

## CHAPTER – 1 INTRODUCTION

### Statement of Problem

Procurement of wheat, rice and coarse grains is undertaken by Food Corporation of India (FCI) and State Agencies at Minimum Support Price (MSP) declared by Government. Actual procurement of foodgrains depends on a number of factors, including MSP, production, global scenario of foodgrains production, stocks in Central Pool, expectation of rise in domestic prices, prices in international market, other inflationary trends in economy and participation of private trade. The FCI also ensures distribution of foodgrains throughout the country under the Targeted Public Distribution Scheme (TPDS). FCI is also responsible for maintaining buffer stock of foodgrains to ensure National Food Security.

Foodgrains are procured from farmers with the assurance that whatever the farmer wishes to sell to the Govt. at the MSP price offered shall be purchased if it conforms to the prescribed quality. Higher MSP over the last few years, coupled with better outreach has led to higher procurement in the last few years. The fact that some State Govts have imposed high taxes and also the high interest rates have dis-incentivised trade from purchasing foodgrains which in turn has also lead to higher arrivals at Govt. purchase centres. As a result, procurement of foodgrains has risen and the Central Pool stock has increased from 196.38 lakh MTs as on 1.4.2008 to 823.17 lakh MTs as on 1.6.2012.

Foodgrains procured by FCI and State/Govt agencies are stored in godowns as well as Cover and Plinth (CAP). Godowns are covered storage spaces for foodgrains which are constructed on scientific lines and are suitable for safe storage. CAP is a concrete/wooden platform built above the adjoining ground level to prevent flooding. Foodgrains in CAP are stored in gunny bags, in stacks on the platform and covered with polythene sheets. CAP is also a scientific method of storage for wheat and paddy, at least for the short term, however it is not the desired method.

Such a steep increase in stock of foodgrains raises issues relating to adequacy of storage infrastructure in the country. To meet the short-term peak requirements of storage capacity the FCI resorts to short-term hiring of covered godowns as well as storage of foodgrains under CAP. Thus due to lack of adequate storage facilities, foodgrains end up being stored in the open leading to losses.

Due to un-precedented procurement of wheat in last few years, FCI and State Agencies faced shortage of storage space, in major procuring States of Punjab & Haryana and wheat had to be stored in open CAP storage, even after outward movement of large quantities. FCI & State Agencies store substantial stocks under CAP.

Following table gives the details:

**Table 1** (in lakh tonnes)

State	Quantity in CAP as on 1.6.2008		Quantity in Cap as on 1.6.2009	
	FCI	State Agencies	FCI	State Agencies
<b>Punjab</b>	1.72	66.58	7.57	91.96
<b>Haryana</b>	2.73	23.80	2.83	53.02
<b>Total</b>	4.45	90.38	10.40	144.98

**Source – Storage Division FCI**

This trend has more or less continued.

Substantial quantity of wheat had to be also kept in unscientific plinths, rice mills, market yards, closed Sugar factories etc putting these stocks at risk. In order to prevent any damage to stocks stored in un-scientific plinths, FCI endeavours to move out these stocks on priority. However, due to storage constraints in consuming States, FCI faces difficulty in taking over these stocks from State Agencies and moving the same outside Punjab and Haryana. There is always a possibility of deterioration in quality of the stocks if prolonged storage takes place in CAP. During 1998-2004, a large quantity of wheat got damaged in Punjab and Haryana due to prolonged storage in CAP as these stocks could not be liquidated due to very high Central Pool stocks. Around one million tonnes of wheat had to be sold off as "damaged" by State agencies of Punjab and Haryana.

Procurement of rice during Kharif Marketing Season (KMS) also gets adversely affected if adequate covered storage space is not available with FCI in major procuring States of Punjab, Orissa, W. Bengal and Andhra Pradesh. Moreover upward revision of buffer norms needs to be done which is likely to further increase requirement of storage capacity for Central Pool. Therefore, there is an urgent need to augment storage capacities with FCI and State Governments.

### **Objectives**

What needs to be done in respect of storage infrastructure in the country to meet the long term storage requirement for food grains.

### **Rationale / Justification.**

Three agencies are mainly engaged in building large scale storage capacities for foodgrains in the country. These are:

- (i) Food Corporation of India (FCI).
- (ii) Central Warehousing Corporation (CWC) & State Warehousing Corporations.
- (iii) State Procurement Agencies.

Procurement of food grains increased from about 340 LMT in 2006-07 to about 710 LMT in 2012-13. The stock of foodgrains in the Central Pool increased from 196.38 LMT as on 1/4/2008 to 823.17 LMT as on 1st June 2012. Such a

sharp increase in stock of foodgrains, necessitates augmentation of the existing storage space. However the storage capacity covered and CAP, both owned and hired available with FCI, has increased marginally from 250.95 LMT as on 30/6/2008 to 376 LMT as on 28/2/2013. It may however be noted that the state agencies also store Central Stock of foodgrains on behalf of FCI for which they have requisite storage capacities, both CAP and covered. However there is a widening gap between the central stock of foodgrains and the total covered storage capacity available with FCI and state agencies in the country. It would be worthwhile to examine the adequacy and requirement of storage infrastructure in the future.

### **Research Questions.**

- (i) Is the available storage capacity for foodgrains sufficient, especially in view of the enactment of the Food Security Bill (FSB)?
- (ii) Does the storage infrastructure need modernization? If so how?

### **Scope / Limitation / Delimitations**

The research assumes that the present food security system being operated by the Government of India (GOI) would continue in its present form. The existing framework involving procurement of food grains through price support operations by fixing Minimum Support Price (MSP), and allocation and distribution of food grains to weaker and vulnerable sections of society through TPDS would continue.

It also assumes that procurement and building up of sufficient stocks in the Central Pool by the Government and its agencies would remain central to the food security scenario of the GOI.

## **Methodology**

The study is based on the secondary data drawn from various sources of Department of Food and Public Distribution and FCI. The existing production of foodgrains in the country, procurement by the Government and its agencies, existing storage infrastructure and PDS have been analysed and examined. Trends in procurement and the effect of MSP on it have been mapped. An attempt to study the requirement of adequate storage infrastructure for ensuring food security and effective management of foodgrains has been made. The existing schemes for augmentation of storage capacity in the country have been studied and conclusions have thereafter been drawn regarding adequacy and requirement of storage infrastructure in the country. Also adaptability of modern storage facilities like silos, its benefits and limitations for the country have been deliberated upon.

## **Chapterisation Scheme.**

The chapterisation Scheme is proposed to be as follows:-

- (i) Introduction
- (ii) Literature Review
- (iii) Production and Procurement of foodgrains in the country.

- (iv) PDS and Allocation of foodgrains under TPDS.
- (v) Storage Gap Assessment and Augmentation of storage capacity in the country.
- (vi) Techniques of grain storage.
- (vii) Provisions of Food Security Act and its impact on storage , allocation and food subsidy.
- (viii) Modernisation and way forward.
- (ix) Finding and Recommendations.