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## **SWOT Analysis of Foodgrains Sector of India**

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**Abstract:** *The foodgrains sector of the country being sensitive has been directly regulated by the government through its agency Food Corporation of India. Any analysis of foodgrain sector is basically the analysis of FCI as it plays major role in implementing the policies of the govt. The Food Corporation of India (FCI) was established under the Food Corporations Act, 1964. The major roles of FCI are; to provide effective price support operations for safeguarding the interests of the farmers, distribution of foodgrains throughout the country for public distribution system, maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security. Since its inception, FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system. Vision of the corporation "Ensuring Food Security for citizens of the country". Mission of the corporation is "Efficient procurement at Minimum Support Price (MSP), storage and distribution of food grains; Ensuring availability of food grains and sugar through appropriate policy instrument; including maintenance of buffer stocks of food grains; Making food grains accessible at reasonable prices, especially to the weak and vulnerable sections of the society under PDS". In order to fulfil its vision & mission statements, FCI along with other State Agencies undertakes procurement of wheat and paddy under price support scheme to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production. Adequate scientific storage is pre-requisite to fulfill the policy objectives assigned to the Food Corporation of India for which FCI has a network of strategically located storage depots including silos all over India. Storage plan of FCI is primarily to meet the storage requirement for holding stocks to meet the requirements of Public Distribution System and Other Welfare Schemes undertaken by the Government of India. Also, buffer stock is to be maintained for ensuring food security of the nation. FCI undertakes movement of foodgrains in order to; evacuate stocks from surplus regions; meet the requirements of deficit regions for NFSA/TPDS and Other Schemes; create buffer stocks in deficit regions.*

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**Keywords:** *FCI, MSP, TPDS, NFSA*

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## **I. Introduction**

The Food Corporation of India was setup under the Food Corporation's Act 1964 , in order to fulfill following objectives of the Food Policy:

- Effective price support operations for safeguarding the interests of the farmers.
- Distribution of foodgrains throughout the country for public distribution system.
- Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure

National Food Security

Since its inception, FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system.

In order to fulfil the above objectives , FCI undertakes procurement of wheat & paddy from the farmers directly or through state govt.& its agencies, stores these grains in various warehouses in the surplus states for moving to deficit states for issuing in the PDS to fulfil the requirement of vulnerable section of the society or open market to stabilize the prices. The various operational parameters are being discussed in next section.

## **II. Operational Highlights**

### **2.1 Procurement of Foodgrains**

FCI, along with other State Agencies undertakes procurement of wheat and paddy under price support scheme . Coarse grains are procured by State Government Agencies for Central Pool as per the direction issued by Government of India on time to time. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production. The following table shows the procurement undertaken during 2017-18.

**Table 1 Procurement of Foodgrains during 2017-18**

( Qty.in Million Tonnes)

Commodities	Direct purchase by FCI	Taken over from State Govt.	Private Parties	Total
Wheat	3.62	20.47	0.00	24.09
Rice	0.00	25.19	0.24	25.43
Paddy (in terms of rice)	0.52	0.00	0.00	0.52
Pulses	0.01	0.01	0.00	0.02
<b>TOTAL</b>	<b>4.15</b>	<b>45.67</b>	<b>0.24</b>	<b>50.06</b>

The procurement of foodgrains during last three years is tabulated below

**Table 2 Procurement of Foodgrains during 2015-16 to 2017-18**

( Qty.in Million Tonnes)

Commodities	2017-18	2016-17	2015-16
Wheat	24.09	22.46	26.74
Rice	25.43	22.44	23.93
Paddy in terms of Rice	0.52	0.81	0.61
Pulses	0.02	0.26	0.02
<b>TOTAL</b>	<b>50.06</b>	<b>45.97</b>	<b>51.30</b>

## 2.2 Storage Capacity

The storage function assumes paramount importance in organization such as Food Corporation of India because of its requirement to hold huge inventory of foodgrains over a significant period of time. Storage plan of FCI is primarily to meet the storage requirement for holding stocks to meet the requirements of Public Distribution System and Other Welfare

Schemes undertaken by the Government of India. Also, buffer stock is to be maintained for ensuring food security of the nation. Adequate scientific storage is pre-requisite to fulfill the policy objectives

assigned to the Food Corporation of India for which FCI has a network of strategically located storage depots including silos all over India. A comparison of storage capacity of FCI with previous year is as under:

Table 3 Comparison of storage capacity with FCI

(In LMTs)

As on	Covered			CAP(Open)			G.Total
	Owned	Hired	Total	Owned	Hired	Total	
31.03.2018	128.42	208.06	336.48	26.02	0	26.02	362.5
31.03.2017	128.19	198.5	326.69	26.02	0	26.02	352.71

Besides this the central pool stocks are also being stored in state govt storage depots. The storage capacity of FCI & State govt. over the period is tabulated below:

Table 4 Comparison of storage capacity with FCI& State Govt. over the years

(In LMTs)

As on	Storage Capacity with FCI	Storage Capacity with State Agencies	Total
01-04-2012	336.04	341.35	677.39
01-04-2013	377.35	354.28	731.63
01-04-2014	368.9	379.18	748.08
01-04-2015	356.63	352.59	709.22
01-04-2016	357.89	456.95	814.84
01-04-2017	352.71	420.22	772.93
01-04-2018	362.5	480.53	843.03

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### 2.3 Movement of Stocks

Movement plays a very important role in the working of FCI as well as in fulfilling the objectives of Food Policy and National Food Security Act. FCI undertakes movement of foodgrains in order to:

- Evacuate stocks from surplus regions
- Meet the requirements of deficit regions for NFSA/ TPDS and Other Schemes
- Create buffer stocks in deficit regions

Punjab, Haryana and Madhya Pradesh are the surplus States in terms of wheat procurement vis-a-vis their own consumption. Punjab, Haryana, Andhra Pradesh/ Telengana, Chhattisgarh and Odisha are surplus States in terms of rice procurement vis-à-vis their own consumption.

Surplus stocks of wheat and rice available in these States are moved to deficit States to meet the requirements under NFSA/ TPDS and other schemes as well as to create buffer stocks.

On an average 42 to 45 million tonnes of foodgrains are transported by FCI across the country in a year. FCI undertakes massive movement operation of foodgrains all over the country encompassing around 2297 FCI owned & hired depots/Slios, 550 plus rail-heads (owned by Indian Railways and others) and 97 FCI own sidings. Indian Railway imposes penalty for releasing the wagons beyond permissible free time and this penalty is termed as demurrage charges.

FCI optimises its operations so as to curtail these charges on year to year basis . The quantity moved and demurrage charges per MT are tabulated below:

Table 5 Comparison of quantity moved & demurrage imposed by railways.

Year	Qty. moved ( in LMTs)	Demurrage ( in Rs. Per MT)
2015- 16	437.36	9.55
2016- 17	438.71	6.80
2017- 18	456.74	5.27

## 2.4 Distribution & Sales

It is against the stocks procured under price support, Government releases a certain quantity of foodgrains in each State under the Public Distribution System. This mission of the Government of India is translated into reality by the FCI. In order to implement the food policy of Government, FCI has to fulfil certain objectives which are as follows:

To ensure and equitable distribution of available foodgrains at reasonable prices to the vulnerable sections of society throughout the year; To maintain stability in foodgrains prices throughout the country during the year; To maintain an adequate buffer stock of foodgrains to deal with fluctuations in production and to meet unforeseen exigencies and natural calamities.

Table 4 Comparison of scheme-wise lifting of stocks during last three years

(In LMTs)

Scheme	2017-18	2016-17	2015-16
Above Poverty Line(APL)	0	3.77	77.68
Below Poverty Line (BPL)	0	7.11	76
NFSA	363.89	344.9	177.33
Other than NFSA	25.64	16.74	5.37
174/150 Poorest Distt. (BPL)	0	0	0.14
Antodaya Anna Yojna(AAY)	10.39	14.58	44.5
174/150 Poorest Distt. (AAY)	0	0	0
Over and above TPDS	2.27	1.61	1.17
Mid Day Meal	17.97	19.89	20.61
Defence	1.14	1.15	1.24
Open Market Sales (Domestic)/Tender	18.51	48.7	71.26
Open Market Sales (Export)/Tender	1.12	0.2	0.01
Wheat Based Nutrition Programme (WBNP)	8.55	10.73	11.25
SC/ST/OBC welfare Schemes	0.62	1.54	1.59
Others	2.27	3.24	2.71
Damaged	0.01	0.08	0.04
Total*	452.38	474.24	490.9

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### III. Objective

The objective of this paper is to examine the strengths, weaknesses internal to FCI and opportunities & threats to FCI from external environment. The SWOT analysis would provide the future direction for the corporation and also suggest corrective measures to plug the gaps .

### IV. Methodology

Strengths, weaknesses, opportunities and threats (SWOT) analysis indicates a framework for helping the researchers or planners to identify and prioritize the goals as well as to identify the strategies of achieving them. In all countries, farming practices play a vital role in food security. Population growth is the major reason for increased food demands and it puts additional pressure on the natural resource. Countries with rapid population growth face especially difficult challenges in ensuring food security. As such, SWOT analysis is used to identify strategies for better managing for food grain sector particularly in the wake of the fact that FCI is the sole agency that can ensure implementation of the govt. policies. The matrix for undertaking SWOT analysis as depicted below would provide the basis for such an analysis;

	Strengths	Weaknesses
Opportunities	How do I use these strengths to take advantage of these opportunities?	How do I overcome the weaknesses that prevent me from taking advantage of these opportunities?
Threats	How do I use my strengths to reduce the impact of threats?	How do I address the weaknesses that will make these threats a reality?

Fig 1. SWOT Analysis (Whalley, 2010)

The flow chart of SWOT analysis is depicted below:

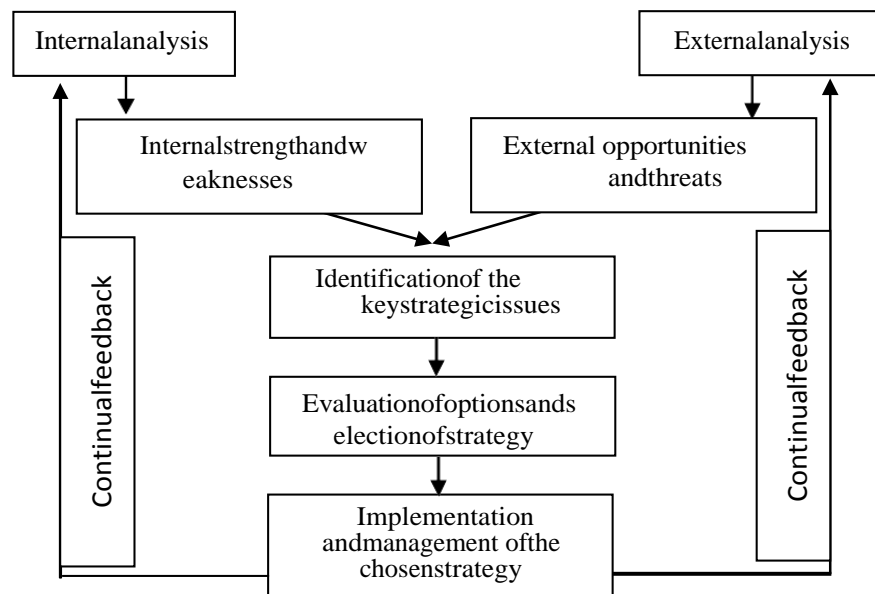


Fig 2. Riston N (2008).

The research is based on secondary data available in the electronic information domain particularly websites of central govt. like FCI, ministry of agriculture & farmers welfare and ministry of statistics & programme implementation and studies carried out by the Comptroller and auditor General of India reports.

## V. Discussion and Analysis

### STRENGTHS AND WEAKNESSES

#### Strength:

The Corporation has the strength of high level of infrastructure like storage capacity, technically qualified manpower, proper financial management, well planned procurement and preservation policy. The Management is committed towards sound corporate governance in all aspects of operations.

#### Weaknesses:

Depleting manpower due to large scale retirements followed by insufficient induction is the weakness of the Corporation which may adversely affect its operation. The corporation is having dependence on govt. from procurement of the grains till its final disposal and could not alter any of these.





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## **OPPORTUNITIES AND THREATS**

### **Opportunities:**

The Government of India has introduced the National Food Security Act, 2013 (NFSA). This will enhance the operations of the Corporation due to higher coverage of the population. With the present experience of the Corporation, it is expected that the Corporation can efficiently meet the enhanced level of operation under NFSA.

### **Threats:**

Production of foodgrains are largely dependent upon the factors like monsoon, Minimum Support Price etc. There are wide variation in production which puts a challenge to handle the high level of procurement, storage, movement and distribution of foodgrains. Similarly, at the time of low production, the Corporation had to import foodgrains to meet PDS requirement. With depleting manpower these wide variation in operation puts a threat to manage the situation.

## **OUT-LOOK FOR THE FUTURE**

The Corporation manages the food policy of the Government of India which includes procurement, storage, movement and distribution of foodgrains. These operations are gradually decentralized by the Government of India, by giving the responsibility of procurement, storage and distribution to more and more State Governments through a mode of decentralized procurement (DCP) scheme. However, the Corporation would remain as a primary and strategic player in implementation of food policy of Government of India due to wide regional variation in production and consumption of foodgrains. In case of any natural calamities like floods, droughts etc only FCI would be able to provide foodgrains to tide over such a situation.

## **RISK AND CONCERNS**

The corporation is implementing Government of India (GoI) food policy. Fixation of Minimum Support Price (MSP) of foodgrains to be procured from the farmers and the Central Issue Price (CIP) at which the foodgrains are to be distributed under NFSA and other welfare schemes are decided by the Government of India. These schemes are framed by the GoI and the quantity to be issued under each scheme is also decided by GoI. While taking above



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decisions, the additional impact of subsidy due to change in above policies are considered to be released as subsidy to the Corporation.

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