

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

STARRED QUESTION NO:164
ANSWERED ON:13.12.2004
IMPROVEMENT IN FCI
Madhwaraj Smt. Manorama;Singh Shri Ganesh Prasad

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the Government has decided to appoint the international consultancy M/s Mc Kinsey to draw restructure plan of Food Corporation of India(FCI);
- (b) if so, the details thereof indicating the terms and conditions and expenses incurred;
- (c) whether two study reports, one by Abhijit Sen Committee and other by Hyderabad based Administrative College are already pending with the Government;
- (d) if so, the main recommendations made therein; and
- (e) the current status of these reports?

Answer

MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a), (b), (c), (d) & (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO.164 DUE FOR ANSWER ON 13.12.2004 IN THE LOK SABHA

(a): Government has approved the appointment of M/s McKinsey & Co. by the Food Corporation of India (FCI) to conduct a study with the objective of bringing about major improvements in the functioning of the FCI to control inefficiencies that increase the food subsidy burden.

(b): The study will be conducted in two phases of three months each at a total cost of Rs. 4.8 crore.

(c), (d) & (e): The Administrative Staff College of India, Hyderabad (ASCI) submitted its Report in May 2001 while the High Level Committee on Long Term Grain Policy (HLC) chaired by Prof. Abhijit Sen submitted its Report in July, 2002.

The focus of the ASCI study was on the reduction in the cost of acquisition and distribution of foodgrains, while the terms of reference of the HLC was on the review of the existing Minimum Support Price (MSP) regime, functioning of the Public Distribution System (PDS), grain policy and allocation of foodgrains for rural development and other welfare programmes, etc.

The main recommendations made by the two studies are given at Annexures-I and II respectively.

The Government has examined all the recommendations of both the Reports and have taken appropriate decisions relating to them.

ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PARTS (c) TO (e) OF STARRED QUESTION NO.164 DUE FOR ANSWER ON 13.12.2004 IN THE LOK SABHA

MAIN RECOMMENDATIONS MADE IN THE STUDY REPORT BY THE ADMINISTRATIVE STAFF COLLEGE OF INDIA(ASCI)

1. The FCI should not purchase paddy at all but rely on the levy route.
2. A High Level Committee should determine the future policy with reference to use of gunny bags or HDPE PP bags.
3. The procurement of paddy under relaxed specifications of paddy should not be FCI's job for disaster management.

4. MSP operations should be confined to quantity of foodgrains required for various scheme and buffer requirements.
5. The States should develop their own procurement system and depend on Government of India only for financial support.
6. The foodgrains storage system should be modernized and CAP storage should be discontinued.
- 7 The Government of India should allocate foodgrains instead of financial resources to State Governments for rural development.
8. Administrative cost of FCI should be reduced by rationalizing rules, regulations and use of IT.
9. Financing of buffer stocks should be done through Government of India grants rather than through borrowed funds from banks.
10. High cost departmental labour must be dispensed with.
11. There is need for FCI to take tough decisions on purchases at Minimum Support Prices, Central Issue Prices, size of procurement and domestic foodgrains surplus.
12. FCI operations should be unbundled and procurement, storage and distribution should be separated.
13. The FCI should only maintain warehouses and silos at strategic locations and hold the national buffer stocks.
14. The Arhtiya Commission should be discontinued.
15. The State Governments should be encouraged to do procurement at their respective States and fix procurement prices.
16. An MOU should be signed between Government of India and FCI providing for rigid cost budgeting and thereafter full operational autonomy should be allowed to the FCI.
17. The term of the Chairman as well as Managing Director, FCI should be for 5 years.
18. Special measures should be taken to diversify agriculture, especially in Punjab and Haryana.
19. The private sector and multinational corporations should be encouraged to participate in foodgrains market.

ANNEXURE-II

REFERRED TO IN REPLY TO PARTS (c) TO (e) OF STARRED QUESTION NO.164 DUE FOR ANSWER ON 13.12.2004 IN THE LOK SABHA

MAIN RECOMMENDATIONS OF THE HIGH LEVEL COMMITTEE ON LONG TERM GRAIN POLICY

1. Minimum Support Prices (MSPs) should be fixed on the basis of C2 cost of production (i.e. all costs including imputed costs of family labour, owned capital and rental on land) in more efficient regions.
2. The Central Government should pay a maximum of 4% of taxes and levies on the MSP under MSP purchases.
3. FCI should withdraw from procurement in States like Punjab and Haryana and redeploy its manpower in East and Central India.
4. The scheme of decentralized procurement must be improved and made more attractive to the State Governments.
5. FAQ norms should be adhered to strictly in all purchases of grains by the FCI.
6. All levy orders on rice millers should be removed.
- 7 Along with MSP correction to the C2 level, the State Governments should be given a compensation package, which it could use for, inter alia, crop diversification.
8. There should be an immediate shift to unified PDS with Central Issue Prices being fixed on the basis of acquisition cost.
9. There is need for the FCI to change the way in which it conducts its business to enable faster commercially oriented decision making.
10. The Government should introduce a major food based employment programme.
11. There should be a stable and predictable policy regarding open market sales.
12. Exports of foodgrains should be entirely on private account. All subsidies should be at the point of export rather than at the point of sale from the public stocks.
13. All stocks of 3 years old grain bought under relaxed specifications should be

sold immediately on commercial terms.