

## **A BRIEF ON OPEN MARKET SALE SCHEME (DOMESTIC)**

Over the years, there have been many models on which foodgrains have been released in the open market via OMSS (D) by the FCI as per the guidelines given by the Ministry of CAF & PD. A brief of all such models is given hereunder:

### **1) 1993 – 1995: -**

The modalities for sale of wheat in the open market scheme were discussed way back in 1993 in the Ministry. In this meeting it was suggested that the surplus stocks should be disposed off, for holding such large quantities impose severe financial burden on FCI. Moreover, the storage capacity of FCI was also limited and such releases were thought to help FCI in reducing its inventory as well as carrying cost. The quantity proposed to be sold in the open market was primarily meant to be a market intervention operation with the sole objective of preventing any sharp increase in the prices of wheat and its products in the lean months. Stabilization of prices at a reasonable level was also mentioned as one of the objections of this Scheme. It was also suggested that the proposed sale may be confined to Roller Flour Mills, wholemeal atta chakkies, Super Bazaars and Cooperative Stores.

The Ministry, vide letter No. 18(7)/ 93-DR.III dated 29.09.1993 had permitted FCI to sell wheat upto 3 million tones in the open market during the period not extending beyond April, 1994. The Ministry had intimated that for sale of wheat upto 31.10.1993, FCI may float open tender enquiries for the sale of wheat in various states excepting North-Eastern States. Unit of sale was fixed at a minimum of 100 MTs and multiple thereof. On receipt of valid offers, a High Level Committee in the FCI will evaluate the offers keeping in view

- a) Central Issue price of wheat
- b) Actual issue price of wheat in state for PDS
- c) Market rates of wheat as per the reports of the Department of Economics and Statistics
- d) Wholesale rates of wheat at major centers in UP, Haryana, Punjab & Delhi
- e) Actual local market rates at which RFM are purchasing wheat from up-country to be ascertained by FCI's own resources
- f) Formula arrived at by adding the wholesale rate at different mandies in Punjab/ Haryana/ Delhi with freight, gunny cost, incidentals etc.

The Committee, keeping in view all the parameters in para (ii) above, was to determine the minimum price of which the wheat was to be sold. The minimum price determination was to be completed after close of the tender enquiry but before opening of offers. While deciding the minimum price below which offers were not to be accepted, the FCI was to keep in view the proposed enhancement in Central Issue Price of wheat

indicated in the meeting and the formula rate derived from ex-mandi market rate plus freight, handling incidentals, etc. The sale quantities did not have any ceiling limits. The wheat was to be sold only to parties who had tendered for it. Where US Red wheat was available, FCI was to determine the ratio in which the imported wheat and indigenous variety was to be released. FCI was also to dispose of C&D category wheat.

For sale after 31<sup>st</sup> October, 1993, the Ministry had directed that FCI may assess a broad band of prices for different States and on the basis of weighted average, subject to adjustments which may be considered to be necessary and justified, arrive at a pre-determined fixed price State-wise. The sale in November and December, 1993 was to be at a pre-determined uniform price applicable to each State. The sale was open to all the interested parties for any quantity, subject to a minimum of 10 MT or multiple thereof.

The prices for sale of wheat under open sale were fixed by the High Level Committee in the FCI till August, 1995. In August, 1998, the Ministry fixed state – wise prices of wheat for release under open sale and in November, 1995, the Ministry fixed center-wise prices of wheat for release under open sale.

## **2) 1996 - 1998: -**

The instructions for release of wheat under OMSS (D) for the month of December, 1996 were issued by FCI vide letter No. J/ 1(1)/ 96/ PY/ S.III/ Dec. 96 dated 06.12.1996, wherein FCI had stipulated that stocks of wheat under open sale may be sold to Central/ State PSU/ Central/ State Level Apex Co-operative Marketing Federations/ RFMs/ Atta Chakkies. Highest priority was to be given to State level PSU, Co-operative federations, co-operative societies etc. sponsored by the state government.

The Ministry, vide letter dated 21.12.1996 directed that the entire allocation of wheat available for open sale in a state/ UT be intimated to the concerned State/ UT for further distribution through their district officers/ nominated state agencies.

In March 1997, the Ministry, vide letter dated 10.03.1997 directed that Wheat under open sale may be released to purchasers sponsored by the respective States/ UTs at center-wise prices and prices of wheat/ wheat products were to be fixed by the State Govt./ UT.

In January 1998 till March 1998, the Ministry vide letter No. 1-86/ 97-DR.III dated 16.01.1998, directed that Stocks under open sale may be released to State Government at a flat rate of Rs. 650/- per qtl. which was to release wheat for market intervention through Co-operative Societies/ Apna Bazars/ Super Bazars/ Roller Flour Mills and State Nominated Agencies in nine States viz. Orissa, Gujarat, Maharashtra, Tamilnadu, Andhra Pradesh, Delhi, Meghalaya, West Bengal & Karnataka. The State

Govt./ UT Administration was to take steps to ensure that the wheat/ wheat products were sold at reasonable prices to be fixed by them. They were to keep a strict watch and ensure that wheat/ wheat products are sold within their states/ UTs and do not get diverted to other states/ exported. The State Governments were also directed to maintain proper records of the details of the allottees and intimate fortnightly the consumer end prices of wheat and wheat products to the Ministry. The detailed guidelines in this regard were issued by the FCI vide letter No. J.1(1)/ 98/ PY/ S.III/ Jan '98 dated 23.01.1998.

### **3) 1999 - 2006: -**

In March, 1999 the Ministry, vide letter dated 11.03.1999, removed restrictions imposed on the State Govt./ UT Administrations regarding movement of wheat/ wheat products outside the states and doing away with the prior fixing of the consumer-end prices of wheat/ wheat products allotted to the RFMs/ Co-operative Societies/ Agencies etc. under the scheme without changing the OMSS (D) price.

In April, 1999, the Ministry, vide letter No. 1-8/ 99-DR.III dated 15.04.1999 directed to issue 10 lakh MT of wheat to RFMs under OMSS (D) and that wheat under open sale may be issued to Roller Flour Mills including milling Atta Chakkies, Atta Chakkies, bread manufacturers etc. on first come first serve basis. The minimum quantity to be sold was 10 MT and the RFMs were allotted wheat on the basis of their production capacity. This allocation was in addition to the wheat allotted to the RFMs by the State Govt./ UT out of the allocation made to them under OMSS (D). It was also directed that the RFMs located in other states may also be allowed to make their own arrangements to lift wheat from Punjab Region

In August, 1999, the Ministry, vide letter No. 1-18/ 98 - DR.III dated 09.08.1999, authorized FCI to release any quantity of wheat to any consumer including RFMs.

In August, 2000, the Ministry, vide letter No. 1-41/ 99-DR.III/ Py.IV dated 09.08.2000 and dated 11.08.2000 intimated detailed guidelines for release of wheat under open sale. The instructions in this regard were issued by FCI vide letter No. J. 1(1)/ 2000-01/ S.III dated 09.08.2000 and 11.08.2000.

The above said policy of the Ministry was implemented by FCI till December, 2005.

The HLC in its 1<sup>st</sup> meeting of 2006 held on 05.01.2006 allocated state-wise quantities of wheat to be released under OMSS (D) for the months of January and February 2006 each. The HLC also decided that FCI may move additional quantity of wheat so that the quantity indicated above may be released under open sale. The HLC also decided that the said quantity of wheat may be released even if three months stocks for

TPDS and other welfare schemes are not available, in the State. Stocks under OMSS (D) may be released only if adequate stocks to meet monthly requirement of wheat under TPDS/MDM/ AAY/ SGRY/ FFW/ Defence are available.

First preference for issuance of wheat under OMSS (D) was to be given to the Government Agencies nominated by the State Government. The State Government Agency may decide to distribute this wheat in order to check rise in prices. The State Government was to be requested to communicate its decision in this regard at the earliest. The Association of Roller Flour Millers and Chakkis of the state were then to be released wheat under this scheme for their own use. A fair and transparent procedure was to be adopted so that the wheat released under the scheme was used properly.

The detailed guidelines were issued to all the concerned Regions/ Zones through individual letters addressed to the concerned Region/ Zone vide Hqrs. letter No. J. 1(1)/ 2005-06/ S.III/ Vol. III dated 12.01.2006.

Since, some of the Regions had more than one State/ UT under their jurisdiction, the matter was reviewed at Hqrs. and it was decided that the quantity allocated should be equitably distributed amongst all the States/ UTs falling within the jurisdiction of the Region as per the instructions already conveyed vide FCI Hqrs. letter dated 12.01.2006 i.e. in consultation with the Secretary (Food) and Associations of the Roller Flour Millers/ Chakkies of the States/ UTs. Instructions in this regard were issued vide Hqrs. letter No. J. 1(1)/ 2005-06/ S.III/ Vol. III dated 13.01.2006.

Since there was a delay in nomination of Agencies by the State Governments, it was decided that in case the State Governments do not nominate any State Agency(ies) for lifting of wheat under OMSS (D) for the month of January 2006, then the stocks of wheat may be released in consultations with the local Associations of Roller Flour Millers and Chakkies of the State/ UT, as per the instructions already issued vide FCI Hqrs. letter dated 12.01.2006 and 13.01.2006, as the objective of releasing wheat under open sale is to stabilize the prices in the open market. Instructions in this regard were issued vide Hqrs. letter No. J. 1(1)/ 2005-06/ S.III/ Vol. III dated 20.01.2006.

The said scheme was also continued for the month of March, 2006 and discontinued w.e.f. 31.03.2006.

#### **4) 2007:-**

In February, 2007, the Ministry, vide letter No. 1/1/2007-Py.IV dated 15.02.2007, 19.02.2007 and 20.02.2007, intimated state-wise allocation of wheat for release under OMSS (D) for the months of February and March, 2007. The wheat was to be released by FCI to the

State Governments at a price of Rs. 986.06 per qtl. for distribution to consumers through the State Level Institutions/ Corporations or Agencies whose work shall be directly supervised by the State Government so that the benefit of lower subsidized prices can be passed on to the consumers. The Institutions/ Corporations/ Agencies should distribute the wheat to consumers on no profit no loss basis and only reasonable handling/ transportation cost should be added to the above price. In case the State Government wants to distribute Atta to the consumers, reasonable conversion charges may be added to the above price.

3.9 lakh MT wheat was allocated by the Ministry for various States and the scheme was operational till 31.03.2007. In case of Andhra Pradesh, Arunachal Pradesh, Assam, Karnataka, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tamilnadu, Tripura, and West Bengal, the scheme was extended till 15.04.2007. In case of Jammu & Kashmir, the scheme was extended till 05.05.2007.

Open sale of wheat was discontinued w.e.f. May 2007.

**5) 2008 - 09:-**

**(i) OMSS (D)-Retail Sale:**

The Ministry of CAF & PD, vide letter No. 1-3/ 2006-PY.IV dated 17.09.2008 and 14.11.2008, had intimated that in order to check inflationary trends in food economy during festival season, 2008, Government had decided to release wheat under OMSS (D) to State/ UT Governments during the months of September, 2008 to February, 2009 for distribution to retail consumers.

The Ministry had directed that State/ UT Governments should lift the allocated quantity of wheat from the godowns of FCI and distribute it to retail consumers through their own Corporations/ cooperatives/ federations/ self-help groups or any other Government or Semi-Government organization. The State / UT Government may also use this wheat for various educational institutions, SC/ST/Women hostels etc.

In order to make this intervention meaningful so that inflationary trends in food economy are checked and that benefit is passed on to consumers, State / UT Governments should ensure that cost of distribution is kept at the minimum, and that in no case should this exceed Rs. 100 per quintal (inclusive of all taxes/levies) as expenses on interest, transportation, storage, handling, distribution, etc and all other expenses.

The Ministry had requested the State Governments to ensure that wheat released under OMSS is not sold to bulk consumers like roller flour mills, large processors of wheat, etc.

Ministry had stated that in case the State/UT Governments require additional allocation of wheat under OMSS during September and October 2008, the same should be communicated to this Department. Similarly, if the State / UT Governments are not in a position to lift the entire allocated quantity of wheat, intimation may be given to this Department so that the balance quantity can be allocated to other States/UTs.

The above said directions of the Ministry were communicated to all the FCI Region/ Zones, vide FCI Hqrs. letter No. J. 1(1)/ 2008/ OMSS (D)/ S.III/ Vol. II dated 18.09.2008.

Further, Ministry of CAF & PD, vide letter No. 1-3/2006-Py-IV dated 30<sup>th</sup> September, 2008, had conveyed that conversion of wheat, released under OMSS, into wheat flour for distribution to retail consumers is permitted subject to the following conditions:-

- (a) Distribution of wheat products other than wheat flour such as suji, maida, rawa etc. will not be permissible.
- (b) Wheat flour to be distributed shall conform to quality standard/specification of whole wheat flour prescribed under the Prevention of Food Adulteration Act. 1955.
- (c) The conversion rate of whole wheat into wheat flour should be fixed by the State / UT Governments appropriately in such a way as maximum quantity of wheat flour is obtained from the whole wheat to be issued to flour mills for this purpose.
- (d) The milling / grinding charges for conversion of whole wheat into wheat flour should be suitably fixed by State / UT Governments and it should be ensured that no undue benefit is allowed to flour mills in the process. However, the total cost of distribution of wheat flour would not exceed Rs. 100/- per quintal i.e. the ceiling specified in the Department's orders dated 17.9.2008.
- (e) The State / UT Governments will put in place a fool proof mechanism for ensuring that wheat given for milling is fully accounted and the resultant wheat flour actually sold to retail consumers.

The above said directions of the Ministry were communicated to all the FCI Region/ Zones, vide FCI Hqrs. letter No. J. 1(1)/ 2008/ OMSS (D)/ S.III/ Vol. II dated 03.10.2008.

Ministry of CAF & PD, vide letter No. 1-3/2006-Py-IV dated 7<sup>th</sup> October, 2008, has intimated that the matter had been reviewed by the Department and it has been decided that the State Governments may sell wheat released to them under OMSS (D) to small scale wheat processing units (whose monthly consumption is upto 30 MT), in addition to household consumers.

The above said directions of the Ministry were communicated to all the FCI Region/ Zones, vide FCI Hqrs. letter No. J. 1(1)/ 2008/ OMSS (D)/ S.III/ Vol. II dated 08.10.2008.

The said scheme was operational till 28.02.2009.

**(ii) OMSS (D)-Bulk Sale:**

Ministry of CAF & PD, vide letter No. 1-8/ 2008- Py.IV dated 07.10.2008, 24.10.2008 and 11.12.2008, had intimated the State/ UT-wise adhoc allocation for sale of wheat by FCI to bulk consumers through open tenders in the month of October, 2008 - January, 2009 along with the guidelines for the tenders for sale of wheat under OMSS (D) by FCI to the bulk consumers. The directions of the Ministry were circulated to all the concerned FCI Regions/ Zones vide FCI Hqrs. letter No. J. 1(1)/ 2008/ OMSS (D)/ S.III/ Vol. I dated 10.10.2008.

As and when tenders were opened and the results received from the concerned FCI Regions, HLC Meetings were convened and the results placed before it for a decision.

The said scheme was extended upto 31.03.2009 in non wheat procuring States/ UTs of Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Dadra & Nagar Haveli, Daman & Diu, Goa, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Puducherry, Sikkim, Tamil Nadu, Tripura and West Bengal. Lifting was allowed in the month of April as per the terms & conditions of MTF. In case of wheat procuring regions of Punjab, Haryana, Delhi, Bihar, Madhya Pradesh, Uttar Pradesh, Chandigarh, Rajasthan and Uttarakhand, validity of the scheme of tender sale was extended till 28.02.2009. Lifting was allowed only upto 15.03.2009. In states where arrival of wheat starts early e.g. Gujarat and Madhya Pradesh, lifting of wheat under OMSS (D) was allowed only upto 07.03.2009.

**6) 2009 – 10 & 2010-2011:-**

**i) OMSS (D)-Retail Sale:**

Ministry of CAF & PD vide letter No. 1-11/ 2009- PY. IV dated 12.10.2009 and 5.11.2009 conveyed guidelines as well as allocation of ten lakh MT Wheat and five lakh MT rice for the period October,2009 to December,2009, for distribution to retail consumers to check inflationary trends. The High Level Committee of FCI approved the rates for sale under this scheme in its 17<sup>th</sup> Meeting of 2009 held on 28.10.2009. The allocation, guidelines and the rates for sale of wheat and rice under retail

scheme were circulated to FCI field offices vide FCI Hqrs letter No. J.1 (1)/ 2009/ OMSS (D)/ State/UT/ S. III dated 29.10.2009 and 6.11.2009.

The rates for sale of rice were revised after Govt. of India vide letter dated 1.11.2009 declared a bonus of Rs.50/- per qtl. for KMS 2009-10 in respect of paddy and accordingly revised rates were circulated to FCI field offices vide Hqrs letter dated 6.11.2009.

Ministry of CAF & PD vide letter No. 1-11/ 2009- PY. IV dated 16.12.2009 conveyed that the State/ UT Govt. are allowed to lift the unlifted quantities of wheat and rice allocated for the period October,2009 to December,2009 upto February ,2010 but vide letter dated 22.12.2010 conveyed that the unlifted quantity was allowed to be lifted only upto 31.1.2010.

Ministry of CAF & PD vide above letter dated 16.12.2009 also conveyed additional allocation of ten lakh MT wheat and five lakh MT rice as additional allocation under retail scheme for the period January,2010 to March,2010. However, in the wheat procuring States, wheat was allowed to be lifted upto 15<sup>th</sup> March, 2010.

The revised rates in respect of retail scheme were circulated to FCI field offices vide Hqrs letter dated 1.1.2010.

Ministry of CAF & PD vide letter dated 18.01.2010 conveyed allocation of 37,400 MT wheat and 17,000 MT rice under OMSS (D) to NAFED for sale to retail consumers for checking inflationary trend in food economy. FCI field offices were directed to issue foodgrains to NAFED as per their allocation vide FCI Hqrs letter dated 20.1.2010. The rates applicable for the scheme were notified to NAFED vide FCI Hqrs letter dated 25.1.2010.

Ministry of CAF & PD vide letter dated 18.01.2010 and 21.01.2010 also conveyed allocation of 32684.21 MT wheat and 11,000 MT rice under OMSS (D) to NCCF for the January 2010 to March 2010 for sale to retail consumers for checking inflationary trend in food economy. FCI field offices were directed to issue foodgrains to NAFED as per their allocation vide FCI Hqrs letter dated 20.1.2010. The rates applicable for the scheme were notified to NCCF vide FCI Hqrs letter dated 25.1.2010.

The Ministry vide letter No. 1-11/ 2009-Py.IV dated 03.03.2010 intimated additional allocation of 250 MT wheat under OMSS (D) to the Union territory of Lakshadweep for January-March, 2010, which was communicated vide FCI Hqrs. letter J. 1(1)/ 2009/ OMSS (D)/ State/ UT/ S.III dated 04.03.2010.

Ministry of CAF & PD vide letter No. 1-11/2009-PY.IV dated 1.04.2010 conveyed the decision of the Government of India to extend the validity period for lifting the allotted quantity of rice by the State / UT Govts. upto 30<sup>th</sup> June, 2010, which has been conveyed to the FCI field

offices vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated April 6, 2010.

The HLC in its 5<sup>th</sup> Meeting of 2010 held on 13.04.2010 approved the revised rates for sale of rice to the States/UT Governments under OMSS (D), which were circulated vide FCI Hqrs letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated April 15, 2010.

The Ministry vide letter No. 1-11/ 2009-Py.IV dated 01.04.2010 conveyed the decision of the Government of India to extend the validity period for lifting the allotted quantity of wheat upto 30<sup>th</sup> June, 2010 by all North – Eastern States (i.e. Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland, Arunachal Pradesh, Sikkim) and Jammu & Kashmir, which has been conveyed to the FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State /UT/ S.III dated April 6, 2010.

The HLC, in its 5<sup>th</sup> Meeting of 2010 held on 13.04.2010, while discussing the Agenda item for fixation of prices for sale of wheat to the State/ UT Governments for distribution to retail consumers, decided that the proposed prices for sale of wheat to the State/UT Governments of all North-Eastern States (i.e. Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland, Arunachal Pradesh, Sikkim) and Jammu & Kashmir for distribution to retail consumers under OMSS (D) be referred to the Department of Food and Public Distribution for final decision as the proposed prices had been calculated on the basis of MSP of RMS 2010-2011 (Rs. 1100/- per quintal), which is higher than MSP of 2009-2010 (Rs. 1080/- per quintal). Accordingly, a reference was made to the Ministry vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State /UT/ S.III dated April 15, 2010.

The Ministry of CAF & PD, vide letter No. 1-11/ 2009-Py.IV dated 26.04.2010 decided to extend the validity period for lifting of the balance quantity of wheat upto 30.06.2010 by Government of NCT Delhi, which was conveyed to the filed office vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated May 03, 2010.

The Ministry of CAF & PD, vide letter No. 1-9/ 2009-BP.III dated 04.05.2010 conveyed re-allocation of 2.50 lakh tonnes of rice (out of the unlifted quantity of 6.74 lakh tonnes) and 65,000 tonnes of wheat (out of unlifted quantity of 16.48 lakh tonnes) to State Government of Tamil Nadu under OMSS (D) for distribution to retail consumers. The validity of lifting period of above re-allocation of wheat and rice is one month from the date of issue of Ministry's letter. The necessary directions were conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State/ UT/ S.III dated 07.05.2010.

The Ministry of CAF & PD, vide letter No. 1-11/ 2009-Py.IV dated 14.05.2010 conveyed extension of retail scheme of OMSS (D) for release of wheat to State Governments in by all North – Eastern States (i.e.

Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland, Arunachal Pradesh, Sikkim), Delhi and Jammu & Kashmir upto 30.09.2010. Government of India also clarified that State Governments are also allowed to lift wheat from FCI under this Scheme for further allocation to hostels of schools, colleges and universities, jails, old age homes, police and paramilitary forces, staff canteens and other similar institutions under OMSS (D) for retail consumers within the allocated quota. The Ministry also clarified that these releases of wheat will continue to be made at price fixed on the same basis as before i.e. MSP of wheat for RMS 2009-10 (Rs. 1080/- per qtl.) plus railway freight from Ludhiana to the State/ UT Capital. In case of North Eastern States, Jammu & Kashmir and Sikkim, the approximate cost of transportation by road to the State capital from the railhead would also be taken into account. Accordingly, rates for sale of wheat to the State/ UT Governments of Delhi, Jammu & Kashmir, North-Eastern States and Tamilnadu were fixed and necessary directions conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated May 24, 2010. The rates so fixed were subsequently ratified by the HLC, in its 7<sup>th</sup> Meeting of 2010 held on 25.06.2010.

The Ministry of CAF & PD, vide letter No. 1-11/ 2009-Py.IV dated 14.05.2010 conveyed extension of the retail scheme of OMSS (D) for release of rice to the State/ UT Governments upto 30.09.2010. Government of India clarified that State Government are also allowed to lift rice from FCI under this Scheme for further allocation to hostels of schools, colleges and universities, jails, old age homes, policy and paramilitary forces, staff canteens and other similar institutions under OMSS (D) for retail consumers within the allocated quota. The said directions were conveyed vide FCI Hqrs. letter No. No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated May 24, 2010.

The Ministry of CAF & PD, vide letter No. 1-11/2009-Py-IV dated 4<sup>th</sup> June, 2010, conveyed the decision of Government to extend the validity period for lifting of the allotted quantity of wheat under OMSS (D) for distribution to retail consumers upto 30<sup>th</sup> September, 2010 by Government of Union Territory of Lakshadweep. It also requested that Government of Union Territory of Lakshadweep may also convey additional requirement of wheat, if any, under OMSS (D). The necessary directions were conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/State / UT/ S-III dated June 16, 2010

The Ministry of CAF & PD vide letter No. 1-11/2009-PY.IV dated 22<sup>nd</sup> June, 2010 intimated that OMSS scheme for allocation of wheat to State Governments for sale to retail consumers and small processors is extended for all the States / UTs from 1<sup>st</sup> July 2010 till 30<sup>th</sup> September 2010, which were circulated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated June 30, 2010

The HLC, in its 8<sup>th</sup> Meeting of 2010 held on 05.07.2010, fixed the prices for sale of wheat to the State/ UT Governments for distribution to retail consumers and to small processors, which were circulated vide FCI

Hqrs. letter No. J.1(1)/ 2009/ OMSS(D)/ State/ UT/ S.III dated July 5, 2010.

The Ministry of CAF & PD, vide letters No. 1-11/ 2010-PY.IV dated 07.07.2010 and 09.07.2010 has allocated an additional quantity of 5434 MT of rice for each of the remaining 3 months of the scheme i.e. July 2010 to September, 2010 (totaling 16302 MTs) to the State Government of Mizoram under OMSS (D) for distribution to retail consumers.

Ministry has also intimated that this additional allocation under OMSS (D), for any month will be given to State Government of Mizoram after they have lifted / paid the amount for 8000 MT of rice allotted for that month at economic cost.

The said allocation has been forwarded to the concerned Region/ Zone vide FCI Hqrs. No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III /Vol.I dated July 14, 2010.

The Ministry of CAF & PD, vide letter No. 1-11/ 2009-Py.IV dated 16.08.2010 conveyed additional allocation of 1,00,040 tonnes of wheat in respect of Delhi, Rajasthan and D & N Haveli and additional allocation of 2,00,730 tonnes of rice in respect of Rajasthan, D & N Haveli, Jammu & Kashmir, Gujarat and Tamilnadu, which were communicated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State/ UT/ S.III/ Vol. I dated 19.08.2010.

The Ministry of CAF & PD, vide letter No. 1-11/ 2009-Py.IV dated 30.09.2010 conveyed extension of the OMSS (D) scheme for sale of wheat to State/ UT Governments for distribution to retail consumers **upto 31.03.2011** on the same terms & condition and same rates as last year i.e. Rs. 1080/- per quintal plus railway freight cost from Ludhiana to State/ UT Capital and road freight from rail head to Sate Capital wherever applicable. Further, the Ministry also extended the OMSS (D) scheme for sale of rice to the State/ UT Governments for distribution to retail consumers on the same rates as before. The above said directions were conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State/ UT/ S.III/ Vol. I dated 01.10.2010.

Accordingly, the rates for sale of rice to the State/ UT Governments for distribution to retail consumers and the rates for sale of wheat to State/ UT Governments for distribution to retail consumers under OMSS (D) in respect of States/ UTs connected with rail were fixed and conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ S.III/ Vol. I dated 12.10.2010, which were ratified by the HLC, in its 11<sup>th</sup> Meeting of 2010 held on 01.11.2010.

In the above said Meeting the HLC also fixed prices for sale of wheat to the State/ UT Governments for distribution to retail consumers under OMSS (D) for states/ UTs whose capitals are not connected with

Rail, which were communicated vide FCI Hqrs. letter No. J. 1(1) 2009/ OMSS (D)/ State/ UT/ S.III/ Vol. I dated 09.11.2010.

In respect of Jammu & Kashmir, the Ministry, vide letter No. 1-1/ 2009-Py.IV/ Pt. dated 05.10.2010 has intimated that rates for sale of wheat to the State Govt. of J&K for distribution to retail consumers be fixed by taking rail freight upto Jammu only. Accordingly, rates for sale of wheat to State Govt. of J & K were fixed and conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ S.III/ Vol. I dated 19.10.2010, along with retail and bulk rates in respect of Lakshadweep Island.

The Ministry, vide two letters both bearing No. 1-11/ 2009-Py.IV and both dated 09.11.2010 conveyed that the allotted quantity of wheat and rice to NCCF and NAFED under OMSS (D) can be lifted by them for sale to retail consumers **upto 31<sup>st</sup> march, 2011**. The above said directions of the Govt. of India were conveyed to the concerned FCI Regional/ Zonal Offices vide FCI Hqrs. two letters both bearing No. J. 1(1)/ 2009/OMSS (D)/ State/ UT/ S.III/ Vol. I and both dated 18.11.2010.

The Ministry, vide letter No. 1-11/ 2009-Py.IV dated 19.11.2010 has intimated additional allocation of 4200 MT wheat and additional allocation of 2100 MTs of rice for the States/ UTs of Dadra Nagar Haveli, Mizoram and Gujarat for distribution to retail consumers under OMSS (D), which has been conveyed to the concerned FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State/ UT/ S.III/ Vol. I dated 23.11.2010.

**ii) Sale of wheat to Small Processors: -**

The Ministry vide letter No. 1-11/ 2009-Py.IV dated 16.02.2010 had intimated allocation of 5 Lakh tones and guidelines for sale of wheat to the small processors through open tenders.

The Ministry of CAF & PD had intimated that the powers of the State Governments to allocate wheat to small processors under OMSS was withdrawn, as those small processors would now participate in tenders to be floated by FCI. This was necessary in order to avoid duplication.

The reserve price for sale to small processors was the same as that fixed for sale of wheat to bulk consumers through tenders under OMSS (D).

The issue of sale of wheat to small processors of wheat was also discussed in the 4<sup>th</sup> HLC meeting of 2010 held on 19.02.2010, wherein the HLC has taken the following decisions: -

i) The HLC directed that at least one depot be identified in each Revenue District. In case there is no depot in a revenue district then a depot can be identified in the adjoining revenue district. However this will

be subject to the condition that in case of major wheat procuring States, FCI may invite tenders from any depots keeping in view the demand and after ensuring that no additional transportation expenditure is involved. In case of other States, FCI may invite tenders in only those depots having their own rail siding or depots within 50 km. of a Railway goods shed from where FCI handles foodgrains.

ii) The HLC directed that State Governments be approached to intimate the list of certified names and addresses of small processors since the sale will be made by FCI only to small processors as certified by the State Governments/ Officers designated by the State Governments. The HLC further directed that the responsibility of certifying a tenderer as a qualified small processor of wheat eligible for purchase of wheat under the said scheme from FCI shall vest entirely with the State/ UT Government concerned.

iii) The entire allocation of wheat made by the Ministry of CAF & PD/ GOI be included in the tender enquiries to be floated in each State/ UT for sale of wheat to the small processors and tendering be done on at least fortnightly basis.

iv) The HLC decided that the tender committee headed by the GM (Region) as had been prescribed in case of bulk consumer, may decide the tenders for small processors with the exception that the sealed tenders may also be received even at the level of Area Managers, which in turn can be passed on to the General Manager (Region) immediately not later than two days of the last date stipulated for receipt of bids, so that the Tender Committee at Regional level could open the tenders and take decision within 4 days of the last date stipulated for receipt of bids. However, the tendering shall be done at the Regional level.

v) The HLC decided that each small processor shall be eligible to bid for a minimum quantity of 9 tonnes per tender and maximum quantity of 30 tonnes per tender. However, the processing capacity of the small processor is not to be taken as a criteria for allotment of wheat to small processors in view of the fact that no such criteria has been laid down in case of bulk consumers.

vi) The Model Tender Form currently being used for sale of wheat to the bulk consumers under OMSS (D) be made applicable for sale of wheat to small processors with suitable modifications wherever required.

vii) The HLC directed that the GM (Regions) must ensure that stocks of wheat allocated for sale to small processors are not sold to bulk consumers of wheat.

The decision of the GOI and the decision of the HLC was conveyed to the FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS(D)/ Small Processors/ S.III dated 22.02.2010.

Apart from Karnataka all other State Governments have failed to provide certified list of small processors because of which tenders could not be floated under this scheme in any state / UT except Karnataka. In Karnataka three tenders have been opened in this scheme, on 25.02.2010, 11.03.2010 and 18.03.2010, however, there was **NIL** response to the tenders.

The Ministry of CAF & PD vide letter No. 1-11/2009-PY.IV dated 22<sup>nd</sup> June, 2010 intimated that OMSS scheme for allocation of wheat to State Governments for sale to **retail consumers and small processors** is extended for all the States / UTs from 1<sup>st</sup> July 2010 till 30<sup>th</sup> September 2010, which were circulated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ State / UT/ S.III dated June 30, 2010.

**(iii) OMSS (D)-Bulk Sale: -**

Ministry of CAF & PD vide letter No. 1-11/ 2009- PY. IV dated 12.10.2009 conveyed guidelines as well as allocation of five lakh MT Wheat for the period October,2009 to December,2009, for sale to bulk consumers by Food Corporation of India through open tender under open market sales scheme to check inflationary trends. Ministry of CAF & PD had stipulated that **"The reserve price for each State for each tender will be the acquisition cost of wheat in Punjab in the relevant Rabi Marketing Season plus the railway freight from Ludhiana to State capital plus the carrying cost involved (Storage cost plus interest cost) till the month of sale.** The High Level Committee of FCI approved the rates for sale in its 17<sup>th</sup> Meeting of 2009 held on 28.10.2009. The allocation, guidelines and the rates for sale of wheat under bulk scheme were circulated to FCI field offices vide FCI Hqrs letter No. J.1 (1)/ 2009/ OMSS (D)/ Bulk Consumers/ S. III dated 29.10.2009.

Ministry of CAF & PD vide letter No. 1-11/ 2009- PY. IV dated 23.11.2009 intimated revised guidelines for sale of wheat by FCI to bulk consumers under OMSS (D) as approved by the COS in its Meeting on 11.11.2009.

The revised guidelines issued by the Ministry are reproduced hereunder:

**Eligibility:**

Wheat will be sold through a process of tendering to bulk consumers, who have processing units using wheat as raw material. The installed capacity of such processing units will not be less than 30 tonnes per month.

**Methodology:**

The tenders for sale of wheat to bulk consumers would be processed by the FCI as per the following guidelines:-

1.1 The tender process will be a two stage process. The first stage will be inviting technical bids and empanelment of tenderers (Bulk consumers) after evaluation of technical bids by the Regional level Committees of FCI under chairmanship of GM (Region) FCI. The second stage will be inviting financial bids from empaneled tenderers & evaluation of financial bids by the Regional Committees of FCI and finalization of bids.

1.2 The tenders would be floated by the respective General Managers of FCI in those States/Regions where a decision to release wheat under OMSS to bulk consumers is taken by the Government. The quantity to be sold through tenders in each State/Region would be communicated by the Government to FCI.

1.3 Depot-wise bids would be invited by R.O. FCI. In case of major wheat procuring States, FCI may invite tenders from any depots keeping in view the demand and after ensuring that no additional transportation expenditure is involved. In case of other States, FCI may invite tenders in only those depots having their own rail siding or depots within 50 km. of a Railway goods shed from where FCI handles foodgrains. The quantity to be tendered from the depots would be decided by FCI within the overall quantity decided by the Government for release in the State/Region. In case of States, which are not connected by rail but where intervention is required, bids would be invited by FCI in non-rail fed depots also with the approval of HLC.

1.4 Notice of 7 days for inviting bids for empanelment of technically qualified bulk buyers will be given by GM (Region). Similarly, while inviting the tenders for invitation of financial bids from the empanelled bulk buyers, a 3 days notice would be given. Both these notices will be published in at least one national daily and two regional dailies, one each in English and the local vernacular, having wide circulation in the State/UT concerned. The notices will also be invariably placed on the websites of FCI and [www.tenders.gov.in](http://www.tenders.gov.in). Copies of tender notices can also be circulated to known associations of bulk consumers at the National/State or UT level. While inviting financial bids effort should be made to send the notice to all empanelled parties.

1.5 As the scheme is intended to enable the Government to intervene effectively through releases periodically at short notice, the financial bids will be invited giving only three days notice. FCI will give the information regarding this to all empanelled parties concerned in the region. To enable intending tenderers to respond quickly, the tender document will be downloadable from the websites on which detailed notice inviting tenders will be hosted. The cost of downloaded tender documents and EMD will be deposited along with financial bids. The tender committee will finalize the technical bids within two days of opening of tender.

1.6 The minimum quantity of wheat for which a bid can be submitted would be 100 tonnes. The maximum quantity which a tenderer can bid for in a single tender would be 1000 tonnes.

1.7 The details of the parties which are declared technically qualified by tender committee will be uploaded on the FCI Website by the GM[Region]. Technically qualified parties will also be intimated by GM, FCI. However, the process of further empanelment of new parties for sale of wheat under OMSS (D) can continue after such empanelment also and such requests for empanelment will be decided within 2 days but the new parties so empanelled will not be allowed to participate in the tender for which the financial bids have been invited. Such newly empanelled parties can however participate in a fresh round of financial bids.

1.8 The tender committee will be at liberty to verify any/all documents relating to technical eligibility of bulk consumers at any stage.

1.9 In order to establish the bonafides of tenderer as bulk consumer of wheat, the technical bid for the purpose of empanelment would contain documents to certify the bonafides of a tenderer as a bulk consumer/processor of wheat. The tenderer would be required to submit the following documents to support his qualification as bulk consumer of wheat:-

- (i) An attested copy of the "Registration Certificate" issued by the Industries Department of the State Government.
- (ii) An attested copy of the current VAT/Trade Tax Registration.
- (iii) An attested copy of PAN issued by Income Tax Department.
- (iv) Copies of latest audited Balance Sheet and Profit and Loss Account duly certified by the Auditors showing that they are using wheat as raw material.
- (v) Self-declaration showing installed capacity of the unit and wheat consumed in 2008-09.
- (vi) An attested copy of the current electricity bill (paid in the last four months) and receipt of payment giving the details of sanctioned load.
- (vii) An attested copy of any licence issued to the tenderer in case licensing/declaration requirements for bulk consumers of wheat have been specified by the concerned State Government.
- (viii) An undertaking on a stamp paper of Rs. 20 that the wheat so purchased from FCI under OMSS will be utilised in their own processing unit and not for trading, etc.

1.10 The earnest money for the tender would be calculated @ 10% of the cost of the stocks intended to be purchased at reserve price notified by FCI. The reserve price for each State for each tender will be fixed by high level committee of FCI on the basis of formula approved by EGoM. The earnest money would also be submitted by the tenderers with

Financial Bid. Any financial bid[s] received without the required earnest money would be rejected summarily.

1.11 To enable and facilitate quick processing of the financial and technical bid[s], each State/UT will have a Tender Committee of the following composition:-

- a. General Manager, FCI in charge of the region concerned – Chairperson;
- b. DGM(Finance), FCI in the concerned region; and
- c. DGM/AGM commercial of region.
- d. A representative of the State Government.

This Committee will also be responsible for empanelment of technically qualified bulk consumers as per the guidelines. The Committee will ensure that the documents relating to technical qualifications are valid during the currency of the tender including lifting period.

1.12 The financial bid of the tenderers, would be invited by FCI giving three days notice. The bids will be finalized by the tender committee mentioned in para 1.11 above within 2 days.

1.13 Financial bids will be scrutinized and finalized by the tender committee of FCI as per guidelines circulated by FCI Headquarters from time to time.

1.14 FCI will determine quantities to be tendered from each Depot within the overall limit decided by the Government for each State/UT keeping in view the need for keeping adequate operational stock and will follow First in First out principle for such determination within the Depot.

1.15 High level committee headed by CMD, FCI would lay down the criteria for empanelment of bulk consumers for sale under OMSS. The same committee will function as oversight body for the sale of wheat through tenders to bulk consumers. The grievances of affected parties and general public will be decided by oversight committee. The committee should review the status of empanelment, allotment and offtake in different regions on monthly basis.

1.16 A list of empanelled bidders along with the quantity of wheat allotted to successful bidders alongwith the prices for them would be hosted on its website by FCI, which should be updated on regular basis.

1.17 All other conditions/procedures to be followed by GMs of FCI in their tender process including the system of deposit of security money, etc. would be decided by HLC.

It has been directed by the Ministry that the reserve price for each State for each tender will be fixed by high level committee of FCI on the basis of formula approved by EGoM. It is pertinent to mention here that the reserved price for sale of wheat to Bulk Consumers under OMSS(D) has already been fixed by the HLC in its 17<sup>th</sup> Meeting and circulated to all the concerned vide FCI Hqrs. letter No. J.1 (1) / 2009 / OMSS (D) Bulk Consumers / S.III dated 29.10.2009. It has also been directed that High Level Committee headed by CMD, FCI would lay down the criteria for empanelment of bulk consumers for sale of wheat to the Bulk Consumers under OMSS. All other conditions / procedures to be followed by GMs of FCI in their tender process including the system of deposit of security money etc. would be decided by the HLC.

The revised guidelines conveyed by the Ministry were circulated to FCI field offices vide letter No. J.1 (1)/ 2009/ OMSS (D)/ Bulk Consumers/ S. III dated 1.12.2009. The FCI Hqrs vide letter No. J.1 (1)/ 2009/ OMSS (D)/ Bulk Consumers/ S. III dated 04.12.2009 conveyed the revised MTF to be used for inviting financial bids from the technically qualified bulk buyers.

Ministry of CAF & PD vide letter No. 1-11/ 2009- PY. IV dated 16.12.2009 conveyed additional allocation of five lakh MT of wheat for sale to bulk consumers by Food Corporation of India through open tender under open market sales scheme to check inflationary trends for the period January, 2010 to March, 2010. The quantity which were allocated for the period October,2009 to December,2009 but remained unlifted between October,2009 to December,2009 were also be sold through tender between January,2010 to March,2010. However, in wheat procuring states, the lifting period was limited to 15.03.2010 both for old quantities and additional allocation.

Ministry of CAF & PD again vide letter No. 1-11/ 2009/ PY. IV dated 23.12.2009 conveyed the new criteria for fixation of price for tender sale of wheat by FCI. Ministry has directed that **the reserve price for tender sale of wheat by FCI to bulk consumers may be fixed on the basis of acquisition cost of wheat in Rabi Marketing Season 2008-09 in Punjab plus current railway freight.** Ministry has further directed that FCI may, however, fix a lower reserve price in appropriate cases, where such intervention is required to check price rise. However, the average realization from tender sale for the country as whole should not be lower than Rs. 1250/- per quintal.

Accordingly, new rates for sale of wheat under bulk sale were fixed by FCI and were conveyed to field offices vide letter dated 24.12.2009. The HLC in its 1<sup>st</sup> Meeting of 2010 held on 4.1.2010 gave post – facto approval of the rates fixed by FCI.

Ministry of CAF & PD vide letter dated 18.1.2010 conveyed that out of the expected savings from the unlifted quantity of 10 lakh tones of wheat allocated to State Govt. for distribution to retail consumers for

October, 2009 to December, 2009 period additional State-wise adhoc allocations of 5.18 lakh tonnes (for sale of wheat by FCI to bulk consumer through open tender for the month of January, 2010 to March, 2010. In wheat procuring States the lifting period was limited to 15.3.2010 both for all quantities allocated and additional fresh allocations.

Ministry of CAF & PD vide letter 16.2.2010 conveyed allocation of 3.11 lakh tones of wheat for Punjab, Maharashtra, Gujarat and Chhattisgarh for tender sale by FCI to bulk consumers in order to check inflationary trend in food economy. Again vide letter dated 23.2.2010 allocation of 252000 MTs wheat was allocated for Haryana, U. P., Rajasthan, M.P., J&K and West Bengal.

FCI, Hqrs has conveyed guidelines/ allocations of Ministry of CAF & PD to its field offices for strict compliance. The field offices were also directed to float tender once a week for achieving the objectives of the scheme.

Ministry of CAF & PD vide letter No. 1-11/ 2009-Py.IV dated 25.03.2010 has directed that sale of wheat for bulk consumers under OMSS (D) through open tenders in non – procuring States/ UT may be continued upto 30<sup>th</sup> June, 2010, which has been conveyed to the FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS(D)/ Bulk Consumers/ S.III dated 26.03.2010.

The HLC, in its 5<sup>th</sup> Meeting of 2010 held on 13.04.2010 fixed the reserve prices for sale of wheat to bulk consumers under OMSS (D) through open tenders in non-procuring States /UT upto 30<sup>th</sup> June, which were circulated vide FCI Hqrs. letter No. J. 1(1)/2009/OMSS(D)/Bulk Consumers/S.III dated April 15, 2010

The HLC also decided that that in view of poor response to the tenders and as an economy measure, instead of floating tenders for sale of wheat to bulk consumers under OMSS (D) on weekly basis, tenders should be floated on monthly basis except in case of Jammu & Kashmir and Kerala where tenders may continue to be floated on weekly basis.

The issue regarding floating of tenders for sale of wheat to Bulk Consumers under OMSS (D) was re-examined at FCI Hqrs. and it was decided that weekly tenders may be floated in all non-wheat procuring State /UTs where scheme is in force Tenders may be floated on 1<sup>st</sup> / 8<sup>th</sup> / 15<sup>th</sup> and 22<sup>nd</sup> of every month. The necessary directions in this regard were circulated vide FCI Hqrs. letter No. J. 1(1)/2009/OMSS(D)/Bulk Consumers/S.III /Vol. I. dated 16.06.2010, which were subsequently ratified by the HLC, in its 8<sup>th</sup> Meeting of 2010 held on 05.07.2010.

The Ministry of CAF & PD vide letter No. 1-11/2009-PY.IV/Pt.II dated 22<sup>nd</sup> June, 2010 extended the time limit for tender sale of wheat to bulk consumers under OMSS (D), which was till June 30, 2010 in non-wheat procuring States, from 1<sup>st</sup> July 2010 till September 30, 2010 in all

States. The above said directions were circulated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III /Vol.I dated June 30, 2010.

The HLC, in its 8<sup>th</sup> Meeting of 2010 held on 05.07.2010, fixed the reserve prices for sale of wheat to the bulk consumers through open tenders under OMSS (D), which were circulated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III /Vol.I dated July 5, 2010

Since the scheme for sale of wheat to bulk consumers through open tender under OMSS (D) was extended upto 30<sup>th</sup> September, 2010, FCI Hqrs., vide letter No. J.1(1)/2009/OMSS (D)/Bulk Consumers/ S.III/Vol.I dated July 7, 2010, circulated instructions that empanelment of technically qualified bulk consumers is a regular process as stipulated vide FCI, Hqrs. letter dated 04.12.2009, 16.12.2009 and 24.12.2009 and directed all Regions/ Zones to extend the empanelment of technically qualified bulk consumers upto 30<sup>th</sup> September, 2010 subject to fulfillment of currency/ validity of documents and take further necessary action as per the standing instructions of Hqrs./HLC.

## **7) 2010-2011:**

Ministry of CAF & PD, vide letter No. 1-11/ 2009-PY.IV dated 22.07.2010 conveyed the modalities for sale of wheat under OMSS (D) during the year 2010-11, wherein the Ministry stipulated that wheat under OMSS (D) will be sold through following two channels:

- i) Sale of wheat from FCI godown (to private traders restricted to 3 to 9 tonnes per day per depot).
- ii) Sale of wheat through tenders (to bulk consumers).

The Ministry conveyed that the tenders for sale of wheat to bulk consumers will continue in its present form (2009-10) and the tender guidelines and the other guidelines in this regard will continue to be followed.

Since there were some ambiguities regarding sale of wheat from FCI depots to private traders under OMSS (D), clarifications were sought vide FCI Hqrs. letter No. J. 1(1)/ 2010/ OMSS (D)/ S.III dated 29.07.2010.

In the meanwhile, broad guidelines to be adopted for nomination of depots in the Regions for sale to the private traders were conveyed to the FCI Regional/ Zonal offices vide FCI Hqrs. letter No. J. 1(1)/ 2010/ OMSS (D)/ S.III dated 04.08.2010, which are given hereunder:

Depots will be nominated by the concerned General Manager (Region), in consultation with Zonal EDs:

- (1) It will be ensured that at least 3 months allocation for PDS and other welfare schemes is available in depots.
- (2) In every revenue district, at least one depot may be nominated for sale of wheat under OMSS.
- (3) In revenue districts, where no depot of FCI is available, a depot in the adjoining district may be nominated.
- (4) While selecting depots in a revenue district, the following priorities may be considered.
  - (i) Stock kept in unscientific plinths
  - (ii) Stocks kept in CAP
  - (iii) Stocks kept in covered godowns
  - (iv) Depots with railway siding
  - (v) Depots connected with railway goods shed.
  - (vi) FIFO will be followed at depot level while issuing stocks.

Instructions of Q.C. Division with regard to FIFO (Q.C-6(1)/2001/Pt. dated 1.03.2002) may be kept in view.

In the States of Punjab and Haryana where substantial stock of wheat is held by the State Agencies and a large quantity is lying in CAP, the order of preference shall be as follows:-

- (i) Stock kept in unscientific plinths.
- (ii) Stocks kept in CAP.
- (iii) Stocks kept in covered godowns.
- (iv) Non-railhead godowns.
- (v) Godowns connected to railway goods shed (railheads).

In these states, godowns of state agencies may also be considered while determining the priority. The criteria given above were illustrative and not exhaustive in nature.

(1) **OMSS (D)-Bulk Sale:**

The clarifications, as sought by FCI Hqrs. letter dated 29.07.2010, were communicated by the Ministry vide its letter No. 1-11/ 2009-Py.IV (pt.) dated 06.08.2010. Accordingly, instructions were conveyed to the FCI Regional/ Zonal offices, vide FCI Hqrs. letter No. J. 1(1)/ 2010/ OMSS(D)/ S.III dated 11.08.2010, to operationalize the schemes for sale of wheat to bulk consumers and small (private) traders under OMSS (D), as conveyed by the Ministry vide letter dated 22.07.2010, as per the guidelines given hereunder:

It had been already been clarified that the tender for sale of wheat to bulk consumers will continue in its present form and the tender guidelines and the other guidelines issued earlier in this regard will continue to be followed.

The reserve prices for sale of wheat to the bulk consumers will remain same as already conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS(D)/ S.III/ Vol. I dated 05.07.2010.

Further, as per the directions of the Ministry, revised allocation of 1669342 tonnes of wheat for sale to bulk consumers through open tenders under OMSS(D) upto 30.09.2010 were also conveyed.

The Regions/Zones were requested to intimate their additional requirements of wheat for sale to the Bulk consumers under OMSS (D).

The Ministry, vide letter No. 1-11/ 2009-Py.IV dated 30.09.2010 has extended the scheme for sale of wheat to the bulk consumers through open tenders under OMSS (D) **upto 31.03.2011** on the same terms & conditions and base rate i.e. acquisition cost of wheat in Punjab in 2009-10 plus railway freight from Ludhiana to State/ UT Capital plus road freight from rail head to the State capital wherever applicable. The above said directions were communicated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 01.10.2010. Further, vide FCI Hqrs. letter No.J.1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 01.10.2010 dated 08.10.2010, FCI Hqrs. issued directions to RO./ ZO to extend the empanelment of technically qualified bulk consumers upto 31.03.2011 subject to fulfilment of currency/ validity of documents.

The revised reserve prices for sale of wheat to the Bulk consumers through open tenders under OMSS (D) and rates for sale of wheat to small (private) traders from FCI godowns under OMSS (D) for States/ UTs whose capitals are connected with Rail were communicated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ S.III/ Vol. I dated 12.10.2010, which were ratified by the HLC, in its 11<sup>th</sup> Meeting of 2010 held on 01.11.2010.

In the above said Meeting the HLC also fixed revised reserve prices for sale of wheat to the Bulk consumers through open tenders under OMSS (D) and rates for sale of wheat to small (private) traders from FCI godowns under OMSS (D) for states/ UTs whose capitals are not connected with Rail, which were communicated vide FCI Hqrs. letter No. J. 1(1) 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 09.11.2010.

Reserve price for sale of wheat to the Bulk consumers through open tenders for Jammu & Kashmir could not be fixed as the clarification from the Ministry whether only rail freight ex- Ludhiana upto Jammu is to be taken for fixation of reserve price or road freight from Jammu to Srinagar is also to be taken for fixation of reserve price, was still awaited.

The Ministry, vide letter No.1-1/ 2009-Py.IV dated 18.11.2010 clarified that wherever the reserve price for sale under OMSS (D) for different categories is fixed on the freight/ transportation cost upto state capital, the state capital may be considered as Jammu for J&K State. Accordingly, the rates for sale of wheat to the bulk consumers of Jammu &

Kashmir through open tenders under OMSS (D) were fixed and conveyed vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ S.III/ Vol. I dated 23.11.2010. The said decision was accorded ex-post-facto approval by the HLC, in its 1<sup>st</sup> Meeting of 2011 held on 13.01.2011.

The Ministry, vide letter No. 1-11/ 2009-Py.IV dated 19.11.2010 conveyed additional allocation of 1.52 lakh MT of wheat for sale to bulk consumers and to traders from FCI godowns under OMSS (D) for the States/ UTs of Chandigarh, Uttrakhand, Haryana, Kerala, Jharkhand, Chhattisgarh and Gujarat, which was conveyed to the concerned FCI field offices vide FCI Hqrs. letter No. J.1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 23.11.2010.

FCI Hqrs., vide letter No. J.1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 09.12.2010 clarified to the above mentioned concerned Regional Offices that the entire allocation of wheat conveyed vide the Ministry vide letter dated 19.11.2010 may be utilized entirely for sale to bulk consumers through open tenders as sufficient allocation for sale of wheat to small private traders is available in respect of these States/ UTs.

(2) **Sale of wheat to Small (private) Traders under OMSS(D):**

For sale of wheat to private traders it was stipulated vide FCI Hqrs. letter No. J. 1(1)/ 2010/ OMSS(D)/ S.III dated 11.08.2010 that the State/ UT-wise prices for sale of wheat to private traders from FCI, godowns will be the same as the State/ UT-wise reserve prices fixed for bulk consumers.

The State/ UT – wise allocation of 412093 tonnes of wheat for sale to private traders under OMSS(D) upto 30.09.2010 was conveyed.

The modalities for sale of wheat to the private Traders are given hereunder:

- i. The General Managers, with the approval of ED (Zones) will notify the depots nominated under the Scheme as per the guidelines intimated vide FCI Hqrs. letter dated 04.08.2010, after releasing a short advertisement in two Local dailies with wide circulation out of which one will be in vernacular language. Advertisement in the Newspaper may be published/ repeated every month so as to give wide publicity to the scheme. The terms and conditions of the participation will also be uploaded on the website. The same shall be given wide publicity by hoisting in the Regional/ Zonal office website; displayed on the District/Depot notice board; circulated to respective State Govt. F & CS Deptt.; Traders Associations; and by any other means of publicity including a Press Releases.

- ii. The interested applicant will submit his application for purchase of wheat in the format enclosed at Annexure – II enclosed with FCI Hqrs. letter dated 11.08.2010, alongwith a Notary attested copy of the PAN Card / Voter ID and Demand Draft of the total cost of 3 to 9 tonnes wheat at the rates fixed for the State along with levies/ taxes as applicable. Once the documents are verified by the Area Manager, attestation by notary need not be taken for subsequent release from the same depot. The format of the Application will be put on the FCI Regional/ Zonal website for easy access. The interested traders may also download the application form from the FCI's website and submit the same to Area Office of FCI with the stipulated documents and full cost of the indented stocks plus levies/ taxes as applicable.
- iii. The applications from the indenting buyers for 3 to 9 tonnes wheat from a depot will be received by Area Manager, FCI between 10.30 AM to 1 PM on daily basis and will be given a roaster number on first-come-first-serve basis.
- iv. Release orders will be issued on the same day as far as possible.
- v. The remaining applications for the day, if any, will be issued release orders on the subsequent working date.
- vi. The office of Area Manager will keep a register on the performa enclosed at Annexure – III enclosed with FCI Hqrs. letter dated 11.08.2010. Further, additional information in respect of all Traders would be maintained separately as per performa enclosed at Annexure-IV enclosed with FCI Hqrs. letter dated 11.08.2010. The cumulative stock issued to every single party/ buyer will also have to be maintained. The register must be complete in all respect and shall be verified by Area Manager on daily basis.
- vii. In case a trader indents more than once in a day from the same depot, then his application shall be summarily rejected with the direction not to repeat such an act again, for which a proper record may be maintained. On repetition of such action, the trader shall be barred from further participation in the scheme for a period of three months in the concerned State/ UT and it shall be duly notified to the trader in writing with proper acknowledgement/ receipt, under intimation to General Manager (Region).
- viii. The lifting has to be completed by the buyers within seven working days from the date of issue of Release Order. The validity of the Release order is extendable by another seven working days by the Area Manager, FCI with payment of storage charges as applicable for bulk consumers under OMSS (D), which shall be counted in continuation to the first seven working days. Such requests should be submitted to Area Manager, FCI within two (2) days of the expiry of the first seven working days, otherwise, he will not be

entitled to extension. After expiry of 14 working days (7+7), no requests for extension in validity of release order shall be entertained by Area Manager, FCI under any circumstances and the amount deposited shall stand forfeited.

- ix. In case the buyer is unable to lift the stocks due to operational constraints of FCI/ Force majeure then the amount equivalent to un-lifted quantity will be refunded by GM (Region) after due enquiry. In all such cases, the concerned trader shall notify the FCI Area Manager within two days of occurrence of the said incidence in writing with due acknowledgement and shall justify that only due to aforesaid reasons he could not complete lifting. In no circumstances the storage charges once paid will be refunded.
- x. No requests for extension in validity of release orders, shall be entertained by FCI under any circumstances after the prescribed period of lifting.
- xi. The Area Managers, FCI may be instructed to make suitable arrangements for receipt of Applications Forms for purchase of wheat under OMSS (D) from Traders without any complaint or harassment. The places where such Application Form will be received should be prominently displayed.
- xii. The scheme will come into operation with immediate effect.

The revised rates for sale of wheat to the small (pvt. ) traders from FCI godowns under OMSS (D) were communicated vide FCI Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ S.III/ Vol. I dated 12.10.2010 and Hqrs. letter No. J. 1(1)/ 2009/ OMSS (D)/ Bulk Consumers/ S.III/ Vol. I dated 09.11.2010.

## **8) 2010-2011 & 2011-2012: -**

### **OMSS (D) New Scheme: -**

#### **(1) OMSS(D) Retail Scheme : -**

Ministry of CAF&PD vide letter No. 1-1/2011-PY-IV dated 30.12.2010 conveyed the decision of Government of India that with effect from 31<sup>st</sup> December, 2010, the Open Market Sale Scheme 2009-10 which was extended upto 31<sup>st</sup> March, 2011 vide Ministry's letter No. 1-11/2009 PY-IV dated 30<sup>th</sup> September, 2010 will be treated as terminated and new Open Market Sale Scheme for 2011 will come into the effect from the 1<sup>st</sup> January, 2011.

The Ministry conveyed an allocation of approximately 10 lakh tonnes each of wheat and rice under OMSS to State/UT Governments during the months of January, 2011 to June, 2011 for distribution to retail consumers. The State/UT-wise allocation of wheat and rice to State/UT Governments during the months of January, 2011 to June, 2011 for distribution to retail consumers is given in the Ministry's letter itself.

The Ministry also conveyed that the States/UTs should make all efforts to ensure lifting of at least 50% of their allocation in the first three months failing which the shortfall from 50% of the allocated quantity will lapse after three months and will be re-allocated to other States by Department of Food & Public Distribution.

The Ministry stipulated that guidelines regarding distribution of Wheat and rice to State/UT Governments issued vide Ministry's letters No. 1-11/2009-PY.IV dated 12/10/2009, 23/10/2009, 23/11/2009, 21/12/2009, 14/5/2010, 25/8/2010 and 18/11/2010 will remain the same for distribution to these releases.

Government of India orders were conveyed to FCI Field offices vide letter No. J.1(1)/2011/OMSS(D)/State/UT/S.III dated 5.01.2011. The rates for sale of wheat and rice under OMSS(D) to State/UT Governments for distribution to retail consumers, as approved by HLC and conveyed vide FCI Hqrs. letters dated J.1(1)/ 2009/ OMSS(D)/ S-III/ Vol. I sated 12.10.2010, 19.10.2010 and J.1 (1)/ 2009/ OMSS(D)/ State/ UT/ S-III/ Vol. I 09.11.2010 were continued. The HLC was informed accordingly, in its 1<sup>st</sup> Meeting of 2011 held on 13.01.2011.

## **(2) OMSS(D) Bulk Sale: -**

Ministry of CAF&PD letter No. 1-/2011-PY.IV dated 30.12.2010 conveyed the decision of the Government of India that with effect from 31<sup>st</sup> December 2010 the Open Market Sale Scheme 2009-10, which was extended upto 31<sup>st</sup> March 2011 vide Ministry's letter No. 1-11/2009-PY.IV dated 30<sup>th</sup> September 2010, will be treated as terminated and new Open Market Sale Scheme for 2011 will come into effect from the 1<sup>st</sup> January 2011, which shall be valid till June, 2011.

The Ministry also conveyed an allocation of 15 lakh tonnes of wheat for release to the bulk consumers. The State/UT-wise allocation of 12 lakh tonnes of wheat for sale to empanelled bulk buyers through tenders

during the period of January, 2011 to June, 2011 were conveyed by the Ministry.

The remaining 3 lakh tonnes of wheat has been kept as reserve for allocation to States/UTs by FCI where OMSS (bulk) allocation is exhausted so that the re-allocation is done faster.

According to Government's directions FCI is empowered to decide month-wise release in appropriate tranches to ensure adequate supply in the market as well as to ensure some competition in the bidding process.

All other guideline regarding sale of wheat to bulk consumer issued vide letter No. 1-11/2009 PY-IV dated 12/10/2009, 23/10/2009, 23/11/2009, 23/12/2009, 22/7/2010, 6/8/2010 and 18/11/2010 will also remain same for distribution of these releases.

Vide Para 4 of the Ministry's letter dated 30.12.2010, the following guidelines has been given regarding quantity to be sold.

"FCI is empowered to decide month-wise release in appropriate tranches to ensure adequate supply in the market as well as to ensure some competition in the bidding process."

In previous letters of Govt. in 2009-10 by which allocation under OMSS (for bulk consumers) was made, there was no direction to ensure competition. The ROs of FCI were inviting bids for entire quantity allocated to a State.

The primary objective of the scheme seems to be to check inflationary trends. Therefore, if some competition in the bidding process is to be ensured, the allocation has to be less than the estimate of monthly demand. This may result in more competition, but it may also drive up the market prices. Accordingly, a reference was made to Ministry vide Hqrs. letter No. J. 1(1)/ 2011/ OMSS (D)/BC/ S.III dated 4.1.2011 wherein it was requested that the primary objective of the scheme may be revisited and if the purpose is to maximize the revenue for the Government, the same may be clearly enunciated.

It was decided that in view of the inflationary trends in food economy, the allocation for the month of January 2011 may be immediately issued so that Regional Offices can continue to issue orders under OMSS. Accordingly, it was decided that allocation for the month of January, 2011 may be communicated and for February, 2011 onwards,

the matter be placed before the HLC for suitable directions. It was decided that the allocation of wheat for sale to small (pvt.) traders for the month of January, 2011 to June, 2011 and allocation of wheat for sale to bulk consumers for the month of January, 2011 be decided on the following grounds:-

- i) For small (private) traders scheme circulated by Government vide letter dated 22.7.2010, 10% of the allocation made by the Govt for January to June, 2011 period may be made for small private traders. However, there will be no monthly allocation/ restriction in case of small (pvt.) traders..
- ii) 10% of the allocation made by GOI be kept reserved for sale to small (pvt.) traders from FCI godowns and balance 90% of the allocation be kept for sale to the bulk consumers through open tenders.
- iii) In the wheat procuring regions and areas around them (Chandigarh, Punjab, Haryana, Uttar Pradesh, Utrakhand, Rajasthan, Bihar, Madhya Pradesh and Gujarat), the allocation for the month of January, 2011 be fixed as 1/3<sup>rd</sup> of the bulk allocation (90% of the total allocation conveyed by the GOI). In these States/ UTs, the wheat procurement generally starts from 1<sup>st</sup> April 2011.in these states/ UTs, sale under OMSS (D) may not be undertaken from 1<sup>st</sup> April, 2011 to 30<sup>th</sup> June, 2011.
- iv) In rest of the States/ UTs, the allocation for the month of January, 2011 be fixed as 1/6<sup>th</sup> of the bulk allocation (90% of the total allocation conveyed by the GOI), because in these states/ UTs there is generally no procurement of wheat and sale under OMSS(D) may be continued upto June, 2011.
- v) For February, 2011 onwards, the matter be placed before the HLC for appropriate directions in view of the para 4 of the Ministry's letter dated 30.12.2010.

Accordingly, instructions were conveyed to the FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2011/ OMSS (D)/ BC/ S.III dated 04.01.2011.

However, it was observed that if the monthly allocation of these States is to be tendered in four weekly installments in a month, the quantity in each tender would be still lower. This may not only result in extra expenditure in advertisement etc. but it may also drive up the market prices.

The issue was discussed in the 1<sup>st</sup> HLC meeting of 2011 held on 13.01.2011 wherein the HLC observed that new OMSS Scheme had been circulated by FCI Hqrs. only on 4<sup>th</sup> January, 2011 whereas as per the guidelines of the GOI, the old OMSS Scheme had been terminated on 31.12.2010 and the new OMSS Scheme had come into effect from 01.01.2011. The HLC directed that the lifting against tenders which had been approved under old OMSS Scheme be continued. However, the lifting in such cases which is roughly 27,000 MTs, be adjusted against the reserve of 3 LMT wheat given by Government to FCI for allocating to States/ UTs where OMSS bulk allocation is exhausted. This quantity may be reported to the HLC in its next meeting.

HLC noted that a quantity of 11.88 lakh MT wheat was lifted from January to March 2010 by bulk users. In order to check inflationary trends in food economy, HLC decided as under:-

- i) Allocation for January and February for each State may be decided on the basis of trend of lifting in these two months last year.
- ii) Allocation for March may be decided later.
- iii) In each State tenders may be floated on weekly basis. The quantity for each tender may be equally divided. If there is any balance quantity, in a weekly tender, the same may be carried forward to next tender.

If allocation in January and February is made equal to the lifting in January & February 2010, there are some States where the allocation made by the Government this year is less than this quantity. Therefore, HLC decided that allocation of these States may be increased to last year's level within the reserve kept at the disposal of FCI. This quantity comes to 27,000 MT (approx.).

In the States/ UTs where total allocation is less than 20,000 tonnes, the entire allocation be put to tender.

Accordingly, the HLC approved the allotments of wheat under the new OMSS bulk scheme for the month of January and February, 2011, which were conveyed to the FCI field offices vide FCI Hqrs. letter No. J. 1(1)/ 2011/ OMSS (D)/ BC/ S.III dated 14.01.2011. It was also stipulated therein that:

- i) In each State/ UT, tenders may be floated by GMs (Region) on weekly basis on 1<sup>st</sup>, 8<sup>th</sup>, 15<sup>th</sup> and 22<sup>nd</sup> of the month. Weekly tenders will be

invited for 1/4<sup>th</sup> of monthly allocation. Thus Delhi Region will invite tenders for 1/4<sup>th</sup> of 83,000 tonnes during January, 2011 i.e. 20,750 tonnes in every week. If there is any balance quantity, in a weekly tender, the same may be carried forward to next tender and left over quantity against each month will also be carried forward to the next month till the validity of the scheme.

ii) In the States/ UTs where total allocation is less than 20,000 tonnes, the entire allocation be put to tender.

The progress of sale of wheat to the Bulk consumers under OMSS(D) was reviewed at the end of the month and an additional allocation of 73,000 MTs were made as per the following details:-

<b>Name of the State</b>	<b>Quantity in MT</b>
Karnataka	20000
Maharashtra	30000
Haryana	10000
Bihar	3000
Gujarat	10000

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