The Food Corporation of India was setup under the Food Corporation's Act 1964, in order to fulfil following objectives of the Food Policy:

- Effective price support operations for safeguarding the interests of the farmers.
- Distribution of food grains throughout the country for public distribution system.
- Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security

In its 50 years of service to the nation, FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system. FCI's Objectives are:

- To provide farmers remunerative prices
- To make food grains available at reasonable prices, particularly to vulnerable section of the society
- To maintain buffer stocks as measure of Food Security
- To intervene in market for price stabilization

Overview

The Government policy of procurement of food grains has broad objectives of ensuring MSP to the farmers and availability of food grains to the weaker sections at affordable prices. It also ensures effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country.

FCI, the nodal central agency of Government of India, along with other State Agencies undertakes procurement of wheat and paddy under price support scheme. Coarse grains are procured by State Government Agencies for Central Pool as per the direction issued by Government of India on time to time. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production.

Before the harvest during each Rabi/Kharif Crop season, the Government of India announces the minimum support prices (MSP) for procurement on the basis of the recommendation of the Commission of Agricultural Costs and Prices (CACP) which along with other factors, takes into consideration the cost of various agricultural inputs and the reasonable margin for the farmers for their produce.

To facilitate procurement of food grains, FCI and various State Agencies in consultation with the State Government establish a large number of purchase centres at various mandis and key points. The number of centres and their locations are decided by the State Governments, based on various parameters, so as to maximize the MSP operations. For instance for Wheat procurement more than 20,000 procurement centers were operated during RMS 2015-16 & for Rice procurement more than 44,000 procurement centres were operated. Such extensive & effective price support operations have resulted in sustaining the income of farmers over a period and in providing the required impetus for higher investment in agriculture sector for improved productivity.

Whatever stocks which are brought to the Purchase centers falling within the Government of India’s specifications are purchased at the fixed support price. If the farmers get prices better than the support price from other buyers such as traders / millers etc., the farmers are free to sell their produce to them. FCI and the State Government/its agencies ensure that the farmers are not compelled to sell their produce below support price.

Policy and System

1. The Central Government extends price support to wheat and paddy through FCI and State Agencies. Procurement at MSP is open ended i.e., whatever food grains are offered by the farmers, within the stipulated procurement period and which conforms to the quality specifications prescribed by Government of India, are purchased at MSP (and bonus/incentive, if any) by the Government agencies including FCI for central Pool. Some States also declare State bonus on wheat and paddy over and above MSP.
Government agencies undertake MSP operation at mandis/ temporary purchase centres/aggregation points. Location and number of purchase centres to be opened are decided in consultation with /by the State governments.

2. Systems of procurement:
2.1 Wheat - FCI undertakes direct procurement in non-DCP states. In the major procuring states like Punjab and Haryana, wheat is mainly procured by state agencies and they preserve the stocks under their custody for which carry-over charges are paid to them. FCI takes over the stocks for dispatch to consuming states as per requirement /movement plan. Payments are made to state govt. /agencies as per cost sheets issued by Government of India after taking over the stocks. In the states like UP and Rajasthan, the wheat procured by state agencies is immediately taken over by FCI for storage /dispatch.

In DCP state like M.P, wheat is procured by the State agencies and only the surplus wheat stocks over & above the State’s requirement under TPDS/NSFA and Other Welfare Schemes are taken over by FCI for dispatch to other consuming regions.

2.2 Rice is procured through two routes –
   a) Custom Milled (CMR) and
   b) Levy rice.

CMR is manufactured by milling paddy procured by State govt. /State agencies and FCI. In the states like A.P, Punjab, Haryana, Chhattisgarh, Odisha, MP, Tamilnadu, UP & Bihar paddy is mainly procured by State government /State agencies and the resultant rice is delivered to State Government and FCI by getting the paddy milled from rice millers.

In the states like Andhra Pradesh, Telangana, Uttrakhand, UP and West Bengal, rice is also procured in Central Pool through levy route. The rice millers deliver fix portion of their production at the %age imposed under State levy orders issued by the concerned State government with concurrence of Government of India, at notified levy prices fixed by the Government of India. However, Government of India has decided to discontinue levy system of rice procurement w.e.f. 1.10.2015. Major responsibility of procurement of wheat and paddy is borne by the State agencies whereas FCI procures almost 70% of total rice procured for Central Pool.

2.3 Coarse grains- Coarse grains are being procured by the State governments for central pool.

3. In major wheat and paddy procuring States like Punjab, Haryana & some parts Rajasthan procurement from farmers is undertaken by the FCI/State Agencies through Arhatiyas as per APMC Acts of the concerned State for which commission @ 2.5% of MSP is paid in the States of Punjab & Haryana and @2% in Rajasthan. In other States like MP, Chhattisgarh, UP, Uttrakhand, AP, Tamilnadu, Bihar, Jharkhand, Odisha, West Bengal procurement is made through Co-operative societies and they are paid fixed remunerations at following rates:
   Wheat: Rs 27.00 /Qtl
   Paddy (Grade ‘A’): Rs 32/Qtl
   Paddy (Common) : Rs 31.25/Qtl

4. Centralized and Decentralized procurement systems:
4.1 Centralized (Non-DCP) procurement system:
Under centralized procurement system, the procurement of foodgrains in Central Pool are undertaken either by FCI directly or State Govt. agencies procures the foodgrains and handover the stocks to FCI for storage and subsequent issue against Government of India allocations in the same State or movement of surplus stocks to other States. The cost of the foodgrains procured by State agencies is reimbursed by FCI as per cost-sheets issued by Government of India as soon as the stocks are delivered to FCI.

4.2 Decentralized (DCP) Procurement
Under DCP system, the State Government of India/its agencies procure, store and distribute (against Government of India’s allocation for TPDS & OWS) rice /wheat/coarse grains within the state. The excess stocks (Rice & wheat) procured by the State /its agencies are handed over to FCI in Central Pool. The expenditure incurred by the State Government on procurement, storage and distribution of DCP stocks are
reimbursed by Government of India on the laid down principles. The expenses such as MSP, arhatiya/society commission, administrative charges, mandi labour charges, transportation charges, custody & maintenance charges, interest charges, gunny cost, milling charges and statutory taxes are reimbursed on actual basis. The cost of excess stocks handed over to FCI is reimbursed by FCI to the State Government/agencies as per Government of India costs sheet.

Engineering
Overview
Engineering Wing of Food Corporation of India is responsible for following activities

Civil:
   a. Construction and maintenance of covered godowns, Plinths and ancillary structures like office block, weigh bridge, canteen, tiffin room, isolation shed, cycle stand, toilets, roads, drains, hand pumps etc.
   b. Up-gradation & maintenance of own railway sidings.
   c. Construction of Cement concrete roads in view of heavy vehicles plying in the godowns.
   d. Maintenance of FCI flats, Guest Houses spread throughout the country.
   e. Implementation of CSR activities in FCI complexes by providing Female Lav Block, Labour Shed, Safe drinking water facilities.

Electrical:
1. Construction and maintenance of Internal & External Electrical Installation in godowns, including HT & LT Installations at various locations.
2. Construction and maintenance of Tube wells and Pumping sets in all FCI premises.
3. Installation of Solar panels to have energy sufficiency and contribution to environment.

Mechanical:
   a. Up-gradation of existing weighbridges to fully electronic, enhancement of capacity of weigh-bridges as well as installation of new additional weighbridges as per requirement.
   b. Operation and Maintenance of 1,10,000 MT Capacicy existing Silos at Lucknow, Faridabad, Mandi Gobindgarh, Moga, Jagraon & Hapur.

Others:
   a. Introduction of new technologies in FCI like installation of Turbo ventilators, Day light harvesting system, Galvalume sheets, Mechanization of bag handling operations, Bio-Digester technology in toilets etc.

There is significant addition in infrastructure of FCI after taking over of assets from Department of Food Government of India in 1965; the engineering activities were started in 1969. There is considerable addition to the assets of FCI was contributed by Engg division.

<table>
<thead>
<tr>
<th>Description of Item</th>
<th>At the time of inception of FCI</th>
<th>Addition</th>
<th>Total as on 31.03.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage Capacity</td>
<td>5.68 Lac MT</td>
<td>124.32 Lac MT</td>
<td>130.00 Lac MT</td>
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<tr>
<td>Weighbridges</td>
<td>12 Mech.</td>
<td>632 weigh bridges</td>
<td>644 Fully Electronic</td>
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<tr>
<td>Railway Sidings</td>
<td>7 depots</td>
<td>100 Depots</td>
<td>107 Depots</td>
</tr>
<tr>
<td>Staff Quaters/Office Buildings</td>
<td>-Nil-</td>
<td>FCI HQ &amp; Institute of Food Security 3 Zonal offices 12 Regional Offices 11 District Offices</td>
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