































**Table 8.8 : Procurement and Offtake of Wheat and Rice (million tonnes)**

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Procurement</b>					
Rice	34.1	32.0	34.2	35.0	23.0 *
Wheat	22.7	25.4	22.5	28.3	38.1
Total	56.8	57.4	56.7	63.3	52.8
<b>Offtake</b>					
Rice	24.62	27.37	29.93	32.12	24.02 **
Wheat	14.87	22.34	23.07	24.26	23.13 **
Total	39.49	49.71	53.00	56.38	47.16**

Source : Department of Food and Public Distribution.

Note : Figures of procurement of wheat and rice are marketing season wise.

\* As on 07.02.2013 \*\* 2012-13 (upto December, 2012)

fish, both marine and inland, has gone up from 5.6 million tonnes in 2000-1 to 8.7 million tonnes in 2011-12 (provisional). The exports of marine products have increased significantly as evident from Figure 8.6.

## FOOD MANAGEMENT

8.45 The main objectives of food management are procurement of foodgrains from farmers at remunerative prices, distribution of foodgrains to consumers, particularly the vulnerable sections of society, at affordable prices, and maintenance of food buffers for food security and price stability. The instruments used are MSP and central issue price (CIP). The nodal agency for procurement, distribution, and storage of foodgrains is the Food Corporation of India (FCI). Procurement at MSP is open-ended, while distribution is governed by the scale of allocation and its offtake by beneficiaries. The offtake of foodgrains is primarily under the targeted public distribution system (TPDS) and other welfare schemes of the GoI.

### Procurement and Offtake of Foodgrains

8.46 Due to good production of foodgrains in recent years and remunerative MSPs, along with various other steps taken by the government, the procurement of wheat and rice has steadily risen and reached record levels (Table 8.8). Besides Punjab and Haryana, contribution from States such as Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh in procurement of wheat was much higher compared to last season. In procurement of rice, non-traditional States like Bihar, Chhatisgarh, Uttar Pradesh and West Bengal showed significant increase over last year.

### Decentralized Procurement Scheme

8.47 A number of states have opted for implementation of the Decentralized Procurement Scheme (DCP) introduced in 1997, under which foodgrains are procured and distributed by state governments themselves. Under this scheme, the designated states procure, store, and issue foodgrains under the TPDS and welfare schemes of the GoI. The difference between the economic cost fixed for the state and the CIP is passed on to the state government as subsidy. The decentralized system of procurement has the objectives of covering more farmers under MSP operations, improving efficiency of the PDS, providing foodgrains varieties suited to local tastes, and reducing transportation costs.

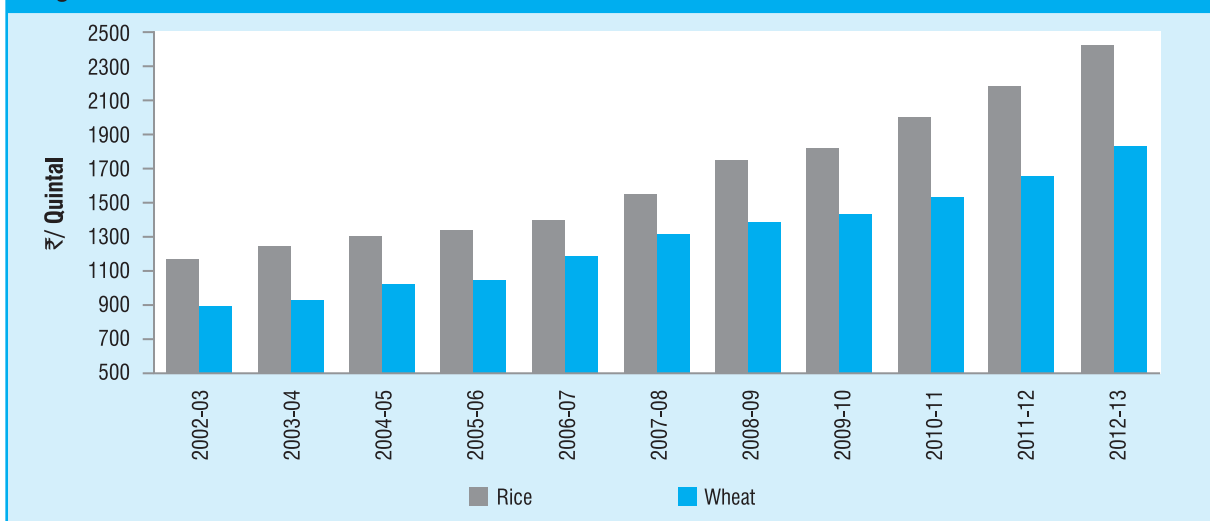
### Economic Cost of Foodgrains to the FCI

8.48 The economic cost of foodgrains consists of the MSP (and bonus if applicable) as the price paid to farmers, procurement incidentals, and the cost of distribution. The economic cost for both wheat and rice has witnessed significant increase during the last few years thanks to increase in MSPs and procurement incidentals (Figure 8.7).

### Food Subsidy

8.49 Provision of minimum nutritional support to the poor through subsidized foodgrains and ensuring price stability are the objectives of the food security system. In fulfilling its obligation towards distributive justice, the government incurs food subsidy. While the economic cost of wheat and rice has continuously

**Figure 8.7 : Economic Cost of Rice and Wheat**



gone up, the issue price has been kept unchanged since 1 July 2002. The government therefore continues to provide large and growing amounts of subsidy on foodgrains for distribution under the TPDS, other nutrition-based welfare schemes, and open market operations. The food subsidy bill is substantial, putting huge stress on the fiscal side (Figure 8.8).

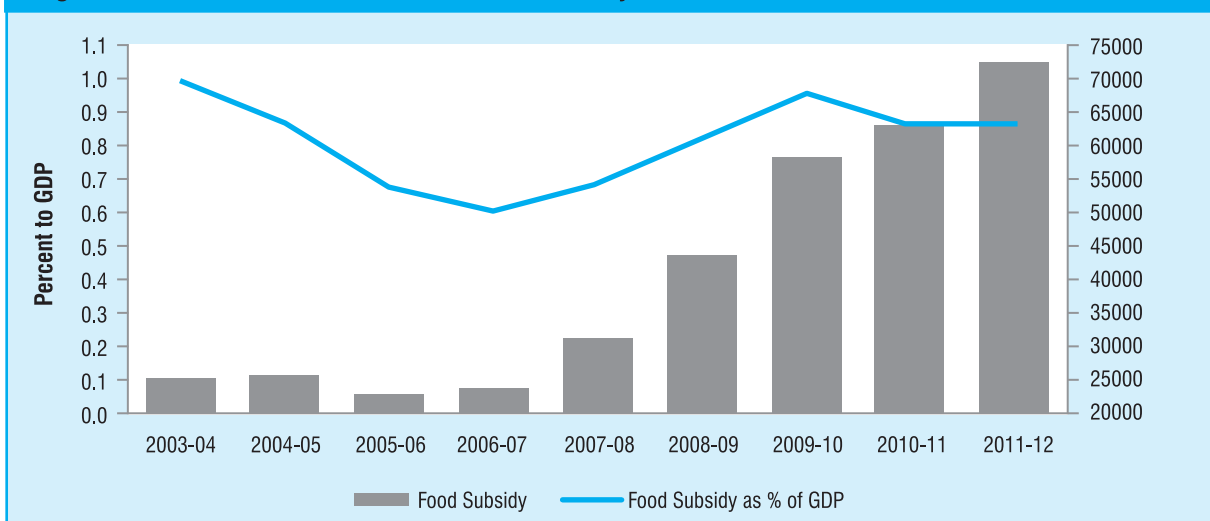
**Allocation of Foodgrains under the TPDS and Other Welfare Schemes**

8.50 Allocations for Antyodaya Anna Yojana (AAY) and below poverty line (BPL) families are being made at 35 kg per family per month. For above poverty line (APL) families, allocation varies from 15 kg to 35 kg in different states. During 2012-13, the

following allocations have so far been made (upto 6-2-2013):

- Normal TPDS allocation made is 499.42 lakh tonnes covering AAY, BPL, and APL families.
- Additional allocations of 78.98 lakh tonnes of rice and wheat have also so far been made. These include (i) 50 lakh tonnes to BPL families made in July 2012, (ii) 21.21 lakh tonnes to poorest districts and (iii) 7.77 lakh tonnes of rice and wheat for festivals, calamity relief, etc.
- 49.26 lakh tonnes of rice and wheat has been allocated for other welfare schemes such as the Mid-day Meal Scheme, Wheat Based Nutrition Programme under the Integrated Child Development Service, and Annapurna.

**Figure 8.8 : Quantum of food subsidies released by Government**





- Total release of foodgrains during the current year so far has been 627.67 lakh tonnes.

### Open Market Sale Scheme (Domestic)

8.51 The FCI on behalf of the GoI has been undertaking sale of wheat and rice at predetermined prices/reserve prices in the open market from time to time to enhance market supply of foodgrains to have a moderating influence on open market prices and to offload surplus stocks. Under the Open Market Sale Scheme (Domestic) (OMSS[D]), 95 lakh tonnes of wheat has been allocated for tender sale to bulk consumers and sale to small private traders since July 2012 for the period up to February 2013. Under the OMSS retail scheme, 5 lakh tonnes of wheat and 5 lakh tonnes of rice have been allocated for sale to states/UTs/cooperatives for the period up to March 2013.

### Storage Capacity in the Country

8.52 Storage capacity including both covered and cover and plinth (CAP), available with state agencies for storage of central stock foodgrains, has increased from 291.32 lakh tonnes as on 31 March 2012 to 341.35 lakh tonnes as on 31 December 2012. However, to meet the requirement of all-time high stock levels of 823.17 lakh tonnes achieved this year, the FCI resorted to short-term hiring to efficiently manage the stocks. In order to incentivizing the creation of storage capacity in the country, the government initiated the Private Entrepreneurs Guarantee (PEG) Scheme that aims to construct storage godowns through private entrepreneurs, the Central Warehousing Corporation (CWC), and State Warehousing Corporations (SWC). Under the PEG Scheme, the FCI guarantees 10-year usage of storage capacities to private investors and nine years to the CWC and SWCs. Construction of godowns in 19 states with a total capacity of 197 lakh tonnes has been approved out of which a capacity of 132.73 lakh tonnes has been sanctioned for construction. These measures are expected to address the shortage of covered godown space to a great extent.

### Agricultural Exports

8.53 As per World Trade Organization (WTO) International Trade Statistics, 2012 (based on trade in 2011), global export and import of agricultural and food products is US\$ 1.66 trillion and US\$ 1.82 trillion respectively. India's share in this is 2.07 per cent and 1.24 per cent respectively. India has improved

its position in agricultural and food exports to 10<sup>th</sup> globally. Exports of agriculture and allied products during 2011-12 accounted for 9.08 per cent of India's total exports against 6.9 per cent during 2010-11. In recent years, the policy impetus by the government has provided much required stability to agri exports. Given sufficient stocks of foodgrains in the central pool, the government has allowed exports of 4.5 million tonnes of wheat from the central pool stock of the FCI through central public-sector undertakings and placed export of wheat and rice under open general licence (OGL). Permission to export wheat products up to 6.50 lakh tonnes through customs Electronic Data Interchange ports on private account has also been extended up to 31 March 2013. Though these measures are in the right direction, a consistent long-term trade policy with tariff in a narrow band may be required for India to acquire international presence in commodities wherein it has comparative advantage.

### The National Food Security Bill

8.54 In order to address the issue of food security in a comprehensive manner, the Government introduced National Food Security Bill in the Lok Sabha on 22 December, 2011. The Bill, inter alia, envisages coverage of 75% of the rural and 50% of the urban population for subsidised foodgrains under the Targeted Public Distribution System, besides provisions for nutritional support to women and children. After its introduction, the Bill was referred to the Parliamentary Standing Committee on Food, Consumer Affairs and Public Distribution for examination. The Committee held wide ranging consultations with Central Ministries/Departments, various other organizations and individuals and also visited States/UTs to obtain their views/suggestions on the Bill. The Standing Committee has submitted its report to the Speaker, Lok Sabha on 17<sup>th</sup> January, 2013, which is being processed in consultation with concerned Central Ministries/Departments and States/UTs. The Government is committed to early enactment of this historic legislation.

### COMMODITY FUTURES MARKET

8.55 The commodity futures market facilitates the price discovery process and provides a platform for price-risk management in commodities. Currently 113 commodities are notified for futures trading of which 51 are actively traded in five national and 16 regional commodity-specific exchanges. The year

**Table 8.9 : Trade in Commodity Futures Market**

(Volume of trading in lakh tonnes, value ₹ in crore)

Commodity	2011-11		2011-12		2012-13 (Up to 30-11-12)	
	Volume	Value	Volume	Value	Volume	Value
<b>Agricultural commodities</b>	4168 (32.6)	1456390 (12.2)	4942 (35.24)	2196150 (12.12)	3113 (30.77)	1536268 (13.21)
<b>Bullion</b>	7.38 (0.05)	5493892 (46.0)	10.27 (0.07)	10181957 (56.17)	5.02 (0.05)	5363816 (46.13)
<b>Metals</b>	1410 (11.0)	2687673 (22.5)	1388 (9.9)	2896721 (15.98)	1046 (10.33)	2157139 (18.55)
<b>Energy</b>	7220 (56.4)	2310959 (19.3)	7686 (54.8)	2851270 (15.73)	5954 (58.85)	2569619 (22.1)
<b>Others</b>		29.04		6.45		1.28
<b>Total</b>	<b>12806</b>	<b>11948942</b>	<b>14026</b>	<b>18126104</b>	<b>10119</b>	<b>11626842</b>

Source : Department of Consumer Affairs.

Note : Volume of certified emission reduction (CER), electricity, heating oil and gasoline not included in the total volumes of other commodities.

Figures in brackets are the percentage to the total volume and value of trade of the respective group.

2012-13 witnessed a decline in the total value of trade compared to the corresponding period of the preceding year (Table 8.9).

## CHALLENGES AND OUTLOOK

8.56 Foodgrains production in India has shown remarkable improvement in recent years. The production of food-grains in 2011-12 was at a record high of 259.32 million tonnes. This achievement comes at a time when it is generally recognized that inadequate attention to agriculture across many parts of the world led to food shortages and steep hikes in food prices. In comparison, Indian agriculture has performed well primarily due to timely policy interventions. Nevertheless, the average annual growth rate of 3.6 per cent during the Eleventh Five Year Plan for the agriculture & allied sector fell short of the target of 4 per cent. Moreover the country faces the stiff challenge of feeding its growing population. There are a number of constraints and challenges that need to be addressed and the country will have to invest heavily in farm research, rural infrastructure, providing better access to high value markets, better credit facilities and input use, so that the farming community as a whole is motivated to produce more and the target of 4 per cent growth set for the agriculture and allied sector in the Twelfth Five Year Plan is met.

8.57 Though India is one of the leading producers in the world of many major crops like paddy, wheat, pulses, sugarcane, spices, and plantation crops, the

comparison in terms of yield levels is not creditable with it achieving a much lower rank in many of these crops. Further, studies indicate that there are wide yield gaps among various crops across the country. Agriculture production can be substantially increased if we address this yield gap by adopting technological and policy interventions. Improvement in yields holds the key for India to remain self-sufficient in foodgrains and also make a place for itself in many agricultural crops and products in the international market.

8.58 Another challenge is how to maximize agricultural income while adopting a more sustainable agricultural strategy. The concerns here are land and water degradation due to soil erosion, soil salinity, water logging, and excessive application of nutrients. There are concerns arising also from over-exploitation of water resources, especially in the Green Revolution belt. Better management practices for rehabilitation of degraded land and water resources hold the key. Measures must be taken to promote use of quality seeds, cultivation of drought-resistant varieties of crops, judicious use of available water, balanced use of fertilizers, farm mechanization to improve efficiency levels, and wider use of irrigation facilities. Expenditure on agricultural research also needs to be stepped up substantially.

8.59 Climate change and extreme weather events with greater intensity and frequency can have serious implications for our agriculture sector and create greater instability in food production and thereby farmers' livelihood. The current crop insurance

system also needs to be further refined in order to cater to the unavoidable climatic conditions or pest epidemics.

8.60 Declining per capita availability of foodgrains has been a major concern in India. For ensuring nutritional security, it is not only important to increase per capita availability of foodgrains but also to ensure the right amounts of food items in the food basket of the common man. A thrust on horticulture products and protein-rich items is required for enhancing per capita availability of food items as well as ensuring nutritional security.

8.61 The pace of agricultural growth in the eastern and north-eastern regions has been slower than in the rest of the country. The good prospects of production in many crops in these parts of the country should quickly be taken advantage of in the years to come. Hence a strategy for agricultural development in eastern and north-eastern India comprising multiple livelihood opportunities, sustainable agricultural development through a farming systems approach, efficient national resources management, eco-regional technology missions, and rice-based farming systems needs to be put in place.

8.62 Another critical issue is supply chain management in agricultural marketing in India. Farmers' access to markets is hampered by poor roads, rudimentary market infrastructure, and excessive regulation. Many agricultural crops are perishable in nature and post-harvest handling issues and marketing problems affect the farm incomes. It is necessary that we evolve mechanisms for linking

wholesale processing, logistics and retailing with farm-production activities so as to generate enhanced efficiency, better farm prices, etc. The private sector should be allowed to operate in developing these market linkages for which suitable reforms will help. Recently the government allowed foreign direct investment (FDI) in retail, which has been supported by many farmer organizations as well, and it can pave the way for investment in new technology and marketing of agricultural produce in India.

8.63 There has been substantial increase in the MSPs of various crops over the last few years. Though considered necessary for incentivizing farmers, the MSP signals the floor price for the produce. There is a huge cost involved in the process, in the form of food subsidy. Further, this policy of stocking foodgrains well above the buffer norms comes under criticism on the grounds of hoarding and creating artificial shortages in the market, thereby jacking up the prices of essential commodities. Urgent attention needs to be accorded to efficient food stocks management, timely offloading of stocks, and a stable and predictable trade policy.

8.64 Strengthening agricultural statistics with reliable and timely availability of forecasts of agricultural crops is also an immediate need as the gaps in agricultural statistics will hamper agricultural development planning and policymaking.

8.65 With these and other improvements, it should be possible to sustain the 4 percent growth target set for agriculture and allied sectors in the Twelfth Five Year Plan.