Background

A High Level Committee (HLC) on restructuring of Food Corporation of India (FCI) was set up by the Government under the chairmanship of Shanta Kumar.

The major issue before the Committee was:

- How to make the entire food grain management system more efficient by reorienting the role of FCI in MSP operations, procurement, storage and distribution of grains under Targeted Public Distribution System (TPDS).

The Committee with the above mentioned mandate submitted its report with certain recommendations, which are as follows:

- **Recommendation on procurement issues:**

  FCI should hand over all procurement operations of wheat, paddy and rice to Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Odisha and Punjab as they have sufficient experience and reasonable infrastructure for procurement. FCI procurement should focus on eastern belt, where farmers do not get minimum support price.

- **Recommendation on Stocking and movement issues:**

  FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation (CWC), State Warehousing Corporation (SWC), Private Sector under Private Entrepreneur Guarantee (PEG) scheme. It should be done on competitive bidding basis, inviting various stakeholders and creating competition to bring down costs of storage. Movement of grains should be containerized in order to reduce transit losses while Railways should have faster turn-around-time by having more mechanized facilities.

- **Recommendation on NFSA and PDS issues:**

  Restructuring the National Food Security Act (NFSA) by virtually diluting its scope and coverage from 67 per cent of population to about 40 per cent population. In order to curtail leakages in PDS, government should defer implementation of NFSA in states that have not done end to end computerization.

- **Recommendation for computerizing food system End to end:**

  It recommends end to end computerization of the entire food management system, starting from procurement from farmers, to stocking, movement and finally distribution through PDS. It will help for real time basis monitoring in order to curb leakages.

- **The surplus States must procure for deficit States:** The States must also contain the taxes and statutory levies at three per cent of the MSP from the current two to
About Food Corporation on India

FCI was set up in 1965 (under the Food Corporation Act, 1964) against the backdrop of major shortage of grains, especially wheat, in the country.

Imports of wheat under PL- 480 were as high as 6-7 MMT, when country’s wheat production hovered around 10-12 MMT, and country did not have enough foreign exchange to buy that much quantity of wheat from global markets. Self-sufficiency in grains was the most pressing objective, and keeping that in mind high yielding seeds of wheat were imported from Mexico.

Agricultural Prices Commission was created in 1965 to recommend remunerative prices to farmers, and FCI was mandated with three basic objectives:

1. To provide effective price support to farmers;
2. To procure and supply grains to PDS for distributing subsidized staples to economically vulnerable sections of society;
3. To keep a strategic reserve to stabilize markets for basic foodgrains.