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Q79

The economic cost of food grains to the Food Corporation of India is Minimum Support Price and (a) transportation cost only (b) interest cost only (c) procurement incidentals and distribution cost (d) procurement incidentals and charges for godowns

Official key: C.

UPSC Civil Services Prelims 2019 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

(a) Transportation cost only. Economic cost of **FCI** grain is wider than freight. Not the key.

(b)

(b) Interest cost only. Interest is one incidental, not the whole add-on to MSP. Not the key.

(c) Official key

(c) Procurement incidentals and **distribution cost**. Economic cost = MSP (or procurement price) plus procurement incidentals plus **distribution cost**. That is the official key.

(d)

(d) Procurement incidentals and charges for godowns. Godown/storage is only a slice of **distribution cost**, so the option is incomplete. Not the key.

Summary

Official key is (c). **FCI**'s economic cost is the sum of **acquisition cost** (MSP plus procurement incidentals) and **distribution cost** (freight, handling, storage, interest, transit loss). Transport or interest alone, or incidentals plus godown charges only, understate it. Honour (c).

Related possible facts

These can be asked in a future Prelims paper.

Acquisition cost

MSP plus statutory and non-statutory procurement incidentals

Distribution cost

Freight, handling, storage, interest, transit and storage losses

CIP

Central Issue Price at which grain is issued under NFSA

Food subsidy

Economic cost minus CIP (and related recoveries)

FCI

Nodal agency for procurement, stocking and PDS movement

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