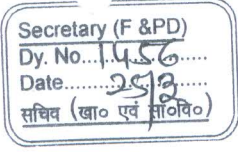


सौमित्र चौधुरी

SAUMITRA CHAUDHURI



JS (Stg) 962
Dy. No. 962
Date 25/3



S.L.M-32(R) D.O.No.M(SC)/01/2013/342-119

सदस्य

योजना आयोग

योजना भवन

नई दिल्ली-110 011

MEMBER

PLANNING COMMISSION

YOJANA BHAWAN

NEW DELHI - 110 011

Dear Shri Sudhir Kumar,

Dated: 23 March 2013

1. This is to further to our discussion yesterday. I am enclosing a background note that covers the broad issues. The short point is that there is considerable amount of grain that is being stored in less than ideal conditions and that situation is not likely to change in the medium term. Further, a large amount of wheat is being stored in so-called "scientific" CAP that should be gradually phased out and further at peak storage wheat after procurement is also being stored in *kaccha* CAP. The inadequacy of storage is leading to a default situation where paddy is lying with the rice millers and that is also an undesirable outcome.

2. The PEG experiment has gone well in Punjab and perhaps to some extent in other growing states. I am given to understand that there is reluctance on the part of the Department and FCI about going for more PEG storage, in the apprehension that if the godowns have low stock as had happened in 2007-08, they might face criticism. However, the fact that in every other year wheat and rice is being stored in large quantities and that this storage should be modernized and upgraded for the sake of ensuring the storage in quality conditions is much more important and relevant for policy consideration. Further, that the replacement of CAP storage with PEG storage and evacuation of procured rice from premises of millers needs to be done in any case.

3. The suggestion made in the note is to extend PEG for additional 50 lakh tonnes in Punjab and appropriate quantities in other States depending on the Department's understanding of the situation on the ground in other States. Presently in Punjab there is nearly 111 lakh tonnes of wheat under "scientific" CAP and 100 lakh tonnes of paddy is understood to be lying with rice millers largely on account of constraints of logistics and storage problems.

4. I would request you to discuss the matter with FCI and initiate appropriate consultations, before moving to take suitable approvals.

With warm regards,

Sincerely

Saumitra Chaudhuri

Shri Sudhir Kumar, IAS

Secretary to the Government of India

Department of Food & Public Distribution

Kirti Bhawan

New Delhi

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BACKGROUND NOTE

25 March 2013

CASE FOR CREATING ADDITIONAL STORAGE SPACE UNDER PEG IN PUNJAB & ELSEWHERE

1. At the invitation of Minister of Food and Civil Supplies & Consumer Affairs, Sardar Adaiish Pratap Singh Kairon, a tour of Punjab was made in February 2013 by Member (Abhijeet Sen) and Member (Saumitra Chaudhuri) who travelled to grain storage sites and had extensive discussions with State government.
2. It was observed that as the quantity of foodgrain procured at the all-India level has been rising, the share of Punjab in total procurement has been in decline, even as the absolute level of procurement in the State has continued to increase. For wheat, the share of Punjab in All-India procurement was 65 per cent in 2007-08 which has come down to 34 per cent in 2012-13, even as the absolute level of procurement of wheat in the State has risen from 72 lakh tonnes (LT) in 2007-08 to 129 LT in 2012-13. In the case of rice the share of the State in all-India procurement in 2007-08 was 28 per cent and that in 2011-12 was 24 per cent. The procurement in the State in these two years was 79 and 86 LT respectively.
3. Punjab is at a distance from the major domestic markets and also from the sea ports in the case of exports. There is a constraint in the availability of rakes from Indian Railways for moving grain out of the State for servicing national markets. Over the years as other geographical sources of procurement has improved the grain in the State of Punjab is getting slower to move. These facts are brought out in Table-1.

Table-1
Procurement and Closing Stock of Wheat and Rice in Punjab

Unit: Lakh tonnes

	WHEAT				RICE			
	Procurement	Stock at end of Season	Net Quantity Used *	Closing Stock to Procurement	Procurement	Stock at end of Season	Net Quantity Used *	Closing Stock to Procurement
2007-08	72.1	19.5		27%	79.0	78.0		99%
2008-09	102.6	47.8	74.3	47%	84.6	79.9	82.72	94%
2009-10	109.9	48.7	109.0	44%	91.0	77.3	93.61	85%
2010-11	102.2	49.2	101.7	48%	84.6	71.3	90.55	84%
2011-12	109.6	65.5	93.3	60%	74.8	63.8	82.33	85%
2012-13	129.3	100.0 †	94.8	77%	85.7		\$	

Note: * Net Quantity used = Opening Stock + Procurement – Closing Stock

† Estimated

\$ Quantity of 38.7 lakh tonnes is in stock as on 6 March 2013 and the balance of paddy (from the total procured in the season) is lying with rice millers.

4. In the medium term things are not likely to change. Grain, particularly wheat, will continue to be procured in large quantities and will be slow to move out of the State. A large part of the wheat in storage in Punjab presently pertains to earlier crop years. While one can continue to urge that grain be moved out more quickly from the State, the fact is that there is (a) continuing constraints in railway movement; (b) the current movement is in line with the demand for food grain and (c) there is not much storage at the consuming centres – major or minor.

5. Therefore, there is a very strong case to strengthen the storage facilities in the State so that (a) wheat and rice can be stored in appropriate conditions and (b) the storage facilities with rice millers do not have to be depended upon to the extent that is the case with paddy as a default outcome.

REVIEW OF EXISTING STORAGE FACILITIES

6. The Status of storage facilities for all government agencies – State and Central government – that are owned and hired is categorized in type of storage at Table-2 along with approximate vintage.

Table 2
Status of Grain Storage Facilities in Punjab – All Agencies – Owned & Hired

Unit: Lakh Tonnes (LT)

I OPERATIONAL & COVERED			
a	Older Sheds that are more than 20 years old	68.00	<u>Of this about 45 LT is >25 years old without weighbridge facilities</u>
b	Older Sheds that less than 20 years old	38.00	<u>Of this 28 LT is about 15 years old and the rest is 15 to 20 years old without weighbridge facilities</u>
c	P E G sheds (PPP)	17.00	
II PROSPECTIVE & COVERED			
a	Sanctioned P E G sheds (under construction)	41.27	
b	Silos	4.00	
III TEMPORARY ARRANGEMENTS			
a	"Scientific" CAP	110.80	<u>Most of the plinths are old and in poor maintenance. There are no weighbridges at site and are located 8 to 12 Kms away</u>
b	Temporary, maintained with Rice Millers		In 2012-13 about 123 LT of paddy was stored in rice mills because the State agencies did not have adequate storage capacity. Out of this about 100 LT is still lying with rice mills
c	"Unscientific" or Kaccha CAP		<u>31 LT wheat was kept in this type of storage in 2012-13 and have been vacated on priority basis</u>

7. While there is a need to strengthen, if not replace the older covered sheds, the clear priority is to create storage that will (a) enable discontinuation of "Unscientific" or Kaccha CAP and (b) phase out the so-called "Scientific" CAP which are hardly scientific or secure.

8. Both Members visited a PEG site (92,000 tonnes) at Abohar run by a private company "Soma Infrastructure". They also saw a "Scientific CAP" nearby, which was disheartening to say the least.

9. To begin with half of the capacity that is presently provided under "Scientific" CAP can be targeted for substitution with PEG sheds. In the initial stage, some of the substituted "Scientific" CAP can be used in order to discontinue with "Un-scientific" CAP for peak storage needs.

10. Thus, at the bare minimum an additional capacity creation of 50 lakh tonnes under the PPP model for PEG should be considered for Punjab. The capital costs are lower than that for silos, which is particularly relevant since it is likely that the statutory requirement to use gunny bags will continue.

11. Finally, the advantage of covered PEG type sheds is that over time they will add to the rural infrastructure and the capacity to store a range of products – from grains to vegetables and fruit. The PEG sheds that will be created can after the period of contractual use as grain storage become cold chain centres and other kinds of valuable storage facilities.

12. Then of course the PEG scheme does not require government capital funding – only a guarantee of rent which is determined by auction.

13. In the event that the total stock of grain in Punjab declines, the additional PEG storage will be able to absorb the "Scientific" CAP which today runs to over 110 lakh tonnes.

14. In his Budget Speech, Hon Finance Minister has laid special emphasis on creation of godowns and storage facilities for farm produce. The extract is as below:

“ . . . sum of Rs. 5,000 crore will be made available to NABARD to finance construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce, both in the public and the private sectors. This window will also finance, through the State Governments, construction of godowns by *panchayats* to enable farmers to store their produce” [Para 56, Budget Speech, 28 February 2013].
