

What is the Open Market Sale Scheme (OMSS)?

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Why in News?

- The Centre recently allowed state governments to directly buy rice from the Food Corporation of India (FCI) without participating in e-auction under the open market sale scheme (domestic).

What is the Food Corporation of India (FCI)?

- It is a **statutory body** set up in 1965 (under the **Food Corporation Act, 1964**) under the **Ministry of Consumer Affairs, Food and Public Distribution**, Government of India.
- It was **set up against** the **backdrop of a major shortage of grains**, especially wheat, in the country.
- The FCI is the main agency responsible for the **execution of food policies** of the government.
- Currently, FCI is mandated with **three basic objectives**:
 - Effective **price support operations for safeguarding** the interests of the **farmers**.
 - **Distribution of food grains** throughout the country **for public distribution system**.
 - **Maintaining** satisfactory level of operational and **buffer stocks of food grains** to ensure National Food Security.

What is the Open Market Sale Scheme (OMSS)?

- **The FCI**, on the instructions from the government **from time to time, sells surplus food grains from the central pool, especially wheat and rice, in the open market** to traders, bulk consumers, retail chains, etc., at predetermined prices.
 - This is in **addition to maintaining buffer stocks and making a provision for** meeting the requirements of the **National Food Security Act (NFSA)** and Other Welfare Schemes (OWS),
- The **FCI** does this **through e-auctions**, where open market **bidders can buy specified quantities**.
- An eligible bidder **can bid for** a minimum quantity of 10 metric tons (MT) to a **maximum of 100 MT in the case of wheat**. In the **case of rice**, traders are eligible and can bid a minimum quantity of 10 MT and a **maximum quantity of 1000 MTs**.
- **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 beneficiaries**.
- The OMSS **aims to enhance the supply** of food grains (ensuring food security) during the lean season and thereby **moderate the open market prices** (controlling inflation), especially in the deficit regions.

How has the Centre Revised the OMSS?

- **The Centre decided to restrict the quantity** that a single bidder can purchase in a single bid under the OMSS.
- While the maximum quantity allowed earlier was **3,000 metric tonnes (MT)** per bid for a buyer, it will now range from **10100 metric tonnes**.
- The FCI claims that the quantities have been reduced this time **to accommodate more small and marginal buyers and to ensure wider reach of the scheme**.
- **The objective behind the move is also to curb retail prices** as allowing smaller bids should ideally **break monopolies** of bulk buyers, allowing more competitive bids by small buyers.

What is the Bone of Contention?

- Through a new notification, **the Centre stopped the sale of rice and wheat from the Central pool under the OMSS to State governments**, also disallowing private bidders to sell their OMSS supplies to state governments.

How have States Reacted?

- States such as Karnataka and Tamil Nadu have criticised the government **for engaging in “politics” at the expense of marginalised beneficiaries** of State welfare schemes.
- In Karnataka, **the Anna Bhagya scheme** to give rice to marginalised families was a part of the Congress government’s poll promise.
 - The leaders have accused Centre of **conspiring to “fail” the State government’s poll guarantee** by ensuring the State did not receive the required amount of rice to implement the scheme.

The Centre’s Arguments:

- The reason for restricting supplies per bidder and eventually excluding states from procuring through auctions was **to curb inflation and regulate supply**.
- **The Centre was already meeting its obligations** to distribute grains to 80 crore marginalised beneficiaries under the NFSA.

Q1) What is the National Food Security Act 2013?

The Act legally entitled upto 75% of the rural population and 50% of the urban population to receive subsidized food grains under Targeted Public Distribution System.

Q2) What is the public distribution system (PDS)?

PDS evolved as a system of management of scarcity through distribution of foodgrains at affordable prices. Over the years, PDS has become an important part of the Government’s policy for management of the food economy in the country.

Source: States allowed to buy rice from FCI without e-auction at Rs 2,800/quintal

Source: <https://vajiramandravi.com/current-affairs/what-is-the-open-market-sale-scheme-omss/>

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