

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

UNSTARRED QUESTION NO:3410

ANSWERED ON:17.03.2015

REFORM IN FCI

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

- (a) whether the Committee on reforming FCI has suggested inter alia to make cent percent pro- curement and one time allocation for six months to beneficiaries under the National Food Secu- rity Act (NFSA), if so, the details thereof and the response of the Government thereto along with the benefits likely to accrue therefrom;
- (b) whether the Committee has made any estimate regarding financial losses due to leakages and the identified modes for reforming the Food Cor- poration of India and Public Distribution System, if so, the details thereof and the response of the Government thereto;
- (c) whether various States have expressed their concern over additional financial burden on them due to the implementation of NFSA, if so, the steps taken by the Government to dispel the concerns of the States;
- (d) the number of beneficiaries covered under the NFSA along with the action taken so far to include other miscellaneous items thereunder; and
- (e) the steps taken to strengthen cost effective storage and movement of foodgrains and integration of supply chain across the country?

Answer

MINISTER OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION

(SHRI RAMVILAS PASWAN)

(a): The High Level Committee (HLC) constituted for reorienting the role and restructuring of Food Corporation of India (FCI) has not reco- mmended cent percent procurement of foodgrains. The HLC has inter alia recommended that FCI should hand over all procurement operations of wheat, paddy and rice to states that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement and it should accept only the surplus (after deducting the needs of the states under NFSA) from these state governments (not millers) to be moved to deficit states. They have further recomme- nded that FCI should move on to help those states, where farmers suffer from distress sales at prices much below Minimum Support Price (MSP), and which are dominated by small holdings, like Eastern Uttar Pradesh, Bihar, West Bengal, Assam etc. This is the belt from where second green revolution is expected, and where FCI needs to be pro- active, mobilizing state and other agencies to provide benefits of MSP and procurement to larger number of farmers, especially small and marginal ones. The High Level Committee has also recommended that targeted beneficiaries under National Food Security Act (NFSA), 2013 or Targeted Public Distribution System (TPDS) be given 6 months ration immediately after the procurement season ends. This will save the consumers from various hassles of monthly arrivals at Fair Price Shop (FPS) and also save on the storage costs of agencies. Consumers can be given well designed bins at highly subsidized rates to keep the rations safely in their homes. Gove- rnment has accepted these recommendations subject to the stipulation that it would be State Governments choice to distribute upto 6 months ration at a time. The change in pro- curement strategy of FCI will benefit the farmers, specially the small and marginal ones, in the States of eastern parts of the country, where production of foodgrains is increasing. The recommended change in dist- ribution mode will be good for the benefi- ciaries and will save costs.

(b): HLC has recommended that Government may have a second look at NFSA, its commitments and implementation. Given that leakages in PDS range from 40 to 50 percent, and in some states go as high as 60 to 70 percent, Gover- nment should defer implementation of NFSA in states that have not done end to end compute- rization; have not put the list of benefi- ciaries online for anyone to verify, and have not set up vigilance committees to check pil- ferage from PDS. HLC has made some other recommendations also with regard to impleme- ntation of NFSA and TPDS. A summary of such recommendations and response of the Government thereon is at Annex-I. HLC has further made various recommendations for reforming the FCI. A summary of these major recommendations is at Annex-II. The Government is examining them and acceptable recommendations will be implemented by FCI in a time-bound manner.

(c): Yes, Madam. The NFSA already contains a provision for providing assistance to States for meeting the expenditure incurred by them towards intra-State movement and handling of foodgrains and margins paid to Fair Price Shop dealers.

(d): The NFSA provides for coverage of upto 75% of the rural population and upto 50% of the urban population of the country for receiving foodgrains at subsidized prices under Targeted Public Distribution System (TPDS). Accordingly, about 81 crore persons are eligible for coverage under the NFSA. At present, there is no proposal to include items other than foodgrains under the NFSA.

(e): For augmentation of covered storage capacity in the country, the Government is implementing a Private Entrepreneurs Guarantee (PEG) Scheme in Public Private Partnership (PPP) mode for construction of godowns through Private Entrepreneurs, as well as Central Warehousing Corporation (CWC) and State Warehousing Corporation (SWCs). Under this scheme, as on 31.01.2015, construction of 122.38 lakh MT capacity has been completed. The Government is also implementing a Plan Scheme for construction of godowns with focus on the North Eastern States. To strengthen cost effective movement of food grains and integration of supply chain across the country, the Government undertakes movement of food grains by Rail, Road and Riverine/ Coastal modes. Bulk of the food grain movement is undertaken by Railways, as it is the most economical and fast mode to move large quantities of food grains over longer distances. Movement of food grains by road is undertaken mainly for the places which are not connected by Rail, particularly in the hilly terrains of North east India, Jammu & Kashmir, Uttaranchal and Himachal Pradesh and also where it is cost-effective over short distances, to avoid multiple handling. Besides, riverine/ coastal movement of food grains is being done for Andaman & Nicobar and Lakshadweep islands and a few centres of Kerala. FCI hands over the food grains to the concerned State Government at designated depots as per the States allocation. The State Governments are responsible for further distribution through the PDS network.