GOVERNMENT OF INDIA
MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION
DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

RAJYA SABHA
UNSTARRED QUESTION NO.2434
TO BE ANSWERED ON 17TH DECEMBER, 2024

CRITICISM OF FCI EXPENDITURE AND MANAGEMENT PRACTICES

2434 **SHRI RAGHAV CHADHA:**

Will the Minister of ***Consumer Affairs, Food and Public Distribution*** be pleased to state:

(a) the details of CAG's recent findings criticizing FCI's expenditure and management practices, particularly the failure to utilize the long-term tariff contract policy with the Railways;

(b) whether the Ministry could specify measures being taken to prevent unnecessary expenditure on freight and ensure FCI avails rebates in future;

(c) the steps taken by the Ministry to address storage inefficiencies and reduce storage costs, particularly in the States like Punjab as highlighted by the CAG; and

(d) whether the Ministry has considered CAG's recommendation to augment FCI's storage facilities and reduce reliance on open storage?

A N S W E R
MINISTER OF STATE FOR MINISTRY OF CONSUMER AFFAIRS,
FOOD & PUBLIC DISTRIBUTION
(SHRIMATI NIMUBEN JAYANTIBHAI BAMBHANIYA)

(a): CAG vide Draft report on Storage management and Movement of foodgrains in Food Corporation of India (FCI), for the year ended March 2022 on the issue of long-term tariff contract policy of Railway at Point No. 4.6.6 is placed at Annexure.

(b): Primary mandate for FCI is to make available sufficient quantities of food grains, across the country, to ensure uninterrupted supply under the centrally sponsored schemes, throughout the year.

FCI undertakes movement of Foodgrains from surplus to deficit states taking into consideration the stock available in surplus regions, demand by deficit regions, available vacant storage space, percentage of capacity utilization, monthly allocation (National Food Security Act (NFSA) +Other Welfare Schemes (OWS) + Open Market Sale Scheme (Domestic) (OMSS(D)) + Other Government of India Schemes), average monthly off-take, anticipated current procurement etc.

The majority of foodgrains movement is through Railways. During 2024-25, till October 2024, around 80% of total movement was done through Railways. FCI also undertakes Road movement for the shorter distances in economical routes or for areas which is inaccessible by Railways.

As per the Railway Board Goods Tariff No. 49 Part II contains Freight Rate Tables, in respect of foodgrains transportation via Rail, classification of freight i.e. 130A Train load and class 130 B wagon load is applicable on FCI for freight calculation, which in general is applicable for food grains.

As such, FCI is not extended any exclusive freight concessions by Railways in the foodgrains transportation.

(c) & (d): FCI mainly stores wheat & rice after procurement for Public Distribution System (PDS) operations and to maintain buffer stock. As on 01.11.2024, total Covered Storage Capacity available with FCI and State agencies for storage of Central Pool foodgrains stock is 776.59 Lakh MT against stored stock of 515.12 LMT.

Further, the requirement of Storage capacity in FCI depends upon the level of procurement, requirement of buffer norms and PDS operations for Rice and Wheat mainly. FCI continuously assesses and monitors the storage capacity and based on the storage gap assessment, storage capacities are created/hired through following schemes at a Pan India level including Punjab:

1. Construction of Silos under Public Private Partnership (PPP) mode
2. Private Entrepreneurs Guarantee (PEG) Scheme
3. Central Sector Scheme "Storage & Godowns"
4. Hiring of godown from Central Warehousing Corporation (CWC)/ State Warehousing Corporation (SWC)/State Agencies
5. Private Warehousing Scheme (PWS)
6. Creation of godowns under Asset Monetization.

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ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE UNSTARRED QUESTION NO.2434 FOR ANSWER ON 17.12.2024 IN THE RAJYA SABHA.

4.6.6 Non-availment of Long-Term Tariff contract (LTTC) scheme of Railways for movement of food grains has resulted in avoidable expenditure to the extent of Rs. 240.24 crore

Audit observation	Reply
As per Long Term Tariff contract (LTTC) scheme issued by Railways (March 2017), the customers entering into long term contracts with Railways shall get rebate in freight rates based on the percentage increase in annual increment in railway revenue. One of the main eligibility criteria for the above scheme was that the customer was already giving traffic of at least one Million tons per annum in the previous year. As per the terms of the LTTC scheme, agreement has to be entered into for a period of not less than 3 years and shall not be extended for more than 5 years in total. The following were the details of quantity dispatched by FCI Telangana Region to other States during the period 2017-18 to 2021-22; **Table 4.14** quantity dispatched by FCI Telangana Region to other States **(Figures in LMT)** Year / Qty 2017-18 / 20.89 2018-19 / 16.17 2019-20 / 27.28 2020-21 / 47.43 2021-22 / 49.16 **160.93**	As per Railway Circular No. TCR/1078/2016/14 Dated 30.03.2017 (Copy enclosed-Annexure III), Long Term Tariff Contract (LTTC) had provided certainty in the logistic operations for the Railways as well as customers. The customers entering long term contracts with Railways should bring assured traffic to the Railways and in turn they get assurance of certainty in traffic rates as well as freight rebate under certain eligibility criteria. 5.1 The customer shall be eligible only if he/she is already loading or giving traffic of at least one Million Tonnes per annum in the previous year. 5.3 The customer coming under this scheme shall not be eligible to avail concurrent concessions/ rebate under any other scheme except 6% concession applicable to traffic booked to and from NE region, TEFD and concession for loading of bagged consignment in open and flat wagons as per term and conditions of these policies. 6.5 the customer entering into agreement with Railways under this scheme shall provide Minimum Guaranteed Gross Freight Revenue (MGGFR) with a commitment to increase the freight revenue from the existing level.

Table 4.14 (within Audit observation):

Year	Qty
2017-18	20.89
2018-19	16.17
2019-20	27.28
2020-21	47.43
2021-22	49.16
	160.93

Since the quantity dispatched has exceeded 1 million tons in the year 2017-18, the year 2017-18 shall be treated as base year and FCI was eligible to apply for the scheme during 2017-18. Further rebate would be applicable from the year 2018-19 subject to the increment in the revenues in comparison to the base year. If FCI Telangana region had availed the LTTC scheme during 2017-18 for a period of 5 years upto 2021-22, then the rebate of Rs. 24024 lakh in freight had been availed by FCI. Management replied that as per LTTC scheme, customer entering into agreement with railways shall provide MGGFR a commitment to increase the freight revenue from the existing level. Further it was replied that the LTTC policy has been withdrawn by the Railway Board during December 2020. The same is not acceptable since as per the scheme, non achievement of the commitment in any particular year does not cause any loss to FCI except that the rebate under the scheme could not be availed during that particular year. LTTC policy has been withdrawn from December 2020 only for new applicants and if FCI would have availed the scheme during 2017-18 for 5 years, then the benefit of the scheme would have been applicable upto 2021-22.	In this regard, FCI transported the foodgrains by Rail from supply procuring regions to deficit region for NFSA/ OWS or other centre sponsored scheme. The movement of rakes mainly depends upon the allocation in welfare schemes implemented by the Ministry of Consumer Affairs, Food & Public Distribution (CAF&PD) from time to time. Therefore, Movement is completely driven by demand & supply, it is not static or having ensured increasing trend. Demand in a month varies from next month; it can be increased or decreased. Hence, FCI cannot assure Minimum Guaranteed Gross Freight Revenue (MGGFR) with a commitment to increase the freight revenue from the existing level, which is the basic eligibility criteria for LTTC policy of Railways. As pointed out by Audit, quantity of foodgrain moved during the year 2018-19 has been decreased as compare to 2017-18 and again increased in year 2019-20. Allocation under different welfare scheme is a policy decision and taken at Government level by DFPD. FCI execute the policy by supplying the foodgrain under different scheme. Additional allocation under Pradhan Mantri Garib Kalyan Ann Yojana - PMGKAY was communicated from 24.03.2020 in the wake of COVID-19 and continued till Dec-2022 under different phases. Due to PMGKAY the allocation of foodgrains was almost doubled. This led to increase in demand and thus there was an abrupt increase in movement of rakes during 2020-21 & 2021-22. Thus, the increase in foodgrain movement was due to pandemic situation and same was completely unpredictable. Had the COVID not occurred, situation might had been different.

	It is also submitted that the LTTC policy has been withdrawn by the Railway Board vide Circular No. TCR/1078/2020/LTTC-Review /3336979 dated 18.12.2020. It is stated in the circular that "based on the experience gained over these years, it has been decided to undertake a review of the existing policy. In view of this, it is desired that no new LTTC contract shall be executed on Zonal Railways henceforth. Any process for extension of the current LTTC contract beyond the prescribed term should also be stopped." It is to be highlighted that above policy inter-alia prescribes to enter into an agreement which entails prior commitment regarding movement of foodgrains as the movement plan decided on monthly basis after considering various factor like monthly requirement of NFSA, Storage space availability etc. Hence entering into such agreement for a specific period is not advisable. In view of the above, the para may be dropped please.

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