
UNIT 5 PROCUREMENT, STORAGE AND DISTRIBUTION OF FOODGRAINS

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5.0 OBJECTIVES

After going through this unit, you will be in a position to:

- Explain the need for procurement of foodgrains;
- State the schemes for foodgrains procurement;
- Explain the storage need, government plan and agencies involved in the storage of foodgrains;
- Discuss the marketing system and distribution of foodgrains;
- Define the buffer stock policy of the government; and
- Justify the need for the introduction of modern technology in the handling of foodgrains.

5.1 INTRODUCTION

Procurement of foodgrains is one of the most important activities of the food policy of the Government of India. It serves twin purposes, one of providing remunerative prices to the farmers and avoiding distress sale of foodgrains at prices below the Minimum Support Price (MSP) and also encourages the farmers to increase production of foodgrains. It also enables the Government to build up buffer stocks of foodgrains which are vital to the food security of the country. The requirements of the National Food Security Act, 2013 are also met from the foodgrains procured by Government agencies for the Central Pool.

Procurement operations on behalf of the Government of India are carried out by the Food Corporation of India (FCI) and other State Government agencies. The procurement prices are based on the minimum support price announced by the Ministry of Agriculture and Farmers' Welfare on the recommendations of the Commission for Agricultural Costs and Prices (CACP). These prices are announced by the Government much before the commencement of the Rabi and Kharif marketing seasons. In addition to MSP, incentives are also announced sometime by the Government of India and State Governments.

The FCI and the State Government agencies in consultation with the concerned State Government, open a large number of purchase centres throughout the state to facilitate purchase of foodgrains. Arrangements for cleaning, drying and weighing are made at the procurement centres by the State Agricultural Marketing Boards.

All the foodgrains brought at the procurement centres and conforming to the laid down specifications of the Government of India are procured by the FCI and other State procuring agencies. However, the farmers are free to sell their foodgrains in the open market at prices higher than the MSP. State Governments and their procuring agencies help the FCI in the procurement of foodgrains from the farmers under the price support scheme. The major quantity of the foodgrains *viz.* wheat, paddy and coarse grains are procured by state procuring agencies on behalf of the FCI. The unit deals with the various dimensions of managing procurement, storage, marketing and distribution of foodgrains in India.

5.2 FAIR AVERAGE QUALITY (FAQ) SPECIFICATIONS

The quality specifications for different foodgrains, *viz.* wheat, paddy, rice and coarse grains (maize, bajra and jowar) are fixed every year by the Department of Food & Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution in consultation with the foodgrains producing and consuming states and other renowned institutions like Central Food Technological Research Institute (CFTRI), Mysore. These specifications which are generally known as Fair Average Quality (FAQ) specifications are announced every year before the commencement of the Rabi and Kharif marketing seasons. FCI and State agencies procure the foodgrains

conforming to these FAQ specifications on Minimum Support Price (MSP).

Example: Uniform Specification for Indian Wheat of All Varieties for Rabi Marketing Season 2020-2021

Wheat shall:

- a) be the dried mature grains of *Triticum vulgare*, *T. compactum*, *T. sphaerococcum*, *T. durum*, *T. aestivum* and *T. dicoccum*.
- b) have natural size, shape, colour and lustre.
- c) be sweet, clean, wholesome and free from obnoxious smell, discolouration, and admixture of deleterious substances including toxic weed seeds and all other impurities except to the extent indicated in the schedule below.
- d) be in sound merchantable condition.
- e) not have any admixture of *Argemone mexicana* and *Lathyrus sativus* (khesari) in any form, colouring matter or any obnoxious, deleterious and toxic material.
- f) conform to the Food Safety and Standards Act/ Rules (formerly PFA).

Schedule showing the maximum permissible limits of different refractions in Fair Average Quality of Wheat.

Foreign matter %	Other food grains %	Damaged grains %	Slightly damaged grains %	Shrivelled & Broken grains %
0.75	2.0	2.0	4.0 %	6%

Source: <https://fci.gov.in/app/webroot/upload/Quality/RMS%20Specifications%202023-24.pdf>

5.3 PROCUREMENT OF FOODGRAINS

The Central Government through the Food Corporation of India (FCI), a public sector undertaking under the administrative control of the Ministry of Consumer Affairs, Food and Public Distribution procures foodgrains (wheat, paddy and coarse grains like maize, bajra and sorghum) on large scale on Minimum Support Price (MSP) directly from farmers. Some States also declare state bonuses on wheat and paddy over and above MSP. Government agencies undertake MSP operations at Mandis/ temporary purchase centres/aggregation points. Location and number of purchase centres to be opened are decided in consultation with /by the State governments.

Rice is also procured from rice millers under the levy scheme. The State Government agencies also procure food grains from farmers on behalf of the FCI.

For the procurement of food grains, large numbers of procurement centres are opened by the FCI and State Government agencies in the grain markets and rural areas. Necessary equipment and items like grain cleaners, empty gunny bags, weighing balance, moisture meter, grain sampler, stitching machine, etc. are provided at each procurement centre.

The Commission for Agricultural Costs and Prices (CACP) recommends to the Ministry of Agriculture and Farmers' Welfare about the minimum support price of different agricultural commodities before the commencement of the agriculture marketing season. The prices are announced by the Government before the commencement of the respective (Rabi and Kharif) marketing season.

The advantages of the foodgrains procurement by the Government agencies are as follows:

- The farmers get remunerative prices for their agricultural produce and they do not resort to distress sales.
- The Government can procure enough foodgrains for TPDS and other welfare schemes.
- The Government may build the required buffer stock of foodgrains to ensure food security.

5.3.1 Centralized (Non-DCP) Procurement System

Under a centralized procurement system, the procurement of foodgrains in Central Pool is undertaken either by FCI directly or by State Govt. Agencies (SGA). Quantity procured by SGAs is handed over to FCI for storage and subsequent issue against GOI allocations in the same State or movement of surplus stocks to other States. The cost of the foodgrains procured by state agencies is reimbursed by FCI as per the provisional cost sheet issued by GOI as soon as the stocks are delivered to FCI.

5.3.2 De-centralized Procurement (DCP) of Foodgrains

To encourage local procurement and to reduce transportation costs, a scheme known as de-centralised procurement of food grains was introduced by the Government of India in 1997–98. The food grains are procured locally on MSP by the State Governments for their TPDS and other requirements. Under the DCP system, the State Government/ its agencies procure, store and distribute (against the Government of India's allocation for TPDS & OWS etc) rice/wheat / coarse grains within the state. The excess stocks (Rice & wheat) procured by the State /its agencies are handed over to FCI in Central Pool.

The expenditure incurred by the State Government on procurement, storage and distribution of DCP stocks is reimbursed by the Government of India on the laid down principles. The expenses such as MSP, arhatiya/society commission, administrative charges, mandi labour charges, transportation charges, custody & maintenance charges, interest charges, gunny cost, milling charges and statutory taxes are reimbursed on an actual basis. The cost of excess stocks handed over to FCI is reimbursed by FCI to the State Government/agencies as per the Government of India costs sheet.

Source: <https://fci.gov.in/procurements.php?view=86>

The list of DCP states who have signed the MOU with the Government of India for procurement of Wheat & RICE is presented in Table 5.1

Table 5.1: List of States undertaking procurement under DCP.

S.N.	DCP State for Rice	S. No.	DCP State for Wheat
1	Uttarakhand	1.	Madhya Pradesh
2	Chhattisgarh	2.	Uttarakhand
3	Odisha	3.	Chhattisgarh
4	Tamil Nadu	4.	Gujarat
5	West Bengal	5.	West Bengal
6	Kerala	6.	Bihar
7	Karnataka	7.	Punjab
8	Madhya Pradesh	8.	Maharashtra
9	Andhra Pradesh	9.**	Rajasthan (for 9 districts)
10	Bihar		
11.	Telangana		
12.	Maharashtra		
13.	Gujarat		
14.	Andaman Nicobar		
15.	Tripura		
16.*	Jharkhand (only for 6 Districts)*		

Note:

* Jharkhand was DCP for KMS 2016-17 (only for 1 district) 2017-18 (only for 5 Districts), and 2018-19 (only for 6 District). They have adopted Non-DCP in KMS 2019-20.

** Rajasthan was DCP for wheat in RMS 2013-14 to 2015-16 (for 1 district) and 2016-17 (for 9 districts). However, in the interest of farmers, FCI procures wheat from RMS 2017-18 onwards under non-DCP mode.

Source: <https://dfpd.gov.in/mechanismforProcurement.htm>

5.4 PROCUREMENT OF RICE

There are two mechanisms of rice procurement namely Custom Milled Rice (CMR) and levy price policy. Under CMR, the FCI/ State Procuring Agencies buy paddy directly from farmers at the minimum support price (MSP) and get it milled through private millers for extracting rice. Under the levy rice policy, the procurement of paddy from farmers at MSP is carried out by private millers. As per the levy rice policy, millers had to deliver a fixed percentage of rice in a central pool as per the Levy Act imposed by States. The balance quantity of rice was allowed to be sold in the open market. The percentage of levy varies from state to state ranging from 30 % to 75 % after prior concurrence from the Central Government.

Certain problems were observed in the levy system of procurement. Important are ensuring the benefit of MSP, timely and proper payment, the opportunity of mixing inferior quality, mixing of previous years levy rice, inadequate physical verification and inadequate monitoring for ensuring the quality of paddy. A cap of 25 % for the levy was imposed in Kharif Marketing Season 2014-15 to control the problem in the levy system of rice

procurement., The levy has been limited to ‘zero’ effective from October 2015 i.e., in KMS 2015-16, allowing the entire procurement of paddy to be done only by the State Agencies/FCI so that farmers directly get MSP announced by GOI. At present Custom Milled Rice (CMR) policy is being followed for rice procurement.

Source: <https://dfpd.gov.in/writereaddata/Portal/Magazine/Levysystemofprocurement.pdf>

Besides, extending price support to farmers for wheat and paddy, rice is also procured under a levy scheme from rice millers/dealers at prices announced separately for each State. The percentage of levy is fixed by the State Governments in consultation with the Central Government taking into consideration domestic consumption, buffer stock requirement and marketable surplus. The prices of levy rice are fixed by the Government of India before the commencement of the Kharif marketing season. The procurement of rice for the Central Pool since KMS 2012-13 is given below:

Table 5.2: Procurement of Rice for the Central Pool

Year	Procurement (Figures in LMT)
2012-13	340.44
2013-14	318.45
2014-15	320.40
2015-16	342.18
2016-17	381.06
2017-18	381.74
2018-19	443.99
2019-20	518.26
2020-21	602.45
2021-22	575.55
2022-23 (up to 30.04.2023)	499.78

Source: <https://fci.gov.in/procurements.php?view=87>

5.5 PROCUREMENT OF WHEAT

In the case of wheat, FCI undertakes procurement directly and jointly with state government agencies (SGAs) in non-DCP states. In the major procuring states like Punjab, MP and Haryana, wheat is mainly procured by state agencies and they preserve the stocks under their custody for which carry-over charges are paid to them. FCI takes over the stocks for dispatching to other consuming states as per requirement /movement plan. Payments are made to State Govt. /agencies as per Provisional cost sheets issued by GOI after taking over the stocks. In the states like UP and Rajasthan, the wheat procured by state agencies is immediately taken over by FCI.

In DCP States like MP, State Government agencies procure, store and distribute wheat (against the Government of India’s allocation for TPDS/OWS etc) within the state. The excess stocks (wheat) procured by the

State /its agencies are handed over to FCI in the Central Pool for distribution/movement to deficit States.

Source: <https://fci.gov.in/procurements.php?view=86>

The procurement of wheat and the contribution made by different states is given below:

Table 5.3: Procurement of Wheat for Central Pool

Year	Procurement (Figures in LMT)
2010-11	225.13
2011-12	283.34
2012-13	382.15
2013-14	250.72
2014-15	281.31
2015-16	280.88
2016-17	229.61
2017-18	308.61
2018-19	357.95
2019-20	341.32
2020-21	389.92
2021-22	433.44
2022-23	187.92
2023-24 (upto 30.04.2023)	222.89

Source: <https://fci.gov.in/procurements.php?view=87>

5.6 GUIDELINES FOR DECENTRALIZED PROCUREMENT SCHEME

The foodgrains procured under the decentralized procurement scheme by the State Governments are ultimately a part of the Central Pool. Therefore, there is a need for a decentralized procurement scheme should be properly regulated and guidelines issued by the Central Government should be strictly followed. The general guidelines are as follows:

- i) The foodgrain should be procured strictly conforming to the uniform specifications prescribed by the Government of India. These uniform specifications should be widely published by the State Governments and should be prominently displayed at every procurement centre/mandi.
- ii) The Minimum Support Price (MSP), which is declared by the Government before the commencement of the marketing season, should also be displayed.
- iii) Adequate number of procurement centres/mandis should be set up and operated efficiently for the procurement of foodgrains from farmers.

- iv) Proper cleaning and drying of foodgrains, if required, should be carried out before procurement and necessary arrangements for this should be made by the State Government at every procurement centre.
- v) There should not be undue delay in accepting stocks and making payments to the farmers.
- vi) Weights and scales and a sufficient number of gunny bags and other items required at the procurement centres should be made available.
- vii) Weights and scales should be stamped/verified well before mandi operations.
- viii) Arrangements for double-line machine stitching should be made. If machine stitching is not possible, manual stitching with 14 to 16 cross stitches across the mouth of the bag should be carried out to avoid bleeding out of stock during handling and transportation.
- ix) Proper arrangements for storage of procured foodgrains should be made in advance and the foodgrain should be dispatched immediately after procurement to the storage centre.
- x) Proper record of all procurement operations should be maintained and information about daily arrivals and procurement should be dispatched to the District/Regional Office.

Check Your Progress Exercise 1

Note: a) Write your answer in the space given below.

b) Match your answers with those given at the end of the unit.

1. What is the aim of procurement of foodgrains by Government agencies?

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2. What is Fair Average Quality of foodgrains?

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5.7 MINIMUM SUPPORT PRICE (MSP)

In January, 1965, the Agriculture Price Commission (APC) was set up to advise the Government on the price policy of major agricultural commodities. Since March 1985, the Commission has been known as the Commission for Agricultural Costs and Prices (CACP).

The minimum support prices (MSP) for major agricultural commodities are fixed by the Government (Ministry of Agriculture), each year, after taking into account the recommendations of the Commission for Agricultural Costs and Price (CACP).

The Commission is composed of a Chairman, a Member Secretary, two official members and three non-official members. The non-official members are representatives of the farming community. They are usually persons with long field experience and active association with the farming community.

Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market price for agricultural produce tends to be inherently unstable, which often inflicts undue losses on the growers, even when they adopt the best available technology package and produce efficiently.

The MSP for wheat and paddy (Common and Grade-A) since 2001-02 onwards is given in Table 5.4:

Table 5.4: Minimum support price for wheat and paddy

(Rs. per quintal)

YEAR	WHEAT	PADDY	
		COMMON	GRADE-A
2001-02	610	530	560
2004-05	640	560	590
2007-08	1000	645	675
2010-11	1120	1000	1030
2014-15	1450	1360	1400
2017-18	1735	1540	1590
2018-19	1840	1750	1770
2019-20	1925	1815	1835
2020-21	1975	1868	1888
2021-22	2015	1940	1960
2022-23	2125	2040	2060

From the above Table, it is known that the minimum support prices of paddy and wheat have been increased continuously. This is due to the reason that the cost of agriculture in terms of labour wages, cost of inputs like seeds, fertilizers, pesticides and electricity charges have increased.

Check Your Progress Exercise 2

Note: a) Write your answer in the space given below.

b) Match your answers with those given at the end of the unit.

1. What is decentralized procurement of foodgrains?

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2. What are the advantages of decentralized procurement of foodgrains?
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3. What are important guidelines for State Governments for decentralized procurement of food grains?
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4. Name the agency that recommends the Minimum Support Price of food grains to the Government.
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5.8 STORAGE AND WAREHOUSING

The storage plan of the Ministry of Consumer Affairs, Food and Public Distribution, Government of India aims at providing the capacity required for buffer and operational stocks of food grains for targeted public distribution systems and general warehousing. The broad approach is to provide scientific storage capacity and reduce dependence on the capacity under Cover and Plinth (CAP).

After procurement, well-planned storage of food grains at different locations in various States in the country is carried out to ensure an adequate and timely supply of food grains for distribution through fair-price shops under TPDS. The Food Corporation of India (FCI), a Government of India undertaking, established by an Act of Parliament in 1965, is the main agency that provides the required storage capacity for food grains in the country.

Besides, constructing its own godowns, FCI also hires storage capacity, both covered and CAP (Cover and Plinth), from Central Warehousing Corporation (CWC), State Warehousing Corporations (SWCs), State Governments and private parties.

Three agencies in the public sector are engaged in building large-scale storage/warehousing capacity. These are Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and 19 State Warehousing Corporations (SWCs). Over a while, sizeable scientific storage/warehousing capacity has been developed by these public sector agencies and they are implementing plans to increase it further.

The capacity available with FCI is used mainly for the storage of food grains and that with CWC and SWCs are used for the storage of food grains as well as a large number of other items. The important commodities other than food grains which are stored by CWC and SWCs in their warehouses are

fertilizers, oilseeds, spices, dry fruits, sugar, jaggery, tea, coffee, printing paper, industrial goods including non-ferrous metals and alloys etc.

Details of various warehousing agencies, storage capacity and utilization have been discussed thoroughly in Unit 3 under section 3.4. You are kindly advised to go through section 3.4 for detailed learning on storage and warehousing.

5.9 BUFFER STOCK POLICY AND STOCK POSITION IN CENTRAL POOL

Food grain stocks are maintained by the Central Government for the following purposes:

- i) to meet the prescribed minimum buffer stock norms for food security;
- ii) for monthly releases of food grains for supply through the Targeted Public Distribution System/Welfare schemes;
- iii) to meet emergent situations arising out of unexpected crop failure, natural disasters etc.; and
- iv) for market intervention to augment supply to help moderate and stabilize the open market prices.

Thus, buffer stock is the reserved stock maintained by the Government of India to meet the food scarcity arising out of natural calamities, such as drought, cyclones, floods, and crop failure. This reserve stock is utilized in such emergencies to meet the requirement of the Targeted Public Distribution System (TPDS) and to supply additional food grains in the regions affected by natural calamities. We can say that buffer stock or reserve stock of foodgrains maintained by the Government plays a very important role in ensuring food security.

Table 5.5: Current Food Grains Stocking Norms (Buffer Norms w.e.f. 01.07.2017)

(Figure in lakh MT)

As on	Operational Stock			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	115.80	44.60	160.40	20.00	30.00	210.40
1st July	115.40	245.80	361.20	20.00	30.00	411.20
1st October	82.50	175.20	257.70	20.00	30.00	307.70
1st January	56.10	108.00	164.10	20.00	30.00	214.10

Source: <https://dfpd.gov.in/foodgrain-stocking-norms.htm>

The stock of foodgrains in the Central Pool as of January 1, 2021, was 53.28 million tonnes which comprises 18.67 tonnes of rice, 34.29 million tonnes of wheat and 0.32 million tonnes of Nutri-cereals.

Table 5.6: Stock of Foodgrains in the Central Pool (as of 1st January)
(Million Tonnes)

Year	Rice	Wheat	Nutri Cereals	Total
1991	9.63	9.38	0.12	19.13
2001	20.70	25.04	0.03	45.77
2006	12.64	6.19	0.43	19.26
2011	25.58	21.54	0.10	47.22
2017	13.47	13.75	0.14	27.36
2018	16.21	19.56	0.16	35.93
2019	18.29	27.12	0.20	45.61
2020	23.72	32.80	0.32	56.84
2021	18.67	34.29	0.32	53.28

Source: Agricultural statistics at a glance 2021

From the stock position table, it is revealed that the actual stock of food grains remaining with the Central Government against the required buffer norms has been always higher.

Check Your Progress Exercise 3

Note: a) Write your answer in the space given below.

b) Match your answers with those given at the end of the unit.

- Which are the agencies of the Government that provide storage capacity for food grains?

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- What are the purposes for maintaining the stocks of food grains including buffer stocks?

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3. What do you understand by the buffer stocks of food grains?

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5.10 INTRODUCTION OF MODERN TECHNOLOGY IN HANDLING OF FOODGRAINS

At present, most of the foodgrains procured by FCI and State agencies are stored in conventional godowns in bags as well as in open storage systems known as Cover and Plinth. Wheat and paddy may be stored in CAP; however, rice is stored in covered godowns. During handling, storage and transportation of foodgrains in bags considerable storage/transit losses are caused.

Due to the paucity of covered storage space, wheat and paddy are also stored in the open on elevated plinths and covered with black polythene covers. This system is known as the CAP (Cover and Plinth) System. In traditional godowns and CAP storage systems, the foodgrains are damaged by high moisture, temperature, stored grain insect pests, rodents, birds and microorganisms, especially storage fungi. Considerable storage and transit losses are caused in foodgrains in handling, storage and transportation in our country. The total post-harvest losses in foodgrains are reported to be to the tune of about 10 per cent of total production.

In most of the developed countries, the foodgrains are stored in bulk in silos made of steel or reinforced cement and concrete (RCC). Silos are vertical cylindrical structures made of Stainless Steel or RCC. These are equipped with cleaners, dryers and loading and unloading devices. Grain can be unloaded and loaded in bulk in rail wagons as well as in ships at ports. Besides, the foodgrains are also transported in specially designed top-loading and bottom-discharge railway wagons. The foodgrains can be stored safely for longer duration in silos. The storage and transit losses are low in this integrated silo system.

Construction of Steel Silos

Steel silos with bulk handling facilities are a highly mechanized and modernized way for bulk storage of foodgrains. Silos not only ensure better preservation of foodgrains but also enhance their shelf-life. Foodgrains stored in silos are transported in bulk thereby minimizing losses due to theft and pilferage. Silos require approximately 1/3rd land as compared to conventional storage warehouses and can be operated round the clock which enhances flexibility and improves overall efficiency in storage, handling and transportation of foodgrains. As such, the construction of silos would be beneficial to the nation as a whole besides, creating an efficient food supply chain-management system.

The progress of modernisation of storage facilities and construction of steel silos is as given below (up to 31.03.2021):

L	Status	No. of Locations	Capacity (LMT)
1	Work Completed	22	11.125
2	Work awarded and Letter of Commencement issued by FCI	22	11.125
3	Work awarded, but Letter of Commencement yet to be issued by FCI	1	0.50
4	Work awarded by FCI, but land not procured by selected bidders	10	5.00
5	Tendered by State Govt. (with Railway Siding)	3	1.50
6	Total wheat silos including 0.25 LMT pilot rice silos	58	29.25
7	Tentative capacity for Hub & Spoke	249	111.125
	Grand Total	307	140.375

Source: https://dfpd.gov.in/silosScheme_C.htm retrieved on 09.05.2023

5.11 FOODGRAINS MARKETING SYSTEM

Dual public and private markets exist for foodgrains in India, particularly for wheat, rice and coarse grains. About 30-40 per cent of total foodgrains produced in the country is marketed and the remaining 60-70 per cent of food production is retained by farmers for their self-consumption and to meet their other domestic requirements. About 20 per cent of total production of foodgrains (about 40 million tonnes) is procured by the Food Corporation of India and other state agencies for Central Pool on minimum support price (MSP). The remaining quantity is procured by the private trade. The major quantity of foodgrains procured by the FCI is issued to State Governments for meeting the requirement of the Targeted Public Distribution System (TPDS) and other welfare schemes.

5.11.1 Open Sale Marketing Scheme

Surplus food grains from time to time are sold in the domestic market to enhance the supply of wheat and rice, especially during the lean season to moderate the open market prices under an open sale marketing scheme (domestic). The wheat and rice are released at a predetermined price decided by the Government of India in consultation with FCI. Presently FCI is undertaking the sale of wheat and Raw Rice Grade 'A' to bulk consumers/private traders through e-auction at predetermined reserved prices.

The State Governments/ Union Territory Administrations are also allowed to participate in the e-auction. The Minimum and maximum quantity of wheat per buyer shall be 10 MT and 5000 MT respectively. The maximum quantity for State Govt. Agencies in one tender are 50,000 MT.

Further, to encourage retail sales, the Ministry of Consumer Affairs and Public Distribution has decided to sell wheat to small (private) traders desirous of purchasing wheat from 1-9 MT per person/party per depot from nominated FCI/State Agency depot at depot wise reserve price under OMSS (D), without participation in e-auction.

Source: [https://fci.gov.in/app/webroot/upload/sales/Overview%20of%20OMSS\(D\)-English_1.pdf](https://fci.gov.in/app/webroot/upload/sales/Overview%20of%20OMSS(D)-English_1.pdf)

If the stocks are more than the buffer norms and domestic requirements, then the food grains are also exported through Government agencies or private trade.

5.11.2 Export and Import of Foodgrains

From time to time, the country exports some quantities of foodgrains from the Central Pool as humanitarian assistance to some friendly countries. At the time of surplus, India had also exported wheat and rice to more than 50 countries. Major importers of Indian foodgrains had been Bangladesh, Iraq, Indonesia, Vietnam, Yemen, Nigeria, UAE, Poland, Malaysia, Senegal, Saudi Arabia and Sudan among others. The foodgrains including Basmati rice is also exported by private agencies. There is a great demand for Indian Basmati rice in several countries viz.; USA, UK and Gulf countries.

The import of wheat is not restricted. As per Govt. of India's Gazette Notification No. 13/2019 dated 26th April 2019, the import duty on wheat is 40%. To meet the shortfall in the Central Pool stocks, a quantity of 54.54 lakh tons of wheat was imported in 2006-07 and 17.69 lakh tons in 2007-08. No import of wheat has been made for the Central Pool since 2008-09.

Source: <https://dfpd.gov.in/ImpexSection.htm>

5.12 ALLOCATION AND OFFTAKE OF FOODGRAINS

Allocation of food grains to States/UTs is made under the Targeted Public Distribution System (TPDS) and Other Welfare Schemes (OWS). A brief of various schemes under which allocation is made by the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution is discussed as under:

1. Targeted Public Distribution System (TPDS)

Receipt of foodgrains under TPDS has been made a legal right after the enactment of the National Food Security Act which came into force w.e.f. 5-7-2013. Up to 75% of the rural population and up to 50% of the urban population have been covered for receiving subsidized foodgrains under the Targeted Public Distribution System (TPDS), thus covering about two-thirds population of the country.

The States and UTs identified the eligible persons. They are entitled to receive 5 kgs of foodgrains per person per month at subsidized prices of Rs.3/2/1 per kg for rice/wheat / coarse grains, respectively. The existing

Antyodaya Anna Yojana (AAY) households, which constitute the poorest of the poor, receive 35 kgs of foodgrains per household per month. As of 1st November 2016, NFSA has been implemented in all 36 States/UTs and they are receiving monthly allocation of foodgrains as per their entitlement under NFSA.

2. Other Welfare Scheme:

i) Mid-Day Meal Scheme

This Scheme is implemented by the Ministry of Human Resource Development. The Central Issue Price for the scheme w.e.f. 1st April 2016 is at NFSA rates i.e., Rs.3/2/1 per kg for rice/wheat/Coarse grain respectively. This Scheme covers students of primary and upper primary classes in the Govt. Schools/Schools aided by Govt. and the Schools run by local bodies.

ii) Wheat Based Nutrition Programme (WBNP)

This Scheme is implemented by the Ministry of Women & Child Development. The Central Issue Price for the scheme w.e.f. 1st April, 2016 is at NFSA rates i.e., Rs.3/2/1 per kg for rice/wheat/Coarse grain respectively. The scheme intends to provide nutritious/ energy food to children in the age group of 0-6 years and expectant/lactating women. The food grains allotted under this Scheme are utilized by the States/UTs under the Umbrella Scheme – Integrated Child Development Scheme (ICDS).

iii) Welfare Institutions and Hostels Scheme

The Department of Food & Public Distribution administers the Welfare Institutions and Hostels Scheme and this Scheme was introduced on 1st September 2017 by clubbing two schemes namely the Welfare Institutions Scheme and SC/ST/OBC Hostels Scheme into a single scheme. Foodgrains are allocated at BPL rates under the scheme to meet the requirement of welfare institutions such as beggar homes, Nariniketans and other similar welfare institutions and the students of the hostels have 2/3rd residents belonging to SC/ST/OBC.

iv) Annapurna Scheme

This Scheme is implemented by the Ministry of Rural Development. Indigent senior citizens of 65 years of age or above who are not getting a pension under the National Old Age Pension Scheme (NOAPS) are provided 10 kilograms of food grains per person per month free of cost under the scheme. Foodgrains under the Scheme are provided by the Department of Food & Public Distribution at BPL rates.

v) Scheme for Adolescent Girls [Earlier known as Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) – 'SABLA']

The Ministry of Women and Child Development launched the SABLA scheme on 19.11.2010 by merging two schemes namely the Nutrition Programme for Adolescent Girls (NPAG) & Kishori Shakti Yojana (KSY) into a single scheme. The Scheme aims at empowering adolescent girls of 11-18 years by improving their nutritional and health status and upgrading various skills like home skills, life skills and vocational skills. It also aims at equipping the girls on family welfare, health hygiene etc. and information and guidance on existing public services along with aiming to mainstream out-of-school girls into formal or non-formal education. Foodgrains for the scheme are allocated by the Department of Food & Public Distribution at BPL rates to M/o W&CD.

Source: <https://dfpd.gov.in/basic-plan-overview.htm> retrieved on 09.05.2023

Detail of the allocation and offtake of rice and wheat under various schemes in the year is presented in Table:

Table 5.7: Foodgrains allocations, offtake and rates in 2018-19 (in Lakh tons)

	Rice		Wheat	
	Allocation	Offtake	Allocation	Offtake
Under NFSA				
TPDS	292.65	283.77	232.49	212.47
ICDS (at NFSA rates)	9.63	5.03	10.27	7.36
MDM (at NFSA rates)	21.48	17.27	4.06	3.92
NFSA (tide over) at APL rates	20.79	21.15	7.03	6.61
At BPL rates				
Hostels and welfare institutions	5.16	5.42	0.86	0.59
Scheme for Adolescent Girls (SAG)	0.38	0.01	0.64	0.13
Annapurna	0.52	0.25	0.21	0.04
Additional BPL Allocation	-	-	-	-
MSP/MSP derived & economic cost rates				
Festival /natural calamity/drought, etc.	3.72	1.91	2.28	1.71
Total	354.33	334.81	257.84	232.83
Grand total				
Allocation (rice and wheat)	612.17			
Off take (rice and wheat)	567.64			

Source: <https://dfpd.gov.in/writereaddata/Portal/Magazine/AllocationdetailsV2.pdf>

Check Your Progress Exercise 4

Note: a) Write your answer in the space given below.

b) Match your answers with those given at the end of the unit.

1. What are the aims of the introduction of modern technology in handling, storage and transportation of foodgrains?

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2. How much foodgrains is allocated under TPDS and other welfare schemes?

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5.13 LET US SUM UP

In this unit, we have discussed the need for procurement of foodgrains by Government agencies. As explained above, the foodgrains are procured for distribution under TPDS, welfare schemes and for keeping the buffer stocks. FCI is the nodal agency that procures the foodgrains on MSP with the help of State agencies.

The foodgrains conforming to Uniform Specifications laid down by the Government are procured on MSP. The Commission for Agricultural Costs and Prices (CACAP) recommends to the Government the Minimum Support Price of different agricultural commodities. The MSP is announced by the Ministry of Agriculture and Farmers' Welfare before the commencement of the marketing season.

The storage capacity for the foodgrains procured by Government agencies under MSP operations is provided by FCI, CWC and SWCs. The foodgrains conforming to Uniform Specifications are procured from farmers/traders/rice millers. These foodgrains procured by Government agencies for the Central Pool are allocated to State Governments / UTs for distribution under TPDS, welfare schemes etc.

In case of surplus quantity of foodgrains, the foodgrains are also marketed under the open sale marketing scheme of the FCI at fixed prices and also exported through Government and private channels.

5.14 KEYWORDS

- Buffer Stock** : The minimum quantity of foodgrains required at a time which are stored by the Government to meet the scarcity in case of floods/drought and other natural calamities.
- Decentralized procurement** : A system wherein foodgrains are procured, stored and distributed for TPDS as per their requirement by the State Government themselves.
- Fair Average Quality** : The quality standard of foodgrains wherein maximum limits of certain tolerance (impurities etc.) are prescribed. These are known as uniform specifications of fair average quality standards.
- Levy** : A system of procurement wherein the prescribed percentage of foodgrains procured/milled by the trader is contributed to the Government central pool.
- Minimum Support Price** : The minimum price is fixed by the Government of India for the procurement of foodgrains by Government agencies from farmers/traders.
- Targeted Public Distribution System** : The public distribution system targeting to the poor population of the country.

5.15 SUGGESTED READINGS / REFERENCES

1. Anonymous (2000). Report of the High-Level Committee on Long-Term Grain Policy. Published by Department of Food & Public Distribution, Krishi Bhavan, New Delhi.
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3. Bhandari, I.K (2002). Public Distribution System. Published by RBSA Publishers. SMS Highway Jaipur (India)
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5.16 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. the procurement of foodgrains aims to provide remunerative prices to the farmers and to avoid distress sale of foodgrains at prices below the Minimum Support Price (MSP) and also encourages the farmers to increase production of foodgrains. The requirements of the Targeted Public Distribution System (TPDS) are also met from the foodgrains procured.

2. The foodgrains conforming to Uniform Specifications formulated by the Government are known as Fair Average Quality foodgrains. In the Uniform Specifications, the maximum permissible limit of various impurities found in the foodgrains is prescribed.

Check Your Progress Exercise 2

1. In decentralized procurement, the foodgrains are procured, stored and distributed by the State Governments themselves for distribution under TPDS and other welfare schemes.
2. In decentralized procurement, the transportation cost of foodgrains is drastically reduced because the foodgrains are procured, stored and distributed in the same State. The burden of subsidy is reduced. There is no complaint by the State Government about the quality of foodgrains being distributed under TPDS.
3. The important guidelines for States for decentralized procurement of foodgrains are:
 - Foodgrains should be procured conforming to uniform specifications on MSP and payment should not be delayed.
 - Proper cleaning and drying should be done before procurement of grain.
 - MSP and uniform specifications should be displayed at procurement centres.
 - Weights and scales should be stamped.
 - Proper machine or manual stitching of grain bags should be carried out.
4. The Commission for Agricultural Costs and Prices (CACP) recommends to the Government the Minimum Support Price (MSP) of foodgrains.

Check Your Progress Exercise 3

1. FCI, CWC and SWCs are the agencies of the Government that provide storage capacity for the foodgrains.
2. The foodgrains stocks including buffer stocks are maintained by the Government to meet the requirement of TPDS, welfare schemes, open sales and exports (in case of surplus). The buffer stocks are maintained to meet the emergency requirement of foodgrains in case of drought, floods or other natural calamities.
3. The minimum quantity of reserved stocks of wheat and rice kept during a month to meet the emergency requirement of the country is known as buffer stocks.

Check Your Progress Exercise 4

1. The aim of the introduction of modern technology in handling, storage and transportation of foodgrains is to minimize storage and transit losses and to maintain the quality of foodgrains during storage.
2. In 2018-19, 612.17 lakh tonnes of foodgrains (Wheat and Rice) were allotted under the scheme.



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