Indian Economy · GS - III

Elucidate the importance of buffer stocks for stabilizing agricultural prices in India. What are the challenges associated with the storage of buffer stock? Discuss.

EXAM YEAR	PAPER	SUBJECT
2024	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Buffer stock, food security, price stabilisation, FCI, MSP procurement, PDS, food inflation, storage losses, carrying cost, surplus stocks

Model Answer

Introduction

Buffer stocks are reserves of essential foodgrains maintained primarily to ensure food security and moderate excessive price fluctuations. In India, the Food Corporation of India plays a central role in procurement, storage and distribution.

Body

1. Importance of Buffer Stocks

Price stabilisation: Government can release stocks through the Public Distribution System or open-market operations during shortages and abnormal price rises.

Food security: Stocks ensure availability of cereals during droughts, crop failures and supply disruptions.

Farmer protection: Procurement at Minimum Support Prices provides assured markets and income support to farmers.

Emergency preparedness: Buffer stocks provide a strategic reserve during natural disasters, pandemics and geopolitical disruptions.

PDS support: Adequate stocks enable continued supply of subsidised foodgrains to vulnerable households.

2. Challenges of Storage

- **High carrying costs:** Procurement, storage, transportation and interest costs impose a substantial fiscal burden.
- **Storage losses:** Poor storage can lead to infestation, deterioration and quantitative losses.
- **Inadequate modern storage:** Dependence on traditional godowns and open storage can compromise quality.
- **Regional concentration:** Procurement is concentrated in certain states, creating transportation and storage pressures.
- **Excess stocks:** Procurement beyond optimal buffer requirements increases carrying costs and can distort markets.
- **Climate risks:** Heat, floods and changing humidity conditions increase storage challenges.
- **Quality deterioration:** Prolonged storage may reduce the quality of grains.

Conclusion

Buffer stocks remain indispensable for India's food-security architecture and price management. However, scientific storage, decentralised procurement, better stock management, improved forecasting and greater use of modern silos can reduce costs and minimise losses.

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