



## Revamping Buffer Stock

**For Prelims:** [Food Corporation of India \(FCI\)](#), [Buffer stocks](#), [Consumer Price Index \(CPI\)](#), [Inflation rates](#), [Essential commodities](#), [Famine](#), [Food Security](#), [Public Distribution System \(PDS\)](#), [Minimum support price \(MSP\)](#), [Five Year Plan](#), [Targeted Public Distribution System \(TPDS\)](#), [Other Welfare Schemes \(OWS\)](#), [NAFED](#), [SFAC](#)

**For Mains:** [Buffer stock and Issues](#)

**Source:** [IE](#)

### Why in News?

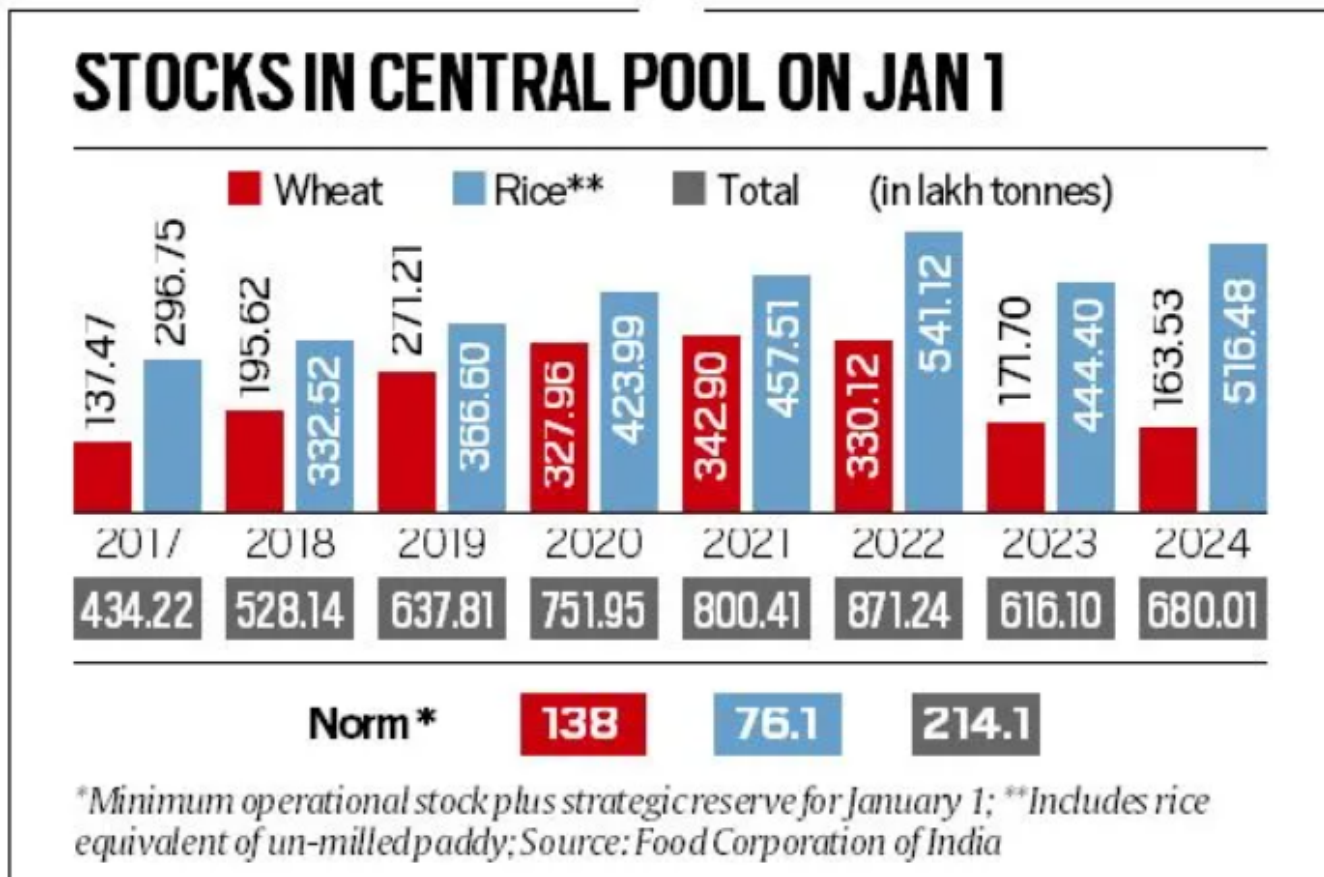
Recently, [open market sales](#) of wheat and chana have **curbed soaring inflation** in cereals and pulses, highlighting the **rationale for expanding buffer stocks** to include other staples amidst rising climate-induced supply disruptions and price fluctuations.

### What is the Buffer Stock Policy of the Government of India?

- **Buffer stock** refers to a **reserve of a commodity** that is used to **offset price fluctuations** and unforeseen emergencies.
- The concept of buffer stock was first introduced during the **4th Five Year Plan (1969-74)**.
- A buffer stock of food grains in the **Central Pool** is maintained by the Government of India (GOI) for:
  - meeting the **prescribed minimum** buffer stock norms for food security
  - monthly **release of food grains** for supply through [Targeted Public Distribution System \(TPDS\)](#) and [Other Welfare Schemes \(OWS\)](#)
  - **meeting emergency situations** arising out of unexpected crop failure, natural disasters, etc., and
  - **price stabilisation** or market intervention to augment supply so as to help moderate the open market prices.
- The **Cabinet Committee on Economic Affairs** fixes the minimum buffer norms on a quarterly basis.
  - The buffer stock figures are normally **reviewed after every five years**.
- The government has engaged the [National Agricultural Cooperative Marketing Federation of India Limited \(NAFED\)](#), [Small Farmers Agri-business Consortium \(SFAC\)](#), and [Food Corporation of India \(FCI\)](#) to procure pulses for buffer stock.
- In addition to buffer norms, the Government has prescribed a **strategic reserve** of wheat (since 2008) and rice (since 2009).
  - In 2015, the government has created a **buffer stock of pulses of 1.5 lakh tonnes to control the fluctuation of prices of pulses**.
- Presently, **stocking norms fixed by the Government comprise of:**
  - **Operational stocks:** for meeting monthly distributional requirements under TPDS and OWS.
  - **Food security stocks/reserves:** for meeting the shortfall in procurement.

- Food grains stock in the **Central Pool** consists of stock held by the **Food Corporation of India (FCI)**, states participating in the **Decentralised Procurement Scheme**, and the **state government agencies (SGAs)** for **both buffer and operational requirements**.

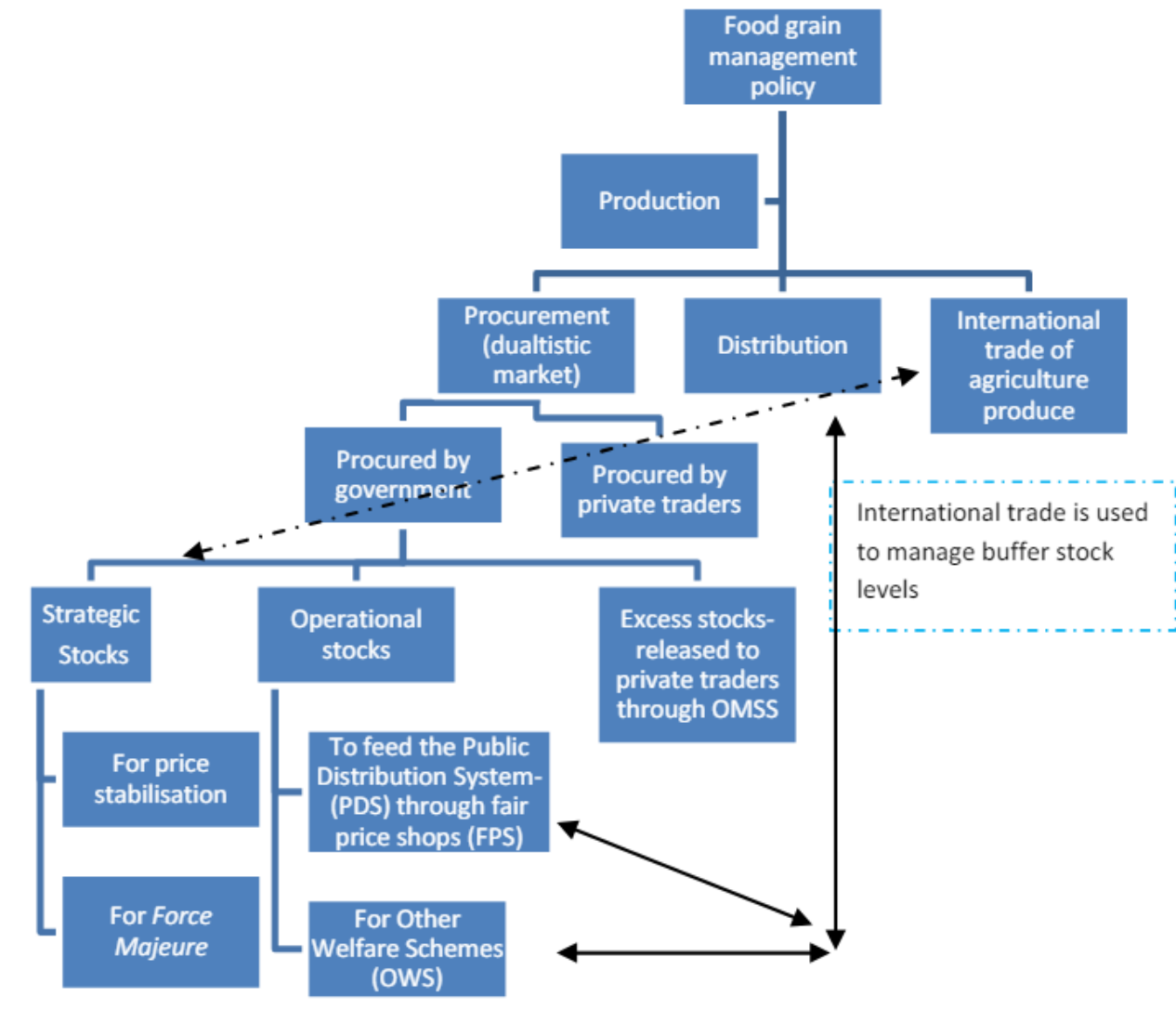
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### Food Corporation of India (FCI)

- FCI was set up in 1965 (under the **Food Corporation Act, 1964**) against the backdrop of a major shortage of grains, especially wheat, in the country.
- FCI was mandated with **three basic objectives**:
  - to provide **effective price** support to farmers
  - to **procure and supply** grains to PDS for distributing subsidised staples to economically vulnerable sections of society
  - keep a **strategic reserve** to stabilise markets for basic food grains.
- FCI continuously **assesses and monitors the storage capacity** and based on the storage gap assessment, storage capacities are created/hired.

## Current Indian food-administration diagram



### What are the Benefits and Challenges of Buffer Stocks?

#### ▪ Benefits:

- **Food Security:** To ensure the **availability of food grains** for the public, especially the vulnerable sections, during adverse conditions like droughts, floods, or other crises.
- **Price Stabilisation:** To maintain stable prices of essential food grains in the market by regulating supply.
  - In 2022-23, the **Food Corporation of India (FCI)** released 34.82 lakh tonnes of wheat to boost market supplies.
  - The FCI's open market sale **scheme significantly reduced retail inflation** in **cereals** and wheat.
- **Support to Farmers:** Assures farmers of a **minimum price** for their produce, which helps in stabilising their income and encourages continued agricultural production.
- **Disaster Management:** Provides **immediate relief during natural disasters** by supplying food grains without delay. E.g . **During Covid-19 supply of free ration.**

#### ▪ Challenges:

- **Storage Issues:** India faces significant challenges in terms of **inadequate storage facilities**, leading to wastage and spoilage of food grains.
- **Procurement Imbalance:** There is often an **imbalance in the procurement** of different grains, leading to excess stocks of some and shortages of others.
- **Financial Burden:** Maintaining large buffer stocks **entails high financial costs** related to procurement, storage, and distribution.
- **Inefficiencies in Distribution:** The PDS often faces **issues like leakages, pilferage, and corruption**, which hinder the effective distribution of buffer stocks.
- **Quality Concerns:** Ensuring the **quality of stored food grains** over extended periods is a significant challenge.

## Way Forward

- **Diversify Procurement Practices:** Government procurement is currently limited to rice, wheat, and a few pulses and oilseeds. Expanding this to **include other essential food items**, like staple **vegetables** and **skimmed milk powder (SMP)**, could help stabilise prices further.
  - The Union government plans to significantly increase **onion irradiation** to extend the shelf life of its buffer stock, using a safe, regulated dose of radiation that prevents sprouting and reduces perishability,
- **Scientific Evaluation of Buffer Stock Norms:** Use **econometric methods** and time-series data to logically evaluate and set norms for **operational and strategic buffer** grain stocks, based on **decennial census data** and food grain distribution commitments.
- **Dynamic Buffer Norms:** India's current quarterly buffer stock norms should consider a more dynamic approach aligned with real-time data.
  - Utilise data from the Department of Agriculture, Cooperation, and Farmers Welfare and the **National Sample Survey Office** to adjust buffer stock levels based on factors like crop yield forecasts, international market trends, and potential disruptions.
- **Technological Integration:** Explore integrating technology like **blockchain** for transparent and secure buffer stock management. Additionally, consider utilising **weather forecasting data** from the **India Meteorological Department** to preemptively adjust buffer stocks based on potential weather events impacting production.
- **Financial Prudence:** Ensuring that the financial burden of maintaining buffer stocks is managed through **better budgeting** and **reducing procurement inefficiencies**.
- **Private Sector Participation:** Explore collaboration with private players to leverage their expertise in areas such as storage facilities, logistics, or risk management strategies, alongside FCI's management of buffer stocks.
- **Unbundle Competing Objectives:** **Separate the goals** of price stabilisation, food security, and production incentives **to avoid conflicts** and inefficiencies in buffer-stocking operations.

### Drishti Mains Question:

Q. Discuss the need to diversify buffer stocks in India. What are the key challenges associated with this diversification?

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims:

**Q.1 In the context of India's preparation for Climate-Smart Agriculture, consider the following statements: (2021)**

1. The 'Climate-Smart Village' approach in India is a part of a project led by the Climate Change, Agriculture and Food Security (CCAFS), an international research programme.
2. The project of CCAFS is carried out under Consultative Group on International Agricultural Research (CGIAR) headquartered in France.
3. The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in India is one of the CGIAR's research centres.

**Which of the statements given above are correct?**

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (d)**

**Q.2 With reference to the provisions made under the National Food Security Act, 2013, consider the following statements: (2018)**

1. The families coming under the category of 'below poverty line (BPL)' only are eligible to receive subsidised food grains.
2. The eldest woman in a household, of age 18 years or above, shall be the head of the household for the purpose of issuance of a ration card.
3. Pregnant women and lactating mothers are entitled to a 'take-home ration' of 1600 calories per day during pregnancy and for six months thereafter.

**Which of the statements given above is/are correct?**

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 3 only

**Ans: (b)**

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### **Mains**

**Q.1** In what way could the replacement of price subsidy with Direct Benefit Transfer (DBT) change the scenario of subsidies in India? Discuss. **(2015)**