

## Report of the High Level Committee on Long Term Grain Policy

5.58 The Department of Food and Public Distribution had constituted a High Level Committee on November 16, 2000 for formulating a long term Grain Policy for the country. The Committee submitted its final report on July 31, 2002. Some of the recommendations made by the Committee for Long Term Grain management are listed below :

- (i) Quality norms should be strictly adhered to while procuring foodgrains for PDS distribution.
- (ii) Payments as statutory levies to state governments by FCI are essentially transfers from the centre to the state governments. These should be taken care of separately between the Centre and the states without involving the FCI.
- (iii) MSP for paddy should be fixed only for a single grade
- (iv) APL price should be reduced to 80 percent of the economic cost and BPL price to 50 percent of the economic cost excluding statutory levies. This would also help improve the viability of the fair price shops in the distribution network.
- (v) Once the current high stocks are reduced, the resultant savings could be used for employment schemes, for which there was a strong felt need and which could be used to develop rural infrastructure.
- (vi) The existing Antyodaya scheme of food support could also be expanded to become a food security system for the entire destitute population.
- (vii) A system of universal PDS be introduced with uniform CIP, one each for rice and wheat respectively, for all consumers in all parts of the country.
- (viii) The Central Government should announce its MSP policy before the sowing season on recommendations of the Commission for Agricultural Costs and Prices (CACP).
- (ix) The CACP should be made an empowered statutory body.
- (x) In recommending MSPs, which should apply only to Fair Average Quality grain, the CACP should go strictly on the basis of  $C_2$  cost of production (i.e. all costs including imputed costs of family labour, owned capital and rental on land) in more efficient regions.
- (xi) While the Centre has to continue to take the primary responsibility for procurement, as production is dispersed, procurement should also become more dispersed and this process can definitely save costs of transportation and meet consumer needs more adequately.
- (xii) All compulsory levy orders on rice millers under the Essential Commodities Act (ECA) should be removed with immediate effect.
- (xiii) A different problem likely to arise as a result of lower MSPs is that there will be a probability for market prices to exceed MSP and, therefore, quantities offered for sale at MSP may fall short of PDS and buffer stocks requirements. In situations where market conditions are such that MSP purchases fall short of PDS requirements, Government would need to make purchases on the basis of best terms. This may include imports, open market purchases from secondary markets or through open tender purchases or purchase from farmers at a market determined price above MSP.
- (xiv) Crop diversification is very important at the current stage of India's agricultural development, given the changing dietary patterns. There is need for special packages for diversification.
- (xv) There should be an automatic and transparent policy of variable tariffs on

- both agricultural imports and exports linked to the deviation of spot international prices from their long run trends. This is required for stabilisation of prices in an open economy.
- (xvi) Barriers to private trade, economic as well as legal, should be eased.
  - (xvii) FCI has performed its role in its core functions reasonably well and should
- continue to do so keeping in mind that there has to be a work culture of total quality management.
- (xviii) It is desirable that that the FCI's role be confined to procurement of the major cereals for the PDS and that price support operations in coarse cereals be handled by State agencies.