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Open Market Sales Scheme

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Why is in news? The 'Anna Bhagya' fiasco and thinking beyond rice

In late March 2020, the **central government announced that it would double rations for those who have ration cards**. For the situation then, this was a good move. But even then it did nothing for those who did not have ration cards — and there were plenty of them.

The **National Food Security Act (NFSA) 2013** expanded the coverage of the PDS substantially. So, why are so many people still without ration cards? The law mandates that **50% of the urban and 75% of the rural populations must be covered by the PDS**.

About the Scheme:

The Open Market Sale Scheme (OMSS) is a government initiative in India **aimed at reducing the excess stock of food grains** held by the Food Corporation of India (FCI) and state agencies.

Food Corporation of India **sells surplus stocks of wheat and rice** under Open Market Sale Scheme (Domestic) **at pre-determined prices through e-auction** in the open market from time to time to enhance the supply of food grains, especially wheat during the lean season and thereby moderate the open market prices specially in the deficit regions.

States are also **allowed to procure food grains through the OMSS without participating in the auctions**, for their needs.

This will be beyond what they get from the central pool to distribute to NFSA (National Food Security Act) beneficiaries.

The FCI **conducts a weekly auction** to conduct this scheme in the open market using the platform of commodity exchange NCDEX (National Commodity and Derivatives Exchange Limited).

The State Governments/ Union Territory Administrations are also allowed to participate in the e-auction, if they require wheat and rice outside the Targeted Public Distribution Scheme (TPDS) and Other Welfare Schemes (OWS).

The reserve price is fixed by the government. In the tenders floated by the FCI, the bidders cannot quote less than the reserve price.

The present form of OMSS comprises **3 schemes** as under:

Sale of wheat to bulk consumers/private traders through e-auction

Sale of wheat to bulk consumers/private traders through e-auction by dedicated movement.

Sale of Raw Rice Grade 'A' to bulk consumers/private traders through e-auction.

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Reasons given centre for the discontinuation of OMSS for State governments:

It claims that the **OMSS can perform its price stabilisation role better if the grain is released through the market rather than through States/the PDS**. In fact, there is no guarantee that private traders who get OMSS rice at fixed prices will pass on the benefits to consumers.

The central government has expressed **worries about maintaining grain stocks** at a “comfortable level”.

It has reportedly stated that “State governments are going to **give the foodgrains to the same beneficiaries**” as **under the NFSA or for beneficiaries of State schemes**, and that the central government has an **obligation to the 600 million people who are not covered by the PDS**.

Significances of OMSS:

The OMSS helps to **enhance the supply of food grains**, especially wheat, during the lean season and moderates the open market prices, especially in deficit regions.

The OMSS also helps to **prevent wastage and deterioration of food grains** in FCI godowns due to a lack of storage space and proper maintenance.

The OMSS **provides an alternative source of food grains for bulk consumers**, state governments, UTs and private parties who participate in various schemes and programmes such as ethanol production under biofuel policy.

The OMSS **generates revenue for the FCI and reduces its subsidy burden** on the central government. The FCI sells food grains under OMSS at pre-determined prices which are higher than the minimum support prices (MSPs) paid to farmers for procurement.

Challenges faced by OMSS:

The OMSS faces **low demand from buyers due to high reserve prices** fixed by the FCI, which are often above the market prices. The reserve prices are determined by adding various costs such as procurement, storage, transportation and handling charges to the MSPs.

The OMSS also **faces logistical challenges** such as transportation, handling and quality issues of food grains, which affect the timely delivery and customer satisfaction.

The OMSS has a **limited impact on stabilizing the market prices** as it accounts for a small share of the total food grain supply and demand in the country.

The OMSS **does not address the structural problems of food grain management** such as procurement, distribution and buffer stocking policies, which need to be reformed to ensure food security and fiscal prudence.

Way forward:

The FCI should **revise the reserve prices of food grains** under OMSS based on the prevailing market conditions and demand-supply situation to attract more buyers and clear the excess stocks.

The FCI should **improve its logistics and quality management system** to ensure timely delivery and good quality of food grains under OMSS.

The FCI should **diversify its product portfolio under OMSS** to include coarse grains, pulses and oilseeds, which are also essential for nutrition security and have a higher demand in the market.

The FCI should **coordinate with state governments, UTs and other stakeholders** to ensure effective implementation and monitoring of OMSS and address any grievances or complaints arising from it. The FCI should also **ensure transparency and accountability** in its operations under OMSS.

Two lacunae that should be rectified:

(i) Even in 2023, India **continues to use the 2011 Census population** because the central government is blissfully evading its obligation to conduct the 2021 Census.

(ii) Some **States use their own budgets to “top up” PDS coverage** through the Open Market Sale Scheme (OMSS) — for example, Tamil Nadu — or local procurement — for example, Odisha and Chhattisgarh.

The procurement of grains for Food Corporation of India (FCI):

(i) It supports producers by procuring (mainly) wheat and rice at minimum support prices (MSP).

(ii) The central government uses this to meet the needs of the PDS (providing five kilograms a person every month free to NFSA households), a consumer subsidy.

(iii) The stocks are used for price stabilisation through the OMSS.

Food Corporation of India (FCI):

It is a statutory body set up in 1965 (under the **Food Corporation Act, 1964**) against the backdrop of major shortage of grains, especially wheat, in the country.

It comes under the ownership of the **Ministry of Consumer Affairs, Food and Public Distribution**, Government of India.

Headquarters: New Delhi

Objectives:

to provide effective price support to farmers;

to procure and supply grains to PDS for distributing subsidized staples to economically vulnerable sections of society;

keep a strategic reserve to stabilize markets for basic foodgrains