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“FOODGRAINS STOCKING NORMS IN FOOD CORPORATION OF INDIA (FCI)”

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ABSTRACT: -

The Food Corporation Act was passed in 1964, under which Food Corporation of India was established in 1965. The requirement of the organization was felt due to shortage of the foodgrains, especially wheat. The country was also facing the financial crisis and did not have enough foreign exchange to import the huge quantity of wheat. The turning point for the Indian foodgrains management came with the setup of Food Corporation of India in the year 1965. The corporation was mandated with the most pressing objective of self-sufficiency in foodgrains.

To fulfill the assigned objectives, the Food Corporation of India has been commissioning the procurement, purchase, storage, movement, distribution and sale of foodgrains. The corporation is protecting the interest of the farmers as well as the consumer. To protect the farmers from distress sale, corporation is undertaking the price support operations and to protect the interest of consumers, corporation is insuring availability of foodgrains at a reasonably low price.

Gone are the days, when India was facing the shortage of foodgrains, as of now our country is self-sufficient in foodgrains production. The credit goes to the Green revolution. After Green revolution, the country has been witnessing the jump in the production as well as productivity of foodgrains. India's food grain production has been increased from 50MT (1951) to 252 MT in 2016. The concept of buffer stock was also introduced by the Government of India to maintain a safe level of operation stock as well as the reserve stock of foodgrains for emergencies. The buffer stock norms are also called as foodgrains stocking norms and are fixed by the Government.

Food Corporation of India is facing a key challenge to maintain buffer stocks way in excess of buffer stocking norms. During the last five years, on an average, buffer stocks with FCI have been more than double the foodgrains stocking norms costing the nation huge economic as well as financial losses.

This research study is conducted to understand the importance buffer stock management in food Corporation of India and to analyze the performance.

KEYWORDS: FCI, food Corporation of India, Foodgrains, Food stocking norms, Buffer stock.

INTRODUCTION

Food is the basic necessity for human survival. And it is the Agriculture, which is the medium of food grain production. Foodgrains management is equally



important as foodgrains production, especially for the countries having large population. Management of foodgrains for a country like India is a herculean task. Even if we produce enough, we cannot guarantee that the produce will reach to the consumer in a same condition (quality), it was produced. Foodgrains are biological in nature, hence are perishable in nature.

In India, the foodgrains management is supported by the Food Corporation of India (FCI). The food policy of India took a significant turn with the setting up of Food Corporation of India in 1965 as an autonomous body in Public Sector in order to secure a strategic and commanding position in foodgrains trade and act as the main instrument of the national policy for price support operations, procurement, storage, inter-state movement and distribution operations, in short to operate the central pool.

THE MAJOR OBJECTIVES OF FCI ARE –

- a. Efficient procurement at Minimum Support Price (MSP) from farmers.
- b. Distribution of food grains through different welfare schemes to the vulnerable sections of society at affordable prices
- c. Maintenance of foodgrains stocking norms for price stability & food security.

In this research paper, researcher has focused only on the third objective of FCI, i.e. maintenance of foodgrains stocking norms by FCI.

The buffer food stocks are required to meet the foodgrains requirement for allocations made by the Government of India for the public welfare schemes like PDS (Public distribution scheme). It helps to ensure the food availability for the vulnerable sections of the society. The buffer stocks also help in price stabilization during production shortfall through sale in open market.

LITERATURE REVIEW- Amartya Sen (1983) noted that hunger is not necessarily the result of less production. He also mentioned that people are not starving because of lack of production but they are starving because they are not able to afford the food. They are hungry because they lack economic access to adequate food.

The hunger is not because we produce less, hunger exist because we waste more. The profusion of food grain in India is a confusing indicator of the Indian food grain supply situation. The godowns are overflowing so that the farmers must be well and at the same time, as India is a net exporter of food grains, no one should be hungry, which obviously is not the situation. Many years after the "Green Revolution" which brought India self-reliance, food security is still the extensively discussed topic.

On 20th August 2014 a high level committee (HLC) was formed by the Union Government. HLC was chaired by Mr. Shanta Kumar. The main objective of the set up was to make a more efficient system of food grain management and restructuring the role of Food Corporation of India On 21st Januaray 2015, Shanta Kumar Committee has submitted its report on restructuring of Food Corporation of India to the Prime Minister Shri Narendra Modi. The committee stated that there is no pro- active liquidation policy. Food Corporation of India is faced with surplus stocks than buffer norms.

High level committee 2015 report also suggest that the excess buffer stock will increase not only the economic cost but also the inventory carrying cost. From 2011-14 the cost would come to nearly Rs 100,000 crores.

OBJECTIVES-

The objectives of the study are mentioned below.

1. To study the buffer stock management of foodgrains.
2. To be aware about the foodgrains stocking norms in India.
3. To find out if FCI, is maintain the satisfactory level of buffer stock of foodgrains.

HYPOTHESIS–

1. Ho (Null Hypothesis) - There is no significant difference between the foodgrains stocking norms and actual buffer stock maintained by Food Corporation of India

H1 (Alternate Hypothesis) – Difference exist between the Foodgrains stocking norms and actual buffer stock maintained by Food Corporation of India.

RESEARCH METHODOLOGY- Both Qualitative and Quantitative research methods are used for the present research work. Researcher has used the secondary methods of data collections for this research work. The data was collected by corporation’s publications, manuals, records and other government journals.

LIMITATION OF THE STUDY-

There may be a little discrepancy between the data, since the data for this research work is obtained from different sources. The researcher has observed that the data from different sources about the same variable is showing a little difference. However the difference is not significant. The Corporation has established in 1965, but for this research work the data has been considered for 2006- 2016.

FOOD STOCKING NORMS – In order to make sure the availability of foodgrains for the different welfare schemes of government of India and reserve stock at different locations throughout the country, FCI undertakes the movement of the foodgrains from surplus to deficient state. The movement is majorly (90 percent) undertaken by railways and remaining by road and waterways.

The buffer stock is maintained in different locations and the norms have been decided by government. The foodgrains stocking norms are strategic reserves and they are accounted for each quarter in a year. The approved foodgrains stocking norms for 2006-2017 are tabulated below.

Table 1: Foodgrains Stocking Norms

Foodgrains Stocking Norms						
As on	2006-07 to 2015-16 (Lakh Mt)			2016-2017 (Lakh MT)		
	Rice	Wheat	Total	Rice	Wheat	Total
1 st April	142.00	70.00	212.00	135.80	74.60	210.40
1 st July	118.00	201.00	319.00	135.40	275.80	411.20
1 st Oct	72.00	140.00	212.00	102.50	287.70	390.20
1 st Jan	208.00	112.00	250.00	76.10	194.10	270.20

Source: <http://fci.gov.in/stocks.php?view=46>

Press Information Bureau, GOI, Ministry of Consumer Affairs, Food & Public Distribution Recommendations of High Level Committee on Restructuring of FCI, 2015.

DATA COLLECTION, PRESENTATION AND ANALYSIS –

To test the Null hypothesis, i.e. “There is no significant difference between the buffer stock of food grains to be maintained and actual buffer stock maintained by Food Corporation of India”. Researcher has collected the data of actual buffer stock maintained by FCI and buffer stock norms for the period 2006-07 to 2015-16. The data has collected from FCI records and other publications. Collected data is presented in Table no 2. Buffer norms quarterly data has been averaged and the deviation from the standard is calculated in percentage.

Table 1: Actual Stock maintained by FCI against Buffer Norms

Actual Stock maintained by FCI against Buffer Norms			
Year	Actual Buffer Stock (Lakh MT)	Average Buffer Norms (Lakh MT)	Deviation (%)
2006-07	200.00	248.25	-24.13
2007-08	225.00		-10.33
2008-09	352.00		29.47
2009-10	523.00		52.53
2010-11	562.00		55.83
2011-12	625.00		60.28
2012-13	805.00		69.16
2013-14	739.00		66.41
2014-15	439.63		43.53
2015-16	402.43		38.31

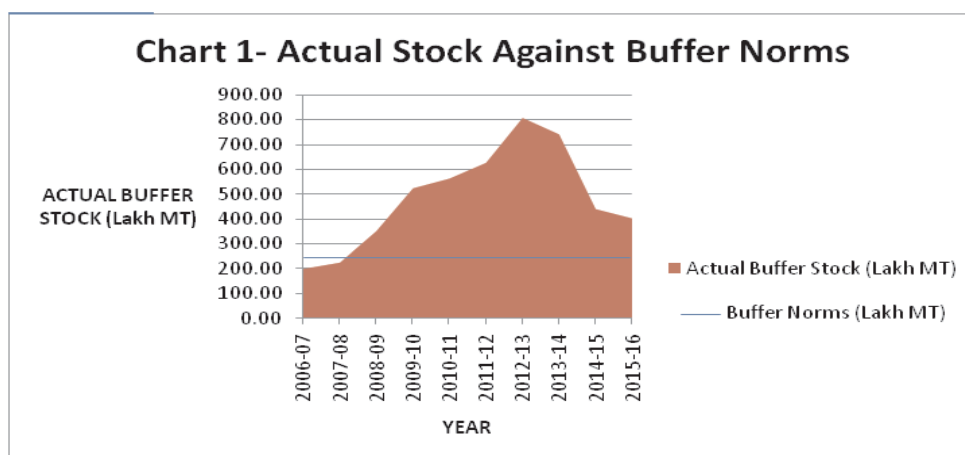


Chart 1 gives the position of actual stock vis-à-vis buffer stock norms. The buffer stock norm for all the mentioned year was 248.25 Lakh MT. It can be easily identified that in most of the years, stock procured is much higher than the established norms. In year 2006-07 and 2007-08 the buffer stock procured was less than the norms. From 2008-09 to 2015-16 stock was dramatically high and from 2009-10 to 2013-14, the buffer stock was more than double the buffer stock norms. And this happened when our country did not have enough storage capacity. The deviation from the standard is very significant.

From the tabulated data and the chart, it is very obvious that there is a significant difference between the buffer stock of food grains to be maintained and actual buffer stock maintained by Food Corporation of India. Therefore the null hypothesis is rejected and it is proved that difference exist between the actual buffer stock and foodgrains stocking norms.

CONCLUSION AND RECOMMENDATIONS –

There is a significant difference between the buffer stock of food grains to be maintained and actual buffer stock maintained by Food Corporation of India. The cooperation is only a keeper of the foodgrains; FCI is not having any authority to decide the buffer stock limit as well as actual storage. FCI is not having any right to decide how much foodgrains they can safely procure, the power of decision lies in hand of ministry of Consumer Affairs. FCI is merely a supporting body for GOI who is facilitating the storage for the operational & reserve food grains.

Researcher has interacted with employees of FCI and got the same feedback that the corporation has not enough power to execute its own functions. For most of the activities, they have to follow the orders from the other agencies and when there is mismatch between the responsibilities the total responsibilities recline to the cooperation.

FCI should have decision making power regarding the buffer stock management. There is a regular exercise should be done by the Government of India to decide the foodgrains stocking norms. The Cabinet Committee on Economic Affairs (CCEA) has given approval to revise the buffer norms of foodgrains in the Central Pool in 2015-16 and thus the new norms have been effective from 2016-2017. The previous norms were not revised from a long and existing from April 2005. The norms should be regularly revised on the basis of production, storage capacity and requirement.

The Government of India should also provide more flexibility to FCI to liquidate the excess burden of buffer stock in open or export market. It is very much required to introduce a liquidation policy to sales the excess buffer stock in the market.

FUTURE SCOPE-

This study has considered only one objective of Food Corporation of India. There is a lot of scope to find out the effectiveness & efficiency of supply chain process of food grain management of FCI by considering other objectives. Food Corporation of India operates through 5 Zonal offices (ZO – North, ZO – East, ZO- North East, ZO – West, ZO – South) and 24 Area offices (AO) and several District Office (DO). To enhance the effectiveness of research the study can be performed in different zones and different area offices of the corporation.

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