Need for Procurement Reforms

What is the issue?

Due to the government's policy of open-ended procurement at MSP, the Food Corporation of India (FCI) suffers from a problem of excess.

What is the level (excess) of FCI holding?

- In October 2021, FCI was holding 86 million tonnes of grains (including unmilled paddy) against a buffer requirement (October 1) of 30 million tonnes.
- Notably, the annual requirement of foodgrains for distribution under the National Food Security Act is only 65 million tonne.
- While there is increased procurement of grains, the off-take has not moved much over the past 5-6 years.

What are the concerns?

- Such massive procurement is wasteful, given the lack of storage capacity.
- It also risks making India's procurement for food security seem market-distortionary.

What are the FCI's measures?

- The FCI has been conducting open market auctions for part of its excess holdings.
- But this is hardly enough to take care of the problem of the excess.
- A "micro-analysis of state-wise requirements and buffer norms" is being done by the FCI.

What are the government measures?

- Given the pandemic induced income losses, the government gave beneficiaries a fixed quantity of extra grains, over the NFSA entitlement, under the Garib Kalyan Anna Yojana.
- This raised the off-take from 65 million tonnes annually to 93 million tonnes.
- If the pain from job-losses in the unorganised sector is prolonged, the government may still be able to justify such a move. But it is less likely to happen.

Is export an option?

- Export is obviously not an option to liquidate the excess stock.
- Because, WTO norms against market-distortion would come in the way.

What could be done?

- Paddy/rice seems to be the main reason (especially procurement from Punjab) with untold economic and environmental consequences.

- The Centre and Punjab must work together to incentivise the state's farmers to switch from paddy to maize and even fruit and vegetables.
- The government can also consider limiting open-ended procurement, say, by capping procurement as per size of individual land-holding.
- Another option is moving from price-support to a pure cost-support regime; but this will need significant political will.
- Government can also donate surpluses to food programmes locally and overseas.
- But, without reforms, FCI's burden will only grow.

Reference

https://www.financialexpress.com/opinion/need-procurement-reforms/2356764/

