

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

**(FOURTH LOK SABHA)**

## **HUNDRED AND NINTH REPORT**

**[Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil), 1969 relating to the Ministry of Food, Agriculture, Community Development & Cooperation (Departments of Food and Agriculture)]**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1970/Chaitra, 1892 (Saka)*

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## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Ninth Report on Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil), 1969.

2. The Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil), 1969 were laid on the Table of the House on the 18th April, 1969. The Committee examined the paragraphs relating to the Ministry of Food, Agriculture, Community Development & Cooperation (Departments of Food and Agriculture) at their sittings held on the 30th June, 1969 and 31st October, 1969 (F.N.). The Committee considered and finalised this Report at their sitting held on the 26th March, 1970 (A.N.). The minutes of these sittings form part of the Report (Part II)\*.

3. A statement showing the summary of the main conclusions of the Committee is appended to the Report (Appendix III). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Food, Agriculture, Community Development & Cooperation (Departments of Food and Agriculture) for the cooperation extended by them in giving information to the Committee during the course of evidence.

ATAL BIHARI VAJPAYEE,  
Chairman,  
Public Accounts Committee.

NEW DELHI;  
April 4, 1970.  
Chaitra 14, 1892 (Saka).

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## CHAPTER I

### MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT & COOPERATION (DEPARTMENT OF FOOD)

#### Food Storage Godowns

##### Audit Paragraph

In paragraph 4.67 of their Fifty-ninth Report (Third Lok Sabha), the Public Accounts Committee observed (October 1966) that, in view of a substantial storage capacity remaining unutilised year after year and of the large expenditure on rent and maintenance of hired godowns, the whole matter should be examined afresh in detail to arrive at some norms which would enable the Ministry to work out their requirements more realistically and that they should also explore the possibility of reducing the number of hired godowns by making full use of Government-owned godowns and also by expediting construction of Government godowns. The Ministry informed the Public Accounts Committee in May, 1968 that the Planning Commission had appointed a working group to go into the question of storage of not only foodgrains but also of other commodities during the Fourth Plan period. The \*table below shows the extent of utilisation of storage godowns, owned or hired\*\* by Government, in July, 1968:—

Region	Maximum <sup>1</sup> Storage capacity			Capacity utilised	Capacity vacant	Balance (In thousand tonnes)	Percentage of vacant space to usable capacity
	State	Owned	Hired				
1	2	3	4	5	6	7	8
<i>Easter</i>							
Assam	.	..	44.4	3.7	48.1	30.6	2.0
Tripura	.	..	20.7	2.6	23.3	8.9	..
W. Bengal	.	249.2	138.5	387.7	191.4	59.0	137.3
<b>TOTAL</b>	.	314.3	144.8	459.1	230.9	61.0	167.2
<i>Western</i> :							
Gujarat	.	..	73.6	173.3 <sup>2</sup>	246.9	219.0	5.1
Goa	.	..	..	13.0	13.0	9.4	..
Maharashtra	.	..	783.4	139.8	923.2	483.0	104.5
<b>TOTAL</b>	.	857.0	326.1	1183.1	711.4	109.6	362.1

\*Excludes the godowns transferred to the Food Corporation of India.

\*\*During 1967-68 the Department spent Rs. 70 lakhs on rent of hired godowns and Rs. 13.64 lakhs on maintenance of Government-owned as well as hired godowns.

1	2	3	4	5	6	7	8
<b>Southern:</b>							
Andhra Pradesh	.	..	9.3 45.2	9.3 45.2	1.0 29.8	0.6 5.4	7.71 10.0
Madras	.	..					88.5 25.1
<b>TOTAL</b>	.	..	<b>54.5</b>	<b>54.5</b>	<b>30.8</b>	<b>6.0</b>	<b>17.7</b>
<b>GRAND TOTAL</b>	.	<b>1171.3</b>	<b>525.4</b>	<b>1696.7</b>	<b>973.1</b>	<b>176.6</b>	<b>547.0</b>
							<b>36</b>

1.2. One of the godowns owned by Government in Calcutta has remained mostly unutilised during the two years ended with December, 1967:—

On	Unusable capacity	Capacity actually utilised	Vacant capacity	(In tonnes) Percentage of idle capacity
1st January, 1966	38,500	1,714	36,786	95.5
3rd December, 1966	46,250	4,512	41,738	90.2
30th December, 1967	53,587	3,500	50,087	93.5

1.3. Government stated (December, 1968) that this godown, which is situated 35 Kms. from the Calcutta port, had remained largely vacant solely because their expectation to build buffer stocks had not materialised, and that the stocks in this godown went up to 28,901 tonnes in August, 1968. The godown has been transferred to the Food Corporation of India in September, 1968.

[Paragraph 82 of Audit Report (Civil), 1969]

1.4. The Committee enquired about the basis on which assessment of storage accommodation was made for the last 3 years ending 1968-69 and the reasons for a high percentage of unutilised godown space. In a note, the Department of Food have stated the position as under:

“The requirements of storage accommodation were assessed in the past on the basis of the following broad principles:

- (a) In port cities, the transit accommodation should be equivalent to one month's imports.
- (b) The storage space at inland storage centres for buffer stock operations should be equivalent to 6 months' off-take.
- (c) At consuming centres, the storage space should be equivalent to two months' off-take.

TABLE I

State/Union Territory	Range of % age of utilisation of usable space (Lower and Upper range)	No. of consecutive months for which data is available
Andhra Pradesh . . .	1·1 to 74·5	29
Tripura . . .	4·8 to 56·1	30
Orissa . . .	6·3	In April, 1966
Assam . . .	10·6 to 58·4	28
Bihar . . .	13·3 to 51·4	20
Punjab . . .	18·7	In April, 1966
Maharashtra . . .	18·7 to 70·9	35
Madhya Pradesh . . .	19·8 to 51·7	7
West Bengal . . .	23·2 to 75·7	32
Gujarat . . .	31·2 to 92·0	35
Madras . . .	37·9 to 92·9	32
Uttar Pradesh . . .	40·8 to 66·2	7
Goa . . .	40·9 to 100	29
Delhi . . .	33·8 to 56·6	7
Manipur . . .	65·2	11

TABLE II

State	Godown useable Capacity (In tonnes)	Total No. of months	No. of months in which utilisation was					
			Below 10%	10% to 40%	41% to 60%	61% to 90%	91% & above	
I	2	3	4	5	6	7	8	
Assam . . .	45·7 to 55·0	28	..	82	..	..	..	
Bihar . . .	209·6 to 223·9	20	..	14	6	..	..	
Manipur	4·6	11	..	..	..	..	..	
Orissa . . .	17·4	1	1	..	..	..	..	
Tripura . . .	18·7 to 22·9	30	5	21	4	..	..	
West Bengal . . .	169·1 to 350·5	32	..	22	6	..	..	
Gujarat . . .	177·6 to 248·6	..	7	6	19	..	..	
Madhya Pradesh	69·6 to 72·..	..	3	..	..	..	..	
Maharashtra	498·6 881·3	35	..	20	4	..	..	

i	2	3	4	5	6	7	8
Punjab . . .	17.1	1	..	1	..	..	..
Uttar Pradesh . . .	318.3 to 345.6	7	..	..	5	2	..
Andhra Pradesh . . .	8.7 to 17.2	20	3	11	11	4	..
Madras . . .	3.7 to 42.4	22	..	1	6	20	5
Delhi . . .	112.0 to 118.4	7	..	2	5	..	..
Goa . . .	6.7 to 13.3	29	..	..	10	16	3

1.6. The Committee referred to the observations made by a Storage Committee appointed by the Food Corporation of India that the utilisation of large storage facility created under the crash programme in Chingleput and Tanjore districts in Tamil Nadu has been "a matter of serious doubt and concern". The witness stated that initially "those godowns were put up because of the very great increase in the production of rice that was expected in that particular area due to double cropping and various other agricultural improvements that were introduced". The witness added further: "During the two years immediately after they were constructed, our expectation of rice or paddy..... did not prove correct. It is true that for a year or two, they were not fully utilised but, with the prospects now of our being able to achieve, if not exceed, our buffer stock targets, I think we shall need every godown in the country and I have no doubt that even (these) godowns..... will be fully utilised." When enquired about the present position of these godowns, the witness replied: "The Chingleput godown is full, the Tanjore godown is full and in Mannargudi godown, it is 90 per cent (full)."

1.7. The Committee referred to the godown in Calcutta mentioned in the Audit paragraph in which the capacity had remained unutilised to the extent of 90.2 to 95.5 per cent in January, 1966 and December, 1967 and enquired why the godown was being underutilised. The witness replied: "This godown in Calcutta is 35 Kms. from the Port and had a rail siding and was bound to be very useful ultimately, though for two years it remained practically vacant. Apart from this godown, we had a lot of other transit accommodation in Calcutta itself, and if we were not able to store out all the imported grain (from the port) to its destination and had to store some of it in the transit accommodation, that was stored in the godowns

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nearer to the port area and the occasion, therefore, to use this godown 35 kilometres away did not arise to the same extent." Explaining the background of the problem the witness stated that during two drought years the port capacity which could previously handle "about 5 lakh to 6 lakh tonnes in a month" had to lift "the minimum quantity of foodgrains which the people needed then". The witness added: "The off-take during these years of drought—I mean, the total quantity of foodgrains allotted by the Centre to the States and delivered to the States—was of the order of a million tonnes. A million tonnes were coming and a million tonnes were being moved to the States. I think, by and large, there is no doubt that the grain that came in was moved out as quickly as possible." The Committee enquired about the present position of this particular godown. The witness replied: "The position today is that there are 35 thousand to 40 thousand tonnes in that godown (against the usable capacity of 53.5 thousand tonnes on 30th December, 1967). The original capacity was worked out on a certain assumed height of stocking. But in practice, the height could not be reached as was originally estimated. So, the effective capacity is not as much as shown in the papers. I have no doubt that in a month or two it would be fully occupied."

1.8. During evidence, the representative of the Department of Food apprised the Committee of the following overall position in regard to storage utilisation and requirements: "The position today is that we are holding throughout the country nearly 5 million tonnes of foodgrains and my own forecast is that in the course of the next 6 months assuming an average monsoon, stock may go even upto 7 million tonnes. So our problem at the moment is not non-utilisation of storage but to find adequate storage for holding the grain we would be getting."

1.9. The Working Group on storage set up by the Planning Commission gave the following assessment:

"With prospects of increases in the production, marketable surplus and public procurement and distribution of foodgrains, it is obvious that a substantial expansion of storage capacity will be required for foodgrains and pulses. On the basis of past experience, we reckon that the marketable surplus may be of the order of 40 to 45 million tonnes by the end of the Fourth Plan. Public procurement for purposes of buffer stocks, price support and public distribution may amount to over 12 million tonnes."

"The establishment of a buffer reserve of foodgrains is a declared policy objective. The appropriate size of the

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reserve envisaged has ranged from 5 to 10 million tonnes. The Working Group on Food Policy has considered a reserve of 10 million tonnes as the ideal reserve. But in view of the constraint of resources, it has recommended a reserve of 7 million tonnes by 1973-74. The Agricultural Division of the Planning Commission has taken the view that a reserve of more than 5 million tonnes may not be a practicable proposition. On the other hand the Plan outlay foreseen for the buffer reserve may not permit a reserve of more than 4 million tonnes. In view of this we have based our calculations of new storage capacity on a buffer reserve of 4 million tonnes. A reserve of this size will require storage capacity of 5 million tonnes after allowing for 20 per cent of space for operational purposes. Further capacity of 2 million tonnes is likely to be needed for pipeline stocks and to cover seasonal fluctuations in the requirements of storage which are likely to be more pronounced with a reduction in the import component in our food resources. Thus we place the minimum requirements of storage space for FCI|Food Department and State Governments at 7 million tonnes. Against this the capacity owned by them will be 4.5 million tonnes at the commencement of the 4th Plan."

1.10. The Committee enquired about the planning of Government in regard to buffer stocks and for future storage requirements. The witness apprised the Committee of the following position:

"The recommendation of the Working Group was that a buffer-stock of 4 million tonnes zonal-wise may be practicable if we have to meet that within our resources. And this would require a storage capacity of five million tonnes plus another two million tonnes capacity for pipeline or operational stocks. That is how the total capacity comes to 7 million tonnes. It was on this assumption that the Working Committee attempted to assess the total storage requirements. On that subsequently, the Planning Commission met and came to the conclusion which had been accepted by Government namely that the target of buffer stocks should be five million tonnes over and above two million tonnes of operational stocks. That comes to 7 million tonnes. This is the decision taken by Government."

"We have had long discussions with the Planning Commission. Very briefly, the position is this: The Commission has agreed and Government has approved the provision of

Rs. 45 crores in the Fourth Plan for the purpose of storage accommodation. We wanted more, but keeping in view the constraint of resources, this was provided. We have pointed out that the position should be reviewed after two or three years to see whether additional capacity is required or not. This Rs. 45 crores will yield roughly 2.5 million tonnes of capacity."

"We have finally agreed on 5 million tonnes buffer plus 2 million tonnes operational stock. We would perhaps like a bigger buffer, because if one does a statistical exercise and takes into account the frequency of bad/indifferent years and on that basis find out what the buffer needed would be, for instance, in the past 20 years to deal with situations of bad or indifferent years, the figure may come to 9-10 millions tonnes. But holding a buffer stock is a costly operation. It means locking up resources. To that extent the cost of holding buffer goes up for various reasons—interest on capital, storage cost etc. All these eventually increase the incidence to the consumer. So considering these various limitations, initially we have agreed to have a buffer of 5 million tonnes plus 2 million tonnes for operational pipeline stocks."

1.11. In para 4.67 of their 59th Report (Third Lok Sabha), the Public Accounts Committee had recommended that Government should explore the possibility of reducing the number of hired godowns by making full use of the Government owned godowns and also by expediting construction of Government godowns." The Committee have been given figures of the total storage capacity in the country in the various sectors as on April, 1968. These are tabulated below:

	Central Food Dept. and FCI	State Govern- ments	Central Ware- housing Corp.	State Ware- housing Corps.	Coopera- tives	Total
(In thousand tonnes)						
Owned . . .	2104.1	1396.2	651.6	227.5	2517	6806.4
Hired . . .	872.1	1262.8	194.5	510.7	..	2840.1
<b>TOTAL . . .</b>	<b>2076.2</b>	<b>2659.0</b>	<b>846.1</b>	<b>738.2</b>	<b>2517</b>	<b>9736.5</b>

(Source: Page 8 of the Report of working Group of Planning Commission)

1.12. The Committee observe that out of a total storage capacity of 97.36 lakh tonnes with all the agencies, including the State Gov-

ernments and Cooperatives, 28.40 lakh tonnes or 29 per cent constitutes hired capacity. The proportion of the hired storage capacity of the Food Department and the Food Corporation of India has varied from State to State. The data in this regard is given below:

	Percentage of hired capacity in relation to total capacity with Food Department and Food Corporation of India.
Gujarat	74
West Bengal	61
Tamil Nadu	21
Punjab	55
Assam	39
Madhya Pradesh	38
Kerala	23
Orissa	23
Andhra Pradesh	16
Bihar	7
Uttar Pradesh	3
Mysore	0
Rajasthan	0

1.13. According to the findings of the Working Group of the Planning Commission "much of the hired capacity is sub-standard" and, therefore, "needs to be reduced."

1.14. The Committee desired to know the amount of rent being paid by the Food Department for the hired storage during the three years ending 1968-69. From the information furnished by the Government in a note, the Committee observe that the Food Department alone paid about Rs. 2.28 crores as rent during the three years ending 1968-69 as under:

1966-67	Rs. 92.05 lakhs
1967-68	Rs. 70.02 lakhs
1968-69	Rs. 65.60 lakhs

These figures are exclusive of rent paid by the Food Corporation of India to whom godowns were progressively transferred from the Department of Food.

1.15. The Committee asked for data about the extent to which hired capacity in different States/Union Territories had proved sub-standard and the extent of damage to foodgrains due to the sub-standard nature of storage. They enquired whether Government had considered the feasibility of recovering these losses from the owners of such godowns and taken steps to release such accommodation. In a note, the Government have furnished the following information:

State/ Union Territory	Sub-standard hired storage and steps taken to release such accommodation	Extent of deterioration/damage to foodgrains	
		1	2
Bihar	An Airforce hangar having a capacity of 4,000 tonnes belonging to Defence Department was taken over at Darbhanga in 1968 during Rabi season. A godown of 750 tonnes which was hired at Forbesganj was also Sub-standard. Efforts are being made to release these godowns.	About 2 tonnes and 4 Kgs. of rice procured in Bihar got damaged due to rain water at Darbhanga Airforce hangar. As these sub-standard godowns were taken due to emergency knowing that they were sub-standard recovery of loss from owners is not possible.	
Gujarat	A capacity of 33,755 tonnes utilised by Food Corporation of India in Gujarat State Warehousing Corporation godowns was sub-standard accommodation. Out of this only a capacity of 1,328 tonnes is awaiting release.	Efforts are being made to recover the loss of Rs. 95,083.25 from the State Warehousing Corporation and the matter is now under correspondence.	
Madhya Pradesh	A capacity of 25,834 tonnes hired by Food Corporation of India was sub-standard. These godowns are being released as and when the stocks are issued.	Loss sustained was 83.90 quintals of wheat/rice. Efforts are being made to recover the loss from the owners of the godowns and the matter is under correspondence.	
Tamil Nadu	The following accommodation taken over in Madras Region was sub-standard :  4149 tonnes at Tuticorin 4060 tonnes at Coimbatore 4100 tonnes at Karaikkal and Pondicherry.	In none of these godowns foodgrains have been allowed to deteriorate. In some cases the bottom layer of bags where the flooring of godowns is not pucca got damaged slightly. The same have, however, been disposed of. As these sub-standard godowns were	

## /Uttar Pradesh

A capacity of 37,138 tonnes hired was sub-standard. These godowns are being released.

taken due to emergency knowing that accommodation was substandard, recovery of loss from owners is not possible. Efforts are being made to release the godowns.

36 tonnes of wheat deteriorated and got damaged due to sub-standard nature of godowns. As these sub-standard godowns have been taken knowing that accommodation was sub-standard, recovery of losses from owners is not possible. However the owners of the godowns cannot be held responsible for damage to foodgrains. Efforts are being made to release the godowns.

1.16. The Committee desired to know whether foodgrains belonging to Government or Food Corporation of India were stored otherwise than in pucca structures and if so, the quantities so stored during 1969 and what measures were taken to protect them against theft and vagaries of weather. In a note the Government stated that there had been no such instances in Assam, Bihar, Andhra Pradesh, Mysore, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu and West Bengal. However, in respect of the remaining States, the following information has been submitted:

"Delhi.—One stack had been kept at Naraina godown properly covered with tarpaulins for experimental purposes.

Gujarat.—At F.S.D., Ahmedabad foodgrains were stored in open. The month-wise quantities stored ranged from 302 tonnes in March, 1969 to 12,410 tonnes in August, 1969. The stocks in open were covered with tarpaulins/polythene sheets on sides so as to protect them against rain."

Kerala—In March/April, 1969 3,092 tonnes of rice in 34,316 bags were stored on platform/ground in godown premises of West-Hill-Depot. In February, 1969, about 622 tonnes of rice were kept outside the godown at Muzhappilangot Depot for want of space. Stocks were kept duly covered with tarpaulins and issued out on full weighment. No loss was sustained due to damage/theft.

Maharashtra.—About 17,000 tonnes were kept in the open in Bombay during May/June, 1969, duly protected by

tarpaulins etc. The bottom layers, however, got damaged due to onslaught of rain and a quantity of 246 tonnes was rendered unfit for human consumption.

**Punjab and Haryana.**—Stocks were stored in open at Qadian (6,384 bags), Gehri (2,921 bags), Batala (39,336 bags), Khemkaram (3,160 bags), Taran Taran (31,000 bags), Jandiala (6,000 bags), Rayya (21,750 bags), Nabha (3,700 tonnes), Sirhind (2,000 tonnes), Samana (200 tonnes), Barnala (40,000 tonnes), Tapa (40,000 tonnes), Malerkotla (35,000 tonnes) and Dhuri (40,000 tonnes).

“Stocks were kept on wooden crates/dunnage and were covered with tarpaulins. Adequate watch and ward arrangements were made. Stocks thus were weighed again when removed to pucca godowns or at the time of loading into wagons.”

**Uttar Pradesh.**—“5,100 tonnes were stored without pucca structures at Chandausi. The stocks were duly covered by tarpaulins. Watch and ward arrangements existed at all these places. The stocks were weighed at the time of removal/issue.”

1.17. A statement showing the State-wise distribution of storage capacity for foodgrains with the Department of Food, Food Corporation of India and State Governments in 1967-68 in relation to foodgrain production as compiled by the Working Group of the Planning Commission is at Appendix II to this Report. The Committee observe from the statement that the *inter-se* distribution of storage facilities amongst various regions in the country does not correspond to the foodgrain production. The Working Group also drew attention in their report to “certain regional imbalances in the location of storage capacity.”

1.18. The Committee enquired why these locational imbalances had arisen. The witness replied: “The imbalance, if at all it has been noticed and established, has been a temporary feature, because in 1965 there was a ban on the construction of godowns, as a result of which all our godown programmes were held up . . . right upto 1968. So, for three years practically no godown construction took place and only the godowns, the construction of which was in progress were completed.”

1.19. The Committee enquired what steps were being taken to secure integrated development of milling and storage facilities in the country so as to avoid creating dual capacity for holding stocks first in the form of paddy and then in the form of rice after milling it. The witness replied, "There are different circumstances in each State which necessitate procurement in one form or the other. In Tamil Nadu, for example, the main paddy production is in the Tanjore District but there are not many mills there to buy the paddy, convert it into rice and then deliver it. So, it becomes necessary in such circumstances to buy paddy direct. If we wait for millers to go there, purchase paddy and convert it into rice, what will happen is that the producers will get affected because they cannot hold on to the paddy for a long time and the millers will drive a hard bargain and pay low prices." The witness further added that the Government had once taken up this question with the Maharashtra Government but that Government "did not want the rice millers to go and buy paddy, make profits and cheat the producer, they preferred to buy paddy direct from the producer and give the producer the price that Government has assured..... where the producer was prepared to hull the paddy, convert it into rice and deliver rice, they had no objection; they would buy it." The Committee enquired in which States procurement was done in paddy. The witness replied: "In Tamil Nadu, Orissa, Assam, West Bengal and Maharashtra."

1.20. In this connection the Committee note the following observations made by a Committee on storage set up by the Food Corporation of India:—

"Integrated development of storage and milling facilities should be aimed at, and correspondingly, land and other facilities should be provided..... New (rice) mills established in the cooperative sector should as far as possible be adjacent to the Food Corporation godowns so that dual capacity is not created to hold the same stock first in the form of paddy and then at the mill site for operations. The success of this policy would be a major factor in enabling a rationalised use of godown facilities and in reducing unnecessary handling costs."

1.21. The Committee desired to know the bulk storage facilities available within the country. In reply, Government have furnished the following information;

"Details of the location where bulk storage facilities exist at present are given below:—

State	Centre	Capacity of storage in thousand tonnes
Maharashtra	Manmad Boavilli	85.3 106.4
U.P.	Hapur	10.1 (silo) 5.3 (flat)
	Kanpur	73.0
West Bengal	K.P. Docks	19.3 (silo) "

1.22. The Committee enquired why the Government have not switched over to bulk storage in view of the fact that it had reportedly several advantages *vis-a-vis* bag storage—reduced requirement of land, higher period of storage, bird and rodent proof, lower fumigation cost etc. The witness replied: "In the ultimate analysis, bulk storage is the right answer provided we can purchase in bulk, move in bulk. So long as we are not able to do that, merely bagging at the procurement centres and moving it in bulk manner and then opening out the bags etc. is going to be a costly operation....In countries like U.S., Australia, they are able to do it, because the grain is stored in bulk and moved in bulk. Secondly the storage is only of wheat and coarse grain because rice cannot be stored in bulk". The following views have been expressed by the Food Corporation of India on the question of creation of bulk storage facility:—

- (a) In future bulk storage will have to be resorted to increasingly but any decision to set up huge complexes will present handling difficulties and also result in concentration of godowns in certain areas.
- (b) Bulk storage should be located nearer the producing areas, as transport and movement immediately after the harvest, always present serious difficulties.
- (c) Storage units should be in the form of bins of 250 tonnes capacity and the maximum storage capacity at a particular centre may not be more than 5000 tonnes."

1.23. About the cost of construction, the Food Corporation of India had estimated that the conventional bag storage would cost Rs. 185.00 per tonne." The cost of bulk storage would depend upon

"the type of the bins and the equipment provided to the bins." The C.P.W.D submitted the following estimates:

"(a) 8 Nos. of R. C. C. bins at Patiala (with hopper bottom and effective capacity of about 650 tonnes each)	Rs. 290.00 per tonne.
(b) 20 Nos. of steel bins at Jagraon Moga (with hopper bottom and effective capacity of about 250 tonnes each)	Rs. 365.00 per tonne."

1.24. On the feasibility or otherwise of the bulk storage in India, the Sub-Committee on Storage Construction has observed as under:

"In U.S.A., Canada, Argentina and some other countries grain is usually stored in bulk. Bulk storage affords better preservation of grain over longer periods, economy in space and saving in the cost of bags and bagging. However, its adoption in our country is beset with difficulties at present since there are no suitable arrangements for carrying grain in bulk. There has also been considerable opposition from the labour unions for adoption of automatic mechanical equipment for unloading the grain from ships and transporting the same in bulk to the godowns sites through bulk wagons and bulk trucks.... The matter should be discussed with the labour unions.... and a suitable agreement reached so that the grain can be moved in bulk and the labourers engaged on infructuous bagging and de-bagging operations, now, can more beneficially be utilised in other jobs. Arrangements should also be made for the manufacture of sufficient number of bulk wagons and trucks for bulk movements of grain so that they can be put to use immediately after the construction of bulk storage godowns."

1.25. The Committee drew attention to the multiplicity of organisations concerned with the development of storage facilities in the country, such as the Department of Food, the Food Corporation of India, the Central Warehousing Corporation, the State Warehousing Corporations and a number of Cooperative Societies at the villages, talukas and district level. The Committee enquired whether any mechanism had been devised to coordinate the programme of various agencies in order to avoid possible duplication/overlapping of effort. The witness stated that a Committee on Storage consisting of representatives of the Food Department, Planning Commission and the Food Corporation of India as well as the C.W.C. had been set up w.e.f. May, 1966. The Committee examines the construction prog-

ramme of the various agencies and plans the location of storage units so as to bring about maximum utilisation and also meet the needs of different areas. The Committee was also to draw up a detailed food-grain storage plan for the States which had not been covered by the Food Corporation of India Storage Committee. In view of the finalisation of the IV Plan allocation for construction of godowns by the Planning Commission the Food Corporation of India have been requested to carry out a study in this regard. Their report would be considered by the Central Storage Committee in which Finance and Planning Commission would also be associated.

1.26. The Committee desired to know whether similar coordination bodies had been set up in the States. In their note the Department of Food have stated that "State Governments have been advised.... (on) the 8th June, 1966....to set up State Warehousing Committees, consisting of Development Commissioner of the State as Chairman, the State Registrar of Cooperative Societies and one representative each of the Central and State Warehousing Corporations." The Committee enquired whether all the State Governments had accepted the advice, the witness replied "I am told most of them have already set up these Committees."

1.27. The Committee also referred to the recommendation made by the Committee on Public Undertakings in paragraph 72-73 of their 9th Report (Fourth Lok Sabha) that "godowns should not be set up by a multiplicity of agencies....at the same Centre" and that where the C.W.C. has warehouses, no new ones should be constructed or hired by Central Government or Food Corporation of India or any public sector organisation, unless this becomes necessary" and enquired what action the Government had taken in that direction. The witness replied: "There are representatives of various State Organisations, the Food Corporation of India, the Central Warehousing Corporation and the Cooperatives (in the Central Storage Committee) and they decide whether Food Corporation of India should have the storage there or Central Warehousing Corporation should have or the Cooperatives should have and we see to it that duplicity is not there. State Governments are also consulted." Asked about the extent of effectiveness of the Control of the storage activities in the States, the witness stated that there has been "effective control". He added, "We are trying to increase the effectiveness through control. Previously State Governments need not have to consult us. But as a result of this recommendation we will take up (the matter) with the State Governments and bring specifically to their notice if there is any overlapping."

1.28. The following table gives data about godown capacity with the Food Corporation of India in several States in 1967-68:—

Sl. No.	Name of the State	(Figures in thousands tonnes)						Total	
		CSD's of Govt. transferred to FCI		Other hired storage (taken from CWC, SWC etc.)	Stores constructed by the CWC in A.P. State on guarantee etc. furnished by FCI	New godowns constructed by the FCI			
		Owned	Hired						
1	Andhra Pradesh	129.70	..	13.25	272.50	..	415.45		
2	Bihar	160.00	12.50	..	..	..	172.50		
3	Haryana	15.30	..	..	..	..	15.30		
4	Kerala	103.30	28.50	15.00	..	25.00	171.80		
5	Madhya Pradesh	45.90	25.10	1.30	..	..	72.30		
6	Tamil Nadu	191.70	5.10	..	..	..	196.80		
7	Mysore	22.90	..	..	..	40.00	62.90		
8	Orissa	15.30	1.10	..	..	..	16.40		
9	Pondicherry	..	..	..	..	1.25	1.25		
10	Punjab	33.10	..	..	..	..	33.10		
11	Rajasthan	65.00	..	..	..	..	365.00		
12	Uttar Pradesh	280.70	19.73	..	..	..	300.43		
13	West Bengal	..	..	323.48	..	..	323.48		
14	Assam	..	..	15.45	..	..	15.45		
15	Delhi	114.00	..	..	..	..	114.00		
		1,176.90	92.03	368.48	272.50	66.25	1,976.16		
				1,268.93	460.51				

1.29. The Committee observe in this connection from the proceedings of the meeting of Central Storage Committee which took place in 1969 that the view was expressed that "the F.C.I. was not making full use of the storage capacity available with the various State Warehousing corporations and (that) their godowns were lying vacant in many places....In Kerala 40 per cent of storage space in the ware-houses of the State Warehousing Corporation was still lying vacant". After this issue was discussed, it was "generally

accepted by the F.C.I.", that the Corporation would "not obviously construct new godowns of their own," but would "entrust their storage work to the Central Warehousing Corporation or the State Warehousing Corporations".

1.30. The Working Group on storage set-up by the Planning Commission expressed the following views on utilisation of storage capacity:

"Storage facilities represent productive investment. The value of the investment in storage capacity of about 6.9 million tonnes owned by the Food Department, FCI, State Governments, CWC, SWCs and Cooperatives would be around Rs. 130 crores. By the end of the Fourth Plan, this may increase to about Rs. 200 crores. It is important, therefore, to achieve the maximum utilisation of capacity. This is particularly important for the Warehousing Corporations and Cooperatives which are expected to manage their storage facilities on a viable basis and are free of the burdens of public obligations which rest on the Food Department, the FCI and State Government in holding and utilising storage facilities.

Under utilisation of storage facilities with the Warehousing Corporations and Cooperatives has been a cause of concern. The occupancy of the CWC godowns has been as under:

End of	1960-61	1964-65	1965-66	1966-67	1967-68
	62%	44%	72%	79%	80%

The improvement in utilisation after 1964-65 reflects partly the effect of guaranteed occupancy provided by the FCI and other government agencies and partly the efforts made by the corporation to attract depositors from producers, cooperatives and traders....

The occupancy of the SWC godowns has also been generally low and variable.

In the cooperative sector also, the utilisation of capacity needs to be watched and the causes for under-utilisation identified. A survey of godowns in the cooperative sector in Maharashtra covering the year 1963-64 to 1965-66 disclosed the importance of meticulous planning of the location, size and capacity of storage capacity, in the co-operative sector for full utilisation of capacity...."

1.31. The Committee referred to the findings of the Working Group of the Planning Commission that owing to the preponderance of imported grains in the quantities handled by Government and the needs of public distribution in large urban centres, "the storage facilities of foodgrains have come to be concentrated in the port areas and urban centres" and that "with the increase expected in internal production and procurement, the locational pattern of storage capacity is bound to require significant change" and enquired what steps Government were taking to improve the situation.

The witness replied, "We are continuously reviewing the godown requirements in the various areas which are under construction.... The situation has been in a state of flux for the last one year or so. Punjab is becoming a surplus area.... We take into account various factors involved before deciding on the location...., for instance, the surplus that is likely to emerge in any State, consumption needs in the case of deficit areas and the need for stocking for three or four months. We also take into account the imports which are likely to come in and where they have got to be stored.... The Central Storage Committee which looks into the locational aspect of storage godowns is associated continuously with the construction programme of storage accommodation in the country by different agencies. There is no duplication of efforts in the direction and godowns are provided at proper places. The programme that is drawn is also implemented in time. The kind of exercise has been going on for the last 1-2 years. We have now taken up three crash programmes during the last one year and in the States like Punjab, Haryana, M.P., Orissa, West Bengal, Assam, U.P. where additional storage accommodation is found necessary, three such crash programmes will be carried out by the end of this year and an additional capacity of one million tonnes will be provided. Similarly, it is proposed to, provide additional storage capacity of 6.5 lakh tonnes by the beginning of rabi season next year. I have reason to say with confidence that so far as F.C.I. is concerned, there will not be a single bag of grain which will be left outside, at the completion of this programme."

1.32. The Committee cannot help feeling that the development of storage capacity in the country has been rather haphazard and uncoordinated. 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 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 Corporations, 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

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\*The Committee have examined the problems connected with development of co-operative storage in detail in their 106th Report [Fourth Lok Sabha].

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.

1.33. 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 storage 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 Commission of Division 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 pre-supposes 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 under utilised 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 sub-standard hired storage.

**Extra expenditure in purchase of hydrogenated groundnut oil**

***Audit paragraph***

1.34. On the basis of open tender enquiries, the Chief Director of Purchase placed during July-August, 1966, 17 acceptances of tender

for supply (to Defence) of 7140 tonnes of hydrogenated groundnut oil, at rates ranging from Rs. 4,350 to Rs. 4,450 per tonne (total cost Rs. 313.65 lakhs), to be delivered by November, 1966. The contracts stipulated that the firms could obtain groundnut oil from the Food Corporation of India for which the latter would charge Rs. 3,350 per tonne f.o.r. station of despatch (tentative price) and that the contract price would be adjustable if the price of oil actually charged by the Corporation varied from this price (Rs. 3,350 per tonne).

1.35. The oil supplied to the firms had been purchased by the Corporation, during 17th April and 8th June, 1966, at rates ranging from Rs. 2,803 to Rs. 2,912 per tonne, the weighted average rate being Rs. 2,874.50 per tonne. According to the Department, taking into account interest for six months at 8-1/2 per cent per annum and Rs. 50 per tonne for administrative storage and unforeseen charges, the rate chargeable by the Corporation "in no case should exceed Rs. 3,250 per tonne". The Corporation, however, charged from the firms Rs. 3,550 per tonne which included Rs. 120 per tonne as compensation for loss incurred by the Corporation in supply of gram, gram-dal, etc., to the Army Purchase Organisation. Payment for oil at the higher rate of Rs. 3,550 per tonne thus resulted in extra expenditure of Rs. 20.65 lakhs (on 6882.546 tonnes actually supplied by the Corporation).

1.36. It has been stated by Government (August, 1968) that the Corporation has expressed its inability to make any reduction in the price of Rs. 3,550 per tonne and that the matter is being pursued with them.

[Paragraph No. 85—Dudit Report (Civil), 1969.]

1.37. The Committee pointed out that the contracts concluded with the firms for the purchase of hydrogenated groundnut oil provided for the firms obtaining their requirements of groundnut oil from the Food Corporation of India at a price which was initially fixed at the rate Rs. 3,550 per tonne. They enquired on what basis this figure was arrived at. The Committee were informed that this price was arrived at as follows:

	Per tonne Rs.
"Estimated average purchase price (based on initial purchase prices with a cushion for fluctuations)	3,050
Total incidentals to cover the expenditure of the Gujarat Cooperative Marketing Society and the Food Corporation	280
Element for compensation for loss incurred in supply of gram dal etc. to the Army Purchase Organisation	120
Profit margin	70
	<u>3,550*</u>

The Committee were also informed that the question whether the price of Rs. 3,550 per tonne stipulated for supply of groundnut oil by Food Corporation of India was reasonable or not was the subject-matter of long-drawn correspondence between Government and the Food Corporation of India. Ultimately the Food Corporation of India agreed to charge Rs. 3,451 per tonne, as against Rs. 3,550 stipulated earlier and refunded a sum of Rs. 6.83 lakhs. The basis on which the revised price was worked out was as under:

	Rs. Per tonne
Actual weighted average purchase price	3,101
Incidentals to cover the expenditure of the Gujarat Cooperative Marketing Society and the Food Corporation	280
Commission to the Corporation and provision for contingencies	70
Price now to be paid by Army Purchase Organisation	3,451

1.38. The Committee enquired why the original price of Rs. 3,550 per tonne included a margin of Rs. 120 per tonne towards loss sustained by the Food Corporation of India on another contract involving supply of gram, gram dal etc. to the Army Purchase Organisation. The representative of the Department of Food stated: "The Food Corporation had sought to cover the loss that they had suffered earlier on the supply of gram and gram dal to the army. But we quite categorically told the Corporation that we could not and will not allow this charge. Ultimately, the Food Corporation of India conceded the point and removed the charge." When the Committee asked whether it was a fact that the Food Corporation of India dropped this claim only after the matter had been raised by Audit, the witness replied: "We had been continuously taking up this point with the Food Corporation of India and urging them to give up that charge. But you are right in saying that they ultimately gave it up after the Audit para had come."

1.39. The Committee desired to know the break-up of Rs. 280 charged by the Food Corporation of India as total incidentals to cover the expenditure of the Gujarat State Cooperative Marketing

Society\* and the Food Corporation of India. The witness gave the following figures:

Particular	Rs per tin
"Dalali, truck loading and truck supervision . . . . .	0.05
Remittance charges . . . . .	0.03
Transport charges from mill to godown . . . . .	0.30
Transit insurance . . . . .	0.20
Octroi . . . . .	0.20
Commission charges, i.e., $\frac{1}{2}\%$ to commission agent and $1\frac{1}{2}\%$ to the Cooperative Society . . . . .	0.75
Unloading and stacking at godown . . . . .	0.05
Godown rent and insurance for three months . . . . .	0.30
Emergency, insurance . . . . .	0.30
Transit/storage leakage . . . . .	0.20
Unstacking and loading into truck . . . . .	0.05
Transfer from godown to railway station . . . . .	0.10
Unloading at station station expenses and loading into wagons . . . . .	0.10
Interest on capital for 3 months, at $7\frac{1}{2}\%$ . . . . .	1.00
Administration charges of Food Corporation of India, i.e., actual administrative charges . . . . .	0.87
	4.50

62.5 tins make one tonne. Thus it comes to Rs. 280 per tonne."

1.40. The Committee wanted to know what exactly was the break up of the commission or service charges paid to the Gujarat Co-operative Marketing Society to whom the Food Corporation of India sub-contracted the supply of groundnut oil. The information furnished on this point is given below:

\*According to information furnished in the 'Review of the Cooperative Movement in India', brought out by the Reserve Bank of India (February, 1970), the Gujarat State Marketing Cooperative Society is one of 23 State Marketing Federations in the country. "It is engaged in the marketing of cotton, on behalf of cooperatives, supply of agricultural necessities like fertilisers, oil-engines and power-tillers, pesticides, hybrid seeds etc and distribution of consumer goods". Its turnover was as under:

	1966-67	1967-68
	(Rs. in lakhs)	
Cotton bales . . . . .	189.2	176.3
Fertilisers . . . . .	815	1592
Seeds .. . . . .	5.9	18.2
Insecticides and pesticides . . . . .	8.7	3.3
Babies food etc. (1966-67 and 1967-68)		71.9

"The Food Corporation of India paid @ Rs. 1.55 per tin of 16 Kgs.  
net (or Rs. 96.88 per metric tonne) as charges to the Gujarat State  
Cooperative Marketing Society. The break-up is given below:

	Rs. P.
Patak Dalali, association tax stamp on contract, truck loading and truck supervision	0.04
Remittance charges	0.03
Transport charges from mill to godown	0.36
Transit insurance	0.20
Octroi	0.20
Commission charges (1/4 % to the commission agents and 1 1/4% to society)	0.77
Trunk call and telegram charges	0.02
	1.55

1.41. The Committee enquired why the Food Corporation of India had to be asked to supply groundnut oil to the vanaspati suppliers and whether the Army Purchase Organisation could not have supplied the oil themselves or alternatively asked the vanaspati suppliers to make their own arrangements in this regard. The representative of the Department stated that at the time the contracts for supply of vanaspati were placed "a very serious situation had arisen on the oil front. The prices of oil had soared up throughout the country, more so in States outside Gujarat and in Gujarat itself. The Gujarat Government felt that the position of oil in that State was more acute than in the case of other States. They felt very strongly that unless they were able to get the supply of oil at a reasonable rate to the consumers, there would be a serious law and order problem." Therefore, the Gujarat Government imposed a ban on export of groundnut oil out of the State with the concurrence of the Central Government. The witness added: "It is in that context that we approached the Gujarat Government and they agreed that for purpose of defence (needs) they would make available certain quantities of oil. They made it clear that they had no agency for procurement of oil in the State but they had no objection if an agency like the food Corporation of India were entrusted with the purchase and supply of oil. It was in that context that we brought the Food Corporation of India into the picture. At that time the Food Corporation of India had already established itself in Gujarat, though not in a big way." The witness also explained that the Army Purchase Organisation could not have arranged for supply of groundnut oil of their own. If the organisation had to purchase the oil in the open market or had invited open tenders for this purpose,

the factories would have quoted "prices based on (the then) market price of oil" and it would have been "obliged to pay about Rs. 5,000 to Rs. 5,500 per tonne." As to the vanaspati manufacturers making their own arrangements for the oil, the witness stated that they had invited tenders for the supply of vanaspati asking the firms to quote on the basis that Government would supply the oil at a certain price and also on the basis that the suppliers would make their own arrangements in this regard. However, none of the firms which quoted was willing to make its own arrangements for the oil needed for manufacture of vanaspati.

1.42. The Committee enquired why, when the food Corporation of India was to supply the oil to vanaspati suppliers, it sub-contracted the work to the Gujarat State Cooperative Marketing Society. In a note, the Government have explained that "the Regional Office of the Corporation came into existence at Ahmedabad only on 1st January, 1966. In view of the fact that there was no business to start with, the staff was naturally kept down to the minimum. In fact the total number of persons working in the Regional Office was only about 10 including the Regional Manager. No field offices were established. Groundnut oil could be purchased for the Government of India either by tender or through Commission Agents. It was considered inadvisable to make purchases through tenders. This was the opinion not only of the Corporation but also of the State Government. In 1966, prices of groundnut oil in Gujarat were high compared to the prices prevailing in 1965 in spite of restrictions on inter-State movement of oil. If tenders were invited, the prices would have sky-rocketted and the State Government would have scrapped the whole scheme of purchase. It was, therefore, inescapable that purchases were made through Commission Agents. It was not possible for the Regional Manager to deal directly with Commission Agents as the Corporation had no previous experience on purchase of groundnut oil and as there were no field offices of the Corporation in Gujarat. It was, therefore, decided to appoint the Gujarat State Cooperative Marketing Society as the sole agent of the Corporation for purchase of oil. The Society was already purchasing groundnut oil very cautiously presumably at the behest of the State Government. Their purchasing some oil for us also would have had least effect on the market prices."

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 Corpora-

tion. However, the Food Corporation had at that time no field officers 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 tonne 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 23 State Marketing Federations established in the Co-operative Sector. Statistics about its turnover 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 co-operatives 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, instead 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.

1.45. 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.

1.46. 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

\*The incidentals etc. paid were Rs. 280 per tonne, or Rs. 4.50 per litre, which included Rs. 2.87 per litre in administrative charges of Food Corporation of India. Excluding these charges, the incidentals etc. work out to Rs. 3.63 per litre or Rs. 226.88 per tonne.

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.

**Freight for foodgrains and fertilizers carried in box type railway wagons.**

*Audit paragraph*

1.47. For transporting fertilisers and foodgrains from Bombay, Madras, and Vishakhapatnam ports, the Department had been using open 'box' type Railway wagons. Freight for such consignments was being paid to the Railways on the basis of the marked capacity of the wagons instead of the actual weight. (This practice was given up in March, 1967 from when the actual weight is taken into account for payment of freight).

1.48. Payment of freight in the above manner resulted in extra expenditure of Rs. 22.45 lakhs during 1965-66 and 1966-67. The extra expenditure has been calculated with reference to the actual weight of foodgrains and fertilisers despatched.

[Paragraph No. 84—Audit Report (Civil), 1969.]

1.49. The Department of Food have explained in a note to the Committee that foodgrains sent by wagons are booked at wagon-load rates which are comparatively cheaper. The Railways have for this purpose prescribed minimum weight. If the weight of the contents is more than the minimum weight, the Railway freight is payable on the actual weight; otherwise the freight is based on the minimum weight.

1.50. Indicating the difficulties in loading the BOX wagons to carrying capacity, the Department have stated: "Box wagons are high sided wagons loaded either through the wagon doors (which are not full height doors) or from the top. Loading of these wagons from the rail level i.e., from a line not provided with a platform requires lifting of bags manually to a height of about 10' to 11'. Each door of a Box wagon is only about 2'-6" to 3'-9" in height with its flaps either opening upwards or falling downwards. It is not possible for the labour to enter this type of wagon directly with the bag either on the back or on the head. The bags have to be delivered at the wagon door or at the top of the wagon by climbing an artificial stage. The labour is, therefore, quite averse to the loading of such wagons and it is with difficulty that we have been able to persuade them to load such wagons.

Open (Box) wagons could not be loaded up to the marked carrying capacity due to non-standardisation of bags in Madras and Vizag. There has been considerable opposition from labour to the proposed standardisation in Madras and Vizag through mechanical means. We have been insisting on labour loading the specified number of bags but because of non-standardised bags, the weight cannot be determined before the loading is completed. The weight in Vizag and Madras is known only when the loaded wagon is passed over the railway wagon weighbridge but then at that stage, it is not possible for the shortage in weight to be made good as the wagon weighbridge is situated in the railway yard at a considerable distance and is not accessible by road. The wagons are weighed on the railway wagon weighbridge after being pulled out from the berth. It is not practicable to bring the loaded wagons back to the loading point to make good the short weight. In Bombay where bags are standardised, it was not possible to load open (Box) wagons up to the marked carrying capacity whenever such wagons were supplied for loading on railway lines not provided with platforms, when there was resistance from labour in some of the godowns."

1.51. The Department of Food have also stated that, in view of the foregoing difficulties, the Railway Board were addressed on a "number of occasions between 1963 and 1969" to charge freight on the basis of actual weight. The Railway Board, however, reportedly took the view that, "as a Box wagon would be loaded with foodgrains upto its marked carrying capacity", there "was no justification for the freight to be charged on the actual weight of foodgrains loaded." However, "in respect of consignments of foodgrains loaded in Box Wagons in Madras Harbour, the Southern Railway agreed to charge railway freight at the wagon-load rate on the actual weight of contents on a certificate granted by the railway staff that the Box wagon had been fully loaded, leaving no room for further loading. As no other Zonal Railway issued similar instructions, the matter was pursued with the Railway Board who informed that they had found that Box wagons could be loaded with foodgrains to their marked carrying capacity. The matter has again been taken up with the Railways, pointing out to them the difficulties in loading open Box type wagons to their marked capacity."

1.52. In reply to a question from the Committee as to how it was proposed to solve the problem of incomplete loading caused by non-standardisation of the contents of filled bags, the Department of Food have stated: "The goods have to be cleared from the ships and the wharfs speedily to avoid incurrence of demurrage which may be in foreign exchange. Clearance at the requisite speed along with standardisation is possible if the same is done by mechanical

means. This would, however, result in labour unemployment and consequential unrest. On the other hand, standardisation of bags manually would result in congestion and delays in clearing the goods from the ships and wharfs. The solution, therefore, lies in persuading the labour to fill more grain into bags and to load more bags into the Box wagons. As a result of continuous efforts made by this Department, the average weight loaded in open Box wagons at Madras and Vizag Ports has shown improvement.

1.53. In 1968-69 an increase in the average weight loaded per Box wagon had been brought by about 1.2 tonnes and 0.6 tonnes at Madras and Visakhapatnam respectively. The average weight, per wagon, however, fell short of carrying capacity of 55 tonnes of a Box wagon by about 3.4 tonnes in Madras and 6.4 tonnes in Visakhapatnam. No Box wagons have been loaded in Visakhapatnam since March, 1969."

1.54. 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.

1.55. 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.

#### Loss of Gunny Bags.

##### *Audit paragraph*

1.56. From April, 1965, imported foodgrains are being filled in bags and cleared departmentally at Madras Port. On clearance of foodgrains from the port area, large scale shortages of empty gunny bags were noticed, representing the difference between the number of bags issued to labour for filling foodgrains and that cleared from the port area. Of the total loss of Rs. 12.30\* lakhs during the period April, 1965 to September, 1967, Rs. 2.95 lakhs were written

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\*After excluding unserviceable gunnies (Rs. 1.22 lakhs) and setting off excesses Rs. 1.57 lakhs.

off during 1966-67 by the Regional Director of Food, Madras under the powers delegated to him. The question of writ off of the balance is under consideration of the Department.

1.57. It has been stated by Government (February, 1969) that "a certain percentage of gunny losses is unavoidable in the very nature of these operations involving the handling of lakhs and lakhs of gunny bags at so many points and in so many stages", that a loss upto 1 per cent should "perhaps be considered as a normal hazard", and that the percentage (which works out to 1.42 for Madras port) is slightly higher "possibly because the bags are left to the care of an outside agency i.e. the Port labour between the filling and clearance operations (bags are filled on the wharf by our departmental labour and shifted by Port labour to the sheds from where these are ultimately cleared)."

[Paragraph No. 83—Audit Report (Civil), 1969.]

1.58. The Committee asked for data about the number of gunny bags issued per month/day at the various ports where departmental labour was employed for clearance of imported foodgrains. In a note the Government have furnished the following figures:

Name of Port	Average No. of bags issued (in lakh pieces)	
	Per month	Per day
Bombay . . . . .	22.65	0.75
Madras . . . . .	15.36	0.51
Kandla . . . . .	11.4	0.38"

1.59. The Committee enquired about the number of gunny bags lost at these ports. Government have furnished the following information on this point:

	(Lakhs Nos.)
<sup>1</sup> Madras [including April, 1955 to September, 1957 (the period covered by Audit paragraph)] . . . . .	465.59
Losses during this period . . . . .	6.6

(Lakhs  
Nos.)

Issues from October, 1967 to 15th December, 1968	217.94
Losses during this period	4.15

**Bombay**

Issues from 1st August, 1964 (th. date of departmentalisation of labour) to 22nd October, 1968	1196.40
Losses during this period	8.30
Issues from 23rd October, 1968 to 28th February, 1969	49.58
Losses during this period	0.72

**Kandla**

Issues from 1st October, 1966 (date of departmentalisation of labour) to 23rd February, 1969	330.60
Losses during the period	0.70"

1.60. The above data indicates that the percentage of loss at Madras was 1.42 per cent between April, 1965 and September, 1967 and increased to 1.90 per cent subsequently. At Bombay the percentage of loss was 0.69 per cent between August, 1964 and October, 1968, but increased to 1.45 per cent subsequently. At Kandla, the loss of gunnies has been of the order of 0.21 per cent.

1.61. The Committee desired to know whether Government had investigated the reasons for heavy losses of gunny bags at Madras Port amounting on an average to Rs. 4.92 lakhs annually. In a note, the Government have stated that "the reasons for heavier losses at Madras have been investigated. At Bombay and Kandla, where grain is discharged directly into the sheds, filling operations are carried out by (departmental) labour in the sheds and filled bags remain under .... (Governmental) control and supervision all along till these are cleared out of the port sheds. In Madras filling operations are carried out by our labour on the wharf and the filled bags are then left to the custody of port labour who carry the bags to the port sheds from where delivery is given to us by the Port authorities. The losses are mainly due to the operational difficulties which render the task of tallying the filled bags with the number of empty bags issued for a particular shipment extremely difficult. The space on the wharves is inadequate for exercising effective supervision. This can be possible only by reducing the rate of discharge which may result in heavy demurrages some of which may be payable in foreign exchange."

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1.62. The Committee desired to know how the operations at Madras Port differed from the operations at other ports. In a note the Government have stated that "at Bombay, Kandla and Madras, gunnies are issued to labour who are the direct employees of the Department. Any loss of gunnies at these ports is on Government account. At Visakhapatnam and Calcutta, gunnies are issued to the labour of the Stevedores and any loss that occurs is recovered from the Stevedores."

"At Bombay and Kandla, foodgrain is discharged from ships into sheds by vacuators and bagging operations are carried out in the sheds. Supplies are made to the docks from the gunny storage godowns against shipwise indents. These are received in the dock sheds adjacent to the berths at which the ships are discharging. At the beginning of each shift, gunnies are issued by the Dock staff to the Mukadams in charge of filling and stitching gangs, who in turn distribute them to the labour. At the end of the shift, the number of gunnies remaining unused are returned by the Mukadams to the Dock staff. In the course of bagging operations, a number of gunnies get burst and these are collected and taken into stock as 'torn and burst' bags. The bags which are filled to a standard weight of 93 Kg. are loaded into wagons

"At Madras, bagging operations are carried out at the wharf. Grain is discharged from the ship directly into chute wagons, which stand side by side on the wharf. Each wagon has six spouts out of which three or four are worked at a time. Generally 5 to 6 chute wagons are used at a time on a dry cargo vessel and 10 wagons on a tanker or bulk carrier. Thus, the number of bagging points in respect of a ship vary from 20 to 40. Sometimes work is on even at five vessels at the same time. Gunnies are distributed to the labour at all these points from the stock received at the docks from the godowns...."

1.63. During evidence, the representative of Department of Food explaining the position further stated that the gunnies that come into the wharf are "taken over by gunny clerk and they are issued to each of the packing points. There is a tally clerk who sees the number of bags filled and the number of empty gunnies received. It is not possible to compare that (tally) with the tally taken by the Port Trust because they do not give the tally chart of every day. They give the tally only after the ship is completely cleared."

1.64. The Committee desired to know the nature of tallies done by the Food Department as well as the Port Trust and how the

belated receipt of tally sheets from Port Trust was interfering with the stock-taking of gunnies. In a note furnished to the Committee, the Government explained the position as under:

"Tally clerk of the Food Department maintains records of the following:

- (a) Number of empty bags received by filling gangs from gunny clerk;
- (b) Number of bags filled;
- (c) Number of bags left unfilled at the end of the shift; and
- (d) Stoppage of work.

Generally one tally clerk is posted for filling gang but this is not possible during periods of rush which are frequent.

The Port Trust does the tally of the bags removed from the wharf into sheds or loaded into trucks or wagons directly from the wharf". Explaining the difficulty in the system the Government have stated that the "Port Trust does not give the tally sheets as a result of which cross checking of Department's tally sheets is not immediately possible." The Port Trust give "a consolidated distribution statement" for the vessel "on completion of delivery of the entire quantity brought by a ship" and "at that stage it is not possible to fix responsibility on individuals for the discrepancy between number of empty bags issued as per Department's record and the number of filled bags delivered by the Port Trust as per distribution statement."

1.65. The Committee enquired whether Government had taken any action to stop this kind of loss. The witness replied: "As soon as this loss came to our notice in 1965 we initiated a series of measures to tighten it. The Regional Director of Food took it up with the Port authorities in the Port Working Committee on several occasions—in December, 1966; January, 1967; February, 1967 and May, 1967. The Port Trust was requested to tighten the security measures in April, 1966. An additional watchman was posted in the wharf in February, 1966". The witness further added: "A good deal of loss of gunnies, particularly in Madras, which has an extensive area for operation must be ascribed to petty pilferage. There is nothing to prevent a labourer taking one of the gunnies particularly during the rains and using it as a head-cover to go out" Suggesting the corrective measures which could help in improving the situation the witness said: "In my view, the only solution to this problem is an increase in the supervisory staff. In fact, when earlier an increase in the supervisory staff was asked for, there was reluctance to keep on adding staff to this unit." Elaborating the

point further the witness said that "on balance, the expenditure on account of staff would be less than what would be by loss of gunnies."

1.66. The Committee enquired whether the balance of loss of Rs. 9.35 lakhs out of the total loss of Rs. 12.30 lakhs had been written off, the witness replied: "That will be written off shortly. There has been some delay on that account.....Originally the loss as reported by the Regional Director was ship-wise..... it was about Rs. 15 lakhs or so. Having taken into account the gunnies damaged etc. we have ultimately found that the loss is Rs. 12 lakhs. The procedural question that is being discussed with Finance and others is whether this difference is to be allocated to each ship *pro rata* and then the proposal sent by the Regional Director modified to that effect and written off or whether we take it as a whole. Once that procedure is settled, then the write off can be done. We will expedite it."

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 1.9 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.

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## CHAPTER II

### DEPARTMENT OF AGRICULTURE

#### **Loan for four wells**

#### **Audit Paragraph:**

On the guarantee of the Indian Cooperative Union Rs. 2 lakhs were paid (through Delhi Administration) in 1962-63 as loan to four cooperative societies to enable them to pay off certain advances which they had taken from the Union for construction of four kachha irrigation wells. The societies had spent Rs. 2.27 lakhs in the construction of these wells.

2.2. The societies could not run the wells properly due to local rivalries amongst cultivators, inadequate length of irrigation channels and high cost of operation and maintenance of diesel engine pumping sets. One of the societies could not irrigate any land at all while the other three irrigated 10.50 acres of land each as against the expectation of 50-60 acres each.

2.3. On the recommendation of the Union the Delhi Administration took over the wells from the societies in 1966 (for running them as State tube-wells) in lieu of repayment of the loan of Rs. 2 lakhs.

2.4. For optimum utilisation of the irrigation potential of those wells, Delhi Administration spent Rs. 0.61 lakh more on deepening and electrifying them and in extension of irrigation channels. While taking over the wells it was expected that after deepening and electrification the wells would irrigate 200-250 acres of land annually and that the running and maintenance cost (estimated at Rs. 18,000 per annum) would be wholly or substantially recovered from the cultivators at the rate of Rs. 1.50\* per operation hour of a well. However, during October 1966 to December 1968 the area irrigated by the wells ranged between 33 and 119 acres; the total revenue for that period was Rs. 4,087 as against the recurring expenditure of Rs. 30,120. The Delhi Administration have stated (February 1969) that the revenue deficit is mainly due to low rate of water charges (fixed in keeping with subsidised rates obtaining in the contiguous States) and the restricted number of working hours due to limited well yields.

[Paragraph 111, Audit Report (Civil) 1969.]

2.5. Explaining the background to the case mentioned in the Audit Paragraph, the representative of the Department of Agriculture stated

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\*Actually recovery from Cultivators is being made @ Re. 1 for 16,000 gallons of water.

that the idea of constructing four Katcha wells "originated with the construction of a well in Sultanpur. It was a success in Sultanpur (where) it was started in 1959.....and completed in 1961. These villages (in which the four katcha wells were later constructed) are very close to Sultanpur and they also wanted wells of this nature. They approached the Indian Cooperative Union for help. That is how the project started". Elaborating the position, the Additional Secretary, Department of Agriculture informed the Committee that the project of having Katcha wells originated with a suggestion made by a retired civilian who had "attempted construction of such wells as a relief measure in West Bengal". He formulated a scheme, which the Prime Minister referred to the Planning Commission for examination. The Government of India then appointed a Technical Committee. "From the very beginning it doubted the economic feasibility of the Scheme". According to information furnished in a note it was thereafter "decided in the Ministry of Community Development that a team consisting of Deputy Minister, Joint Secretary concerned, Irrigation Adviser, Director of Agriculture, Deputy Secretary and Adviser (Cooperation) should visit Sultanpur for studying the project on the spot. This team accordingly visited Sultanpur and gave its impressions to the Department". The decision to take up the Scheme was thereafter taken, in view of the fact that it would help the food production effort and also aid small farmers.

2.6. The Committee asked for the report of the Technical Committee which has been furnished by Government. From this Report, the following position emerges:—

- (i) The Planning Commission expressed doubts about the feasibility of the Scheme in general and took the view that "detailed local investigations" by the State Governments would be necessary.
- (ii) "None of the States felt inclined to take up the Scheme on the ground that the Scheme was not suited to their local conditions".
- (iii) Test observations on two wells in West Bengal indicated "that discharge and benefit derived from such wells might not be commensurate with the cost of these wells".
- (iv) The Technical Committee itself felt that scope of the Scheme "is limited to some isolate pockets of areas in the country.....Even in such areas, the economic feasibility or advisability for undertaking this scheme would only occur when all attempts on sound engineering lines, to install tube-wells have failed....Construction and operation of wells of the sizes and dimensions envisaged

by private individuals is out of the question. On the other hand, experience on State tube-wells and other State lift irrigation Schemes indicates that the execution and running of this Scheme as a State enterprise may be highly unremunerative....on the basis of past experience, it would not be possible for the Government to impose an irrigation tariff that may be adequate to defray the cost of operation and maintenance of this Scheme and interest charges on the capital investment ....Thus the only agency, that may be considered for entrusting the execution, maintenance and operation of this Scheme is the Co-operative of beneficiaries".

2.7. Pointing out that the Scheme essentially was one which concerned the cooperatives on the one side and the Indian Cooperative Union which initially gave them loans, on the other, the Committee enquired why Government got involved in the matter—first by giving on the guarantee of the Indian Cooperative Union, a loan to the cooperatives in 1963, to enable them to repay the loan they had taken from the Indian Cooperative Union, and then subsequently in 1966, by taking over the wells from the cooperatives in lieu of repayment of loans given to them in 1963. They pointed out in this connection that it should have been apparent to Government that the whole scheme was "a collapsing proposition". The Committee enquired whether there was any precedent for this type of transaction. The witness stated that "there is no instance of this type". In 1963, when the decision to give loans to the cooperatives was taken by Government, the considerations were recorded in a note as follows:

"The wells have been constructed and are in operation.

Government of India have authorised us to make advances to the four societies, each managing a well, upto a maximum of Rs. 2 lakhs.

The Indian Cooperative Union had advanced the money to the societies for the construction of the wells. The union now wants the Administration to advance the money to the societies on its security. Admittedly the union's assets are sufficient for the guarantee.

If the cultivators can get three crops including vegetables, so near Delhi City, and the acreage can be increased to 100 acres each it should be possible to have sufficient profit to service the loans undertaken to repay it.

I (Chief Commissioner, Delhi) think, we should accept the proposal of i.c.u."

2.8. In reply to a question, why Government felt obliged to give a loan, the witness replied, "The alternative was to let the Cooperative Union do what they like in that area. There would have been no irrigation and the money would have gone completely". To an enquiry from the Committee whether before paying the loans to the cooperatives, on the guarantee of the Indian Cooperative Union, the viability of the societies was examined, it was stated that "the financial position of the four societies was not found satisfactory at the time of giving loans to them. It was for this reason that the guarantee of the Indian Cooperative Union was obtained." The balance sheet of the Indian Cooperative Union as on 30th June, 1962, was examined. This showed, apart from a net profit of Rs. 8,834 during the year, balances in various reserves aggregating Rs. 8.47 lakhs.

2.9. The Committee enquired why, at a subsequent stage, Government decided to take over the wells. The witness stated that the Cooperatives had spent a sum of Rs. 2.73 lakhs on these wells, whereas Government took it over for Rs. 2 lakhs. "So to the extent of Rs. 73,000 they (the cooperatives) were penalised". Besides, these wells were intended to benefit small farmers, with an average holding of two bighas. The alternative was therefore "to let this money go completely waste or to try to take this over and do whatever is possible". Food production drive had then "a very high tempo. Whatever means could be adopted for increasing production had there to be availed of." The Delhi Administration, therefore, formulated a scheme for taking over these wells. The Deputy Irrigation Adviser inspected these wells early in 1965. He pointed out that "the wells have not been doing any appreciable irrigation as the concerned societies have not been able to manage and run the wells". His report was that each well "may not run for more than 2,000 hours" in a year and the operational cost on this basis would be about Rs. 4,000", i.e. a rate of Rs 2 per hour. The cultivators might not be expected to pay more than Rs. 1.50 per hour and even this charge "would be nearly double of what cultivators pay for tube wells in U.P." Though the proposal would involve "an element of subsidy" he took the view that the only course appears to be that the wells may be operated by Government" as otherwise the expenditure incurred on the wells would become "infructuous". In June, 1965, the Ministry of Food & Agriculture considered the proposal of the Delhi Administration at a meeting and decided that, though there would be an element of subsidy, "nevertheless the Scheme would be economic and useful in terms of the additional food which is produced as a result of satisfactory running of Scheme". It was also decided that "The expenditure so far incurred on the construction of the wells by the Lift Irrigation-cum-Service Societies should be assessed by the Delhi Administration on

the basis of the measurements of the work items completed and the audited accounts of the Societies. For the sake of expeditious execution of the Scheme, the further work proposed to be carried on the wells such as installation of pumpsets, construction of field channels, etc., should be executed by the Indian Cooperative Union before the wells are taken over by the Delhi Administration. The work should be carried out as per estimates, drawings and specifications drawn by the Delhi Administration and under the supervision of its Technical Staff. The cost of such works would be reimbursed by the Administration."

"Taking into consideration the probable discharge and performance of the wells, the working expenses likely to be incurred and the recoveries proposed to be made from the cultivators, it was agreed that there would be an element of subsidy in the recurring expenditure. Nevertheless the scheme would be economic and useful in terms of the additional food which is produced as a result of satisfactory running of Scheme."

In order to expedite the utilisation of the full potential of the wells and to obtain maximum production therefrom the Delhi Administration should organise adequate extension service and undertake requisite measures in the command of the wells, as in the case of the Sultanpur well."

2.10. The Committee pointed out that, while the concern for the lot of the small farmers was understandable, there was no justification for "the special treatment given to the Indian Cooperative Union". They enquired why, when the Union had given a guarantee for the loans given by Government to the cooperative societies, this guarantee was not invoked, but instead Government chose to come to the rescue of the cooperative Union. The witness stated: "There were two alternatives before the Government either to leave it as it were or to come to their rescue. Even now I feel that we have to improve the wells: otherwise this money will be a waste."

2.11. The Committee desired to know about the organisation and functions of the I.C.U. and its relations with the Government. The Committee were informed that it is cooperative federation with producers, consumers, multi-purpose educational and housing co-operative societies as members, apart from honorary organisers, individuals etc. It was also stated during evidence "This Union was registered on 27th December, 1948 and now I regret to tell you (that) it is in the process of being wound up. Our Registrar has ordered an enquiry so that if necessary it may be liquidated and de-registered." At the instance of the Committee Government has explain-

ed in a note the reasons for ordering an enquiry into the affairs of the Union, as under:

"A number of complaints were received in the office of the Registrar, Cooperative Societies, Delhi, indicating serious irregularities in working of the Union as a result of which losses were piling up. Total losses as on 30th June, 1968 were Rs. 2.71 lakhs. In some other complaints, it was reported that the Union was not clearing the dues payable to a number of parties including some Industrial Cooperative Societies as also certain individuals. Keeping due regard to all these complaints the Registrar, Cooperative Societies, Delhi, ordered on 12th May, 1969 a statutory inquiry to be conducted into the constitution working and financial position of the Union. An Assistant Registrar of the Cooperative Societies Department has been appointed Inquiry Officer for the purpose. The inquiry is still in progress."

2.12. The Committee desired to know the area irrigated by these four wells, running and maintenance expenses incurred and the income during the last three years ending 1968-69. Government have furnished the following data:—

Year	Expenditure incurred on the running of wells (in rupees)	Revenue earned (in rupees)			Area irrigated (in acres)
		Maintenance	Running	total	
1966-67	3600	689	4289	1165.00	92
1967-68	12900	11298	22198	1167.00	112
1968-69	11000	16738	27738	2530.00	155"

2.13 The Committee pointed out that, while taking over the wells it was expected that after deepening and electrification, the wells would irrigate 200 to 250 acres annually and running and maintenance expenses estimated at Rs. 18,000 per annum would be wholly or substantially recovered from the cultivators at the rate of Rs. 1.50 per operation hour a well. They desired to know the basis of this assessment. In a note the Government stated that "Assistant Engineer (Irrigation) had made the assessment."

2.14. The Committee desired to know whether any survey was undertaken by any expert to know whether water will be available, the witness replied: "Deputy Irrigation Adviser and Shri....(another expert) went into the question of probable discharge (of

water). No scientific boring was done. It was an eye appraisal."

2.15. At the instance of Committee the Government have furnished the following information in respect of these four wells:

(i) Average capacity of each well About 79,600 or say 80,000 gallons per day.

(ii) Capital expenditure incurred on 4 wells upto 1968-69. Rs. 2.61 lakhs (without interest thereon).

(iii) Income upto the end of 1968-69 Rs. 5,362

(iv) Running expenses of four well Rs. 18,000 per annum comprising of establishment (Rs. 10,000) and running and maintenance charges (Rs. 8,000)

2.16. The Government also have given the following reasons for losses:—

- (a) The construction of pump house and field channels prior to the taking over of these wells required further improvement;
- (b) The tanks are getting silted, resulting in the reduction of capacity;
- (c) Dry spell during the last two years has adversely affected the underground water reservoir.
- (d) A number of small private tubewells have been sunk in the vicinity of wells whose operation results in the lowering of sub-soil water level consequently reducing the capacity of these wells; and
- (e) Due to increase in the price index, the running and maintenance charges have been mounting but the water rate which was fixed 4 years ago has remained unchanged."

2.17. The Committee desired to know what steps Government had taken or proposed to take to augment the revenues and make the wells self-supporting. Government have given the following information in a written note:—

- “(a) The diesel pumps installed by the societies in first instance whose running proved to be costlier have been replaced by electric pumping sets;
- (b) The distribution system has further been expanded to improve the command of the wells;
- (c) The proposal to increase the supply rate of water is under consideration.”

2.18. The Committee enquired whether the villagers would agree to the increase in the water rates. The witness replied: that the

economic rate will "have to be about four or five times the present rate.....There will be resistance from them. The increase to this extent will never be possible. It (the increase) is not a sound proposition."

2.19 The Committee enquired whether Government still wanted to maintain these wells or to switch over to the tubewells. The witness replied: "Maintenance of a Kutcha well is far easier than the tubewell. We should like to continue our experiment with these wells". Working hours of these wells had also increased. "In 1966-67 they worked for 1177 hours; in 1967-68 for 1600 hours and in 1968-69 for 2000 hours. This year we expect to run for about 2,500 hours. We will increase it to 4,000 hours."

2.20. The Committee feel that Government were ill-advised to get involved in this transaction. The involvement started with Government advancing a sum of Rs. 2 lakhs to the cooperative societies to help them repay a loan which they had taken from the Indian Co-operative 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 cooperatives, 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 cooperatives 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 Scheme. To help the co-

operatives to repay this loan to the Union, Government advanced Rs. 2 lakhs 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.

NEW DELHI;  
April 4, 1970.

Chaitra 14, 1892 (Saka)

ATAL BIHARI VAJPAYEE,  
Chairman.  
Public Accounts Committee.

### APPENDIX I

*Statement showing month-wise details of utilisation of owned and hired godowns  
of the Food Department.*

*(See para 1.5 of Report)*

(Figs. in '000 M. Tonnes)

Year	State / Union Territory	Owned Capa- city	Hired Capa- city	Total	Useable Capa- city	Capa- city actually utilised	Percent- age of utili- sation.								
								1	2	3	4	5	6	7	8
<b>1966-67</b>															
<b>April</b>															
(30-4-66)	Assam . . .	25.5	26.9	52.4	48.7	16.4	33.7								
	Bihar . . .	215.5	17.6	233.1	223.9	115.1	51.4								
	Manipur . . .	4.6	..	4.6	4.6	3.0	65.2								
	Orissa . . .	17.3	1.6	18.9	17.4	1.1	6.3								
	Tripura . . .	18.7	..	18.7	18.7	10.5	56.1								
	W. Bengal . . .	202.3	175.3	377.6	298.4	81.0	27.1								
	Gujarat . . .	73.2	149.4	222.6	211.1	160.6	76.0								
	M. P. . .	58.7	18.1	76.8	72.1	36.7	50.9								
	Maharashtra . . .	594.8	130.8	725.6	623.2	153.4	24.6								
	Punjab . . .	17.1	..	17.1	17.1	3.2	18.7								
	U. P. . .	323.7	19.7	343.4	318.3	151.3	47.5								
	A. P. . .	..	12.8	12.8	12.8	4.7	36.7								
	Madras . . .	..	42.6	42.6	40.1	15.2	37.9								
	Goa . . .	..	9.3	9.3	9.1	4.2	46.1								
May (28-5-66)	Delhi . . .	112.0	..	112.0	112.0	63.4	56.6								
	Assam . . .	21.6	30.8	52.4	48.8	18.0	36.9								
	Bihar . . .	215.5	16.0	231.5	216.4	98.5	45.5								
	Manipur . . .	4.6	..	4.6	4.6	3.0	65.2								
	Tripura . . .	18.7	..	18.7	18.7	9.7	51.9								
	W. Bengal . . .	209.6	174.7	384.3	327.8	113.9	34.7								
	Gujarat . . .	73.2	154.3	227.5	208.2	148.7	71.4								

1	2	3	4	5	6	7	8
	M. P.	58.7	18.1	76.8	72.1	37.3	51.7
	Maharashtra	995.6	116.5	712.1	498.6	232.2	46.6
	U. P.	327.1	19.7	346.8	321.7	186.4	57.9
	A. P.	..	16.2	16.2	16.2	7.7	47.5
	Madras	..	42.6	42.6	40.1	16.7	41.6
	Goa	..	9.3	9.3	9.1	5.1	57.1
	Delhi	113.5	..	113.5	113.5	63.8	56.2

## June

(25-6-66)	Assam	24.1	30.8	54.9	51.2	20.2	39.5
	Bihar	215.5	16.0	231.5	209.6	95.8	45.7
	Manipur	4.6	..	4.6	4.6	3.0	65.2
	Tripura	18.7	..	18.7	18.7	6.2	33.1
	W. Bengal	209.6	177.4	387.0	320.4	124.7	38.9
	Gujarat	73.2	165.6	238.8	210.5	142.7	67.8
	M. P.	58.7	17.6	76.2	71.5	35.2	49.2
	Maharashtra	595.6	116.5	712.1	589.8	267.6	45.4
	U. P.	326.4	19.7	346.1	319.1	211.3	66.2
	A. P.	..	17.0	17.0	17.0	8.6	50.6
	Madras	..	34.9	34.9	32.4	16.7	51.9
	Goa	..	9.3	9.3	9.1	6.9	75.8
	Delhi	113.5	..	113.5	113.5	63.8	56.2

## July.

(23-7-66)	Assam	24.1	30.8	54.9	51.2	21.7	42.4
	Bihar	215.5	16.0	231.5	216.6	89.9	41.5
	Manipur	4.6	..	4.6	4.6	3.0	65.2
	Tripura	18.7	..	18.7	18.7	4.2	22.4
	W. Bengal	209.6	172.8	382.4	313.0	147.1	47.0
	Gujarat	73.2	165.0	238.2	207.6	158.8	76.5
	M. P.	58.7	16.8	75.5	70.8	29.4	41.5
	Maharashtra	570.2	116.5	686.7	503.9	284.7	50.5

1	2	3	4	5	6	7	8	
	U. P.	.	327.8	19.7	347.5	332.4	211.2	63.5
	A. P.	.	..	17.0	17.0	17.0	1.4	8.2
	Madras	.	..	37.3	37.3	34.8	20.7	59.5
	Goa	.	..	9.5	9.5	9.3	6.7	72.4
	Delhi	.	113.5	..	113.5	113.5	63.8	56.2
August.								
(20-8-66)	Assam	.	24.1	30.3	54.9	51.2	18.6	36.3
	Bihar	.	215.5	15.9	231.4	215.9	71.6	33.1
	Manipur	.	4.6	..	4.6	4.6	3.0	65.2
	Tripura	.	18.7	..	18.7	18.7	4.0	21.4
	W. Bengal	.	232.8	172.8	405.6	341.5	146.7	43.0
	Gujarat	.	73.2	174.8	246.0	237.1	178.0	75.5
	M. P.	.	58.7	15.6	74.3	69.6	13.8	19.8
	Maharashtra	.	570.2	116.5	686.7	592.3	260.2	43.9
	U.P.	.	327.8	19.7	347.5	332.5	189.7	57.0
	A. P.	.	..	17.9	17.9	17.2	5.1	29.7
	Madras	.	..	39.2	39.2	36.7	28.0	76.3
	Goa	.	..	9.5	9.5	6.7	6.5	97.0
	Delhi	.	114.2	..	114.2	114.2	48.8	42.7
September.								
(17-9-66)	Assam	.	26.4	26.0	52.4	48.3	16.6	34.4
	Bihar	.	215.5	15.9	231.4	219.0	66.6	30.4
	Manipur	.	4.6	..	4.6	4.6	3.0	65.2
	Tripura	.	18.7	..	18.7	18.7	5.2	27.7
	W. Bengal	.	232.8	172.8	405.6	347.0	143.0	41.2
	Gujarat	.	73.2	180.0	253.2	228.1	178.1	78.0
	M. P.	.	58.7	15.6	74.3	69.6	14.2	21.8
	Maharashtra	.	576.0	116.5	692.5	619.2	252.4	40.8
	U. P.	.	327.8	19.7	347.5	344.2	164.1	47.7
	A. P.	.	..	17.9	17.9	17.1	0.2	1.1
	Madras	.	..	38.4	38.4	36.1	25.4	70.4
	Goa	.	..	9.4	9.4	9.1	3.2	57.1
	Delhi	.	114.2	..	114.2	114.2	39.4	34.9

1	2	3	4	5	6	7	8
<b>October</b>							
(29-10-66)							
Assam . . .		25.6	29.3	54.9	50.6	13.1	25.9
Bihar . . .		215.5	15.9	231.4	217.3	42.5	19.6
Manipur . . .		4.6	..	4.6	4.6	3.0	65.2
Tripura . . .		18.7	..	18.7	18.7	4.5	24.1
W. Bengal . . .		232.8	172.8	405.6	341.7	118.6	34.7
Gujarat . . .		73.2	189.0	262.2	234.4	165.7	70.7
M. P. . .		58.7	15.6	74.3	69.6	15.9	22.8
Maharashtra . . .		569.5	116.5	686.0	579.6	209.8	36.2
U. P. . .		329.2	19.7	348.9	345.6	140.9	40.8
A. P. . .		..	14.7	14.7	14.0	4.3	30.7
Madras . . .		..	33.8	33.8	31.5	18.4	58.4
Goa . . .		..	9.4	9.4	9.4	9.4	100.0
Delhi . . .		118.4	..	118.4	118.4	40.0	33.8
<b>November</b>							
(26-11-66)							
Assam . . .		25.6	29.3	54.9	50.6	19.2	37.9
Bihar . . .		215.5	15.9	231.4	216.8	70.8	32.7
Manipur . . .		4.6	..	4.6	4.6	3.0	65.2
Tripura . . .		18.7	..	18.7	18.7	3.7	19.8
W. Bengal . . .		232.8	183.0	415.8	350.5	122.4	34.9
Gujarat . . .		73.2	187.4	260.6	235.8	158.3	67.1
Maharashtra . . .		569.5	116.5	686.0	597.9	184.7	30.9
A. P. . .		..	11.5	11.5	11.5	7.3	63.4
Madras . . .		..	33.8	33.8	31.5	24.3	77.1
Goa . . .		..	9.4	9.4	9.4	6.7	71.3
<b>December</b>							
(31-12-66)							
Assam . . .		25.6	29.0	54.6	50.3	29.4	58.4
Bihar . . .		215.5	15.3	230.8	214.1	97.4	54.5
Manipur . . .		4.6	..	4.6	4.6	3.0	65.2
Tripura . . .		18.7	..	18.7	18.7	4.3	23.0
W. Bengal . . .		232.8	183.0	415.8	347.2	136.4	39.3
Gujarat . . .		73.2	184.5	257.7	232.1	123.6	53.2
Maharashtra . . .		569.5	116.5	686.0	608.0	173.6	28.5

I	2	3	4	5	6	7	8
A. P.	.	..	11.5	11.5	10.2	1.9	18.6
Madras	.	..	34.2	34.2	32.7	16.6	50.8
Goa	.	..	9.4	9.4	9.4	5.4	57.4
January.							
(28-1-67)	Assam	.	25.6	29.0	54.6	52.0	29.9
	Bihar	.	215.5	13.9	229.4	213.2	93.0
	Manipur	.	4.6	..	4.6	4.6	3.0
	Tripura	.	18.2	..	18.7	18.7	4.3
	W. Bengal	.	232.8	183.0	415.8	347.2	136.2
	Gujarat	.	73.2	182.2	255.4	233.2	118.4
	Maharashtra	.	569.5	116.5	686.0	605.5	139.3
	A. P.	.	..	14.7	14.7	13.5	4.9
	Madras	.	..	34.2	34.2	32.7	20.0
	Goa	.	..	9.4	9.4	9.1	5.4
February.							
(25-2-67)	Assam	.	25.6	29.0	54.6	52.1	24.4
	Bihar	.	215.5	12.6	228.1	212.0	73.0
	Manipur	.	4.6	..	4.6	4.6	3.0
	Tripura	.	18.7	..	18.7	18.7	3.4
	W. Bengal	.	241.8	159.0	400.8	344.7	83.1
	Gujarat	.	73.2	176.9	250.1	233.6	105.7
	Maharashtra	.	571.9	116.5	688.4	612.2	160.8
	A. P.	.	..	14.7	14.7	13.4	9.0
	Madras	.	..	40.2	40.2	35.6	28.2
	Goa	.	..	9.4	9.4	9.4	5.9
March.							
(25-3-67)	Assam	.	28.0	29.0	57.0	54.5	15.6
	Bihar	.	215.5	12.6	228.1	213.3	74.7
	Tripura	.	18.7	..	18.7	18.7	2.9
	W. Bengal	.	241.8	108.1	349.9	286.6	94.5
	Gujarat	.	73.2	161.7	234.9	223.5	103.0
	Maharashtra	.	571.9	116.5	688.4	613.9	159.5

1	2	3	4	5	6	7	8
	<b>A.P.</b>	.	14.7	14.7	13.4	5.4	40.3
	<b>Madras</b>	.	38.8	38.8	34.2	27.4	80.1
	<b>Goa</b>	.	9.4	9.4	9.2	6.3	68.5

1967-68

April.

(22-4-67)	<b>Assam</b>	.	40.3	17.0	57.3	55.0	12.7	23.1
	<b>Bihar</b>	.	215.5	12.6	228.1	213.3	69.9	32.8
	<b>Tripura</b>	.	18.7	..	18.7	18.7	2.6	13.9
	<b>W. Bengal</b>	.	242.8	108.1	350.9	287.6	91.3	31.7
	<b>Gujarat</b>	.	73.2	154.6	227.8	193.4	72.5	37.5
	<b>Maharashtra</b>	.	575.4	116.5	691.9	621.0	143.9	23.2
	<b>A. P.</b>	.	..	14.7	14.7	13.4	2.7	20.1
	<b>Madras</b>	.	37.8	37.8	33.3	23.3	70.0	
	<b>Goa</b>	.	9.4	9.4	9.1	5.9	64.8	

May.

(20-5-67)	<b>Assam</b>	.	40.3	15.4	55.7	53.3	12.5	23.5
	<b>Bihar</b>	.	215.5	12.6	228.1	213.7	42.7	20.0
	<b>Tripura</b>	.	18.7	..	18.7	18.7	2.3	12.3
	<b>W. Bengal</b>	.	242.8	108.1	350.9	289.7	84.9	29.3
	<b>Gujarat</b>	.	73.2	154.5	227.7	191.3	75.0	39.2
	<b>Maharashtra</b>	.	575.4	116.5	691.9	614.9	153.2	24.8
	<b>A. P.</b>	.	..	14.7	14.7	12.0	1.9	15.9
	<b>Madras</b>	.	36.7	36.7	36.1	26.6	73.7	
	<b>Goa</b>	.	9.4	9.4	9.1	6.7	73.6	

June.

(17-6-67)	<b>Assam</b>	.	40.3	11.4	51.7	49.3	8.8	17.8
	<b>Bihar</b>	.	215.5	12.6	228.1	212.0	29.1	13.7
	<b>Tripura</b>	.	18.7	..	18.7	18.7	2.4	12.8
	<b>W. Bengal</b>	.	242.8	108.1	350.9	283.5	71.2	25.1
	<b>Gujarat</b>	.	73.2	150.8	224.0	189.4	59.1	31.2

1	2	3	4	5	6	7	8
	Maharashtra	553.0	106.2	659.2	582.6	162.0	27.8
	A. P.	..	14.7	14.7	12.5	4.4	35.2
	Madras	..	39.7	39.7	37.5	30.4	81.0
	Goa	..	9.4	9.4	9.4	5.3	56.4
July.							
(29-7-67)	Assam	40.3	9.8	50.1	48.1	7.0	14.5
	Bihar	215.5	12.6	228.1	212.5	31.3	14.7
	Tripura	..	18.7	..	18.7	18.7	2.3
	W. Bengal	242.8	110.5	353.3	284.4	88.1	31.0
	Gujarat	..	73.2	138.9	212.1	185.5	64.0
	Maharashtra	553.0	106.2	659.2	576.6	153.4	26.6
	A. P.	..	11.5	11.5	9.3	4.4	47.3
	Madras	..	37.6	37.6	31.3	14.3	45.7
	Goa	..	9.4	9.4	9.1	3.9	42.9
August.							
(26-8-67)	Assam	40.3	9.8	50.1	48.1	12.9	26.8
	Bihar	215.5	12.5	228.0	212.4	28.8	13.6
	Tripura	..	18.7	..	18.7	18.7	2.1
	W. Bengal	242.8	110.5	353.3	279.8	85.4	30.5
	Gujarat	..	73.2	141.9	215.1	177.6	74.9
	Maharashtra	553.0	106.2	659.2	588.2	133.5	22.7
	A. P.	..	11.5	11.5	9.3	4.4	47.3
	Madras	..	39.2	39.2	34.5	21.0	60.9
	Goa	..	9.4	9.4	9.1	4.4	48.3
September.							
(23-9-67)	Assam	40.3	9.8	50.1	48.1	10.7	22.2
	Bihar	215.5	12.5	228.0	212.4	28.2	13.3
	Tripura	..	18.7	..	18.7	18.7	2.1
	W. Bengal	242.8	110.5	353.3	281.0	83.7	29.8
	Gujarat	..	73.2	146.0	219.2	202.0	80.9
	Maharashtra	574.8	106.2	681.0	590.5	151.1	25.6
	A. P.	..	18.0	18.0	13.3	7.3	54.9
	Madras	..	39.2	39.2	34.6	22.6	65.3
	Goa	..	12.7	12.7	12.5	8.7	69.6

	1	2	3	4	5	6	7	8
<b>October.</b>								
(31-10-67)	Assam	.	40.3	9.8	50.1	48.1	6.4	13.3
	Bihar	.	215.5	12.5	228.0	212.4	30.9	14.5
	Tripura	.	18.7	..	18.7	18.7	1.7	9.0
	W. Bengal	.	249.2	110.5	359.7	286.4	85.2	29.8
	Gujarat	.	73.2	140.3	213.5	195.6	76.5	39.1
	Maharashtra	.	597.2	116.6	713.0	611.5	125.3	20.5
	A. P.	.	..	18.0	18.0	13.3	7.3	54.9
	Madras	.	..	39.2	39.2	34.5	24.2	70.1
	Goa	.	..	12.7	12.7	12.7	10.9	85.8
<b>November.</b>								
(18-11-67)	Assam	.	40.3	9.8	50.1	46.4	4.9	10.6
	Bihar	.	215.5	12.5	228.0	212.4	37.9	17.8
	Tripura	.	18.7	..	18.7	18.7	1.6	8.5
	W. Bengal	.	249.2	110.5	359.7	284.2	66.0	23.2
	Gujarat	.	73.2	136.2	209.4	188.1	70.5	37.5
	Maharashtra	.	597.2	116.6	713.8	628.9	118.2	18.7
	A. P.	.	..	14.5	14.5	9.8	7.3	74.4
	Madras	.	..	41.2	41.2	36.6	23.9	65.3
	Goa	.	..	12.7	12.7	12.5	10.2	81.6
<b>December.</b>								
(30-12-67)	Assam	.	40.3	9.8	50.1	48.1	8.9	18.5
	Tripura	.	18.7	..	18.7	18.7	0.9	4.8
	W. Bengal	.	249.2	110.5	259.7	284.3	76.8	27.0
	Gujarat	.	73.2	141.6	214.8	180.6	128.5	67.4
	Maharashtra	.	599.0	124.8	723.8	636.3	124.4	19.6
	A. P.	.	..	14.5	14.5	9.8	7.3	74.5
	Madras	.	..	39.1	39.1	34.5	22.2	64.3
	Goa	.	..	10.7	10.7	10.7	6.8	63.5
<b>January</b>								
(27-1-68)	Assam	.	40.3	9.8	50.1	48.1	12.0	24.9
	Tripura	.	18.7	..	18.7	18.7	1.4	7.5

1	2	3	4	5	6	7	8
	W. Bengal	249.2	110.5	359.7	286.4	82.1	28.6
	Gujarat	73.2	136.9	210.1	189.6	128.0	67.5
	Maharashtra	603.0	124.8	727.8	658.3	154.2	23.4
	A. P.	..	19.4	19.4	14.7	7.3	49.6
	Madras	..	38.7	38.7	34.1	21.3	62.4
	Goa	..	9.3	9.3	9.3	7.0	75.3
February.							
(24-2-68)	Assam	43.0	3.7	46.7	45.7	9.7	21.2
	Tripura	18.7	..	18.7	18.7	1.8	9.6
	W. Bengal	249.2	110.5	359.7	335.8	124.4	37.0
	Gujarat	73.2	135.3	208.5	194.6	132.3	68.0
	Maharashtra	603.0	124.8	727.8	653.6	174.8	26.7
	A. P.	..	19.4	19.4	14.7	7.3	49.6
	Madras	..	41.9	41.9	36.9	25.3	59.6
	Goa	..	9.2	9.3	9.3	8.3	89.2
March.							
(23-3-68)	Assam	43.0	3.7	46.7	45.7	11.1	24.1
	Tripura	18.7	..	18.7	18.7	2.6	13.9
	W. Bengal	249.2	110.5	359.7	340.8	109.1	32.0
	Gujarat	74.2	139.2	213.4	196.3	158.2	80.6
	Maharashtra	617.4	128.0	745.4	672.9	188.1	27.9
	A. P.	..	11.5	11.5	11.1	0.6	5.4
	Madras	..	46.5	46.5	41.5	33.0	79.5
	Goa	..	9.3	9.3	9.3	6.6	71.0
1968-69							
April.							
(20-4-68)	Assam	44.4	3.8	48.1	47.1	21.6	45.6
	Tripura	18.7	..	18.7	18.7	2.6	13.9
	W. Bengal	249.2	110.5	359.7	340.3	121.1	35.6
	Gujarat	73.6	150.9	224.5	210.7	193.9	92.0
	Maharashtra	617.4	128.0	745.4	685.7	260.4	38.0
	A. P.	..	9.3	9.3	8.9	3.8	42.7
	Madras	..	45.8	45.8	40.6	36.8	90.6
	Goa	..	9.3	9.3	9.3	7.7	82.8

1	2	3	4	5	6	7	8
<b>May.</b>							
(18-5-68)	Assam	44·4	3·7	48·1	47·1	24·3	51·6
	Tripura	18·7	..	18·7	18·7	4·8	25·6
	W. Bengal	249·2	110·5	359·7	345·8	146·5	42·4
	Gujarat	73·6	161·9	235·5	218·3	200·5	91·8
	Maharashtra	633·4	138·3	771·7	717·5	357·0	49·8
	A. P.	..	9·3	9·3	8·7	3·6	41·4
	Madras	..	45·8	45·8	40·2	36·1	15·8
	Goa	..	9·3	9·3	9·3	8·5	91·4
<b>June.</b>							
(29-6-68)	Assam	44·4	3·7	48·1	46·1	30·4	45·9
	Tripura	18·7	..	18·7	18·7	8·3	44·4
	W. Bengal	249·2	130·5	387·7	328·7	191·7	58·3
	Gujarat	73·6	173·3	246·9	240·1	209·1	87·9
	Maharashtra	783·4	139·8	923·2	816·9	464·9	56·9
	A. P.	..	9·3	9·3	8·7	1·0	11·5
	Madras	..	45·3	45·3	39·9	31·6	79·2
	Goa	..	13·3	13·3	13·3	9·2	69·1
<b>July.</b>							
(27-7-68)	Assam	44·4	3·7	48·1	46·1	25·3	54·9
	Tripura	20·7	2·2	22·9	22·9	7·6	33·2
	W. Bengal	249·2	138·5	387·7	328·7	191·1	58·1
	Gujarat	73·6	181·2	254·8	243·5	220·2	90·4
	Maharashtra	783·4	138·3	921·7	780·7	513·5	65·8
	A. P.	..	9·3	9·3	8·7	1·1	11·5
	Madras	..	44·5	44·5	39·3	36·5	92·9
	Goa	..	12·2	12·2	12·2	5·0	40·9
<b>August.</b>							
(24-8-68)	Gripura	20·7	2·2	22·9	22·9	8·4	36·7
	W. Bengal	249·2	142·3	391·5	303·7	204·1	67·2
	Gujarat	73·6	184·7	258·3	248·6	201·5	81·0
	Maharashtra	784·3	146·8	931·1	784·7	556·2	70·9

1	2	3	4	5	6	7	8	
	A. P.	.	..	9.3	9.3	8.7	2.8	32.2
	Madras	.	..	47.6	47.6	42.4	38.7	91.3
	Goa	.	..	9.2	9.2	9.2	4.8	52.2
September.								
(28-9-68)	Tripura	.	20.7	2.2	22.9	22.9	10.7	46.7
	W. Bengal	.	111.5	113.0	224.5	180.5	136.6	75.7
	Gujarat	.	73.6	183.0	256.6	242.8	208.6	85.9
	Maharashtra	.	793.3	148.5	941.8	810.5	564.5	69.6
	Madras	.	..	32.2	32.2	27.1	22.9	84.5
October.								
(26-10-68)	W. Bengal	.	111.5	113.0	224.5	182.8	1127.4	69.7
	Gujarat	.	73.4	147.8	221.2	209.0	124.1	59.4
	Maharashtra	.	772.9	150.5	923.4	801.9	490.4	61.2
	Madras	.	..	20.3	20.8	15.3	13.9	90.8
November.								
(30-11-68)	W. Bengal	.	111.5	102.8	214.3	169.1	108.5	64.2
	Gujarat	.	73.4	138.5	211.9	194.4	126.3	64.9
	Maharashtra	.	771.7	150.5	922.2	827.5	440.1	53.2
	Madras	.	..	3.9	3.9	3.7	3.4	91.9
December.								
(28-12-68)	Gujarat	.	73.4	134.8	208.2	186.2	144.3	77.5
	Maharashtra	.	771.7	150.5	922.2	834.0	459.0	55.0
January								
(25-1-69)	Gujarat	.	73.4	131.3	204.7	183.7	155.0	84.4
	Maharashtra	.	774.7	149.6	924.3	866.4	488.4	56.4
February.								
(22-2-69)	Gujarat	.	73.4	132.4	205.8	200.4	164.8	82.2
	Maharashtra	.	794.8	149.8	944.6	881.3	521.7	59.2

The transfer of all the godowns to the Food Corporation of India was completed by 1st March, 1969.

## APPENDIX II

(See Para 1-17 of Report)

*State-wise distribution of storage capacity for food-grains in the possession of the Central Food Department, Food Corporation of India and State Governments in 1967-68 in relation to the production of food-grains in that year*

('000 Tonnes)

States	Storage capacity	Production of Foodgrains 1967-68	Storage capacity as percentage of total Foodgrains Production	
			1	2
Andhra Pradesh	242.6	7,502		3.23
Assam	80.4	2,056		3.91
Bihar	390.9	8,612		4.54
Gujarat	419.0	3,368		12.44
Haryana	87.7	3,994		2.20
Kerala	212.8	1,132		18.80
Madhya Pradesh	230.4	10,163		2.27
Tamil Nadu	315.6	5,930		5.32
Maharashtra	1244.3	6,954		17.89
Mysore	128.4	4,506		2.85
Orissa	60.9	4,324		1.41
Punjab	367.4	5,446		6.75
Rajasthan	123.7	6,608		1.87
Uttar Pradesh	620.6	16,810		3.69
West Bengal	854.7	5,855		14.60
Jammu & Kashmir	61.1	652		9.83
Union Territories	191.7	1,675		11.44
<b>TOTAL</b>	<b>5635.2</b>	<b>95,587</b>		<b>5.90</b>

## APPENDIX III

### *Summary of Main Conclusion|Recommendations*

Sl. No.	Para No. of Report	Ministry/Dept. Concerned	Conclusions/Recommendations
1	2	3	4
1	1.32	Deptt. of Food	<p>The Committee cannot help feeling that the development of storage capacity in the country has been rather haphazard and unco-ordinated. The following facts which have come to the Committee's notice would lend support to this conclusion:</p> <p>(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</p>

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, Harayana, 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 Corporations, 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."

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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 lakhs tonnes, with the Food Department, Food Corporation, the Warehousing Corporations and Cooperatives constituted hired accommodation. The distribution of this hired capa-

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\*The Committee have examined the problems connected with development of Cooperative Storage in details in their 106th Report (Fourth Lok Sabha).

city against 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". A 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.

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The Committee note that during the Fourth Plan an investment of Rs. 43 crores is contemplated for provision of storage facil-

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ties 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 storage 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 under utilised 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 sub-standard hired storage.

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 officers in Gujarat, where the oil was purchased, nor did it have any "previous experience in purchase of groundnut oil". The Corporation there-

## Dept. of Food (contd.)

fore 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 tonne 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.

4

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—do—

The State Marketing Cooperative Society whose services the Food Corporation of India obtained in this case is one of 23 State Marketing Federations established in the Co-operative Sector. Statistics about its turnover 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 co-operatives 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. 226.88 per tonne as incidentals, instead 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.

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1.45

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The Army Purchases 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.

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—do—

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.

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—do—

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 mark carrying capacity. During the two years 1965-66 and 1966-67,

\* The incidentals etc. paid were Rs. 280 per tonne, or Rs. 4.50 per tin, which included Re. 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.

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Dept. of Food (contd.)

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.

8 1.55 — do —

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.

39

9 1.67 — do —

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 1.9 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

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1.68

Dept. of Food

co-operate with Government in ensuring that tallies of bags issued are done expeditiously.

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2.20

Dept. of Agriculture

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.

The Committee feel that Government were ill-advised to get involved in this transaction. The involvement started with Government advancing a sum of Rs. 2 lakhs to the cooperative societies to help them repay a loan which they had taken from the Indian Co-operative 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." 29

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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 coopera-

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Dept. of Agriculture (contd.)

tives, 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.

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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 Scheme. To help the cooperatives to repay this loan to the Union, Government advanced Rs. 2 lakhs 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.

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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.

