

## Preface

*The Food Corporation of India (FCI) was incorporated under the Food Corporation Act, 1964 with the objective to undertake purchase, storage, movement, transportation, distribution and sale of food grains on behalf of the Government of India (GoI). FCI, in coordination with the Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution at Central level and State Governments Agencies (SGAs) at State level carries out the procurement operations of paddy/rice as an integral part of the food grains management operations. The main objective of procurement of paddy is to make rice (after milling of paddy) available at lower rate to the consumers {including Targeted Public Distribution System (TPDS) beneficiaries} on one hand and to provide Minimum Support Price (MSP) to the farmers.*

*In the above backdrop, Audit took up the performance audit of the FCI/State Governments and their agencies to assess the performance of procurement and milling of paddy procured for the Central Pool and delivery of rice to FCI/SGAs. The performance audit covered a period of five years from 2009-10 to 2013-14 and involved examination of records relating to the State Governments of Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Odisha, Punjab, Telangana and Uttar Pradesh, which accounted for nearly 95 per cent of the total procurement during 2012-13*

*This Performance Audit Report points out a large number of deficiencies/weaknesses in the conceptual and operational framework of the procurement and milling of paddy by FCI/SGAs in the country. Audit observed, inter alia, procurement of substandard paddy by the FCI/SGAs, widespread instances of MSP being paid to farmers without ascertaining their bonafides, large scale non-delivery of paddy/rice by the rice millers to FCI/SGAs and irregularities in transportation of paddy/rice. Resultantly, these ended up in benefitting the rice millers/middle logistics providers at the cost of both the producers i.e. the farmers and the end consumers i.e. the TPDS beneficiaries and eventually contributed to avoidable increase in the food subsidy expenditure of the GoI.*

*The Audit Report has been prepared in accordance with the Performance Auditing Guidelines, 2014 and Auditing Standards issued by the Comptroller and Auditor General of India.*

*Audit wishes to acknowledge the cooperation received from the Ministry/FCI/State Governments and their field formations at each stage of the audit process. We do hope that the Government will expedite the actions to implement the recommendations, such as- refixation of milling charges, out-turn ratio and driage allowance; ensuring payment of MSP to bonafide farmers; and ensuring collateral security for food grains in the custody of the millers.*