

5 Role of Food Corporation of India in ensuring Food Security

In view of the NFSA 2013 the importance of FCI in ensuring food security has become manifold. Its functions primarily relate to the purchase, storage, movement, distribution and sale of food grains on behalf of the Government of India. It is also engaged in handling, storage and distribution of sugar in North Eastern States and Jammu & Kashmir and two Union Territories Andaman & Nicobar Islands and the Lakshadweep Islands.

FCI has a large network of 1841 depots spread across the entire country to manage the stock of the food grains and out of these, 553 are owned by FCI (below diagram shows various figures related to FCI operations). FCI needs to hire/de-hire depots from other agencies such as CWC, SWC or Private Parties to fulfill the total demand and seasonal variation of food grains. Figure 3 shows this position.

The depot is the central point of most of the activities of FCI as it is the storehouse for grains sent to various parts of the country. The procured grains in surplus regions are transported to nearby depots and stored there till there is a planned movement to deficient regions as instructed by the Ministry after discussions with various States. The depots receive grains through the rail or road route and perform the function of distribution of food grains through various PDS schemes of the Central Government. The depots capture the information of these activities in various registers available in the depot for purpose of reporting and record keeping. FCI procures food grains along with state government in procuring states, stores and moves food grains as per requirement to various states. state government has to ensure delivery of food grains from FCI depots to beneficiaries.

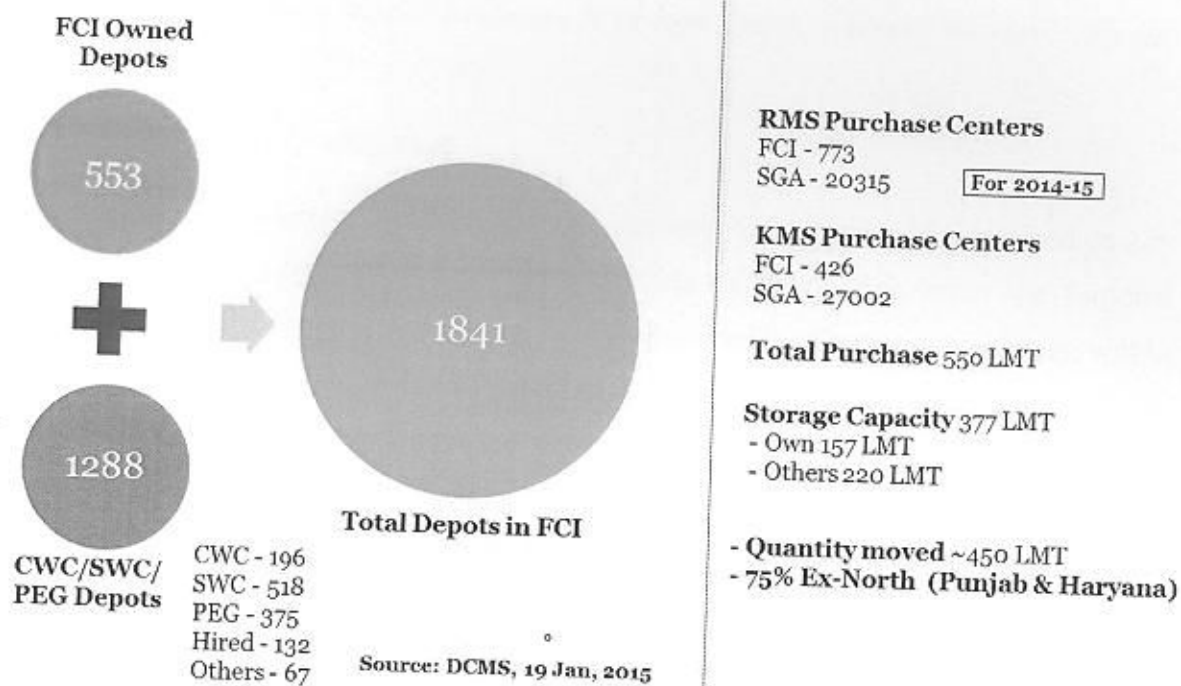


Figure 3 Total number of depots of FCI (FCI 2015)

The storage of food grains by FCI are of three types - i. Covered, ii. Silos, iii. Cover and Plinth (CAP).

i. Covered: This type of storage is the recommended method by FCI, wherein the food grains are stored in stacks within the sheds. No additional covers are required for the stored food grains stocks.

ii. Silos: This is a structure used for storing bulk grains. The various silos either managed by FCI or private parties cater to grains in either bags or bulk form. Some silos have separate pre storage silos where cleaning and disinfestation is done before they can be transported to the long storage silos. Similarly there are shipping silos where stocks are being sent before transportation to rakes or trucks.

iii. CAP: This type of storage is an indigenous method developed by FCI, wherein the food grains are stored in the open with adequate precautions such as rat and damp proof plinths, use of Dunn age and covering of stacks with specially fabricated polythene covers. These are typically used during peak procurement seasons.

It is important to note that majority of the food grain production in the country is happening in the northern part and hence FCI has to move these food grain stocks efficiently with minimum transit loss to depots across other parts of the country. Railway

network is the primary mode of movement of food grains, followed by road, ship and riverine.

5.1 Delivery of foodgrains

The Corporation shall ensure physical delivery of foodgrains of prescribed quality specifications upto designated depots in each State for distribution under the Targeted Public Distribution System, as per the allocation made by the Central Government, within seven working days of the receipt of payment from the State Government.

In case of States opting for decentralised procurement, the foodgrains for distribution under Targeted Public Distribution System shall be released by the States as per the allocation made by the Central Government out of the quantity of foodgrains procured and stored for the Central Pool by the State Government or its agencies and in case of any shortfall, the Corporation shall provide the balance quantity of foodgrains at the designated depot.

5.2 Lifting of Food Grains

- (1) The State Government shall ensure the lifting of foodgrains from the Corporation by the last day of the month preceding the allocation month.
- (2) The extension of time for lifting of foodgrains from the Corporation may be considered by the Central Government or the Corporation only in very rare and deserving cases as per the instructions issued by the Central Government.
- (3) The State Government shall devise suitable mechanism for transportation of foodgrains from the Corporation godown to the intermediate godown and the door-step delivery of the foodgrains to the fair price shop: Provided that the State Government may also transport foodgrains directly to the fair price shop from the Corporation godown and ensure its door-step delivery to the fair price shop.
- (4) The State Government shall furnish a report on quarterly basis to the Central Government regarding door-step delivery in the format at Annex-III. 20 The Gazette of India: Extraordinary [Part II—SEC. 3(i)]

- (5) The State Government shall exercise necessary checks to ensure that full quantity and the same quality of foodgrains as lifted by them reaches their godowns and in turn at the fair price shop.

5.3 Distribution of foodgrains by States

- (1) The allocation of foodgrains made by the Central Government under the Targeted Public Distribution System to the State Government shall be used for distribution as per the provisions of the Food Security Act and not for any other purpose.
- (2) The State Government shall furnish a utilisation certificate every year in the format as at Annex-IV.
- (3) The State Government shall ensure, through the authorised agency, physical delivery of foodgrains to the fair price shop by end of the month preceding the allocation month and in any case not later than the first week of the allocation month.
- (4) The State Government shall obtain a monthly certificate, including through electronic platform, confirming delivery of allocated foodgrains to the fair price shop and their distribution to eligible households during the allocation month.
- (5) The monthly certificate shall be given by the fair price shop owner and two or more persons as may be authorised by the State Government such as head of the local authority, Executive Officer, Secretary of the local authority, members from the vigilance committees, women's self help group among others.

The role of FCI is to deliver quantity and quality of food grains under various schemes as prescribed by GOI to state government. Further state government has to ensure proper complete delivery at fair price shops and to the beneficiaries. To maintain quality of foodgrains various checks and balances have been prescribed.

5.4 Overview of its various stakeholders

FCI has a number of internal and external stakeholders to successfully run of its operations.

- Planning and monitoring – done by government and ministries like Food, Agriculture etc.

- Movement and transportation – railways and private transporters
- Warehousing and storage – hired depots from Government agencies like CWC, SWC or hired from Private Parties
- Procurement – food grains are procured either directly from farmers by FCI or by State Government Agencies (SGAs) or purchased from Millers
- Quality Control – internal stakeholders like QC and Audit department within FCI
- Labor – different labor unions and gangs (contract-basis or daily wage basis or salaried)

The various operations at FCI are complex considering its large network of depots and uncertainties involved in food grain production in the country and needs real time decision making to efficiently manage this. However, currently the operations are mainly manual in nature and without any integrated IT system to automate their end to end processes. The depot level staff needs to manage multiple registers which is repetitive, time taking and prone to errors. This poses a major challenge to FCI staff, both at the depot level and the management level for effective decision making due to non-availability of real time data from the depots. The manual operations results in depot staff spending huge time in managing operational data in registers, thereby, reducing the overall effectiveness of the manpower. The management of FCI also has to rely on the manually compiled data received from the depots which is prone to errors.

5.5 Challenges faced by FCI

Following are the key challenges being faced by FCI operation at the depot level:

1. Dynamic nature
2. On the spot decision making
3. Storage shortage during peak season
4. Uncertainties with Railway Movement Balance
5. RO calculation
6. Work assignment to Labourers
7. Data flow from district to depot level and vise versa
8. Lack of single source of truth in terms of data
9. Rotting of foodgrains

The major issues with regards to these problems are discussed below.

5.5.1 Procurement

It is a Rs 75,000 crore problem, the size of the government's food subsidy burden. FCI's mandate is to procure wheat, paddy and coarse grains under a price support scheme and rice under statutory levy scheme. The purchase is done at procurement points at various mandis set up in consultation with the state governments. FCI claims that it sets up more than 14,000 such procurement points during the harvesting period for rabi and kharif crop. FCI's problems start right from these procurement points. This is because during the peak harvest season these points turn out to be major bottlenecks in themselves as farmers pile up their produce on roads, and open areas near these points. This pile-up of grains at procurement affects the quality of the produce. The reason for this is that farmers bring in their produce as and when the harvest is done.

5.5.2 Scheduling

FCI and its procurement centres across the country need to connect with farmers on a platform that identifies each farmer with a mobile phone. This should not be a difficult task as even subsistence farmers have mobile phones nowadays. Every procurement centre needs to help the farmer plan the harvest and the arrival at the mandis or the procurement centres, this will reduce the wastage.

5.5.3 Price control

FCI has to become a more dynamic organisation estimating demand and supply. This means that it has to create space in its warehouses anticipating supply in the coming season. It needs to understand the impact of off-loading its stock in domestic and international markets. As the largest hoarder, it has to move in such a manner that it can keep a check on prices of coarse grains while maintaining the farmer interest.

It is therefore envisaged that an integrated IT system is the need of the hour for better management of operations related to procurement, storage, movement, quality control and record-keeping of food grains at all depots of FCI. Implementing a Depot Online System would facilitate process automation, standardization and efficiency of management of food grains distribution and would enable real time monitoring of operations and timely data reporting. Also the success of any E-Governance project

would depend largely on the interactions with the internal as well as external stakeholders being made online

5.6 Findings and Recommendations of HLC

The recommendations of High Level Committee (HLC) within domain of other agencies of Government chaired by Shri Shanta Kumar, which examined present day administrative, functional and financial structure of FCI and modus operandi of its various operations, are discussed.

Performance Evaluation of FCI with respect to its three basic objectives- providing effective price support to farmers, supplying grains to PDS and having sufficient stocks to ensure stability of food system- reveals that: (1) even after 50 years, very limited number of farmers (only 6 percent of total farmers in the country) gain from selling wheat and paddy directly to any procurement agency (NSSO, 70th Round), though indirect benefits may accrue and vary from state to state; (2) that TPDS suffer from large (40-50%) leakages (46.7% based on NSSO 68th round, 2011-12); and (3) during last 4-5 years country had grains stocks which were more than double the buffer stock norms, even after exporting 42 MMT of cereals during 2012-13 and 2013-14. What all this indicates is that the larger food management system, of which FCI is an integral part, has not delivered on its primary objectives very efficiently. Of course, FCI may not be directly responsible for many of these.

HLC suggested that FCI up-gradation in management of foodgrains through use of technology. The committee recommended **End to end computerization of the entire food management system**, starting from procurement from farmers, to stocking, movement and finally distribution through TPDS, on real time basis to track every bag and plug large leakages in TPDS.

Online Depot Management System: This is the need of the hour for better management of operations related to procurement, storage, movement, quality control and record-keeping of food grains at all depots of FCI. Implementing a Depot Online System would facilitate process automation, standardization and efficiency of management of food grains distribution and would enable real time monitoring of operations and timely data reporting.

Following are the key benefits expected from implementing the Depot Online System:

- Facilitate effective depot level management for FCI by automating the depot level operations
- Remove the redundancies and inefficiencies in the current operations and increase the overall effectiveness
- Increase visibility of the operations that enables informed decision making
- Helping FCI officials in proper planning and optimizing the administrative work

The online Depot Management System under implementation in FCI has no linkages with either the State Government, Fair Price Shop, the farmers or the beneficiaries. In order to be effective linkages with all stakeholders is a must. However GM/IT/FCI in an interview stated that integration with the States is difficult as their software may not be compatible with FCI's software. So though FCI has launched an ambitious 200 crore e-governance project for computerization of its internal and external processes.