRS.

Table 12: Leakages in PDS for wheat and rice (in lakh tonnes)

| State/UT | Total consumption from PDS | Offtake (2011-12) | Leakage | % leakage |
|-------------------|----------------------------|-------------------|------------|--------------|
| Andhra Pradesh | 36.1 | 40.7 | 4.6 | 11.3% |
| Arunachal Pradesh | 0.8 | 1.0 | 0.2 | 20.0% |
| Assam | 9.5 | 24.4 | 14.9 | 61.1% |
| Bihar | 11.3 | 36.2 | 24.9 | 68.8% |
| Chhattisgarh | 16.7 | 16.7 | 0.0 | 0.0% |
| Goa | 0.4 | 0.8 | 0.4 | 50.0% |
| Gujarat | 4.4 | 15.7 | 11.3 | 72.0% |
| Haryana | 2.2 | 7.3 | 5.1 | 69.9% |
| Himachal Pradesh | 4.9 | 6.3 | 1.4 | 22.2% |
| Jammu and Kashmir | 8.8 | 9.1 | 0.3 | 3.3% |
| Jharkhand | 3.1 | 12.4 | 9.3 | 75.0% |
| Karnataka | 16.2 | 30.1 | 13.9 | 46.2% |
| Kerala | 11.4 | 20.1 | 8.7 | 43.3% |
| Madhya Pradesh | 15.5 | 30.7 | 15.2 | 49.5% |
| Maharashtra | 19.3 | 42.7 | 23.4 | 54.8% |
| Manipur | 0.0 | 2.0 | 2.0 | 100.0% |
| Meghalaya | 0.8 | 2.5 | 1.7 | 68.0% |
| Mizoram | 0.9 | 1.1 | 0.2 | 18.2% |
| Nagaland | 0.1 | 2.0 | 1.9 | 95.0% |
| Odisha | 15.4 | 24.4 | 9.0 | 36.9% |
| Punjab | 3.4 | 8.7 | 5.3 | 60.9% |
| Rajasthan | 10.1 | 29.8 | 19.7 | 66.1% |
| Sikkim | N/A | N/A | - | - |
| Tamil Nadu | 39.5 | 45 | 5.5 | 12.2% |
| Tripura | 2.7 | 3.3 | 0.6 | 18.2% |
| Uttar Pradesh | 43.2 | 82.9 | 39.7 | 47.9% |
| Uttarakhand | 4.6 | 6.6 | 2.0 | 30.3% |
| West Bengal | 13.4 | 43.9 | 30.5 | 69.5% |
| Total | 295.5 | 554.5 | 259 | 46.7% |

Sources: Table 1, Working Paper 294, "Leakages from Public Distribution System", ICRIER; PRS.

Table 13: Procurement, Offtake and Stocks of food grains (in million tonnes)

| Year | Procurement | | | Offtake | | | % Offtake | Stocks | | |
|---------|-------------|-------|-------|---------|-------|-------|-----------|--------|-------|-------|
| | Rice | Wheat | Total | Rice | Wheat | Total | | Rice | Wheat | Total |
| 2003-04 | 22.9 | 15.8 | 38.7 | 25.0 | 24.3 | 49.3 | 127.4% | 13.1 | 6.9 | 20.7 |
| 2004-05 | 24.7 | 16.8 | 41.5 | 23.2 | 18.3 | 41.5 | 100.0% | 13.3 | 4.1 | 18.0 |
| 2005-06 | 27.6 | 14.8 | 42.4 | 25.1 | 17.2 | 42.3 | 99.8% | 13.7 | 2.0 | 16.6 |
| 2006-07 | 25.1 | 9.2 | 34.3 | 25.1 | 11.7 | 36.8 | 107.3% | 13.2 | 4.7 | 17.9 |
| 2007-08 | 28.7 | 11.1 | 39.9 | 25.2 | 12.2 | 37.4 | 93.7% | 13.8 | 5.8 | 19.8 |
| 2008-09 | 34.1 | 22.7 | 56.8 | 24.6 | 14.9 | 39.5 | 69.5% | 21.6 | 13.4 | 35.6 |
| 2009-10 | 32.0 | 25.4 | 57.4 | 27.4 | 22.4 | 49.7 | 86.6% | 26.7 | 16.1 | 43.3 |
| 2010-11 | 34.2 | 22.5 | 56.7 | 29.9 | 23.1 | 53.0 | 93.5% | 28.8 | 15.4 | 44.3 |
| 2011-12 | 35.0 | 28.3 | 63.4 | 32.1 | 24.2 | 56.3 | 88.8% | 33.4 | 20.0 | 53.4 |
| 2012-13 | 34.0 | 38.2 | 72.2 | 32.6 | 33.2 | 65.8 | 91.1% | 35.5 | 24.2 | 59.8 |
| 2013-14 | 31.8 | 25.1 | 56.9 | 29.2 | 30.6 | 59.8 | 105.1% | 30.6 | 17.8 | 48.4 |
| 2014-15 | 32.2 | 28.0 | 60.2 | 30.7 | 25.2 | 55.9 | 92.9% | 23.8 | 17.2 | 41.0 |
| 2015-16 | 21.9 | 28.1 | 50 | 23.3 | 20.3 | 43.6 | 87.2% | 26.0 | 23.8 | 49.8 |

Notes: Figures for procurement and stock as of January 2016. Offtake numbers up to November 2015.

Sources: Table 5.15, Chapter 5, Economic Survey 2015-16; PRS.

Table 14: Status of operation of component one of end-to-end computerization of TPDS scheme

| State/UT | Aadhaar Seeding in Ration Cards | Online Allocation of Food grains | Computerization of Supply-chain | Transparency Portal | Online Grievance Redressal | Operational e-PoS |
|-----------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------|----------------------------|-------------------|
| Andhra Pradesh | 100% | Implemented | Implemented | Yes | Yes | 29,082 |
| Arunachal Pradesh | 45% | - | - | Yes | - | 0 |
| Assam | 0% | Implemented | - | Yes | Yes | 0 |
| Bihar | 0% | Implemented | Implemented | Yes | Yes | 0 |
| Chandigarh | 100% | NA | NA | Yes | Yes | DBT (Cash) |
| Chhattisgarh | 100% | Implemented | Implemented | Yes | Yes | 12,128 |
| Goa | 88% | Implemented | Implemented | Yes | Yes | 42 |
| Gujarat | 91% | Implemented | Implemented | Yes | Yes | 17,052 |
| Haryana | 91% | Implemented | - | Yes | Yes | 8,969 |
| Himachal Pradesh | 96% | Implemented | Implemented | Yes | Yes | 0 |
| Jammu and Kashmir | 62% | Up to TSOs* | - | Yes | - | 0 |
| Jharkhand | 95% | Implemented | Implemented | Yes | Yes | 20,361 |
| Karnataka | 98% | Implemented | Implemented | Yes | Yes | 3,877 |
| Kerala | 98% | Implemented | - | Yes | Yes | 0 |
| Madhya Pradesh | 85% | Implemented | Implemented | Yes | Yes | 22,409 |
| Maharashtra | 87% | Implemented | Implemented | Yes | Yes | 93 |
| Manipur | 1% | Partial* | - | Yes | Yes | 0 |
| Meghalaya | 0% | - | - | Yes | Yes | 0 |
| Mizoram | 12% | - | - | Yes | Yes | 0 |
| Nagaland | 7% | - | - | Yes | Yes | 0 |
| Odisha | 85% | Implemented | Implemented | Yes | Yes | 32 |
| Punjab | 100% | Implemented | - | Yes | Yes | 0 |
| Rajasthan | 99% | Implemented | - | Yes | Yes | 25,721 |
| Sikkim | 71% | Implemented | - | Yes | Yes | 20 |
| Tamil Nadu | 88% | Implemented | Implemented | Yes | Yes | 34,769 |
| Telangana | 100% | Implemented | Implemented | Yes | Yes | 1,622 |
| Tripura | 93% | Implemented | Implemented | Yes | - | 25 |
| Uttar Pradesh | 72% | Implemented | - | Yes | Yes | 750 |
| Uttarakhand | 66% | Implemented | - | Yes | Yes | 8 |
| West Bengal | 61% | Implemented | Implemented | Yes | Yes | 0 |
| Andaman and Nicobar Islands | 97% | Implemented | Implemented | Yes | Yes | 290 |
| Dadra and Nagar Haveli | 94% | Implemented | Implemented | Yes | Yes | 62 |
| Daman and Diu | 100% | Implemented | Implemented | Yes | Yes | 51 |
| Delhi | 100% | Implemented | Implemented | Yes | Yes | 28 |
| Lakshadweep | 98% | - | NA | Yes | Yes | 0 |
| Puducherry | 97% | NA | NA | Yes | Yes | DBT (Cash) |
| Total | 72% | 29* | 19 | 36 | 33 | 1,77,391 |

Sources: Annual Report 2016-17, Department of Food & Public Distribution; PRS.

Table 15: Buffer norms and actual stocks of food grains in the country (in lakh tonnes)

| Month | Wheat | | Rice | | Total | |
|--------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
| | Minimum buffer norms | Actual Stock | Minimum buffer norms | Actual Stock | Minimum buffer norms | Actual Stock |
| Apr-09 | 70 | 134.3 | 142.0 | 216.0 | 212.0 | 350.3 |
| Jul-09 | 201 | 329.2 | 118.0 | 196.2 | 319.0 | 525.4 |
| Oct-09 | 140 | 271.6 | 72.0 | 144.6 | 212.0 | 416.2 |
| Jan-10 | 112 | 230.9 | 138.0 | 243.5 | 250.0 | 474.5 |
| Apr-10 | 70 | 161.3 | 142.0 | 267.1 | 212.0 | 428.4 |
| Jul-10 | 201 | 335.8 | 118.0 | 242.7 | 319.0 | 578.5 |
| Oct-10 | 140 | 277.8 | 72.0 | 184.4 | 212.0 | 462.2 |
| Jan-11 | 112 | 215.4 | 138.0 | 255.8 | 250.0 | 471.2 |
| Apr-11 | 70 | 153.6 | 142.0 | 288.2 | 212.0 | 441.8 |
| Jul-11 | 201 | 371.5 | 118.0 | 268.6 | 319.0 | 640.1 |
| Oct-11 | 140 | 314.3 | 72.0 | 203.6 | 212.0 | 517.9 |
| Jan-12 | 112 | 256.8 | 138.0 | 297.2 | 250.0 | 553.9 |
| Apr-12 | 70 | 199.5 | 142.0 | 333.5 | 212.0 | 533.0 |
| Jul-12 | 201 | 498.1 | 118.0 | 307.1 | 319.0 | 805.2 |
| Oct-12 | 140 | 431.5 | 72.0 | 233.7 | 212.0 | 665.3 |
| Jan-13 | 112 | 343.8 | 138.0 | 322.2 | 250.0 | 666.0 |
| Apr-13 | 70 | 242.1 | 142.0 | 354.7 | 212.0 | 596.8 |
| Jul-13 | 201 | 424.0 | 118.0 | 315.1 | 319.0 | 739.1 |
| Oct-13 | 140 | 361.0 | 72.0 | 190.3 | 212.0 | 551.3 |
| Jan-14 | 112 | 280.5 | 138.0 | 147.0 | 250.0 | 427.5 |
| Apr-14 | 70 | 178.3 | 142.0 | 202.8 | 212.0 | 381.1 |
| Jul-14 | 201 | 398.0 | 118.0 | 212.4 | 319.0 | 610.4 |
| Oct-14 | 140 | 328.5 | 72.0 | 150.8 | 212.0 | 479.3 |
| Jan-15 | 138 | 251 | 76 | 117 | 214 | 369 |
| Apr-15 | 75 | 172 | 136 | 171 | 210 | 343 |
| Jul-15 | 276 | 387 | 135 | 159 | 411 | 546 |
| Oct-15 | 205 | 325 | 103 | 126 | 308 | 450 |
| Jan-16 | 138 | 238 | 76 | 127 | 214 | 365 |
| Apr-16 | 75 | 145 | 136 | 222 | 210 | 367 |
| Jul-16 | 276 | 302 | 135 | 194 | 411 | 496 |
| Oct-16 | 205 | 213 | 103 | 145 | 308 | 358 |

Notes: New buffer norms came into effect from 22.01.15. These include strategic reserve of 20 lakh MT of wheat and 30 lakh MT of rice.
Sources: Annual Report 2014-15 and 2016-17, Department of Food and Public Distribution; PRS.

Table 16: Minimum Support Prices of paddy and wheat from 2004-05 to 2016-17 (in Rs/Quintal)

| Crop | Paddy Common | % increase over last year | Wheat | % increase over last year |
|---------|--------------|---------------------------|-------|---------------------------|
| 2005-06 | 570 | 1.8% | 650 | 1.6% |
| 2006-07 | 580 | 1.8% | 750 | 15.4% |
| 2007-08 | 645 | 11.2% | 1,000 | 33.3% |
| 2008-09 | 850 | 31.8% | 1,080 | 8.0% |
| 2009-10 | 1,000 | 17.6% | 1,100 | 1.9% |
| 2010-11 | 1,000 | 0.0% | 1,120 | 1.8% |
| 2011-12 | 1,080 | 8.0% | 1,285 | 14.7% |
| 2012-13 | 1,250 | 15.7% | 1,350 | 5.1% |
| 2013-14 | 1,310 | 4.8% | 1,400 | 3.7% |
| 2014-15 | 1,360 | 3.8% | 1,450 | 3.6% |
| 2015-16 | 1,410 | 3.7% | 1,525 | 5.2% |
| 2016-17 | 1,470 | 4.3% | 1,625 | 6.6% |

Source: Directorate of Economics and Statistics, Department of Agriculture and Co-operation; CCEA, Press Information Bureau; PRS.

Table 17: Deleted Ration Cards (till November 2016)

| States/UTs | Total |
|-----------------------------|--------------------|
| Andhra Pradesh | 9,67,000 |
| Arunachal Pradesh | 14,911 |
| Assam | 72,746 |
| Bihar | 41,369 |
| Chandigarh | 0 |
| Chhattisgarh | 10,39,000 |
| Goa | 1,11,020 |
| Gujarat | 1,39,174 |
| Haryana | 1,92,130 |
| Himachal Pradesh | 3,260 |
| Jammu and Kashmir | 0 |
| Jharkhand | 7,933 |
| Karnataka | 46,19,988 |
| Kerala | 0 |
| Madhya Pradesh | 1,09,436 |
| Maharashtra | 21,62,391 |
| Manipur | 0 |
| Meghalaya | 0 |
| Mizoram | 997 |
| Nagaland | 0 |
| Odisha | 7,61,460 |
| Punjab | 1,01,249 |
| Rajasthan | 13,23,406 |
| Sikkim | 4,760 |
| Tamil Nadu | 3,70,727 |
| Telangana | 19,39,481 |
| Tripura | 1,76,986 |
| Uttar Pradesh | 24,72,135 |
| Uttarakhand | 0 |
| West Bengal | 66,13,961 |
| Andaman and Nicobar Islands | 37 |
| Dadra and Nagar Haveli | 1,647 |
| Daman and Diu | 0 |
| Delhi | 35,056 |
| Lakshadweep | 1,390 |
| Puducherry | 28,008 |
| Total | 2,33,11,658 |

Sources: Unstarred Q. No. 844, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on Feb 7, 2017; PRS.

Table 18: Sugar Cane Arrears

| State | Cane Price Arrears 2015-16 | Cane Price Arrears 2014-15 | Cane Price Arrears For 2013-14 & Earlier | Total Cane Price Arrears |
|----------------|----------------------------|----------------------------|--|--------------------------|
| Andhra Pradesh | 81 | 37 | 0 | 118 |
| Bihar | 30 | 5 | 40 | 75 |
| Chhattisgarh | 1 | 0 | 0 | 1 |
| Goa | 1 | 0 | 0 | 1 |
| Gujarat | 203 | 0 | 13 | 216 |
| Haryana | 126 | 11 | 0 | 137 |
| Karnataka | 108 | 17 | 101 | 226 |
| Madhya Pradesh | 6 | 0 | 13 | 19 |
| Maharashtra | 411 | 158 | 70 | 639 |
| Odisha | 19 | 0 | 3 | 22 |
| Puducherry | 10 | 5 | 3 | 18 |
| Punjab | 226 | 0 | 0 | 226 |
| Tamil Nadu | 1,030 | 286 | 273 | 1,589 |
| Telangana | 30 | 0 | 0 | 30 |
| Uttar Pradesh | 2,877 | 57 | 112 | 3,046 |
| Uttarakhand | 209 | 0 | 25 | 234 |
| West Bengal | 0 | 1 | 0 | 1 |
| Total | 5,368 | 577 | 653 | 6,598 |

Sources: Unstarred Q. No. 3711, Lok Sabha, Ministry of Consumer Affairs, Food and Public Distribution, Answered on Aug 9, 2016; PRS.