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