Issues with India’s Foodgrain Procurement System

Mains: *GS – III – Economy | Agriculture - Public Distribution System- Functions, limitations; issues of buffer stocks and food security.*

Why in news?

The recent kuruvai season procurement crisis in Tamil Nadu underscores the pressing need to reform procurement mechanisms, incentivize crop diversification, and rationalize food security policies for long-term sustainability.

How does India’s foodgrain procurement system function?

- **India's foodgrain procurement system** – It is a ***centralized system*** managed by the ***Food Corporation of India (FCI)*** and state government agencies to ensure food security.
- **Purpose –** To ensure food security, stabilize food prices, and provide a safety net for farmers by guaranteeing a minimum price for their produce.
- **Oversees by –** Ministry of Consumer Affairs, Food and Public Distribution.
- **Procurement –** Grains are purchased from farmers at a ***Minimum Support Price (MSP)*** and stored to the Central Pool for distribution under National Food Security Act (NFSA) and other welfare schemes.
    - This process is supported by both Centralized and Decentralized Procurement Systems (DCP).
- **Storage and distribution –** The FCI manages the storage, transportation, and bulk allocation of foodgrains to states.
- States are then responsible for distributing the grains to beneficiaries through the Public Distribution System (PDS) network of fair price shops.
- **Quality standards –** Procurement is based on "***Fair Average Quality" (FAQ)*** specifications.

What are the challenges that identified in India’s foodgrain system?

- **Overproduction of rice –** India consistently produces more rice than required.
    - As of October 2025, rice stocks stood at 356.1 lakh tonnes, over three times the buffer norm of 102.5 lakh tonnes (as per the Union Ministry of Consumer Affairs).
- **Procurement-Utilization mismatch –** Annual rice procurement (525–547 lakh tonnes) far exceeds PDS offtake (392–427 lakh tonnes), leading to stockpiling and wastage.
- **Wheat vs Rice**
    - **Balanced wheat–** Wheat procurement is more balanced, with PDS offtake

sometimes exceeding procurement in two of the last three years (except 2024–25).
    - **Surplus rice –** Rice remains significantly overstocked compared to wheat, as evidenced from the past procurement and offtake under the NFSA and allied schemes.
- **High food subsidy –** The Union government spends ***Rs. 2 lakh crore annually on food subsidies***, largely due to excessive procurement and storage.
- **Import dependence despite domestic potential –** While India struggles with excessive rice stocks, it simultaneously bears a heavy financial burden from importing pulses and oilseeds.
    - **Pulses –** India is the ***world's largest producer of pulses*** (252.4 lakh tonnes in 2024–25), yet imported Rs. 30,000 crore worth in 2023–24.
    - **Edible oils –** Imports worth Rs. 1.2 lakh crore in 2023–24, covering 55% of demand, despite stagnant domestic oilseed production, approximately 25 million hectares under cultivation.
- **MSP-driven paddy monoculture cultivation –** Farmers prefer paddy due to assured returns, discouraging diversification.
- **PDS leakages –** An *Indian Council for Research on International Economic Relations (ICRIER) report* estimated ***28% leakage in rice and wheat distribution***, raising concerns about systemic inefficiencies.
- **Legacy of liberalized imports –** 1990s policy to allow cheap edible oil imports is blamed for stunting domestic oilseed production.
- **Institutional inefficiencies –** The centralized procurement and distribution lack agility and transparency.
    - **For example,**Tamil Nadu Civil Supplies Corporation (TNCSC) faced procurement delays and corruption allegations.

What need to be done to enhance India's foodgrain system?

- **Reassess procurement policy –** Re-evaluate the sustainability of rice-centric procurement under the guise of food security and consider decentralizing procurement and involving more stakeholders.
- **Promote crop diversification –** Conduct area-specific market studies and provide financial incentives and extension support to reduce farmer risk in switching crops.
- **Rethink export restrictions –** The Due to surplus in rice production, the government should permit farmers to export rice without abrupt restrictions, ensuring stable market access and farmer confidence.
- **Strengthen farmer institutions –** Empower Farmer Producer Organisations (FPOs) to handle procurement, marketing, and supply chains and facilitate direct tie-ups between producers and processors.
- **Build institutional capacity –** Invest in capacity building for FPOs, self-help groups, and cooperatives and use these institutions to promote soil health awareness, market intelligence, and diversification strategies.
- **AI-enabled coordination –** Use of technology and AI systems to improve coordination among stakeholders in food procurement and distribution.

What lies ahead?

- Changes in such a complex system cannot happen overnight but a beginning can be made.
- It is time that agriculture experts, farmers, food security specialists, policy makers and planners collectively deliberated on ways to plug the loopholes in the system, if not reform it.

Reference

[The Hindu | Time to sort out India’s cereal mess]

