

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

TWENTY-FOURTH REPORT

**[Action taken by Government on the recommendations
of the Public Accounts Committee contained in their
109th Report (Fourth Lok Sabha) on Audit Report
(Civil), 1969 relating to the Ministry of Agriculture
(Departments of Food and Agriculture)]**



LOK SABHA SECRETARIAT
NEW DELHI

September, 1971 | Bhadra 1893 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

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20. Shri Thillai Villalan
21. Shri Shyam Lal Yadav
22. Shri Sheel Bhadra Yajee.

SECRETARIAT

Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

*Declared elected to the Committee on 3-8-1971 *vice* Shri Niranja Verma resigned.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this twenty-fourth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 109th Report (Fourth Lok Sabha) relating to Ministry of Agriculture (Departments of Food and Agriculture).

2. On the 8th July, 1971, 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 the following Members:

Shri B. S. Murthy—*Convener*

Members

2. Shri Bhagwat Jha Azad
3. Shri Ram Sahai Pandey
4. Shri C. C. Desai
5. Shri Thillai Villalan
6. Shri Shyam Lal Yadav

3. The Action Taken Notes furnished by the Government were considered by the Action Taken Sub-Committee of the Public Accounts Committee (1970-71) at their sitting held on the 9th December, 1970. Consequent on the dissolution of the Lok Sabha on the 27th December, 1970, the Public Accounts Committee ceased to exist from that date. The Action Taken Sub-Committee of the Public Accounts Committee (1971-72) considered and adopted this Report at their sitting held on the 3rd August, 1971 based on the suggestions of the Sub-Committee of PAC (1970-71) and further information received from the Ministry of Agriculture (Departments of Food and Agriculture). The Report was finally adopted by the Public Accounts Committee on the 31st August, 1971.

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).

(v)

5. The Committee place on record their appreciation of the commendable work done by the Convener and the Members of the Action Taken Sub-Committee (1970-71) in considering the Action Taken notes and offering suggestions for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

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

.. . . ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

NEW DELHI;
31st August, 1971.
Bhadra 9, 1893 (S).

of more than 60 per cent. A closer look at the figures of utilisation also indicates that in some of the States, where the utilisation never exceeded 60 per cent of the capacity, the utilisation was well below 60 per cent for most of the time. Thus in Assam, over a period of 28 continuous months, it was only during 8 months that the utilisation ranged from 41 per cent to 60 per cent; for the rest of period, it was between 10 per cent to 40 per cent. Likewise, in Bihar, 41 per cent to 60 per cent utilisation was achieved only in 6 out of 20 continuous months, while during the remaining period it remained in the ranges of 10 per cent to 40 per cent. In certain States/Union Territories, like Orissa, Andhra Pradesh and Tripura, utilisation was below even 10 per cent in certain months. Even in States, where utilisation to the extent of over 60 per cent was achieved, it was only for relatively short periods that godowns were so utilised. In West Bengal, for instance, this was achieved only in 4 out of 32 continuous months, in Maharashtra, in 4 out of 35; and in Andhra Pradesh, in 4 out of 29. While on the one hand, there is thus large unutilised storage capacity, substantial quantities of foodgrains are stored either in the open or by make-shift arrangements in places in the States of Punjab, Haryana, Delhi, Gujarat etc. Such unsatisfactory storage arrangements have naturally resulted in stored foodgrains getting spoiled due to vagaries of weather.

- (ii) The experience of utilisation of godowns managed by other agencies like the Central Warehousing Corporation, the State Corporations and Cooperatives has also not been very happy. A Working Group of the Planning Commission which examined the question of planning of storage facilities for the Fourth Plan reported that "under-utilisation of storage facilities with the Warehousing Corporation and Cooperatives has been a cause of concern." They drew attention in particular to the occupancy of godowns of the State Warehousing Corporation which "has been generally low and variable" and added that "in the Cooperative sector also the utilisation of capacity needs to be watched and causes for under-utilisation identified". While storage capacity with various agencies has thus remained unutilised, the Food Corporation of India has been embarking on a substan-

tial programme of new construction in several areas. At a meeting of the Central Storage Committee held in May, 1969, when the Fourth Plan Programme for storage was considered, it was specifically pointed out that the Corporation "was not making full use of the storage capacity available with the various State Warehousing Corporations."

- (iii) A substantial part of storage capacity in the various agencies represents hired accommodation. In April, 1968, as much as 29 per cent of the total capacity of 97.36 lakh tonnes, with the Food Department, Food Corporation, the Warehousing Corporations and Cooperatives constituted hired accommodation. The distribution of this hired capacity amongst the various States was uneven, ranging from 74 per cent in Gujarat to 3 per cent in Uttar Pradesh. The Department of Food alone paid a rent of Rs. 2.28 crores as hire charges during the three years ending 1968-69, while the extent of deterioration or damage to foodgrains in hired accommodation as reported to the Committee is not very substantial, the fact of the matter would seem to be that "much of the hired capacity is sub-standard". The Working Group of the Planning Commission which highlighted this point also stressed that "the significantly high proportion of sub-standard storage should be reduced".
- (iv) There have been what the Working Group characterised as "regional imbalances in the location of storage capacity". The data given in Appendix II to this Report would show that the *inter-se* distribution of storage facilities amongst various regions in the country shows no correlation to the importance of these areas in food production. As at the end of 1967-68, certain areas accounted for storage capacity which amounted to 18 per cent—19 per cent of their food production, whereas certain others, like Punjab, where storage is becoming a chronic problem of late, had capacity to the extent of 6.25 per cent of the food production in that area."

1.6. In their reply dated 3rd November, 1970, the Ministry of Food and Agriculture (Department of Food) stated as follows:

“For putting the matter in proper perspective, the following broad facts are mentioned:

- (i) Foodgrain production in the country is at present of the order of 100 million tonnes per year.
- (ii) The storage capacity at present owned by the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations is, broadly speaking, about 4 million tonnes. With all efforts, some 1.5 to 2 million tonnes may be added during the next one year or so bringing the total to about 5 to 6 million tonnes.
- (iii) Hence the agencies mentioned above would own capacity for storing just about 5 to 6 per cent of the total quantity of foodgrains produced every year in the country. The need for additional storage capacity of the scientific type is obvious.
- (iv) The storage losses in the godowns|warehouses of the Food Corporation of India and the Warehousing Corporation are negligible (being less than 1 per cent) as compared to the overall national loss in storage estimated at about 6.6 per cent some time ago. From the above it will be seen that the storage efforts of the agencies concerned, in the direction of reduction of storage losses as well as in regard to the more general endeavour of price stabilisation, are not inconsiderable.

1.7. In regard to the specific points, which have been noted, the following is the position:

- (a) The primary responsibility for proper planning and utilisation of storage capacity belonging to the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations rests with the agencies concerned who function autonomously. Under Section 13(1) of the Food Corporations Act, 1964 one of the primary duties of the Food Corporation of India is to undertake storage of foodgrains. The Corporation acts autonomously in regard to the management of its storage activities. Similarly, Section 11 of the Warehousing Corporation Act, 1962 spells out the functions of the Central Warehousing Corporation in relation to storage and warehousing activities. The position of the State Warehousing Corporations is similar. The Department of Food now owns directly very

little godown space; nor does it contemplate constructing any godowns of its own. Hence the direct role of the Food Department in this respect is limited. However, coordination in the construction of storage accommodation by the Food Corporation of India and the other agencies (Central Warehousing Corporation mainly), is effected through a Committee of the Food Department, viz. the Central Storage Committee. As between the Central Warehousing Corporation and the State Warehousing Corporations, the understanding is that the Central Warehousing Corporation operates mainly in market centres of all India importance. The recommendations of the Planning Commission's Working Group on storage in regard to coordination of storage activities of different agencies have been communicated to the State Governments also for necessary action in respect of coordination at the State level. In regard to the utilisation level of cooperative warehouse space, the Committee's observations are being conveyed to the Department of Cooperation.

- (b) The phenomenon (commented on by the Committee) of under utilisation of capacity in some areas during certain periods on the one hand, and difficulty of storage elsewhere during some periods is, in considerable measure, due to the fact that the three years ending 1968-69 (for which data was studied by the Committee) included two drought seasons followed by bumper harvests.
- (c) The Central Warehousing Corporation intimated that the occupancy position in its warehouses has risen to 94 per cent during the year 1969-70 and that the occupancy position in the State Warehousing Corporation's Warehouses has also, by and large, improved. The average occupancy in State Warehousing Corporation's warehouses had risen to about 75 per cent as on 31st March 1969 and continued to be maintained at that level as on 31st March, 1970.
- (d) The Food Corporation of India has stated that it endeavours to utilise the Central Warehousing Corporation and State Warehousing Corporation's warehouses to the maximum feasible extent, subject to the available warehouse space meeting the Food Corporation of India's requirements from the point of view particularly of location, suitability of structures, technical preservation and fumigation and operational convenience.

(iii) *Release of substandard hired accommodation*

The Committee's observations have been noted by the Food Corporation of India. They are taking steps to reduce the substandard hired accommodation further. The Committee's observations have been conveyed to the Central Warehousing Corporation also.

(iv) *Regional imbalances in location of godowns*

1.8. As explained earlier, the locational pattern of storage space noted by the Committee reflected, to a considerable extent, the requirements of the drought years with heavy reliance on imports. Further efforts will be made by the agencies concerned to ensure proper locational balance which will have to take into account not merely production levels but also other relevant factors e.g. needs of the public distribution system, climatic conditions, easy access of the stored grains to vulnerable points of consumption, etc. The Food Corporation of India, who are currently responsible for bulk of the storage construction programmes, have stated that the regional imbalances are only a temporary feature and will be reduced in future."

1.9. The Committee hope that the Central Storage Committee of the Department of Food which is responsible for coordination in the construction of storage accommodation by the Food Corporation of India and other agencies like Central Warehousing Corporation will play an effective role in matters of planning, need, location, pattern, standardisation in designing and construction of food-storage godowns by different agencies already in the field.

Loss of Gunny Bags (Paras 1.67—1.68—S. Nos. 9 and 10).

1.10. Commenting on the loss of gunny bags issued for bagging of imported foodgrains at Madras Port the Committee made the following observations in paras 1.67-1.68 of their 109th Report (Fourth Lok Sabha):

"The Committee note that the loss of gunny bags issued for bagging of foodgrains has been higher at Madras Port in relation to other ports like Kandla and Bombay. The value of gunnies lost of this Port during April, 1965 to September, 1967 was Rs. 12.30 lakhs. As a percentage of issues of gunny bags, it was 1.42 per cent and it increased subsequently to 1.90 per cent. This loss has been ascribed largely to "petty pilferage". The Committee would like the Department of Food to take steps, in concert with the

Port Authorities, to minimise these losses, if not eliminate them altogether. In particular, it should be impressed upon the Port Authorities that they should cooperate with Government in ensuring that tallies of bags issued are done expeditiously.

The data furnished to the Committee also shows that the losses at Bombay have been tending to increase. This suggests the need for greater vigilance on the part of authorities concerned."

1.11. In their reply dated the 19-8-70 the Ministry of Food & Agriculture (Department of Food) stated as follows:

"The number of gunnies issued and the number lost upto 15-12-1968 in the case of Madras Port and upto 28-2-1969 in the case of Bombay and Kandla Ports have already been mentioned in para 1.59 of the Public Accounts Committee Report. The number of bags issued and the number lost at these ports subsequent to the above dates are as under:—

Name of Port	Period of issue	No. of gunnies issued	No. of gunnies lost	Percentage of loss
Madras	16 12 68 to 31 3 70	1,32,79,948	1,48,128	1.11
Bombay	1-3-67 to 31-3-70	1,58,12,000	78,000	0.49
Kandla	1-3-69 to 31-3-70	99,13,585	22,223	0.22

It would be observed from the figures given above that while the percentage of loss at Kandla has remained practically at the same low level, the percentage of loss at Madras and Bombay has come down substantially from 1.90 per cent to 1.11 per cent in the case of Madras and Bombay has come down substantially from 1.90 per cent to 1.11 per cent in the case of Madras and from 1.45 per cent to 0.49 per cent in the case of Bombay. This is as a result of better coordination with the Port Authorities and also due to the tightening of supervisory and security arrangements at the Ports. The recommendations of the Committee have, nevertheless, been brought to the notice of the Food Corporation of India which is now responsible for the clearance and handling of foodgrains at the Ports."

1.12. The Committee note that a result of better coordination with Port authorities, the loss of gunnies issued for bagging imported foodgrains has been brought down from 1.90 per cent to 1.11 per cent in the case of Madras Port and from 1.45 per cent to 0.49 per cent in the case of Bombay Port, while the loss of Kandla Port remained practically at the same level (0.22 per cent). The Committee desire that further effective steps should be taken to reduce the losses particularly at Madras Port.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee cannot help feeling that the development of storage capacity in the country has been rather haphazard and un-coordinated. The following facts which have come to the Committee's notice would lend support to this conclusion.

- (i) There has been large unutilised capacity in godowns in certain parts of the country. The data given in the preceding section of this Report would show that, over a continuous period of 20 to 32 months, capacity in the godowns managed by the Department of Food in 5 States/ Union Territories was not utilised to the extent of more than 60 per cent. A closer look at the figures of utilisation also indicates that in some of the States, where the utilisation never exceeded 60 per cent of the capacity, the utilisation was well below 60 per cent for most of the time. Thus in Assam, over a period of 28 continuous months, it was only during 8 months that the utilisation ranged from 41 per cent to 60 per cent; for the rest of period, it was between 10 per cent to 40 per cent. Likewise, in Bihar, 41 per cent to 60 per cent utilisation was achieved only in 6 out of 20 continuous months, while during the remaining period it remained in the ranges of 10 per cent to 40 per cent. In certain States/Union Territories, like Orissa, Andhra Pradesh and Tripura, utilisation was below even 10 per cent in certain months. Even in States, where utilisation to the extent of over 60 per cent was achieved, it was only for relatively short periods that godowns were so utilised. In West Bengal, for instance, this was achieved only in 4 out of 32 continuous months, in Maharashtra, in 4 out of 35; and in Andhra Pradesh, in 4 out of 29. While on the one hand, there is thus large unutilised storage capacity, substantial quantities of foodgrains are stored either in the open or by make-shift arrangements in places in the States of Punjab, Haryana, Delhi, Gujarat etc. such unsatisfactory

storage arrangements have naturally resulted in stored foodgrains getting spoilt due to vagaries of weather.

- (ii) The experience of utilisation of godowns managed by other agencies like the Central Warehousing Corporation, the State Corporations and Cooperatives has also not been very happy. A Working Group of the Planning Commission which examined the question of planning of storage facilities for the Fourth Plan reported that "under-utilisation of storage facilities with the Warehousing Corporations and Cooperatives has been a cause of concern". They drew attention in particular to the occupancy of godowns of the State Warehousing Corporations which "has been generally low and variable" and added that "in the Co-operative sector also the utilisation of capacity needs to be watched and causes for under-utilisation identified". While storage capacity with various agencies has thus remained unutilised, the Food Corporation of India has been embarking on a substantial programme of new construction in several areas. At a meeting of the Central Storage Committee held in May, 1969, when the Fourth Plan Programme for storage was considered, it was specifically pointed out that the Corporation "was not making full use of the storage capacity available with the various State Warehousing Corporations".
- (iii) A substantial part of storage capacity in the various agencies represents hired accommodation. In April, 1968, as much as 29 per cent of the total capacity of 97.36 lakh tonnes, with the Food Department, Food Corporation, the Warehousing Corporations and Cooperatives constituted hired accommodation. The distribution of this hired capacity amongst the various States was uneven, ranging from 74 per cent in Gujarat to 3 per cent in Uttar Pradesh. The Department of Food alone paid a rent of Rs. 2.28 crores as hire charges during the three years ending 1968-69, while the extent of deterioration or damage to foodgrains in hired accommodation as reported to the Committee is not very substantial, the fact of the matter would seem to be that "much of the hired capacity is sub-standard". The Working Group of the Planning Commission which highlighted this point also stressed that "the significantly high proportion of sub-standard storage should be reduced".

- (iv) There have been what the Working Group characterised as "regional imbalances in the location of storage capacity". The data given in Appendix II to this Report would show that the *interse* distribution of storage facilities amongst various regions in the country shows no correlation to the importance of these areas in food production. As at the end of 1967-68, certain areas accounted for storage capacity which amounted to 18 per cent—19 per cent of their food production, whereas certain others, like Punjab, where storage is becoming a chronic problem of late, had capacity to the extent of 6.25 per cent of the food production in that area.

[S. No. 1 of Appendix III (Para No. 1.32) of 109th Report (Fourth Lok Sabha)].

Action taken

For putting the matter in proper perspective, the following broad facts are mentioned:—

- (i) Foodgrain production in the country is at present of the order of 100 million tonnes per year.
- (ii) The storage capacity at present owned by the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations is, broadly speaking about 4 million tonnes. With all efforts, some 1.5 to 2 million tonnes may be added during the next one year or so bringing to the total to about 5 to 6 million tonnes.
- (iii) Hence the agencies mentioned above would own capacity for storing just about 5 to 6 per cent of the total quantity of foodgrains produced every year in the country. The need for additional storage capacity of the scientific type is obvious.
- (iv) The storage losses in the godowns/warehouses of the Food Corporation of India and the Warehousing Corporation are negligible (being less than 1 per cent) as compared to the overall national loss in storage estimated at about 6.6 per cent some time ago. From the above it will be seen that the storage efforts of the agencies concerned, in the direction of reduction of storage losses as well as in regard to the more general endeavour of price stabilisation, are not inconsiderable.

In regard to the specific points, which have been noted, the following is the position:

- (a) The primary responsibility for proper planning and utilisation of storage capacity belonging to the Food Corporation of India, the Central Warehousing Corporation and the State Warehousing Corporations rests with the agencies concerned who function autonomously. Under Section 13(1) of the Food Corporations Act, 1964, one of the primary duties of the Food Corporation of India is to undertake storage of foodgrains. The Corporation acts autonomously in regard to the management of its storage activities. Similarly, Section 11 of the Warehousing Corporations Act, 1962 spells out the functions of the Central Warehousing Corporation in relation to storage and warehousing activities. The position of the State Warehousing Corporations is similar. The Department of Food now owns directly very little godown space; nor does it contemplate constructing any godowns of its own. Hence the direct role of the Food Department in this respect is limited. However, coordination in the construction of storage accommodation by the Food Corporation of India and the other agencies (Central Warehousing Corporation mainly), is effected through a Committee of the Food Department, *viz.* the Central Storage Committee. As between the Central Warehousing Corporation and the State Warehousing Corporations, the understanding is that the Central Warehousing Corporation operates mainly in market centres of all-India importance. The recommendations of the Planning Commission's Working Group on storage in regard to coordination of storage activities of different agencies have been communicated to the State Governments also for necessary action in respect of coordination at the State level. In regard to the utilisation level of cooperative warehouse space, the Committee's observations are being conveyed to the Department of Cooperation.
- (b) The phenomenon (commented on by the Committee) of under-utilisation of capacity in some areas during certain periods on the one hand, and difficulty of storage elsewhere during some periods is, in considerable measure, due to the fact that the three years ending 1968-69 (for which data was studied by the Committee) included two drought seasons followed by bumper harvests.

- (c) The Central Warehousing Corporation intimated that the occupancy position in its warehouses has risen to 94 per cent during the year 1969-70 and that the occupancy position in the State Warehousing Corporation's Warehouses has also, by and large, improved. The average occupancy in State Warehousing Corporation's warehouses had risen to about 75 per cent as on 31st March, 1969 and continued to be maintained at that level as on 31st March, 1970.
- (d) The Food Corporation of India has stated that it endeavours to utilise the Central Warehousing Corporation and State Warehousing Corporation's warehouses to the maximum feasible extent, subject to the available warehouse space meeting the Food Corporation of India's requirements from the point of view particularly of location, suitability of structures, technical preservation and fumigation and operational convenience.

(iii) *Release of substandard hired accommodation.*

The Committee's observations have been noted by the Food Corporation of India. They are taking steps to reduce the sub-standard hired accommodation further. The Committee's observations have been conveyed to the Central Warehousing Corporation also.

(iv) *Regional imbalances in location of godowns.*

As explained earlier, the locational pattern of storage space noted by the Committee reflected, to a considerable extent, the requirements of the drought years with heavy reliance on imports. Further efforts will be made by the agencies concerned to ensure proper locational balance which will have to take into account not merely production levels but also other relevant factors e.g., needs of the public distribution system, climatic conditions, easy access of the stored grains to vulnerable points of consumption, etc. The Food Corporation of India, who are currently responsible for bulk of the storage construction programmes, have stated that the regional imbalances are only a temporary feature and will be reduced in future.

Audit Observation

As the Accounts of the Food Corporation of India are not subject to Audit by the Indian Audit and Accounts Department, the data

contained in the Departments' reply is not susceptible of verification by Audit.

[Deptt. of Food u/o No. G-25015|3|70|IF. II, dated 3-11-1970].

Recommendation

The Committee note that during the Fourth Plan an investment of Rs. 43 crores is contemplated for provision of storage facilities in the country. An investment of this magnitude should be preceded by advance preparatory action on the following lines:

- (i) The Over-all programme for stage construction should be related to realistic targets of food production and modified periodically, if necessary, in the light of observed trends of production *vis-a-vis* targets set.
- (ii) The requirements for purposes of storage of buffer and operational stocks should be worked out, on the basis of a very careful assessment of marketable surplus, and the buffer stock that is required and can within reason be built up. On the question of buffer stocks in particular, varying figures have been suggested ranging from 7 million tonnes proposed by a Working Group on food policy to 5 million tonnes suggested by the Agricultural Division of Planning Commission.
- (iii) The storage programme in different areas and the specific location of storage units should be so planned as to bring out maximum utilisation of storage space. This presupposes a systematic study of the locational pattern of godowns, the absence of which, in the opinion of the Committee, has led to the paradox of large underutilised capacity on the one hand and lack of adequate storage accommodation on the other. Based on such a study, guidelines will have to be laid down for location of godowns with respect of factors like production, marketing, transportation etc. There are different agencies undertaking construction of godowns at different levels for different types of requirements. Adequate coordination will have to be ensured amongst these agencies so that it does not happen that an agency like the Food Corporation goes in for a substantial programme of construction in an area where godowns already constructed remain under-utilised.
- (iv) Integrated development of milling and storage facilities will be necessary, so that dual capacity is not created for

the same stock as in the case of rice-first for paddy and then, after milling, for rice.

- (v) Scientific storage facilities will have to be developed, with a judicious accent on bulk storage, and concerted measures taken to reduce substandard hired godowns.

[S. No. 2 of Appendix III (Para No. 1.33) of 109th Report (Fourth Lok Sabha)].

Action Taken

(a) The Food Corporation of India who are currently responsible for bulk of the storage construction programmes, have noted the guidelines indicated by the Committee.

(b) The Food Corporation of India are having a study conducted by the National Council of Applied Economic Research on the optimum foodgrain movement pattern. The study will also include foodgrain storage locational pattern.

(c) The final 4th Plan document envisages an outlay of Rs. 73 crores for construction of storage capacity for foodgrains. The Plan also indicates that foodgrains buffer stock would be of the order of 5 million tonnes.

Audit Observation

As the accounts of the Food Corporation of India are not subject to audit by the Indian Audit and Accounts Department, the data contained in the Department's reply is not susceptible of verification by Audit.

[Deptt. of Food u/o No. G-25015|3|70|IF. II, dated 3-11-1970].

Recommendation

The Army Purchase Organisation periodically purchases *vanaspati* required for the Defence Services. In the interest of economical procurement, the Committee hope that a procedure would be worked out which would eliminate intermediaries in future purchases.

[S. No. 5 of Appendix III (Para No. 1.45) of 109th Report (Fourth Lok Sabha)].

Action taken

The groundnut oil was arranged to be supplied through Food Corporation of India due to abnormal situation prevailing at that time. Otherwise, no purchase is made through intermediaries. Oil Hydrogenated is being purchased directly from the manufacturers by issue of tender enquiries etc. without any commitment for supply of groundnut oil to them.

[Deptt. of Food O.M. No. G|25015|3|70-IF. II, dated 12-11-1970.]

Recommendation

There is another aspect of the present case to which the Committee would like to refer in passing. The original price of oil stipulated by Food Corporation of India was Rs. 3,550 per tonne (as against Rs. 3,451 per tonne which was ultimately charged). It included an extraneous item of Rs. 120 per tonne which represented compensation for loss incurred by Food Corporation of India on another contract concluded with them by the Army Purchase Organisation. It was only after the matter was raised by Audit that the Corporation finally agreed to withdraw this element of charge and reduced the price. The Committee consider it regrettable that a public corporation like the Food Corporation of India should have sought in this manner to overcharge Government on purchases made through its agency.

[S. No. 6 of Appendix III (Para No. 1.46) of 109th Report (Fourth Lok Sabha)].

Action taken

We had been continuously urging the Food Corporation of India to give up Rs. 120 per tonne claimed as compensation for loss incurred by the Corporation in the supply of gram, groundnut and barley earlier to the Army but they hold the view that as a commercial undertaking, they could make good the loss suffered in one transaction by profit in some other transaction. After persistent requests and discussions with this Department, they withdrew the charge and refunded the amount due from them. However, the Public Accounts Committee's observations have been communicated to the Food Corporation of India.

This Note has been vetted by Audit.

[Deptt. of Food O.M. No. G|25015|3|70-IF. II, dated 12-11-1970.]

Recommendation

It is reported that average weight loaded per BOX wagon improved at Madras by 1.2 tonnes during 1968-69. This shows that proper efforts had not been made in this direction earlier. The Committee hope that sustained attempts will be made for complete loading of wagons.

[S. No. 8 (Para 1.55) of Appendix III to 109th Report (Fourth Lok Lok Sabha)].

Action Taken

Efforts to get BOX wagons loaded by labour upto the permissible limit continued even from the time this (BOX) type of transport had to be used. Incentive schemes were introduced for loading such wagons. Higher wages were also paid to labour for loading more bags in BOX wagons with a view to ensure maximum utilisation of the permissible capacity of BOX wagons. It was as a result of these continuous efforts that it was possible to improve the average weight loaded per BOX wagon by 1.2 tonnes and 0.6 tonnes at Madras and Visakhapatnam respectively during 1968-69, and which has been improved upon by arranging to load 1.4 tonnes at Madras and 1.7 tonnes at Visakhapatnam per BOX wagon in 1969-70, raising the average weight loaded to 52.5 tonnes and 53.2 tonnes respectively per BOX wagon, as against the requirement of about 55 tonnes. With efforts which are continuing, it may be hoped that the performance would improve further.

This Note has been vetted by Audit.

[Deptt. of Food u/o No. G. 25015/3/70-IF II dated 19-8-70].

Recommendations

1.67. The Committee note that the loss of gunny bags issued for bagging of foodgrains has been higher at Madras Port in relation to other ports like Kandla and Bombay. The value of gunnies lost at this Port during April, 1965 to September, 1967 was Rs. 12.30 lakhs. As a percentage of issues of gunny bags, it was 1.42 per cent and it increased subsequently to 1.90 per cent. This loss has been ascribed largely to "petty pilferage". The Committee would like the Department of Food to take steps, in concert with the Port Authorities, to minimise these losses, if not eliminate them altogether. In particular, it should be impressed upon the Port Authorities that they should co-operate with Government in ensuring that tallies of bags issued are done expeditiously.

1.68. The data furnished to the Committee also shows that the losses at Bombay have been tending to increase. This suggests the need for greater vigilance on the part of the authorities concerned.

[S. Nos. 9 and 10 of Appendix—III (Para Nos. 1.67 & 1.68) to the [109th Report (Fourth Lok Sabha)].

Action taken

The number of gunnies issued and the number lost upto 15.12.1968 in the case of Madras Port and upto 23.2.1969 in the case of Bombay and Kandla Ports have already been mentioned in Para 1.59 of the Public Accounts Committee Report. The number of bags issued and the number lost at these ports subsequent to the above dates are as under:—

Name of Port.	Period of issue.	No. of gunnies issued.	No. of gunnies lost.	Percentage of loss.
Madras.	16.12.68 to 31.3.70	1,32,79,943	1,46,128	1.11
Bombay.	1.3.69 to 31.3.70	1,58,12,000	78,000	0.49
Kandla.	1.3.69 to 31.3.70	99,13,685	22,223	0.22

It would be observed from the figures given above that while the percentage of loss at Kandla has remained practically at the same low level, the percentage of loss at Madras and Bombay has come down substantially from 1.90 per cent to 1.11 per cent in the case of Madras and from 1.45 per cent to 0.49 per cent in the case of Bombay. This is as a result of better coordination with the Port Authorities and also due to the tightening of supervisory and security arrangements at the Ports. The recommendations of the Committee have, nevertheless, been brought to the notice of the Food Corporation of India which is now responsible for the clearance and handling of foodgrains at the Ports.

This Note has been vetted by Audit.

[Deptt. of Food U.O. No. G. 25015/3/70-IF-II dt. 19th August, 1970.]

Recommendations

2.20. The Committee feel that Government were ill-advised to get involved in this transaction. The involvement started with Gov-

ernment advancing a sum of Rs. 2 lakhs to the Cooperative societies to help them repay a loan which they had taken from the Indian cooperative Union for constructing four Katcha wells. It ended up with Government taking over these wells and foregoing the loan. Government have in addition over the past three years incurred on an average an annual loss of Rs. 16,000 on running these wells. There is also no prospect of the losses being avoided in future, as that would call for an increase in the water-rates to "about four or five times the present rates" which the Department of Agriculture have admitted "will never be possible".

2.21. The scheme of having katcha wells was mooted as part of a bigger project, which found favour neither with the Planning Commission nor with the States. Test observations on certain wells constructed earlier also established that they would not be feasible. A Technical Committee which thereafter examined the project also decided against it. It categorically stated that it would be "highly unremunerative" for Government to run them and suggested that the wells should be left to be executed and maintained by the co-operatives, if at all in some "isolated pockets" they could be made to work. It is beyond the Committee's comprehension as to why Government chose to disregard all these well-founded doubts about the utility and workability of the Scheme and invested money in it. What is harder still to explain is that Government chose to come in after the co-operatives which took up the Scheme found it difficult to work it.

2.22. The Committee see little reason to doubt that Government stepped in just to help the Indian Cooperative Union salvage the loan it had extended to the cooperatives for the Schemes. To help the cooperatives to repay this loan to the Union, Government advanced Rs. 2 lakh to them on the strength of a guarantee by the Cooperative Union, which Government did not invoke. It is significant that the Cooperative Union is now facing a statutory inquiry by the Registrar of Cooperative Societies, Delhi, as a result of complaints "indicating serious irregularities" in its working.

2.23. As the Scheme is being worked for the benefit of small farmers, the Committee do not wish to pursue this case further. However, they hope that government will not allow their zeal for such causes to be turned to the advantage of interested parties.

[S. Nos. 11, 12, 13 and 14 (Para Nos. 2.20, 2.21, 2.22 and 2.23) of Appendix III to 109th Report (Fourth Lok Sabha)]

Action taken

Noted for future guidance.

[Department of Agriculture O.M. No. 1-12-70-Budget, dated 25-11-1970].

CHAPTER III

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

Recommendation

1.43. The Committee feel that the Army Purchase Organisation could have saved a sum of Rs. 8.47 lakhs on this transaction had they not sought the assistance of the Food Corporation of India for the procurement of groundnut oil. The contracts concluded by the Organisation with the suppliers of Vanaspati provided that suppliers should obtain their requirements of groundnut oil from the Food Corporation. However, the Food Corporation had at that time no field officer in Gujarat, where the oil was purchased, nor did it have any "previous experience in purchase of groundnut oil". The Corporation, therefore, was naturally obliged to sub-contract the work to the State Marketing Cooperative Society which, in turn, employed Commission Agents to procure the oil. The result was that, out of the price of Rs. 3,451 paid per tonnes of oil, as much as Rs. 350 per tonne, i.e., over one-tenth of the price, represented incidental expenses, commission, etc. of various agencies employed for the procurement of oil.

1.44. The State Marketing Cooperative Society whose services the Food Corporation of India obtained in this case is one of the 23 State Marketing Federations established in the Cooperative Sector. Statistics about its turn-over given by the Reserve Bank of India, reproduced in the preceding section of this Report, would suggest that it is a well established society. It is also Government's declared policy to promote growth of cooperatives in the marketing sector. Taking all these circumstances into account, it seems to the Committee that the Army Purchase Organisation could well have approached this society direct for procurement of oil instead of seeking the assistance of Food Corporation of India, particularly when the Corporation had absolutely no experience of such procurement. Had this been done, the Army Purchase Organisation would have had to pay, apart from the actual weighted average price (Rs. 3,101 per tonne), only Rs. 226.58 per tonne* as incidentals, in-

*The incidentals etc. paid were Rs. 280 per tonne or Rs. 4.50 per tin, which included Rs. 0.87 per tin as administrative charges of Food Corporation of India. Excluding these charges, the incidentals etc. work out to Rs. 3.63 per tin or Rs. 226.88 per tonne).

stead of Rs. 350 per tonne which was actually paid. On 6,882 tonnes of oil procured, the Organisation could thus have saved a sum of Rs. 8.47 lakhs.

[S. Nos. 3 and 4 of Appendix III (Paras 1.43 and 1.44) to 109th Report (Fourth Lok Sabha)].

Action taken

The Army Purchase Organisation (Department of Food) is responsible for arranging supplies to the Defence Services in accordance with the indents placed by the Army Headquarters. In this case, the indents received from the Army Headquarters related to Oil Tydrogenated (Vanaspati) and not to groundnut oil as such. As Government have no installation of their own for manufacturing Oil Hydrogenated (Vanaspati) and *not* to *groundnut* oil as such. Purchase Organisation to purchase groundnut oil and process it into oil hydrogenated. Therefore, the Army Purchase Organisation had to call for tenders for supply of oil hydrogenated in accordance with the normal procedure. But response to the tender enquiry was not satisfactory and the rates quoted were also high as compared to the rates worked out on the basis of the price of groundnut oil obtaining then. The high rates quoted by the Vanaspati manufacturers were understandably high due to the extremely short supply of groundnut oil on account of the ban imposed by the Government of Gujarat on the export of groundnut oil outside the State. As, at this time, a large quantity of about 3,555 tonnes of Oil Hydrogenated was already due to be supplied to the Defence Services, and as the Vanaspati manufacturers were quoting very high rates for the current supplies in view of the poor availability of groundnut oil, it was apprehended that there would be a break-down in the supply of oil hydrogenated to the Defence Services. In order to avert this crisis, the matter was taken up with the Government of Gujarat. After protracted discussion at the highest level, they agreed to allow export of 7000 tonnes of groundnut oil in the first instance subject to the condition that the Food Corporation of India would purchase oil in the open market and that the Services of the Gujarat State Marketing Cooperative Society would be utilised wherever feasible. In view of the wide and erratic fluctuations in the oil prices a very close liaison with the market was absolutely necessary and purchases had to be made very cautiously so that these purchases did not have any adverse effect on the general market. The Army Purchase Organisation which had no field Organisation, at all, was not in a position to perform this function. Even if the Army Purchase Organisation had entered the field, they could have pur-

chased oil only either by resorting to tenders or through the Commission Agents. Resorting to either of these methods would have inevitably resulted in the price of groundnut oil increasing sharply and the State Government would not have countenanced such a situation without protest. They would have scrapped the entire scheme of purchase of groundnut oil for export, which, in turn, would have resulted in a complete break-down of supply of oil hydrogenated to the Defence Services.

Further, it was doubtful if the State Cooperative Marketing Society would have been prepared to purchase, store and handle such a large quantity of oil, especially when its hands were quite full with other items of business like cotton etc. This is also supported by the fact that at one time purchases had to be made through some private commission agents due to the society's pre-occupation. In fact, it was mainly for these reasons that Gujarat Government and the society had agreed to entrust to the Food Corporation of India the work relating to purchase distribution of the export quota of groundnut oil. Even if the State Cooperative Marketing Society had been entrusted directly by the Army Purchase Organisation with the work of purchasing oil, they would have necessarily charged extra to cover their administrative expenses and it is doubtful whether they would have charged less than what has been charged by the Food Corporation of India (0.87 paise per tin). Similarly, even if the Army Purchase Organisation had made its own arrangement for the purchase of groundnut oil, they would have spent a considerable amount in setting up offices at various Centres in Gujarat and such administrative expenses would not have been less than what was charged by the Food Corporation. It may be stated, incidentally, that had the Army Purchase Organisation entered the market directly, the average price of groundnut oil would have been nearly Rs. 3,279/- per tonne, which was the weighted average market rate (inclusive of cost of containers) for the quantity purchased by the Food Corporation of India during the period in question, as against Rs. 3,101/- per tonne charged finally by the Food Corporation. Thus, the Army Purchase Organisation would have spent about Rs. 12 lakhs more. As compared to the sum of Rs. 8.47 lakhs paid for the services rendered by the Food Corporation, direct purchase by the Army Purchase Organisation would have resulted in an extra expenditure of over Rs. 3.5 lakhs, apart from the charges that would have been incurred on the establishment of Branch Offices etc. in Gujarat.

It will, thus, be appreciated that under the conditions and circumstances explained above, there was no course open to the Army

Purchase Organisation but to entrust the purchase of oil to the Food Corporation of India, and for the latter, to operate through the State Marketing Cooperative Society in order to purchase oil at economical and competitive rates.

[Deptt. of Food O.M. No. G/25015/270—IF II dated 12-11-1970]

Audit Observation

This office has not been able to check the rates at which the Food Corporation of India procured oil, because the books of the Corporation are not open for inspection by Indian Audit and Accounts Department

[A.G.C.W. & M u/o No. REP—II—3(49)|F.A./III|217-19 dt. 9-6-71].

Recommendation

The Committee note that the Department of Food is at present paying freight on foodgrains transported by BOX wagons on the basis of wagon-load rates, without getting the wagons loaded to the marked carrying capacity. During the two years, 1965-66 and 1966-67 alone, this resulted in avoidable payment of freight to the extent of Rs. 22.45 lakhs. The primary difficulty is stated to be the reluctance of labour to accept standardisation of the contents of filled bags. The Committee hope that Government would be able to work out with the co-operation of labour a suitable arrangement to ensure that wagons are loaded up to the stipulated weights. The possibility of Government being able to make good the shortfall in loading at points where wagons are weighed should also be explored. S. No. 7 (Para 1.54) of Appendix III to 109th Report (Fourth Lok Sabha).

Action taken

With continuous efforts, it has been possible to achieve better results but not complete standardisation of the bags filled in the Vizag. and Madras Ports. The attitude of labour has not always been helpful or conducive to efficiency. The tendency is to slow down the handling operations and this adversely affects the pace of discharge and clearance. To avoid congestion in port transit sheds and consequent repercussion on the port, payment of shed demurrage and ship demurrage (in foreign exchange), the Department of Food/F.C.I. have had to keep the operations going in the best manner possible.

The Food Corporation of India have also examined the possibility of making good the shortfall in weight at points where wagons are weighed. As the wagons are weighed on a railway wagon weigh-bridge which is generally situated in the railway goods yard or marshalling yard in which the shunting operations are a continuous

process, it has not been found feasible to carry and stack foodgrain bags adjacent to the weighbridge line to make good the shortage in weight during or after the weighing of wagons. The wagons are weighed in a string with couplings in between loosened and with the shunting engine pushing them one by one on the table of the weighbridge. The string of wagons is not only of foodgrain wagons but also consists of wagons of other traffic. If a wagon in the string was to be held up for loading more foodgrain bags so as to make up the load upto the marked carrying capacity of the wagon; the detention of wagons and the shunting engine would be extremely heavy and this will throw the entire operations with regard to the sorting of loads and formation of trains in the railway yard out of gear. Therefore, operationally it is not feasible to make good the shortage in weight of contents in a wagon on the Railway wagon weighbridge.

[Deptt. of Food U|O No. G.25015 3|70, IF II, dated 19-8-70].

CHAPTER IV

**RECOMMENDATIONS|OBSERVATIONS REPLIES TO WHICH
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH
REQUIRE REITERATION.**

—N I L—

CHAPTER V

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

—NIL—

NEW DELHI;
31st August, 1971

Bhadra 9, 1893 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Recommendations/Conclusions

Sl. No.	Para No.	Ministry/Department concerned	Recommendations/ Conclusions
1.	1.9.	Deptt. of Food	The Committee hope that the Central Storage Committee of the Department of Food which is responsible for coordination in the construction of storage accommodation by the Food Corporation of India and other agencies like Central Warehousing Corporation will play an effective role in matters of planning, location, pattern, standardisation in designing and construction of food-storage godowns by different agencies already in the field.
2.	1.12.		The Committee note that as a result of better coordination with Port authorities, the loss of gunnies issued for bagging imported food-grains has been brought down from 1.90 per cent to 1.11 per cent in the case of Madras Port and from 1.45 per cent to 0.49 per cent in the case of Bombay Port, while the loss of Kandla Port remained practically at the same level (0.22 per cent). The Committee desire that further effective steps should be taken to reduce the losses particularly at Madras Port.

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