

FCI's economic cost

5.36 Payment to growers at MSP is the first major cost of procurement incurred by the FCI, besides cost of transporting, handling, storing and distribution and maintaining the prescribed buffer stock. All these costs add up to the economic cost of the FCI. Economic cost incurred by FCI has been rising sharply in

recent years. This is largely on account of policy induced measures such as an increase in MSP, open ended procurement and increase in the rates of state taxes and levies. This is a cause for concern, and if not checked, would exert an upward pressure on the already large food subsidy bill. (Table 5.10)

Table 5.10 : FCI's economic cost of rice and wheat					
<i>(Rupees per quintal)</i>					
	1999-00	2000-01	2001-02	2002-03	2003-04(BE)
Rice					
A. Acquisition cost	887.30	1014.04	1052.66	1072.69	-
(i) Pooled cost of grain	831.24	930.41	961.16	981.01	-
(ii) Procurement incidentals	56.06	83.63	91.50	91.68	-
B. Distribution cost	187.50	166.43	151.61	133.68	-
Economic cost (A+B)	1074.80	1180.47	1204.27	1206.37	1248
Wheat					
A. Acquisition cost	685.51	716.60	739.13	757.64	-
(i) Pooled cost of grain	518.08	580.66	571.93	585.76	-
(ii) Procurement incidentals	117.06	135.94	167.20	171.88	-
(iii) Carry over charges to State Governments	50.37	-	-	-	-
B. Distribution cost	202.00	141.66	132.17	121.52	-
Economic cost (A+B)	887.51	858.26	871.30	879.16	921
Source : Food Bulletin, Department of Food and Public Distribution.					