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Food Corporation of India (FCI)

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Food Corporation of India (FCI)

The 1943 Bengal famine was still a fresh memory when repeated food shortages in the 1950s and 60s forced the government to build a permanent institution to manage the country's grain. That institution, the Food Corporation of India, still runs one of the world's largest food-management operations today.

At a Glance

Four facts to hold on to.

01
14 Jan 1965

FCI established under the Food Corporations Act, 1964.

02
482 lakh tonnes

Storage capacity, November 2025.

03
604 lakh tonnes

Central pool stocks, April 2026.

04
₹21,000 crore

Authorised capital since February 2024.

Economic costMSP + bonus + procurement incidentals + distribution cost.
PEG scheme Private Entrepreneurs Guarantee Scheme, 2008.

NFSANational Food Security Act, 2013.
Buffer norm Minimum stock the government must hold.

Chapter 1: Founding and Mandate

Must Know

How it came to be

- The 1943 Bengal famine killed millions and exposed India's lack of any real grain-management system.
- The Foodgrains Policy Committee, 1957, first recommended a dedicated central procurement agency.
- The FCI was established on 14 January 1965, under the Food Corporations Act, 1964.

Status and structure

- It is a statutory public sector undertaking under the Ministry of Consumer Affairs, Food and Public Distribution.
- Its headquarters was originally in Chennai. It later shifted to New Delhi.
- It works through five zonal offices, each reporting up to a Chairman-cum-Managing Director.

Three statutory objectives

- Price support: it procures wheat, rice and coarse grains directly from farmers at Minimum Support Price.
- PDS supply: it supplies grain to the Public Distribution System for release through ration shops.
- Buffer stocking: it holds reserves against shortages.

- See Support Pricing System and MSP Mechanics and Public Distribution System and Food Security.

Remember: FCI: 14 January 1965. Price support, PDS supply, buffer stock. Five zonal offices.

> **Quick check 1.** The FCI identifies the beneficiaries of the Public Distribution System. *(True or False?)* See answer ↓

Chapter 2: NFSA, Costs and Storage

Good to Know

NFSA and the Shanta Kumar review

- The FCI implements the National Food Security Act, 2013, India's legal food-entitlement law.
- A High-Level Committee under Shanta Kumar was set up in August 2014 to review the FCI.
- It submitted its report in January 2015.
- It suggested letting private players procure and store grain, ending State MSP bonuses, and shifting toward cash transfers.
- The overall thrust was to narrow the FCI's direct role over time.

Economic cost

- Economic cost = MSP plus any bonus, plus procurement incidentals, plus distribution cost.
- Procurement incidentals include mandi tax, labour and gunny bags.
- Distribution cost includes freight, storage, handling and transit losses.

Capacity today

- FCI storage capacity crossed 482 lakh tonnes as of November 2025.
- More than 2,500 FCI godowns were operational as of December 2025.
- By April 2026, central pool stocks reached 604 lakh tonnes, well above the buffer norm.
- See Buffer Stock and Food Grain Management.

How the FCI builds storage

- Not all FCI godowns are government-built. Many are hired from private owners.
- The Private Entrepreneurs Guarantee (PEG) Scheme, started in 2008, lets private parties build storage for guaranteed FCI hiring.
- Private entrepreneurs, the Central Warehousing Corporation and State agencies can all build under it.
- FCI guarantees hiring for 10 years for private builders and 9 years for public sector agencies.
- This lets the FCI expand storage fast without funding construction itself.

> **Quick check 2.** Not all FCI godowns are built by the government. *(True or False?)* See answer ↓

Chapter 3: From Scarcity to Surplus

Great to Know

The debate

- The FCI was founded to solve scarcity, when India could not feed itself.
- Critics now say it holds far more stock than needed, at high fiscal cost.

The most contested proposal

- Shanta Kumar's most contested recommendation was to cut NFSA coverage from 67% to 40% of the population.
- In exchange, it proposed raising the entitlement from 5 kg to 7 kg per person a month.

A genuine tension

- MSP procurement guarantees farmers a price floor for wheat and rice.
- But it also reduces the incentive to move away from these two water-heavy crops.

Why the government doubled FCI's capital

- In February 2024, the government doubled the FCI's authorised capital from ₹10,000 crore to ₹21,000 crore.
- In November 2024, the Cabinet approved a further ₹10,700 crore equity infusion for FY25.
- The FCI funds most procurement through borrowed money, and the interest adds to its economic cost.
- More equity and less borrowing is meant to ease that burden.

Related

- See One Nation One Ration Card (ONORC) for how PDS beneficiaries use FCI grain across States.
- See Agricultural Produce Market Committee (APMC) Act for the marketing side of the same wheat-and-rice economy.

Exam Edge

Previous Year Questions

The economic-cost formula and NFSA facts are repeat questions.

Chapter 4: Current Affairs

Great to Know

Recapitalising the FCI

- Authorised capital was doubled to ₹21,000 crore in February 2024.
- A further ₹10,700 crore equity infusion was approved for FY25 in November 2024.
- More equity means less borrowing, which should ease the interest-driven economic cost over time.

Stocks near three times the buffer norm

- As of April 2026, central pool stocks stood at 604 lakh tonnes.
- The mandatory buffer norm for that date was only 210.40 lakh tonnes.
- This is the live version of the surplus-versus-scarcity debate.

> **Think it through: Why does borrowing push up the FCI's economic cost?**
> The FCI pays interest on money borrowed to buy grain. That interest is added to what each tonne costs.

Quick Q&A

FCI established?

14 January 1965.

Three objectives?

Price support, PDS supply, buffer stock.

Economic cost?

MSP + bonus + incidentals + distribution cost.

PEG scheme started?

2008.

Shanta Kumar report?

January 2015.

Practice: Food Corporation of India

8 verified questions from this topic.

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Buffer Stock and Food Grain Management

Public Distribution System and Food Security

One Nation One Ration Card (ONORC)

Agricultural Produce Market Committee (APMC) Act

Practice MCQs

1. The Food Corporation of India (FCI) was established on 14 January 1965, under which legislation?

A. The Agricultural Produce Marketing Act, 1963

B. The Food Corporations Act, 1964

C. The National Food Security Act, 2013

D. The Essential Commodities Act, 1955

See answer ↓

2. Which 1957 committee first recommended setting up a dedicated national grain procurement and storage body, which later became FCI?

A. The Agricultural Prices Commission

B. The National Development Council

C. The Shanta Kumar Committee

D. The Foodgrains Policy Committee

See answer ↓

3. Under the Food Corporations Act, FCI has three statutory objectives: remunerative prices for farmers, affordable PDS grain, and what third goal?

A. Setting the annual Minimum Support Price

B. Regulating agricultural export tariffs

C. Maintaining buffer and operational stocks for food security

D. Administering crop insurance claims

See answer ↓

4. The High-Level Committee that reviewed and recommended restructuring FCI's role, submitting its report to PM Modi in January 2015, was chaired by whom?

A. Raghuram Rajan

B. Arvind Panagariya

C. Ashok Gulati

D. Shanta Kumar

See answer ↓

5. As of November 2025, roughly how much total foodgrain storage capacity did FCI hold across India?

A. Over 1,000 lakh metric tonnes

B. Over 250 lakh metric tonnes

C. Over 100 lakh metric tonnes

D. Over 482 lakh metric tonnes

See answer ↓

6. The economic cost of food grains to the Food Corporation of India is Minimum Support Price and bonus (if any) paid to the farmers plus (UPSC CSP 2019)

A. transportation cost only

B. procurement incidentals and charges for godowns

C. interest cost only

D. procurement incidentals and distribution cost

See answer ↓

7. What does the "economic cost" of foodgrain include, beyond the procurement price alone?

A. Storage, transport, interest, and distribution costs

B. Only export shipping costs

C. Only the cost of fertilizer used

D. Only the farmer's original seed cost

See answer ↓

8. As detailed on 31 July 2026, FCI rice's share of ethanol feedstock rose to 24.64% in ESY 2025-26, up from what share in ESY 2023-24?

A. 5.6%

B. 2.4%

C. 10%

D. 0.02%

See answer ↓

Answer Key

1. **B.** FCI was set up under the Food Corporations Act, 1964, after repeated post-independence food shortages exposed gaps in grain procurement and storage. ↑ Q1
2. **D.** The Foodgrains Policy Committee of 1957 recommended a dedicated body for procurement and storage, an idea realised eight years later as FCI. ↑ Q2
3. **C.** FCI's third statutory objective is maintaining buffer and operational stocks, distinct from setting MSP itself, which is a separate government function. ↑ Q3
4. **D.** Former Himachal Pradesh Chief Minister Shanta Kumar chaired the committee, which recommended narrower FCI procurement and greater private-sector involvement. ↑ Q4
5. **D.** FCI's storage capacity stood at more than 482 lakh metric tonnes as of November 2025, spread across over 2,500 operational godowns. ↑ Q5
6. **D.** The correct answer is (c) procurement incidentals and distribution cost. FCI's economic cost of foodgrain equals the MSP (plus any bonus paid to farmers), plus procurement incidentals (mandi tax, labour, gunny bags), plus distribution cost (freight, storage, handling, transit losses). ↑ Q6
7. **A.** The economic cost includes storage, transport, interest, and distribution costs. This makes the government's real cost per unit of grain much higher than the MSP alone. It is a broader figure than the procurement price. ↑ Q7
8. **D.**
   Surplus FCI rice goes to ethanol only after buffer stock and welfare needs are met. As reported on 31 July 2026, the share of ethanol made from FCI rice jumped. It rose to 24.64% in ESY 2025-26 from negligible 0.02% in 2023-24. The data are Petroleum Ministry data, via Deccan Herald. The official reply of 17 December 2025 gives the surplus-only rule.
   ↑ Q8

Quick-check answers

1. **False.** ↑ 1
2. **True.** ↑ 2

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