



Grain Management in India

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This article is based on **“Lifting growth, containing inflation”** which was published in The Indian Express on 06/01/2020. It talks about how the government can mobilise the capital for investment in infrastructure by eliminating inefficiencies in the grain management system of India.

Recently, **India's GDP growth rate dropped down to 4.5%**, also the agriculture GDP growth rate fell to 2.1 % in the second quarter of this 2018-19. This is a clear sign of a **slowdown in the Indian Economy**.

In order to put Indian economy back on track to a 7-8% growth trajectory, Government has announced an **investment package for the infrastructure of about Rs 102 lakh crore** over the next five years, which implies more than doubling the growth in infra-investments from its current levels.

However, the bigger question is from where this money is to be mobilised. **In this context rationalizing grain management will save the government a lot of money.**

Challenges Associated with Government Spending

- The slowdown in the Indian economy is accompanied by **increasing inflation (case of stagflation)**.
Inflation is led by different components of the food segment — cereals, pulses, and vegetables — in the **consumer price index (CPI)**.
- Missing **fiscal deficit target of 3.3%**.
The **Comptroller and Auditor General of India (CAG)** has already indicated that the real fiscal deficit of the country is much more if one accounts for the loans taken by many public sector undertakings (PSUs).

How rationalising grain management will provide finances to the government?

- Through effective grain management, the Government can save Rs 50,000 crore per annum to finance infrastructure projects without causing high inflation or without breaching the fiscal deficit target.
- The Government will have to check massive inefficiency in the grain management system under the **National Food Security Act (NFSA)**.
 - The **NFSA** gives certain quantities of wheat and rice to 67% of the population at Rs 2/kg and Rs 3/kg respectively, while the economic cost of these to the Food Corporation of India is Rs 25/kg and Rs 35/kg respectively.
 - This led to a provision of Rs 1.84 lakh crore for food subsidy in the budget 2019.

Reasons for inefficiency in grain management

- **Inefficient Strategy**

The massive accumulation of grain stocks due to inefficient strategy for food management wherein the procurement for wheat and rice (paddy) remains open-ended, but the disbursement of these stocks remains largely restricted to PDS.

- **Lack of Adequate Storage**

Lack of **Food Corporation of India** (FCI) doesn't have adequate storage space to accommodate surplus produce (like this year rabi crop is expected to have high yield due to good monsoon).

- **Inadequate Selling to Private Players**

- Apart from maintaining buffer stock, FCI also can sell excessive grains to private players.
- This selling to private players is called **open market operations (OMOs)**, however, OMOs are much less compared to what is needed to liquidate excessive stocks.
- Excessive stocks (beyond the buffer norm) are worth more than Rs 1 lakh crore. Even if the government decides to liquidate half of it, it can garner Rs 50,000 crore to finance at least half of its infrastructure projects.

How to Reform Grain Management in India?

In this context, some recommendations of **Shanta Kumar panel** needs to implemented on a priority basis.

- While the poor under the **Antyodaya category** should keep getting the maximum food subsidy, for others, the issue price should be fixed at, say, 50% of the procurement price.
- Limit subsidised grain distribution under **NFSA to 40% of the population** rather than the current 67%.
According to the **Tendulkar poverty line**, India has 21% of the population below the poverty line.
- **Limiting the procurement of rice** particularly in the north-western states of Punjab and Haryana where the groundwater table is depleting fast, and inviting private sector participation in grain management might be the step in the right direction.

If the government can implement just these three points, it can save another Rs 50,000 crore annually. On top of this, it will help the government to reduce its fiscal deficit. And if it liquidates stocks fast, it can contain inflation too.

Drishti Mains Question

Resolving inefficiency in grain management can reduce the infrastructure deficit for the government. Discuss.
