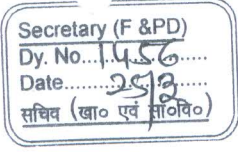


सौमित्र चौधुरी

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 Adai Singh 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.

