

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

UNSTARRED QUESTION NO:5285

ANSWERED ON:05.05.2008

MINIMUM SUPPORT PRICE

Owaisi Shri Asaduddin

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

- (a) whether the Minimum Support Price system is being Operated by the Ministry through Food Credit Limit sanctioned by Reserve Bank of India (RBI) with concurrence of the Government;
- (b) if so, whether the Government approves the economic cost only after verifying the schemes of the procurement agencies;
- (c) if so, whether this procedure takes a long time causing problems to procurement agencies to acquire utilisation of food credit from RBI;
- (d) if so, the details thereof and reasons therefor indicating the agencies and years for which such approval is pending; and
- (e) the remedial steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a), (b), (c) & (d): The Central Government extends price support for paddy, wheat and coarsegrains through the Food Corporation of India (FCI) and agencies of the State Governments. Under this policy, these Government agencies procure foodgrains at the Minimum Support Price MSP plus bonus (if any) from the farmers. For funding these procurement operations, the Consortium of Banks led by State Bank of India finances Cash Credit Limit to the FCI and the concerned State Governments on crop-to-crop basis. The Cash Credit Limit and the interest accrued thereon is repaid by the FCI and the State Governments after subsidy is released to them by the Central Government.

Provisional subsidy is paid to the State Governments for procurement operations based on the provisional economic costs worked out for each State based on standard principles. However, final subsidy for a crop procured in a marketing season for any State is paid only after finalisation of economic costs which are worked out based on audited statements received from the State Governments. The finalisation of economic cost for few States was delayed on account on delay in submission of audited accounts by these respective States.

FCI has informed that the economic cost of FCI does not have any linkage to the Cash Credit sanctioned by SBI and FCI has not faced any problem of sanction of Cash Credit by State Bank of India

(e): To ensure that the legitimate expenses of the State Governments for their procurement operations of foodgrains for the Central Pool are reimbursed quickly, the following steps have been taken.

(i) Advance and provisional subsidy is being released once in every quarter.

(ii) A Special Cell has been formed in the FCI to examine the audited accounts submitted by the State Governments and to recommend the final economic costs.