

## **Food Corporation of India - Role at Pandemic Times**

### **What is the issue?**

- In the middle of the COVID-19 pandemic, the Food Corporation of India (FCI) holds the key to warding off a looming crisis of hunger and starvation.
- But there are few serious shortcomings to be overcome by the FCI to play an efficient and meaningful role at times of crisis.

### **How has the FCI's role evolved?**

- FCI was set up under the Food Corporations Act 1964, in its first decade.
- From then on, the FCI is at the forefront of India's quest of self-sufficiency in rice and wheat following the Green Revolution.
- It has been managing procurement and stocking grain that supported a vast Public Distribution System (PDS).
- Over time, however, it has been felt that the FCI had long outlived its purpose, its operations regarded as expensive and inefficient.
- Even in the 1970s and 1980s, poor storage conditions meant a lot of grain was lost to pests, mainly rats.
- Before the lockdown, the FCI had 77 million tonnes of grains in its godowns.
- On the eve of a new round of procurement with a bumper harvest of wheat, it was observed that the FCI was facing a serious storage problem.
- There is not only shortage of modern storage facilities but the FCI also lacked a "pro-active liquidation policy" for excess stocks.
- But despite the shortcomings, the FCI has consistently maintained the PDS, a lifeline for vulnerable millions across the country.

### **How significant has FCI become now?**

- The concern over the storage problems is temporarily not in place, given the demands to release food stocks to those affected by the lockdown.
- FCI has moved grain stocks to states where the demand outstripped within State procurement and/or stocks.
- It has also enabled purchases by States and non-governmental organisations directly from FCI depots.
- It did away with e-auctions typically conducted for the Open Market Sale Scheme (OMSS).
- Given the extended lockdown, the FCI is uniquely positioned to move grain

across State borders (private sector players face restrictions).

- However, there is a widespread sense that the FCI was simply not moving fast enough and could do much more.

### Where should the FCI work on now (COVID-19 emergency)?

- **Transport** - The FCI is overwhelmingly reliant on rail, which has several advantages over road transport.
- In 2019-2020 (until February), only 24% of the grain moved was by road.
- However, road movement is often better suited for emergencies and for remote areas.
- Containerised movement too, which is not the dominant way of transporting grain, is more cost-effective and efficient, to supply to areas where the need is the greatest now.
- **Positioning strategy** - The months following the lockdown will see predictable demand from food insecure hotspots.
- In such times, a strategy that has been adopted widely in international food aid is “pre-positioning” shipments. E.g. the United States
- Under this, grain is stored closer to demand hotspots.
- Given FCI's already decentralised godowns network, it is wise to maintain stocks at block headquarters or panchayats in food insecure or remote areas underserved by markets.
- **Distribution** - The central government can look beyond the PDS and the Pradhan Mantri Garib Kalyan Yojana.
- It can release stocks over and above existing allocations, but at its own expenses rather than by transferring the fiscal burden to States.
- The local governments would have the flexibility to access grains for contextually appropriate interventions at short notice.
- This would cover feeding programmes, free distribution to vulnerable and marginalised sections, those who are excluded from the PDS, etc.
- It also allows freedom to panchayats, for example, to sell grain locally at pre-specified prices until supply is restored.
- **Procurement** - The FCI's guidelines follow a first in, first out principle (FIFO).
- This mandates that grain that has been procured earlier needs to be distributed first to ensure that older stocks are liquidated.
- The FCI can rethink and suspend this strategy now, to enable grain movement that costs least time, money and effort.
- **Markets** - Farmers across the country growing for markets are now seeking to reach out to consumers directly.
- NAFED (National Agricultural Cooperative Marketing Federation of India Ltd.) and several State governments have already taken the initiative to

procure and transport horticultural crops.

- The FCI should similarly consider expanding its role to support farmer producer organisations (FPOs) and farmer groups, in rebuilding the broken supply chains.

### **What are the other larger concerns to be addressed?**

- **Food subsidy costs** - There is a long-term concern regarding the costs of food subsidy.
- However, an analysis of FCI costs spanning 2001-16 suggests that on average about 60% of the costs of acquisition, procurement, distribution and carrying stocks are in fact transfers to farmers.
- Not all of what is counted as subsidy therefore represents a waste of resources.
- There are, nevertheless, concerns with distributional consequences and inefficiencies, which need improvement.
- At the same time, the government needs to address the FCI's mounting debts.
- **Food prices** - Another concern is over the extended food distribution of subsidised grain.
- This is akin to dumping which might depress food prices locally, in turn, affecting farmers.

### **How does the future look?**

- When the pandemic is over, questions will once again surface on the relevance of the FCI.
- Even in 2015, the Shanta Kumar report recommended repurposing the organisation as an "agency for innovations in Food Management System."
- It advocated shedding its dominant role in the procurement and distribution of grain.
- Thus, in the long term, the FCI needs to overhaul its operations and modernise its storage.
- While the relevance of an organisation such as the FCI or of public stockholding has been established strongly now, its new role in a post-pandemic world is also a priority.

**Source: The Hindu**



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