

**PUBLIC ACCOUNTS COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

NINETY-THIRD REPORT

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 58th Report (Fourth Lok Sabha) on para 39 of Audit Report (Civil), 1968 relating to Central State Farm, Suratgarh (Department of Agriculture)]



**LOK SABHA SECRETARIAT
NEW DELHI.**

January, 1970 Pausa, 1891 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

(1969-70)

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Shri A. L. Rai, Deputy Secretary.

Shri K. Seshadri, Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 93rd Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 58th Report (Fourth Lok Sabha) on para 39 of Audit Report (Civil), 1968 relating to Central State Farm, Suratgarh (Department of Agriculture).

2. On the 7th June, 1969, an "Action Taken" Sub-committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-committee was constituted with following members:—

1. Shri N. R. M. Swamy, *Convener*
2. Shri H. N. Mukerjee.
3. Shri K. M. Koushik.
4. Shri Tayappa Hari Sonavane.
5. Prof. Shanti Kothari.
6. Shrimati Sushila Rohatgi.

3. The draft Report was considered and adopted by the Sub-committee at their sitting held on the 17th December, 1969 and finally adopted by the Public Accounts Committee on the 7th January, 1970.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix II).

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller & Auditor General of India.

NEW DELHI;
9th January, 1970.

19th Pausa, 1891(S).

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the recommendations contained in their 58th Report (Fourth Lok Sabha) on para 39 of Audit Report (Civil), 1968 relating to Central State Farm, Suratgarh (Department of Agriculture) which was presented to the House on the 3rd April, 1969.

1.2. Action Taken notes have been received in respect of all the 15 recommendations contained in the said Report.

1.3. The Action Taken Notes/statements on the recommendation of the Committee contained in the Report have been categorised under the following heads:—

(i) *Recommendations/observations that have been accepted by Government.*

S. Nos. 6 and 10.

(ii) *Recommendations/observations which the Committee do not like to pursue in view of the replies of Government.*

S. Nos. 2, 5, 7, 12, 13 and 15.

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 1, 3, 4, 8, 9, 11 and 14.

1.4. The Committee will now deal with the action taken by Government on recommendations at Sr. Nos. 1, 3, 4, 8, 9, 11 and 14.

Yields in Suratgarh Farm: Need for improved irrigation facilities and a cropping pattern—Paras 1.30 and 1.32 (S. Nos. 1 and 3).

1.5. In para 1.30 of their Fifty-Eighth Report (Fourth Lok Sabha) the public Accounts Committee made the following observation about the performance of the Seed Multiplication Farm in Suratgarh:

“The Committee are not at all impressed by the performance of the Seed Farm over the years. The kharif production of the Farm in 1967-68 was about a sixth of what it was in 1963-64. Over this period, the rabi crop did improve on the other hand the average yield of some of the major rabi products declined. Besides, the yield of the cro

both rabi and kharif, varied erratically from year to year. Apparently, the Farm has still not been able to work out a proper crop pattern which as far back as 1961 the Estimates Committee had considered essential for optimising yields."

1.6. Analysing the reason for this situation, the Committee observed:

"The Committee recognise that the Farm has been affected by lack of adequate irrigation facilities on the one side and by floods on the other. The supply of irrigation to the Farm, which is situated at 'the tail end' of the Bhakra system, has over the last five years been 31 per cent of its allowance or less, the allowance itself being only 40 per cent of the Farm's requirements. However, the distribution system of the Farm cannot cope with full supply from Bhakra, even when it becomes available in 1971, except after extensive remodelling which it is estimated to cost Rs. 94 lakhs. The alternative that Government is now contemplating is to switch the Farm to supplies from the Rajasthan Canal but adequate supplies from this source are not likely to materialise before 1975. Besides, the cost of remodelling of the distribution system to this source of supply has yet to be worked out. The Committee find the entire position in regard to the provision of irrigation to the Farm to be extremely unsatisfactory. It also raises the basic question as to whether the site for the Farm was correctly chosen." (Para 1.32).

1.7. In a reply dated 4th December 1969, the Ministry of Food, Agriculture, Community Development and Co-operation have stated:

"The farm has been visited by floods since 1958. Upto the year 1964, the intensity of the floods was not very high. In the year 1964, the floods were of an unprecedented nature with the result that our kharif crop was greatly damaged. It was therefore decided that only the area protected with bunds and where irrigation was available should be cultivated in the kharif season.

While it is true that seed production in kharif 1967 was only one sixth of that kharif 1963, the total production inclusive of non-seed production was only slightly lower in

kharif 1967 compared to kharif 1963 if Dhaincha and sugarcane is excluded.

A statement (Appendix I) showing the crop-wise total production in respect of 1963 kharif and 1967 kharif is enclosed. It will be observed that whereas the total yield of kharif crops (excepting Dhaincha and sugarcane) was 10,580 quintals in 1963, it was 9,191 quintals in 1967.

The cultivation of Dhaincha was considerably reduced because of the difficulty in collection of seed in a big area which used to shed and create problems in the Farm as weed wherever it was carried by floods waters. The turning of Dhaincha into green manure was not found feasible due to lack of adequate irrigation facilities. The cultivation of sugarcane was drastically reduced as there was accumulation of dues from the Ganganagar Sugar Mills, which was the only Sugar Mill in the area and which was the customer of the Farm for sugarcane.

The yield of crops depends on a variety of indefinite factors and that is why it is not possible to pin down production to any predetermined figure. There shall always be fluctuations in the average production of different crops and it cannot be regulated with any precision of the type possible in a manufacturing unit. The cropping programme is linked with programmes for the production and multiplications of various types of seeds and it is not possible to have a standing cropping pattern. For example, in kharif 1968-69 a considerable area was put under Soyabeans for the first time because there was urgent need to multiply Soyabean seed imported from abroad.

As desired by the Estimates Committee action was taken for evolving a suitable cropping pattern. Certain crops like Til and Gram which were sown in the initial stages and which did not give good output per acre were either dropped or the areas under them reduced. While the crops suitable for cultivation at the Farm have been determined it is not possible to adopt a rigid pattern for acreage to be put under each crop. Acreage under each crop has to be determined each year depending upon the types of seed needing multiplication at a given time and other factors like the prevailing prices and marketing possibilities of the produce, costs of production, irrigation and weather conditions etc."

"It is not denied that irrigation supplies to the Farm have been unsatisfactory, but constant efforts are being made to get increased irrigation supplies. It has been recently decided to switch over the irrigation system for the Farm to the Rajasthan Canal instead of the Bhakra canals. The cost of remodelling in the former case will be lower. But the present lease of land with the Suratgarh Farm expires in 1971 and it is not proposed to incur any substantial expenditure of a capital nature such as remodelling of canals until the lease of the land is extended. The question of the extension of lease is under discussion with the Rajasthan Government.

Regarding the suitability of the site, this was the only large sized site available for utilising the machinery gifted by the U.S.S.R Government for setting up a large sized mechanised Farm. When the site was selected, floods were unknown in the area. Even before the Farm was set up, towns and villages, railway track and railway stations already existed in the dry river bed. The first flood came only in 1958."

1.8. The Committee asked for data about the total yield of kharif crops, both seed and non-seed, year-wise since 1963-64. This has been furnished in a note dated 6-12-1969 as under:—

Year	Seed production	Non-seed production	Total
1963-64	7012	1,29,423	1,36,435
1964-65	2459	45,189	47,658
1965-66	1027	15,439	16,436
1966-67	958	16,764	17,722
1967-68	1264	11,322	12,586

(NOTE : Figures given in complete quintals).

1.9. The Committee enquired about the crops suitable for climatic and other conditions prevalent in Suratgarh. This information has been furnished as follows:

"Experience has shown that the following crops are suitable for cultivation at the Suratgarh Farm:

A. Kharif

- (1) Paddy.
- (2) Cotton.
- (3) Sugarcane.

- (4) Jowar.
- (5) Bajra.
- (6) Soyabean.
- (7) Lobia.
- (8) Cowpea.
- (9) Moong.
- (10) Guar.
- (11) Dhaincha.
- (12) Berseem (Fodder).
- (13) Vegetables.

B. Rabi

- (1) Wheat.
- (2) Gram.
- (3) Oats and Barley.
- (4) Oil-seeds (Mustard and Taramira)."

1.10. In reply to a question for the reasons for higher yield of crops in IADP districts, the following position has been brought to the notice of the Committee in a note dated 6-12-1969:

"A comparison of the figures of average yields given in Appendix III of the 58th Report of the Public Accounts Committee shows that generally, the yield of wheat, gram, rice, bajra and jowar compared favourably with the average yields in the I.A.D.P. District of Pali, Aligarh and Shahabad. In the case of wheat, the yield was higher than the average yield in these three I.A.D.P. Districts during 1963-64 and 1965-66. In 1966-67, it was higher than the yields at Pali and Shahabad. Ludhiana which has registered higher yields is an intensively irrigated District.

In the case of gram, the yields were generally higher than those obtained in Aligarh and Shahabad District. In the case of rice, the yields were higher than those obtained in Raipur and Shahabad in all the years except 1967-68. In the case of Bajra, the yield was higher than that obtained at Pali and Aligarh Districts, in all the years. In the case of jowar, the yield at Suratgarh was higher than the average yield in Pali and in Ganganagar District of Rajasthan State where the Farm is located. As

regards sugarcane, yields obtained at Suratgarh were substantially higher than the average yield (except in 1964-65) in Ganganagar District of Rajasthan.

The main reason for the lower per acre yield at Suratgarh in a few cases is inadequate irrigation facilities."

1.11. The Committee enquired when supplies from Rajasthan Canal will materialise and what the cost involved in switching over the Farm to this source of irrigation would be. In their note dated 6th December 1969, the Department of Agriculture have stated:

"We have requested the Rajasthan Government to make irrigation water available from the Rajasthan Canals System, in accordance with a decision taken in a meeting with representatives of the State Government. It is not known when the Rajasthan Government will be able to arrange this. The matter is being pursued with the Rajasthan Government."

"The exact cost of remodelling of the distribution is not yet known, but we have been assured by the representatives of the Rajasthan Government in informal discussions that this will be much lower than if increased irrigation supplies were to be obtained from the Bhakra System. In any case, as stated earlier, it is not proposed to incur any substantial expenditure of a capital nature until the lease of the land is extended."

1.12. The Committee observe that the Department of Agriculture set up a committee to review the working of the Suratgarh Farm. In a report submitted in September, 1969, that committee have made the following observations about the agricultural operations in the Farm:

"Kharif" 69.—The area sown during hkarif 1969 amounts to 6,200 acres. The Committee visited the fields and found the stand of the crops quite reassuring, particularly in the case of paddy crop. Conditions remaining favourable, the farm expects to harvest a record crop of about one lakh quintals.

Out of 6,200 acres sown under kharif crops, 540 acres is under green manuring. Out of the rest, only 4,374 acres has been taken for calculation of income. In the remaining 1,286 acres the yield expectation is below target. This acreage includes experimental summer crop of maize and moong.

Maize crop is not successful in this area due to climatic conditions and its cultivation should have been reduced to the minimum on the basis of past experience. It should not be grown in future

except on small area for hybrid seed production. Cotton, sugarcane are paying crops. Two crops of moong can be taken during kharif—one before monsoon and the other during monsoon. This is being done as multiple cropping. Paddy is doing well. The market rate for paddy is low. It does not compete very well with sugarcane and cotton for return per unit of water required during the hottest period of the year when the water supply position is lean. The policy regarding increasing or decreasing area under paddy, needs to be reviewed at the end of the kharif crop.

Rabi.—The area programmed for rabi sowings was 22,000 acres. The present expectation is 16,000 acres.* The reduction is due to lack of flooding of fields. Previously, rabi was sown mainly on flood moisture and irrigation was not available at the sowing time with the result that the entire sowing was mainly done on conserved moisture, which did not give good germination. This year there has been flood only on limited area and the rest is planned to be done with canal irrigation. It is proposed to sow crops as under:

With Irrigation:

(i) Wheat	..	5,774 acres
(ii) Gram about	..	4,000 acres

With Floods:

(i) Gram about	..	4,000 acres
(ii) Oil seeds about	..	2,500 acres

Although the area has been reduced, the sowing of rabi will be well in control and proper germination can be obtained. Irrigation would also be available at required time. It is expected that the return per acre and per rupee investment on direct inputs would be more this year."

"The scheduled water supply for the Farm at present is 100 cusecs.† Out of this, 85 cusecs come from Bhakra Canal System and 15 cusec from Gang Canal system. Supplies from Bhakra Canal as well as from Gang Canal system were in the past depleted due to floods in the months of August to November every year. This was adversely affecting the kharif crops as sufficient water was not

*Government have stated that "in view of improved irrigation facilities and availability of flood moisture . . . the Farm should be able to achieve its original target of 22,000 acres."

†Government have stated that "the scheduled water supply is actually 81 cusecs—66 cusecs from Bhakra Canal system and 15 cusecs from Gang Canal system."

available at maturity and flowering time of the crops. Similarly paucity of water was also reducing germination of rabi sowings. This year the canals have not been breached during floods and hence the water supply has been as it should be in the normal course. In the upper reaches of STG Distt. the left bank has been strengthened. It is now expected to stand any intensity of flood. In the lower reaches within the Farm area so far there have been no breaches due to low intensity of flood waters. Further cooperation of Irrigation Department has been forthcoming in the recent past. Better crop and more income is expected from Kharif. Sowing of rabi will be possible to do with 'palewa' irrigation on major portion of the area. Out of 100 cusecs, about 5 cusecs water is likely to be utilised in the orchard. The remaining 95 cusecs at the rate of 100 acres per cusec of likely cropping should normally suffice for 9,500 acres of crops. The output of cropping per cusec has been taken 100 acres in rabi due to the Farm being located at the tail end supplies being low in critical times. About 6,000 acres area is likely to be sown on flood moisture. This will, while reducing total area under Rabi, improve the direct input/output ratio. Such stable conditions, if regularly available can bring more return per unit of money spent and improve the economy of the Farm. As a result of efforts made to regulate flood water, the anticipated low intensity of floods, may become a normal feature for future years. The Committee is of the opinion that on the present basis of 16,000 acres, resources and expenditure should be worked out but it would be desirable to review the position from time to time."

1.13. In para 1.30, the Committee had drawn attention to the deterioration in kharif seed production in the Suratgarh Farm since 1963-64. The Committee observe from the data furnished to them that even if the 'non-seed' kharif production is taken into account, the picture remains the same. The total kharif production in 1963-64 was 1,36,435 quintals and it slumped to less than a tenth in 1967-68, i.e., 12,586 quintals. The Committee are glad to observe that "condition remaining favourable, the Farm expects to harvest a record crop of about one lakh quintals" in the 1969 kharif season.

1.14. The Committee note that the main reason for the lower per hectare yield is the absence of adequate irrigation. This has affected kharif crops at the flowering stage and rabi crops—the mainstay of the Farm—at the sowing stage. The long-term solution to this difficulty according to Government lies in switching over the Farm to irrigation from the Bhakra Canal to the Rajasthan Canal, but the cost of this is yet to be worked out. In any case, the Farm is in no position to commit itself to any substantial expenditure on this

account, till there is an assurance from the Rajasthan Government that the lease on the land occupied by the Farm, which is due to expire by 1971, will be extended. The Committee however gather that the Rajasthan Canal crosses the Suratgarh distributory and the Pilibangan distributory of the Bhakra system at a place close to the Farm where two siphons operate. The Committee would like Government to examine whether it would be possible to take advantage of this arrangement to augment irrigation supplies to the Farm, without substantial capital expenditure.

1.15. The Committee also note that a committee set up by Government to examine the working of the Farm has suggested the discontinuance or reduced cultivation of certain crops like maize, which have not been "successful due to climatic conditions", and paddy, which does not "compete very well with sugarcane and cotton for return per unit of water required during the hottest period of the year when the water supply position is lean." The Committee have already, in their 58th Report, highlighted the need for a proper crop pattern. The Committee hope that this point will be kept continuously in view having regard to observe yields of the crops and their market potentialities.

Problem of floods—Para 1.33 (S. No. 4)

1.16. Referring to the problem of floods faced by the Farm, the Committee made the following observations in para 1.33 of their Fifty-Eighth Report (Fourth Lok Sabha):

"As regards the problem of floods, the Committee observe that they have become a 'hardy annual', as the Farm is located in the bed of a river. A comprehensive flood protection scheme has yet to be worked out thirteen years after the Farm has come into existence, though the Committee are informed that it is being looked into. As early as 1961, the Estimates Committee had urged that control measures in this respect should be taken with utmost speed. It took six years after that for a diversion channel to be built and even this gave way under the impact of the first flood it had to cope with that very year."

1.17. In a note dated 4-12-1969, the following reply has been furnished by the Ministry of Food, Agriculture, Community Development and Co-operation:

"The Farm was set up in 1956 and the floods in the Ghaggar river were not known at that time. The first

floods came only in 1958 and the Ministry of Food and Agriculture have been in continuous touch with the Rajasthan Government for prevention of floods. Private lands were also involved. The Rajasthan Government constructed a flood diversion channel and it was hoped that this would solve the problems to a large extent but the channel also gave way in 1967 under the impact of the first floods it had to cope with that very year. The diversion channel was constructed not by the Farm but by the Rajasthan Government. A Committee consisting of the Chief Engineer, Irrigation, Rajasthan; the Chief Engineer, Rajasthan Canal Project and Director of the Farm has been set up to finalise a flood control scheme for the Farm. But as stated earlier, it is not proposed to incur any large scale expenditure either on flood control scheme or on any other item until the lease of the Farm is extended.....The Farm has constructed in 1969 some new protective bunds in the farm area to control the flood waters. It has strengthened the existing bunds and these bunds now total 25 miles. After the lease of the Farm is extended, comprehensive flood control measures will be adopted. When we switch over to the Rajasthan Canals System, as envisaged, the irrigation supplies will also improve. The Farm will then do much better than it has done in the past."

1.18. At the instance of the Committee, a further note dated 26-12-1969 was furnished as under:

"A flood control scheme has been worked out and its cost is estimated at about Rs. 50 lakhs. It will benefit not only the Suratgarh Farm but also the private cultivators in the areas. The flood control scheme will also benefit the Railways and the P.W. Department of the Rajasthan Government. The question as to how the cost of the Flood Control Scheme should be shared is being discussed between the various beneficiaries."

1.19. The Committee gather from the report of the committee set up to go into the working of the Suratgarh Farm the following regarding flood protection measures:

"This year the canals have not been breached during floods and hence the water supply has been as it should be in the normal course. In the upper reaches of Suratgarh district, the left bank has been strengthened. It is now expected to stand any intensity of flood. In the lower

reaches within the Farm area so far there have been no breaches due to low intensity of flood waters.....”

1.20. The Committee are glad to observe that due to “low intensity of floods” the crops in the Farm were not damaged in 1969 and that certain precautionary measures have been taken to meet the problem in future. However, a permanent system of flood control is expected to cost Rs. 50 lakhs and is based on a scheme for cost sharing to be worked out with various beneficiaries like the Railways, the State Public Works Department and private cultivators in the area. The Committee have no doubt that Government will assure itself of the extension of the lease of the land occupied by the Farm before embarking on any substantial expenditure on this account.

1.21. The Committee are also of the view that farms should be set up on lands leased in perpetuity or purchased lands rather than on lands leased for short periods so as to avoid a situation and uncertainty of this type.

Cost of production in the Farm—Para 1.61 (S. No. 8)

1.22. Commenting on the cost of production in the Farm, the Committee observed in para 1.61 of their Fifty-Eighth Report (Fourth Lok Sabha) as under:

“The very low return on investment would appear to have been caused by the high cost of production on the Farm. The data at page 22 of the Report would show that the cost of production of crops raised by the Farm, besides being subject to large variations from year to year, stayed above the range of prices fetched by sales in a number of cases. Apparently, low productivity and heavy establishment and labour expenses amounting on an average to 35 per cent of the total cost have contributed towards this position. It is regrettable that no systematic measures to control the expenditure on labour and establishment were taken though, as early as 1961, both the Estimates Committee and a Committee on Large Sized Mechanised Farms set up by Government had emphasised their importance to the Farm.”

1.23. In an action taken note dated 4-12-1969, the Ministry of Food, Agriculture, Community Development and Cooperation have replied as follows:

“The low return on investment is due to the fact that as observed by the Committee in para 1.32 of the Report, the

supply of irrigation to the Farm which is situated at the tail end of the Bhakra system has over the last 5 years been 31 per cent of its allowance or less, the allowance itself being only 40 per cent of the Farm's requirement. While the yield of crops depends mainly on adequate and timely irrigation, the employment of labour is on the basis of area under cultivation and cannot be reduced drastically even when the intensity of irrigation is inadequate. However, the number of labourers to be employed at the Farm is assessed every month taking into account the volume of work. The administrative expenses in the running of Suratgarh Farm are not considered high. They have been calculated to be 12 per cent, 13 per cent and 14 per cent of the cost of production in the years 1965-66, 1966-67 and 1967-68 respectively by the Audit as per the Inspection Report on the accounts of the Farm issued by the A.G. for the year 1967-68. In spite of all this, the cost of production for sugarcane, hybrid maize and paddy is lower than the cost of production at Pantnagar University Farm. When flood control measures are adopted, it would be possible to bring larger area under kharif crops and this would bring down the cost of production."

1.24. At the instance of the Committee, a further note dated 6-12-1969 was furnished. This indicates the following position:

"The State Farms Corporation of India Ltd. took over the administration of all the Central State Farms from the 1st August, 1969. Immediately after this change-over, the Corporation applied itself to the task of streamlining of all the Farms. A Committee was appointed consisting of senior technical officers in the headquarters office of the Corporation and the General Manager of each Farm to go into the working of all of them and the Committee has already completed its work so far as the Farms at Suratgarh, Jetsar, Hissar and Jharsuguda are concerned. The terms of reference of the Committee asked them to look into the staff and equipment requirements of the Farms. These also asked them to look generally into questions about improving the economics of the Farms. As a result of the work of the Committee, some overstaffing has been discovered at the older Farms, namely, Suratgarh and Jetsar and efforts have been made to transfer staff from these Farms to the newer Farms. The staff strength at the older Farms has been reduced without retrenching any

individual so far. The Committee has also declared some equipment and spare parts as surplus at the older Farms and these will be disposed of if they are not wanted at the newer Farms. The Committee has prescribed limits of expenditure for each of the Farms for the year ending 30th June, 1970 (which is the financial year adopted by the Corporation) and has also prepared realistic estimates of income for the year."

1.25. The Committee observe from the reports of the committee mentioned in the foregoing reply, the following position:

(i) *Staff*

"A statement showing the posts sanctioned, posts filled and posts at present lying vacant at the Central State Farm, Suratgarh was furnished to the Committee. The total number of posts lying vacant was 47. After reviewing the position in each case, the Committee found that in majority of the cases, it was not necessary to retain these posts. In several other cases, in order to achieve economy, reduction in number of existing posts has been found possible. The specific recommendations of the Committee in the case of each post or category of posts are given.....The saving in expenditure on this account is estimated at Rs. 1.25 lakhs."

(ii) *P.O.L.*

"The quantities of POL held at the Farm were checked. It was found that the stocks held as on 1-9-1969, particularly lubricants, were very much on the high side. The following table indicates the period for which the present stock of each oil/lubricant would last:—

<i>Item</i>	Period for which pre- sent stock would suffice
1	2
H.S.D.	2½ months
Petrol	3 months
SAE—40	13 months
SAE—30	17 months
Gear oil SAE—140	2 months
Flushing Oil	15 months

1	2
Motrex	6 months
Grease—MI	8 months
SEA—10	9 months
Brake Fluid	26 months
Grease—M IV	13 months
Kerosine Oil	11 months
Upper Cylinder Lubricant Oil	57 months
Furnace Oil	15 months
Mineral Jelly	11 months

It was explained that overstocking was due to the system of procurement through DGS&D. The Committee did not find any force in this argument. The basic cause for overstocking both at Jetsar and Suratgarh Farms seems to be the system of placing indents without taking into account the stocks in hand. Inquiries made revealed that the indents were being prepared by the Mechanical Wing and then placed on the DGS&D by the Stores Section but without any vetting with regard to the stocks in hand or in the light of average consumption during the past year. This anomalous working has resulted in overstocking with both sides now evading responsibility."

(iii) *Surplus machinery and spares*

"The Committee has obtained a list of surplus equipment worth about Rs. 2,17,549/-. The Committee has also obtained a list of spare parts which has been declared surplus at Suratgarh. The total price of the spare parts declared surplus is Rs. 64,185/-. Efforts should be made to either sell these spare parts in the open market or to transfer them to other farms, if required by the latter."

(iv) *General*

"Normally the cultivation cost, both direct and indirect, should not exceed 50 per cent of the crop income."

1.26. While the Committee recognise that control over cost of production in the Farm can be effectively obtained only by optimising yields, they would like to stress the need for effective measures for controlling costs of cultivation in the Farm. A Committee which reviewed the working of the Farm in September, 1969, suggested measures for savings in staff expenditure to the tune of Rs. 1.25 lakhs, as it found a number of posts in the Farm to be unnecessary. The Committee hope that, in the light of this position, periodical/evaluation of the staff position would be made with the help of prescribed norms. That Committee also found surplus equipment and spares in the Farm worth Rs. 2.81 lakhs, besides overstocking of P.O.L. products, where the stocks in hand ranged from 2½ months' requirements to 57 months' requirements. As the Farm has now to function as a part of a commercial corporation and pay its way, the Committee hope that cost-consciousness would be instilled into all areas and levels of operations. In order to control inventories, economic order size for each item in use will have to be laid down for guidance of the ordering department.

Prospects of the Farm—Para 1.62 (S. No. 9)

1.27. Referring to the prospects of the Farm, the Public Accounts Committee made the following observations in para 1.62 of their Fifty-Eighth Report:

“The Committee note that Government themselves are not certain that even the profits made by the Farm in the last two years can be maintained. Apart from other factors, the absence of adequate irrigation facilities and the vulnerability of the Farm to floods render the prospects uncertain.”

1.28. In their reply dated 4-12-1969, the Ministry of Food, Agriculture, Community Development and Cooperation have stated:

“The Farm has definitely turned the corner and has given profits during the years 1966-67 and 1967-68 in succession. There may not be substantial profits in 1968-69 because for assisting the Rajasthan Government, it was decided to put some areas under Barseem instead of foodgrains as a measure of drought relief. Measures will be taken for control of floods and for getting adequate irrigation supplies. The question of continuing the lease beyond 1971 is already under consideration. The method of administration of the Farm has been changed from the departmental set up to a company set up from 1-8-1969. It is hoped this will improve the working of the Farm.

The Farm is playing a useful role in executing programmes of seed production and mechanisation of Agriculture, and in our opinion it would be desirable to continue to run the Farm as at present."

"We do not expect the profit in 1968-69 to be at the same level as in 1967-68 as at the request of the Rajasthan Government, we decided to put about 500 acres under Barseem (a fodder crop) as a measure of drought relief. Considering the acute scarcity of fodder in Rajasthan, we decided to assist the Rajasthan Government by growing fodder even if this involved some sacrifice on our part."

1.29. While the Committee are reassured to note the recent improvement in the Farm's performance, they would like to point out that a lasting improvement is possible only if a standing solution can be found to the twin diametrically opposed problems—lack of irrigation water and control of flood waters. This would involve capital expenditure on a scale which it may not be prudent to incur till an assurance is forthcoming that the lease of the Farm land would be extended on a long term basis. The Committee hope that Government will be able to work out a satisfactory arrangement in respect of the foregoing matters.

Deficiencies in the Farm's Accounts—Para 1.64 (S. No. 11)

1.30. Calling attention to the deficiencies in the system of accounts obtaining in the Farm, the Public Accounts Committee made the following suggestions in para 1.64 of their Fifty-Eighth Report :

"The Committee observe that the existing system of accounts suffers from several deficiencies. This was conceded by the Government spokesman. The annual accounts cover the period from July to June which is not very suitable from the point of view of the Farm considering that the rabi crop, the major produce of the Farm, is sold only subsequent to June. The exclusion of the rental value of the land and the temporary capitalisation of items of expenditure like development and preliminary expenditure are also not calculated to give a correct picture of the cost of production each year. The Committee would like Government to take immediate steps, in consultation with Audit, to remove these deficiencies and streamline the accounts."

1.31. In an action taken note dated 4-12-1969, the following reply has been given to these observations by the Ministry of Food, Agriculture, Community Development and Cooperation :

“The existing system of accounts at the Farm was finalised in consultation with the Comptroller and Auditor General of India. We have addressed the A.G. Rajasthan for certain modifications in the accounts system. The matter is still under correspondence.

As stated earlier, the rent is being paid and is being shown in the accounts. A proportionate share of the capitalised items of expenditure like development and preliminary expenditure is charged to the accounts every year and this is the only way to correctly exhibit such expenditure for the purpose of preparing accounts

As pointed out during evidence by the Secretary, the existing accounting procedure of preparing the proforma accounts does not seem to be rational, as under that system interest on capital recovered is added to the capital employed and losses/profits are deducted from/added to the capital employed. This does not give a fair picture of either the capital employed or the return on capital. It is understood that the accounting procedure is under review by Comptroller and Auditor General. From 1st August, 1969, the Farm has been transferred to a public sector undertaking which would be maintaining the accounts on commercial basis and this difficulty of knowing the true results of the Farm will also be eliminated.”

1.32. In a further note dated 6-12-1969, the Ministry of Food, Agriculture, Community Development and Cooperation have elaborated the position as under:

“As already mentioned in reply to para 1.60 and during evidence, the existing accounting procedure of preparing the proforma accounts does not seem to be rational, as under that system, interest on capital recovered is added to the capital employed and losses/profits are deducted from/added to the capital employed. For example during 1967-68, after accounting for the value of opening and closing stock, the gross profit (total income minus expenditure) amounted to Rs. 69.58 lakhs. Out of this, if the entire capital invested by Government were treated as loan capital, an amount of Rs. 5.58 lakhs would be treated as interest paid to the Government. The net contribution to Government by the Farm after deducting

interest, indirect and preliminary expenses and depreciation, was Rs. 49.52 lakhs. The entire amount was credited to Government through the treasury and no part of it was retained by the Farm. Ordinarily, such re-payments should be treated as a reduction in the loans provided by the Government to the Farm. However, in the proforma accounts, it is added to the capital employed, thus raising the capital employed to that extent, instead of reducing it. Depreciation on capital assets such as buildings, irrigation channels, equipment etc. is as good as cash income of the Farm credited to the Treasury which should lead to a reduction in the capital employed. This is also not provided for in the present accounting procedure. It is understood that revision of this procedure is under consideration of the C.A.G. and any instructions received regarding the manner in which the assessment of the correct financial results has to be prepared will be duly complied with. In any case, from the year 1969-70 onwards, the accounts will be prepared on strictly commercial lines as the Farm has been transferred to a Public Sector Undertaking."

1.33. The Committee have already drawn attention to the deficiencies in the present system of accounts in the Farm. They would like Government in consultation with the Comptroller and Auditor General to take immediate steps for rectifying the defects in the accounting procedure, so that it presents a true picture of the working of the Farm.

Financial forecasts of new State Farms:—Para 1.80 (S. No. 14)

1.34. Drawing attention to the decision of Government to set up five new State Farms at Hissar, Sutlej, Sindhnur, Hirakud and Aralam and to the deficiencies in financial forecasts prepared in respect of these Farms, the Public Accounts Committee stated in para 1.80 of their Fifty-Eighth Report (Fourth Lok Sabha):

"The Committee note that Government have now decided to set up a corporate form of management for this and for the five new State farms set up or in the process of being set up. The Committee also note from the financial forecasts prepared for four out of the five State farms that Government expect an annual return ranging from 21 per cent to 57 per cent, the capital investment being recouped within a period ranging from 3 to 10 years. The Committee cannot, however, help feeling that Government's expectations of returns from these farms are on

the extravagant side. It is also a matter for regret that the proposals for setting up these farms were brought up for approval before Parliament through the demands for grants with no indication whatsoever of the economics of the schemes or of the working results of the Farm at Suratgarh, which had then been in existence for twelve years and had been incurring losses. The experience so far gained with the Suratgarh Farm and certain other factors mentioned in the financial forecasts of the new State farms suggests the need for extreme circumspection before committing resources for the development of these farms on the basis of over-optimistic anticipations regarding returns. The farm at Hissar, which is expected to yield a return of 57 per cent and recoup the capital invested over three years from 1968-69, is dependent for its irrigation on the remodelling of the existing canal system in the area at a cost of Rs. 75 lakhs. The remodelling has apparently yet to be started by the State Government. In the case of the farm at Hirakud, where a return of 21 per cent is anticipated and capital is expected to be recouped within ten years from 1969-70, the value of the produce in the first full crop year, i.e., 1968-69, has been Rs. 3.60 lakhs only as compared to the expected return of Rs. 29.21 lakhs. Besides, the location of the farm rendered four-fifths of the area of the farm liable to inundation by the Hirakud Reservoir for one and a-half to five months in a year. The farm at Sindhnur, from which a return of 38 per cent is anticipated and the capital is expected to be recouped in four years from 1970-71, is situated in an area where 'prolonged droughts are of frequent occurrence'."

1.35. In their action taken note dated 4-12-1969, the Ministry of Food, Agriculture, Community Development and Cooperation have replied to these observations as follows:

"The decision to set up a Corporation to run the Farms has been taken as it is expected that under a company form of administration, there will be a greater sense of compulsion on the management to minimise losses and to make profits. The State Farms are essentially commercial organisations and should run as such unhampered by the procedures that govern the working of Government Departments.

The notes on the demands for grants in respect of new State Farms in 1967-68 and 1968-69 did not specify the amounts

required for each particular Farm. There were general provisions intended to be utilised for setting up new Farms on the basis of the anticipated progress of negotiations with the State Governments for acquisition of land. Preparation of detailed financial estimates was not possible at the time the budget estimates were framed. It was not considered necessary to bring out the economics of the working of the Suratgarh Farm for purposes of these budget estimates, firstly, because in Government's opinion the Suratgarh Farm was doing reasonably well and secondly because there was an international agreement for setting up additional Farms and Government had every intention of implementing this agreement. It is our hope that the Farms set up under the agreement would be commercially successful. Mention has been made of a part of the land at the Hirakud Farm being inundated for a part of the year. This is correct but this land had been lying unexploited, after the constructions of the Hirakud Dam and utilisation of land periodically inundated would be a unique experiment and its results could be utilised for bringing under cultivation large areas around other dams which also get inundated for a part of the year. By and large, our State Farms have been set up on lands not under cultivation before and by setting up the Farms, the Government has not only developed the areas but has brought prosperity to those areas besides making a contribution to the mechanisation of agriculture in the country.

Regarding the Farm at Sindhnur in Mysore, this Farm is in the command of Tungabhadra area and we have assurances of adequate irrigation supplies from State Government.

Mention has been made of extravagant returns provided for in the financial estimates of the Farm. These are the first financial forecasts but every effort will be made to see that the returns in commercial terms are reasonable."

1.36. In a further note dated 6-12-1969, the Ministry have stated:

"The management of the Farms have been told not to exceed the expenditure limits indicated by the Committee. They have also been told to endeavour to achieve the income targets fixed by the Committee. After the Corporation took over, an effort has been made to introduce greater cost consciousness amongst all ranks of the Farms. Some

incentive awards have also been announced. There has also been a diversification of the activities of the Farms and they have now been authorised to undertake land development, land levelling and soil conservation work on lands of private parties on purely commercial terms. This is to ensure fuller utilisation of machinery and man-power. As a result of these efforts, it is our hope that the Farms will run as successful commercial units in future.

The Committee appointed by the Corporation has prepared estimates of expenditure and income for one year only. This is a realistic approach as any estimates of expenditure and income for a period as long as 4 or 5 years may turn out to be highly wide of the mark. This exercise of a Committee preparing estimates of expenditure and likely income would be repeated every year."

1.37. The Committee note the Government's view that the financial forecasts in respect of the new State Farms, which the Committee had characterised in their Fifty-Eighth Report as extravagant in expectations, are "the first financial forecasts". Apparently these farms will not be able to produce returns on the scale and at the pace visualised in the original forecasts. The Committee hope that Government will, in the light of this experience, ensure that proposals involving substantial capital expenditure are not approved on the basis of optimistic forecasts prepared without being scrutinised by experts in that line, who are not connected with the proposals. So far as these farms are concerned, the Committee would like Government to have a reassessment of the prospects made and brought up before Parliament along with the relevant demands for grants when they are next presented.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are unable to understand why the implementation of the Animal Husbandry, Horticulture and Poultry Schemes were taken up, when the financial forecast for the Farm provided specifically that these would be started only after perennial irrigation became available. Government suffered in consequence a total loss of Rs. 5.46 lakhs on these schemes. The Committee note that the Poultry Section has been now wound up and that the Animal Husbandry Section is proposed to be transferred out of the Farm's jurisdiction. As regards the Orchard, it is seen that the question of winding it up "wholly or partially is under active consideration". The Committee would like a decision on this point to be taken expeditiously in order to save further losses.

[Sl. No. 6 of Appendix XIII (Para No. 1.45) of 58th Report--4th Lok Sabha].

Action Taken

At the time the Farm started, it was expected that perennial irrigation would be available by the end of 1959 but this expectation did not materialise. Since the original project envisaged taking up Animal Husbandry, Horticulture and Poultry Schemes, it was decided to take them up in a small measure on a trial basis. The emphasis at the Farm shifted later to the production of seeds only, and that is why the sections referred to above were not expanded.

However, the working of the sections was reviewed well before the matter came to the notice of the P.A.C. and the Poultry Section was wound up in April, 1968. The Animal Husbandry Section was handed over to the Central Cattle Breeding Farm early in 1969. Regarding the orchard, it has been decided to clear up an area of 100 acres under the orchard.

[Deptt. of Agriculture u/o No 2-18/69-FR, dt. 4-12-1969].

Further Information

The orchard at the Farm has not been completely discontinued. All fresh plantation of fruit plants and trees has been discontinued but the areas earlier planted are being maintained except for an area of about 100 acres which had a large number of diseased plants. These have been removed. The orchard is now better maintained and is expected to yield a reasonable profit this year. The yield is likely to increase in the coming years. The farm is also inter-cultivating the orchard area with mustard, toria, gram and vegetables.

[Deptt. of Agriculture, O.M. No. 2-18/69-FR, dt. 6-12-69].

Recommendation

The Committee note that the Farm has to recover a sum of Rs. 30 lakhs from various parties to whom Farm produce has been sold. The arrears represent nearly 66 per cent of the Farm's average annual income during the five years ending 1967-68. The Committee would like the collection to be speeded up. The Farm should also ensure that sales are in future made strictly on a cash basis alone.

Sl. No. 10 of Appendix III (Para No. 1.63) of 58th Report—4th Lok Sabha].

Action Taken

The arrears have now been reduced to about Rs. 12 lakhs. These dues are mostly outstanding against departmental organisations and we expect to recover them. Instructions were issued well before the matter came to the notice of the P.A.C. that future sales will invariably be made on a cash basis.

[Deptt. of Agriculture u/o No. 2-18/69-FR, dt. 4-12-69].

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT.

Recommendation

If the average yield of some of the crops in the Farm is compared with yield obtained under crop demonstrations held in various parts of the country under the Intensive Agricultural Development Programme, the shortcomings in the Farm's performance become even more evident. In respect of four out of the five principal crops grown in the Farm, the highest average yield obtained in any year since 1963-64 was 5 per cent to 49 per cent below the lowest average yield obtained through crop demonstrations held in 1965-66. It is significant that the yields under crop demonstrations were obtained in a year generally recognised as one characterised by widespread drought in the country.

[Sl. No. 2 of Appendix XIII (Para No. 1.31) of 58th Report—4th Lok Sabha].

Action Taken

The highest average yield of Bajra at the Suratgarh Farm was 10.27 quintals in 1964-65 against the lowest average yield of 5.43 quintals obtained through crop demonstrations in the I.A.D.P. districts. In the case of paddy the highest yield obtained at the Farm in 1964-65 was 25.67 quintals which was higher than the lowest yield of paddy per hectare obtained in composite crop demonstration under I.A.D.P. in 1965-66. The figure of 17.12 quintals earlier reported by this Ministry for Suratgarh Farm was in terms of rice and not paddy.

The Committee has compared the yields of paddy at the Suratgarh Farm with the yields in Cachar District of Assam and the Raipur district of Madhya Pradesh. In respect of wheat, the comparison is with Ludhiana in Punjab and Shahabad in Bihar. In respect of maize, the comparison is with Aligarh in U.P. If the comparison is made with areas of identical environments, such as an I.A.D.P. district in Rajasthan itself where the climatic and other conditions will be almost on par the position is favourable. A statement showing yields of some important crops in Pali (I.A.D.P.) District

of Rajasthan and at Suratgarh for the years 1963-64 to 1967-68 is enclosed (Annexure). A study of these figures shows that in most cases, the production at Suratgarh Farm was much better than the I.A.D.P. district of Pali.

[Deptt. of Agriculture u/o No. 2-18/69-F.R., dt. 4-12-69].

Further Information

- (i) the names of the crops suitable for climatic and other conditions prevalent in Suratgarh:

Experience has shown that the following Crops are suitable for cultivation at the Suratgarh Farm:—

A. Kharif

- (1) Paddy.
- (2) Cotton.
- (3) Sugarcane.
- (4) Jowar.
- (5) Bajra.
- (6) Soya bean.
- (7) Lobia.
- (8) Cowpea.
- (9) Moong.
- (10) Guar.
- (11) Dhaincha.
- (12) Berseem (Fodder).
- (13) Vegetables.

B. Rabi

- (1) Wheat.
 - (2) Gram.
 - (3) Oats & Barley.
 - (4) Oil-seeds (Mustard & Taramira).
- (ii) the per hectare yield of these crops since 1963-64 in Suratgarh and other districts of Rajasthan, and

The data is contained in Appendix III of the P.A.C.

- (iii) the precise reasons for higher yield per hectare in IADP Distts. (e.g. whether it is due to IADP districts having introduced high yielding varieties which Suratgarh has not introduced).

A comparison of the figures of average yields given in Appendix III of the 58th Report of the Public Accounts Committee shows that generally, the yield of wheat, gram, rice, bajra, and jowar compared favourably with the average yields in the I.A.D.P. Distts. of Pali, Aligarh and Shahabad. In the case of wheat, the yield was higher than the average yield in these three IADP Distts. during 1963-64 and 1965-66. In 1966-67, it was higher than the yields at Pali and Shahabad. Ludhiana which has registered higher yields is an intensively irrigated Distt.

In case of gram, the yields were generally higher than those obtained in Aligarh and Shahabad Distts. In the case of rice, the yields were higher than those obtained in Raipur and Shahabad in all the years except 1967-68. In the case of bajra, the yield was higher than that obtained at Pali and Aligarh Distts. in all the years. In the case of jowar, the yield at Suratgarh was higher than the average yield in Pali and in Ganganagar Distt. of Rajasthan State where the Farm is located. As regards sugarcane, yields obtained at Suratgarh were substantially higher than the average yield (except in 1964-65) in Ganganagar Distt. of Rajasthan.

The main reason for the lower per acre yield at Suratgarh in a few cases is inadequate irrigation facilities.

[Deptt. of Agriculture, O.M. No. 2-18/69-FR. dt. 6-12-69].

ANNEXURE

Statements of average yields of different crops at Suratgarh Farm and at Pali (Rajasthan),
for the years 1963-64 to 1967-68

(In Kgs./ Hectares)

Year	Suratgarh	Pali (Rajasthan)
CEREALS		
<i>Wheat</i>		
1963-64	1,151	510
1964-65	885	1,020
1965-66	1,380	1,000
1966-67	1,465	920
1967-68	986	1,050
<i>Rava</i>		
1963-64	390	130
1964-65	1,027	920
1965-66	745	280
1966-67	491	210
1967-68	722	260
<i>Maize</i>		
1963-64	1,079	660
1964-65	1,211	750
1965-66	834	700
1966-67	559	790
1967-68	429	780
<i>Jowar</i>		
1963-64	601	50
1964-65	385	130
1965-66	60	90
1966-67	378	90
1967-68	178	120

Recommendation

Before going in for any large scale investment on irrigation or flood protection measures for the Farm, the Committee would urge Government to consider seriously the necessity for such investment having regard to the poor returns received from the Farm so far and the dubious prospects of adequate financial or any other gains in the future. Later in this Report the Committee have pointed out that the Farm has failed to achieve the objectives underlying its set up and suggested that Government should seriously consider giving out the land to enterprising peasants for cultivation. The Committee would like Government to take note of that position before making further commitments in respect of the Farm.

[Sl. No. 5 of Appendix XIII (Para No. 134) of 58th Report—4th
Lok Sabha].

Action Taken

Against the handicaps of inadequate irrigation supplies and the annual floods, the performance of the Suratgarh Farm cannot be described as poor. If we consider the monetary returns only, though the farm did suffer losses to the extent of Rs. 68.66 lakh upto the year 1965-66, it wiped out all previous losses during the years 1966-67 and 1967-68. The total net loss suffered by the Farm upto 1965-66 was Rs. 64.12 lakh. It earned a profit of Rs. 18.71 lakh in 1966-67 and Rs. 49.52 lakhs in 1967-68. There was a net profit of Rs. 4.11 lakh at the end of the year 1967-68. In addition interests on the capital employed amounting to Rs. 41.51 lakh was also credited in the proforma accounts of the Farm. Accounts for the year 1968-69 have not yet been finalized. As explained in reply to para 160 the present system of preparing proforma account does not give a fair picture of either the capital employed or the return on capital. The performance of the Farm should really be judged from a broader angle. It cannot be denied that the Farm has developed a large area of desert land and has made it fit for cultivation. It has raised seeds and Farm produce worth Rs. 5.24 crores upto June, 1968, and has provided employment to over a thousand families. It has also contributed in some measure to the progress of mechanisation in the country as a number of trained men from the various ranks employed at the Farm have gone out to serve Government Departments and other private organisations. The Farm has produced substantial quantities of quality seeds which were given to the cultivators and have contributed to increased agricultural production all over the country.

It has been suggested that we should seriously consider giving out the land of the Farm to the enterprising peasants for cultivation. The land belongs to the Rajasthan Government and is on lease to the Government of India for the specific purpose of running a mechanised seed farm. The existing lease of the land expires in 1971 and it is not proposed to incur any substantial capital expenditure on the Farm until the lease is extended. Large sized Farms are essential for production of quality seed as isolation factor for the multiplication of nucleous and foundation seed is important and this isolation can be done only in large size Farms as distinguished from lands of private cultivators where isolation of land utilised for multiplication and production of nucleous and foundation seed is difficult.

NOTE:—The figures of profit and loss given above are slightly different from those furnished earlier and incorporated in the Fifty Eighth Report of the P.A.C. The earlier figures were also furnished by the A.G. Rajasthan with the audit para. Some of the figures have since been revised by the A.G. and the revised figures have been adopted in this document.

[Deptt. of Agriculture u/o No. 2-18/69-FR. dated 4-12-69].

Recommendation

The Committee note that over a period of twelve years, the Farm made a total net profit of Rs. 5.04 lakhs. This works out to an annual return of 0.17 per cent on the average capital employed. The profits would be even less if allowance were to be made for lease money on the land which the Farm does not have to pay. (Total returns spread over a period of twelve years. Average Capital taken for the three years ending 1966-67 as given in the Audit Report (Civil). 1968.)

[Sl. No. 7 of Appendix XIII (Para No. 1.60) of 58th Report—4th Lok Sabha]

Action Taken

For purposes of working out the annual return, the Committee have taken the profits for all the years from 1956-57 to 1967-68 while they have worked out the capital as the average of the three years ending 1966-67. The capital employed by the Farm for different years varied from 7.59 lakhs in 1956-57 to Rs. 180 lakhs in 1967-68. Moreover, it may be mentioned that, as pointed out during evidence by the Secretary, the existing accounting procedure of preparing the proforma accounts does not seem to be rational, as under that system interest on Capital recovered is added to the Capital employed and

losses/profits are deducted from/added to the Capital employed. This does not give a fair picture of either the Capital employed or the return on Capital. It is understood that the accounting procedure is under review by Comptroller & Auditor General. From 1st August, 1969, the Farm has been transferred to a public sector undertaking which would be maintaining the accounts on commercial basis and this difficulty of knowing the true results of the Farm will also be eliminated.

The Farm pays a sum of Rs. 87,000 per annum to the Rajasthan Government as Malkana charges which is the same thing as the rent of the land.

NOTE:—The figure of Capital employed in 1967-68 (Rs. 180 lakhs) has been compiled from subsidiary accounts and has not been verified by audit as a combined proforma accounts for the Suratgarh and Jetsar Farms was prepared in that year due to the merger of the two Farms from 1-1-1968.

[Deptt. of Agriculture u o No. 2-18/69 FR, dated 4-12-69]

Further Information

It has been stated in the Ministry's reply that the Farm pays a sum of Rs. 87,000/- per annum to the Rajasthan Government as Malkana charges which is the same thing as rent of the land. In this connection, attention is invited to paragraph 1.58 of the 58th Report of P.A.C. (Fourth Lok Sabha) wherein it is mentioned that according to the terms and conditions of the lease no lease money will be charged by the State Government from the Central Government.

Please elucidate:—

- (i) the definition of Malkana charges.
- (ii) how the Malkana charges is the same thing as the rent of land.
- (iii) whether any lease money is being at all paid:

According to the agreement with the Rajasthan Government, the following payments are being made:

(a) Land Revenue:

Ranging from 19 nP to 31 nP per bigha depending upon the classification of land as Nali, Rohi or Dhora in the revenue records of the State Government and the exact rates fixed by the State Government revenue authorities.

(b) Patwar Cess:

At 0.6 np per rupee of land revenue mentioned at (a) above (payable till the date of remission of this cess by the State Government).

(c) District Board Fee:

At 0.03 np per rupee of land revenue or at 0.06 np per rupee from the date indicated by the State Government.

(d) Malkana:

At Re. 1/- per bigha for dry (Barani) land, Rs. 2/- per bigha for seasonally irrigated land and Rs. 4 - per bigha for perennially irrigated land.

It will be noticed that we are paying malkana in addition to the the land revenue. 'Malik' means *owner*. The amount to be paid to the owner of the land for the use of his land is called 'Malkana'. Malkana evidently is the land rent and is being paid in addition to land revenue.

The Patwar Cess and District Board Fee were later abolished by the State Government and replaced by a Panchayat Samiti tax at 5 per cent of land revenue, education cess at 2 per cent of land revenue and a Land Revenue Surcharge.

(iv) whether the lease deed stipulates payment of lease money; and

The lease deed has not yet been executed. The draft deed drawn up, however, provides for payment of the charges as detailed above.

(v) in view of what has been stated in Annexure D of Ministry's reply to item 8 of list of points arising out of evidence tendered before the P.A.C. on 23rd January, 1969, how is it now maintained that lease money is being paid.

In reply to item 8 of the list of points arising out of evidence tendered before the P.A.C. on 23-1-1969, this Ministry had furnished a copy of the E.F.C. memo in 1956. The details of payments to be made to the State Government as mentioned against items (i) to (iii) were finalised only in April, 1962. Hence, these were not mentioned in the E.F.C. memo prepared in 1956.

[Deptt. of Agriculture, O.M. No. 2-18/69-FR, dated 4-12-69].

Recommendation

The Committee cannot help feeling that in their anxiety to use certain gift equipment received, Government committed themselves to a large investment on the Farm without considering whether such an investment would be worth-while. It is significant that the financial forecast of the Farm prepared at the time of sanctioning the project did not spell out the economics of the venture in any precise terms. The forecast in fact contemplated that the economics would be worked out "in a more precise way" after "the scheme has been in progress for some time". It was unfortunate that this was never done. In the result, substantial sums of money were expended on the project from time to time without commensurate return.

[Sl. No. 12 of Appendix XIII (Para No. 1.78) of 58th Report—4th Lok Sabha].

Action Taken

The first financial forecast of the Farm was prepared in 1956. In December, 1960, its working and the financial results upto 1960-61 were reviewed and the scheme revised in the light of actual experience in the first four years. Further the work of the Farm was reviewed every year at meetings of the Board of Management. As explained in paras 1.34 and 1.60 the Farm has fully met the interest charges at the prescribed rates on capital employed by Government and in addition given a net profit of Rs. 4.11 lakhs.

[Deptt. of Agriculture u/o No. 2-18/69-FR, dated 4-12-69].

Further Information

Financial results of the Farm for the years 1956-57 to 1960-61 were reviewed in 1961 and a note was submitted to the Expenditure Finance Committee. A copy of the Review is enclosed (Not printed). As regards future years, the note stated that the economics would depend on the availability of perennial irrigation.

[Deptt. of Agriculture, O.M. No. 2-18/69-FR, dated 4-12-69]

Recommendation

Earlier in the Report, the Committee have drawn attention to the altogether inadequate returns on the capital invested in the Farm during twelve years. The problem of floods and lack of irrigation facilities faced by the Farm from the start have yet to be satisfactorily solved. Besides, the lease on the land obtained for the Farm from the Government of Rajasthan is due to expire in 1971.

The Committee would like Government seriously to consider whether, in view of these circumstances, it would be worth-while at all for the Farm to continue. The Committee are inclined to the view that the intended objectives of the Farm might be better served if arrangements would be made through the State Government for the land held by the Farm to be distributed to progressive and enterprising peasants for cultivation.

[Sl. No. 13 of Appendix XIII (Para No. 179) of 58th Report—4th Lok Sabha].

Action Taken

The Farm has definitely turned the corner and has given profits during the years 1966-67 and 1967-68 in succession. There may not be substantial profits in 1968-69 because for assisting the Rajasthan Government, it was decided to put some areas under Barseem instead of foodgrains as a measure of drought relief. Measures will be taken for control of floods and for getting adequate irrigation supplies. The question of continuing the lease beyond 1971 is already under consideration. The method of administration of the Farm has been changed from the departmental set up to a company set up from 1-8-1969. It is hoped this will improve the working of the Farm. The Farm is playing a useful role in executing programmes of seed production and mechanisation of Agriculture, and in our opinion it would be desirable to continue to run the Farm as at present.

[Deptt. of Agriculture u/o No. 2-18/69-FR, dated 4-12-69].

Recommendation

The Committee would like Government carefully to reassess the financial viability of the new State Farms in the light of these and other relevant factors. A number of seed Farms have been set up in the various States under the Five Year Plans to cater to the objectives that the new Central Farms are intended to achieve. In States like Maharashtra, a Farming Corporation has also been set up. The Committee would like in this connection to draw attention to the observations of the Administrative Reforms Commission about the need for the Central Government to divest itself "in the interests of economic development" of "functions and responsibilities which are legitimately those of the States" and to "encourage the States to take over...progressively responsibilities in areas which undoubtedly belong to them". The Commission have specially drawn attention to various agricultural, poultry and

animal husbandry schemes as examples of activity "which, properly speaking, should not be handled by the Centre." The Committee hope that, in the light of this position, the proposal to set up new Central Farms will be reconsidered by Government.

[Sl. No. 75 of Appendix XIII (Para No. 1.81) of 58th Report—4th Lok Sabha].

Action Taken

Each Central State Farm is set up after discussion with the State Government concerned. The area selected is usually undeveloped land which the State Government is happy to have developed through the Central Government agency. The seed production programmes at the Farm are taken up in consultation with the Agriculture Departments of the State Governments and they have the first right on the seed produced. The State Government, no doubt, keep in view the seed production expected from their own seed Farms while suggesting programmes of seed production at the Central State Farms. As mentioned earlier, the five Farms in Orissa, Punjab, Haryana, Mysore and Kerala are being set up in compliance with an international Agreement. The Farms, as stated above, would play a useful role in the overall agricultural programmes of the country. Regarding the schemes relating to poultry and animal husbandry, the poultry scheme has already been wound up at the Suratgarh Farm. It is not proposed to include it in the activities of any other Farm. The animal husbandry scheme has also been handed over to a Central Cattle Breeding Farm, whose object is genetic improvement of cattle. Regarding any additional Farms besides the five Farms to be set up under the agreement with the U.S.S.R. Government, it has been recently decided that for the present no new additional Farms will be set up.

[Deptt. of Agriculture u/o No. 2-13/69-FR, dated 4-12-69].

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are not at all impressed by the performance of the Seed Farm over the years. The kharif production of the Farm in 1967-68 was about a sixth of what it was in 1963-64. Over this period, the rabi crop did improve; on the other hand the average yield of some of the major rabi products declined. Besides, the yield of the crops, both rabi and kharif, varied eratically from year to year. Apparently, the Farm has still not been able to work out a proper crop pattern which as far back as 1961 the Estimates Committee had considered essential for optimising yields.

[Sl. No. 1 of Appendix XIII (Para No. 1.30) of 58th Report—4th Lok Sabha].

Action Taken

The farm has been visited by floods since 1958. Upto the year 1964, the intensity of the floods was not very high. In the year 1964, the floods were of an unprecedented nature with the result that our kharif crop was greatly damaged. It was therefore decided that only the area protected with bunds and where irrigation was available should be cultivated in the kharif season.

While it is true that seed production in kharif 1961 was only one sixth of that in kharif 1963, the total production inclusive of non-seed production was only slightly lower in kharif 1967 compared to kharif 1963 if Dhaincha and sugarcane is excluded.

A statement (Appendix-I) showing the crop-wise total production in respect of 1963 kharif and 1967 kharif is enclosed. It will be observed that whereas the total yield of kharif crops (excepting Dhaincha and Sugarcane) was 10,580 quintals in 1963. It was 9,191 quintals in 1967.

The cultivation of Dhaincha was considerably reduced because of the difficulty in collection of seed in a big area which used to shed and create problems in the Farm as weed wherever it was carried by floods waters. The turning of Dhaincha into green manure was not found feasible due to lack of adequate irrigation

facilities. The cultivation of sugarcane was drastically reduced as there was accumulation of dues from the Ganganagar Sugar Mills, which was the only Sugar Mill in the area and which was the customer of the Farm for sugarcane.

The yield of crops depends on a variety of indefinite factors and that is why it is not possible to pin down production to any pre-determined figure. There shall always be fluctuations in the average production of different crops and it cannot be regulated with any precision of the type possible in a manufacturing unit. The cropping programme is linked with programmes for the production and multiplications of various types of seeds and it is not possible to have a standing cropping pattern. For example, in kharif 1968-69 a considerable area was put under Soyabeans for the first time because there was urgent need to multiply Soyabeans seed imported from abroad.

As desired by the Estimate Committee action was taken for evolving a suitable cropping pattern. Certain crops like Til and Gram which were sown in the initial stages and which did not give good output per acre were either dropped or the areas under them reduced. While the crops suitable for cultivation at the Farm have been determined it is not possible to adopt a rigid pattern for acreage to be put under each crop. Acreage under each crop has to be determined each year depending upon the types of seed needing multiplication at a given time and other factors like the prevailing prices and marketing possibilities of the produce, costs of production, irrigation and weather conditions etc.

[Deptt. of Agriculture u/o No. 2-18/69-FR., dt. 4-12-69]

Further Information

- (i) The total kharif production for each of the years since 1963-64—separately for seed and non-seed production; and
- (ii) the break-down of yield under each of the kharif crops since 1963-64—separately for seed and non-seed production.

The information is given in the statement attached (Annexure)

[Deptt. of Agriculture, O.M. No. 2-18/69 FR. dt. 6-12-69]

ANNEXURE

Statement showing Production of Kharif Crops in respect of C.S.F. Suratgarh (Rajasthan)
Seed and Non-seed

Sl. No.	Name of Crop	1963-64		1964-65		1965-66		1966-67		1967-68	
		Seed	Non-seed	Seed	Non-seed	Seed	Non-seed	Seed	Non-seed	Seed	Non-seed
(In Quintals)											
1.	Paddy	3336.06	595.73	593.18	115.87	4.00	735.08	170.88	1741.03	499.80	2316.55
2.	Cotton	..	3812.04	..	4476.43	..	3300.43	..	3223.96	..	3944.01
3.	Jowar	815.26	235.85	408.76	..	*432.80	..	304.30	136.01	23.85	17.10
4.	Maize	623.93	118.08	155.40	38.16	166.16	221.93	249.41	176.99	158.75	483.40
5.	Guar	*826.06	..	247.00	298.00	..	253.05	..	312.98	..	390.15
6.	Dhaincha	1188.09	100.00	1018.35	1018.35	125.25	..	..	620.05	6.35	20.00
7.	Jute	..	..	8.49	10.87	*259.75	110.80	..	65.93	..	..
8.	Groundnut	11.14	17.23	11.49	31	..	..	..	..	..	..
9.	Castor	..	11.14	*3.90	..	..	..	..	..	..	..
10.	Cownea	..	11.99	..	5.09	*1.08	..	..	..	4.60	..
11.	Bajra	84.31	34.17	16.50	25.05	37.71	52.80	234.00	307.50	567.12	665.23
12.	Sun-hemp	..	..	..	6.42	..	..	..	..	..	..
13.	Sugarcane	..	124481.74	..	38852.51	..	10735.50	..	10158.14	..	3485.60
14.	Fodder	..	..	..	342.25	..	..	..	..	..	..
15.	Moth & Bajra Mixed.	..	..	..	..	..	..	..	13.44	..	..

Sl. No.	Name of Crop	1963-64		1964-65		1965-66		1966-67		1967-68	
		Seed	Non-seed	Seed	Non-seed	Seed	Non-seed	Seed	Non-seed	Seed	Non-seed
16.	Moong	98.40	..	..	..	..	..	7.90	3.75	..	..
17.	Sana	4.88	..	6.42	..	..	..	..	..	..	..
18.	Arhar	22.46	56	..	..	..	..	..	..	..	..
19.	Urd	1.41	5.17	..	..	..	..	..	..	..	..
TOTAL SEED NON-SEED		7012.00	129423.70	2169.49	45189.31	1026.75	15100.59	958.59	16763.03	1264.22	11322.04
		<u>136435.70</u>		<u>47658.80</u>		<u>16436.34</u>		<u>17722.02</u>		<u>12586.26</u>	

* Subject to further verification.

Recommendation

The Committee recognise that the Farm has been affected by lack of adequate irrigation facilities on the one side and by floods on the other. The supply of irrigation to the Farm, which is situated at "the tail end" of the Bhakra system, has over the last five years been 31 per cent of its allowance or less, the allowance itself being only 40 per cent of the Farm's requirements. However, the distribution system of the Farm cannot cope with full supply from Bhakra, even when it becomes available in 1971, except after extensive remodelling which it is estimated to cost Rs. 94 lakhs. The alternative that Government is now contemplating is to switch the Farm to supplies from the Rajasthan Canal but adequate supplies from this source are not likely to materialise before 1975. Besides, the cost of remodelling of the distribution system to this source of supply has yet to be worked out. The Committee find the entire position in regard to the provision of irrigation to the Farm is extremely unsatisfactory. It also raises the basic question as to whether the site for the Farm was correctly chosen.

[Sl. No. 3 of Appendix XIII (Para No. 1.32) of 58th Report—4th Lok Sabha]

Action Taken

It is not denied that irrigation supplies to the Farm have been unsatisfactory, but constant efforts are being made to get increased irrigation supplies. It has been recently decided to switch over the irrigation system for the Farm to the Rajasthan Canal instead of the Bhakra canals. The cost of remodelling in the former case will be lower. But the present lease of land with the Suratgarh Farm expires in 1971 and it is not proposed to incur any substantial expenditure of a capital nature such as remodelling of canals until the lease of the land is extended. The question of the extension of lease is under discussion with the Rajasthan Government.

Regarding the suitability of the site, this was the only large sized site available for utilising the machinery gifted by the U.S.S.R. Government for setting up a large sized mechanised Farm. When the site was selected, floods were unknown in the area. Even before the Farm was set up, towns and villages, railway tracks and railway stations already existed in the dry river bed. The first flood came only in 1958.

[Deptt. of Agriculture, u/o No. 2-18/69-FR., dt. 4-12-69].

Further Information

We have requested the Rajasthan Government to make irrigation water available from the Rajasthan Canals System, in accordance with a decision taken in a meeting with representatives of the State Government. It is not known when the Rajasthan Government will

be able to arrange this. The matter is being pursued with the Rajasthan Government.

The exact cost of remodelling of the distributions is not yet known, but we have been assured by the representatives of the Rajasthan Government in informal discussions that this will be much lower than if increased irrigation supplies were to be obtained from the Bhakra System. In any case, as stated earlier, it is not proposed to incur any substantial expenditure of a capital nature until the lease of the land is extended.

The lease of the land has not so far been extended and the matter is under correspondence with the Government of Rajasthan.

[Deptt. of Agriculture, O.M. No. 2-18/69-F.R., dt. 6-12-69]

Recommendation

As regards the problem of floods, the Committee observe that they have become a 'hardy annual', as the Farm is located in the bed of a river. A comprehensive flood protection scheme has yet to be worked out thirteen years after the Farm has come into existence though the Committee are informed that it is being looked into. As early as 1961, the Estimates Committee had urged that control measures in this respect should be taken with utmost speed. It took six years after that for a diversion channel to be built and even this "gave way under the impact of the first flood it had to cope with that very year."

[Sl. No. 4 of Appendix XIII (Para No. 1.53) of 58th Report—4th Lok Sabha]

Action Taken

The Farm was set up in 1956 and, as mentioned above, the floods in the Ghaggar river were not known at that time. The first floods came only in 1958 and the Ministry of Food and Agriculture have been in continuous touch with the Rajasthan Government for prevention of floods. Private lands were also involved. The Rajasthan Government constructed a flood diversion channel and it was hoped that this would solve the problems to a large extent but the channel also gave way in 1957 under the impact of the first floods it had to cope with that very year. The diversion channel was constructed not by the Farm but by the Rajasthan Government. A Committee consisting of the Chief Engineer, Irrigation, Rajasthan; the Chief Engineer, Rajasthan Canal Project and the Director of the Farm has been set up to finalise a flood control scheme for the Farm. But as stated earlier, it is not proposed to incur any large scale expenditure either on a flood control scheme or on any other item until the lease of the Farm is extended.

[Deptt. of Agriculture, u/o No. 2-18/69-FR, dt. 4-12-69]

Further Information

Enquiries from the District authorities show that there had been no floods in the Ghagger river in living memory prior to 1958. The position is however being verified by a reference to the District Gazetteer, the revenue authorities and the Central Water and Power Commission.

The floods have been attributed to the extension of irrigation to large areas in Punjab and Haryana and the construction of a number of drains discharging into the Ghaggar river bed from these two States. During the monsoon, these drains carry a large quantity of rain water into the river bed which starts flowing into the Suratgarh area.

A flood control scheme has been worked out and its cost is estimated at about Rs. 50 lakhs. It will benefit not only the Suratgarh Farm but also the private cultivators in the areas. The flood control scheme will also benefit the Railways and the P.W.D. Department of the Rajasthan Government. The question as to how the cost of the Flood Control Scheme should be shared is being discussed between the various beneficiaries.

[Deptt. of Agriculture, O.M. No. 2-18/69-F.R., dt 6-12-69].

Recommendation

The very low return on investment would appear to have been caused by the high cost of production on the Farm. The data at page 22 of the Report would show that the cost of production of crops raised by the Farm, beside being subject to large variations from year to year, stayed above the range of prices fetched by sales in a number of cases. Apparently, low productivity and heavy establishment and labour expenses, amounting on an average to 35 per cent of the total cost have contributed towards this position. It is regrettable that no systematic measures to control the expenditure on labour and establishment were taken though, as early as 1961, both the Estimates Committee and a Committee on Large Sized Mechanized Farms set up by Government had emphasized their importance to the Farm.

[Sl. No. 8 of Appendix XIII (Para No. 1.61) of 56th Report—4th Lok Sabha].

Action Taken

The low return on investment is due to the fact that as observed by the Committee in para 1.32 of the Report, the supply of irrigation to the Farm which is situated at the tail end of the Bhakra

system has over the last 5 years been 31 per cent of its allowance of less, the allowance itself being only 40 per cent of the Farm's requirement. While the yield of crops depends mainly on adequate and timely irrigation, the employment of labour is on the basis of area under cultivation and cannot be reduced drastically even when the intensity of irrigation is inadequate. However, the number of labourers to be employed at the Farm is assessed every month taking into account the volume of work. The administrative expenses in the running of Suratgarh Farm are not considered high. They have been calculated to be 12 per cent, 13 per cent and 14 per cent of the cost of production in the years 1965-66, 1966-67 and 1967-68 respectively by the Audit as per the Inspection Report on the accounts of the Farm issued by the A.G. for the year 1967-68. In spite of all this, the cost of production for sugarcane, hybrid maize and paddy is lower than the cost of production at Pantnagar University Farm. When flood control measures are adopted, it would be possible to bring larger area under kharif crops and this would bring down the cost of production.

[Deptt. of Agriculture, u/o No. 2-13/69-FR. dt. 4-12-69].

Recommendation

The Committee note that Government themselves are not certain that even the profits made by the Farm in the last two years can be maintained. Apart from other factors, the absence of adequate irrigation facilities and the vulnerability of the Farm to floods render the prospects uncertain.

Sl. No. 9 of Appendix XIII (Para No. 1.62) of 58th Report—4th Lok Sabha]

Action Taken

We do not expect the profit in 1968-69 to be at the same level as in 1967-68 as at the request of the Rajasthan Government, we decided to put about 500 acres under Barseem (a fodder crop) as a measure of drought relief. Considering the acute scarcity of fodder in Rajasthan, we decided to assist the Rajasthan Government by growing fodder even if this involved some sacrifice on our part.

The Farm has constructed in 1969 some new protective bunds in the farm area to control the flood waters. It has strengthened the existing bunds and these bunds now total 25 miles. After the lease of the Farm is extended, comprehensive flood control measures will be adopted. When we switch over to the Rajasthan Canals System, as envisaged, the irrigation supplies will also

improve. The Farm will then do much better than it has done in the past.

[Deptt. of Agriculture u/o No. 2-18/69-FR, dt. 4-12-69].

Further Information

A copy of the proforma accounts of the Suratgarh Farm for the year 1967-68 was furnished along with the supplementary material supplied to the P.A.C. in 1968. The proforma account prepared by the Accountant General was a combined account for the Suratgarh and Jetsar Farms. As the P.A.C. was considering only the Suratgarh Farm, the proforma account for the Suratgarh Farm alone was prepared from the subsidiary accounts maintained at the Farm and was furnished to the P.A.C.

As already mentioned in reply to para 1.60 and during evidence, the existing accounting procedure of preparing the proforma accounts does not seem to be rational, as under that system, interest on capital recovered is added to the capital employed and losses/profits are deducted from/added to, the Capital employed. For example during 1967-68, after accounting for the value of opening and closing stock, the gross profit (total income minus expenditure) amounted to Rs. 69.58 lakhs. Out of this, if the entire capital invested by Government were treated as loan capital, an amount of Rs. 5.58 lakhs would be treated as interest paid to the Government. The net contribution to Government by the Farm after deducting interest, indirect and preliminary expenses and depreciation, was Rs. 49.52 lakhs. The entire amount was credited to Government through the treasury and no part of it was retained by the Farm. Ordinarily, such re-payments should be treated as a reduction in the loans provided by the Government to the Farm. However, in the proforma accounts, it is added to the capital employed, thus raising the capital employed to that extent, instead of reducing it. Depreciation on capital assets such as buildings, irrigation channels, equipment etc. is as good as cash income of the Farm credited to the Treasury which should lead to a reduction in the capital employed. This is also not provided for in the present accounting procedure. It is understood that revision of this procedure is under consideration of the C.A.G. and any instructions received regarding the manner in which the assessment of the correct financial results has to be prepared will be duly complied with. In any case, from the year 1969-70 onwards, the accounts will be prepared on strictly commercial lines as the Farm has been transferred to a Public Sector Undertaking.

The proforma accounts for the year 1968-69 have not yet been drawn up. A comparative note on the financial results of the Farm

during 1967-68 and 1968-69 will therefore be prepared in consultation with the Accountant General, Rajasthan, after the accounts for 1968-69 have been compiled and audited.

[Deptt. of Agriculture, O.M. No. 2-18|69-FR, dt. 6-12-69].

Recommendation

The Committee observe that the existing system of accounts suffers from several deficiencies. This was conceded by the Government. The annual accounts cover the period from July to June which is not very suitable from the point of view of the Farm considering that the rabi crop, the major produce of the Farm, is sold only subsequent to June. The exclusion of the rental value of the land and the temporary capitalisation of items of expenditure like Development and preliminary expenditure are also not calculated to give a correct picture of the cost of production each year. The Committee would like Government to take immediate steps, in consultation with Audit, to remove these deficiencies and streamline the accounts.

[Sl. No. 11 of Appendix XIII (Para No. 1.64) of 58th Report—4th Lok Sabha].

Action Taken

The existing system of accounts at the Farm was finalised in consultation with the Comptroller and Auditor General of India. We have addressed the A.G. Rajasthan for certain modifications in the accounts system. The matter is still under correspondence.

As stated earlier, the rent is being paid and is being shown in the accounts. A proportionate share of the capitalized items of expenditure like development and preliminary expenditure is charged to the accounts every year and this is the only way to correctly exhibit such expenditure for the purpose of preparing accounts.

[Deptt. of Agriculture, u o No. 2—18 69 FR, dt. 4-12-69].

Recommendation

The Committee note that Government have now decided to set up a corporate form of management for this and for the five new State Farms set up or in the process of being set up. The Committee also note from the financial forecasts prepared for four out of the five State Farms that Government expect an annual return ranging from 21 per cent to 57 per cent the capital investment being recouped within a period ranging from 3 to 10 years. The Committee cannot, however, help feeling that Government's expectations of returns from these Farms are on the extravagant side. It is also a matter for regret that the proposals for setting up these Farms were brought up for approval before Parliament through

the demands for grants with no indication whatsoever of the economics of the schemes or of the working results of the Farm at Suratgarh, which has there been in existence for twelve years and had been incurring losses. The experience so far gained with the Suratgarh Farm and certain other factors mentioned in the financial forecasts of the new State Farms suggests the need for extreme circumspection before committing resources for the development of these Farms on the basis of ever-optimistic anticipations regarding returns. The Farm at Hissar, which is expected to yield a return of 57 per cent and recoup the capital invested over three years from 1968-69, is dependent for its irrigation on the remodelling of the existing canal system in the area at a cost of Rs. 75 lakhs. The remodelling has apparently yet to be started by the State Government. In the case of the Farm at Hirakud, where a return of 21 per cent is anticipated and capital is expected to be recouped within ten years from 1969-70, the value of the produce in the first full crop year, i.e., 1968-69, has been Rs. 3.60 lakhs only as compared to the expected return of Rs. 29.21 lakhs. Besides, the location of the Farm renders fourfifths of the area of the Farm liable to inundation by the Hirakud Reservoir, "for one and a half to five months in a year." The Farm at Sindhnur, from which a return of 38 per cent is anticipated and the capital is expected to be recouped in four years from 1970-71, is situated in an area where "prolonged droughts are of frequent occurrence".

[Sl. No. 14 of Appendix XIII (Para No. 1.80) of 58th Report—4th Lok Sabha].

Action Taken

The decision to set up a Corporation to run the Farms has been taken as it is expected that under a company form of administration, there will be a greater sense of compulsion on the management to minimise losses and to make profits. The State Farms are essentially commercial organisations and should run as such unhampered by the procedures that govern the working of Government Departments.

The notes on the demands for grants in respect of new State Farms in 1967-68 and 1968-69 did not specify the amounts required for each particular Farm. There were general provisions intended to be utilised for setting up new Farms on the basis of the anticipated progress of negotiations with the State Governments for acquisition of land. Preparation of detailed financial estimates was not possible at the time the budget estimates were framed. It was not considered necessary to bring out the economics of the working of the Suratgarh Farm for purposes of these budget estimates.

firstly, because in Government's opinion the Suratgarh Farm was doing reasonably well and secondly because there was an international agreement for setting up additional Farms and Government had every intention of implementing this agreement. It is our hope that the Farms set up under the agreement would be commercially successful. Mention has been made of a part of the land at the Hirakud Farm being inundated for a part of the year. This is correct but this land had been lying unexploited, after the constructions of the Hirakud Dam and utilisation of land periodically inundated would be a unique experiment and its results could be utilised for bringing under cultivation large areas around other dams which also get inundated for a part of the year. By and large, our State Farms have been set up on lands not under cultivation before and by setting up the Farms, the Government has not only developed the areas but has brought prosperity to these areas besides making a contribution to the mechanisation of agriculture in the country.

Regarding the Farm at Sindhnur in Mysore, this Farm is in the command of Tungabhadra area and we have assurances of adequate irrigation supplies from State Government.

Mention has been made of extravagant returns provided for in the financial estimates of the Farm. These are the first financial forecasts but every effort will be made to see that the returns in commercial terms are reasonable.

[Deptt. of Agriculture Memo No. 218/69-F.R., dt. 4-12-69].

Further Information

The State Farms Corporation of India Ltd. took over the administration of all the Central State Farms from the 1st August, 1969. Immediately after this change-over, the Corporation applied itself to the task of streamlining of all the Farms. A Committee was appointed consisting of senior technical officers in the headquarters office of the Corporation and the General Manager of each Farm to go into the working of all of them and the Committee has already completed its work so far as the Farms at Suratgarh, Jetsar, Hissar and Jharsuguda are concerned. The terms of reference of the Committee asked them to look into the staff and equipment requirements of the Farms. They also asked them to look generally into questions about improving the economics of the Farms. As a result of the work of the Committee, some over-staffing has been discovered at the older Farms, namely, Suratgarh and Jetsar and efforts have been made to transfer staff from these Farms to the newer Farms. The staff strength at the older Farms has been reduced without retrenching any individual so far. The

Committee has also declared some equipment and spare-parts as surplus at the older farms and these will be disposed of if they are not wanted at the newer Farms. The Committee has prescribed limits of expenditure for each of the Farms for the year ending 30th June, 1970 (which is the financial year adopted by the Corporation) and has also prepared realistic estimates of income for the year. The management of the Farms have been told not to exceed the expenditure limits indicated by the Committee. They have also been told to endeavour to achieve the income targets fixed by the Committee. After the Corporation took over, an effort has been made to introduce greater cost consciousness amongst all ranks of the Farms. Some incentive awards have also been announced. There has also been a diversification of the activities of the Farms and they have now been authorised to undertake land development, land levelling and soil conservation work on lands of private parties on purely commercial terms. This is to ensure fuller utilisation of machinery and man-power. As a result of these efforts, it is our hope that the Farms will run as successful commercial units in future.

As mentioned above, the Committee appointed by the Corporation has prepared estimates of expenditure and income for one year only. This is a realistic approach as any estimates of expenditure and income for a period as long as 4 or 5 years may turn out to be highly wide of the mark. This exercise of a Committee preparing estimates of expenditure and likely income would be repeated every year.

A copy of the (Statement showing recommendations) of the Committee on Suratgarh Farm (and decision of the Corporation thereon) is enclosed (annexure).

Please also indicate the working results of each of the new five farms during 1967-68 and 1968-69 indicating in each case.

- (i) the area out of the total area brought under cultivation;
- (ii) the total yield and per hectare yield in respect of the principal crop;
- (iii) the total expenditure and its break-down by principal activities;
- (iv) the total realisation and its break-down;
- (v) the net profit or loss and if loss, the reasons for such losses.

Data are being collected and will be furnished shortly to the Sectt. of the P.A.C.

[Deptt. of Agriculture, O.M. No. 2-18/69-F.R., dt. 6-12-69].

ANNEXURE

STATE FARMS CORPORATION OF INDIA LTD.

Statement containing recommendations made by the Profitability Committee on the Central State Farm, Suratgarh and Corporation's decisions thereon

Sl. No.	Text of Recommendation made by the Committee	Decision of the Corporation
1	2	3
1.	<p><i>Agricultural Operations</i></p> <p>The policy regarding increasing or decreasing area under paddy needs to be reviewed at the end of the Kharif Crop.</p>	<p>The need to increase or decrease the area under paddy <i>vis-a-vis</i> switching over to sugarcane and cotton crop may be examined by the farm so that the most economical cropping pattern is adopted in future.</p> <p>(Action : C.S.F., Suratgarh)</p>
2.	<p><i>Inputs</i></p> <p>The Committee recommends that use of inputs above the minimum basic requirements must be carefully examined in the case of each and every field bearing in mind that every extra rupee spent on additional input should normally bring an additional return of Rs. 2/- under the circumstances and the conditions prevailing at the places. If the additional return is likely to be less than Rs. 1.5 for one rupee extra expenditure, it should be used only if other factors of production are surely available otherwise use of extra expenditure should be avoided.</p>	<p>Accepted.</p> <p>(Action : C.S.F., Suratgarh).</p>
3.	<p><i>Labour</i></p> <p>It is better and more economical to engage labour on contract basis. In operations like harvesting and threshing of some crops, wages may be fixed in kind in terms of grain and in some operations even in kind of fodder. Payment should be resorted to in kind in a terms of fodder as far as possible.</p>	<p>Accepted.</p> <p>(Action : C.S.F., Suratgarh).</p>

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4. Irrigations

The scheduled water supply for the Farm at present is 100 cusecs. Out of this 85 cusecs come from Bhakra Canal system and 15 cusecs from Gang Canal system. Supplies from Bhakra Canal as from Gang Canal System were in the past depleted due to floods in the month of August to November every year. This was adversely affecting the Kharif Crops and sufficient water was not available at maturity and flowering time of the Corps. Similarly paucity of water was also reducing germination of Rabi showings. This year the canals have not breached during floods and hence the water supply has been as it should be in the normal course. In the upper reaches of STG Dist., the left bank has been strengthened. It is now expected to stand any intensity of flood.

5. The Committee is of the opinion that on the present bases of 16000 acres, the resources and expenditure should be worked out but it would be desirable to review the position from time to time.

6. Capital Equipment

The farm is the oldest and biggest among the Central State Farms. Out of the gift equipment received from the USSR since 1956, equipment worth Rs. 1,65,993 has become obsolete and is recommended for disposal. From the condemned equipment effort is being made to cannabalise equipment as far as possible.

7. Surplus Equipment

Equipment worth about Rs. 2,17,549 has been found surplus (details in Annexure VII of the Report). In addition spare parts worth Rs. 64,185/- have also been found surplus to the requirement of the Farm. Efforts may be made to either sell the spare parts in the open market or transfer them to other farms if required by the latter.

The scheduled water supply for the Farm is actually 61 cusecs—66 cusecs from Bhakra Canal system and 15 cusecs from Ganga Canal system.

In view of the flood protection measures already taken by the State Authorities and the Farm, the need for going ahead with the comprehensive flood protection scheme earlier prepared has to be reconsidered by the Farm and their firm recommendations communicated to Head Office.

(Action : Central State Farm Suratgarh).

The Committee's expectation of 16000 acres coverage during rabi—1969 was based on the appreciation of the position then prevailing and the water supplies expected to be available for sowing. In view of the improved irrigation supplies and availability of flood moisture, the farm should be able to achieve its original target of 22,000 acres, maintaining the input : output ratio approved above.

(Action C.S.F., Suratgarh) SFCI).

Out of the condemned equipment, items which are required to be retained by the farm for cannabalization may be deleted and a revised list of machinery and equipment to be disposed of should be prepared.

(Action Engineering Division SFCI)

Chief Engineer should immediately examine whether the surplus machinery and parts are not required at other Farms. Such of the equipment and the machinery as is not required by other farms may be disposed of to other Government department, public undertakings, institutions, private parties by negotiations/ auction through advertisements in the newspapers, etc. after fixing the reserve price for each item and to the best advantage of the farm.

(Action : CE, SFCI/CSF, Suratgarh).

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8. The Committee recommends that as many of the surplus machines as possible and necessary may be transferred to this Farm.	There is no objection to surplus machinery being transferred to the Central State Farm, Suratgarh, provided interests of other farms are fully taken into account and necessary accounting adjustments are made.	(Action: CE, SFCI).
9. It is also very necessary to use and augment machines that are required for levelling of land if irrigation water which is one of the most valuable items at Suratgarh is to be used to maximum advantage. A scheme for this was prepared 4 years ago but could not be implemented for want of funds. The Committee recommends that such a scheme may now be prepared and the work taken up.	Accepted. Necessary scheme may be prepared by the farm and submitted to the Headquarters for approval.	(Action : C.S.F. Suratgarh).
10. The Committee also recommends that hereafter capital equipment of value of above Rs. 25,000 may be purchased by the farm only after getting the prior approval of the Corporation.	Purchase of capital equipment upto a total value of Rs. 20,000 in each case may be made by the farm provided provision for the purchase of the equipment in question is included in the budget as approved by the Corporation. In other cases purchase of capital equipment will be made only after prior approval of the Headquarters.	Action : C.S.F. Suratgarh.
11. Spare parts should not be overstocked and efforts should be made to modify the imported implements and machines to suit changing cropping pattern, varieties and field operations.	It has been decided to fix the maximum stock maintenance limits in the case of imported and indigenous spare parts on under—	Imported spare parts—2 years' requirements. Indigenous spare parts—6 months' requirements. The above limits are to be strictly adhered to, as far as possible and subject to quality being satisfactory, efforts would be made to purchase spares indigenously.
12. <i>Custom and Repair Work</i>	There is some scope for undertaking custom and repair work at Suratgarh. In order to increase this work this is necessary to change present procedure a scheme for this purpose. However, it is pointed out that rates may be so fixed that they are competitive as compared to the market rates.	Necessary instructions and the procedure for fixing flat rates to be charged for each job have already been communicated to the Central State Farms vide Dept. of Agriculture letter No. 31-28/69- FR, dated the 21st July, 1969.
		(Action : C.S.F. Suratgarh).

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13. P.O.L.

The Committee found that anomalous working has resulted in overstocking of P.O.L. It recommends that Stores Section SHOULD take the overall responsibility in the matter. The Committee would also like to reiterate its recommendation POL stock maintenance limits made in its report on Jetsar Farm.

Accepted. The maximum stock maintenance limits recommended by the Committee in its report on C.S.F. Jetsar and approved by the Corporation are:—

(a) Petrol and HSD—Maximum one month's requirement at a time.

(b) Lubricants—Maximum six months' requirements at a time.

(Action : C.S.F. Suratgarh).

14. It will also be advisable to undertake annual repairs to the buildings departmentally, which will effect savings.

Accepted. Necessary instructions in the matter have already been issued.

(Action : C.S.F. Suratgarh).

15. Staff

The total number of posts lying vacant was 47. After reviewing the position the Committee found that the majority of the cases, it was not necessary to retain these posts. In several other cases in order to achieve economy reduction in number of existing posts has been found possible. Specific recommendations of the Committee in the case of each post or category of posts are given in column 5 of Annexure XI.

Accepted. Immediately action may be taken to abolish the vacant posts as recommended by the Committee. As regards the manned posts, alternative jobs will be found first for surplus employees. Revised scale of pay in the case of Senior Accounts Officer will be fixed in consultation with the F.A. & C.A.O.

(Action : Secretary, SFCL)

16. Incentive Scheme

The Committee was informed that a scheme of incentives (Annexure XII of the Report) for the farm staff at various levels has already been formulated and enforced w.e.f. Kharif season. In view of this the Committee refrains from making any suggestion at this stage.

The Scheme formulated by the farm is being examined and a decision in the matter will be communicated in the due course.

(Action : F.A. & C.A.O.)

17. Income

According to the Committee's assessment, the following income can be reasonably expected :—

The Committee's assessment of income has been found to be conservative. It would be realistic to expect an income of atleast 90 lakhs during 1969-70.

Kharif—69—	Rs. 15,71,860
Rabi— 69-70—	Rs. 67,97,000

	Rs. 83,68,860

(Action : C.S.F., Sauratgarh).

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES.**

Nil

NEW DELHI;
9th January, 1970
Pausa, 1891 (S).

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

APPENDIX I

(Para 1.7)

CENTRAL STATE FARM , SURATGARH*Statement showing the Crop-wise total production of Kharif 1963 and 1967*

Name of Crop	Kharif 1963-64 (Yield in Quintals)	Kharif 1967-68 (Yield in Quintals)
Paddy	3,932	2,816
Jowar	1,051	41
Bajra	118	1,232
Maize	742	642
Guar	787	390
Cotton	3,812	3,944
Arhar	23	..
Urad	7	..
Til	..	..
Moong	52	109
Moth	..	12
Castor	11	..
Jute	..	..
Ground Nut	28	..
Sanai	5	..
Sun Hemp	..	..
Cow Pea	12	5
	10,580	9,191
Dhaincha	1,288	26
Sugarcane (F)	79,906	1,497
Sugarcane (R)	44,576	1,989

APPENDIX II

Summary of main Recommendations/Conclusions.

S. No.	Para No.	Ministry/Department Concerned.	Recommendations/conclusions.
1	2	3	4
1	1-13	Deptt. of Agriculture	<p>In para 1-30, the Committee had drawn attention to the deterioration in kharif seed production in the Suratgarh Farm since 1963-64. The Committee observe from the data furnished to them that even if the 'non-seed' kharif production is taken into account, the picture remains the same. The total kharif production in 1963-64 was 1,36,435 quintals and it slumped to less than a tenth in 1967-68, i.e., 12,586 quintals. The Committee are glad to observe that "condition remaining favourable, the Farm expects to harvest a record crop of about one lakh quintals" in the 1969 kharif season.</p>
2	1-14	-do-	<p>The Committee note that the main reason for the lower per hectare yield is the absence of adequate irrigation. This has affected kharif crops at the flowering stage and rabi crops—the mainstay of the Farm—at the sowing stage. The long-term solution to this difficulty according to Government lies in switching over the Farm to irrigation from the Bhakra Canal to the Rajasthan Canal, but the cost of this is yet to be worked out. In any case, the Farm is in no position to commit itself to any substantial expenditure on</p>

this account, till there is an assurance from the Rajasthan Government that the lease on the land occupied by the Farm, which is due to expire by 1971, will be extended. The Committee however gather that the Rajasthan Canal crosses the Suratgarh distributory and the Pilibangan distributory of the Bhakra system at a place close to the Farm where two sip-hons operate. The Committee would like Government to examine whether it would be possible to take advantage of this arrangement to augment irrigation supplies to the Farm, without substantial capital expenditure.

3 I. 15 -do-

The Committee also note that a committee set up by Government to examine the working of the Farm has suggested the discontinuance or reduced cultivation of certain crops like maize, which have not been "successful due to climatic conditions", and paddy, which does not "compete very well with sugarcane and cotton for return per unit of water required during the hottest period of the year when the water supply position is lean". The Committee have already, in their 58th Report, highlighted the need for a proper crop pattern. The Committee hope that this point will be kept continuously in view having regard to observe yields of the crops and their market potentialities.

4 I. 20 -do-

The Committee are glad to observe that due to "low intensity of floods" the crops in the Farm were not damaged in 1969 and that certain precautionary measures have been taken to meet the problem in future. However, a permanent system of flood control is expected to cost Rs. 50 lakhs and is based on a scheme for cost

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			<p>sharing to be worked out with various beneficiaries like the Railways, the State Public Works Department and private cultivators in the area. The Committee have no doubt that Government will assure itself of the extension of the lease of the land occupied by the Farm before embarking on any substantial expenditure on this account.</p>
5.	1:21	Deptt. of Agriculture	<p>The Committee are also of the view that farms should be set up on lands leased in perpetuity or purchased lands rather than on lands leased for short periods so as to avoid a situation and uncertainty of this type.</p>
6.	1:26	-d-	<p>While the Committee recognise that control over cost of production in the Farm can be effectively obtained only by optimising yields, they would like to stress the need for effective measures for controlling costs of cultivation in the Farm. A Committee which reviewed the working of the Farm in September, 1969, suggested measures for savings in staff expenditure to the tune of Rs. 1.25 lakhs, as it found a number of posts in the Farm to be unnecessary. The Committee hope that in the light of this position, periodical/evaluation of the staff position would be made with the help of prescribed norms. That Committee also found surplus equipment and in the Farm worth Rs. 2.81 lakhs, besides overstocking of P.O.L. products, where the stocks in hand ranged from 2½ months' requirements to 57 months' requirements. As the Farm has now to func-</p>

tion as a part of a commercial corporation and pay its way, the Committee hope that cost-consciousness would be instilled into all areas and levels of operations. In order to control inventories, economic order size of each item in use will have to be laid down for guidance of the ordering department.

7. 12.9 -do-

While the Committee are reassured to note the recent improvement in the Farm's performance, they would like to point out that a lasting improvement is possible only if a standing solution can be found to the twin diametrically opposed problems—lack of irrigation water and control of flood waters. This would involve capital expenditure on a scale which it may not be prudent to incur till an assurance is forthcoming that the lease of the Farm land would be extended on a long term basis. The Committee hope that Government will be able to work out a satisfactory arrangement in respect of the foregoing matters.

8. 1.33 -do-

The Committee have already drawn attention to the deficiencies in the present system of accounts in the Farm. They would like Government in consultation with the Comptroller and Auditor General to take immediate steps for rectifying the defects in the accounting procedure, so that it presents a true picture of the working of the Farm.

9. 1.37 -do-

The Committee note the Government's view that the financial forecasts in respect of the new State Farms, which the Committee had characterised in their Fifty-Eighth Report as extravagant in

expectations, are "the first financial forecasts". Apparently these farms will not be able to produce returns on the scale and at the pace visualised in the original forecasts. The Committee hope that Government will, in the light of this experience, ensure that proposals involving substantial capital expenditure are not approved on the basis of optimistic forecasts prepared without being scrutinised by experts in that line, who are not connected with the proposals. So far as these farms are concerned, the Committee would like Government to have a reassessment of the prospects made and brought up before Parliament along with the relevant demands for grants when they are next presented.

