



### Food Subsidy, GOI 2009-10

**Background:** In order to ensure food security, the Government of India (GOI) provides food subsidy to citizens. Food subsidy objectives are to maintain price stability, provide support to the poor, and ensure adequate returns to small and marginal farmers.

#### Cost Share and

**Implementation:** GOI's Commission of Agricultural Cost and Prices (CACP) 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 food grains to beneficiaries rests with the state governments through the Targeted Public Distribution System (TPDS). Grains are distributed at the Central Issue Price (CIP).

#### Highlights

GOI allocation for food subsidy in FY 2010-11 (in crore)	Rs. 55,578
GOI allocation for food subsidy as a % of GDP in FY 2009-10	0.9%
GOI food subsidy released in FY 2008-09 (in crore)	Rs. 43,668
GOI food subsidy released to FCI in FY 2008-09*	84%
GOI subsidy released to states in FY 2008-09*	16%

\*Calculated as a percentage of total food subsidy released.

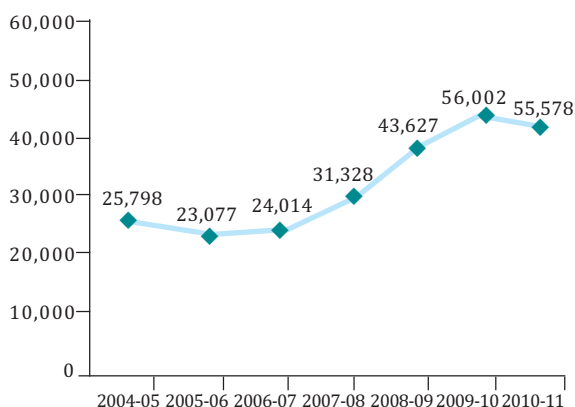
#### Key Facts and Analysis

- ◆ Over **2-fold** increase in food subsidy since FY 2004-05. As a percentage of GDP, food subsidy in FY 2009-10 remained the same as FY 2004-05 at **0.9%**.
- ◆ Share of food subsidy received by Below Poverty Line (BPL) families and Antyodaya Anna Yojana (AAY) scheme has been decreasing. In FY 2008-09, BPL and AAY received **80%** of total food subsidy released, down from **84 %** in FY 2006-07.
- ◆ Large losses due to poor storage and improper transportation of food grains. In FY 2008-09, Rs. **101** crore and Rs. **133** crore was lost due to poor storage and transportation respectively.
- ◆ Variations in states' collection of allocated food grains. In FY 2008-09, West Bengal and Jharkhand lifted **87%** of the allocated food grains, while Bihar lifted only **55%** of allocated food grains.
- ◆ Large numbers of bogus ration cards. In West Bengal, **53** lakh fake ration cards were cancelled from July 2006 till December 2009.

### Trends at the central level

- Over 2-fold increase in food subsidy allocations since FY 2004-05. The current allocation for food subsidy in FY 2010-11 is Rs. **55,578** crore.

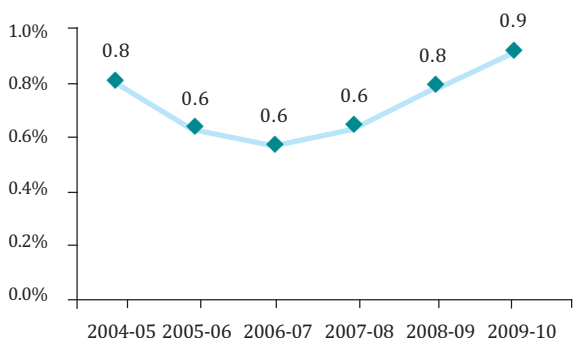
#### Over 2-fold increase in allocations for food subsidy since FY 2004-05



Source: Compiled from Expenditure Budget, Vol-II, for 2004-05 to 2009-10. Note: The figures for FY 2010-11 are budget estimates. The figures for the rest of the years are revised estimates. Figures in crores of rupees.

- As a percentage of GDP, food subsidy allocations have seen no significant change. In FY 2009-10, **0.90** percent of GDP was allocated towards food subsidy.

#### Fluctuating trends of food subsidy as a % of GDP

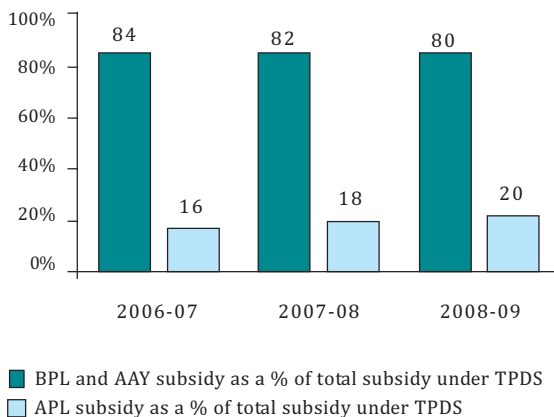


Source: Compiled from Expenditure Budget, Vol-II, for 2004-05 to 2009-10. GDP figures are at current prices. Note: The figures for FY 2009-10 are revised estimates. Figures in percentages.

- Food grains are procured by the Food Corporation of India (FCI). Procurement has three objectives; a) to provide remunerative prices to the producers or farmers, b) to build up a stock of food grains as buffer stocks, and c) to supply subsidised food grains to the poor through the Targeted Public Distribution System (TPDS) and other welfare schemes.
- Minimum Support Prices (MSP) are fixed by the GOI for 25 essential commodities. These are pre-determined prices at which the Food Corporation of India (FCI) procures food grains from the producers.
- FCI also incurs expenditures on storage, transportation and distribution of food grains. This, along with the expenditure on MSP is known as the 'economic cost' to the GOI.
- Distribution of food grains to the poor is ensured through a Targeted Public Distribution System (TPDS) - a network of Fair Price Shops or ration shops through the country.
- The market price for essential commodities has been increasing. However, since FY 2003-04, the Central Issue Price (CIP) - the subsidised price at which grains are provided to consumers, for targeted public distribution and other welfare schemes has remained constant. Since FY 2003-04, the CIP for wheat and rice for people Below the Poverty Line (BPL) has remained Rs. **415** and Rs. **575** per quintal respectively. For Above Poverty Line (APL), it has been Rs. **610** per quintal for wheat and Rs. **795** per quintal for rice.
- The share of food subsidy received by BPL families and the Antyodaya Anna

Yojana (AAY) scheme has been decreasing.

**Share of food subsidy to BPL families has been decreasing**



Source: Ministry of Consumer Affairs, Food and Public Distribution. Lok Sabha Unstarred Question Number 743, answered on 24.11.2009. Note: Figures in percentages.

- In FY 2008-09, APL families received **20** percent of the total food subsidy released, up from **16** percent in FY 2006-07. However, for BPL and Antyodaya Anna Yojana (AAY) families, the figure has decreased from **84** percent in FY 2006-07 to **80** percent in FY 2008-09.
- Gaps exist in storage and transportation of food grains by the FCI.

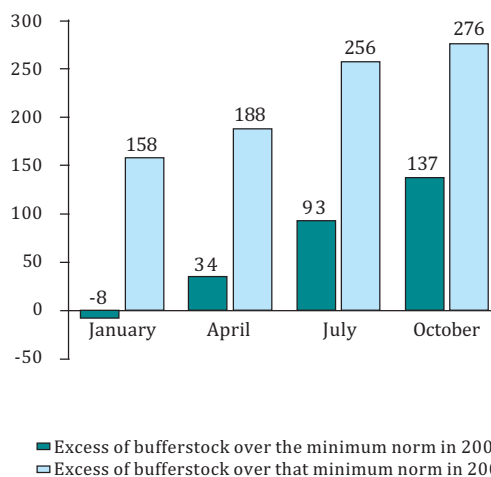
**Large losses due to poor storage and transit facilities**



Source: Ministry of Consumer Affairs, Food and Public Distribution. Lok Sabha Unstarred Question Number 843, answered on 24.11.2009. Note: Figures in crores of rupees.

- In FY 2006-07, Rs. **156** crores was lost due to poor storage of food grains and Rs. **134** crore loss was incurred in transportation of food grains.
- Losses due to poor storage and transportation continue to be high in FY 2008-09 at Rs. **101** crore and Rs. **133** crore respectively.
- The subsidy is provided to FCI for maintaining the buffer stock of food grains.
- Buffer stock of food grains has been increasing. The actual stock of food grain is much higher than the minimum buffer norms.

**Excess stock of food grain vis-a vis minimum buffer norm in central pool**



Source: Annual Report, 2008-09, Department of Food & Public Distribution, Ministry of Consumer Affairs. Data on July 2009 and October 2009 is from Ministry of Consumer Affairs, Food and Public Distribution. Lok Sabha Unstarred Question No. 3071, answered on 08.12.2009. Note: Figures in lakh tonnes.

- In the second quarter of FY 2008-09, the excess buffer stock of food grains was **34** lakh tons. This increased to **188** lakh tons in the second quarter of 2009-10.

**Trends at the state level**

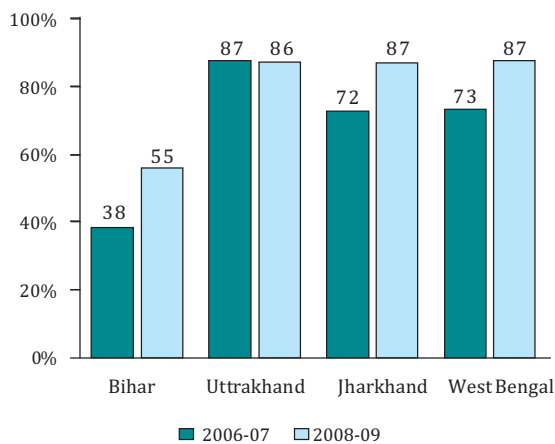
- State governments are responsible for identification of beneficiaries, issuance of ration cards and distribution of food grains to the beneficiaries through ration shops.
- Since FY 1997-98, 11 states including Madhya Pradesh, West Bengal, Uttar Pradesh, Tamil Nadu and Kerala amongst others, have begun to procure grains from within the state.
- Variations exist in the collection of allocated food grains by the states.

- In FY 2006-07, Bihar collected only **38** percent of allocated food grains, while Uttarakhand collected **87** percent.
- Variations also exist from year to year. While Jharkhand and West Bengal were able to lift **72** and **73** percent respectively in FY 2006-07, they were able to lift **87** percent in FY 2008-09.

**Coverage**

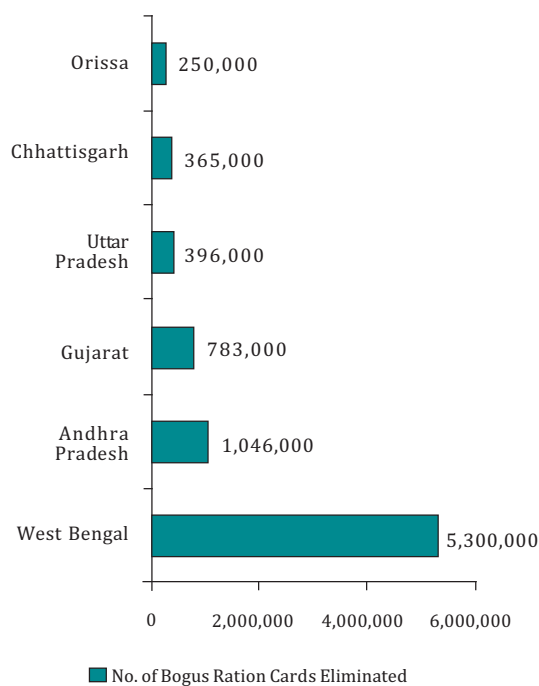
- Ration cards are issued by state and union territory governments to APL, BPL and beneficiaries under AAY.

**Inability of states to lift allocated food grains**



Source: Website of Department of Food & Public Distribution, Ministry of Consumer Affairs. Data shows off take as a percentage of food grains for both rice and wheat for BPL including AAY families. Note: All figures in percentages and pertain to the FY 2006-07 and FY 2008-09.

**Significant leakage in distribution of ration cards**



Source: Statement referred to in reply to parts (a) & (b) of Unstarred Question No.1879 due for answer on 01.12.2009 in Lok Sabha. Statement showing the number of bogus/ineligible ration cards deleted by the State/UT Governments with effect from July 2006 onwards. Note: Figures in lakhs.

- However, there are a large number of fake ration cards issued causing inefficiencies in targeting.
- From July 2006 till December 2009, **53** lakh fake ration cards for West Bengal, **10** lakh for Andhra Pradesh and **7** lakh for Gujarat were discovered and cancelled.

**This section offers some practical leads to accessing further and 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 onwards. The data has both revised and budgeted estimates.
Union Budget, Economic Survey 2008-09 <a href="http://indiabudget.nic.in/ub2009-10/ubmain.htm">http://indiabudget.nic.in/ub2009-10/ubmain.htm</a>	Data regarding the Gross Domestic Product (GDP) for 2008-09.
Annual report 2008-09, Department of Food & Public Distribution <a href="http://fcamin.nic.in/Annual%20Report/annual-2008-09.pdf">http://fcamin.nic.in/Annual%20Report/annual-2008-09.pdf</a> <i>Accessed on February 15, 2010</i>	The amount of food subsidy released to FCI and states, and the buffer stock related information.
Website of Department of Food & Public Distribution, Ministry of Consumer Affairs <a href="http://fcamin.nic.in/writereaddata/12451636191_alloc%20&amp;%20Offtake%20wheat_2008-09.htm">http://fcamin.nic.in/writereaddata/12451636191_alloc%20&amp;%20Offtake%20wheat_2008-09.htm</a> <i>Accessed on February 15, 2010</i>	Data on allocation and off take of food grains for both rice and wheat for BPL including AAY.
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> <i>Accessed on February 10, 2010</i>	Data regarding the breakup of food subsidy released under various schemes and number of fake ration cards cancelled.

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