



# ACCOUNTABILITY INITIATIVE

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## BUDGET BRIEFS

### TPDS, GOI 2011-12

In order to ensure food security, the Government of India (GOI) provides food subsidy to citizens. The Targeted Public Distribution System (TPDS) is the primary vehicle used for delivery of this subsidy.

Using government reported data, this brief reports on TPDS trends along the following parameters:

- Allocation of food subsidy,
- Procurement and stock of foodgrains, and
- Coverage and distribution of TPDS.

**Cost Share and Implementation:** GOI's Commission of Agricultural Cost and Prices (CACPC) fixes the procurement price from farmers or Minimum Support Prices (MSPs). With the exception of some states, grains are procured centrally by the Food Corporation of India (FCI). Responsibility for distribution of foodgrains to beneficiaries rests with the state governments through the TPDS. Grains are distributed at the Central Issue Price (CIP).

Complete data on allocation and offtake is available on FCI website from 2002-03 till 2009-10.

#### Highlights

1	GOI allocation for food subsidy in FY 2011-12 (in crores)	₹60,573
2	Food subsidy as a % of GDP in FY 2010-11	0.9%

#### Summary and Analysis

- The Government of India's (GOI) food subsidy bill has more than doubled since FY 2005-06. In FY 2010-11, GOI's food subsidy accounted for **0.9%** of India's GDP.
- FCI's current stock of foodgrains is significantly higher than the minimum buffer requirement. In April 2009, while the buffer norm for rice was **122** lakh tonnes, FCI's actual stock was **216** lakh tonnes - a difference of **94** lakh tonnes.
- The excess stock of wheat is even higher. In July 2009, the actual stock exceeded the norm by **158** lakh tonnes.
- Poor storage and transit facilities accounted for a loss of **₹101** crore and **₹133** crore respectively in FY 2008-09.
- Overall offtake as a proportion of allocated foodgrains has improved from **50%** in FY 2005-06 to **81%** in FY 2009-10. TPDS has also seen a large improvement. For instance, Gujarat lifted **96%** of wheat up from **18%** in FY 2005-06.
- In the last 5 years, allotment of foodgrains for APL families has decreased by **22** percentage points. During the same period, BPL allotment increased by approximately **10** percentage points.



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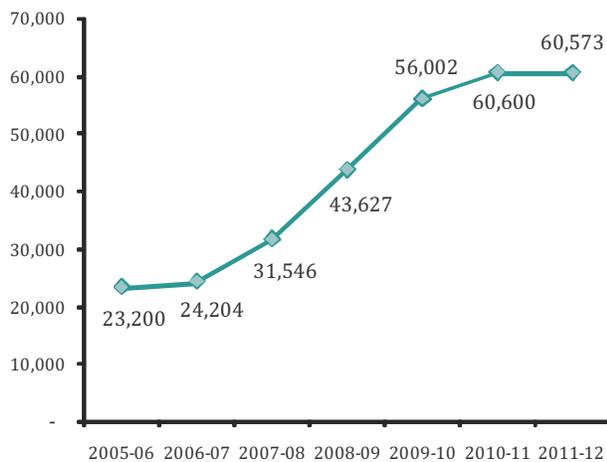
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## Trends at the central level

- The Government of India's (GOI) allocation for food subsidy has more than doubled since FY 2005-06. In FY 2011-12, ₹60,573 crores was allocated for the provision of food subsidy. This was a marginal drop from the previous year.

### Over 2-fold increase in allocations for food subsidy since FY 2005-06

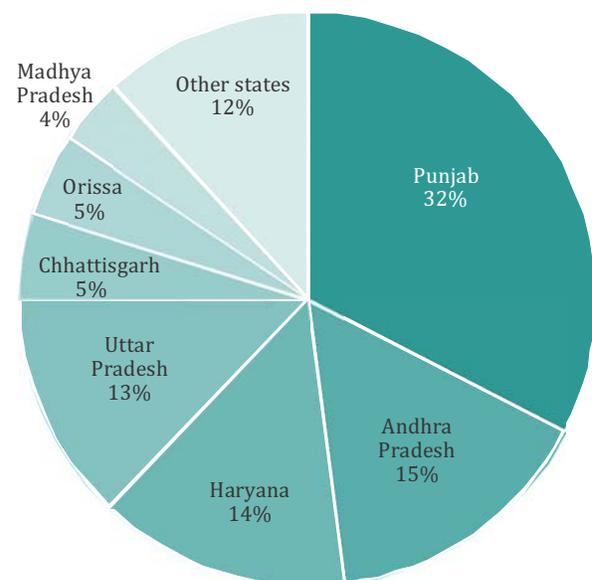


Source: Union Expenditure Budget, Vol II, Ministry of Consumer Affairs and Public Distribution FY 2005-06 till FY 2011-12. Available online at: [www.indiabudget.nic.in](http://www.indiabudget.nic.in) Note: Figures are in crores of rupees. Till FY 2010-11, figures are revised estimates; figures for FY 2011-12 are budget estimates.

- As a percentage of GDP, GOI food subsidy allocation in FY 2010-11 was **0.9** percent. When measured as a percentage of total expenditure incurred by GOI and state governments, food subsidy accounted for **2.7** percent.
- Foodgrains are procured by the Food Corporation of India (FCI). The main objectives of procurement are: a) to provide remunerative prices to producers or farmers, b) to build up and maintain a stock of foodgrains as buffer stocks, and c) to supply subsidised foodgrains to the poor through the Targeted Public Distribution System (TPDS) and other welfare schemes.

- The FCI procures foodgrains from producers at pre-determined prices, known as Minimum Support Prices (MSP). These have been fixed by GOI for 25 essential commodities, including rice, wheat, paddy and sugar.
- The main foodgrains provided through the food subsidy regime are rice and wheat. In FY 2008-09, **88** percent of these were procured from 7 states.

### 7 states accounted for 88% of rice and wheat procurement in FY 2008-09



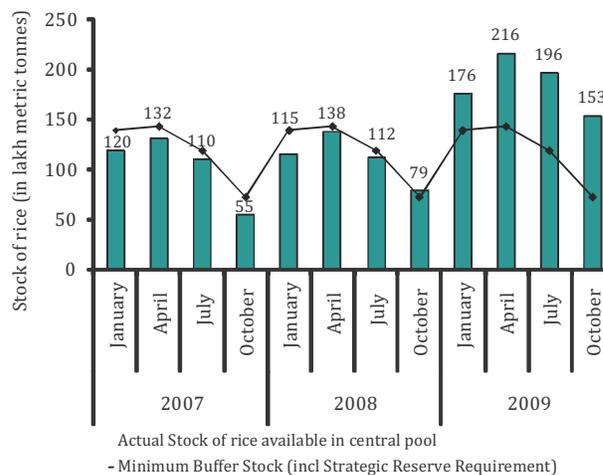
Source: Calculated from Economic Survey 2009-10, Chapter 8. Available online at: [www.indiabudget.nic.in](http://www.indiabudget.nic.in) Note: Figures are for central pool.

- For FY 2008-09, Punjab was the highest supplier of rice and wheat at **32** percent. Andhra Pradesh, Haryana and Uttar Pradesh provided **15**, **14** and **13** percent respectively.
- Punjab and Haryana were the largest suppliers of wheat at **42** and **27** percent respectively. Punjab also contributed a major portion of rice procurement at **25** percent. Andhra Pradesh accounted for **27** percent of rice procurement.

- On average, foodgrain production has been growing at 3.4 million tonnes per year since 1973-74. According to the fourth and final advance estimates, FY 2008-09 saw the highest production of foodgrains at 234 million tonnes. In FY 2009-10, India faced severe drought conditions, but this seems to have had a marginal effect on production as overall production declined by only 16 million tonnes to 218 million tonnes in that year.
- Procurement of foodgrains by FCI and states has also increased. According to FCI data accessed in February 2011, 57 million tonnes of foodgrains were procured in FY 2008-09.
- Increase in procurement is in part a consequence of increased production. Equally, the procurement process has undergone a significant design change with an increasing number of states procuring grains locally. In FY 2008-09, 8.9 million tonnes of rice and wheat were procured through decentralised procurement by states. According to provisional figures, as on 22 December 2010, a total of ₹9,376 crore of food subsidy has been released to various States under decentralised procurement operations in FY 2010-11.
- Buffer Stock:** An important objective of the food subsidy programme is the maintenance of a central pool of foodgrains to serve as a buffer stock. Buffer stocks are maintained for: a) supplying foodgrains to TPDS and other welfare schemes, b) to meet emergency situations arising out of unexpected crop failures or natural disasters and, c) to moderate foodgrain prices through market interventions. In addition, 30 lakh tonnes of wheat and 20 lakh tonnes of rice are maintained as strategic reserves.

- In consonance with the increase in production and procurement, buffer stock of foodgrains has also been increasing. By 2009, the actual stock of foodgrain was much higher than the buffer norms.

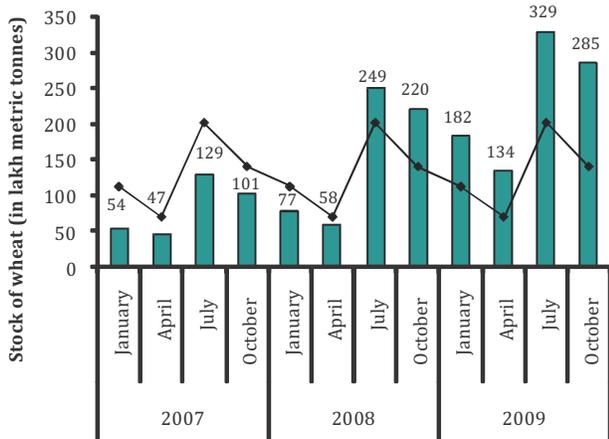
### Excess stock of 94 lakh metric tonnes of rice in April 2009



Source: Economic Survey 2009-10. Available online at: [www.indiabudget.nic.in](http://www.indiabudget.nic.in) Note: Figures are in lakh metric tonnes.

- Since January 2009, rice reserves have been consistently more than the minimum requirement. For instance, in April 2009, while the buffer norm for rice was 122 lakh tonnes, the actual stock was 216 lakh tonnes - a difference of 94 lakh tonnes.
- Excess reserves are much greater in the case of wheat.

### Excess stock of 158 lakh tonnes of wheat in July 2009

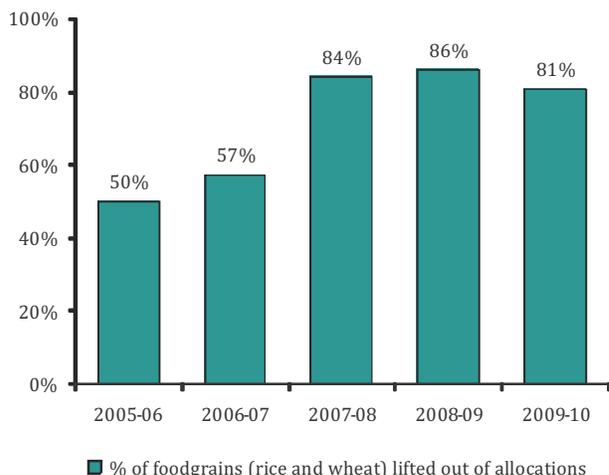


Actual Stock of wheat available in central pool  
 Minimum Buffer Stock (incl Strategic Reserve Requirement)

Source: Economic Survey 2009-10. Available online at: [www.indiabudget.nic.in](http://www.indiabudget.nic.in) Note: Figures are in lakh metric tonnes.

- Since July 2008, the gap between the actual stock and the norms has been steadily increasing. For instance, in July 2009, while the buffer requirement for wheat was 171 lakh tonnes, the actual stock was 329 lakh tonnes - a difference of 158 lakh tonnes.
- **Lifting of Foodgrains:** In the last five years, there has been an improvement in the proportion of foodgrains lifted (including decentralised procurement) out of the total allocations. In FY 2005-06, only 50 percent of allocated grains were lifted. This jumped in FY 2007-08 to 84 percent, decreasing marginally to 81 percent in FY 2009-10.

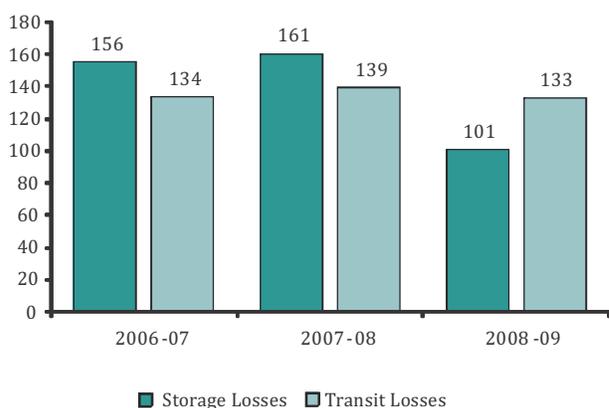
### Lifting by states has improved after FY 2006-07



Source: Calculated from Food Corporation of India, All India Offtake figures 2002-03 to 2010-11. Available online at: <http://fciweb.nic.in/sales/view/5> Note: includes all schemes as well as decentralised procurement.

- Gaps exist in storage and transportation of foodgrains by the FCI.

### ₹133 crores and ₹101 crores lost due to poor storage and transportation



Source: Ministry of Consumer Affairs, Food and Public Distribution. Lok Sabha Unstarred Question Number 843, answered on 24.11.2009. Note: Figures for FY 2006-07 are audited figures and figures are provisional for other years.

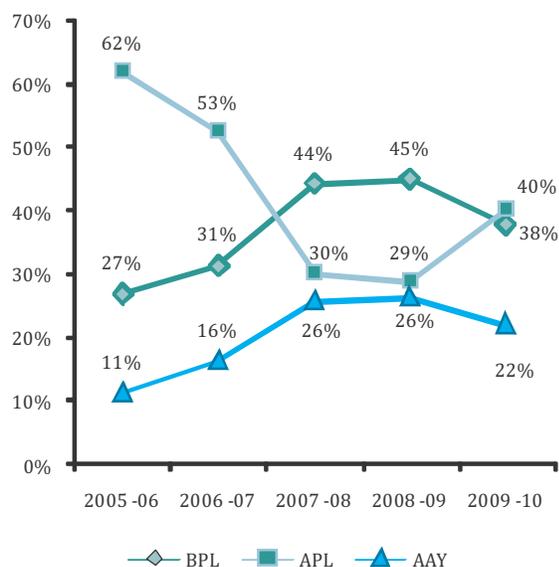
- In FY 2006-07, ₹156 crores were lost due to poor storage of foodgrains and a loss of ₹134 crores was incurred in transportation.

- Losses due to poor storage and transportation continued to be high in FY 2008-09 at ₹101 crores and ₹133 crores respectively.

### Targeted Public Distribution System

- Distribution of foodgrains to the poor is ensured through the TPDS - which operates through a network of Fair Price Shops or ration shops throughout the country.
- **Allotment and Lifting of TPDS foodgrains:** Over the years, there have been significant variations in total allotment of foodgrains to Below Poverty Line (BPL), Above Poverty Line (APL) and Antyodaya Anna Yojana (AAY) families under the TPDS. The most significant change has been the reduction in allotment of foodgrains to APL families as a proportion of total TPDS allotment. In the last 5 years, allotment has decreased by 22 percentage points. During the same period, BPL allotment increased by approximately 10 percentage points.

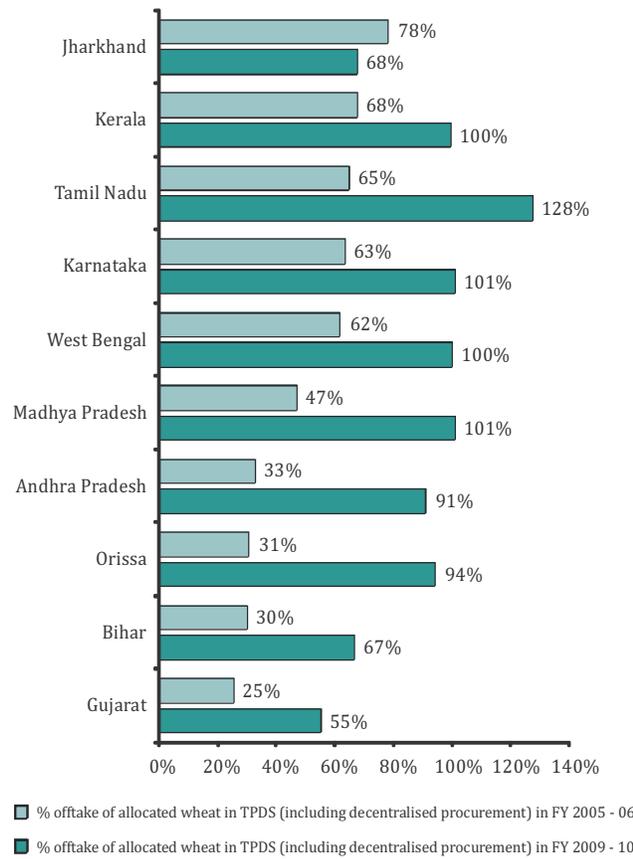
Allotment of foodgrains under TPDS for APL families decreased by 22 percentage points between FY 2005-06 and FY 2009-10



Source: Ministry of Consumer Affairs, Department of Public Distribution, Allocation and Offtake. Available online at: [http://www.fcamin.nic.in/ReportTable/view\\_reporttable.asp](http://www.fcamin.nic.in/ReportTable/view_reporttable.asp) Note: Does not include allotment to CRP/BSF, Defence and Bhutan.

- However, year-on-year trends show interesting results. The primary reason for the drop in APL allotments is a change in norms. Accordingly, since 2005-06, allotment is now determined on the basis of availability in central pool and past offtake at the state level. Consequently, states with low offtake during the preceding three years were allotted less foodgrains for APL households. In FY 2009-10, the APL allotment saw a significant increase. This was on account of a Supreme Court intervention with regard to the large quantity of rotting foodgrains. The intervention resulted in GOI releasing 25 million metric tonnes of grain to APL families. Thus, APL allotment as a proportion of total TPDS allotment increased by about 10 percentage points.
- Consequent to the overall increase in APL allotment, the total foodgrain allotment for BPL as a proportion of total TPDS allotment reduced by about 7 percentage points from FY 2008-09.
- **Trends at the state level:** State governments are responsible for identification of beneficiaries, issuance of ration cards and distribution of foodgrains to beneficiaries through ration shops.
- Since FY 1997-98, 11 states including Madhya Pradesh, West Bengal, Uttar Pradesh, Tamil Nadu and Kerala amongst others, have begun to procure grains from within the state.

**Andhra Pradesh lifted 91% of allocated wheat in FY 2009-10; Madhya Pradesh lifted 101%**

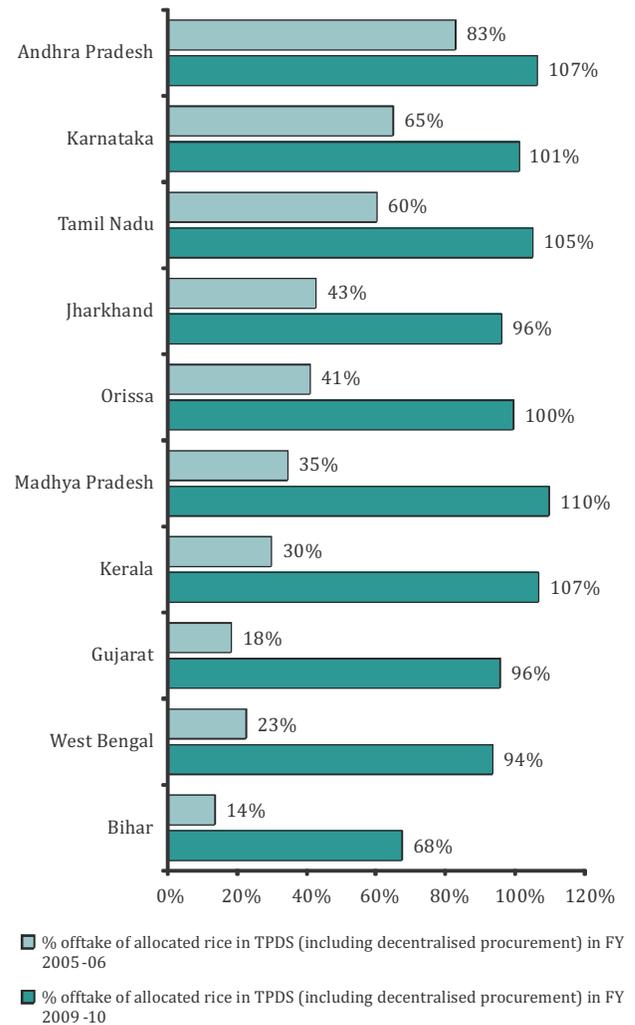


Source: Calculated from Food Corporation of India, All India Offtake figures 2002-3 to 2010-11. Available online at: <http://fciweb.nic.in/sales/view/5>

- Across India, offtake of wheat for TPDS (including decentralised procurement) as a proportion of allocation has seen a 51 percentage point increase. However, large variations exist at the state level. In FY 2005-06, Bihar and Gujarat collected only 30 and 25 percent of allocated wheat under TPDS, while Jharkhand collected 78 percent.
- Differences also exist from year to year. While Jharkhand decreased its offtake as a percentage of allocation in FY 2009-10, for most other states, there has been a significant improvement. Orissa, Tamil Nadu and Madhya Pradesh increased their offtake as a proportion of allocation by 63, 63 and 54 percentage points respectively.

- A key reason for the increase in Madhya Pradesh is greater decentralised offtake from 4.5 lakh tonnes in FY 2005-06 to nearly 16 lakh tonnes in FY 2009-10.
- Tamil Nadu reported lifting more than 100 percent of its allocations. This is because of lifting against backlog of previous years.
- Across India, the offtake of rice as a proportion of total allocations for TPDS (including decentralised procurement) improved from 46 percent in FY 2005-06 to 98 percent in FY 2009-10.

**Gujarat lifted 96% of allocated rice in FY 2009-10, up from 18% in FY 2005-06**



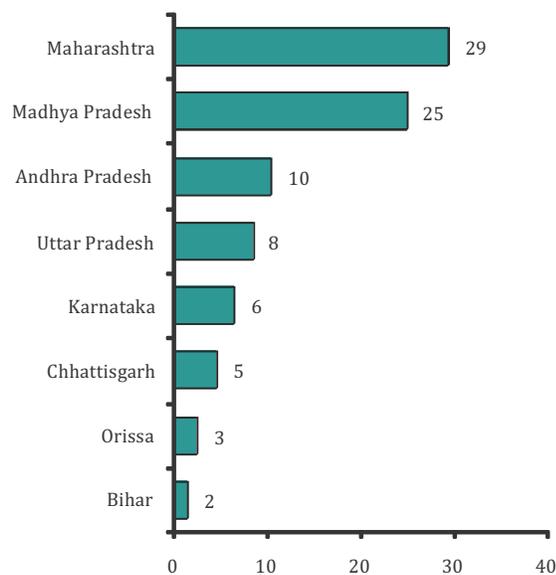
Source: Calculated from Food Corporation of India, All India Offtake figures 2002-03 to 2010-11. Available online at: <http://fciweb.nic.in/sales/view/5>

- Most states have also shown significant improvements during these five years. In FY 2009-10, Bihar and Jharkhand have increased their offtake by 54 and 53 percentage points respectively.
- Gujarat has shown the largest increase, from 18 percent in FY 2005-06, to 96 percent in FY 2009-10.

### Coverage

- Ration cards are issued by state and union territory governments to APL, BPL and beneficiaries under AAY.

**29 lakh ineligible ration cards in Maharashtra eliminated between July 2006 and July 2010**



■ Number of bogus/ ineligible ration cards eliminated between July 2006 and July 2010 (in lakhs)

Source: RTI filed by Accountability Initiative. Scanned copy available at: [www.accountabilityindia.in](http://www.accountabilityindia.in) Note: Figures have been rounded off.

- There are a large number of ineligible/fake ration cards issued causing inefficiencies in targeting.
- Between July 2006 and July 2010, in Bihar, Madhya Pradesh, Uttar Pradesh and Orissa a total of 37 lakh ineligible/fake ration cards for households have been eliminated.
- Additionally, in Maharashtra and Madhya Pradesh 29 lakh and 25 lakh ineligible ration cards were discovered and cancelled.
- Given the increase in production and procurement, the fact that food security continues to be a chronic problem is clearly linked to poor delivery. The Global Hunger Index released in October 2010, placed India in a group of 29 countries with 'alarming' levels of hunger. India was ranked below other countries like China, Sri Lanka, Pakistan and even below several countries in Sub-Saharan Africa, such as Kenya and Nigeria.

**This section offers some practical leads to accessing detailed information on the union government's food subsidy budget. However, reader patience and persistence is advised as a lot of this information tends to be dense and hidden amongst reams of data.**

Data Sources	Useful Tips
Union Budget, Expenditure Vol.2 <a href="http://www.indiabudget.nic.in">www.indiabudget.nic.in</a>	This volume provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes from 1998-99. The data has both revised and budget estimates and should be calculated according to the Major-Head and Sub Major-Head. For food subsidy, the head is 2408.
Economic Survey 2009-10 <a href="http://indiabudget.nic.in/index.asp">http://indiabudget.nic.in/index.asp</a>	Data on food subsidy as a proportion of GDP, actual and buffer stock of foodgrains and procurement of rice and wheat by different states is available.
Food Corporation of India, All India Off-take figures 2002-03 to 2010-11. <a href="http://fciweb.nic.in/sales/view/5">http://fciweb.nic.in/sales/view/5</a> <i>Accessed on February 25, 2010</i>	Data on allocation and offtake of rice and wheat for all schemes including TPDS, Mid-Day Meal, Annapurna, Grain Bank amongst others.
Lok Sabha website <a href="http://164.100.47.132/LssNew/psearch/QResult15.aspx?qref=72609">http://164.100.47.132/LssNew/psearch/QResult15.aspx?qref=72609</a> Ministry of Consumer Affairs, Food and Public Distribution. Lok Sabha Unstarred Question Number 843, answered on 24.11.2009 <i>Accessed on February 25, 2010.</i>	Data regarding the storage and transit losses incurred.
Ministry of Agriculture, Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Long Term trend of total production of foodgrains <a href="http://dacnet.nic.in/eands/latest_2006.htm">http://dacnet.nic.in/eands/latest_2006.htm</a> <i>Accessed on February 25, 2010</i>	Aggregate and disaggregated data on production of foodgrains
RTI filed by Accountability Initiative <a href="http://www.accountabilityindia.in">www.accountabilityindia.in</a>	Data on overall allocation of food subsidy, allocation and offtake by different states from 2006-2009, number of fake ration cards cancelled between July 2006 and July 2009 as well as the percentage of loss incurred.

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Special Thanks: Biraj Patnaik, Office of the Supreme Court Commissioners



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