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Government of India
Ministry of Consumer Affairs Food & Public Distribution
Department of Food & Public Distribution

Krishi Bhavan, New Delhi
Dated the 30th October 2007

To

The Chairman & Managing Director,
Food Corporation of India,
16-20, Barakhamba Lane,
New Delhi

Sub.: Policy for involving Central Govt. Undertakings/ State Govt. undertakings/
Cooperatives/ private companies for maximizing procurement for the
Central Pool and expanding the scope of MSP operations.

Sir,

The existing Policy for involvement of Central Govt. / State Govt. undertakings / Cooperatives/ private companies in procurement of foodgrains (rice, wheat and coarsegrains) for the Central Pool has been reviewed in this Department and the following policy guidelines are hereby issued in supersession of this Ministry's letter dated 19.4.2007:

1. As far as possible, FCI and State agencies involved in procurement operations should do the procurement directly. The FCI and State Governments should consider involving Other agencies in procurement for Central Pool only in those areas where their infrastructure for procurement is weak and existing Government agencies (FCI and State agencies) are not able to carry out MSP operations in such areas where potential for procurement exists.

2. To ensure that farmers are not denied the benefit of MSP due to the constraints of FCI/State agencies, in areas which are uncovered, FCI should use the services of "Other agencies" as per the following priority:

2.1 In the first instance, the proposals received from Central Government undertakings/ State Government undertakings/ Cooperatives to undertake procurement on behalf of FCI should be considered.

2.2 In case there are still uncovered areas with potential for procurement, then proposals received from agencies which have at least 51% equity by Central Govt./ State Govts./ Nationalized banks/ Financial institutions should be considered.

2.3 As a last option, agencies which have some investment by banks/financial institutions and have at least one nominee Director on the Board and are service providers can be engaged on a limited basis. However, agencies/firms who are traders in foodgrains shall not be engaged. The issue of using Companies for procurement operations which are not included in paras 2.1 and 2.2 should arise only for those areas where those organizations are not able to reach out to the farmers. This policy guideline does not recommend substituting public sector

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agencies or cooperative agencies which are already involved in procurement operations in a particular area with joint sector or private agencies in these areas. (144)

3. Engagement of Other agencies mentioned in paras 2.2 and 2.3 above should be subject to the following conditions:

3.1 These agencies should be recommended by the concerned State Government and found acceptable by FCI.

3.2 State Governments should undertake to supervise the operations of these agencies and ensure that these agencies pay the Minimum Support Price (MSP) directly to the farmers. In case any complaint of non-payment of MSP is found substantiated in an enquiry by State Government/FCI, the agreement with such companies should be cancelled and suitable penalty should be imposed.

3.3 Engaging such agencies should result in a cost saving of at least 10% of the Incidentals (other than taxes, statutory charges etc.) of FCI.

4. FCI should evolve a Model MOU with appropriate procedure including stringent penalty clauses, including fines, for violation of any terms of agreement.

5. It should be kept in view that responsibility for carrying out procurement of adequate quantities of foodgrains for the Central Pool will continue to lie with the FCI and respective Government agencies already involved in the same, and engagement of Other agencies (firms/companies/cooperatives, etc.) for procurement should result in increased procurement in the State as a whole and should not become a reason for non-performance of FCI and State Government agencies already vested with this responsibility. These agencies should not perform in a pick-and-choose manner, but should form part of an overall strategy of FCI formulated before each procurement season to widen the scope of MSP operations in order to bring benefits to more number of farmers and to increase procurement for the Central Pool.

6. The amount of foodgrains procured through Other Agencies shall be reported as part of the daily report on foodgrains procurement sent to this Department by the FCI. The FCI shall also send a report on the performance of Other agencies after the completion of the procurement cycles (in April 2008 for Kharif procurement operations of KMS 2007-08, in August 2008 for wheat procurement in RMS 2008-09 and in October 2008 for Rabi paddy procurement of KMS 2007-08). Suggestions for strengthening the procurement process may also be sent by State Governments to FCI on a quarterly basis. FCI shall examine such suggestions & submit quarterly reports to Government by 10th of April, July, October and January to enable this Department to review this policy.

Yours faithfully

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Copy to: Food Secretaries – All States/UTs.