

### Economic cost of foodgrains

5.64 Economic cost of rice has shown an increasing trend since 1999-2000. The budget estimate of economic cost of rice during 2006-07 was increased by 3.3 per cent from the revised estimate for 2005-06 due to high increase in distribution cost (Table 5.20). The increase in the procurement incidentals was 17.4 per cent during 2006-07(BE). Economic cost of wheat has also shown an increasing trend between 2002-03 and 2004-05 (actual). With increase in distribution cost, the economic cost of wheat in 2006-07(BE) rose by 9.3 per cent over 2005-06(RE).

5.65 FCI is reimbursed the difference between the economic cost of foodgrains and the issue price. The economic cost of foodgrains of FCI has been on the rise over the years (Table 5.20) with increases in the MSPs of rice and wheat. The imposition of State taxes and levies at over 10 per cent advalorem on procurement of foodgrains by the States of Punjab, Haryana and Andhra Pradesh (from where large quantities are procured) have been inflating the economic cost.

**Table 5.20 : Economic Cost of Rice and Wheat**

(Rupees per quintal)

Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06(RE)	2006-07(BE)
<b>Rice</b>								
Procurement incidentals	56.1	69.9	66.8	61.7	25.6	56.3	21.3	25.0
Distribution Cost	187.5	189.9	119.6	157.7	215.4	270.1	181.4	320.7
Economic Cost \$	1074.8	1137.1	1098.0	1165.0	1231.3	1329.6	1350.7	1395.0
<b>% Increase over previous year</b>								
Procurement incidentals	-	24.6	-4.4	-7.6	-58.5	119.9	-62.2	17.4
Distribution Cost	-	1.3	-37.0	31.9	36.6	25.4	-32.8	76.8
Economic Cost \$	-	5.8	-3.4	6.1	5.7	8.0	1.6	3.3
<b>Wheat</b>								
Procurement incidentals	117.1	128.2	134.7	137.6	145.5	191.3	163.7	163.9
Distribution Cost	202.0	166.2	126.7	145.5	165.3	239.1	227.0	256.6
Economic Cost \$	887.5	883.8	852.9	884.0	928.7	1049.6	1031.5	1070.0
<b>% Increase over previous year</b>								
Procurement incidentals	-	9.5	5.1	2.2	5.7	31.5	-14.4	0.1
Distribution Cost	-	-17.7	-23.8	14.8	13.6	44.6	-5.1	13.0
Economic Cost \$	-	-0.4	-3.5	3.6	5.1	13.0	-1.7	3.7
<b>\$ : Weighted average of common and grade-A rice taken together.</b>								