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## Performance of State Food Corporations: A Study of Punjab

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### **Abstract:**

*Punjab state is an agriculture dominated economy. It is the second largest producer of wheat after Uttar Pradesh. Punjab contributes maximum share to central food grain pool, so it is called food basket of India. Food being the first and most important need of human being requires special attention. It is the responsibility of the Government to fulfill the basic needs of the public. State Government of Punjab is trying to achieve this function through different State Food Corporations. The procurement, storage and distribution are the paramount functions of State Food Corporations. Food-grain management strategy of Government of India involves; procurement, proper storage and availability to the public of food-grains. Present paper focuses on the performance of State Food Corporations and various control problems.*

**Keywords:** Procurement, storage, distribution, food grain, performance

### **1. Introduction**

India is a vast country characterized by large population. With the increase in population the basic needs are also increasing. In such a situation it becomes the responsibility of Central Government to fulfill these basic needs of the public. The GOI is maintaining various schemes to fulfill these requirements. Food being the first and most important need of human being requires most and special attention and food-grain management policy of Government of India is an important step in this direction, which involves procurement of food-grains at remunerative prices from growers, its storage and ensuring availability to the public at reasonable prices. Different states of the country are contributing their share toward central pool of the nation. Punjab is one of them. Punjab is second largest producer of wheat after Uttar Pradesh in the country. It is contributing largest part to the central food-grain pool. With the adoption of crop production technology there is much increase in production of food-grains. In such a situation it becomes difficult to procure food-grains at remunerative prices from farmers, their storage and distribution to the poor at reasonable prices. To perform these different functions Punjab government has regulated different state corporations that act as agents of the state government and procure, store and distribute them on behalf of the state government. There are following agencies of Punjab which perform these functions;

- Punjab State Civil Suppliers Corporation limited
- Punjab Grain Procurement Corporation limited
- Punjab state Warehousing Corporation
- Punjab Agro Industries Corporation limited
- Punjab State Co-operative Supply and Marketing Federation limited

The State Government Food Corporations are playing dominating role in procurement, storage and distribution of food-grains, but every year there are tons of excess food stock at the godowns getting wasted and there is another half of population who die of starvation (Ghuman & Dhiman). The present paper will deal with problem of 'overflowing of godowns' and different aspects of 'vulnerable sections of the society which are not consuming adequate food'.

### **2. Procurement of Food-Grains in Punjab**

The procurement includes the arrangements made to purchase wheat and rice at minimum support price fixed by Government of India. Whole activities of procurement are done by department of food and civil supplies along with procurement agencies; PUNGRAIN, MARKFED, PUNSUP, PSWC, PAFC and FCI.

Agency	Wheat	Paddy
PUNGRAIN	2022307	3687346
MARKFED	2416927	2828087
PUNSUP	2205622	2715906
PSWC	1265867	1171858
PAFC	1046505	1230055
FCI	1939918	460271

Table 1: Agency wise detail of Procurement in Punjab 2013-14 (000 tones)

### 2.1. Department of Food and Public Distribution

The above table reveals that in the FY 2013-14 Procurement of Wheat and Paddy is made by the above agencies at Minimum Support Price.

### 3. Storage in Punjab

The purchased food-grains are stored in the godowns to protect them from damage and for their proper utilization because there is a gap between purchase of food-grains and their consumption. Stocks of food-grains (rice and wheat) held in godowns as on March 2013 were 62.87 million tones. Presently total storage capacity of godowns in Punjab is 1,15,38,124 million tones.

Name of Agency	Capacity
FCI	83.22
Food Supplies Department	18.38
MARKFED	44.34
SWC	16.57
Central Warehousing Corp.	1.29
PUNSUP	32.37
PAIC	29.92
Marketing Board	0.24
Total	226.33

Table 2: Storage capacity of centre/state level agencies (million tons)

Source: Department of Food and Public Distribution

From the above table the storage capacity of godowns in Punjab was found as 226.33 million tones. This storage capacity is used to protect the procured grains by Food Agencies on behalf of the State Government.

### 4. Distribution

Distribution means flow of goods and services from initial production to the ultimate consumers. This function is performed through well-regulated distribution points and fair price shops.

#### 4.1. PDS

The concept of Public Distribution System was evolved around 1942 due to shortage of food-grains during 2<sup>nd</sup> world war. There are 4 phases of PDS in India.

- The First phase: When in 1942-1960 the system was expanded to cities.
- The Second phase: From 1960-1978 when Food Corporation of India and Agricultural Prices Commission was set up.
- The Third phase: The expansion was on large scale of PDS.
- The Fourth phase: From 1991 onwards and PDS has been replaced by TPDS.

The Government of India fulfills certain objectives of food security through Public Distribution at an affordable price. Four tier administrative set up for PDS is there in Punjab, which includes-state, districts, blocks and sub centre level. The PDS was criticized for its failure to serve the population Below the Poverty Line, its urban bias, negligible coverage in the state and highest concentration to rural poor and lack of transport for delivery. After these problems were faced the GOI has introduced the T.P.D.S. (targeted public distribution system) in 1997 by issuing special cards to the families below the poverty line.

Year	Wheat			Rice			Total		
	Allot	Lifting	%	Allot	Lifting	%	Allot	Lifting	%
2008-09	5.9	5.5	93	11.5	10.0	87	17.4	15.5	89
2009-10	6.0	6.0	100	11.4	10.3	90	17.4	16.3	94
2010-11	7.0	6.6	94	14.2	12.9	91	21.2	19.5	92
2011-12	8.9	8.1	91	17.5	15.9	91	26.4	24.0	91
2012-13	8.5	8.6	101	16.4	15.6	95	24.9	24.2	97

Table 3: Year wise Distribution to Below Poverty Line under PDS (million tons)/Provisional

Source: Note on Distribution of Food-grains

The table 3 reveals that there is an increase in allotment of Wheat and Rice to the BPL families from 2008 onwards. This shows the positive attitude of GOI to fulfill the basic needs of the public.

#### 4.2. Fair Price Shops/ No. of Ration Cards in the Punjab State

It was found that there were 14348 fair price depots and consumer societies working in the state to provide essential commodities to the consumers. Out of these 13192 are depots and 1156 are co-operative societies in Punjab. Maximum number of depots and societies were in Ludhiana and minimum in Fatehgarh Sahib, and the share of Government agencies in the state has risen.

#### 4.3. Review of Literature

Number of studies have been done. The past studies are required to understand the research problem and in carrying out the work. Various studies are as follows:

- Rangi (1986) in his Ph. D thesis studied the economic analysis of marketing and processing of rice in Punjab State. It was found that a major proportion of paddy was purchased by rice millers, followed by the FCI and other state Government agencies. Author suggested that the malpractices in marketing should be checked through strong administrative actions.
- Singh and Sidhu (2002) studied the losses at the farm level in case of paddy crops in the state of Punjab. Researcher examined the losses of paddy during harvesting, threshing, storage and during marketing of crops. They suggested that farmer of Punjab should harvest the paddy crop at appropriate time and proper chemical treatment should also be provided to grains during the storage.

#### 4.4. Objectives of the Study

- To study the performance of State Food Agencies in Procurement, Storage and Distribution of food-grains.
- To find out the factors responsible for control problems.

#### 4.5. Need of the Study

There are many problems under the traditional system of procurement, storage and distribution of food-grains. The need to reframe the existing system is required to abolish the problems so that effective and efficient working of Food Corporations can be made.

#### 4.6. Findings

A well-organized system is maintained in the Punjab state for proper and efficient working and management of food-grains. From the above discussions it was found that Punjab is the second largest producer of wheat and the contribution made by it to central pool is maximum. Different State Food Corporations are performing their role effectively but it was found that Procurement of Rice and Wheat has decreased in 2013-14 as compared to 2012-13. This decrease shows that there is any deficiency which needs to be fulfilled. There are 5.23 lakh BPL families in Punjab. PDS system has many leakages and weaknesses responsible for the inefficiency of the system. Only 10.5% is reached to BPL which shows the obstacles in the efficiency of PDS. Further there is a difference between allotted and lifted food grains that represents that the difference of both is either damaged or is not put into process.

### 5. Problems

In the years following Independence the focus was to achieve self-sufficiency and India's hunger index score indicate an alarming situation. After green revolution and with the adoption of new technology the production has increased rapidly and on the other side such population exists which do not have sufficient food. The problem of procurement, storage and distribution are not uniform in the country. In Punjab state deficiencies regarding stock shortage, grain storage, fake supply is noticed. Poor quality food-grain is made available to the fair price shops. The position in rural areas is worse because no much attention has been given. High prices for grains paid to producer ignores the demand side factors and cost involved in building and storing grain stocks has made it outside the reach of consumer. Further lack of necessary working capital for procurement and distribution is also faced by related agencies. Non-lifting of procured grains in time is a big problem in itself. The distribution system of essential commodities is not performing well because most of time public come back empty handed because of non-availability of food-grains, assurance is made that ration would be made available to them in the next week. Insurance cover against flood and fire is not obtained as no insurance charges are paid by GOI in the form of incidental charges. Lack of computerization for all warehouse operations, shortage of technical warehouse managers, shortage of support staff and absence of mechanical handling appliances were found serious constraints (Rangaamy,N. (2013)).

### 6. Suggestions

Every year there are tons of food which is wasted at the godowns of Food Agencies and there is a part of population who die because of non-availability of food-grains. This situation of overflowing of godowns and vulnerable sections not consuming basic food can be rectified by reframing the present distribution system. There is a great need to introduce new ideas for storage of food-grains by decentralization and Proper fixation of prices of food-grains to producers and to the general public. Around 50% of total income is spent on food-grains. A better procurement system needs to be created by making improvements to the present system. Strict actions and criminal punishment should be there for engaging in corruption. There should be transparency with procurement reforms at each level of procurement process. Urgent changes are required in Government intervention in food-grain market and food policy. District wise allocation of food grains should be put up on the website for public scrutiny. Harmonization with international public procurement processes is a major challenge under prevailing conditions. The food security should be the major focus of policies

concerned with welfare especially of the poor. The problem of food security has roots due to lack of infrastructure for transporting food-grains and storage. Public Private Partnership' should be used to obtain a fair, competitive, transparent and discriminatory procurement (Anshukana, Datta (2013)). Training and awareness programmes for farmers and warehouse managers is suggested. Further additional storage capacity can be created by promotion of public private partnership measures Rangaamy,N.(2013)).

### 7. Conclusion

This paper highlighted the various aspects of performance of Food Corporations in Punjab. Analysis shows that procurement, storage and distribution are useful policy instruments to be considered. There are two pillars of food-grain management strategy; procurement and distribution for food security. Punjab state is major contributor to the national pool for wheat and Rice crops. Obstacles, losses in transport and storage, weaknesses and leakages which are responsible in control problems in the efficiency of the system require to be removed. Gaps of surplus and deficiency can be resolved if properly managed.

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