

Effectiveness of Decentralised Procurement System in India
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Abstract

Agriculture plays an instrumental role in an economy by preparing its human resource for utilising opportunities and facing challenges of tomorrow. India, previously called 'Golden Bird' has a sky of opportunities in the sector, despite that it continues to face issues in optimising the food grain procurement, storage and distribution systems. The paper scrutinises India's food grain procurement mechanisms, with a focus on how effective the Centralised Procurement System managed by FCI is, alongside the Decentralised Procurement System adopted across different states in the country. The study points out the different limitations of the Centralised Procurement System, related to high administrative costs and inefficiencies due to centralization, and contrasts these with a number of benefits from DCP, including reduced economic costs with better aligning of local needs.

Case studies from Jammu & Kashmir, Tamil Nadu and Haryana illustrate the effect of these systems on food security and farmer's welfare. This paper, therefore, explores that the DCP system offers better efficiency and support to farmers while noting the merits of both systems. It is through infrastructural gaps, political conflicts, and digital inequalities that lie the path to improvement of effectiveness in India's food grain procurement system. Therefore, this research shows the need for a balanced approach using the strengths of both systems to ensure sustainable food security in India and prosperity of its farmers.

Keywords: *Food grain procurement system in India, Decentralised Procurement System, FCI, Public Distribution System*

Introduction

It is often said that 'Agriculture is the **backbone** of the Indian economy'. Agriculture is indeed an important sector not only because it is responsible for the survival and nutritional needs of 1.44 billion people, but also as it engages 54.6%¹ of the total workforce in the country. India has an unmatched growth prospect in terms of food production : it possesses 1,656,780 km² of arable land, out of which only 1,765,260km² has been cultivated (as per Land Use Statistics, 2020). In terms of food grain production, India stands at the second pedestal after China. In the year 2022- 23, the total food grain production in the country was approximately 3296.87

¹ [Ministry of Agriculture & Farmer's Welfare](#)

² [Land Use Statistics report](#)

Lakh tonnes. Given India's diverse topographic conditions resulting due to its unique geographical location, it is believed to be privileged to provide ground for a great variety in production ranging from food crops such as wheat, rice, pulses, gram etc to oilseeds, groundnut etc.

Well, despite having such a favourable ecosystem, India's food grain production has still not reached the apex. This has occurred due to interplay of various factors. In this paper, we will focus on the food grain procurement system in the country. It has been noted that most of the food grain producing states such as Uttar Pradesh, Chhattisgarh, etc lack the infrastructure required for end-to-end handling of food grains produced in the state. Small farmers that barely manage to keep up their crop health find it difficult to organise their produce and transport it safely to the market, thus losing their chance to earn reward for their year-long hard work. Unable to reach the organised markets, these farmers are forced to sell their produce to retailers or middlemen and end up obtaining below subsistence prices, pushing the farmers in debt.

Food Corporation of India (FCI) was established in 1965 with the objective to formalise and streamline the food procurement and distribution system in India. It worked towards improving the procurement, storage and distribution of food grains, thus transforming India from a food deficit country to a food secure and food surplus nation. Later, PDS was introduced to support the objectives of FCI and Green Revolution in the country. At the heart of all these moves was ensuring food security, firstly and more essentially, 'enhancing farmer's welfare' in the country. Centralised and decentralised procurement schemes today work bilaterally in states to regulate the food procurement system in the country.

Food grain market at the time of independence

India has come a long way since the day of its independence. The landscape of the agriculture sector has undergone a major transformation since then. The new India was all set to start afresh, to explore innumerable possibilities that lie ahead in future. But with this hope, India was also carrying the burden of responsibilities on its young shoulders; the responsibility to cater to food security in the nation, to build healthy and well nurtured human capital. At the time of independence, 85% of the population resided in rural regions and was dependent upon agricultural income to sustain their livelihood. That phase, wherein agricultural produce was mainly monsoon dependent, lacked infrastructure and support of modern technology, saw declining agricultural output.

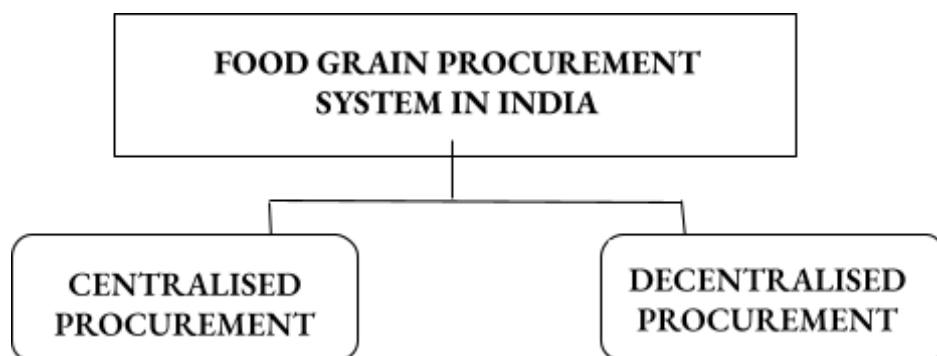
Further, India faced food shortages due to rising demand and repeated instances of droughts every now and then. As described by M S Swaminathan, ours became a 'ship to mouth'

economy as we had to rely on wheat imports from the US for sustaining. Systems introduced by the Britishers such as the Zamindari system, Ryotwari system and Mahalwari system further worsened the food producer's plight, forcing him/her into a vicious cycle of due debts and deepening poverty.

In order to combat the agricultural **stagnation** and backwardness that was caused due to the exploitation by colonial masters, land reforms were introduced in various parts of the country. The **Public Distribution System (PDS)** was introduced in the 1960s. It primarily focused on distribution of essential food grains during the period when the country was facing food shortages and calamities like the Bengal famine. The idea of '**Green Revolution**' was brought to life as an effort to make India self-sufficient in food grain production. However, its impact was confined to mostly the northern agricultural region of the country (Punjab, Haryana, western UP); the other regions were still devoid of food grains. In order to make the targeted sects reap the benefits of this system, the government brought in '*Targeted Public Distribution System*' in June, 1997. The government directed the respective states to identify the poor, particularly those Below the Poverty Line, in that region. The allocation of food grains to the States/UTs was made on the basis of their respective average consumption as per records. The surplus allocation left after fulfilling the requirement of the targeted groups was then used as transitory allocation to the State. This was to maintain the continuous flow of benefits to those families that had just risen above the poverty line by small margins (as categorised under Above the Poverty Line, APL). Food grains were provided at a subsidised rate (a little higher than that for the BPL).

Current Procurement System in India

In order to ensure systematic and smooth flow of food grains in the agricultural markets, connecting the actual need to the provider, the government adopted a food grain procurement system. There are two modes of food procurement in India, as explained in the figure given below:



I. Centralised Procurement System

Under the Centralised Procurement System, the procurement of food grains for the national stock of food grains is overlooked by Food Corporation of India (FCI) directly or by the state government agencies that procure the food grains from local farmers and handover the stocks to FCI. Food grains cultivated by farmers are procured by the government at a pre-decided price (called the Minimum Support Price or MSP), which is generally higher than the market price. Since the farmer is incentivised to get higher price for the same crops that were sold by him in the market, the government is able to secure a good amount of food grains in its procurement centres which are then prepared to be sent further and to maintain the nation's buffer stocks that are to be used at the time of emergency. These food grains are then checked for quality assurance purposes, packaged in gunny bags and transported to 'Fair Price Shops' (FPS) according to the consumption needs of that region. In these government regulated FPS, food grains are sold at a 'Central Issue Price' (CIP) which is lower than the market price, in order to subsidise and make it available to the underprivileged sections of the society.

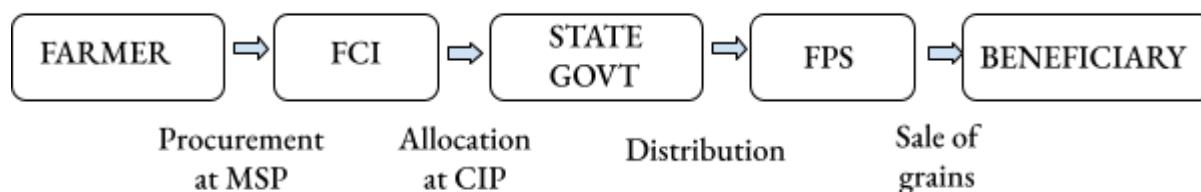


TABLE 1: STATES THAT HAVE ADOPTED THE NON- DCP SYSTEM

S. No	States procuring rice	States procuring wheat
1.	Assam	Chandigarh
2.	Chandigarh	Delhi
3.	Delhi	Haryana
4.	Haryana	J&K
5.	J&K	Rajasthan
6.	Puducherry	Uttar Pradesh
7.	Punjab	
8.	Rajasthan	

9.	Uttar Pradesh	
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Source : [FCI](#)

The procurement of food grains is carried out by Food Corporation of India and government agencies after conducting quality testing. The States procure the food grains and hand over these food grains to FCI, which releases funds to States as per provisional cost sheet, issued by the Department of Food and Public Distribution. The required quantity of grains is collected by the State from FCI.

However, in this entire process, **massive economic costs** are generated which are borne by the government . These costs include both direct and indirect costs, such as procurement costs, transportation, handling and storage costs, administrative costs etc. There are some **non statutory costs** involved as well; namely, arhati commission, labour costs, packaging costs etc that are forced upon the state government. The leakages in this cycle result in further distortion to economic costs.

II. Decentralised Procurement System

This system was introduced in 1997-98 to bring down the leakages from the cycle of food procurement and distribution. Under this system, procurement and distribution of food grains is **carried out by the State Government**. Department of Food and Public Distribution (DFPD) releases funds to states that have adopted the DCP System, for maintenance of adequate buffer stock and distribution of food grains for various Central Schemes covered under National Food Security Act (NFSA) and Other Welfare Schemes (OWS). This system extends the benefits of MSP to local farmers of the States as well. Not only does it strengthen the PDS to the very grassroot level in the country, but also augments the overall efficiency of PDS by reducing the distortionary costs. Like the Centralised Procurement system, economic costs are incurred in this system also, but here the difference between the economic costs and the CIP is reimbursed by the Central government to the State government as a subsidy.

TABLE 2 : STATES THAT HAVE ADOPTED THE DCP SYSTEM

S. No	STATE	DCP adopted for
1.	Andaman & Nicobar Islands	Rice
2.	Bihar	Rice/Wheat
3.	Chhattisgarh	Rice/Wheat

S. No	STATE	DCP adopted for
4.	Gujarat	Rice/Wheat
5.	Karnataka	Rice
6.	Kerala	Rice
7.	Madhya Pradesh	Rice/Wheat
8.	Odisha	Rice
9.	Tamil Nadu	Rice
10.	Uttarakhand	Rice/Wheat
11.	West Bengal	Rice/Wheat
12.	Punjab	Wheat
13.	Rajasthan*	Wheat
14.	Andhra Pradesh	Rice
15.	Maharashtra	Rice
16.	Telangana	Rice
17.	Jharkhand* ³	Rice

Source : [PIB](#)

However, one major drawback that this system carries is that most of the states that have adopted the DCP system procure wheat and paddy only, thus disregarding the regional taste and preferences of beneficiaries. For example : beneficiaries in Uttarakhand feeding on wheat and rice, may lack the essential nutrients that they may have got from the consumption of pulses like dal etc. This way, the DCP system curtails the real essence of decentralisation.

Centralised Food Grain Procurement System

I. Non DCP in the state of Jammu & Kashmir

The nation is well aware of the conditions that Jammu & Kashmir has faced; curfews, lockdowns, political conflicts, terrorist attacks and what not. The state has faced such

³ * represents that only a few districts of the state have adopted DCP system

conditions for prolonged periods which had deeply affected its demographic conditions, food security, nutritional status, production potential and consumption on the whole. About **7.51 lakh tonnes** of foodgrain have to be imported every year by J&K to bridge the gap between the production of foodgrain and its consumption (Shaveta Kohli, Khurshid Ahmad Rather, 2021). There is a scant possibility to increase production as the land area under cultivation is constant and moreover, is depleting as a result of growing population and urbanisation. Due to the **social and political climate** of the state, investors are unwilling to invest in the state, which becomes a major reason for the lack of infrastructure and modern day amenities in the state. The state of Jammu & Kashmir did not have a systematic food grain procurement system even after 50 years of independence. Food security for the underprivileged class was a major issue for the state. The state had to import a major share of its consumption from other states in order to maintain buffer stocks and bring home food security. It was in **2010-11** when the state adopted a centralised food grain procurement system. Food Corporation of India supported the state by setting up procurement centres in the districts Jammu, Kathua and Samba. Today, FCI is the only agency that procures food grains from J&K, in collaboration with the Department of Agriculture, J&K.

The Agriculture Production Department established **13** procurement centres in 2012-13 by the FCI for procurement of rice at MSP declared by the government. This marked a turning point in the state's PDS cycle. **National Food Security Act, 2013** was implemented in the state on 1 February 2016 with the vision of providing access to adequate quantities of quality food at affordable prices.

We will now analyse the state's performance over the last seven kharif marketing seasons.

TABLE 3: Quantity of Rice procured in Jammu & Kashmir in Kharif marketing season between the year 2021-2024

S. No	Marketing Season	MSP (in ₹ per quintal)		Quantity procured (in MT)
		Common Variety	Grade A Variety	
1.	2016-17	1,470	1,510	7,752
2.	2017-18	1,550	1,590	12,761
3.	2018-19	1,750	1,770	9,442
4.	2019-20	1,815	1,835	10,051

5.	2020-21	1,868	1,888	25,540
6.	2021-22	1,940	1,960	27,364.41
7.	2022-23	2,060	2,090	22,496.80

Source : [FCI](#)

The data set in the above table represents growth in the quantity of rice procured from J&K, with a recorded peak of procuring approximately 27,400 metric tonnes of rice in 2021-22 marketing season. There has been a steady growth in MSP of rice, but the government can consider a better hike in MSP as the socio-economics conditions of the state of J&K remain difficult, thus hampering the farmer's produce. The government should provide some additional support to the farmers in order to cover them from the uncertain conditions that have detrimental effects on the production potential.

Decentralised Food Grain Procurement System

I. DCP in the state of Tamil Nadu

Tamil Nadu has been observed as a **model welfare state** in terms of effectiveness of food grain procurement and distribution. Initially, the then government of Tamil Nadu introduced the **Universal Public Distribution System (UPDS)**, in which no exclusion was made based on the parameters of income. Later, the Targeted Public distribution system (TPDS) was implemented in June 1997. In 2011, Chief Minister of Tamil Nadu, Smt. J Jayalalitha, announced the **provision of cost free rice, sugar, dal and palm oil to all the cardholders** in the state in order to ensure food security in the state. The government has already covered 1.88 Cr families out of 1.94 crore families that were registered under the PDS. There are various stakeholders involved in the smooth cycle of food procurement and distribution in the state; namely, Tamil Nadu Civil Supplies Corporation (TNCSC), cooperatives and women led fair price shops and Self Help Groups (SHGs).

TNCSC procures the supplies of essential commodities from FCI and stores them in storage centres. There are **taluka level storage centres** in the state, which are present within the **proximity of 2km** of each consumer. These stocks are then further delivered to the FPS by cooperatives. FPS here are mostly **managed by cooperatives and not private dealers**. To further reinstill transparency in the PDS, elections for supervisory committees of every FPS are conducted regularly. Citizens can obtain complete information regarding any FPS in the state through **SMS service**.

The state has issued ‘Smart Cards’⁴ instead of archaic ration cards to the beneficiaries according to their background and requirement.

There are two main seasons for procuring paddy in Tamil Nadu.

1. Kuruvai: 1st October to 15 th December.
2. Samba : 16th December to 31 st July.

The Government of Tamil Nadu adopted the Decentralised Procurement System on 1 October 2002. After which, TNCSC had become the sole agency responsible for procurement of rice on behalf of the Food Corporation of India. Hulling of rice thereafter is done under the supervision of TNCSC in its rice mills. The system of procurement in the State is quite transparent as it **promotes inclusiveness** of farmers in the PDS cycle and **reduces involvement of middlemen**. There are a large number of Direct Purchase Centres to procure paddy directly from the farmers in every village in order to further taper the distortionary costs.

TABLE 4 : Quantity of Paddy procured in Tamil Nadu in Kharif marketing season between the year 2005-2016

S. No	Marketing Season	No. of DPCs	Quantity procured (in LMT)
1.	2005 -2006	1150	13.82
2.	2007 -2008	1298	14.49
3.	2008 -2009	1300	17.93
4.	2009 -2010	1364	18.63
5.	2010 -2011	1503	23.10
6.	2011 -2012	1657	23.87

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- ⁴● **PHH** : It is a ‘Priority Household Card’ that is issued to those who opt for rice as an essential commodity. Benefits are all commodities like sugar, wheat etc. .
- **PHHA** : Beneficiaries get 35 kg of rice and commodities like sugar, kerosene, wheat, oil etc.
 - **NPHH** :Beneficiaries get rice and all other commodities like sugar, kerosene, wheat, tur dal etc.
 - **NPHHS**: This refers to the Non Priority Household Sugar card which will avail the benefits of having only sugar as the Commodity.
 - **NPHHNC**: This refers to the Non Priority Household No Commodities. This refers to beneficiaries that are Above Poverty Line (APL)

Source : [Tamil Nadu Civil Supplies Corporation](#)

The above given data suggests a proliferating growth in the DCP in the state of Tamil Nadu. The number of Direct Purchase Centres or DPCs have advanced year after year, thus reflecting the **universal coverage** offered under the system i.e reaching out to every needy in the state. The marketing season between 2010-11 and 2011-12 witnessed an incline in the quantity of paddy procured. During this season, the MSP offered for Paddy (common variety) was ₹ 1080 and for Paddy (Grade A variety) was ₹ 1110, excluding the additional incentives. In the year [2023-24](#), the MSP offered for Paddy (common variety) is ₹ 2183 and for Paddy (Grade A variety) was ₹ 2203. Factors that differentiate Tamil Nadu from all other DCP states are inclusiveness of local farmers and local stakeholders and transparency in the system.

II. DCP in the state of Haryana

Haryana is an agrarian state where around **two-thirds** of its population is directly or indirectly dependent on agriculture for their bread and butter. The state is the **second largest contributor** in the central pool of food grains managed by FCI.

In Haryana, there are 4 major entities that procure wheat from farmers in the mandis allocated to each one; namely, Food Civil Supplies and Consumer Affairs Department (30%), HAFED (42.5%), Food Corporation of India (10%) and Haryana Warehousing Corporation (17.5%). The arhtiyas (or middlemen) are responsible for making necessary arrangements in the mandi to ensure a smooth procurement process. At present, there are **417** purchase centres in the state. The trucks transporting the food grains are equipped with **vehicle location and tracking devices** (VTLDs) in order to bring in as much transparency in the system. The payment against the wheat grain procured from farmers is made electronically through the **e-Kharid portal**. This not only facilitates the farmers to get quick and hassle free payment but also strengthens **digital infrastructure** in the state. Later, 'Meri Fasal Mera Byora' portal that aimed at enhancing farmer's income by providing a platform where they can sell their crops at fair prices, was linked with e-Kharid portal. All the farmers registered on this portal are eligible to sell their crops in Haryana. Every step of the system reiterates that farmer's welfare must not be

compromised at all; farmers shall not get a price lower than the support price for their produce if the quality of their produced food grains conforms to the regulations. In case their produce doesn't match the required quality standard, the appointed Committee members **counsel the farmer** about methods of drying and cleaning the crops such as double jharna method etc such that quality of their crops improves up to the required standard and they get the support price for their year-long hard work.

TABLE 5 : Quantity of Wheat procured in Haryana in Rabi marketing season between the year 2019-2024

S. No	Marketing Season	MSP (IN ₹)	Quantity procured (in LMT)
1.	2019-20	1840	39.18
2.	2020-21	1925	29.69
3.	2021-22	1975	84.93
4.	2022-23	2015	41.86
5.	2023-24	2125	63.17
6.	2024-25	2275	70.80

Source : [HAFED](#)

Haryana has been referred to as the '**wheat basket**' of the nation. The state procured 61.87% of the aggregate wheat procurement in the country in the year 2011-12. It is noteworthy that the scale of procurement has been growing over the years i.e from procuring 39.18 LMT in 2019-20 to 70.80 LMT in the current marketing season , with a record peak of procuring **84.93 lakh metric ton** wheat in the 2021-22 marketing season.

TABLE 6 : Quantity of Paddy procured in Haryana in Kharif marketing season between the year 2019-2024

S. No	Marketing Season	MSP (IN ₹)	Quantity Procured (in LMT)
1.	2019-2020	1835	64.33
2.	2020-2021	1888	65.00

3.	2021-2022	1975	84.93
4.	2022-2023	2015	41.86
5.	2023-2024	2125	63.17
6.	2024-2025	2275	70.80

Source : [HAFED](#)

The state procured 50.36% of the aggregate wheat procurement in the country in the year 2011-12. By analysing the data points given above, we can infer that the trend in quantity of paddy procure under DCP in the state has been non uniform over the years. From procuring 84.93 LMT in 2021-22 to mere 41.86 LMT in the next agricultural year, procurement quantity fell by half.

Even though the state produces surplus food grains, it **ends up wasting half of it** due to mismanaged procurement and storage systems. Apart from that, the farmers sell **only 'wheat'** produced by them at MSP while **other crops are sold to private players** at market price as the government allotted **MSP for non staple crops is lower than the market price**. Further, the lack of exposure of farmers entraps them in a vicious cycle created by arhtiyas or middlemen that end up cutting a major portion of the farmer's profit.

Comparative Analysis between Non DCP and DCP States

Let us now compare the effectiveness of both the systems. We know that each state has its own production potential and subjective constraints pertaining to its demographic conditions, population demand, climatic conditions, socio-economic status etc. It would be unfair to compare the aggregate performance of states as each one comes from a different background, hence there is no common ground of parity. But, here we move forward in the direction to only evaluate the cost to benefit that each state gives off when it carries out the procurement process given its own policies and administration.

TABLE 7 : Subsidy provided by DPFED to FCI and DCP states

S. No	Marketing Season	Subsidy released to DCP States	Subsidy released to FCI	Total Subsidy Released (DCP +FCI)
1.	2019-20	33,508.35	1,19,164.00	1,52,672.35

2.	2020-21	78,337.77	4,62,789.00	5,41,126.77
3.	2021-22	79,789.54	2,08,929.00	2,88,718.54
4.	2022-23	72,282.50	2,00,219.20	2,72,501.70
5.	2023-24 ⁵	7,000.00	34,454.00	41,454.00

Source : [DPFD](#)

The data above highlights that the cost incurred by DPF (under Central Government of India) in supporting the DCP states is far **lesser** than that of the non DCP states whose food procurement system is taken care of by FCI. Basu (2011) and Khara (2010) have also shown that costs incurred to target the poorest of the poor through a centralised regime is **3-4 times** of that of the localised/ decentralised regime.

The exponentially reduced cost in DCP states can be attributed to the direct reach that the government gets access to, in this case. Moreover, the **burden of economic cost** is shared, and instead does not fall on one entity as in the case of non DCP systems. The state government has **local expertise** of the region, and is well aware about the loopholes and pitfalls that lead to distortion in economic costs. As a result, they have an edge in formulating policies accordingly that facilitate smooth flow in the system.

The second major point of difference is **farmer's welfare**, the core goal behind the birth of this procurement system in the country. In the case of a decentralised procurement system, the **grievance redressal system** is well equipped to cater to each and every farmer's problem as seen in the case discussed previously in the state of Tamil Nadu. The system becomes even more transparent by **involvement of the local players** in the chain. On the other hand, in the case of a centralised procurement system, it is difficult for a farmer to reach out to the concerned authorities to seek help. Moreover, maintaining a record for a populous country like India can also prove to be a challenge, talking in terms of the transparency in the system. Hence, the farmer's welfare proposition is more inclined towards the DCP's court.

Another aspect that counts in while evaluating the effectiveness of the two systems is the **agility in policy formulation and implementation**. With respect to the non DCP system, policy formation requires meticulous analysis and a pragmatic approach that could fit all the states equally well. But as we know no one size fits all, each state has its own unique value proposition and its subjective constraints. It is more favourable that the local/state government takes a grip over such subjects for they have first hand exposure to the problems that the state is facing.

⁵ Data available till 30.06.2023

Moreover, the state government can implement the schemes in lesser time duration as compared to the centre.

Loopholes & Pitfalls

India has fared far better than what it had at the time of independence, and as discussed previously, the growth potential in the country's agriculture sector is enormous. But as we move ahead towards our goal of minimising economic costs in the form of wastage in the procurement cycle, there lay innumerable hurdles that have come our way. Data suggests that the current production rate of the country can easily meet the needs of the country and in fact, have the capacity to generate a generous amount of surplus that can be a plus for India's forex balance.

Some of the leakages in the system that are pulling us back are as follows :

1. **Rift between the Centre and the State** can be a major setback in a centralised procurement system. It is often noticed that difference in political views leads to a conflict of interest in the sphere of work as well. This translates into inefficiency while working together.
2. The entry of a few elements in the system cuts away the welfare of other elements. As a part of traditional practices in the procurement cycle, middlemen or the 'arhtiyas' become a part of the process by entering in as volunteers for the farmers and end up taking away their true share of profit whilst exploiting their weaknesses.
3. **Concentration of land ownership** in the hands of a few big players further takes us away from fulfilling the very objective of our schemes i.e to reach the farmer's at the grass root level of the nation. Small farmers, thus, either have no or very little ownership of cultivable land. They are then forced to work on other farmer's land or simply rent out land to earn their bread and butter.
4. **Lack of digital infrastructure** in our country further dampens the effect of the procurement system that the government intends to provide to our farmers
 - a. Firstly, cases of underreporting, overreporting and not reporting the information in official records that are made available to the citizens can put forth a nebulous idea of the performance at various stages in the cycle.
 - b. Secondly, the farmers in India at the moment are not learned enough to make use of the available resources to calculate and analyse for themselves what best

suits their interests. Gullible farmers end up falling in the trap of arhtiyas, thus making losses.

5. Through the course of this paper, we noticed that the prime focus was bestowed upon rice/paddy and wheat. These crops definitely are a part of the staple diet of a majority of Indians, but disregarding other important crops such as millets, pulses, oilseeds etc may not only deviate from the regional preferences of individuals but also distance the nation from **nutritional security** in its human resource. Nutritional security must also be taken care of alongside food security.

Recommendations

With huge growth prospects also comes an equal amount of room for improvement on mistakes that are pulling down the efficiency of the current system. Concerted efforts of all the entities involved will take us towards achieving our goal of universal coverage of the PDS .

1. As observed previously, the DCP system has outperformed the non DCP system on various grounds, hence, we can further the increasing efficiency of the DCP system by providing **specialised production loans** for farmers that are willing to sell their produce to the government. The State government can further assist the farmers by providing them land on rent at a reduced rental price, in exchange of assured food grain procurement by the government. This would not only resolve the problem of concentration of land ownership and also incentivise the farmers to sell their produce to the government.
2. India being such a diverse country should squeeze out the maximum benefit of its **varied topography**. We can bring out the best of production through ‘**economies of scale**’ from each state, rather than forcing each state to produce a few staple food crops. This would ensure increased efficiency and minimise the overall production costs. FCI should hand over the procurement operations of wheat, paddy, and rice to the experienced states having adequate infrastructure, namely, Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha, and Punjab. FCI should now concentrate on the states with distress sales and small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal and Assam, so that more and more farmers start getting the benefits of MSP.⁶

⁶ [Shanta Kumar Committee report](#)

3. Statutory taxes on food grain procurement varies from state to state, 14.5% of MSP in Punjab to around 2% in Gujarat. Such revenue might benefit the state momentarily but plays an instrumental role in creating **divide** among different states in the same nation. **Removal of arhtiya commission** must be immediately worked upon. This can be done by regulating the local mandis ; appointing government executives to assist the farmers at the procurement centres and educate them regularly in order to make them aware about the know-hows of the system.
4. There is a need for a **transparent liquidation policy** that targets reduction of time frame for payment against procured crops to the farmer. This can be done by linking each farmer in the region to a government regulated interface that registers the ins and outs of the system and keeps a track record of each farmer. We can take inspiration from the e-Kharid portal of Haryana for that matter. The government must also set a certain amount of funds to cover the farmers against **damage caused by natural forces** such as heavy rainfall, hailstorm and natural calamities like drought and floods.
5. The **Negotiable Warehouse Receipt** system should be implemented and scaled up. Under this system, the farmers have the right to deposit their produce in registered warehouses and take up to 80% value of the MSP from the banks as an advance for the produce deposited. They can then sell their produce when prices are more favourable. This would revitalise private sector involvement, greatly reduce the government's storage costs, and prove more in sync with the principles of a market economy.
6. **Investment in the agriculture sector** must be increased as a part of the government budget such that the procurement system becomes more cost effective as a whole and becomes more sustainable in the long term by pushing out the unnecessary burden of distortionary costs. This will not only help **stabilise** the food prices but also significantly **improve rural livelihood** and **economic resilience**. It would reduce the negative environmental impacts and ensure **long-term sustainability** and is, therefore, quite important for the general development strategy of India.

Conclusion

India's journey from pre independence famines to food deficit post independence, and finally to a food surplus nation has been inspirational. India being an agrarian country, had a lot of pressure to sustain its exponentially growing population while ensuring that it is done at the most grass root level such that each and every individual has access to food . Regulating the food

procurement system in the country was like setting the foundation for achieving the goal of food security.

Traditionally, the centralised procurement system in India was operated by the Food Corporation of India (FCI), and it sought to streamline acquisition of food grains thereby ensuring national food security and price stability. Although this facilitated stock building and systematic distribution through Fair Price Shops (FPS), it was accompanied by high economic costs, inefficiencies, and massive leakages. In addition, administrative complexities as well as intermediaries like middlemen who took advantage of farmers distorted and complicated matters even further.

To handle these challenges, the Decentralised Procurement System (DCP) was introduced in 1997 whereby the responsibility of procurement shifted to state governments. This shift aimed at utilising local administrative expertise while reducing the fiscal burden on central authorities. States such as Tamil Nadu and Haryana have successfully employed DCP. The adoption of DPCs along with managing procurement through state agencies has made Tamil Nadu's model a strong one characterised by transparency, local involvement and stakeholder engagement that works well for them and helped the state achieve universal coverage of PDS. Not only did this model increase efficiency in terms of food grain procurement but also led to reduced per unit cost of procurement leading to reduction of economic costs. Haryana's model of food grain procurement inspires us to work on digital infrastructure in the sector. It would empower the farmers and alongside, also prove instrumental in gaining accountability of everyone involved in the system. Both of the states bring to the fore how localised knowledge and management could help both in effectiveness related to food distribution and farmers' welfare.

Notwithstanding these, such challenges persist. Rifts between Central and State governments, the middlemen's continuous influence in trading, concentration of land ownership with a few large players, and archaic digital infrastructure are some of the factors that contribute to the weak impact of procurement systems. Such bottlenecks act as a drag on the realisation of potentials at both ends of production and its distributive level.

Going ahead, such flaws shall have to be ironed out integrally. These would involve plugging the gaps in digital infrastructure, removing bureaucratic inefficiencies, and ensuring fairness in procurement. Most of the conflicts can be resolved by working on improving the coordination between the Centre and states; the operations can be smoothed out. India can strive towards a more efficient and more equitable agricultural sector, striving for its goals of food security and farmer welfare by strengthening the existing systems and assimilating the best practices from both centralised and decentralised models.

The journey of India from a food-deficit to a food-surplus nation underlines the potential for growth and is an example of its resilience. If reforms are initiated and maintained through time and targeted strategies, this will help the country fight back from the challenges of today and optimise its agricultural systems for a more sustainable and prosperous future.

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