

The Open Market Sale Scheme for wheat and rice

What is the Open Market Sale Scheme and how does it work? Why has the government made changes to the OMSS? Why has the FCI discontinued the sale of grains under OMSS to States? How have the states reacted?

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The story so far:

States have been looking at alternative ways of procuring wheat and rice in the after the Food Corporation of India's (FCI) imposed quantity restrictions followed by the refusal to allow States to procure the two food grains through its Open Market Sale Scheme (OMSS). The Centre has made it clear that the reason for restricting supplies per bidder and eventually excluding states from procuring through auctions was to curb inflation and regulate supply. 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.

What is the Open Market Sale Scheme?

Under the Open Market Sale Scheme, the

FCI 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 and so on at pre-determined prices. The FCI does this through e-auctions where open market bidders can buy specified quantities. States are also allowed to procure food grains through the OMSS without participating in the auctions, for their needs beyond what they get from the central pool to distribute to NFSA (National Food Security Act) beneficiaries.

This year's OMSS was operationalised by the FCI in January. According to the latest press release of the Food Ministry, six weekly e-auctions of wheat had been conducted by FCI till March 15, 2023. "The total quantity of 33.7 LMT wheat was offloaded and the prices of wheat came down by 19% due to this massive intervention in a span of 45 days," noted the release.

The next e-auction for wheat under

OMSS will start on June 28 and the bidding for rice will commence on July 5.

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 10-100 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.

First, the Centre had decided earlier this month to reduce the quantity a particular bidder can purchase under the

OMSS, but on June 13 in a notification sent to the States, it 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.

Chairman and Managing Director of the FCI Ashok K.K. Meena, said the Centre was already meeting its obligations to distribute grains to 80 crore marginalised beneficiaries under the NFSA, and also had an obligation to the 60 crore common consumers who are affected by retail prices.

How have States reacted?

In Karnataka, the Anna Bhagya scheme to give rice to marginalised families was a part of the Congress government's poll promise.

The leaders of Congress 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.

Tamil Nadu is trying to purchase 50,000 tonnes of rice from government agencies other than FCI. "We give rice to all ration card holders. To manage the supplies, we were buying from OMSS at a rate of about ₹35 for a kilo of rice and then subsidising it. Now, the Union government has stopped the supply under OMSS. We have to find an alternative now," a senior government functionary of Tamil Nadu told *The Hindu*.

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