

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

UNSTARRED QUESTION NO:884
ANSWERED ON:02.03.2010
ECONOMIC COST OF DISTRIBUTION OF FOODGRAINS
Reddy Shri Anantha Venkatarami

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

- (a) whether the Administrative Staff College of India, Hyderabad has been engaged from time to time to study the economic cost of acquisition and distribution of rice and wheat by the Food Corporation of India;
- (b) if so, the details thereof;
- (c) the details of the economic cost fixed in respect of the said commodities during each of the last three years, State-wise including Andhra Pradesh; and
- (d) the steps taken to reduce the same?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a) & (b): Yes, Madam. Administrative Staff College of India (ASCI), Hyderabad had undertaken a study on Cost of Acquisition and Distribution of foodgrains by the Food Corporation of India (FCI) and its Report submitted in May, 2001.

The ASCI in its report had made recommendations inter-alia on Cost Control Measures, Cost of Distribution and Storage, Carrying Cost of Buffer Stocks, Cost of Administration and Labour, Cost Control and Normative Costs of FCI operations.

The recommendations made by ASCI on these issues were examined and most of the recommendations were accepted by the Government. No subsequent study has been entrusted to ASCI.

(c): The economic cost of FCI is fixed on all India basis. The economic cost of Rice and Wheat of the FCI fixed during last three years is as under:

(Rupees per quintal)

	2006-07 (Provisional)	2007-08 (Provisional)	2008-09 (Revised Estimate)
Rice	1411.60	1563.70	1789.78
Wheat	1214.39	1353.24	1392.68

(d): Steps taken to reduce the economic cost of Rice and Wheat is as at Annexure.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE UNSTARRED QUESTION NO.884 DUE FOR ANSWER ON 2.3.2010 IN THE LOK SABHA

STEPS TAKEN TO REDUCE THE ECONOMIC COST OF RICE AND WHEAT:-

1. Food subsidy is dependent on the actual offtake of foodgrains. Since Economic Cost of foodgrains is increasing every year on account of increase in Minimum Support Price (MSP) of foodgrains and CIP remaining static over the last 7 years, the food subsidy has also increased substantially. The Govt. is committed to procure foodgrains at MSP and distribute the same at CIP, fixed by the Govt., to the beneficiaries under the various schemes.

2. To reduce the transportation cost of foodgrains in the economic cost, the Govt. has introduced decentralized procurement Scheme so that foodgrains procured in a State are distributed in the same State. This would also avoid double handling and result in

procurement of locally preferred varieties of wheat and rice.

3. The FCI has been continuously pursued to reduce their administrative expenditure and also storage and transit losses.