

# Buffer Stocks

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- Buffer stock refers to a reserve of a commodity that is used to offset price fluctuations and unforeseen emergencies. It is generally maintained for essential commodities and necessities like food grains, pulses etc.



- The concept of buffer stock was first introduced during the 4<sup>th</sup> Five Year Plan (1969-74).
- Buffer stock of food grains in the Central Pool is maintained by the Government of India (GOI) / Central Government for meeting the prescribed minimum buffer stock norms for food security, monthly release of food grains for supply through Targeted Public Distribution System (TPDS) and Other Welfare Schemes (OWS), meeting emergency situations arising out of unexpected crop failure, natural disasters, etc., and Price stabilisation or market intervention to augment supply so as to help moderate the open market prices.
- The Cabinet Committee on Economic Affairs fixes the minimum buffer norms on quarterly basis: i.e. as on 1st April, 1st July, 1st October and 1st January of every financial year.
- On 15 December 2015, it was decided by the Government to create a buffer stock of pulses of 1.5 lakh tonnes to control fluctuation of prices of pulses.
- Government has engaged National Agricultural Cooperative Marketing Federation of India Limited (NAFED), Small Farmers Agri-business Consortium (SFAC) and Food Corporation of India (FCI) to procure pulses for buffer stock.
- In addition to buffer norms, Government of India has

prescribed a strategic reserve of 30 lakh tonnes of wheat w.e.f. 01.07.2008 and 20 lakh tonnes of rice w.e.f. 01.01.2009.

- At present, GoI prefers to use the term – Food grain stocking norms – which refers to the level of stock in the Central Pool that is sufficient to meet the operational requirement of food grains and exigencies at any point of time. Earlier this concept was termed as Buffer Norms and Strategic Reserve.

**Presently, stocking norms fixed by Government of India on 22.01.2015 comprise of:**

- Operational stocks: for meeting monthly distributional requirement under TPDS and OWS.
- Food security stocks/reserves: for meeting shortfall in procurement.
- While four months requirement of food grains for issue under TPDS and OWS are earmarked as operational stocks, the surplus over that is treated as buffer stock and physically both buffer and operational stocks are merged into one and are not distinguishable.
- According to the present practice, the GOI treats the food stock over and above the minimum norms as
- Excess stock and liquidates them from time to time through exports, open market sales or additional allocations to states.
- The buffer stock figures are normally reviewed after every five years.