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**STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION**

(1997-98)

ELEVENTH LOK SABHA

MINISTRY OF FOOD AND CONSUMER AFFAIRS

*[Action Taken Report on Fifth Report of the Committee on Demands for
Grants (1997-98) of the erstwhile Ministry of Food]*

25

NINTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1997 / Kartika, 1919 (Saka)

Standing Committee
on Food, Civil Supplies
and Public Distribution

(1997-98)

11th Lok Sabha

No 9-10

(Eng Hindi)



P.L.

NINTH REPORT
STANDING COMMITTEE ON FOOD, CIVIL
SUPPLIES AND PUBLIC DISTRIBUTION
(1997-98)

(ELEVENTH LOK SABHA)

MINISTRY OF FOOD AND CONSUMER AFFAIRS

*[Action taken by the Government on the Recommendations contained
in the Fifth Report of the Standing Committee on Food, Civil
Supplies and Public Distribution on Demands for Grants
(1997-98) of the erstwhile Ministry of Food]*

Presented to Lok Sabha on 2 Dec. 1997.

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LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA TO THE NINTH REPORT (ELEVENTH LOK SABHA) OF THE
STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC
DISTRIBUTION (1997-98)

| Page | Para | Line | For | Read |
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| (v) | 3 | 7 (from bottom) | Ninth | Fifth |
| 3 | 1.7 | 22 | packing | packaging |
| 3 | 1.7 | 25 | Add 'shortage' after storages | |
| 3 | 1.7 | 26 | delete 'exclusive of shortages'. | |
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| 9 | - | 22 | farms | farm |
| 12 | - | 4 (from bottom) | offency | agency |
| 13 | - | 26 | a whole | as a whole |
| 14 | - | 18 | tracers | traders |
| 14 | - | 27 | to decided | to decide |
| 23 | - | 4 | therefor | therefore |
| 31 | - | 13 | packing | packaging |
| 31 | - | 17 | delete 'exclusive of shortages'. | |
| 33 | - | 9 | works | work |
| 37 | - | 4 | Ninth | Fifth |

CONTENTS

| | PAGE |
|--|-------|
| COMPOSITION OF THE COMMITTEE | (iii) |
| INTRODUCTION | (v) |
| CHAPTER I Report | 1 |
| CHAPTER II Recommendations/Observations which have been accepted by the Government | 7 |
| CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the Government replies | 25 |
| CHAPTER IV Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee | 30 |
| CHAPTER V Recommendations/Observations in respect of which final replies of the Government are still awaited | 34 |

APPENDICES

| | | |
|----|--|----|
| I. | Minutes of the sitting of the Standing Committee on Food, Civil Supplies and Public Distribution (1997-98) held on 10.11.1997 | 35 |
| II | Analysis of Action Taken by the Government on the Recommendations contained in the Ninth Report of the Standing Committee on Food, Civil Supplies and Public Distribution (Eleventh Lok Sabha) | 37 |

COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION
(1997-98)

Shri R.L. Bhatia — *Chairman*

MEMBERS
Lok Sabha

2. Shri Shyam Bihari Misra
3. Shri R.C. Veerappa
4. Shri Gangaram Koli
5. Shri Rajkeshar Singh
6. Shri Nakli Singh
7. Shri Bachi Singh Rawat
8. Shri Chhatar Singh Darbar
9. Shri Manharan Lal Pandey
10. Shri Vidya Sagar Sonkar
11. Shri Chhitubhai D. Gamit
12. Shri Manikrao H. Gavit
13. Shri Nivrutti Sheth Namdeo Sherkar
14. Smt. Chhabila Arvind Netam
15. Shri Madhaba Sardar
16. Shri Virendra Kumar Singh
17. Shri Pitambar Paswan
18. Shri Syed Masudal Hossain
19. Smt. Sandhya Bouri
20. Shri V. Kandasamy
21. Smt. Phoolan Devi
22. Shri D.S.A. Siva Prakasam

- *23. Shri Sebastian Paul
- 24. Shri Shivaji Kambli
- 25. Shri Ramashray Prasad Singh
- 26. Shri Ghanshyam Chandra Kharwar
- 27. Shri Brahmanand Mandal
- 28. Shri Om Parkash Jindal
- 29. Shri Rajkumar Wangcha
- **30. Smt. Jayawanti Mehta

Rajya Sabha

- 31. Shri Onward L. Nongtdu
- 32. Shri Ghufuran Azam
- 33. Shri Moolchand Meena
- 34. Shri Venod Sharma
- 35. Shri K.M. Khan
- 36. Prof. Vijay Kumar Malhotra
- 37. Shri Ram Ratan Ram
- 38. Shri Manohar Kant Dhyani
- 39. Shri Dawa Lama
- 40. Shri P. Soundararajan
- 41. Dr. Ramendra Kumar Yadav Ravi
- 42. Shri Joyanta Roy
- 43. Shri Tara Charan Majumdar

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------|
| 1. Shri G.C. Malhotra | — | <i>Additional Secretary</i> |
| 2. Shri M.R. Khosla | — | <i>Joint Secretary</i> |
| 3. Shri Krishan Lal | — | <i>Deputy Secretary</i> |
| 4. Shri A.S. Chera | — | <i>Under Secretary</i> |
| 5. Shri O.P. Arora | — | <i>Assistant Director</i> |
| 6. Smt. Manju Choudhary | — | <i>Committee Officer</i> |

* Nominated to the Committee *w.e.f.* 8.8.1997.

** Nominated to the Committee *w.e.f.* 5.11.1997 *vice* Smt. T. Sharda *vide* Bulletin Part - II No. 1529 dt. 5.11.1997.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1997-98) having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on Action Taken by the Government on the Recommendations/Observations contained in the Fifth Report of the Committee (Eleventh Lok Sabha) on "Demands for Grants" 1997-98 of the erstwhile Ministry of Food.

2. The Fifth Report was presented to Lok Sabha/laid in Rajya Sabha on May 2, 1997. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 9th, 10th and 19th September, 1997. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1997-98) at their sitting held on 10th November, 1997.

3. An analysis of the action taken by the Government on recommendations contained in the Ninth Report of the Standing Committee (Eleventh Lok Sabha) on "Demands for Grants" (1997-98) is given in Appendix II.

NEW DELHI;
18 November, 1997
27 Kartika, 1919 (Saka)

R.L. BHATIA,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

CHAPTER I

REPORT

This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the Fifth Report (Eleventh Lok Sabha) on Demands for Grants (1997-98) relating to the erstwhile Ministry of Food.

1.2 The Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on May 2, 1997. It contained 22 observations/recommendations.

1.3 Action Taken Notes in respect of all the 22 observations/recommendations contained in the Report have been received and categorised as follows:—

- (i) Recommendations/Observations which have been accepted by the Government.

Para Nos. 2.98, 2.99, 2.100, 2.101, 2.102, 2.104, 2.105, 2.107, 2.108, 2.109, 3.41, 3.42, 3.43, 3.44, 3.45, 4.10, 5.4

(Chapter II, Total 17)

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

Para Nos. 2.103, 2.106, 2.110

(Chapter III, Total 3)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.

Para Nos. 2.97, 2.111

(Chapter IV, Total 2)

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

(Chapter V, Nil)

1.4 The Committee need hardly emphasise that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in their letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee will now deal with action taken by the Government on some of the recommendations:—

FOOD SUBSIDY

Recommendation (Para No. 2.97)

1.6 Expressing their deep concern over mounting food subsidy bill during the last couple of years, the Committee had observed:

“The food subsidy bill is on the increase during the last couple of years. For instance, the food subsidy bill which was Rs. 5377 crores in 1995-96 rose to Rs. 6066 crores in 1996-97 and is likely to inflate to Rs. 7500 crores in 1997-98. The Ministry have informed that the factors associated with the steep hike in food subsidy include delay in neutralising the increase in Minimum Support Price by corresponding increase in Central Issue Price, higher level of buffer-stock due to higher level of procurement and relatively lower level of off-take, increase in freight rates, progressive departmentalisation of labour, progressive switching over to 50 kg. packaging and transit and storage shortages. The Committee are not convinced with all the reasonings put forth by the Ministry in effecting rise in subsidy bill, as the considerable decline in procurement of wheat and consequent buffer, did not reflect the change in subsidy position. The Committee further note that as much as Rs. 7000 crores have been earmarked to meet the requirement of Targeted Public Distribution System and more funds are likely to flow as the Targeted Public Distribution System gets into motion.”

1.7 The Ministry in their Action Taken reply have stated:—

“Food Subsidy is payable to FCI on the difference between the (i) Economic Cost (comprising of Pooled Cost of Foodgrains, Procurement Incidentals *i.e.* Statutory charges, gunny cost, labour, transportation, storage, interest etc. and Distribution

Incidentals *i.e.* freight, handling, storage, interest etc.) incurred by FCI and Average Sales Realisation and (ii) Carrying Cost of Buffer Stock. During 1995-96, out of total provision of Rs. 5377 crores, an amount of Rs. 4900 crores was released to FCI as Subsidy on Foodgrain transactions. During 1996-97 though the total expenditure on food subsidy (including Sugar) went upto Rs. 6066 crores, only Rs. 5166 crores were utilised on account of foodgrain transaction. Therefore, the increase in subsidy on foodgrains transaction was approximately 4% which has to be viewed in the context of general increase in prices. Again, during 1997-98 a budget provision of Rs. 7000 crores has been made to foodgrain transactions only. The hike is mainly due to introduction of TPDS from June, 1997."

Beside the above, the major causes, as pointed out earlier, for the increase in foodgrains subsidy, are as follow:

- (i) Delay in neutralising the increase in Minimum Support Prices by correspondingly increasing the Central Issue Prices;
- (ii) Higher level of Buffer Stocks due to higher level of procurement and relatively lower level of off-take;
- (iii) Increase in freight rate;
- (iv) Progressive departmentalisation of labour;
- (v) Progressive switching over to 50 Kg. packing; and
- (vi) Transit and Storage Shortages.

Of the above, the major controlable item of expenditure is transit and storages. Monthly releases of Food Subsidy to FCI are made exclusive of shortages. Only after such shortages are regularised after due process and certified by the statutory Auditors such regularised shortages are reimbursed to FCI. Constant efforts are made by FCI to reduce the outstanding of unregularised shortages.

In so far as the administrative costs are concerned, FCI is controlling expenditure on this head by not filling up vacancies arising out of retirement/deaths etc.

1.8 The Committee are not fully satisfied with the reply put forth by the Ministry. By the candid scrutiny, it is clear that the food subsidy bill has increased abysmally since 1992-93. The Committee, therefore,

reiterate their earlier recommendation and desire that all efforts/steps be taken to curtail the food subsidy bill to the barest minimum.

STORAGE CAPACITY

Recommendation (Para No. 2.111)

1.9 In order to augment the storage capacity in hilly, inaccessible and remote areas and full and proper utilisation of storage capacity, the Committee had recommended :—

“The total storage capacity available for foodgrains with FCI on 1.10.96 was 238.23 lakh tonnes with utilisation of 40% only. To assess the need of additional storage requirement during the Ninth Five Year Plan, the Working Group set up by the Planning Commission had come to the conclusion that storage capacity available in the country at micro level is sufficient. But there is a need for creation of some additional storage capacity at micro level, especially in hilly, inaccessible and remote areas. The Government has also decided to complete this work in 40 RPDS districts of the country in phased manner. The Committee was informed that Government plan to set up a godown in every revenue district of the country. The Committee have noted the tardy progress in construction of godowns by FCI. For instance, in the year 1996-97 as against target of creating 0.33 lakh tonnes capacity only 0.02 lakh tonnes was realised. The Committee desire that Government should gear up their machinery and ensure that the targets set forth are realised.”

1.10 The Ministry in their Action Taken Reply have stated :—

“The total storage capacity available for foodgrains with FCI as on 1.10.1996 was 238.23 lakh tonnes and the percentage utilisation of storage capacity as on 1.10.1996 was only 48%. The percentage utilisation was low because of sudden decrease in stock levels. Steps have been taken to de-hire the hired storage capacity with the result that the capacity utilisation in subsequent months have increased. The capacity utilisation as on 30.6.1997 is at 64%.

As regards construction in hilly, remote, inaccessible and RPDS areas, construction has been proposed in 13 centres which is

in addition to 3 centres in the North-East areas. A budget allocation of Rs. 9.1 crores out of total allocation of Rs. 20 crores during the current year, *i.e.*, 1997-98 has been allocated for construction of storage capacity in these areas. A storage capacity of 8330 MTs has already been realised up to July, 1997.

There is also a Scheme for construction of small godowns in RPDS blocks, especially in remote, hilly, rural and tribal areas under which financial assistance is given to the States/Union Territories for construction of godowns up to 2000 MT capacity. The financial assistance under this scheme is in the form of 50% Grant-in-aid and 50% as loan. This scheme was earlier operated in the Department of Civil Supplies, Consumer Affairs and Public Distribution. After the merger of two Ministries, this scheme has also come under the restructured Department of Food and Civil Supplies. Since the inception of the scheme in 1983-84, an amount of Rs. 34.35 crores has been released to the States/Union Territories upto 31.3.1997 for construction of 420 godowns having a total capacity of 1,68,472 MTs in various States.

As regards physical target of 0.33 lakh tonnes during 1996-97, a capacity of 0.22 lakh tonnes was realised. The physical target of 0.33 lakh tonnes was to be realised from 5 centres *viz.*, Kullu (H.P.), Srinagar (J&K), Dhamora and Roza (U.P.) at Udupi (Karnataka). Out of these targetted capacity at Dhamora, Roza and Srinagar has been realised. As regards Kullu, the work was seriously disrupted due to flash flood in river Beas and consequent erosion of a part of land which led to re-examination of the whole work including the necessity of adequate river protection works by a senior level team of FCI officers. As a result, the targetted capacity of 1670 MT at this centre could not be achieved. As regards Udupi, where the entire capacity of 10,000 tonnes was targetted for realisation during the year, the pace of progress registered by the contractor was slow and consequently, the targetted capacity could not be realised. However, after persuasion, the capacity of 5,000 tonnes at Udupi could be realised by July, 1997. Efforts are being made to realise the balance capacity of 5,000 MT also during the current financial year."

1.11 The Committee appreciate the steps taken to enhance the utilisation of storage capacity. However, much can be done on this account by proper scrutinization and future planning. The need and availability of storage capacity can be assessed well in advance. As far as construction of godowns is concerned, most of the time the delay has been intimated due to slow progress by contractors. All efforts be made to ensure that contractors complete the work in time. If needed, the necessary undertaking be taken from contractor and contractual obligation be invoked in case of default. Therefore, the Committee while reiterating their earlier recommendation strongly feel that all efforts be made for full utilisation of storage capacity and construction of godowns in time.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.98)

The Committee are of the view that the Public Distribution System ought to protect the interest of the vulnerable section of society, especially those living below poverty line. At times, subsidies have accrued to those who are not perceived as the real beneficiaries. The Committee further note that as a result of hike in the Minimum Support Price of wheat and provision of bonus to farmers, the subsidy position is likely to be further aggravated. The Committee, therefore, recommend that in order to contain subsidy bill at a reasonable level, CIP should be increased forthwith under Public Distribution System, barring the beneficiaries under the category of "Below Poverty Line" (TPDS). The Committee further recommend that the sugar subsidy be also rationalised in the manner outlined in Para 3.43 of this Report.

Reply of the Government

It has already been accepted in principle that Central Issue Prices of wheat and rice will normally be about 50% of the economic cost for BPL population, and about 90% of the economic cost for APL population under the Targetted PDS.

Efforts are being made to revise the C.I.P., from the crop year 1997-98 based on the above principle in respect of Rice and shall be following the same principle for wheat from 1.4.98.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC Dt. 9.9.97]

Recommendation (Para No. 2.99)

The Committee note that the procurement operation of foodgrains has been restricted to certain States only. For instance, only States like Punjab, Haryana, M.P. and Uttar Pradesh contribute major share of wheat in the Central Pool. Neo and emerging procurement areas have

also come up in Orissa. The Committee desire that Union Government should take result oriented steps to promote procurement in non-traditional States like Bihar, West Bengal and Assam where marketable surplus do exist. There is an urgent need to tap them. Surplus/command areas of a State should be identified for the purpose and given infrastructural support. The publicity blitz should be carried out aggressively. The Central Government should secure the assistance of State Governments in this endeavour.

Reply of the Government

It is true that bulk of the wheat is procured from the States of Punjab, Haryana and U.P. Contribution from other States is nominal. In the case of paddy/rice, procurement is mainly concentrated in the States of Punjab, A.P. and Haryana. The State Governments of Bihar, West Bengal and other non-traditional States have been impressed about the need to procure whatever quantity of surplus foodgrains that are available. Primarily, it is the State Governments which decide the number of purchase centres to be opened and their locations keeping in view the level of production, surplus foodgrains available for marketing, the mandi level prices of foodgrains etc. A meeting of the Food Secretaries of concerned State Governments is usually convened before the commencement of each Rabi/Kharif marketing season to formulate the procurement policy and to make an assessment of the prospect of procurement.

Certain initiatives in the direction of increasing the procurement of wheat under price support scheme in Bihar were taken recently by inducting NAFED as a procurement agency. The idea was to make use of the infrastructure of a larger number of Primary Cooperative societies operating in the State for procuring wheat from interior regions of the State. However, since the market prices of wheat generally ruled higher than the notified MSP plus bonus, this experiment has not proved useful in increasing the procurement of wheat in the State as yet.

An effort is being made for commencing decentralised procurement of rice, effective 1.10.1997 for Rice Surplus States like U.P., Orissa, M.P., West Bengal along with the traditional surplus States like Punjab, Haryana, Andhra Pradesh and Tamil Nadu.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC Dt. 9.9.97]

Recommendation (Para No. 2.100)

The procurement price of wheat for 1997-98 Rabi Marketing Season has been fixed at Rs. 415 per quintal. In order to maximize procurement of wheat, an additional incentive in the form of bonus @Rs. 60 per quintal has been announced entailing an additional burden to the tune of Rs. 900 crores or so. The Committee are of the view that bonus for wheat farmers is the direct outcome of mismanagement of foodgrains policy. On the one hand the country is importing wheat whose landed price at ports is R. 6222 per tonne and on another hand, the Indian farmers are being offered Rs. 4750 per tonne as procurement price. The Indian farmers perceive the landed price of imported wheat to be the benchmark for procurement price in the Indian market. The Committee are of the view that the foodgrains policy had in fact worked at a cross purpose. Neither the provision of food security to consumers at reasonable and affordable price has been met, nor the farmer contended with the price bargain. By raising the price, the Government has only raised the level beyond which wheat price will not fall. The Committee desire that Government should find out ways and means to promote production as well as procurement of wheat. In this context, the Committee desire that Government should further liberalise and increase the quantum of farm subsidy available for various inputs. The credit flow to farms sector should be increased and simultaneously the lending rates be reduced. The rates of electricity charges and water should be reduced. The subsidy available for fertilisers, pesticides, weedicides, seeds and farm implements should be increased.

Reply of the Government

In view of high open market prices of wheat prevailing in the major wheat procuring States, and to maximise procurement for Central Pool a Central Bonus of Rs. 60 per quintal in addition to MSP of Rs. 415 per quintal for wheat for 1997-98 Rabi Marketing Season was allowed. It was considered necessary to give some sort of incentive to the farmers in order to achieve adequate level of procurement of wheat during 1997-98 to meet the requirement of new Targeted PDS, to provide food security to the country and to avoid the necessity of further import of wheat.

The Government fixes minimum support prices after taking into consideration the recommendations of the CACP, views of State Governments and Central Ministries. The CACP while formulating its

recommendation on agricultural price policy for agricultural commodities takes into account the changes in input prices, input/output price parity, trends in market prices, demand and supply situation, inter-crop price parity, effect on industrial costs structure, effect on general price level, effect on cost of living, international market price situation and parity between prices paid and prices received by farmers (Terms of Trade). It is the endeavour of the Government to increase these minimum support prices over the years keeping in view the interest of growers for increasing investment, production and productivity of agricultural commodities in the country.

As regards increased subsidy for farm sector, the views of the Committee have been communicated to the Ministry of Agriculture for necessary action.

[Ministry of Food and Consumer Affairs, O.M.
No. G-20017/15/97-AC Dt. 9.9.97]

Recommendation (Para No. 2.101)

The Committee are of the opinion that in order to sustain in the food security, it is imperative that stocks of foodgrains are augmented. It is in this context that the Committee recommend that Government should discourage traders from stocking foodgrains through the instrument of credit management and time/stock ceilings on speculative sensitive wheat and wheat products. Placing wheat and wheat products under Open General Licence will be another option available with the Government to swell their inventory.

Reply of the Government

Government have taken a series of measures for maximising procurement of wheat during the 1997-98 Rabi Marketing Season. These include (i) complete ban on export of wheat and wheat products, (ii) to continue the system of licensing and stock holding limits on wheat, (iii) placement of wheat under selective credit control etc. Apart from this, Roller Flour Mills have been allowed to import wheat freely to meet their requirement for milling purpose and sale of wheat products in the domestic market. Moreover, Government also imports wheat, as and when required, to augment the stocks in the Central Pool held by FCI.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC Dt. 9.9.97]

Recommendation (Para No. 2.102)

The Coarsegrains are one of the staple food of a vulnerable section of population predominantly in the tribal areas of Western States. They are procured under the price support scheme. There has been actually no procurement during 1995-96 and 1996-97 marketing Season as the open market price had been ruling much higher than MSP. The Committee are of the opinion that Western States must be impressed upon the imperative need to distribute coarsegrains under Public Distribution System. It will not only curtail food subsidy bill to a large extent as the difference between CIP of coarsegrains and other grains is substantial but would also reduce dependency of Public Distribution System on traditional foodgrains. At the same time, the Government should also promote the production of coarsegrains, especially in rainfed areas for meeting the demand.

Reply of the Government

Like wheat and paddy, the coarsegrains are also procured under the Price Support Scheme (PSS) for Central Pool by FCI in collaboration with the State Governments and their State level procuring agencies at the minimum support price fixed by the Government from year-to-year. The procurement of coarsegrains is being done predominantly by the State level procuring agencies in different States. According to the present policy, the coarsegrains procured under PDS in a State are expected to be distributed to consumers through PDS in the same State because the coarsegrains procured in a State are preferred for consumption in that particular agro-climatic region and have preference in the food habits of the people in that area where these are grown. During 96-97 Kharif marketing season, a quantity of 7300 MT of Jowar and 5650 MT of Maize has been procured in the State of Gujarat. All these quantities have been allotted to the State as demanded by them from time to time for distribution through PDS. A quantity of 293 MT of Jowar has been procured in Maharashtra out of which 276 MT has been allotted to the State as demanded by them. No procurement has been reported in any other State.

The guidelines for streamlining the PDS with its focus on poor (TPDS) also provide as follow :

“State Government will be encouraged to undertake procurement of coarsegrains for issue to population Below Poverty Line and subsidies given by the Central Government

would be extended to this local procurement of coarsegrains. This will be within the overall quantity indicated as entitlement on the basis of population below Poverty Line.”

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC Dt. 9.9.97]

Recommendation (Para No. 2.104)

The open sale of wheat was undertaken w.e.f. January, 1993 with the primary aim to contain market price in open market within a reasonable limit and ease storage capacity crunch. The scheme was seen as a means to reduce subsidy burden, as under the scheme the prices effected were higher than CIP but lower than economic cost. During the year from 1994-96, the subsidy outgo under the scheme was Rs. 339,602 and 960 crores, respectively. The food scenario, just year ago, was one of overflowing godowns. As against 7.7 million tonnes of rice on 1.1.1996, the Central Pool had 15.4 million tonnes and as against 7.7 million tonnes of wheat, there was 13.1 million tonnes of wheat on the same date. The grains were not being lifted by Government agencies because of storage problem, FCI resorting to open sale, a sharp decline in off-take from PDS in several States and Government sanctioning large scale exports of foodgrains of the order 2.5 million tonnes. The mid-day meal was also conceived as a means to offload the surplus stocks.

Recommendation (Para No. 2.105)

In the Rabi marketing year 1996-97, inspite of appreciable fall in production of wheat to the tune of 4.1 MT and consequent fall in procurement by 3.1 MT, the export of wheat continued leading to steep rise in price of wheat in domestic market. The wheat stock position became so precarious that the Central agencies had just 50 lakh tonnes in February, 1997 as against 115 lakh tonnes in the same period in 1996. Inspite of such adversaries, the open sale scheme continued and instead of protecting the consumers from price rise had in fact aggravated the position further so much so that country became net importer from net exporter. It was brought to the notice of the Committee that whereas the unscrupulous traders created artificial scarcity by hoarding wheat, the official offency charged with the implementation of open sale scheme frittered away precious wheat stocks to the roller flour mills and exporters. Even non-existant Roller Flour Mills were allotted wheat. This led to steep rise in price of

wheat in open market and negated the very purpose for which open sale scheme (domestic) was initiated. The instrumentality of imports as a price stabilising mechanism did not yield rich dividend due to considerable time lag between contract and delivery of wheat and the approaching new crop. The Committee are of the opinion that subsidy on account of open sale scheme, which ought to have been containing price in the open market, had been used to enrich the trader and exporters. The Committee view this with concern and desire that a detailed probe be instituted in the matter and they may be apprised of its outcome.

Reply of the Government

The first point raised is regarding export of wheat. Initially an export ceiling of five lakh tonnes of durum wheat and 25 lakh tonnes of non-durum wheat was fixed for 1996-97 for the country. subsequently, when the production estimates were revised by the Ministry of Agriculture to 62.62 million tonnes, representing a fall of production by 3.15 million tonnes as compared to the previous year, the export ceiling of non-durum wheat was brought down to 10 lakh tonnes. Against this ceiling of 10 lakh tonnes, FCI was authorised to sell for the purpose of export upto five lakh tonnes of non-durum wheat against the commitments made in 1995-96. Any breach of commitment would have resulted in claims of compensation against FCI. Against this authorisation, FCI sold 4.43 lakh tonne of wheat for the purpose of export during April-August, 1996. Export of wheat was banned w.e.f. 8.1.97 in view of the depleted stocks in the Central Pool and also less availability of wheat in the country a whole.

One of the main objectives of the Open Market Sale Scheme (Domestic) [OMSS(D)] was to act as a market intervention mechanism by increasing the availability of wheat in the open market. At the beginning of the year 1996-97, stock position of wheat in the Central Pool was comfortable, as per the buffer stocking norms. The Cabinet Committee on Economic Affairs (CCEA) had authorised the FCI to undertake open sale of wheat in 1996-97 within a ceiling of 55 lakh tonne. The price at which open sale was to be conducted was to be above the Central Issue Price (CIP) and below the Economic Cost. Even though the authorisation by the CCEA was for 55 lakh tonnes, the Ministry, after preliminary examination of the procurement trend in 1996-97 obtained order of Minister of Food and reduced the ceiling to 45 lakh tonns. The total open sale in 1996-97 was 41.65 lakh tonnes against 64.42 lakh tonnes in the previous year 1995-96.

The decision to continue and regulate open sale of wheat in the background of increasing market prices was taken at the level of Cabinet Committee on Prices (CCP). The aforesaid Committee fixed the month-wise ceiling of open sale as under :—

| | |
|----------------------------------|---|
| October, 1996 | 4 lakh tonnes in one month. |
| November, 1996 | 5 lakh tonnes in one month (including the unutilised quota of October, 1996). |
| December, 1996 to March, 1997 | 6 lakh tonnes but not less than 5 lakh tonnes per month. |

Besides, the Special Action Committee on Prices (SACP), under the Chairmanship of Cabinet Secretary, in its meeting held on 10-12-1996, had recommended that all quantitative restrictions on open sale (through out the country) should be removed. However, keeping in view the limited stock of wheat in States other than Punjab, the Government had agreed to the recommendation of SACP in respect of Punjab only. The CCP also decided that the Punjab Scheme for open sale of wheat to traders, merchants and millers etc., without any quantitative restriction, should continue till the end of March, 1997.

As regards diversion of wheat for export, it may be added that various precautionary measures were incorporated in the guidelines issued by this Ministry on 26.08.1996. The involvement of State Govts. was also envisaged to keep a watch on the allottees of open sale. Three Member Committees consisting of (i) SRM FCI of the Region, (ii) Director (Food & Civil Supplies) of the State Govt. or his representative, and (iii) Jr. Manager (Accounts), FCI were constituted to decide the genuineness of the intending buyers. Subsequently, in December, 1996, FCI was directed to allot wheat to the State Govts. to be distributed through their District Collectors/State nominated agencies. In the case of State which did not agree to undertake open sale of wheat, the Three Member Committee System continued. In individual cases of diversion/misuse of authority, whenever brought to the notice of the Government, suitable action was taken. One case relating to Haryana has been agreed to be handed over to the Central Bureau of Investigation (CBI) for investigation.

Prices of open sale of wheat were revised in April, 1996, August, 1996, September, 1996 and February, 1997 with a view to bring these

closer to economic cost. On 4.2.1997, the median value of open sale prices of wheat was at the same level as the economic cost. However, the Cabinet in its meeting held on 4.3.1997 reviewed the prices and decided to lower the peak price from Rs. 7900/- per MT to Rs. 6800/- per MT.

As on 1.1.1997, the stock position of wheat in the Central Pool was about 6.4 million tonnes against 7.7 million tonnes required to be maintained as per the prescribed buffer norm. Thus, comparing the stock position of wheat with the buffer stocking norm as on 1.1.1997, there was a shortage of 1.3 million tonnes. In order to augment the stock, the Government took a decision in December, 1996 to import upto 2 million tonnes of wheat from different countries through STC. Accordingly, the STC contracted for import of upto 17.51 lakh tonnes of wheat from Australia, Canada and Argentina with shipment schedule from January to 15 April, 1997. Though the original shipment schedule in respect of 2.65 lakh tonnes of wheat contracted for import from Canada was from February 1 to 28th February, 1997, this had to be rescheduled to April to May, 1997 on account of adverse weather conditions prevailing in Canada. The entire quantity of 17.51 lakh tonnes of wheat contracted for import was received by May, 1997.

The requirement for PDS/Welfare Schemes etc. was made from the stocks available in the Central Pool and therefore the slight delay in arrival of the imported stock did not adversely affect the PDS.

As regards suggestion of the Standing Committee that a detailed probe be instituted in the matter it may be stated that the Punjab & Haryana High Court, Chandigarh, on its own motion, had admitted a Public interest litigation on the basis of the reports appearing in the press alleging scam in the open sale of wheat. The Hon'ble High Court vide its order dated 25.7.1997 has directed the Deputy Commissioners of Punjab & Haryana to conduct an inquiry into various aspects relating to sale and distribution of wheat under Open Market Sale Scheme (Domestic) in Punjab and Haryana. They will submit their reports within a period of two month to the Central Bureau of Investigation, who will file prosecutions accordingly. Government has accepted the order of the Hon'ble High Court and has directed FCI to extend all possible cooperation to the investigation authorities. Since most of the alleged irregularities in the open sale of wheat took place in the States of Punjab and Haryana, for which an inquiry has already been ordered by the Hon'ble High Court, Government does not consider it necessary to institute another inquiry. However, further

action will be taken in the matter in the light of the final judgement of the Hon'ble High Court and the Standing Committee shall be apprised of the same.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.97]

Recommendation (Para No. 2.107)

The Committee note that the Central Warehousing Corporation stores foodgrains and has made foray into non-agricultural activities in the field of Industrial Warehousing, Custom Bonded Warehousing, Container Freight Stations and Air Cargo Complexes. They further note that the Corporation is doing pioneer work in the industrial sector and the income generated from these activities is being utilised to cross subsidise its efforts in the agricultural sector. The Corporation is a profit earning venture and has earned a profit of Rs. 38 and 61 crores in the year 1994-95 and 1995-96 and is expected to return home with aggregate profit of at Rs. 81 crores. The Corporation, therefore, does not rely on any budgetary support from Government for its activities and has adequate internal resources and can look upon institutional funding for meeting their requirement.

Recommendation (Para No. 2.108) ~

The Committee are of the view that Central Warehousing Corporation should go in for State of the art technology in the field of construction of godowns and warehouses both for foodgrains and other notified commodities. Induction of appropriate new technology in bulk handling, movement and storage of these commodities and setting up of modern facilities specially at ports, hinterland as well as in producing and consuming areas should be taken up expeditiously. CWC with enormous resources at their disposal is capable of translating these realms into reality and is in a position to fulfil them. For encouraging vegetable and other perishable horticultural produces, both for local and export purpose, CWC should set up a chain of cold storages throughout the length and breadth of the country.

Reply of the Government (Para Nos. 2.107 and 2.108)

The plans are under consideration to go in for State of the art technology in the field of construction of warehousing infrastructure both for foodgrains and other notified commodities by CWC.

The question of upgradation of technology particularly in bulk handling and bulk transportation by mechanical process figured in a meeting of CSC taken by Secretary (F&CS) on 11.7.97. As per the decision taken, FCI/CWC have been asked to prepare a paper on the subject for consideration in the next meeting of Central Storage Committee (CSC).

The Central Warehousing Corporation in consultation with APEDA and NCDC is planning to go in for construction of Cold Hubs in the areas of importance in the country especially where the backward integration of grading, sorting, packaging of the exportable commodities through Cold Storage Units can be taken care of from the farm level including pre-cooling. A balanced approach towards discharging of its responsibilities for fulfilling social objectives as well as towards commercial activities would be maintained to cross subsidies and support the social objectives.

Regarding Cold Storage facilities, CWC has discussed the matter with the State Government of Assam who have been requested for allotment of suitable land at Jhalukbari near Grain Market of Guwahati.

There are three other proposals for Cold Storage by CWC at Santi Bazar, Dharma Nagar/Kumarghat and one in North/East part of Tripura. A task force comprising State Government officials as well as CWC officials under the Chairmanship of Commissioner (Revenue) has been formed at the level of Chief Secretary, Government of Tripura, to look into the entire gamut of such activities. Chief Secretary, Tripura has assured that they will try to acquire the additional land for Cold Storage Plant at Agartala for construction of additional 1000 MT cold storage plant.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-AC dated 9.9.97]

Recommendation (Para No. 2.109)

The Committee further note that Government have given their assent to a new list of industries whereby joint venture with up to 40% equity are to be cleared automatically. Among other things it includes storage and warehousing services, warehousing of agro-products with refrigeration. Certain areas are identified for private sector investment through leasing out of assets and construction, and creation of additional assets such as construction and operation of container terminals, construction and creation of specialised cargo berths

warehousing, Container Freight Stations and storage facilities. The Committee are of the opinion that with the opening of this vital sector of economy to private as well as foreign participants, the business of Corporation may undergo a sea change. The Committee, therefore, recommend that renewed efforts should be made to tap the potentials available in these areas. The Committee further desire that CWC should continue to play a vital and pivotal roles in agrarian economy by constructing godowns, procuring foodgrains and other notified commodities from farmers and carry on other activities in agricultural field in the country. The Corporation should not venture into the setting up of warehouses abroad at this juncture as this will be in violation of Warehousing Corporation Act, 1962.

Reply of the Government

The observations of the Committee have been noted and the potential business in all the areas as referred to are being tapped by using the marketing acumen available.

The plans are under consideration to go in for State of the art technology in the field of construction of warehousing infrastructure both for foodgrains and other notified commodities. Such facilities which are being proposed especially at the Port/Airports of the country would be designed so as to meet the international standards.

The Corporation also has plans to go in for construction, operation of container berths/container terminals at major/upcoming ports.

The joint participation in the areas where diversification is possible would be assessed as per the ambit of the Act. The observation of the Committee regarding non-venturing into the setting of warehouses abroad at this juncture have been noted and communicated to Central Warehousing Corporation.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.97]

Recommendation (Para No. 3.41)

The Committee are perturbed to note the rising trends in cane arrears position. The arrear which was 1.1% of total price payable in 1993-94 rose to 1.5% and 4.8% in the years 1994-95 and 1995-96 respectively. At the end of crushing season 1995-96, the arrears payable

were of the order of Rs. 508.23 crores. As many as 114 sugar mills had not paid cane prices dues relating to 1996-97 season to the extent of Rs. 733.56 crores. Although the responsibility for ensuring timely payments of cane price dues lies with the State Government, who have the necessary powers and field organisations to enforce it, the role of the Central Government cannot be either overlooked or minimised. The Committee desire that Government should ensure that cane arrears are altogether wiped out as it is neither in the interest of farmers nor sugar entrepreneurs. In this context, the Committee desire that in the event of any sugar entrepreneur failing to pay cane arrears within the close of that particular sugar season, the advantages accrued to a sugar mill on account of Command Area should be withdrawn.

Reply of the Government

Under U.O. No. 5-92/97-SPY (D.II) dated 18.8.97, the State Governments have been addressed to make all efforts to ensure that the sugarcane price arrears are liquidated at the earliest. Also, it has been requested that the suggestion of the Standing Committee, of withdrawing the command area facility to defaulting Sugar Mills, may be considered for implementation. A copy of the letter is annexed.

[Ministry of Food and Consumer Affairs O.M. No. 15-1/97-SPY(D.II)
dated 17.9.1997]

Recommendation (Para No. 3.42)

The Committee are of the opinion that cash-strapped sugar industry need some more sops as the recently announced measures to improve financial health of the industry has not yielded the desired results. The proposed hike in excise duty on molasses, an important by-product of sugar industry, will further aggravate the liquidity crunch. It is in this context that the Committee desire that Government should review their excise structure. The Committee have observed that State Advised Price (SAP) of sugarcane has been declared as null and void by recent pronouncement of courts. However, the Committee have noted that sugar entrepreneurs are still paying State Advised Prices which are much higher as compared to Statutory Minimum Price (SMP) of sugarcane. Even after declaration of SAP as null and void, the sugar entrepreneurs are still paying a price which is nearer to SAP. The Committee, therefore, desire that SMP should be suitably stepped up and it should be in the vicinity of SAP.

Reply of the Government

A comprehensive review of the Sugar Industry has been entrusted to a High-Powered Committee set up by this Department. Radical decision in respect of policy or restructuring of the industry, will be taken on receipt of the recommendations of the Committee. The views of the Hon'ble Standing Committee have been communicated to them so that, they, while making their recommendations, take into account the views and perceptions of the Hon'ble Standing Committee.

[Ministry of Food & Consumer Affairs O.M. No. 15-1/97-SPY(D.II)
dated 17.9.1997]

Recommendation (Para No. 3.43)

The Committee note that the share of sugar amongst different commodities supplies through PDS was around 25% and the subsidy outgo involved as Rs. 790 crores in the year 1996-97. The Committee desire that Government should undertake an exercise to rationalise sugar subsidy bill. It is in this context, the Committee recommend that the concept of dual rationing for the beneficiaries under the category of below poverty line and above poverty line may also be extended to this Commodity on the line of Targetted Public Distribution System. The Committee further recommend that scale of distribution of sugar should be pruned and Central Issue Price be revised, barring the beneficiaries under the category of below poverty line. Simultaneously, the Government should also consider the feasibility of supplying alternate sweetening agents such as gur and khandsari through the network of PDS.

Reply of the Government

The observations of the Hon'ble Standing Committee relate to a major policy issue. A comprehensive review of the Sugar Industry has been entrusted to a High-Powered Committee set up by this Department. Radical decisions in respect of policy or restructuring of the industry will be taken on receipt of the recommendations of the Committee. The views of the Hon'ble Standing Committee have been communicated to the High-Powered Committee, so that, they, while making their recommendations, taken into account the views and perceptions of the Hon'ble Standing Committee.

[Ministry of Food & Consumer Affairs O.M. No. 15-1/97-SPY (D.II)
dated 17.9.1997]

Recommendation (Para No. 3.44)

The Committee note that decanalisation of sugar export was conceived as a means to promote healthy competition amongst sugar exporters. Before decanalisation, sugar exports were undertaken under the Sugar Export Promotion act, 1958 and profits and/or loss on exports shared equally amongst the manufacturing mills on *prorata* basis linked to production under the supervision and control of Indian Sugar and General industries Import Export Corporation (IS & GIIEC). Consequent upon decanalisation, it is not mandatory for all the sugar manufacturing units to export. However, in all likelihood it would encourage production of export quality sugar, at least by some manufacturing units and competition among exporters of sugar. The mounting stock of more than 80 lakh tonnes and sluggish demand in international market, may depress our exports. The Committee recommend that ways and means should be found to push up the exports without resorting to undercutting of prices and also by maintaining the quality of international specifications. It is in this context, the Committee recommend that Government should fix a floor price for export purpose in order to avoid undercutting of prices.

Reply of the Government

A comprehensive review of the Sugar Industry has been entrusted to a High-Powered Committee set up by the Department. Radical decision in respect of policy or restructuring of the Industry, will be taken on receipt of the recommendations of the Committee. The views of the Hon'ble Standing Committee have been communicated to them so that, they, while making their recommendations, take into account the views and perceptions of the Hon'ble Standing Committee.

[Ministry of Food & Consumer Affairs O.M. No. 15-1/97-SPY (D.II)
dated 17.9.1997]

Recommendation (Para No. 3.45)

The Committee appreciate the Government have set up a high powered Committee to examine the development and growth of sugar industry *vis-a-vis* other sugar producing countries and suggest changes, if any, in the existing law and control governing the industry. The Committee are of the opinion that sugar industry is one of the most over-regulated and excessively control industry in the country, as everything from location of a mill to price of raw and finished product and even distribution is determined by the Government. The

Committee, hope and trust that the high powered Committee will be able to meet the aspirations and reconcile the interests of producer, consumer and industry alike.

Reply of the Government

A comprehensive review of the Sugar Industry has been entrusted to a High-Powered Committee set up by this Department. Radical decision in respect of policy or restructuring of the Industry, will be taken on receipt of the recommendations of the Committee. The views of the Hon'ble Standing Committee have been communicated to them so that, they, while making their recommendations, take into account the views and perceptions of the Hon'ble Standing Committee.

[Ministry of Food & Consumer Affairs O.M. No. 15-1/97-SPY (D.II)
dated 17.9.1997]

Recommendation (Para No. 4.10)

The Committee note that savings in grants or appropriation indicating that the expenditure could not be incurred as estimated, anticipated and planned. Large scale savings is an indicative of poor planning or shortfall in performance. The examination by the Committee have revealed that as much as Rs. 62 crores, 125 crores and 230 crores were saved in the years 1993-94, 1994-95 and 1995-96 respectively. The reasons attributed for large scale savings includes less receipts of applications for sugar subsidy and maintenance of buffer stock of sugar, less receipt of proposal for grants in aid from R&D Institute on sugar/sugarcane, less receipt of application on account of modernisation/rehabilitation/development of sugar/sugarcane industry, less progress of construction work in National Institute of Sugarcane and Sugar Technology (Mau) and National Sugar Institute, Kanpur and delay in delivery of machinery and equipment in the Institutes. The Committee further note that savings which were 1.01% of the total budgeted amount to the tune of Rs. 62 crores in the year 1993-94 have risen to Rs. 124 crores representing 2.25% and Rs. 230 crores representing 3.93% of the saving as percentage of the total budgeted amount in the years 1994-95 and 1995-96 respectively. The Committee have come to the irresistible conclusion that Ministry are not following the economy instructions issued by Ministry of Finance (Deptt. of Expenditure) faithfully and scrupulously. Further, the monthly review meetings undertaken to prioritise the activities and schemes both on Plan and non-plan side in order to determine their continuance/relevance has not yielded the desired result as the savings

are increasing unabated. It appears that while framing the estimates due note is not taken of current trend and past expenditure. The Committee are of the view that the budgetary exercise undertaken by the Ministry is far from realistic. The Committee, therefore, recommend that the instructions of the Ministry of Finance should be followed scrupulously in order to exercise more stringent and effective control over Budget. Regular monitoring of expenditure against the budgeted appropriation should be done without fail. It is in this context that the Committee recommend that due care and caution should be exercised while framing estimates and monthly cash flow should be monitored closely.

Reply of the Government

Recommendations of the Committee have been noted for compliance. It is however submitted that all the economy instructions issued by the Ministry of Finance etc. are being observed to make the budget as realistic as possible. From the current year (1997-98) monthly cash flow projection has been drawn up in respect of all the divisions of the Ministry and all the divisions have been asked to adhere to this projection and to ensure that the monthly expenditure does not exceed the projected limit. Budget Division in the Ministry is undertaking monthly monitoring of the expenditure against the appropriation provided in the Budget Estimate 1997-98.

Recommendation (Para No. 5.4)

Foreign Travel Expenses : The Committee note that the Ministry of Food incurred Rs. 28 lakhs on meeting expenditure relating to foreign travels by the officers of the Ministry of Food. The Budget Estimates and the Revised Estimates for the year 1996-97 were at the level of Rs. 20 lakhs. In the current Budget a provision of Rs. 25 lakhs have been made. The close scrutiny of the Committee revealed that as many as on 16 occasions, the officers from Ministry were deputed for international conferences, symposiums, workshops etc. during the year 1995-96. Whereas only on seven occasions officers from Indian Mission Abroad/representatives in FAO participated during the year 1996-97. The argument of the Ministry that officers of the Ministry are deputed abroad only in cases where either senior level officers of the Ministry are essential or where technological expertise is needed, is hardly convincing. It is still strange that as much as R. 5 lakhs have been earmarked under this Head for National Institute of Sugarcane and Sugar Technology, Mau, which is still in formative stage. The Committee

are of the view that expenditure on non-plan activities especially where precious foreign exchange is involved should be kept at barest minimum. It is in this context, the Committee recommended that Ministry of Food should invariably depute representatives from FAO and or they should seek the assistance from Indian Mission abroad for such international meets.

Reply of the Government

The views/recommendations of the Committee have been noted. It is, however, felt that it is not always possible to serve the desired purpose merely by asking our representatives at the Indian Missions/FAO/UNO abroad to attend the meets there. Sometimes it is necessary for the officers of the Ministry to attend the meetings/seminars/workshops/conferences/symposiums abroad in order to represent our view properly and effectively. Deputation of our representatives abroad as a matter of course may not be effective and purposive at all times. Our representatives at the Indian Mission abroad will be asked to attend such meets where the participation of concerned officers of this Ministry is not found necessary.

[Ministry of Food & Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

CHAPTER III

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

Recommendation (Para No. 2.103)

The foodgrains from Central Pool are utilised for allocation to States/UTs for distribution under PDS and other social welfare schemes. Allocations are made on month to month basis taking into account the overall availability of foodgrains in Central pool, the relative needs of various States, offtake trend, market availability etc. There exists a wide variation between actual allocation and lifting. For instance, in 1993-94, 1994-95, 1995-96 and 1996-97, the offtake was 67%, 53%, 57% and 70% respectively. The Committee note that in none of the years, the allocation has been cent percent or near. The Committee was informed that demand projections by the States have been inflated and unrealistic. The Committee urge that Central Government should impress upon the States to send a realistic demand and to lift the allocated foodgrains. The Committee also desire that in order to provide flexibility in the management of food policy, the Central Government should allocate foodgrains to States on long term periodicity basis rather than monthly basis. The Committee further note that at present no consideration is given to demand during harvesting season and lean season. As a result, sometimes, a larger allocations is effected during harvesting season and a lower allocation in the lean season. The Committee, therefore, recommend that due regard/reliance should be placed/given to demand during these periods.

Reply of the Government

A new Targetted PDS has been implemented throughout the country w.e.f. 1st June, 1997. Under TPDS the quotas of rice and wheat for various States/UTs for Below Poverty Line (BPL) families have been fixed so as to provide 10 kg. of foodgrains per family per month at specially subsidised prices. The transitory requirement of foodgrains is also to be made for the families Above Poverty Line (APL) for the time period required for switching to the new system. This quantity will be in excess of the requirement of BPL population out of the average annual lifting of foodgrains for the last 10 years. The bifurcation

of BPL and APL quotas of foodgrains etc. into rice and wheat have been left to the States.

This fixed quota of foodgrains will now be supplied to States/UTs every month with some minor adjustments, if any and with this the need for asking demand of the State Governments has ended. As far as allocation of foodgrains to States on long term periodicity basis rather than monthly basis is concerned, the States/UTs are given sufficient time of sixty days to lift the foodgrains from the 1st of the previous month to the last day of the month of allocation and wherever they are unable to lift their quota, FCI has powers to allow further 15 days for lifting beyond the month of allocation (this powers of FCI extend to 30 days beyond the month of allocation in case of States in North East). If even after that, the States are not able to lift their quota further extension is granted by the Ministry considering the merits of each case. Since monthly quota is now fixed, States know their yearly allocation and can plan the lifting procedure to maximise the lifting.

States/UTs have been further allowed to use their unutilised BPL quota for APL families at rates applicable for APL so as to allow them to make maximum use of the allotted quota.

Allocations to the States used to be demand-based keeping in view the stock situation and the need for higher allocation to moderate the price rise if not to completely check the price rise. With the introduction of Targetted Public Distribution System (TPDS) the procedure/principles enunciated by the Committee shall be largely met.

[Ministry of Food & Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

Recommendation (Para No. 2.106)

The Food Corporation of India Act, 1964 envisages constitution of State Food Corporations. The capital of such Corporation is to be borne by FCI and Central Government. The Committee are not convinced with the reply of the Government that due to resources crunch coupled with network of FCI, it has not been considered worthwhile to set up State Food Corporations. Further, State Governments have also set up State Civil Supplies Corporations for distribution of foodgrains in the State. The Committee are of the view that FCI enjoys near monopoly in procurement, storage and distribution of foodgrains in Central sector, with no competing organisation. In order to impart competition, efficiency and decentralisation, the constitution of State Food

Corporation at State levels and FCI as apex level is the necessity. The Committee, therefore, recommend that State Food Corporations should be set up on the lines of State Warehousing Corporation, expeditiously.

Reply of the Government

It may be stated that most of the State Governments in the country have established State Civil Supplies Corporations under States' Acts. These State Civil Supplies Corporations not only undertake storage and distribution of rice and wheat but also other commodities like sugar, kerosene, cooking oil etc. In some States they also undertake procurement of paddy for the State e.g., Tamil Nadu State Civil Supplies Corporation. Further, State Civil Supplies Corporations also act as agents of the Food Corporation of India for procurement of paddy/wheat under Price Support Operation or collection of rice levy for Central Pool. Many of the State Civil Supplies Corporations are having their own godowns located at District/Taluka/Village levels. In fact, State Civil Supplies Corporations are more or less doing identical jobs like those performed by Food Corporation of India i.e., procurement/storage/transportation/distribution of foodgrains for Public Distribution System, and other Government Schemes. It is, therefore, not correct to conclude that Food Corporation of India is enjoying near monopoly in procurement, storage and distribution of foodgrains. At present FCI is mainly dealing with rice and wheat only, and in few States levy sugar.

Whereas FCI would welcome State Civil Supplies Corporations undertaking procurement of coarse-grains for Public Distribution System on behalf on Food Corporation of India and also their undertaking procurement, storage and distribution of other essential commodities as may be required according to the local needs of the States/UTs. The Corporation would not be able to finance/participate in contribution of share capital as FCI itself is depending on the Government of India for share capital and on nationalised banks for working capital.

In the circumstances, the formation of a State Food Corporation as recommended by the Standing Committee may result in the duplication of work being presently carried out by State Civil Supplies Corporations or State Marketing Federations etc., in most of the States.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

Recommendation (Para No. 2.110)

In the areas lacking basic storage infrastructure such as hilly, inaccessible and remote areas, CWC should co-ordinate with Food Corporation of India and its sister agencies like State Warehousing Corporation and Civil Supplies Corporation to meet the requirement of infrastructure. This should be in tandem with the scheme of Department of Consumer Affairs and Public Distribution which gives Central assistance to the States for setting up of godowns in RPDs areas. CWC should also provide the technical assistance and consultancy requirement of the States in this regard.

Reply of Government

Regarding the construction in hilly/inaccessible areas of North Eastern States, it may be stated that effort are on to get land at different centres for expansion of existing capacity conventional godowns as well as Cold Storage by CWC.

Efforts are also on to obtain land by CWC at the following centres :—

1. Imphal (Manipur)
2. Moreeh (Manipur)
3. Agartala and Udaipur (Tripura)
4. Guwahati (Assam)
 - (i) Pachim Boregaon
 - (ii) Jhalukbari
5. Aijwal (Mizoram)

The CWC is in constant dialogue with Food Corporation of India as well as with its State subsidiaries and various other Organisations to avoid any parallel operations resulting in wasteful expenditure.

As regards providing of technical assistance and consultancy to other SWCs, the Corporation has already made forays into the field; latest example being construction planned for Haryana SWC for setting up of a CFS at Rewari, construction work of warehouses at 20 different place in the State of U.P. under the RPDS Scheme. In addition to this, negotiations are at advance stage to have such construction undertaken

by CWC in the North Eastern States of the country under the same scheme.

With regard to the Centrally Sponsored Scheme of the erstwhile Department of Civil Supplies, CA & PD under which assistance is provided to the State for Construction of godowns in RPDS areas upto capacity of 2000 MTs, it is pointed out that on reorganisation, this scheme has come under the newly created Department of Food & Civil Supplies which also looked after the construction programme of FCI & CWC.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

CHAPTER IV

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

Recommendation (Para No. 2.97)

The Committee have observed that food subsidy bill is on the increase during the last couple of years, for instance the food subsidy bill which was Rs. 5377 crores in 1995-96 rose to Rs. 6066 crores in 1996-97 and is likely to inflate to Rs. 7500 crores in 1997-98. The Ministry have informed that the factors associated with the steep hike in food subsidy include delay in neutralising the increase in Minimum Support Price by corresponding increase in Central Issue Price, higher level of buffer-stock due to higher level of procurement and relatively lower level of off-take, increase in freight rates, progressive departmentalisation of labour, progressive switching over to 50 Kg. packaging and transit and storage shortages. The Committee are not convinced with all the reasonings put forth by the Ministry in effecting rise in subsidy bill, as the considerable decline in procurement of wheat and consequent buffer, did not reflect the change in subsidy position. The Committee further note that as much as Rs. 7000 crores have been earmarked to meet the requirement of Targeted Public Distribution System and more funds are likely to flow as the Targeted Public Distribution System gets into motion.

Reply of the Government

Food Subsidy is payable to FCI on the difference between the (i) Economic Cost (comprising of Pooled Cost of Foodgrains, Procurement Incidentals *i.e.* Statutory charges, gunny cost, labour, transportation, storage, interest etc. and Distribution Incidentals *i.e.* freight, handling storage, interest etc.) incurred by FCI and Average Sales Realisation and (ii) Carrying Cost of Buffer Stock. During 1995-96, out of total provision of Rs. 5377 crores, an amount of Rs. 4960 crores was released to FCI as Subsidy on Foodgrains transactions. During 1996-97 though the total expenditure on food subsidy (including Sugar) went upto Rs. 6066 crores, only Rs. 5166 crores were utilised on account of *foodgrain* transaction. Therefore; the increase in subsidy on foodgrains transaction was approximately

4% which has to be viewed in the context of general increase in prices. Again, during 1997-98 a budget provision of Rs. 7000 crores has been made to foodgrain transactions only. The hike is mainly due to introduction of TPDS from June, 1997.

Besides the above, the major causes, as pointed out earlier, for the increase in foodgrains subsidy, are as follows :

- (i) Delay in neutralising the increase in Minimum Support Prices by correspondingly increasing the Central Issue Prices;
- (ii) Higher level of Buffer Stocks due to higher level of procurement and relatively lower level of off-take;
- (iii) Increase in freight rates;
- (iv) Progressive departmentalisation of labour;
- (v) Progressive switching over to 50 Kg. packing; and
- (vi) Transit and Storage Shortages.

Of the above, the major controllable item of expenditure is transit and storage shortages. Monthly releases of Food Subsidy to FCI are made exclusive of shortages. Only after such shortages are regularised after due process and certified by the Statutory Auditor such regularised shortages are reimbursed to FCI. Constant efforts are made by FCI to reduce the outstanding of unregularised shortages.

In so far as the administrative costs are concerned, FCI is controlling expenditure on this head by not filling up vacancies arising out of retirement/deaths etc.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

Comments of the Committee

(Please *see* Para No. 1.8 of Chapter I)

Recommendation (Para No. 2.111)

The total storage capacity available for foodgrains with FCI on 1.10.96 was 238.23 lakh tonne with utilisation of 40% only. To assess the need of additional storage requirement during the Ninth Five Year Plan, the Working Group set up by the Planning Commission had come to the conclusion that storage capacity available in the country

at macro level is sufficient. But there is a need for creation of some additional storage capacity at micro level, especially in hilly, inaccessible and remote areas. The Government has also decided to complete this work in 40 RPDS districts of the country in phased manner. The Committee was informed that Government plan to set up a godown in every revenue district of the country. The Committee have noted the tardy progress in construction of godowns by FCI. For instance, in the year 1996-97 as against target of creating 0.33 lakh tonnes capacity only 0.02 lakh tonnes was realised. The Committee desire that Government should gear up their machinery and ensure that the target set forth are realised.

Reply of the Government

The total storage capacity available for foodgrains with FCI as on 1.10.1996 was 238.23 lakh tonnes and the percentage utilisation of storage capacity as on 1.10.1996 was only 48%. The percentage utilisation was low because of sudden decrease in stock levels. Steps have been taken to de-hire the hired storage capacity with the result that the capacity utilisation in subsequent months have increased. The capacity utilisation as on 30.6.1997 is at 64%.

As regards construction in hilly, remote, inaccessible and RPDS areas, construction has been proposed in 13 centres which is in addition to 3 centres in the North-East areas. A budget allocation of Rs. 9.1 crores out of total allocation of Rs. 20 crores during the current year, i.e., 1997-98 has been allocated for construction of storage capacity in these areas. A storage capacity of 8330 MTs has already been realised upto July, 1997.

There is also a Scheme for construction of small godowns in RPDS blocks, especially in remote, hilly, rural and tribal areas under which financial assistance is given to the States/Union Territories for construction of godowns upto 2000 MT capacity. The financial assistance under this scheme is in the form of 50% Grant-in-Aid and 50% as loan. This scheme was earlier operated in the Department of Civil Supplies, Consumer Affairs and Public Distribution. After the merger of two Ministries, this scheme has also come under the re-structured Department of Food and Civil Supplies. Since the inception of the scheme in 1983-84, an amount of Rs. 34.35 crores has been released to the States/Union Territories upto 31.3.1997 for construction of 420 godowns having a total capacity of 1,68,472 MTs in various States.

As regards physical target of 0.33 lakh tonnes during 1996-97, a capacity of 0.22 lakh tonnes was realised. The physical target of 0.33 lakh tonnes was to be realised from 5 centres *viz.*, Kullu (H.P.), Srinagar (J&K), Dhamora and Roza (U.P.) and Udupi (Karnataka). Out of these targeted capacity at Dhamora, Roza and Srinagar has been realised. As regards Kullu, the work was seriously disrupted due to flash flood in river Beas and consequent erosion of a part of land which led to re-examination of the whole work including the necessity of adequate river protection works by a senior level team of FCI officers. As a result, the targeted capacity of 1670 MT at this centre could not be achieved. As regards Udupi, where the entire capacity of 10,000 tonnes was targeted for realisation during the year, the pace of progress registered by the contractor was slow and consequently, the targeted capacity could not be realised. However, after persuasion, the capacity of 5,000 tonnes at Udupi could be realised by July, 1997. Efforts are being made to realise the balance capacity of 5,000 MT also during the current financial year.

[Ministry of Food and Consumer Affairs, O.M. No. G-20017/15/97-
AC dated 9.9.1997]

Comments of the Committee

(Please *see* Para No. 1.4 of Chapter I)

CHAPTER V

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

- NIL -

NEW DELHI;
18 *November, 1997*

27 *Kartika, 1919 (Saka)*

R.L. BHATIA,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

APPENDIX I

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 10TH NOVEMBER, 1997

The Committee sat from 15.00 hrs. to 16.30 hrs. on 10th November, 1997.

PRESENT

Shri R.L. Bhatia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gangaram Koli
3. Shri Rajkeshar Singh
4. Shri Bachi Singh Rawat
5. Shri Chhatar Singh Darbar
6. Shri Manharan Lal Pandey
7. Shri Vidya Sagar Sonkar
8. Shri Manikrao H. Gavit
9. Smt. Chhabila Arvind Netam
10. Shri Virendra Kumar Singh
11. Shri Pitambar Paswan
12. Smt. Sandhya Bouri
13. Shri V. Kandasamy
14. Smt. Phoolan Devi
15. Shri D.S.A. Siva Prakasam
16. Shri Ramashray Prasad Singh
17. Shri Brahmanand Mandal
18. Shri Sebastian Paul

- SECRETARIAT

- ## I. Consideration and adoption of Draft Ninth Report

II. Consideration and adoption of Draft Tenth Report

The Committee then adjourned.

***Not related to this Report.

APPENDIX II

(Vide Introduction of the Report)

Analysis of Action Taken by the Government on the recommendations contained in the Ninth Report of Standing Committee on Food, Civil Supplies and Public Distribution (Eleventh Lok Sabha)

| | |
|--|--------|
| (i) Total Number of Recommendations | 22 |
| (ii) Recommendations/Observations which have been accepted by the Government | |
| Para Nos. 2.98, 2.99, 2.100, 2.101, 2.102, 2.104, 2.105, 2.107, 2.108, 2.109, 3.41, 3.42, 3.43, 3.44, 3.45, 4.10, 5.4. | |
| Total | 17 |
| Percentage | 77.27% |
| (iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply. | |
| Para Nos. 2.103, 2.106, 2.110 | |
| Total | 3 |
| Percentage | 13.63% |
| (iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee. | |
| Para Nos. 2.97, 2.111 | |
| Total | 2 |
| Percentage | 9.10% |
| (v) Recommendations/Observations in respect of which final reply of the Government is still awaited. | Nil |