

Standing Committee Report Summary

Procurement, Storage and Distribution of Foodgrains by FCI

- The Standing Committee on Food, Consumer Affairs, and Public Distribution (Chair: Mr. Sudip Bandyopadhyay) submitted its report on the subject ‘Procurement, Storage, and Distribution of Foodgrains by Food Corporation of India’ on August 9, 2021. The procurement, storage, and distribution of foodgrains is undertaken by the Food Corporation of India (FCI), along with agencies of the state governments. Key observations and recommendations of the Committee include:
 - **Procurement:** The Committee observed that most of the procurement operations for foodgrains are carried out by state agencies. The share of FCI in direct procurement is less than five percent. The Committee recommended that the central government and FCI should assist the state governments in creation of adequate infrastructure for effective procurement.
 - **Decentralised procurement:** Under the decentralised procurement scheme, the state governments utilise the foodgrains procured locally from within the state for distribution under various schemes. In case of excess procurement in any state, the foodgrains are handed over to FCI for storage or distribution to other states. The scheme: (i) reduces the overall transportation cost, (ii) encourages procurement in non-traditional states, and (iii) enables procurement of local foodgrains, which may be more suited to local taste.
 - The Committee observed that even after 23 years of the inception of the scheme, it has been undertaken by only eight states in case of wheat, and 15 states in case of rice. The Committee noted that the scheme has contributed remarkably to the increased efficiency of the Public Distribution System (PDS), by making it possible to supply foodgrains suited to local taste. The Committee recommended that the Department of Food and Public Distribution should encourage the adoption of the scheme in non-traditional states. The Department and FCI should also take steps for timely creation of necessary infrastructure for this purpose, in coordination with the concerned state governments.
 - **Refusing procurement at centres:** The Committee noted that lower staff posted at procurement centres sometimes refuse to procure on non-bonafide technical reasons, such as moisture content in the produce. This causes great hardships to the farmers, thus leading to distress sale. It recommended that foodgrains should not be rejected on flimsy grounds if they conform to the Fair Average Quality norms.
- **Storage capacity:** The Committee noted that despite various audits for optimum utilisation of storage capacity, the utilisation of hired storage facilities is still very high. Meanwhile, the FCI-owned facilities remain under-utilised. The Committee recommended FCI to maximise utilisation of owned facilities before hiring. Hiring should be done only if absolutely necessary to minimise the cost incurred in paying rent.
- **Construction of godowns:** The Committee observed that FCI could not achieve the targets for construction of godowns in 2020-21. It recommended expediting the ongoing construction projects, particularly in the north-eastern states, Jammu and Kashmir, Andaman and Nicobar Islands, and Lakshadweep. Further, it recommended that the problems being faced by FCI in north-eastern states, such as land acquisition, should be taken up with the respective state governments at the highest level. It also recommended construction of mini godowns in different parts of the states.
- **Damaged foodgrains:** The Committee noted a very high value of damaged foodgrains during 2017-20 (Rs 12.6 crore). It noted that damaged foodgrains accrued mainly due to pest attacks, exposure to rain, floods, leakages in godowns, procurement of poor quality stocks, and negligence of officials. It also noted a very slow movement of foodgrains to distribution centres, which leads to huge piling of foodgrains and rotting. The Committee recommend adoption of adequate scientific storage measures to prevent any damage. It recommended creation of storage capacity in: (i) major wheat producing states (e.g., Haryana and Punjab), and (ii) other states (e.g., Maharashtra, Tamil Nadu, and Rajasthan) where non-cultivable land may be available for this purpose. Further, the Committee recommended that officials responsible for accrual of damaged foodgrains should be held accountable.
- **Transit losses:** The Committee noted that despite various initiatives of the Department to reduce storage and transit losses of foodgrains, transit losses are still very high (Rs 281 crore during April-October 2020). It recommended that strict action should be taken against negligent officials to hold them accountable for unjustified losses. The Committee also noted that the Department receives various complaints related to leakages, diversion of foodgrains for other purposes, and corruption, despite an elaborate monitoring system. It recommended FCI to strengthen its vigilance mechanism in coordination with states and ensure proper functioning of monitoring mechanisms.

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