

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 kuruwai 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](#)