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**STANDING COMMITTEE
ON AGRICULTURE
(1998-99)**

TWELFTH LOK SABHA

[Signature]
Chairman

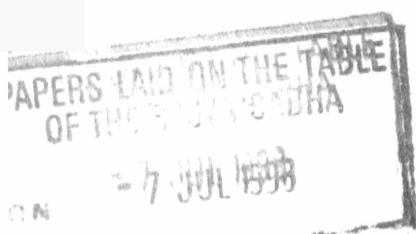
**MINISTRY OF FOOD
PROCESSING INDUSTRIES**

[Signature]
Chairman
Standing Committee
On Agriculture

DEMANDS FOR GRANTS (1997-98)

SIXTH REPORT

*[Action taken by the Government on the Recommendations/
Observations contained in the Thirteenth Report of the
Standing Committee on Agriculture (1996-97)]*



**LOK SABHA SECRETARIAT
NEW DELHI**

June, 1998/Jyaistha, 1920 (Saka)

SIXTH REPORT

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(TWELFTH LOK SABHA)

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Observations contained in the Thirteenth Report of the
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*Presented to Lok Sabha on.....
Laid in Rajya Sabha on.....*



LOK SABHA SECRETARIAT
NEW DELHI

June, 1998/Jyaistha, 1920 (Saka)

COA No. 62

Price : Rs. 14.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by Jainco Art India, 13/10, W.E.A., Saraswati Marg, Karol Bagh, New Delhi-110 005.

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COMPOSITION OF THE STANDING COMMITTEE ON
AGRICULTURE (1998-99)

Shri Kinjarapu Yerrannaidu — *Chairman*

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3. Shri S. Bal Shekar	— <i>Deputy Secretary</i>
4. Shri K.L. Arora	— <i>Assistant Director</i>
5. Ms. Amita Walia	— <i>Reporting Officer</i>

INTRODUCTION

I, the Chairman of the Standing Committee on Agriculture (1998-99) having been authorised by the Committee to submit Report on their behalf, present this Sixth Report on Action Taken by Government on the recommendations/observations contained in the 13th Report of the Standing Committee on Agriculture 1996-97 (Eleventh Lok Sabha) Demands for Grants (1997-98) of the Ministry of Food Processing Industries.

2. The Thirteenth Report of the Standing Committee on Agriculture (1996-97) on Demands for Grants (1997-98) of the Ministry of Food Processing Industries was presented to Lok Sabha on 11th April, 1997. The Ministry of Food Processing Industries was requested to furnish action taken replies of the Government to recommendations contained in the Thirteenth Report. The replies of the Government to all the recommendations contained in the Report were received.

3. The Committee considered these action taken replies furnished by the Government and approved the draft comments and adopted the Thirteenth report.

4. An analysis of the Action Taken by the Government on the recommendations/observations contained in the Thirteenth Report (12th Lok Sabha) of the Committee is given in Appendix II.

NEW DELHI;
17 June, 1998
27, Jyaistha, 1920 (Saka)

KINJARAPU YERRANNAIDU,
Chairman,
Standing Committee on Agriculture.

Chairman
Standing Committee
on Agriculture

AUTHENTICATED

CHAPTER I

REPORT

This report of the Committee on Agriculture deals with the action taken by the Government on the recommendations contained in the Thirteenth Report (Eleventh Lok Sabha) of the Standing Committee on Agriculture (1996-97) on the Ministry of Food Processing Industries which was presented to the Lok Sabha on 11th April, 1997.

1.2 Action taken notes have been received from the Government in respect of all the 16 recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/Observations that have been accepted by the Government (Chapter II of the Report)

Recommendation Nos. 3, 10, 12, 13 & 16.

(Total 5)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (Chapter III of the Report)

Recommendation Nos. Nil.

(Total 0)

- (iii) Recommendations/Observations in respect of which reply of the Government have not been accepted by the Committee (Chapter IV of the Report to be commented upon in Chapter I of the Report)

Recommendation Nos. 4, 6, 8, 9 & 15.

(Total 5)

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited (Chapter V of the Report)

Recommendation Nos. 1, 2, 5, 7, 11 & 14.

(Total 6)

1.3 The Committee will now deal with the recommendations which have not been accepted and have been included in Chapter IV of the report.

Recommendation No. 4 (Para 5.4)

Poor Physical and Financial Performance

1.4 The Committee note that most of the schemes of the Ministry do not have any identifiable physical targets set for achievement during the Eighth Plan period. In the absence of any fixed targets, they appear to meander aimlessly and consequently could not assess their financial requirements against those fixed targets. The Committee strongly feel that there is a lack of a strict supervisory and monitoring mechanism which could keep an eye on the progress of implementation of schemes. There seems to be no planning procedure in the Ministry and due to lack of any perfect planning the Ministry has not been able to realise its full potential inacting as a catalyst and a facilitator for getting larger investments in the food processing sector for increasing exports and for creating a general atmosphere for the healthy growth of the Food Processing Industries.

The Committee, therefore, recommend that during 9th plan period, the Ministry should come up with fool-proof plans plugging all the loopholes and with a regular monitoring/ supervisory system in order to achieve the physical as well as financial targets with a view to tapping the full potential of resources of the country.

Reply of the Government

1.5 Food Processing Industries are both in the organised and unorganised sector and mainly in private hands. Owing to this reason it has not been possible to indicate physical targets in respect of all the schemes. However, keeping in view the recommendations of the Committee, while implementing the Plan Schemes during the Ninth Plan suitable steps for monitoring will be taken.

Comments of the Committee

1.6 The Committee are disappointed to note that the Ministry has continued to disregard the concern expressed by the Committee about the absence of any identifiable physical targets set for achievement during the eighth plan resulting in low achievements in most of the

schemes under the Ministry of Food Processing Industries. The Committee are not satisfied with the reply given by the Ministry that Food Processing Industries are both in the organised and unorganized sector and mainly in private hands and owing to this reason it has not been possible to indicate physical targets in respect of all the schemes.

The Committee are of the opinion that if the implementing agency itself does not know what it wants and how much it wants in the first instance and yet chooses to go ahead with the plans and schemes aimlessly the efforts are sure to be futile.

The Committee, therefore, recommend that the Government should bid farewell to their indecisiveness and wavering tendencies and start the process of pragmatic planning by fixing physical as well as financial targets, introducing a regular and strict monitoring/supervisory system for implementation of fruitful schemes in this important sector to demonstrate that they really mean business.

Recommendation No. 6 (Para 5.6)

Fishing Sector

1.7 In pursuance of the recommendation of the Committee in their 5th Report on Demands for Grants 1996-97, the focus of the schemes in fisheries sector has been shifted from deep sea fisheries development to strengthening of traditional sector. The Committee note that three new schemes have been proposed during the IXth plan *viz.* Scheme for training of traditional fishermen for skill upgradation in areas of deep sea fishing, processing, etc., scheme for utilisation of low value fish to make value added products, and scheme for strengthening of traditional fish processing technologies/marketing.

The Committee note that under the scheme for utilisation of low value fish to make value-added products, an amount of Rs. 30 lakhs have been allocated. The Committee are of the opinion that considerable research and development work has to be done regarding production of value-added products from low value fish and separate budgetary allocations should be made in this regard. There is also a need to encourage commercialization of these products.

Under the scheme for strengthening of traditional fish processing technologies/marketing, Rs. 50 lakhs have been allocated during

1997-98. The Committee have noted that all the Central assistance to the Co-operatives will be through NCDC and to private sector units through MPEDA/State Governments. The Committee desire that a specific monitoring strategy should be devised so that the real benefit goes to fishermen and not to the middlemen.

Reply of the Government

1.8 As observed by the committee, it is proposed that during 9th plan all proposals of cooperatives should be sent through NCDC and proposals in respect of Private Companies should be sent through MPEDA. It is further informed that assistance to the organisations will be released through agencies who have recommended and forwarded their proposals to the Ministry. Thus, it may be seen that the assistance to cooperatives would be released through NCDC and to the private companies will be released through MPEDA. These agencies will also be responsible for monitoring and implementation of the projects in the field. it is felt that this would help in ensuring that real benefits reach the target group. The Ministry will also monitor the implementation of the projects to ensure that the benefit of value addition goes to traditional fishermen and not to middlemen.

Comments of the Committee

1.9 The Committee note that the reply of the Government is completely silent on the separate budgetary allocation for research and development work to be done regarding production of value added products from low value fish and about strategy for commercialization of the product under the scheme for utilisation of low value fish to make value-added products under fishing sector. The Committee take a serious view of the attempt of the Ministry to furnish an evasive reply and not subject itself to any accountability in respect of a matter on which a Parliamentary Committee has handed down its considered opinion.

The Committee, therefore, recommend that a research and development project with separate budgetary allocation should be undertaken at the earliest and a strategy to encourage commercialization of these products be chalked out in order to realise the objectives of this newly introduced scheme in fishing sector and they desire that a specific reply should be furnished to the Committee on this matter within two months of presentation of this Report.

Recommendation No. 8 (Para 5.8)

Fishery Survey of India

1.10 The Committee have observed that the Fishery Survey of India has been allocated an amount of Rs. 11.50 crores on plan side and Rs. 2.17 crores on non-plan side in revenue section for 1997-98. FSI is allocated 55.02% of the total amount for fisheries sector for 1997-98 on plan side. The Committee have also noted that this allocation is around Rs. 2 crores more than that of 1996-97.

The Committee note that the achievements with respect to area surveyed under different types of surveys are far below the targets despite full utilisation of the allocated funds. The Committee are at a loss to know as to how physical targets could not be achieved fully although there had been full utilisation of the funds allocated to them. The Committee, therefore, desire that this aspect must be deeply analysed with a view to identifying the various operational constraints and suitable remedial measures should be undertaken to tone up the functioning of Fishery Survey of India.

Reply of the Government

1.11 The various operational constraints in achieving physical targets are the old age of the vessels, with result in frequent breakdowns, long time taken by shipyards in repair of vessels and dry docking. DG, FSI has been asked to ensure that physical targets of area to be surveyed should be met. Towards this end if there are any difficulties with shipyards or DG (Shipping), the same may be sorted out by personal contact.

Comments of the Committee

1.12 The Committee are disappointed to note that the Government have repeated the usual stock reply that the poor condition of the ships is the sole reason for not achieving the physical targets in respect of surveys despite spending all the money allocated to them for the purpose. The Committee, therefore, recommend that the matter should be deeply analysed to find out the actual extent of funds utilised for survey and also the actual expenditure incurred on maintenance/repairs etc. separately with a view to correlating expenditure on surveys with the physical achievement and to gauge the efficiency therefrom.

Recommendation No. 9 (Para 5.9)

Acquisition of Deep Sea Fishing Vessels

1.1 The Committee note that the Planning Commission has approved in principle the acquisition of six new deep-sea fishing vessels for replacing the old vessels of the Fishery Survey of India. The cost of the project is about Rs. 76 crores. Out of the six vessels four are to be constructed in the shipyards outside the country and two would be constructed within the Country. A token provision of about Rs. 2.5 crores has been given during the year 1997-98 for this project. The Committee are surprised to note as to how the target of acquiring 6 new vessels could be achieved by making a token allocation of Rs. 2.5 crores only. The Committee strongly feel that a lot has to be done in the survey and assessment of pelagic and mid-water resources and this task requires induction of vessels with advanced technologies. The Committee desire that the Government should come up with a higher allocation at the Revised Estimates stage for enabling the expeditious acquisition of the much-needed survey vessels.

Reply of the Government

1.14 The cost of the six vessels (4 to be built in foreign shipyards and 2 in Indian shipyards) is estimated at Rs. 76 crores with a foreign exchange component of Rs. 63 crores. The Planning Commission has agreed to the proposal for the acquisition of 6 vessels, in principle. However, Planning Commission has stated that the programme for acquisition of the vessels may be suitably phased, depending upon the outlays that will be provided in the 9th Five Year Plan and the Annual Plans. The 9th Plan outlay is yet to be finalised. In the budget for 1997-98, a token provision of Rs. 2.5 crores has been made for acquisition of the vessels. It is likely that the funds required for the acquisition of 6 vessels may not be available during the 9th Plan and the acquisition schedule may extend beyond the 9th Five Year Plan. A proposal to seek approval of the Cabinet Committee on Economic Affairs for the acquisition of 6 survey vessels is under process. After obtaining approval of the CCEA, the acquisition process would be initiated as per the purchase procedure, laid down for international and domestic purchases.

Comments of the Committee

1.15 The Committee are shocked to note the reply of the Government that funds to tune of Rs. 76 crores required for acquisition

of six vessels for survey purposes by the Fishery Survey of India may not be available during the Ninth Plan, although the Planning Commission has agreed already in principle to the purchase during the Eighth Plan period itself. The Committee are further shocked to note that the acquisition schedule may extend even beyond the Ninth Five Year Plan period. The Committee wish to point out that the funds required for revitalising the Fishery Survey of India (FSI) is not very large and can be provided for quite early and easily, as this is very much required urgently to realise the full potential of FSI. It is a matter of great concern that year after year in the past, the FSI could not achieve the physical targets of surveys in the ocean around us, as it had been crippled in its operations by the frequent break-downs suffered by its age-old vessels. The Committee wish to impress upon the Planning Commission and the Ministry of Finance the need to explore our oceans for fishery resource in view of its immense potential as a food to bridge the gap between the demand and supply of foodgrains. The Committee also would like to draw the attention of the Planning Commission to the likely cost escalation if the purchase of vessels is delayed interminably. The Committee, therefore, reiterate their recommendation that necessary funds should be made available to FSI in the coming two financial years to enable them acquire the vessels immediately.

Recommendation No. 15 (Para 5.15)

Modern Food Industries (India) Ltd.

1.16 The Committee note that the Modern Food Industries (India) Limited has started making profits since 1992-93 and the company has made a net profit of Rs. 1151.59 lakhs during 1995-96 as against 573.99 lakhs in 1994-95.

In their 5th Report on Demands for Grants 1996-97 the Committee had recommended that the Ministry should submit an action plan within three months to improve the performance of the company in such a way that does not require subsidy on wheat at a later date and still sell the product at competitive prices. The Committee have noted that subsidy part is now withdrawn and there is a proposal for disinvestment in MFIL.

The Committee are of the opinion that in view of the entry of multinationals having very advanced technology MFIL should upgrade their machines and technology in order to produce consistently good quality bread and other products to compete with them in the market and become self-reliant in the field.

The Committee also recommend that the Ministry should chalk out some marketing strategy in respect of MFIL products. In the case of Rasika fruit drink the Committee recommend that the tetra packaging of the drink should be undertaken to make it popular and attractive to the customers and to make it safe and hygienic according to the market trend. The tetra packed drink can be supplied in the trains like Rajdhani and Shatabdi also with a view to increasing the sale of this public sector unit.

Reply of the Government

1.17 The Company has plans to upgrade the technology in phases to take on the emerging competition. In the first phase, the Company has planned to invest about Rs. 4.00 crores during the current financial year for upgrading machines. The Company is still examining the commercial viability of undertaking production and marketing of fruit drinks in tetra packs.

Comments of the Committee

1.18 The Committee have noted that Modern Food Industries (India) Ltd. (MFIL) has plans to upgrade the technology in phases to take on the emerging competition and the company has planned to invest about Rs. 4.00 crores in first phase for upgrading machines, but the company is silent about the marketing strategy to be chalked out in respect of various MFIL products as recommended by the Committee. The Committee, therefore, reiterate their earlier recommendation and urge upon the Ministry to prepare a strong strategy for market promotion with a view to enhancing the sale of the products manufactured by this Public Sector Undertaking.

The Committee are dismayed to find that Modern Food Industries (India) Ltd. has not accorded due importance to the recommendation made by the Committee regarding tetra packaging of Rasika Fruit drink, the sale of which has suffered a lot due to advent of multinationals in the fruit drink sector. The Company is still examining the commercial viability of undertaking production and marketing of fruit drinks in tetra packs. The Committee strongly deplore this type of lackadaisical attitude on the part of the MFIL in not taking a well proven decision to increase the sale of Rasika Fruit drink in order to augment the profit of the Company. The Committee desire to be apprised of the policy within one month of the presentation of this Report.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 3 (Para No. 5.3)

Excise duty on ex-factory prices

2.1 The Committee note with concern with the proposal contained in the Finance Bill, 1997 which seeks to amend section 4 of the Central Excise and Salt Act through the Finance Bill with a view to levying Central Excise duty on the value shown as Maximum Retail Price (MRP) of a commodity whereas central excise duty is in general being levied on the ex-factory price or the first wholesale price. The Committee strongly feel that this step would severely affect a large number of industries which help reduce wastages of the perishable farm produce.

The Committee, therefore, recommend that there should be an effective exemption from this kind of valuation in respect of all processed foods manufactured by the Food Processing Industries, as this would adversely affect their growth and consequently the interests of the farmers who are dependent on these food processing industries would be affected very badly. The Committee desire that the Ministry of Food Processing Industries should take up this matter immediately with the Ministry of Finance for securing immediate relief.

Reply of the Government

2.2 The matter has been taken up by Secretary FPI with The Central Board of Excise & Customs, Ministry of Finance for appropriate action.

Recommendation No. 10 (Para 5.10)

Establishment of Cold Storages/Cold Chains

2.3 The Committee have noted that under the schemes for establishment of post harvest and cold chain facilities, 64 units have been assisted during the 8th Plan period for infrastructural facilities

including cold storage and pre-cooling etc. in 15 States of the country. The Committee observe that the existing cold storage facilities are very few in the rural areas where the farmers can preserve their produce and save the raw fruits and vegetable from perishing. The Committee recommended that during the Ninth Plan more and more cold storages should be set up near the villages and farms so that real benefit could go to the small farmers, as this will enable them to hold their produce till they get a profitable price in the market.

The Committee feel that food processing sector is probably getting hampered because of the existing Cold Storage order by which only the Government fixes the charges for storing the goods. The Committee, therefore, recommend that the Cold Storage Order which imposes unnecessary control over Cold Storage facilities and hinders the growth of this sector must be repealed.

The Committee also observe that if the private entrepreneurs are encouraged to establish cold storages, a large quantity of fruits and vegetable can be saved. The Committee recommend that private parties or individuals should be encouraged to set up Cold Storages in rural areas and 35% subsidy should be provided to them. Financial assistance should be granted to keep the cold storage facilities of the cooperative societies functional, as they are always in a state of disrepair.

Reply of the Government

2.4. While finalising the modalities of the Plan Scheme for Cold Storage, the recommendations of the Committee would be kept in view.

Regarding repeal of Cold Storage Order, the Ministry of Rural Development has been requested for necessary action.

Recommendation No. 12 (Para 5.12)

Meat and Poultry Processing Sector

2.5 The Committee observe that in the Meat and Poultry Processing Sector, the total expenditure during the entire 8th Plan has been Rs. 17.49 crores as against the original outlay of Rs. 23 crores, the average expenditure per year during the Eighth Plan period has been only Rs. 3.49 crores.

The Committee are distressed about the heavy shortfalls in achieving the financial as well as physical targets in meat and poultry processing sector. In most of the schemes shortfalls are noticed. One of the reasons for poor utilisation of funds is the frequent change in the mode of releasing the funds under the plan schemes. The Committee desire that the Ministry should evolve a firm procedure with adequate safe-guards for the expeditious and timely release of funds under various schemes and put a proper procedure into practice. The Committee are of the opinion that more direct contacts at very high levels with the State Governments are desirable so that approvals for projects and timely release of funds could be got expedited and ensured. The Ministry should, therefore, make some extra efforts in hard cases in order to ensure full utilisation of funds.

Reply of the Government

2.6 The Ministry has now evolved a firm procedure with adequate safeguards for the expeditious and timely release of funds under various schemes. The Ministry is implementing various schemes for development of egg and poultry processing, other meat processing, research and development, manpower development in meat industry etc. The funding is done in two ways as follows:

- (i) Grant-in-aid and
- (ii) Interest free loan.

The grant-in-aid is given to the Cooperative Societies, Voluntary Organisations, Cooperative Federations, other societies and State and Central Organisations whereas the interest free loan is given to the joint sector projects after entering into a tripartite agreement and guarantee for repayment of such a loan. The procedure is being circulated to all the concerned organisations. By evolving these procedures and methodology of funds, the surrender of funds in the last two years have reduced to the minimal. The same procedure is likely to continue in the 9th Five Year Plan.

Recommendation No. 13 (Para 5.13)

Milk based Industries

2.7 The Committee have noted that the scheme for Research and Development for Food Processing has been earmarked a plan outlay of Rs. 3.90 crores for the year 1997-98. The Committee are aware that

Department of Agricultural Research and Education is also engaged in some R&D work in the field of milk. The committee are of the view that researches/studies made by both the department may overlap. Therefore, the committee desire that the some suitable steps must be contemplated to ensure that the funds are not wasted on the research activities on the same product and in the same field.

Reply of the Government

2.8 The recommendations of the Committee would be followed while releasing funds.

Recommendation No. 16 (Para No. 5.16)

NERAMAC

2.9 The Committee note that the North Eastern Regional Agricultural Marketing Corporation (NERAMAC) is trying to increase its turnover, as the total turnover of the corporation during the year 1996-97 is estimated to be Rs. 250.00 lakhs as against Rs. 220.18 lakhs during 1995-96. The Committee are informed that the significant increase in turnover is attributed to the sales of energy food, Pineapple juice concentrate and fertilizer which were undertaken on a large scale basis.

The Committee feel that Food Processing Industry is integrated with the development of agriculture. The production of Pineapple and Ginger is increasing in North-Eastern States and the land over there is suitable for horticulture, but at the same time people of North-Eastern States are not getting a better price for their produce mainly due to lack of transportation and food processing facilities. The Committee desire the NERAMAC to put in sincere efforts in this direction with a view to giving remunerative prices to the farmers in the North-East.

The Committee strongly feel that the corporation is becoming unviable and recommend that strict measures should be taken to make it viable. The Committee also recommend that the Ministry should give a special help to NERAMAC, which is located in the backward States and the working capital of the corporation should also be increased to enhance their activities and take up product diversification in a big way.

Reply of the Government

2.10 The turnover for NERAMAC for the year 1996-97 has been Rs. 285.80 lakhs (Prov.) against Rs. 220.00 lakhs in 1995-96. This is mainly because of marketing of certain items like fertilizers (Rs. 11.34 lakhs); Supari (Rs. 59.37 lakhs); Rubber (Rs. 111.34 lakhs), etc. and increase in production of PJC (Rs. 42.00 lakhs) and processed cashewnut (Rs. 36.65 lakhs).

Corporation has become a sick unit and has been registered with BIFR. Preparation of revival plan for the Corporation is under active consideration of the Ministry. In view of the developmental role being played by this Corporation, in North-Eastern Region, the Ministry has been giving non-plan working capital subsidy for the last four years. Assistance was also provided under the plan for new projects.

CHAPTER III

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

— Nil —

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 4 (Para 5.4)

Poor physical and Financial Performance

4.1 The Committee note that most of the schemes of the Ministry do not have any identifiable physical targets set for achievement during the Eighth Plan period. In the absence of any fixed targets, they appear to meander aimlessly and consequently could not assess their financial requirements against those fixed targets. The Committee strongly feel that there is a lack of a strict supervisory and monitoring mechanism which could keep an eye on the progress of implementation of schemes. There seems to be no planning procedure in the Ministry and due to lack of any perfect planning the Ministry has not been able to realise its full potential in acting as a catalyst and a facilitator for getting larger investments in the food processing sector for increasing exports and for creating a general atmosphere for the healthy growth of the Food Processing Industries.

The Committee, therefore, recommend that during 9th Plan period, the Ministry should come up with fool-proof plans plugging all the loopholes and with a regular monitoring/supervisory system in order to achieve the physical as well as financial targets with a view to tapping the full potential of resources of the country.

Reply of the Government

4.2 Food Processing Industries are both in the organised and unorganised sector and mainly in private hands. Owing to this reason it has not been possible to indicate physical targets in respect of all the schemes. However, keeping in view the recommendations of the Committee, while implementing the Plan Schemes during the Ninth Plan suitable steps for monitoring will be taken.

Comments of the Committee

4.3 For Comments of the Committee please refer to Para No. 1.6 of Chapter I of this Report.

Recommendation No. 6 (Para 5.6)

Fishing Sector

4.4. In pursuance of the recommendation of the Committee in their 5th Report on Demands for Grants 1996-97, the focus of the schemes in fisheries sector has been shifted from deep sea fisheries development to strengthening of traditional sector. The Committee note that three new schemes have been proposed during the IXth Plan viz. Scheme for training of traditional fishermen for skill upgradation in areas of deep sea fishing, processing, etc., scheme for utilisation of low value fish to make value added products, and scheme for strengthening of traditional fish processing technologies/marketing.

The Committee note that under the scheme for utilisation of low value fish to make value-added products, an amount of Rs. 30 lakhs have been allocated have been allocated. The Committee are of the opinion that considerable research and development work has to be done regarding production of value-added products from low value fish and separate budgetary allocations should be made in this regard. There is also a need to encourage commercialization of these products.

Under the scheme for strengthening of traditional fish processing technologies/marketing, Rs. 50 lakhs have been allocated during 1997-98. The Committee have noted that all the central assistance to the Cooperatives will be through NCDC and to private sector units through MPEDA/State Governments. The Committee desire that a specific monitoring strategy should be devised so that the real benefit goes to fishermen and not to the middlemen.

Reply of the Government

4.5 As observed by the Committee, it is proposed that during 9th plan all proposals of cooperatives should be sent through NCDC and proposes in respect of Private Companies should be sent through MPEDA. It is further informed that assistance to the organisations will be released through agencies who have recommended and forwarded their proposals to the Ministry. Thus, it may be seen that the assistance

to cooperatives would be released through NCDC and to the private companies will be released through MPEDA. These agencies will also be responsible for monitoring and implementation of the projects in the field. It is felt that this would help in ensuring that real benefits reach the target group. The Ministry will also monitor the implementation of the projects to ensure that the benefit of value addition goes to traditional fishermen and not to middlemen.

Comments of the Committee

4.6. For Comments of the Committee please refer to Para No. 1.9 of Chapter I of this Report.

Recommendation No. 8 (Para 5.8)

Fishery Survey of India

4.7 The Committee have observed that the Fishery Survey of India has been allocated an amount of Rs. 11.50 crores on plan side and Rs. 2.17 crores on non-plan side in revenue section for 1997-98. FSI is allocated 55.02% of the total amount for fisheries sector for 1997-98 on plan side. The Committee have also noted that this allocation is around Rs. 2 crores more than that of 1996-97.

The Committee note that the achievements with respect to area surveyed under different types of surveys are far below the targets despite full utilisation of the allocated funds. The Committee are at a loss to know as to how physical targets could not be achieved fully although there had been full utilisation of the funds allocated to them. The Committee, therefore, desire that this aspect must be deeply analysed with a view to identifying the various operational constraints and suitable remedial measures should be undertaken to tone up the functioning of Fishery Survey of India.

Reply of the Government

4.8 The various operational constraints in achieving physical targets are the old age of the vessels, which result in frequent breakdowns, long time taken by shipyards in repair of vessels and dry docking. DG, FSI has been asked to ensure that physical targets of area to be surveyed should be met. Towards this end if there are any difficulties with shipyards or DG (Shipping), the same may be sorted out by personal contact.

Comments of the Committee

4.9 For Comments of the Committee please refer to Para No. 1.12 of Chapter I of this Report.

Recommendation No. 9 (Para 5.9)

Acquisition of Deep Sea Fishing Vessels

4.10 The Committee note that the Planning Commission has approved in principle the acquisition of six new deep-sea fishing vessels for replacing the old vessels of the Fishery Survey of India. The cost of the project is about Rs. 76 crores. Out of the six vessels four are to be constructed in the shipyards outside the country and two would be constructed within the country. A token provision of about Rs. 2.5 crores has been given during the year 1997-98 for this project. The Committee are surprised to note as to how the target of acquiring 6 new vessels could be achieved by making a token allocation of Rs. 2.5 crores only. The Committee strongly feel that a lot has to be done in the survey and assessment of pelagic and mid-water resources and this task requires induction of vessels with advanced technologies. The Committee desire that the Government should come up with a higher allocation at the Revised Estimates stage for enabling the expeditious acquisition of the much-needed survey vessels.

Reply of the Government

4.11 The cost of the six vessels (4 to be built in foreign shipyards and 2 in Indian shipyards) is estimated at Rs. 76 crores with a foreign exchange component of Rs. 63 crores. The Planning Commission has agreed to the proposal for the acquisition of 6 vessels, in principle. However, Planning Commission has stated that the programme for acquisition of the vessels may be suitably phased, depending upon the outlays that will be provided in the 9th Five Year Plan and the Annual Plans. The 9th Plan outlay is yet to be finalised. In the budget for 1997-98, a token provision of Rs. 2.5 crores has been made for acquisition of the vessels. It is likely that the funds required for the acquisition of 6 vessels may not be available during the 9th Plan and the acquisition schedule may extend beyond the 9th Five Year Plan. A proposal to seek approval of the Cabinet Committee on Economic Affairs for the acquisition of 6 survey vessels is under process. After obtaining

approval of the CCEA, the acquisition process would be initiated as per the purchase procedure, laid down for international and domestic purchases.

Comments of the Committee

4.12 For the Comments of the Committee please refer to Para No. 1.15 of Chapter I of this Report.

Recommendation No. 15 (Para No. 5.15)

Modern Food Industries (India) Ltd.

4.13 The Committee note that the Modern Food Industries (India) Limited has started making profits since 1992-93 and the company has made a net profit of Rs. 1151.59 lakhs during 1995-96 as against 573.99 lakhs in 1994-95.

In their 5th Report on Demands for Grants 1996-97 the Committee had recommended that the Ministry should submit an action plan within three months to improve the performance of the company in such a way that does not require subsidy on wheat at a later date and still sell the product at competitive prices. The Committee have noted that subsidy part is now withdrawn and there is a proposal for disinvestment in MFIL.

The Committee are of the opinion that in view of the entry of multinationals having very advanced technology MFIL should upgrade their machines and technology in order to produce consistently good quality bread and other products to compete with them in the market and become self reliant in the field.

The Committee also recommend that the Ministry should chalk out some marketing strategy in respect of MFIL products. In the case of Rasika fruit drink the Committee recommend that the tetra packaging of the drink should be undertaken to make it popular and attractive to the customers and to make it safe and hygienic according to the market trend. The tetra packed drink can be supplied in the trains like Rajdhani and Shatabdi also with a view to increasing the sale of this public sector unit.

Reply of the Government

4.14 The company has plans to upgrade the technology in phases to take on the emerging competition. In the first phase, the Company has planned to invest about Rs. 4.00 crores during the current financial year for upgrading machines. The Company is still examining the commercial viability of undertaking production and marketing of fruit drinks in tetra packs.

Comments of the Committee

4.15 For Comments of the Committee please refer to Para No. 1.18 of Chapter I of this Report.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation No. 1 (Para 5.1)

Total Outlay

5.1 The Committee wish to point out that the Food processing Industries Sector encompasses industries connected with the processing of a range of agricultural produce such as fruits and vegetables processing, milk, fish and meat and the industry has a tremendous potential for increasing agricultural productivity, for providing greater employment opportunities and for boosting export earnings. The Committee in their 5th Report on Demands for Grants (1996-97) had observed that a serious attempt should be made by the ministry to widen its area of operation and the scope of its activities and higher budgetary allocations should be sought by them year after year. The Committee further desired that while finalising the Ninth Plan proposals, the Ministry should come out with an effective package of varied programmes which could be implemented on a much larger scale and pose it for funding to the Planning Commission, so as to enable them to receive at least an allocation of Rs. 2000 crores for the Ninth plan to achieve definite targets.

The Committee are disappointed to note that the Ministry had sought an outlay of only Rs. 128.045 crores and could finally get only Rs. 60 crores only for their annual plan for 1997-98. The Committee would like the Planning Commission and the Ministry of Finance to adopt a realistic and reasonable attitude in the matter of granting higher budgetary allocations in favour of the Ministry of Food Processing Industries in order to achieve vital development in this important sector so that the vast potential for export of processed products is fully exploited to the advantage of the entire nation. The Committee are of the firm opinion that any allocation in this sector would result in profitable return which will be several times higher than the allocations made. Therefore, the Committee recommended

that the budgetary plan allocations should be increased at least to Rs. 200 crores at the revised estimates stage for 1997-98 and an outlay of Rs. 2000 crores should be provided for the 9th plan programmes of the Ministry of Food Processing Industries.

Reply of the Government

5.2 The matter of enhanced allocation of Plan outlay to this Ministry has again been taken up by the Minister of Food Processing Industries with the Dy. Chairman, Planning Commission. The recommendations of the Committee have also been submitted to the integrated finance wing of the Ministry for favour of necessary action.

Recommendation No. 2 (Para 5.2)

Withdrawal of Excise Duty on Processed Food Products

5.3 Under Harmonised Tariff code 1905, 2001 and 2103, food products made from basic horticultural produce were exempted from central excise duty since 1991. These include all processed fruit and vegetable products, bakery products, snack foods etc. However, the budget for 1997-98 imposed fresh excise duties on these products at the rate of 8 per cent *ad valorem*.

The Committee feel that the processed fruits and vegetable products should be considered as essential commodities and hence, as a matter of principle should not attract any central excise duty. In view of this, the Committee feel that imposing excise duty on fruit and vegetable products is not in the right direction, as the prices of the finished products would increase and this would reduce the demand for these products and this would in turn affect the off-take of agricultural produce from the farmers by the Food Processing Industries and also the actual quantum of production of them.

The Committee is of the opinion that the proposals of imposing excise duty on the above mentioned products under Harmonised code 1905, 2001 and 2103 deserves to be withdrawn, in view of the contributions made by the Processed Food Industries by way of preventing the wastage of the perishable farm produce, by way of providing employment, by way of increasing foreign exchange earnings and also by way of paying profitable prices to the farmers through their arrangements of backward linkages. The Committee strongly feel that

the scheme would directly affect the interests of the farmers and they urge upon the Government to reconsider their decision to impose central excise duty on the products of the Food processing industries.

Reply of the Government

5.4 The Central Board of Excise & Customs, Ministry of Finance has once again been requested for appropriate action.

Recommendation No. 5 (Para 5.5)

North East as a Tax-free Zone

5.5 North Eastern States are by their geographical situation and their inherent attributes suffer from great handicaps which stand in the way of their development. The Committee are yet confident that capital can be made to flow to these areas in a very significant manner if proper fiscal incentives are given for the food processing industries to be set up in these States. The Committee, therefore, recommend that the North-Eastern States may be declared as a tax-free zone for the next ten years (free of income tax, excises, sales tax, municipal taxes etc.) in respect of all the food processing industries that may come up in these areas in order to ensure the removal of unemployment from this region and to give a boost to its economic development.

Reply of the Government

5.6 The extracts of the recommendations have been sent to Ministry of Finance with a request for necessary action.

Recommendation No. 7 (Para 5.7)

One Ministry for Fisheries

5.7 The Committee in their 5th Report on Demands for Grants 1996-97 had recommended that all the activities relating to the promotion of fishing industry should be under one Ministry so as to achieve the best results and ensure accountability. The Committee understand that the matter is under the consideration of the Government. The Committee, therefore, reiterate that their recommendation to bring all the fishing activities under one Ministry should be implemented in order to save funds and time which are being wasted by implementing same schemes by different Ministries and this should be done at the earliest to save the fishing industry which is now facing a slump.

Reply of the Government

5.8 The matter is still under consideration of the Government.

Recommendation No. 11 (Para 5.11)

Scheme of Processing of Coarse Grains

5.9 The Committee in their 5th Report on Demands for Grants 1996-97 had recommended the formulation of a suitable scheme for processing of coarse grains. The Committee note that accordingly a scheme for processing of coarse grains and for development of ready-to-eat snacks from coarse grains has been proposed in Ninth Plan and a sum of Rs. 50 lakhs have been allocated under the scheme with the target of setting up of 25-50 units to be assisted during the 9th Plan.

The Committee are of the opinion that coarse grains, maize and such other cereals are grown over large tracts of land owned by resource starved farmers and an initiative in this line would fetch them better returns and the need to help them out can brook no delay.

The Committee, therefore, recommend that research activities in processing coarse grains to convert them into attractive food products for catching the large urban markets should be undertaken sincerely so that the purpose of providing real benefit to the farmer is served.

Reply of the Government

5.10 A Research & Development proposal for processing of Coarse Grains for production of value added products has been received in the Ministry from the Central Food Technological Research Institute. The proposal is under consideration in the Ministry and will soon be finalised for funding out of the budget for Research & Development.

Recommendation No. 14 (Para No. 5.14)

Import duty on Lactose

5.11 The Committee note that during the 5th plan a new sector namely Milk based industries sector had been introduced. The Committee wish to point out that the Domestic Lactose industry is at a great disadvantage as compared to their European and American

counterparts, as the cost of production of Lactose of European and American manufacturers is very less due to the heavy subsidy to the extent of 70% they receive from their Governments on manufacture of cheese/casin thereby making production of Lactose almost free. The Committee are afraid that this can result in dumping of foreign Lactose in India. Current international price of Lactose is Rs. 34 per kg. whereas domestic cost of production as calculated by the industry is Rs. 62 per kg. Therefore, the Committee desire the M/o Food Processing Industry to put up their case before Finance Ministry for increasing import duty on Lactose from 20% to at least 60% in order to protect the Indian farming community which produces milk in this country.

Reply of the Government

5.12 The matter has been taken up once again with the Ministry of Finance.

NEW DELHI;
17 June, 1998
27 Jyaistha, 1920

KINJARAPU YERRANNAIDU,
Chairman
Standing Committee on Agriculture.

AUTHENTICATED

 Chairman
 Standing Committee
 on Agriculture

APPENDIX I

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON AGRICULTURE HELD ON WEDNESDAY, THE 17TH JUNE, 1998 AT 1100 HRS. IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1100 hrs. to 1300 hrs.

PRESENT

Shri Kinjarapu Yerrannaиду — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ramchandra Baindu
3. Shri D.C. Sreekantappa
4. Dr. Ramkrishna Kusmaria
5. Shri Baliram Kashyap
6. Smt. Sangeeta Kumari Singh Deo
7. Shri M. Master Mathan
8. Shri Raj Narain Passi
9. Shri Virendra Verma
10. Shri Sudhakarrao Rajusing Naik
11. Shri Ramkrishna Baba Patil
12. Shri Maganti Venkateswara Rao
13. Shri Kantilal Bhuria
14. Shri Mahaboob Zahedi
15. Shri Abdul Hasnat Khan
16. Shri Mitransen Yadav
17. Shri K.P. Munusamy
18. Shri Anup Lal Yadav
19. Shri Bashist Narayan Singh
20. Shri Ram Shanker
21. Dr. Sushil Kumar Indora

Rajya Sabha

22. Maulana Habibur Rahman Nomani
23. Shri Ramji Lal
24. Shri Devi Prasad Singh
25. Shri Shiv Charan Singh
26. Shri Ramnarayan Goswami
27. Shri Sharief-Ud-Din Shariq
28. Shri Sukh Dev Singh Dhindsa

SECRETARIAT

1. Shri G.C. Malhotra	— <i>Additional Secretary</i>
2. Shri S. Bal shekar	— <i>Deputy Secretary</i>
3. Smt. Anita Jain	— <i>Under Secretary</i>
4. Shri K.L. Arora	— <i>Assistant Director</i>

Chairman (AC) took the Chair and welcomed the Members. Thereafter the Committee took up for consideration the draft Reports on Action Taken by the Government in respect of the recommendations/observations contained in the following reports:

1. 1st Report on Demands for Grants (1996-97) relating to Ministry of Agriculture (Department of Agriculture and Co-operation).
2. 9th Report on Demands for Grants (1997-98) relating to Ministry of Agriculture (Department of Agriculture & Co-operation).
3. 10th Report on Demands for Grants (1997-98) relating to Ministry of Agriculture (Department of Agricultural Research & Education).
4. 11th Report on Demands for Grants (1997-98) relating to Ministry of Agriculture (Department of animal Husbandry & Dairying).
5. 12th Report on Demands for Grants (1997-98) relating to Ministry of Water Resources.
6. 13th Report on Demands for Grants (1997-98) relating to Ministry of Food Processing Industries.

The Committee considered the draft comments of the Committee and adopted the 1st, 2nd, 3rd, 4th, 5th and 6th Action Taken Reports (1998-99) one by one with minor additions.

The Committee, then, authorised the Chairman to present all the six Action Taken Reports (1998-99) of the Committee to the House on a date and time convenient to him.

The Committee then adjourned to meet again soon after the lunch at 1400 hrs. on the same day.

APPENDIX II

(*Vide* Para 4 of Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 13TH REPORT OF STANDING COMMITTEE ON AGRICULTURE (11TH LOK SABHA)

(i) Total Number of Recommendations	16
(ii) Recommendations/Observations which have been accepted by the Government _____ Serial Nos. 3, 10, 12, 13 & 16	
Total	5
Percentage	31.25%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies _____ Serial Nos. Nil.	
Total	0
Percentage	0%
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee _____ Serial Nos. 4, 6, 8, 9 & 15	
Total	5
Percentage	31.25%
(v) Recommendations/Observations in respect of which final replies of the Government are still awaited _____ Serial Nos. 1, 2, 5, 7, 11 & 14	
Total	6
Percentage	37.5%