

# Chapter 5

## Supply Chains of Commodity Products in India: The Case of Rice

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### **EXECUTIVE SUMMARY**

*Rice is one of the major commodities produced and consumed in India. India is also home to one of the finest varieties of rice sold under the name of Basmati. The State of Chhattisgarh is considered the Rice Bowl of India as it is one of the largest contributors to paddy production in India. Around 3 million families subsist on farming in Chhattisgarh, out of which, 1.522 million families are small farmers (owning less than 2 hectares of land). The Government of Chhattisgarh procures paddy in Chhattisgarh on behalf of Government of India. This scheme benefits about 1 million farmer families by procuring about 3 million metric tons of paddy in the Kharif Marketing Season (KMS) of a year, spending about 600 Million US Dollars. The procurement takes place through about 1333 Primary Agricultural Societies in the whole state covering geographical area of 135000 sq. km. The paddy procured is converted into rice by millers after entering into an agreement. Rice is then handed over to Chhattisgarh State Civil Supplies Corporation to use it in another important*

DOI: 10.4018/978-1-4666-0065-2.ch005

*scheme for providing food security to the poor. The supply chain of rice production is very simple. It is harvested in the form of paddy from the field and sold to the millers who then process the rice. The processed rice is then sold to the market. Although simple, there are a number of inefficiencies present in its supply chain. This case familiarizes the readers of the distribution system of rice, various government policies in its distribution system, and the issues that need to be addressed in a typical distribution system of rice. The case also urges the readers to mull over how these inefficiencies can be overcome with the latest supply chain management techniques so as to make its distribution efficient and cost effective.*

## **INDIAN AGRICULTURAL INDUSTRY: AN OVERVIEW**

The agricultural products market will be analyzed considering producers, i.e. farmers, as market players, and wholesale importers and exporters, food processing companies and grocery retailers as buyers. Although large commercial farms exist within the Indian agricultural products market, the market is highly fragmented as compared to western markets. The majority of commercial farmers operate relatively small scale holdings and produce a limited amount of produce for local consumption. However, rapidly increasing food demands are leading to an increase in the extent of large scale farming co-operatives. The customers of such large scale operations are typically food processing companies and supermarket chains. Such large buyers wield their large purchasing power to negotiate minimal prices through bulk purchase. Overall, buyer power with respect to the Indian agricultural products market is moderate.

## **Public Distribution System in Chhattisgarh**

In a country like India, Government's influence on the lives of citizens is considerable. After independence, the major cause for the improvement in the lives of citizens was due to the Government's efforts. Union as well as state governments spend thousands of crores through different schemes to improve the lives of the common man in the country. Even though there is an improvement in the lives of citizens after independence, the magnitude of improvement does not match the funds spent, due to leakages in the funds in the corrupt system. One can see real improvement only when corruption can be avoided or minimized in the delivery mechanism. Public Distribution System is a very important scheme for providing food security to the poor and needy. The success of this scheme like all other schemes however depends on proper targeting. Because of the huge subsidy involved and also because of the large number of fair price shops complaints of leakages and diversion are common.

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