

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

UNSTARRED QUESTION NO:55  
ANSWERED ON:09.11.2010  
REVAMP OF FCI  
Karunakaran Shri P.

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

(a) whether the Government proposes to revamp the functioning of the Food Corporation of India and entrust it with distribution of other essential commodities in view of the price rise; and

(b) if so, the details thereof?

**Answer**

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

(a) & (b) To revamp the working of the Food Corporation of India (FCI), Government of India, Ministry of Consumer Affairs, Food & Public Distribution had engaged the Consultant, M/s McKinsey & Co. to undertake a study on FCI.

The main objective of the study was to bring about substantial efficiency improvements in the FCI's functioning, including inter-alia recommendations on new business models and structural changes to reduce the subsidy burden while improving its effectiveness in meeting the Government of India's social objectives.

The major improvement initiatives recommended by M/s McKinsey & Co. broadly encompasses (i) Financial restructuring through multi-tiered debt structure to reduce the interest burden; (ii) Network optimization through linear programming of Rail Movement (Grain Flow Management); (iii) Consolidation of Handling & Transport Contracts; (iv) Changes in use and sourcing pattern of gunny bags; (v) Cost reduction by direct procurement of foodgrains and exclusion of intermediates; (vi) Exploring avenues for revenue generation by optimum utilization of all existing assets like godowns; (vii) More cost effective and efficient utilization of human resources through rationalization, automation and better Performance Management System (People Management System); (viii) Smart Trading approach for global trading in foodgrains; (ix) Creation of Price Monitoring Cell; (x) Management of Operational Costs; (xi) Management of idle Assets; (xii) Vigilance Administration and (xiii) Performance review through defined parameters and fixation of accountability. However, the Government does not propose to entrust FCI with distribution of other essential commodities