

MODERN WAREHOUSING SYSTEM: A REQUISITE TO FULFILL THE GOALS OF FOOD SECURITY ACT

February 2014

India has a total agro warehousing space of 108 MT (Million Ton) in FY13 (Financial Year ended 31st March 2013); of this the total warehousing space available for grains is 78MT. The food grain storage was already inadequate and with the passage of the new 'Food Security Act, 2013', the grain storage deficit is estimated to be approx. 22 MT presently and 35MT in the next five years, as per a Rabobank study. Moreover, there are losses to the tune of approx. 30% of stock due to poor packaging and handling and another 10% is lost at the storage level. Poor front-end infrastructure, such as lack of storage facilities especially at agriculture produce marketing corporations, improper warehousing facilities, farmers inaccessibility to value-added services are the main causes of such losses. This calls for additional storage infrastructure to be developed that must be equipped to combat these issues effectively.

Silo storage, unlike traditional godowns can significantly reduce grain losses due to bad weather, pest infestation and pilferages; simultaneously reducing grain maintenance and storage costs. Automation of storage infrastructure can reduce labour, handling and packaging costs significantly. These facilities can offer value added services to farmers to test, grade and better package their products to help them minimize spoilage of their produce and fetch a higher price for it in the domestic as well as export market. There is a need to offer integrated supply chain solutions including transportation to minimize leakage. This postulates modern warehousing facilities. Considering the fact that warehousing requires a high upfront capital expenditure, a longer gestation period and is continually facing increasing land acquisition cost and labour shortages, the value added services become essential for the warehouse to break even sooner.

At present approx. 70% of storage facilities are government owned, and increased private participation is required to make the warehousing industry more competitive. It is imperative for the government to relax its control on the grain warehousing and allow the large private corporate sector to play an inclusive role, to meet the final objective of the Food Security Act.



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