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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION (2004-05)

FOURTEENTH LOK SABHA

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

# DEMANDS FOR GRANTS (2005-2006)

# SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/Vaisakha, 1927 (Saka)

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### MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
### (DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

# DEMANDS FOR GRANTS
# (2005-2006)

Presented to Lok Sabha on 27.4.2005
Laid in Rajya Sabha on 27.4.2005

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/Vaisakha, 1927 (Saka)

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Shri Devendra Prasad Yadav - Chairman

MEMBERS

LOK SABHA

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4. Shri Ranen Barman
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10. Shri Jaiprakash*
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12. Shri Avinash Rai Khanna
13. Shri Parsuram Majhi
14. Shri Zora Singh Mann
15. Shri K.P. Naidu
16. Shri Hari Kewal Prasad
17. Smt. Daggubati Purandareswari
18. Shri Ajit Kumar Singh
19 Shri Chandrabhan Singh
20. Shri Ramakant Yadav
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RAJYA SABHA

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29. Shri Thanga Tamil Selvan
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31. Shri Vijay Singh Yadav

SECRETARIAT

| | | | |
|---|---|---|---|
| 1. | Shri P.D. T. Achary | - | Secretary |
| 2. | Dr. (Smt.) Paramjit Kaur Sandhu | - | Joint Secretary |
| 3 | Shri R.S. Kambo | - | Deputy Secretary |
| 4 | Shri B.S, Dahiya | - | Under Secretary |
| 5. | Ms. Juby Mehra | - | Committee Officer |

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* Nominated to the Committee w.e.f. 19th April, 2005 *vide* Bulletin Part II (Lok Sabha) No. 1116 dated 19th April, 2005.

** Nominated to the Committee w.e.f 24th April, 2005 *vide* Bulletin Part II (Rajya Sabha) No. 42642 dated 25th April 2005.

# INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2004-05) having been authorised by the Committee to submit the Report on their behalf, present this Sixth Report on Demands for Grants (2005-2006) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Committee examined/scrutinized the detailed Demands for Grants (2005-2006) of the Ministry which were laid on the Table of the House on 24th March, 2005.

3. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on 8th April, 2005.

4. The Committee wish to express their thanks to the Officers of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) for placing before them detailed written notes on the subject and for furnishing the information to the Committee, desired in connection with the examination of the subject.

5. The Report was considered and adopted by the Committee at their sitting held on 25th April, 2005.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

DEVENDRA PRASAD YADAV
Chairman
Standing Committee on Food, Consumer Affairs and Public Distribution

25 April, 2005
5 Vaisakha, 1927 (Saka)

# CHAPTER - I

## INTRODUCTORY

The Ministry of Consumer Affairs, Food and Public Distribution has two Departments, namely, the Department of Food and Public Distribution and the Department of Consumer Affairs. The Department of Food and Public Distribution works under the overall guidance of Union Minister of Consumer Affairs, Food and Public Distribution, who is assisted by two Ministers of State. The main functions of the Department of Food and Public Distribution are:-

(i) formulation and implementation of national policies relating to procurement, movement, storage and distribution of foodgrains;
(ii) implementation of the Public Distribution System(PDS) with special focus on the poor;
(iii) provision of storage facilities for the maintenance of Central Reserves of foodgrains and promotion of scientific storage;
(iv) formulation of national policies relating to export and import, buffer stocking, quality control and specifications of foodgrains;
(v) administration of food subsidies relating to rice, wheat and coarse grains;
(vi) fixation of statutory minimum prices of sugarcane payable by sugar factories, development and regulation of sugar industry (including training in the field of sugar technology), fixation of price of levy sugar and its supply for PDS and regulation of supply of free sale sugar;
(vii) supporting industries, the control of which by the Union is declared by Parliament by law to be expedient in public interest, as far as these relate to Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats; and
(viii) price control of, and inter-state trade and commerce in, and supply and distribution of Vanaspati, Oilseeds, Vegetable Oils, Cakes and Fats.

1.2 The Department is organised into 13 Divisions. It has two Attached Offices, namely:

(i) Directorate of Sugar
(ii) Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F)

1.3 There are 20 Subordinate Offices, namely:

(i) Three Quality Control Cells located at New Delhi, Kolkata and Hyderabad.

(ii) One Indian Grain Storage Management and Research Institute (IGMRI), Hapur (Uttar Pradesh) with 3 Sub-Stations at Hyderabad, Ludhiana, Jorhat and

(iii) 12 Save Grain Campaign offices at Bangalore, Bhopal, Bhubaneshwar, Chandigarh, Ghaziabad, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Patna & Pune, and

(iv) National Sugar Institute, Kanpur and

1.4 In addition, there are three Public Sector Undertakings under the administrative control of the Department, namely:

(i) Food Corporation of India (FCI)
(ii) Central Warehousing Corporation (CWC) and
(iii) Hindustan Vegetable Oils Corporation Ltd.(HVOC)

1.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the Lok Sabha, the detailed Demands for Grants (2005-2006) relating to the Department of Food and Public Distribution on 24 March, 2005. The detailed Demands for Grants, for the Department of Food and Public Distribution shows a budgetary provision of Rs. 27149.31 crore. This includes Rs. 93.87 crore for plan activities and another Rs. 27055.44 crore, for non-plan programme and Schemes.

1.6 The Committee have examined the detailed Demands for Grants of the Department of Food and Public Distribution. The Committee approve the Demands of the Department subject to their observations/recommendations, which are contained in the subsequent Chapters.

1.7 The Department of Food and Public Distribution has furnished the following statement showing the Budget Estimate (BE), Revised Estimate (RE) and Actual Expenditure (AE) for 2003-2004 and 2004-2005 and Budget Estimate for 2005-2006.

(Rs. In crore)

| Sl. No. | Scheme | Major Head | 2003-2004 | | | 2004-2005 | | | 2005-2006 |
|---|---|---|---|---|---|---|---|---|---|
| | Plan | | BE | RE | Actual Exp. | BE | RE | Actual Exp. Up to Jan. | BE |
| 1. | Secretariat-Economic Services | 3451 | 0.15 | 0.14 | 0.04 | 0.15 | 0.11 | -- | 0.15 |
| 2. | NISST, Mau | 2408<br>4408 | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- |
| 3. | Other programme of food Storage and Warehousing | | | | | | | | |
| | i) SGC | 2408 | -- | -- | -- | -- | -- | -- | -- |
| | ii) IGMR | 2408 | -- | -- | -- | -- | -- | -- | --- |
| | iii) CGAL | 2408 | -- | -- | -- | -- | -- | -- | -- |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Iv) Strengthening of DVVOF | 2408 | -- | -- | -- | -- | -- | -- | -- |
| | v) R&D Schemes and Modernization Lab. | 2408 | 0.25 | 0.25 | 0.31 | 0.25 | 0.29 | 0.12 | 0.40 |
| | vi) NSI, Kanpur | 2408 | 0.90 | 0.38 | 0.19 | 0.67 | 0.41 | 0.06 | 0.51 |
| | vii) NSI, Kanpur | 4408 | 1.00 | 0.85 | 0.03 | 0.92 | 0.92 | 0.09 | 0.99 |
| | Total of other programme | | 2.15 | 1.48 | 0.53 | 1.84 | 1.62 | 0.27 | 1.90 |
| 4. | Civil Supplies Assistance for constructions of godowns for PDS | 3601<br>7601 | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- |
| 5. | Assistance for retail outlets in Tribal Areas /purchase of mobile vans | 3601<br>7601 | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- | --<br>-- |
| 6 | Other scheme of Civil Supplies | | | | | | | | |
| | i) Training research and monitoring. | 3456 | 0.60 | 0.60 | 0.30 | 0.60 | 0.60 | 0.05 | 0.60 |
| | ii) Strengthening of Public Distribution System. | 3456 | 1.50 | 0.40 | 0.10 | 1.25 | 1.25 | -- | 1.25 |
| | iii) Village Grain Bank Scheme | 3456 | -- | -- | -- | -- | -- | -- | 32.50 |
| 7. | Consumer Industries Investment in Public Enterprises-Construction of Godowns by FCI. | 4408 | 37.05 | 34.96 | 38.46 | 39.94 | 40.20 | 29.48 | 48.08 |
| 8. | Lumpsum provision for Projects/Schemes for North Eastern States including Sikkim<br>(i) Construction of Godowns by FCI<br>(ii) Construction of Godowns under Centrally Sponsored Scheme for strengthening of PDS | 2552<br>4552 | --<br>2.78 | --<br>4.42 | --<br>1.00 | --<br>4.86 | --<br>4.86 | --<br>1.62 | --<br>9.39 |
| | **Total (Plan)** | | **44.23** | **42.00** | **40.42** | **48.64** | **48.64** | **31.42** | **93.87** |

| **Sl. No.** | **Scheme** | **Major Head** | **2003-2004** | | | **2004-2005** | | | **2005-2006** |
|---|---|---|---|---|---|---|---|---|---|
| | **Non-Plan** | | **BE** | **RE** | **Actual Exp.** | **BE** | **RE** | **Actual Exp. Up to Jan.** | **BE** |
| 1. | Secretariat | 3451 | 12.85 | 13.87 | 14.28 | 14.16 | 14.66 | 11.95 | 14.72 |
| 2 | Food Subsidy (including Sugar) | 2408 | 27800.00 | 25200.00 | 25181.30 | 25800.00 | 25800.00 | 22092.82 | 26200.00 |
| 3. | Transfer to Sugar Development Fund | 2408 | 180.00 | 180.00 | 180.00 | 250.00 | 250.00 | 250.00 | 250.00 |
| | (i) Admn. of SDF | 2408 | 5.63 | 9.65 | 9.64 | 6.71 | 6.71 | 0.11 | 6.76 |
| | (ii) Buffer Stock of Sugar | 2408 | 300.00 | 300.00 | 206.02 | 400.00 | 296.00 | 92.99 | 160.00 |
| | (iii) Reimbursement of internal transport and freight charges to sugar factories on export shipment of sugar. | 2408 | 50.00 | 50.00 | 31.86 | 125.00 | 122.61 | 42.28 | 90.00 |
| | (iiii) Grant-in-Aid for Development of sugar Industry | 2408 | 1.00 | 1.00 | 0.09 | 2.50 | 1.00 | 0.11 | 2.50 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | (iv) Loans for Modernisation/Rehabilitation of Sugar Mills. | 6860 | 150.00 | 125.00 | 44.36 | 150.00 | 150.00 | 69.44 | 100.00 |
| | (v) Loans for Cane Development | 6860 | 20.00 | 20.00 | 9.70 | 25.00 | 25.00 | 9.81 | 25.00 |
| | (vi) Loans for Hindustan Vegetable Oils Corporation (HVOC) | 6860 | 1.50 | 1.50 | 1.50 | 1.50 | 1.40 | 0.50 | 1.60 |
| | (vii) Loans to Sugar Mills for Bagasse based Cogeneration power projects | 6860 | 100.00 | 100.00 | 10.60 | 150.00 | 150.00 | 28.12 | 100.00 |
| | (viii) Loans for Production of Anhydrous Alcohol/Ethanol | 6860 | 50.00 | 25.00 | -- | 100.00 | 40.00 | 6.06 | 75.00 |

| S. No. | Scheme | Major Head | 2003-2004 | | | 2004-2005 | | | 2005-2006 |
|---|---|---|---|---|---|---|---|---|---|
| | Non-Plan | | BE | RE | Actual Exp. | BE | RE | Actual Exp. Up to Jan. | BE |
| 4 | Others Programmes Storage Warehousing of Food | | | | | | | | |
| | (i) Dte. Of Sugar | 2408 | 1.91 | 1.90 | 1.62 | 2.02 | 1.94 | 1.41 | 2.15 |
| | (ii) Development council of sugar Industry | 2408 | 0.06 | 0.06 | 0.03 | 0.06 | 0.05 | 0.03 | 0.05 |
| | (iii) Dte. Of VVOF | 2408 | 2.24 | 2.24 | 1.56 | 2.72 | 2.47 | 1.26 | 2.67 |
| | (iv) NSI, Kanpur | 2408 | 9.18 | 8.36 | 7.59 | 9.75 | 9.24 | 4.96 | 10.60 |
| | (v) Procurement and Supply | 2408 | 0.07 | 0.03 | -- | 0.03 | 0.03 | -- | 0.03 |
| | (vi) International Cooperation | 2408 | 0.37 | 0.32 | 0.32 | 0.38 | 0.35 | 0.35 | 0.38 |
| | (vii) SGC | 2408 | 5.86 | 6.03 | 5.84 | 7.07 | 7.48 | 5.45 | 8.04 |
| | (viii) IGMRI | 2408 | 3.18 | 3.19 | 2.86 | 3.25 | 3.20 | 2.24 | 3.78 |
| | (ix) CGAL | 2408 | 0.02 | 0.02 | 0.01 | 0.02 | 0.03 | ---- | 0.05 |
| | (x) QCC | 2408 | 0.39 | 0.45 | 0.46 | 0.49 | 0.56 | 0.45 | 0.63 |
| | Total other programmes | | 23.28 | 22.60 | 20.29 | 25.79 | 27.74 | 16.15 | 28.38 |
| 5. | Consumer Industries Amritsar Oils Works | 2852 | 0.02 | 0.02 | -- | 0.02 | 0.02 | -- | 0.02 |
| 6. | Civil Supplies other schemes of Civil Supplies | 3456 | 0.90 | 0.35 | -- | 1.50 | 1.50 | -- | 1.50 |
| 7. | Reimbursement of losses to STC in trading operation of Edible Oils | 3456 | 0.01 | 0.01 | -- | 0.01 | 0.01 | -- | 0.01 |
| 8. | **Total** | | **28695.19** | **26049.00** | **25709.64** | **27052.19** | **26886.65** | **22620.34** | **27055.44** |
| | **Deduct Recoveries from SDF** | | **- 676.63** | **- 630.65** | **- 312.27** | **- 959.21** | **- 793.71** | | **- 559.21** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | | 28018.56 | 25418.35 | 25394.61 | 28092.98 | 26092.98 | | 26496.23 |

1.8. From the above statement it may be seen that out of Rs. 48.64 crore, of budgetary allocation (plan), only Rs. 31.42 crore ie, 64 % were utilized by the Department of Food and Public Distribution last year. On being asked about the reasons for mismatch between allocation and actual utilization of funds and how the Ministry propose to utilize the rest of the amount, the Ministry in a reply stated as follows:-

> "The actual outlay during 2004-2005 already furnished was Rs. 31.57 crore in respect of Central Sector Schemes and Rs. 30.41 crore for IEBR Schemes upto December, 2004. The actual expenditure released during 2004-05 has improved in the IV Quarter and is expected to be Rs. 47.04 crore (upto 31st March, 2005) for Central Sector Schemes (about 97% utilization and) Rs. 57.82 crore for IEBR Schemes (about 249% utilization)".

1.9 Quarterly utilization of funds , for the year 2004-05 is given below:-

| Quarter | Utilisation | | Percentage of utilisation | | | |
|---|---|---|---|---|---|---|
| | | | % w.r.BE | | % w.r.RE | |
| | Plan | Non-Plan | Plan | Non-Plan | Plan | Non-Plan |
| First | 15.02 | 6492.89 | 30.88 | 24.88 | 30.88 | 24.88 |
| Second | - | 6274.05 | - | 24.04 | - | 24.04 |
| Third | 16.31 | 5614.85 | 33.53 | 21.51 | 33.53 | 21.51 |
| Fourth-<br>(upto Feb, 2005) | 0.09 | 6495.78 | 0.18 | 24.89 | 0.18 | 24.89 |
| Total | 31.42* | 24877.57 | 64.59** | 95.34 | 64.59** | 95.34 |

* Rs. 47.04 crore up to March, 2005
** 96.74% up to March, 2005

It is clear from the above table that there is uneven utilization of Plan Funds. When the Committee asked the reasons for utilizing only 0.18% in the last quarter, the Ministry stated as follows:-

> "During the last quarter (January – March, 2005), the anticipated expenditure for Central Sector Schemes was Rs.15.71 crore. The expenditure in the last quarter of the year was 32.29% of the total Plan outlay of Rs.48.64 crore, and the expenditure is within the prescribed limit of 33% for the last quarter as per guidelines".

1.10 The Committee are happy to note that with the concerted efforts made by the Government the utilization of allocated funds, for Plan Schemes were more than 95% during the last two years. In the year, 2004-05, as against Rs.48.64 crore earmarked for the Plan Schemes, Rs. 47.04 crore i.e. 96.61% have been utilized by the end of the year. The utilization of plan funds during 2003-04 was 96.25%. Further, with respect to quarterly utilization of funds, there has been no rushing of funds in the last quarter of the year, which had been the trend earlier. The Committee appreciate that the Government have managed to keep the expenditure in the last quarter within the prescribed limit of 33% as per direction of the Ministry of Finance. The Committee desire that the Government should continue to maintain this fiscal discipline in future as well.

# CHAPTER-II
# MANAGEMENT OF FOOD

The Department of Food and Public Distribution is concerned with the formulation and implementation of various national policies on foodgrains relating to procurement, movement, scientific storage, distribution and sale. The aim of such policies is to ensure that interests of farmers as well as consumers are served, which is done by providing remunerative prices to the farmers and making foodgrains available at reasonable prices to consumers, especially to the vulnerable sections of the society.

2.2 As compared to 2003-04 there is a slight drop in the production of foodgrains. From 213.45 million tonnes in 2003-04, the production in 2004-05, as per the first advance estimates released on 19.01.2005 is 206.38 million tonnes.

## (a) Procurement of foodgrains

2.3 Procurement of foodgrains is one of the central pillars of the food policy of the Government of India. It serves the twin purpose of providing remunerative prices to the farmers thereby avoiding chances of distress sale of foodgrains and also encouraging them to enhance production and building up buffer stock of foodgrains.

2.4 The major foodgrains in the country viz. wheat, paddy and coarse grains are procured at Minimum Support Price (MSP) offered by the Government. The price support operations for wheat and paddy are undertaken by the Food Corporation of India in association with the State Governments and their procuring agencies. Besides extended price support to farmers for wheat and paddy, rice is also collected under a system of levy from rice millers and dealers at the prices announced separately for each State taking local conditions in account also.

2.5 The MSP for Common and Grade ‘A’ varieties of paddy were fixed by the Ministry of Agriculture at Rs.550/- & Rs. 580/- per quintal respectively for the Kharif Marketing Season 2003-04(October-September). The MSP of Common and Grade ‘A’ varieties of paddy have been fixed at Rs.560/- and Rs.590/-per quintal for the current Kharif Marketing Season 2004-05.

2.6 The MSP for wheat was fixed at Rs. 630/- per quintal for the Rabi Marketing Season 2004-05. The MSP of wheat has been fixed at Rs. 640/- per quintal for Rabi Marketing Season 2005-06

2.7 The following table indicates the level of procurement of rice (including paddy in terms of rice) and wheat for the Central Pool since 2001-2002 marketing season:-

(in lakh tonnes)

| KHARIF | | | RABI |
|---|---|---|---|
| (OCTOBER-SEPTEMBER) | | | (APRIL-MARCH) |
| Year | Rice | Coarsegrains | Wheat |
| 2001-2002 | 221.28 | 2.78 | 206.30 |
| 2002-2003 | 164.23 | 0.60 | 190.54 |
| 2003-2004 | 228.28 | 6.51 | 158.01 |
| 2004-2005 | 126.73* | 3.37* | 167.95* |

* as on 31.12.2004.

2.8 Till recently, it was a common grievance of many States that their farmers have not benefited much from the price support operations, since the procurement of foodgrains by the Food Corporation of India (FCI) is largely concentrated in a few States, such as Punjab, Haryana, Uttar Pradesh and Andhra Pradesh. Two States, Punjab and Haryana, accounted for more than 80 per cent of the procurement of wheat by the FCI in the years 2002-03 to 2004-05, and the States of Punjab, Haryana, Uttar Pradesh and Andhra Pradesh accounted for nearly 80 per cent of the rice procured by the FCI in the years 2001-02 and 2002-03. (Tables given below) In order to address the concerns of the other surplus rice growing States, FCI strengthened the procurement of rice from Bihar, Chhattisgarh, Orissa, Tamil Nadu and West Bengal, resulting in higher rice procurement in these States in 2003-04. As a result, the share of rice procurement from the four States of Andhra Pradesh, Haryana, Punjab and Uttar Pradesh declined to 73 per cent in 2003-04.

| Procurement of wheat (lakh tonnes) | | | | | | |
|---|---|---|---|---|---|---|
| | Quantity (Lakh Tonnes) | | | Percentage share | | |
| States/ UTs | 2002-03 | 2003-04 | 2004-05 | 2002-03 | 2003-04 | 2004-05 |
| Bihar | 0.41 | 0.01 | 0.15 | 0.22 | 0.01 | 0.09 |
| Haryana | 58.88 | 51.22 | 51.15 | 30.95 | 32.42 | 30.46 |
| Himachal Pradesh | 0.02 | 0.01 | 0.00 | 0.01 | 0.01 | 0.00 |
| Madhya Pradesh | 4.38 | 1.88 | 3.49 | 2.30 | 1.19 | 2.08 |
| Punjab | 98.80 | 89.38 | 92.40 | 51.85 | 56.57 | 55.02 |
| Rajasthan | 4.61 | 2.59 | 2.79 | 2.42 | 1.64 | 1.66 |
| Uttranchal | 1.84 | 0.67 | 0.54 | 0.97 | 0.42 | 0.32 |
| Uttar Pradesh | 21.10 | 12.13 | 17.41 | 11.07 | 7.68 | 10.37 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Chandigarh | 0.16 | 0.00 | 0 | 0.08 | 0.00 | 0.00 |
| Delhi | 0.34 | 0.12 | 0.02 | 0.18 | 0.08 | 0.01 |
| Total | 190.54 | 158.01 | 167.95 | 100 | 100 | 100 |

| Procurement of rice (lakh tonnes) | | | | | | |
|---|---|---|---|---|---|---|
| | | Quantity (Lakh Tonnes) | | Percentage share | | |
| States/ UTs | 2001-02 | 2002-03 | 2003-04 | 2001-02 | 2002-03 | 2003-04 |
| Andhra Pradesh | 64.24 | 26.35 | 42.30 | 29.04 | 16.04 | 18.53 |
| Bihar | 0.89 | 1.59 | 3.63 | 0.40 | 0.97 | 1.59 |
| Chhattisgarh | 19.21 | 12.91 | 23.74 | 8.68 | 7.86 | 10.40 |
| Haryana | 14.84 | 13.24 | 13.34 | 6.71 | 8.06 | 5.84 |
| Maharashtra | 1.29 | 1.52 | 3.08 | 0.58 | 0.93 | 1.35 |
| Orissa | 12.53 | 8.90 | 13.73 | 5.66 | 5.42 | 6.02 |
| Punjab | 72.83 | 79.40 | 86.62 | 32.91 | 48.35 | 37.94 |
| Tamil Nadu | 8.52 | 1.07 | 2.07 | 3.85 | 0.65 | 0.91 |
| Uttar Pradesh | 19.36 | 13.60 | 25.54 | 8.75 | 8.28 | 11.19 |
| West Bengal | 0.48 | 1.26 | 9.25 | 0.22 | 0.77 | 4.05 |
| Others | 7.08 | 6.39 | 4.98 | 3.20 | 2.67 | 2.18 |
| Total | 221.28 | 164.23 | 228.28 | 100.00 | 100.00 | 100.00 |

2.9 The Committee observed that during procurement, the officers of FCI reach the procurement centres in the late afternoon and and do not undertake procurement operations onn the ground that the quota of procurement is exhausted. When the Committee wanted to know if any quota is fixed by the Government and whether the FCI officials leave after meeting the local traders only, the representative of the ministry replied during evidence :-

> " There is no limit on procurement by the Government of India. Our policy is that the last grain from the last farmer will be procured…. As you said, to stop local Arthias, Committee of District Commissioner is there. You tell (the Committee) and I will also do so, there will be no problem in future in this regard".

2.10 It had come to the notice of the Committee that in some states adequate infrastructure facilities like weighing machines and trained manpower are not in place, at the time of procurement operations, which has adverse affect on the procurement operation. When the Committee pointed these anomalies the Ministry in a reply stated as follows :-

> "All necessary arrangements like positioning of trained staff, weighing machines, gunny bags etc. are made before the onset of each procurement operation both by FCI and the State Governments".

2.11 During evidence the Chairman and Managing Director (CMD), FCI stated as follows:-

> " FCI or Department has no role to play in the seven States from where procurement is done, including Madhya Pradesh, 85 to 90% procurement is done by State Governments. We have been given two districts each in Punjab, Madhya Pradesh and Uttar Pradesh, lately and we have been asked to procure from these two districts. These are the States where procurement is done by the States themselves. Officially we give them a cheque of subsidy. States have their own arrangements for procurement, storage and movement."

2.12 It has come to the notice of the Committee that malpractices like under-weighment, quality not conforming to specifications, dearth of storage space, denial of on the spot payment etc. force farmers to opt for distress sale. When the Committee asked about the concrete action FCI/Government have taken to stem out such malpractices, the Ministry in a reply stated , "Arrangements for ensuring smooth procurement at the Minimum Support Prices are reviewed by the Ministry and FCI periodically, especially before the onset of each procurement season. In order to closely monitor the price support operations, special Control Rooms are set up by the Ministry, State Governments and the FCI. If any reports of distress sale are received by these Control rooms, these are investigated in depth for prompt remedial action. The FCI and State Governments have also been advised to give wide publicity through print and audio visual media, village fairs, panchayats, Agricultural Extension Service/ Krishi Vigyan Kendras etc to inform the farmers about the minimum support price operations, location and facilities provided at the purchase centres etc".

2.13 The Committee were informed that during procurement in some States such as Bihar, handling charges are charged in excess of the actual handling cost. On being asked about this. CMD , FCI , during evidence, replied, "we wrote to the collector to look into this. We asked them that since you have the whole administration with you so a Tehsildar or Naib Tehsildar may be posted there. Bihar Government had agreed that to check this one of these officers will be posted there. But we will look into the complaints you are talking of".

## (b) Statutory Charges

2.14 The State-wise details of statutory charges levied by different States and the percentage of these charges in the total procurement incidentals is given below:-.

Paddy

| State(s) | Market Fee (% of MSP) | Dami/ Arthias Comm. (% of MSP) | RD Cess (% of MSP) | ID Fee (% of MSP) | Mapari Charges (% of MSP) | Nirashrit Shulk (% of MSP) | Purchase Tax* (% of MSP) | %age of Statutory Charges to total cost |
|---|---|---|---|---|---|---|---|---|
| A&N | - | - | - | - | - | - | - | - |
| AP | 1 | - | 5 | - | - | - | 4 | 8.49 |
| Bihar | 1 | - | - | - | - | - | 4 | 4.40 |
| Chhatisgarh | 2 | - | - | - | - | 0.2 | - | 1.87 |
| Gujarat | 1 | - | - | - | - | - | - | 0.92 |
| Haryana | 2 | 2.5 | 2 | - | - | - | 4* | 8.96 |
| Karnataka | 1.5 | - | - | - | - | - | - | 1.32 |
| MP | 2 | - | - | - | - | 0.2 | - | 1.90 |
| Maharashtra | 1.05 | - | - | - | Re.0.40 | - | - | 0.96 |
| Nagaland | - | - | - | - | - | - | - | - |
| Orissa | 1 | - | - | - | - | - | 4 | 4.21 |
| Punjab | 2 | 2.5 | 2 | 1 | - | - | 4* | 9.81 |
| Tamil Nadu | - | - | - | - | - | - | - | - |
| Uttaranchal | 2.5 | - | - | - | - | - | 4 | 5.66 |
| U.P. | 2.5 | - | - | - | - | - | 4 | 5.52 |
| West Bengal | - | - | - | - | - | - | - | - |

Wheat

| State(s) | Market Fee (% of MSP) | Dami/ Arthias Comm. (% of MSP) | RD Cess (% of MSP) | ID Fee (% of MSP) | Com. Tax (% of MSP) | Nirashrit Shulk (% of MSP) | Purchase Tax (% of MSP) | %age of Statutory Charges to total cost |
|---|---|---|---|---|---|---|---|---|
| Bihar | 1 | - | - | - | - | - | 4 | 4.28 |
| Chhattisgarh | 2 | - | - | - | 2 | 0.2 | - | 1.90 |
| Gujarat | - | - | - | - | - | - | - | - |
| Haryana | 2 | 2.5 | - | - | - | - | 4* | 8.60 |
| MP | 2 | - | - | - | - | 0.2 | - | 1.89 |
| Punjab | 2 | 2.5 | - | 1 | - | - | 4* | 9.34 |
| Rajasthan | 1.6 | 2 | - | - | - | - | - | 3.13 |
| Uttaranchal | 2.5 | - | - | - | - | - | 4 | 5.47 |
| Uttar Pradesh | 2.5 | - | - | - | - | - | 4 | 5.50 |

* In Punjab and Haryana Purchase Tax is payable on MSP, Dami and Fixed Mandi Labour Charges

2.15 Out of the total procurement cost of Rs. 145.53 per quintal for the year 2003-04 an amount of Rs. 97.42 per quintal i.e as much as 67% pertain to the Statutory cost including purchase tax and cost of gunny over which FCI has practically no control. On being asked by Committee whether the imposition of infrastructure development fee, market fee and other levies are commensurate with the development works, the Ministry in a written reply stated that the Central Government reimburses all Statutory Charges levied by the State Governments on the basis of notifications/documents provided by the State Governments. The State Governments have to ensure that the amount collected by way of Statutory Charges, like Market Fee, Dami, Rural Development Fee, Infrastructure Development Fee etc. is utilized for the intended purpose.

2.16 On being asked whether there is any Regulatory Authority to decide upon the quantum of levies/cess imposed while procuring foodgrains, the Ministry in a reply stated :-

> “There is no Regulatory Authority as the State Governments are empowered to levy these taxes”.

2.17 On being asked about the reasons for not having uniformity across all the States regarding these charges, the Ministry in post evidence reply stated as under:-

> “Foodgrains for the Central Pool are procured through the State Governments and their agencies. The States decide the cess/local taxes etc. to be levied on such procurement. As the State Governments are empowered to levy the local taxes/charges, there may not be uniformity in their structure”.

(c) Decentralized Procurement

2.18 The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-98 with a view to effecting savings in the form of reduction in the outgo of food subsidy, enhancing the efficiency of procurement and PDS and encouraging local procurement to the maximum extent thereby extending the benefits of MSP to local farmers. Under the decentralized procurement scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India. Purchase centres are opened by the State Governments and their agencies as per their requirements. The State Governments procure, store and distribute foodgrains under TPDS and other welfare schemes. In the event of the total quantity of wheat and rice thus procured falling short of the total allocation made by the Central Government for meeting the requirement of TPDS and other schemes, the Central Government, through FCI, meets the deficit out of the Central Pool stocks.

2.19 The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing. The Central Government also monitors the quality of foodgrains procured under the scheme and reviews the arrangements made to ensure that the procurement operations are carried on smoothly. The State Governments presently undertaking Decentralized Procurement are West Bengal, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Uttaranchal, Andaman & Nicobar islands, Orissa, Tamil Nadu, Gujarat and Karnataka.

2.20 On being asked about the achievement of the Decentralized Procurement Scheme, the Ministry in a reply stated :-

> "So far 10 States/UTs have adopted the Decentralized Procurement Scheme for procurement of foodgrains. The experience of Government/FCI under Decentralized procurement of foodgrains has been encouraging. The total procurement of rice in the States which have adopted decentralized procurement was 31 lakh tonnes in 2002-03. This went up sharply to 78 lakh tonnes during 2003-04. The procurement in the States is likely to cross 98 lakh tonnes during Kharif Marketing Season 2004-05. The progressive procurement of rice in the States which have adopted decentralized procurement was 65.5 lakh tonnes in 2004-05 (upto 22.03.2005) compared to 54.5 lakh tonnes in 2003-04 in the same period. In respect of wheat, the procurement (in the States which have adopted decentralized procurement) during Rabi Marketing Season 2003-04 was 14.68 lakh tonnes which has increased to 21.44 lakh tonnes during Rabi Marketing Season 2004-05".

2.21 When the Committee enquired about the difficulties State Governments face in the implementation of the scheme and the corrective steps taken by the Government in this regard, the Ministry in a written reply stated that the State Governments that adopted the decentralized procurement scheme had requested for adequate attention on the following issues:-

1. Sanction of adequate Cash-Credit Limits in time by the Reserve Bank of India.
2. Full reimbursement of expenses and timely release of subsidy by the Central Government.

2.22 A Committee was constituted under the Chairmanship of the Additional Secretary & Financial Advisor to the Department of Food & Public Distribution to examine various issues relating to fixation of economic cost/incidental charges of States undertaking Decentralized Procurement. The Committee also consisted of Managing Director of Food Corporation of India, Joint Secretary (Policy & FCI) and Food Secretaries of Governments of Chhatisgarh, Uttar Pradesh and West Bengal as Members.

2.23 The Committee was entrusted with the responsibility of considering various issues relating to fixation of economic cost/incidental charges of foodgrains in States undertaking decentralised procurement and to recommend revision in various elements of incidental charges/economic cost wherever required.

2.24 The Ministry in a reply added "this Committee finalized its recommendations in the meeting held on 27th August 2004 and recommended reimbursement of the following additional components of costs to the State Governments:

(a) transportation cost from procurement centre to storage point and from storage point to milling point;
(b) commission to societies at 1% of MSP;
(c) payment of cost towards transportation of gunnies from railheads to procurement centres;
(d) enhancement of milling rates of parboiled rice from Rs.15 per quintal to Rs.20 per quintal

The Ministry has already included these recommendations in the economic cost/procurement incidentals".

2.25 Further, the Department of Food & Public Distribution has also been making suitable recommendations to the R.B.I. for sanctioning of adequate Cash-Credit Limit to States for handling the procurement operations, as well as releasing advance subsidy to ensure that procurement operations go on smoothly. Steps to overcome the difficulties faced by the State Governments in implementing the decentralized procurement scheme is an ongoing exercise and the Department is in regular interaction with the State Governments to sort out the difficulties being faced by them".

2.26 On being asked whether Government is planning to introduce some sort of incentive scheme to encourage other States to go in for Decentralized Procurement..The Ministry in a written reply stated:-

> "The Government of India is fully committed to meet the entire expenditure incurred by the State Governments who have adopted the scheme, on the operations of procurement, storage and distribution of foodgrains as per the approved costing. The State has the additional benefit that local variety of foodgrains are issued under Targeted Public Distribution System. This Department is making continuous efforts to persuade the remaining State Governments to adopt the Decentralized Procurement Scheme".

2.27 When the Committee asked whether adoption of Decentralized Procurement Scheme has led to reduction in handling and carrying costs and lessen the food subsidy over the last few years, the Ministry in a reply stated :-

> "Under the decentralized procurement operation, the State Governments have been authorised to undertake procurement, storage and distribution of foodgrains. As a result the additional handling operation of delivery of foodgrains to FCI and lifting the same subsequently for distribution under Public Distribution System and other welfare schemes has been avoided, thus reducing the handling costs and consequently bringing down its impact on the food subsidy. The extent of reduction depends on the volume of operations carried out and therefore varies from State to State. Though, handling cost per unit in the DCP States has come down, as the total volume of operations (offtake) has increased, the total handling cost has not come down".

## (d) Food Subsidy

2.28 Food Management consists of mainly procurement of wheat and rice by providing support prices to the farmers and allocation of foodgrains so procured amongst States for eventual distribution to the targeted population under the Public Distribution System (PDS) and other Welfare Schemes. Since the Issue Prices fixed for foodgrains to the targeted population is less than the economic cost of foodgrains, the difference between the two represents the food subsidy. The economic cost comprises of the cost of foodgrains, procurement incidentals and distribution incidentals which include elements of state levies and taxes, mandi charges, transportation & handling charges, cost of gunny bags etc. In addition to procuring foodgrains for meeting the requirements of the PDS, the Central Government is also under obligation to procure foodgrains for meeting the requirements of the buffer stock to ensure food security of the country. Hence, a portion of the food subsidy also goes towards meeting the carrying cost of the buffer stock.

2.29 Food Corporation of India (FCI) is the main agency which undertakes procurement, storage and distribution operation on behalf of the Government of India. The difference between the economic cost and issue price is reimbursed to FCI as consumer subsidy. The carrying charges of buffer stocks are also reimbursed to it by the Government, in the form of buffer subsidy.

2.30 In the few States where the scheme of decentralised procurement is being implemented, the economic cost of procurement, storage and distribution of foodgrains by the State Governments is determined by the Government of India in consultation with the State Governments, and the difference between the economic cost so fixed and Central Issue Price fixed on an all India basis is reimbursed to the States as food subsidy.

2.31 The year-wise break-up of subsidy released from 2001-02 to 2004-05 under Decentralised Procurement Scheme is as under:

(Rs. in crore)

| Year | Subsidy Released | | |
|---|---|---|---|
| | FCI | States | Total |
| 2001-02 | 16724 | 770 | 17494 |
| 2002-03 | 22674 | 1502 | 24176 |
| 2003-04 | 23874 | 1286 | 25160 |
| 2004-05 (as on 10.02.2005) | 19987 | 2143 | 22130 |

2.32 On being asked about the reasons for increase in the subsidy given to FCI over the years, in spite of more and more States opting for Decentralized Procurement, the Ministry in a written reply stated:-

> "Food subsidy comprises consumer subsidy and buffer subsidy. Consumer subsidy depends on the difference between economic cost and central issue prices and offtake of foodgrains. The carrying cost of buffer stock and carryover charges paid to the State agencies are reimbursed to the FCI as buffer subsidy. The increase in food subsidy released to the FCI has been moderate. The main reasons for increase in food subsidy released to the FCI are as follows:

(a) Increase in economic cost due to increase in the Minimum Support Price (MSP), statutory charges, handling & transportation charges, storage & interest charges etc.;
(b) Freezing of Central Issue Prices under Targeted Public Distribution System (TPDS) since July 2002 despite increase in the economic cost;
(c) Increased offtake of foodgrains under TPDS and other schemes; and
(d) Implementation of the Antyodaya Anna Yojana".

2.33 Category-wise and year-wise details of subsidy released for APL (Above Poverty Line), BPL (Below Poverty Line) and AAY (Antyodaya Anna Yojana) under Targeted Public Distribution System alongwith percentages to the total subsidy released during the last three years
are as under:

(Rs. in crore)

| Year | Total subsidy | APL | | BPL | | AAY | | TPDS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Subsidy Released | Age of total subsidy | Subsidy Released | %age of total subsidy | Subsidy Released | %age of total subsidy | Subsidy Released | %age of total subsidy |
| 2001-02 | 17494.00 | 485.96 | 2.78 | 5067.67 | 28.97 | 1136.12 | 6.49 | 6689.75 | 38.24 |
| 2002-03 | 24176.45 | 949.15 | 3.93 | 6280.80 | 25.98 | 2640.91 | 10.92 | 9870.86 | 40.83 |
| 2003-04 | 25160.00 | 1655.18 | 6.58 | 9950.05 | 39.55 | 3161.22 | 12.57 | 14766.45 | 58.69 |

2.34 Details of consumer subsidy released for the last three years and percentage to the total subsidy released is given below :

(Rs. in crore)

| Year | 2001-02 | 2002-03 | 2003-04 |
|---|---|---|---|
| Total Subsidy | 17494 | 24176 | 25160 |
| Total Consumer Subsidy | 11667 | 18203 | 21662 |
| %age to total subsidy | 67% | 75% | 86% |

2.35 Carryover charges paid to State agencies are taken as a part of buffer carrying cost from the year 2001-02 as per recommendations of the Expenditure Reforms Commission. Total amount of carryover charges paid to the States by the FCI during the last three years and total subsidy released to FCI are as under:

[Rs. in crore]

| | 2001-02 | 2002-03 | 2003-04 |
|---|---|---|---|
| Carryover charges | 916 | 2145 | 1865 |
| Total Subsidy released to FCI | 16724 | 22674 | 23874 |

2.36 When the Committee enquired about reasons for increase in carry over charges to States, inspite of sharp decline in the Central Pool stock over the last three years, the Ministry in a reply stated as under :-

"Carry over charges include storage and interest charges paid by the FCI to the States in respect of the stocks of wheat taken over after 30th June of respective Rabi Marketing Season. As the quantum of stocks taken over from the States during 2001-02 to 2003-04 has shown an increasing trend, the carry over charges paid have increased for the period. However, buffer carrying cost incurred by the FCI during2001-02 to 2003-04 has decreased as can be seen from the table given below:_

(Rs. in crore)

| Year | Buffer Carrying Cost |
|---|---|
| 2001-02 | 4088 |
| 2002-03 | 2551 |
| 2003-04 | 652 |

2.37 When the Committee asked about the steps Government has taken or propose to take to ensure that the subsidy reaches the targeted group, the Ministry in a reply stated :-

"The State/Central Governments are required to monitor and ensure that the foodgrains reached to the targeted people. However, to ensure that the food subsidy reaches the targeted population, the following measures have been taken :-

(i) The Public distribution System (Control) Order, 2001 has been issued on 31st August, 2001 inter-alia under Section 3 of the Essential Commodities Act, 1955 with a view to curb willful adulteration, substitution, diversion, theft of stocks from the Central godowns to fair price shops.

(ii) A Task Force has been constituted to look in to the irregularities in the implementation of the Targeted Public Distribution System (TPDS) and Antyodaya Anna Yojana (AAY) in the identified areas.

(iii) Detailed Guidelines have been issued to State Governments for greater involvement of the Panchayati Raj Institutions (PRI) in the functioning of TPDS/AAY as a measure of social audit. Under the guidelines, Vigilance Committees, involving PRIs and beneficiaries, are to be established at various levels to supervise the functioning of TPDS.

(iv) A model Citizen's Charter has been issued to all the States/UTs for adoption.

(v) Continuous dialogue is maintained with all the State Governments/UTs in the implementation of TPDS and AAY".

### (e) Hill Transport Subsidy Scheme

2.38 In its report on price policy for Kharif Crops of 1971-72 Season the Commission for Agricultural Costs and Prices had recommended that "population in Hill States being generally poor, the pooled price for grains issued out of the

Union Government stocks should be for delivery at the Principal Distribution Centres in each States". While the rail freight incurred on the movement of foodgrains issued from the Central stocks is included in the Central Issue Prices, the road transport charges for their further movement from rail heads is incurred by the State Governments. In the case of hill States, the number of rail heads is limited and the cost of moving grains by road to the interior is heavy. The people in the Hilly areas have, therefore, to bear an additional burden on account of lack of rail transport facilities.

2.39 The matter was considered by the Government and it was decided to introduce the Hill Transport Subsidy Scheme in the predominantly hilly States for opening of godowns by the FCI at the Principal Distribution Centres (PDCs) wherever possible or reimbursement of the transportation cost upto these Centres.

2.40 The Hill Transport Subsidy Scheme was implemented w.e.f. 1st August, 1975. The Scheme was extended to the UTs of Andaman & Nicobar Islands and Lakshadweep from the Financial Year 1981-82. The Scheme is at present applicable to Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Mizoram, Sikkim, Tripura, Andaman & Nicobar Islands and Lakshadweep. The Scheme is meant for the States/UTs which are predominantly hilly with little or no railway and poor road communications.

2.41 The FCI is required to open godowns at these PDCs wherever possible, or reimburse the State Governments/UTs the cost of transportation of foodgrains, on actual basis, for lifting of foodgrains from base depots of FCI to the designated PDCs.

2.42 The purpose of declaring important distributing centres as PDCs is to mitigate the burden of heavy cost of road transportation to the people in the hilly areas. In predominantly hilly States with difficult and inaccessible terrain the cost of moving grains by road to the interior is heavy and such cost gets added to the Central Issue Price of the foodgrains delivered to such States. If sufficient relief is not provided the end retail price of foodgrains may become out of reach for the beneficiaries dependent on PDS.

2.43 The following conditions are to be observed by the States/UTs while utilizing the transport reimbursement received from the FCI :-

(i) full benefits of the transport subsidy should be passed on to the consumers by the State Governments/Union Territories;

(ii) where the State Governments are already giving some subsidy they should consider passing on the same quantum of subsidy by opening more interior distribution centres not covered by these recommendations governing the said scheme; and

In the exceptional case of J&K where the State Government is already giving not only transport subsidy but substantial price subsidy to the consumers, the relief which the Government of J&K will get on account of this transport subsidy will be taken into account.

2.44 The State-wise Hill Transport Subsidy (HTS) released during the last three years and the current year ( as on 28.2.2005) is as under:-

(Rs. in lakhs)

| State | Year | | | | Remarks |
|---|---|---|---|---|---|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| Arunachal Pradesh | 52.00 | 6315.00 | 34060.00 | - | * |
| Manipur | - | - | - | - | |
| Meghalaya | - | - | - | - | |
| Mizoram | - | - | 152.00 | 690.00 | |
| Nagaland | - | - | - | - | |
| Tripura | - | - | - | 170.00 | |
| Sikkim | - | - | 4.95 | - | For last 4 years |
| Himachal Pradesh | 8.15 | 62.13 | - | 105.92 | Upto Dec. 2004 |
| Jammu & Kashmir | 344.98 | 462.03 | 313.31 | - | |
| Andaman & Nicobar Islands | | - | - | - | |
| Lakshadweep | 9.56 | 10.23 | 9.11 | 6.43 | Upto Jan. 2005 |

*Bills are being reconciled for 2003-04 and 2004-05

2.45 The allocation and offtake of foodgrains under PDS and Hill Transport Subsidy (HTS) given to Arunanchal Pradesh for the last three years is given below:-

| Year | Offtake (in '000 tonnes) | Hill Transport Subsidy (HTS) (Rs. in Lakhs) |
|---|---|---|
| 2001-02 | 51.32 | 52.00 |
| 2002-03 | 78.972 | 6315.00 |
| 2003-04 | 95.628 | 34060.00 |

2.46 From the above table, it is clear that though the offtake of foodgrains has doubled, the subsidy given under HTS to Arunachal Pradesh has increased tremendously, during the period 2001-2002 to 2003-2004. On being asked about the reasons for this, the Ministry in a reply stated as follows:-

"It has been reported by the FCI that the amounts released towards HTS in Arunachal Pradesh during the year 2003-04 include the bills of the period 1999-2000 to 2003-04. A special audit team of the FCI has been deputed to make a detailed investigation into the reasons for this large increase in HTS payments to Arunachal Pradesh."

2.47 The details of HTS for which claims were preferred and actually released, since 2001-02 and the outstanding, as of now, for Arunachal Pradesh are given below:

(Rs. in crore)

| Year | Claims pending as on 1st of April | Claims received during the Year | Total | Payments made during the year | Bills pending as on 31st March |
|---|---|---|---|---|---|
| 2000-01 | 10.21 | 1.72 | 11.93 | 1.45 | 10.48 |
| 2001-02 | 10.48 | 4.32 | 14.80 | 0.52 | 14.28 |
| 2002-03 | 14.28 | 55.68 | 69.96 | 63.15 | 6.81 |
| 2003-04 | 6.81 | 418.08 | 424.89 | 340.60 | 84.29 |
| 2004-05 | 84.29 | 300.00 | 384.29 | Nil | 384.29 |

Note : Payments made during the years 2000-01 and 2001-02 were against the bills for the year prior to 1999-2000.

2.48 During evidence CMD, FCI clarified that though many States are included in Hill Transport Subsidy, " Arunachal Pradesh has a special position as it is the only region which is claiming money for head load. It is not for transportation by four wheels, but based on head-loads"

2.49 When the Committee enquired about the average rate paid to a Head Loader for each kilometer for carrying 100 Kg. bag and whether carrying of 100 Kg. foodgrains on head load is permissible under rules/Regulations of FCI/ILO the Ministry in a reply stated that the rates approved by the State Government for payment to the head loader is Rs. 125 per quintal/km for carriage of foodgrains under the head load system. A head load porter carries a load of 20 kg, which is the approved scale as per the State Government's guidelines. This is within the FCI/ILO guidelines. On being further asked about the mechanism FCI has to ensure that distance traveled by a Head Loader, to transport foodgrains is actual and not fictitious, the Ministry in a reply stated, "FCI is reimbursing the HTS claims after receipt of necessary proof about the distance covered, duly verified by the Deputy Commissioner of the respective Districts".

2.50 When the Committee asked about the details of parties/Contractors, who were allocated Wheat and rice by FCI, for being head Loaded in the State of A.P. the Ministry in post evidence reply, stated as under:-

> "The FCI is not making any direct payments to parties/contractors under the HTS Scheme. All reimbursements under the scheme are made to the State Government based on the certificates provided by the Deputy Commissioners of the respective Districts".

2.51 On being asked whether Government have ordered or proposed to order an enquiry or Special Audit Report to ensure that HTS is not misappropriated, the witness replied during evidence, "Yes, Sir. A special audit team of the FCI has been constituted. We have ordered a special investigation, and a team is already there for this purpose. The team has assured us that they will finish their work in two months' time. There were three meetings held in Delhi with the State Government officials, and they were not able to satisfy us. After these meetings only we ordered a special investigation into this matter. We assure this Committee that we will make payments to the State Governments for all the claims that are legitimate. Otherwise, we will ensure that only correct payment are made to them".

2.52 On being asked about the criteria for admissibility for HTS and reasons for excluding States like Uttranchal and Nilgiris form HTS, the Ministry in a reply stated , " the scheme is meant for the States /UTs which are predominantly hilly with little or no railways and poor road communications. Uttarachal is a new State carved out of U.P. The State Government has been asked to submit a proposal indicating the Base Depots/PDCs to be opened, the extent of foodgrains stored and distributted by the FCI, on the basis of which introduction of the HTS Scheme can be examined. In respect of Nilgiris, the region is a part of Tamil Nadu State. The HTS Scheme is applicable to predominantly hilly States. As Tamil Nadu does not qualify as a hilly State no reimbursements under the scheme are admissible for the Nilgiris".

2.53 When the Committee enquired as to how the foodgrains can be made available to people living in the interiors of Hills States, if the Government continues with its policy that there should be a distance of more than 50 Km. between two PDCs, the Ministry in a reply stated as under:-

> " Under the HTS scheme the cost of transportation of foodgrains upto the declared PDSCs is being borne by the Central Government. Further movement of the stocks to the interior areas up the fair price shops is arranged by the State Government for which the State Government is at liberty to include the transportation cost in the retail issue price of foodgrains under the PDS"

2.54 When the Committee asked how the Government ensure that full benefits of the Transport Subsidy Scheme reaches the consumers in the interior areas of the Hilly States, the Ministry in a reply stated :-

"To ensure that the foodgrains have actually reached the consumers, the HTS is released to the State Governments only after it has been certified by the State Government concerned, supported with documents and accounts etc, that the foodgrains have been transported upto the PDCs. Further it is the responsibility of the State Governments to take care of transportation of the stocks from the PDCs to the fair price shops".

2.55 On being asked whether there is any proposal to rationalize the Hill Transport Subsidy Scheme, the Ministry in a reply stated :-

"The Hill Transport Subsidy (HTS) Scheme is under implementation in hilly areas in view of the difficult geographical terrain, remote and inaccessible areas and the consequent high cost of transportation. The Government is examining a suggestion to improve the functioning of the HTS Scheme by releasing funds to States based on a normative approach, as against the present system of full reimbursement of expenses".

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## (f) Public Distribution System (PDS)

2.56 The Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Over the years PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

2.57 PDS is operated under the joint responsibility of the Central and the State Governments. The Central government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments for distribution to the public through a network of Fair Price Shops (FPS). The operational responsibility including allocation within State, identification of families below the poverty line, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Governments. Under the PDS presently the commodities namely wheat, rice, sugar and kerosene, are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as cloth, exercise books, pulses, salt and tea etc.

## (g) Targeted Public Distribution System (TPDS)

2.58 PDS as it stood earlier, had been widely criticized for its failure to serve the population Below the Poverty Line (BPL), its urban bias, limited coverage in the States with high concentration of the rural poor and lack of transparent and accountable arrangements for delivery. Therefore, in June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains and for its distribution in a transparent and accountable manner at the FPS level.

2.59 To work out the population below the poverty line under the TPDS, there was a general consensus at the Food Minister's conference held in August 1996, for adopting the methodology used by the expert groups set up by the Planning Commission under the Chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State wise poverty estimates (1993-94) of the Planning Commission for 1993-94. The total number of BPL households so determined was 596.20 lakh. Thus the scheme, when introduced, was intended to benefit these poor families for whom a quantity of about 72 lakh tonnes of foodgrains was earmarked annually.

2.60 The actual allocation of foodgrains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of foodgrains under the PDS during the past ten years at the time of introduction of TPDS. The quantum of foodgrains in excess of the requirement of BPL families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tonnes of foodgrains was earmarked annually. Over and above the TPDS allocation, additional allocation to States was also given. The transitory allocation was intended for continuation of benefit of subsidized foodgrains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of foodgrains.

2.61 Keeping in view the consensus on increasing the allocation of foodgrains to BPL families, and to better target the food subsidy, Government of India increased the allocation to BPL families from 10 kg. to 20 kg of foodgrains per family per month at 50% of the economic cost and allocation to APL families at economic cost w.e.f. 1.4.2000. The allocation of APL families was retained at the same level as at the time of introduction of TPDS but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population.

2.62 Subsequently the number of BPL families was increased w.e.f. 1.12.2000 by shifting the base to the population projections of the Registrar General as on 1.3.2000 instead of the earlier population projections of 1995. This increased the total number of BPL families to 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June, 1997.

2.63 The end retail price is fixed by the States/UTs after taking into account margins for wholesalers/retailers, transportations charges, levies, local taxes etc. Under the TPDS the States were requested to issue food-grains at a difference of not more than 50 paise per kg over and above the CIP for BPL families.

Flexibility to States/UTs.has been given in the matter of fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of foodgrains under TPDS except with respect to Antyodaya Anna Yojana where the end retail price is to be retained at Rs. 2/ a Kg. for wheat and Rs. 3/ a Kg. for rice.

*(i) Identification of BPL families under TPDS*

2.64 Guidelines issued for implementation of TPDS provided that the State Governments to identify the BPL families by involving the Gram Panchayats and Nagar Palikas. While doing so the thrust should be to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tapers, weavers, black-smith, carpenters etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sector like potters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement etc. in urban areas. The Gram Panchayats and Gram -Sabhas should also be involved in the identification of eligible families.

2.65 The Committee noted that some States have yet to complete the identification of the BPL families. On being asked about the latest position in this regard, the Ministry in a reply stated as follows:-.

> "The States/UTs of Goa, Himachal Pradesh, Manipur, West Bengal, A&N Islands, Chandigarh, Dadra and Nagar Havali (D&NH) and Lakshdweep were again requested vide this Department letter dated 8th November, 2004 to complete the identification of BPL families at the earliest. No reply has yet been received from the Government of Manipur, West Bengal, A&N Islands, D&NH and Lakshdweep. The position regarding the number of BPL households estimated by the Planning Commission and the number of actually identified by these States is given as under:

*(in Lakhs)*

| State | No. of BPL households in 2000 as per Planning Commission | Identified by the States |
|---|---|---|
| Goa | 0.48 | 0.28 |
| Himachal Pradesh | 5.14 | 2.98 |
| Manipur | 1.66 | 1.28 |
| West Bengal | 51.79 | 47.29 |
| A&N Islands | 0.28 | 0.15 |
| Chandigarh | 0.23 | 0.07 |
| Dadra& Nagar Haveli | 0.18 | 0.16 |
| Lakshadweep | 0.03 | 0.01 |

The information is based on the latest figures given by the State Governments/ UT Administrations".

STATE-WISE NUMBER OF FAMILIES IDENTIFIED AND ISSUED RATION CARDS UNDER BPL (including AAY)

(fig. in lakhs)

| Sl. No. | Name of the States/UTs | Estimated No. of BPL families by the Planning Commission (2000) | No. of ration cards issued by the State Govt. to BPL (Including AAY) |
|---|---|---|---|
| 1 | Andhra Pradesh | 40.63 | 140.46 |
| 2 | Arunachal Pradesh | 0.99 | 0.99 |
| 3 | Assam | 18.36 | 18.91 |
| 4 | Bihar | 65.23 | 71.64 |
| 5 | Chattisgarh | 18.75 | 19.17 |
| 6 | Delhi | 4.09 | 4.35 |
| 7 | Goa | 0.48 | 0.28 |
| 8 | Gujarat | 21.20 | 35.98 |
| 9 | Haryana | 7.89 | 8.12 |
| 10 | Himachal Pradesh | 5.14 | 2.98 |
| 11 | J&K | 7.36 | 7.36 |
| 12 | Jharkahand | 23.94 | 23.95 |
| 13 | Karnataka | 31.29 | 73.06 |
| 14 | Kerala | 15.14 | 20.22 |
| 15 | Madhya Pradesh | 41.25 | 52.05 |
| 16 | Maharashtra | 65.34 | 73.60 |
| 17 | Manipur | 1.66 | 1.29 |
| 18 | Meghalaya | 1.83 | 1.83 |
| 19 | Mizoram | 0.68 | 0.69 |
| 20 | Nagaland | 1.24 | 1.24 |
| 21 | Orissa | 32.98 | 48.49 |
| 22 | Punjab | 4.68 | 7.14 |
| 23 | Rajasthan | 24.31 | 23.14 |
| 24 | Sikkim | 0.43 | 0.43 |
| 25 | Tamil Nadu | 48.63 | 11.18* |
| 26 | Tripura | 2.95 | 2.95 |
| 27 | Uttar Pradesh | 106.79 | 106.79 |
| 28 | Uttaranchal | 4.98 | 4.98 |
| 29 | West Bengal | 51.79 | 47.29 |
| 30 | A&N Islands | 0.28 | 0.15 |
| 31 | Chandigarh | 0.23 | 0.07 |
| 32 | D&N Haveli | 0.18 | 0.16 |
| 33 | Daman & Diu | 0.04 | 0.05 |
| 34. | Lakshdweep | 0.03 | 0.01 |
| 35. | Pondicherry | 0.84 | 0.97 |

* Separate figures of APL/BPL cards in Tamil Nadu are not available as there is no categorization on the basis of APL/BPL in the State.

2.66 From the above table it can be seen that for some States the number of BPL families estimated by the Planning Commission and number of ration cards issued by the Government is same for e.g. for Uttar Pradesh, Planning Commission has identified 106.79 families and the same number of ration cards have been issued by the State Government. On being asked how is this done, the Ministry in a reply stated , "the reply was given on the basis of the information furnished by the Government of UP.

2.67 When TPDS was introduced in 1997, the number of BPL households for each State/UT was determined on the basis of State-wise poverty estimates of the Planning Commission for the year 1993-94. The total number of households so determined was 5.9 crore which increased to 6.5 crore in 2000. But the State have identified 8.5 crore BPL households as beneficiaries. When the Committee asked whether government is planning to increase the coverage under BPL category, the Ministry in a written in a reply stated stated as under:-

> "In the recently held State Food Minister's Conference on 28th October, 2004, one of the recommendations was "as the allocation of food grains by the Government of India under Targeted Public Distribution System (TPDS) is linked to the Below Poverty Line (BPL) estimates for each State of the Planning Commission, and as States feel that the number of BPL projected families does not correspond to the ground realities, the Planning Commission should be asked to reconsider the criteria and re-determine these BPL estimates. As a follow up measures this Department has requested the Planning Commission to reconsider the criteria and to re-determine the BPL estimates. Planning Commission has intimated that it would be improper for the Commission to reopen the issue of poverty estimation solely for the reason that some States have issued more BPL cards than the estimated number of poor by adopting different criteria. It has been further intimated that under the TPDS, the State Governments are free to issue as many cards as they like, but the Central Government subsidy would be limited to the extent of the number officially estimated by the Planning Commission. The additional subsidy would be borne by the State Governments from their budget. The matter is being further examined on the basis of population as per Census 2001 and the Projected Population for 2005".

2.68 Above Poverty Line (APL) population can afford foodgrains from the open market. When the Committee asked about the rationale behind including them under TPDS and the difficulties Government will encounter if the "creamy layer" of APL is barred from the preview of TPDS, the Ministry in a written reply stated as under:-

> "Right from the time of introduction of the TPDS in the year 1997 the quantum of foodgrains in excess of the requirement of BPL families was provided to the State Government as transitory allocation. for APL

families, as sudden withdrawal of benefits was not considered desirable. Hence the APL continue to be included in the TPDS.

The idea of the TPDS is targeting the Poor. Another role of the TPDS is the stabilization of prices across the country even in remote areas, providing food security and choice of foodgrains to the consumers. The low offtake under the APL is mainly due to the little difference in the price of foodgrains at the Fair Price Shops and the market price and easy availability in the open market. The suggestion of the Committee to stratify the APL families into two categories on the basis of income/expenditure and bar the creamy layer from the purview of TPDS may not be helpful and practically feasible".

*(ii) Antyodaya Anna Yojana (AAY)*

2.69 To make TPDS more focused, AAY was launched in December, 2000. It contemplates identification of one crore poorest of the poor families from amongst the BPL families covered under TPDS within the States and providing them foodgrains at a highly subsidised rate of Rs. 2/- per kg. for wheat and Rs. 3/- per kg. for rice. The States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Thus, the entire food subsidy is being passed on to the consumers under the scheme. The AAY Scheme has been expanded in 2003-2004 by adding another 50 lakh BPL families with special focus on the following priority groups; namely, widows/terminally ill persons/disabled persons/persons aged 60 years or more/primitive tribal groups. With this increase, 1.5 crore (i.e. 23% of BPL) families have been covered under the AAY.

2.70 As announced in Budget 2005-06 Antyodaya Anna Yojana (AAY) has been further expanded to include 50 lakh more families thus bringing the total beneficiaries to 2.5 core families.

2.71 On being asked how the Government ensure that the necessary work such as identification of AAY families, issuing them ration cards etc. is being done by all the State Governments/UT Administrations, the Ministry in a reply stated :-

"Necessary guidelines have been issued to the State Governments for identification of Antyodaya families. After getting information from the State Governments on identification of AAY families and issue of distinctive Ration Cards, this Department makes allocation of foodgrains under the scheme. The progress of issue of AAY cards is monitored closely and the wanting States/ Union Territories are advised to speed up the implementation. Out of a total 2.00 crores households to be identified the States have identified 1.76 crore households so far and the requisite foodgrains are being allocated. Guidelines for the recent expansion are being prepared".

### *(iii) Allocation of foodgrains from the Central Pool*

2.72 The following Table shows the allotment and offtake of rice and wheat under PDS/TPDS during the financial years 1999-2000 to 2004-2005 (upto December, 2004). This includes allocation and offtake for Defence, CRPF/BSF and Bhutan.

(In lakh tonnes)

| YEAR | RICE | | WHEAT | | TOTAL | |
|---|---|---|---|---|---|---|
| | ALLOTMENT | OFFTAKE # | ALLOTMENT | OFFTAKE # | ALLOTMENT | OFFTAKE # |
| 1999-2000 | 138.92 | 113.14 | 103.70 | 57.62 | 242.62 | 170.76 |
| 2000-2001 | 162.59 | 79.74 | 115.68 | 40.69 | 278.27 | 120.43 |
| 2001-2002 | 172.35 | 81.59 | 131.37 | 56.78 | 303.72 | 138.37 |
| 2002-2003 | 360.23 | 105.63 | 386.61 | 97.77 | 746.84 | 203.40 |
| 2003-2004 | 344.58 | 133.85 | 371.05 | 108.08 | 715.63 | 241.93 |
| 2004-2005 (upto Dec. 04) | 258.47 | 115.39 | 281.81 | 88.74 | 540.28 | 204.13 |

# Offtake figures are provisional.
Additional allocations of foodgrains over and above normal TPDS allocations.

2.73 It can be seen from the table above that there is a huge gap in the allotment and offtake of foodgrains. On being asked whether the Government receive utilization certificate from all States/UTs conforming that the foodgrains have been lifted and distributed to the intended beneficiaries under TPDS and if not, the remedial action that has been taken against the defaulting States/UTs, the Ministry in a reply stated as follows:-

> "In accordance with the PDS (Control) Order , 2001, the Government started asking for Utilization Certificate from all the States/UTs from September, 2001. Since then, the Government has been receiving Utilization Certificate at different intervals from all the States/UTs except from the States of Jharkhand, Manipur and UT of Daman & Diu. The Department has been writing to the defaulting States/UTs at regular intervals from 13th February, 2002 to comply with the requisite condition. The last such letter to all the States/UTs was written on 6th October, 2004. However, to the defaulting States of Jharkhand, Manipur and UT of Daman & Diu D.O. letters from Union Food Minister to the Food Minister of respective States/UT have been written on 6th August, 2004. The attention of the aforementioned States/UT has been drawn to the provision under PDS (Control) Order, 2001, "future allocation of foodgrains to the State shall be linked to the receipt of Utilization Certificate from them …" and any further action taken by this Department in pursuance of this policy will be the responsibility of

the State/UT. However, allocation under TPDS has not been stopped in any case in order to avoid hardship to the TPDS beneficiaries. The defaulting States/UT are being reminded once again".

### (h) Quality of foodgrains

2.74 One of the reasons for less offtake of foodgrains under PDS is deterioration in the quality of foodgrains over the years. Quality norms exist, but various producing State Governments have these relaxed from time to time. Many consuming State Governments have refused to accept such foodgrains for PDS distribution

2.75 FCI procures wheat, rice, paddy and coarse grains as per the uniform specifications formulated by the Government of India, which are circulated by FCI to all its field functionaries for its strict compliance. Indian wheat of all varieties is procured as per the uniform specifications. The moisture content allowed in case of wheat is 12%. Moisture in excess of 12% and upto 14% is discounted at full value. Rice is procured with moisture content upto 14%, between 14-15% full value cut is applicable. Paddy is procured as per the uniform specifications including moisture content upto 17%. All foodgrains containing moisture in excess of permissible allowances are to be rejected. No colours are allowed in the specifications of foodgrains.

2.76 On being asked whether deviation in quality parameters been noticed and if so, the corrective action taken in this regard, the Ministry in a reply stated :-

> "Whenever, any deviation is noticed in moisture content and/or other quality parameter(s) laid down by Government of India, disciplinary action against the delinquents responsible for procurement of such foodgrains is taken."

2.77 On being asked about the steps taken by the Government to ensure that only sound stock fit for human consumption is issued for distribution under TPDS. The Ministry in a written reply stated:-

> "The following steps have been taken by the Government to ensure that only good quality foodgrains, fit for human consumption are supplied to the State Governments/UT Administrations for distribution under Targetted Public Distribution System (TPDS):-

(i) Ample opportunities are provided to the officials of the State Governments/UT Administrations to inspect the stocks prior to lifting from the Food Corporation of India (FCI) godowns.

(ii) Instructions have been issued to all the State Governments/UT Administrations that an officer not below the rank of Inspector should be deputed to check the quality of foodgrains before lifting from the FCI godowns.

(iii) The samples of foodgrains are to be jointly drawn and sealed by the officers of the State Governments/UT Administrations and the FCI from the stocks for display at the counters of Fair Price Shops (FPSs) for the benefit of consumers.

(iv) The officers of the State Governments' and the Ministry pay surprise checks of the FPSs, to oversee the quality of foodgrains being distributed through TPDS.

(v) The officers of the Department designated as 'Area Officers' for monitoring the TPDS work in the respective States also undertake visits to the storage depots and the FPSs, during their visit to the States to check the quality of foodgrains being issued".

2.78 On being pointed out whether an Inspector is formally trained to check the quality of foodgrains and how does the Government ensure that the quality of foodgrains is being checked by him, the Ministry in a reply stated as under:-

> "Since the distribution of foodgrains under the TPDS is the responsibility of the Governments they are expected to lift foodgrains of fair average quality from the FCI godowns. In order to ensure this, the instructions provide that all the State Governments /UT Administrations should depute officers not below the rank of Inspector to check the quality of foodgrains before lifting. These Inspectors are expected to posses sufficient knowledge about quality of the foodgrains. Inspector is the lowest level prescribed for this purpose. The officers can be even of higher rank possessing better knowledge than the Inspector.
>
> Again in order to be doubly sure about the quality of the foodgrains there is a provision for drawing of samples of foodgrains jointly by the officers of the State Governments and the FCI and these samples are displayed at the fair price shops for the benefit of the consumers. Apart from this, the officers of the State Governments and the Ministry pay surprise checks on the fair price shops to oversee the quality of foodgrains being distributed".

2.79 When the Committee enquired about the number of surprise checks of FPSs conducted by the officers of State Governments and Ministry during the last three years, the Ministry in post evidence reply stated as under:-

> "The record of surprise checks/inspections of Fair Price Shops carried out by the officers of the State Governments is not maintained in the Ministry. The number of surprise checks/inspections of Fair Price Shops carried out by officers of Quality Control Cells of the Ministry during the last three years are as under:-

| Sr. No. | Year | No of surprise checks of Fair Prices Shops |
|---|---|---|
| 1 | 2003-03 | 979 |
| 2 | 2003-04 | 811 |
| 3 | 2004-05 | 830 |

Disciplinary action is taken against officials of FCI where there is a deviation in the quality parameters, such as moisture contents.

Cases initiated by FCI on account of substandard stocks /BRL during the last years is indicated as under:

| Year | Number of cases (BRL Stock) |
|---|---|
| 2002 | 651 |
| 2003 | 729 |
| 2004 | 580 |

2.80 On being asked how the Government ensure that the quality parameters are met especially during peak procurement season, when there is rush of arrival in Mandis and farmers are also required to be given on the spot payment of their produce, the Ministry in a reply stated as under:-

> "As regards procurement of foodgrains from State agencies, as and when they offer wheat/rice, the team of QC staff of FCI posted at Depot/District inspect the stocks as per the specifications issued by the Government of India. In big mandies were huge stock arrive during peak procurement seasons, distribution of procurement work amongst qualified and experienced staff of different procuring agencies ensure quality parameters and payment to the farmers. In the States of Punjab and Haryana, foodgrains of Fair Average Quality (FAQ) are procured by FCI and State Agencies. The FCI and Sate Agencies deploy sufficient technical staff to ensure procurement of only FAQ foodgrains and prompt payment of Minimum Support Price to the farmers who offer their foodgrains".

2.81 Some States have complained about the conditions of rail wagons in which foodgrains are transported e.g. wagons are not leak proof. They lack doors and are filthy etc. On being asked how can the Government ensure that wagons of only desired categories are used for transportation foodgrains so that there is no affect of on the quality of foodgrains, the Ministry in post evidence reply stated as under:-

> "Railways supply general purpose wagons for loading of foodgrains, cement, fertilizers and other general goods. Railway does not earmark specific rakes for loading of foodgrains only. Foodgrains are loaded in covered wagons by the FCI and Railways generally supplies water tight wagons and wagons fit for loading. The FCI accepts only dry, clean and water tight wagons from the Railways for loading foodgrains".

### (i) Diversion of Foodgrains

2.82 It has come to the notice of the Committee that there is large scale diversion of foodgrains meant for distribution through PDS. Instead of providing the foodgrains to the beneficiaries the FPS owners divert it in open market to earn profit. On being asked whether commission of FPS owners need to be increased, a representative of the Department of Food and Public Distribution during evidence replied, " You are right that unless and until we do not make the Fair Price Shop owner economically viable, he will not distribute the foodgrains, but will instead divert it and sell it in the market. In this regard, when a scheme was initially introduced, the Government of India had allowed him a margin of 50 paise/kg and the State Governments were asked to add their commission, handling charges and transportation in it. But State Governments agitated against this saying that 50 Paise is too less, this may be removed. So Government of India, even removed the 50 Paise, (given as commission). Now the State Governments themselves fix the retail price for BPL, so the margin in which handling and transportation are included, varies for each State. Some States given 50 paise whereas some one rupee. It is not so that margin is not given, they (FPS owners) do get the margin".

### (j) Strengthening of PDS

#### *(i) Vigilance Committees*

2.83 Vigilance Committees have been in existence since the inception of the rationing system. The Central Government has been requesting the State Governments from time to time to activate these Committees and reconstitute them, if not done so already by associating members from amongst the card holders, consumer activists as well as people's representatives.

2.84 In the Model Citizens' Charter, constitution of Vigilance Committees by State Governments at the level of Panchayat /Ward, Taluk, District and State/UT have also been emphasised . In the guidelines issued in June 1999 for the involvement of the Panchayati Raj Institutions in the implementation of TPDS , it is mentioned that the Gram Panchayat/Gram Sabha should be encouraged to form FPS committees. The main functions of Vigilance Committee are to ensure smooth functioning of PDS and redressal of problems related with it.Vigilance Committees at the following levels are at present functioning in most of the States:

1. FPS level
2. Block/Mandal/Taluk level
3. District level
4. State level

2.85 When the Committee asked whether Vigilance Committees have been constituted in all States/UTs to monitor the PDS and mechanism available with

Government to ensure that Vigilance Committees are constituted in all States, the Ministry in a note furnished to the Committee stated :-

> "The constitution of Vigilance Committees at various levels in the State are being constantly monitored".

2.86 The constitution of Vigilance Committee and its functioning is under the purview of the state Government concerned. Position in respective of defaulting States is given below:-

<u>Statement showing the states where Vigilance Committees have not been fully constituted</u>

| S. No. | State/UT | Functioning | Non-functioning | Levels |
|---|---|---|---|---|
| 1 | Bihar | | | Information not received |
| 2 | Chattisgarh | | | FPS levelss |
| 3 | Delhi | | Are being formed | |
| 4 | Goa | | Under consideration | |
| 5 | Himachal Pradesh | | | FPS & District levels |
| 6 | Karnataka | | | FPS & District levels |
| 7 | Madhya Pradesh | | | Information not received |
| 8 | Manipur | | | FPS levels |
| 9 | Punjab | 6 | | District & Block levels |
| 10 | Rajasthan | | | All levels |
| 11 | Sikkim | | | Information not received |
| 12 | Tamil Nadu | | | All levels |
| 13 | Uttaranchal | | | Information not received |
| 14 | Uttar Pradesh | | Govt. issued instructions to all DMs to constitute vigilance committee | |
| 15 | A&N Islands | | | Village & District levels |
| 16 | Chandigarh | | | FPS levels |
| 17 | D&N Haveli | | | Various levels |
| 18 | Daman & Diu | | | Information not received |
| 19 | Pondicherry | | | State & Zonal levels |

2.87 From the above Statement it is clear that State Governments are not serious in forming Vigilance Committees at various levels. Considering the importance of Vigilance Committees in strengthening the Public Distribution System when Committee enquired as to what can the Government do about this, the Ministry in a reply stated , "it has been decided to re-circulate the Model Citizen's Charter for TPDS to all States/UTs, which inter-alia contain Constitution of Vigilance Committees at all levels".

2.88 The report of the Vigilance Committee is required to be placed before Gram Sabha for onward transmission to the State Government for taking remedial action. When the Committee enquired whether Central Government has any monitoring mechanism to ensure that remedial action is being taken by the State Governments, the Ministry in a reply stated as follows:-

> "PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility for effective distributing the same to the consumers through the network of Fair Price Shops (FPSs) lies with the State Government. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPSs rest with the State Governments. The functions and the activities assigned to the Vigilance Committees are essentially local in nature. The State Govts. are in the best position to monitor the implementation of Vigilance Committees".

*(ii) Area Officers*

2.89 From February 2000, the Ministry has appointed Area Officers for different States/UTs to coordinate with the State Governments/UTs for regular and effective monitoring of PDS. The Area Officers are required to visit their allocated States/UTs at least once in a quarter and conduct on the spot review of the PDS. The observations made by the Area Officers in their reports are sent to the concerned State Government/UT for taking necessary corrective action.

2.90 During 2004-05, Area Officers have visited the States/UT of Lakshwadeep, Manipur, Nagaland, and Maharashtra. The shortcomings noticed by the Area Officers are detailed below:

Lakshwadeep:

i. No sign board of Fair Price Shops
ii. No record of issue of foodgrains
iii. Godowns not properly cleaned / maintained
iv. Lacking treatment of rice sock at godowns

Manipur:

(i) Identification/issue of ration cards to the additional 12,700 AAY families..

(ii) Offloading of stock of foodgrains, at least for which the payment has been made by the State Government direct in FCS godowns.

(iii) The quota of foodgrains for the District Headquarters falling on the way from Dimapur to Imphal should be down-loaded on the way itself.

(iv) The Numbers of PDCs in Manipur be increased from 10 to 18.

(v) FCI should have godowns in all the nine districts as against two at present.

(vi) The construction of FCI godown at Jiribam be expedited.

(vii) FCI should construct an additional godown of 1000 MTs capacity at Jiribam for State Food and Civil Supplies Deptt.

(viii) Reimbursement of transportation bills from FSD/Imphal (Sangaipru) to PDCs be expedited.

(ix) Why foodgrains are not being allocated to all the 1,89,000 APL families who have been issued ration cards by the State Govt. of Manipur.

(x) Though the State Govt. have issued ration cards to all the 1.66 lakh BPL households, why allocation of foodgrains is not being made for all the 1.66 lakh families.

(xi) The complaint about the poor quality and small crystals of sugar need to be looked into.

(xii) Reason for supplying sugar in 100 kgs. bags as against 50 kgs. for PDS supply.

Nagaland:

(i) The CWC's storage capacity at Dimapur should, in future, be hired only after it is ensured that there is no capacity in the FCI's godowns. Timely coordinated efforts should be made by the Governments of Nagaland and Manipur for transportation of foodgrains to the respective State.

(ii) The Railway authorities must be impressed upon to supply wagons which are of desired categories; without any scope to temper with the stock, i.e., no hole in the doors/floor; wagons are leak proof; the dust of coal/cement/fertilizer, etc. is swept before loading the foodgrains/sugar

(iii) Proper publicity should be ensured about the issue of ration cards under different categories giving the name and address of the concerned State Department..

(iv) Request of the State Govt. for payment of Hill Transport Subsidy for the foodgrains lifted under Welfare Schemes need to be examined.

**Maharashtra:**

During the visit to Pune, Maharashtra, the Area Officer had in his report pointed out that Fair Price Dealers are not displaying the names of grievance redressal authority, the receipt issued by the fair price owner did not mention the quantities issued neither entries made in the ration cards of the beneficiaries, there were dissatisfaction over distribution of kerosene by fair price shops, Vigilance Committees were not formed, the inspectors were not visiting the fair price shops regularly.

According to the Ministry, these reports have been sent to the respective State Governments for taking requisite corrective actions as and when received.

2.91 Only four States/UTs namely, Manipur, Nagaland, Maharashtsra and Lakshdweep were visited by Area Officers during 2004-05. On being asked why were the other States left out, the Ministry in a reply stated as follows:-

> "The Area Officers who has been entrusted the work of visit to the States are the ranks of Directors/Joint Commissioners/Deputy Secretary of the Department. On account of exigencies of work in the Department, intervening Parliament Session, Elections and transfer of Officers, the concerned Area Officers could not visit the remaining States. However, it has now been decided that each of the Area Officer would compulsorily visit the States/UTs allotted to him at least once in a six month".

2.92 On their visit to Manipur in 2004-05, the Area Officers found that the process of identification/issue of ration cards to additional 12700 Antyodaya Anna Yojana (AAY) families is yet to be completed. When the Committee asked about the action being taken by the Government in this regard, the Ministry in a reply stated as under:-

> "In this regard it may be mentioned that the task of identification and issue of ration cards to the targeted beneficiaries under TPDS, lies with the State Government concerned. The Government of Manipur has continuously been requested to complete the work of identification and issue of ration cards to the AAY families without any further delay. Out of 50,400 families ( 25,500 normal, 12700 – first expansion,12,200 – second expansion), till date they have identified 25,500families under AAY category and has issued ration cards to them. The State Government has been advised to complete the process of identification and issuance of ration cards to all AAY families immediately".

2.93 The Committee are concerned to note that inspite of procurement being one of the central pillars of the food policy of the Government, there are serious lacunae in its proper implementation. The procurement of foodgrains is not in accordance with the production. Very less quantity of foodgrains is procured from some States especially in east and south as compared to the production due to inadequate number of procurement centres which have so far been set up. Thus, the benefit of MSP is being availed of by the farmers of only a few States. Besides, in some States such as Bihar, handling charges are more than the actual cost incurred thereon. The Committee, therefore, strongly recommend that Government should look into these issues seriously. The Committee desire that the procurement should be in accordance with production from various States and should not be limited to some States only.

It has also been brought to the notice of the Committee that malpractices such as under-weighment, refusal to accept foodgrains inspite of stocks conforming to the laid down specifications, shortage of storage space at procurement centres and denial of on the spot payment, adequate number of trained manpower etc. have forced farmers to opt for distress sale. The Committee have been informed that Government have taken various steps including wide publicity about the minimum support price, location of procurement centres prompt payment etc. to prevent the distress sale. However, the Committee are not satisfied with the steps taken by the Government. The Committee are of the view that infrastructure bottlenecks do come in the way with the onset of procurement season, and the FCI and other State Government agencies fail to address these and therefore, the farmers are forced to undertake distress sale.

The Committee, therefore, recommend that adequate arrangements should be made before the onset of each procurement season to ensure smooth procurement operations. Moreover, wide publicity should be undertaken through print and audio visual media, Village Fairs, Panchayats, Agriculture Extension services, Krishi Vigyan Kendras etc. At the same time, the Committee also recommend that FCI/Central Government should also seek the support and cooperation of State Governments and their procurement agencies, in opening adequate number of procurement centres including mobile/temporary centres, with all the infrastructure facilities like accurate weighbridges, gunny bags, trained manpower etc. before the onset of procurement operation.

2.94 The Committee are concerned to note that Statutory Charges are levied by various States in the form of Market Fee, Rural Development Cess, Infrastructure Development Cess. In some States such as Punjab, Haryana and Andhra Pradesh the percentage of statutory charges to the total cost are 8.49%, 8.96% and 8.81%, respectively for paddy. Similarly, in the case of wheat percentage of charges to the total cost in the States of Haryana and Punjab are 8.6% and 9.3% respectively. Thus such charges account for almost 10% of the total procurement cost. These charges levied and collected by State Governments from FCI, are meant for improving the infrastructure of mandis, construction of roads and other works. The Committee, however, have observed that the collection of such charges are not in tune for the purpose for which they are levied. The Committee acknowledge the power vested with State Governments to levy Statutory and other local taxes, on the procurement of foodgrains, but the Committee feel that such charges needs to be just and reasonable lest the economic cost of foodgrains should unnecessarily swell and thereby results in raising the food subsidy bill of the Government. In this context, the Committee concur with the observation contained in Economic Survey-2004-05 that there is a scope for rationalization of State Statutory charges/levies. Taking into consideration the wide disparity in the imposition of such taxes, across States, the Committee recommend that the respective States should be impressed upon to set up Regulatory Authority for examining and recommending the local taxes on the procurement of foodgrains.

2.95 The Committee note that under Hill Transport Subsidy (HTS) Scheme, the Union Government reimburse the full transportation cost of foodgrains up to designated Principal Distribution Centres (PDCs) in predominantly hilly States to enable the State Governments to take foodgrains in the interior areas. Of 11 States/UTs, in which the scheme was in operation, only a few States took the benefit. The claims under HTS were preferred only by 5 States in the year 2003-04 and 3 States in the year 2004-05. The Committee are surprised to note the abnormal rise in Hill Transport Subsidy claims of the State of Arunachal Pradesh from a level of Rs.52 lakhs in the year 2001-02 to Rs.340.60 crores in the year 2003-04 in spite of the fact that the off-take of foodgrains did not show the commensurate rise with the same proportions during this period. The Committee have been further informed that a special Audit Team of FCI has been deputed to make a detailed investigation in the matter, although FCI is not making any direct payment to the party/ contractors under the scheme and the reimbursement are made to the State Government based on the certificates provided by the States Authorities. The Committee are of the view that large scale irregularities have been committed in the State of Arunachal Pradesh and other States, where the scheme is in operation in reimbursing claims under HTS.

The Committee are not satisfied with the special audit team constituted by FCI in the matter. The Committee desire that investigation by a higher authority like CBI be conducted in the matter. The Committee would also like to recommend that Government should also probe as to why the neighbouring States of Arunachal pradesh such as Manipur, Meghalaya and Nagaland are not availing the benefit of the scheme for the last couple of years. The Committee would like to be apprised of the action taken by the Government in this regard.

The Committee are further concerned to note that hilly State of Uttaranchal and parts of Nilgiri Areas of Tamilnadu have been excluded from the purview of the scheme. Taking into consideration that the people living in these hilly regions also face the same problems as being witnessed by the other hilly States, the Committee recommend that the benefit of this scheme may also be extended to Uttranchal and Nilgiri Hills of Tamilnadu.

2.96 The Committee note that the subsidy given to APL population has risen by leaps and bounds during the last three years. In the year 2001-02, Rs. 485.96 crore (i.e. 2.78%) was given as subsidy which increased to Rs. 1650.18 crore (i.e. 6.58%) in the year 2003-04. For the year, 2004-05, Rs. 2510 crore is the budgeted subsidy for APL and a provision of Rs. 2586 crore exists for the year 2005-06. The Committee concur with the National Common Minimum Programme (NCMP) of the Government which pledges that the subsidies are to be targeted sharply for the poor and the truly needy. The Committee are of the view that as APL population has enough purchasing power, there is no justification to give them subsidised foodgrains through the Public Distribution System. On the one hand, the Government seems to be reluctant to increase the number of BPL beneficiaries as identified by State Governments, and on the other hand, it spends a large chunk of precious subsidy on those, who do not actually need it. The Committee, therefore, strongly recommend that APL population be excluded from the purview of the Public Distribution System with respect to foodgrains. The Committee also recommend that the quantum and percentage of subsidy to BPL beneficiaries, to the total subsidy should also be raised substantially.

2.97 The Committee note with serious concern that the quality of foodgrains provided through PDS, is deteriorating over the years. Though FAQ norms have been fixed by the Government for ensuring that only good quality of foodgrains are procured and distributed, yet these norms are flouted with impunity. The fact that disciplinary action was initiated by FCI against 651 officers in 2002 and 729 in 2003 on account of substandard stocks /BRL is a clear indication of the quality of foodgrains procured and supplied through PDS. The Committee feel that their concern of poor quality of foodgrains, is not taken seriously by the Government, whereas this is an important reason for low offtake of foodgrains by the States and the beneficiaries. The Committee are of the opinion that low offtake of foodgrains defeats the very purpose of PDS, i.e., providing subsidised foodgrains to the poor. The Committee, therefore, recommend that FAQ norms should be strictly adhered to during procurement and distribution of foodgrains. The Committee would like to be apprised of the action taken by the Government in the matter.

2.98 The Committee have been informed that the Railways supply general purpose wagons for loading of foodgrains, cement, fertilizer and other general goods. They do not earmark specific rakes for loading of foodgrains. The Government have further stated that the foodgrains are loaded in covered wagons by the FCI and Railways generally supply water tight wagons and wagons fit for loading and FCI accepts only dry, clean and water tight wagons from Railways for loading foodgrains. The Committee do not accept this contention of the Government. In this context, the Committee would like to draw the attention of the Government, towards the report submitted by Area Officer of the Department of Food and Public Distribution who visited Nagaland in 2004-05 to review PDS and reported that there is an imperative need to have such wagons which are of desired categories so that there is no scope to tamper with the stocks i.e. these should be without holes in the doors/floor; leak-proof; and free from the dust of coal and cement, fertilizers etc., before these are loaded with the foodgrains/sugar. The Committee have, therefore, reasons to believe that there has been laxity on the part of the Department of Food and Public Distribution, FCI and Railways Authorities in accepting and supplying wagons which are not fit to transport foodgrains. The Committee, therefore, take a strong view of lack of coordination between FCI and Railways Authorities in the matter and desire that under no circumstance wagons which are used for transportation of cement, fertilizer etc. be used for transportation of foodgrains. The Committee recommend that Government should take up the matter with the Ministry of Railways for providing special wagons instead of general purpose ones for the transportation of foodgrains so that the quality of foodgrains remains intact till it reaches its final destination.

2.99 The Committee are concerned to note that the Public Distribution System is not able to meet the objective for which it was introduced-providing subsidised foodgrains to the beneficiaries. Under this system, the Fair Price Shop (FPS) owners play a very important role, in fact they are the link between the Government and the beneficiaries. But it has been observed that instead of providing foodgrains to the beneficiaries, they divert the foodgrains to the open market and thus sell the subsidised foodgrains at higher prices. The foodgrains are diverted with the sole purpose of earning profit. The Committee feel that the main reason for this diversion is that the commission given to FPS owners is very less, hence they are forced to adopt illegal means of increasing their income. The commission given to FPS owners has been fixed by the State Governments and varies across the States. In this context, the Committee desire that in order to make the Fair Price Shops economically viable, there is a need to step up the commission admissible to FPS and the Committee recommend that the commission of FPS owners should be made uniform throughout the country. Further, Fair Price Shops be allowed to market LPG/Kerosene Oil and permitted to be used as STD booths.

2.100 The Committee note that the Vigilance Committees are required to be set up at FPS level, Block/Mondal/Taluk level, District and State levels, to ensure smooth functioning of PDS and redressal of problems associated with it. The Committee are unhappy to observe that Vigilance Committees have not been constituted in all the States. Even in a few States where constituted, these are not functioning at all the levels. In Chattisgarh, Manipur and Chandigarh, these Committees exist only at the Fair Price Shops level. The Committee, therefore, recommend that the Union Government should take up the matter with the concerned State Governments. All State Governments need to be informed that Vigilance Committees are to be constituted at all levels as per the Model Citizens' Charter for TPDS. In addition, the Committee recommend that local MLAs and MPs should also be associated with these Committees.

Regarding Area Officers, the Committee are concerned to note that inspite of the Government's assurance of improving their functioning, no action has been taken in this direction. In the year 2004-05, only four States/UTs were visited by Area Officers. The contention of the Government that Officers of higher level are over-burdened with work and hence could not make a visit is not at all acceptable to the Committee. The Committee note that the Department of Food have 20 sub-ordinate offices, spread over length and breadth of the country. The Committee, therefore, recommend that the services of Officers of

Subordinate Offices and the officers in the Department at the level of Under Secretary and above be pressed into service to review and monitor the working of PDS in a given State. Taking into consideration, the vast network of FPS running into more than 4.7 lakhs, each officer should visit at least 10% of FPS in a revenue district. They should also visit Stock Agents and FCI Depots. Care should be taken to visit FPS in rural/Tribal Areas, Jhuggi-Jhopri Cluster etc. Further the periodicity of visit should be once in a quarter, instead of six months. The Committee would like to be apprised of the action taken by the Government in this regard.

2.101 The Committee note that the PDS (Control), Order 2001 has been promulgated to maintain supplies and securing availability and distribution of essential commodities through Public Distribution System. The Committee further note that under Clause 13 of this Order, the Central Government have been given powers to give such directions as it deems necessary to State Governments for execution of all or any of the provisions of PDS Control Order and the State Government is required to comply with such directions. The Committee desire that Central Government should invoke clause 13 of PDS Control Order for strengthening the public distribution in the States.

## CHAPTER-III

## FOOD CORPORATION OF INDIA (FCI)

The Food Corporation of India (FCI was set up in 1965 under an Act of Parliament called the Food Corporation' Act, 1964. The primary duty of the Corporation is to undertake purchase, storage movement, transport, distribution and sale of foodgrains.

3.2 As the principal implementing agency of the food policy of Government of India, the FCI undertake procurement of foodgrains at the minimum support price to provide remunerative prices to farmers and also to prevent distress sale of their produce. The FCI also maintains a satisfactory level of operational and buffer stocks of foodgrains to ensure national food scrutiny. It offers foodgrains to various State Governments for being distributed to consumers through a wide network of fair price shops under the Public Distribution System (PDS), at the Central Issue Price fixed by the Government.

3.3 The authorized and paid up capital of the Corporation wholly subscribed by the Government of India as on 31.12.2004 stood at Rs. 2,500.00 crore and Rs. 2407.38 crore respectively.

### (a) Dues and Liabilities of FCI

3.4 Food subsidy is released to FCI for the foodgrains distributed under Targeted Public Distribution System, other Welfare Schemes, exports, open market sale, etc. at the rate of 95% of their admissible claim with the balance being released after submission of audit certificate.

(i) *Details of dues receivables*

3.5 The outstanding dues of the FCI against other Ministries, relating to issue of foodgrains on credit, are as detailed under:-

Figures in Rs. crore
As on: 15.3.2005.

| S.No. | Particulars | Outstanding Amount |
|---|---|---|
| 1. | Ministry of External Affairs Supply of foodgrains to Afghanistan | 2.52 |
| 2. | Ministry of Human Resource Development (Mid-Day-Meal Scheme) | 759.37 |
| 3. | Ministry of Rural Development (Food for Work , SGRY-I, II & Special Components) | 16982.44 |
| 4. | State Government/Agencies (Rs.225.98 crore against the State Government of Jammu & Kashmir) | 326.25 |
| 5. | Ministry of Defence | 1.18 |
| Total | | 18071.76 |

(ii) *Details of liabilities of FCI*

3.6 The liabilities of FCI, as on 31.1.2003 are as under:-

(In Rs. crore)

| Sl. No. | Particulars | Amount |
|---|---|---|
| 1 | Subscribed Capital by Govt. of India | 2353.00 |
| 2 | Secured Loans (Loans and advances from scheduled banks against hypothecation of stocks) | 28735.28 |
| 3 | Unsecured Loan (Loans from HDFC) | 8.94 |
| 4 | Sundry Creditors for goods and services | 2989.22 |
| 5 | Sundry Creditors for other finance | 1455.54 |
| 6 | Sugar price Equalisation fund | 448.02 |
| 7 | Deposits repayable | 1607.10 |
| 8 | Interest payable | 19.17 |
| T O T A L | | 37616.27 |

3.7 Every year there is a huge amount of dues of FCI receivable from various Ministries regarding foodgrains allocated for various welfare Schemes. On being asked by the Committee if any interest is charged from these Ministries for delayed payment and whether it is included in the food subsidy bill or not, the Ministry in a reply stated :-

> "Total interest charges incurred by the FCI including the interest on the out standings gets reflected in the economic cost of the foodgrains which is taken in to account for payment from various Ministries for the foodgrains allocated under various Welfare Schemes".

(b) Establishment Cost

3.8 The net expenditure incurred by the FCI (including the establishment cost) is reimbursed by the Government in the form of food subsidy,

The total establishment cost incurred by the FCI during the last three years is as under :

(Rs. crore)

| | 2001-02 | 2002-03 | 2003-04 |
|---|---|---|---|
| Total Establishment Cost | 1177.39 | 1282.13 | 1216.37 |

3.9 On being asked by the Committee about the remedial/corrective steps proposed to be taken to keep the establishment cost to its barest minimum, the Ministry in a reply stated ,

> "With the approval of the Government, the FCI introduced Voluntary Retirement Scheme for its employees on 29th June, 2004, valid for three months, with a view to rationalising the manpower and reducing the establishment cost without compromising on the operational efficiency. Under the scheme 8,777 employees have taken voluntary retirement. Fresh recruitment is being kept to a minimum.The expenditure on over-time allowance (OTA), travelling allowance (TA) and other administrative expenses are being regularly monitored. These measures have contained the establishment cost of the FCI".

3.10 When the Committee asked about the reasons for loading Establishment Cost on the food subsidy bill, the Ministry in a reply stated :-

> "The FCI's manpower is engaged in the procurement, storage, movement and distribution of foodgrains. As these activities benefit the producers and consumers, the establishment cost of the FCI is also reimbursed in the form of food subsidy".

(c) Market Borrowing by FCI

3.11 Food credit is provided by banks to FCI, State Governments and State Cooperative Agencies for purposes of food procurement. It accounts for about 5-6 percent of the total bank credit. Food credit for FCI's procurement operations is provided by a consortium of about 50 commercial banks led by the State Bank of India, and equals the amount required to finance procurement, stocking and distribution operations during any cropping season. Credit is secured against the FCI inventory and partially guaranteed (25%) by the Central Government. The interest charged by the Banks on the Cash Credit is reimbursed as part of food subsidy. A significant component of the expenditure on food subsidy is on account of the high interest being paid to consortium of banks for the food credit availed by the FCI.

3.12 On being asked by the Committee whether interest rate on "food credit" given by banks to FCI has been reduced recently and to what extent this will help in reducing the food subsidy Bill, the Ministry in a note stated , "due to the persistent efforts made by the Department and the FCI, the Consortium of Banks agreed to reduce the interest rate on food credit first from 10.85% to 9.35% with effect from 1.4.2004 and again from 9.35% to 9.10% with effect from 1.4.2004. The interest rate for the FCI's food credit was further reduced to 8.15% with effect from 11.8.2004, after the Government of India issued the single default guarantee. The reduction in the rate of interest from 10.85% per annum has resulted in reduction in food subsidy to the tune of Rs. 620 crore per annum taking an average food credit outstanding of Rs. 23,000 crore".

3.13 When the Committee pointed out that when funds under SDF (Sugar Development Fund) can be given at 2% less than the Prime Lending Rate, why this facility be not extended for food credit, the Ministry in a post evidence reply stated as under:-

> "The rate of interest of food credit to FCI is determined by the consortium of banks over which this Ministry has no direct control, whereas the rate of interest on the funds released under the Sugar Development Fund (SDF) is determined by the Government".

### (d) Issue of Bonds by FCI

3.14 The Reserve Bank of India constituted a Working Group to work out the modalities of the market borrowings by the FCI. The recommendations of the Group were accepted by the Government. The Ministry of Finance, has approved the proposal of FCI for issue of bonds upto Rs.5000 crore in tranches, alongwith waiving of guarantee fee with the stipulation that formal approval of Budget Division, Department of Economic Affairs be obtained before floating of each tranche to ensure that the FRBM cap is not breached during the year.

3.15 On being asked by the Committee about the permissible value of bonds rate of interest offered and how does it compare with the rate of interest at which FCI borrows money from the banks, the Ministry in a reply stated that the FCI, with the permission of the Government of India, floated successfully the first tranche of bond issue on 21.2.2005 for Rs.1,000 crore including the green shoe option of Rs.500 crore. Three options of tenure were offered, viz 5 years (7.10%), 7 years (7.20%) and 10 years (7.30%). This issue was closed on 31st March, 2005.

3.16 The second tranche of bond issue was floated by the FCI for Rs.4,000 crore, including the green shoe option of Rs.3,000 crore, on 21.03.2005. During this issue the three options of tenure offered were: 5 years (7.09%), 7 years(7.15%) and 10 years (7.27%). The issue is still open.

3.17 The present rate of interest of 8.15% (monthly compounding basis) being charged by the SBI led consortium, with 0.50% as penal rate for drawing over DP limits, aggregates to 9.00 % on annualized basis. As against this the FCI was able to get an average of 7.14% on the first tranche of bond issue. When the Committee inquired about the extent of saving in the subsidy bill as a result of issuance of bonds, the Ministry in a reply stated , the issue of Bonds to the extent of Rs.5000 crore with an average coupon rate of 7.14% will result in a saving of Rs.93 crore per annum on the subsidy bill of Government.

### (e) Storage and Transit Losses

3.18 Storage and transit losses occur in foodgrains operations due to multiple handling, spillage, driage of moisture, insects and pests, long storage, bird and rodent trouble, cleaning and up-gradation, pilferage, misappropriation, etc. The losses due to theft, misappropriation, manipulation etc. are investigated for fixing the responsibility.

3.19 The quantity and value of foodgrains losses in storage and transit during the last three years is as under:

| Year | Transit Loss | | Storage loss | |
|---|---|---|---|---|
| | Qty. of loss (in lac MTs) | Value (Rs.crore) | Qty. of loss (in lac MTs) | Value (Rs.crore) |
| 2000-2001 | 1.55 | 134.76 | 1.56 | 145.31 |
| 2001-2002 | 1.42 | 123.12 | 1.44 | 143.02 |
| 2002-2003 | 1.70 | 148.52 | 3.17 | 309.39 |

3.20 On being asked by the Committee about the steps taken by the Government to contain storage transit losses, the Ministry in a reply stated that, the FCI has taken several administrative measures to contain losses including monthly monitoring at Headquarters level. The steps taken to minimize the losses include:

a) Adoption of 50 kg. packing in a phased manner to avoid use of hooks.
b) Administrative measures such as tightening of security at depots, intensifying surprise checks, ensuring regular stock verification etc.
c) Encouraging double line machine stitching of bags.
d) Periodical prophylactic and curative treatment of stocks as prescribed.
e) To streamline procedure and documentation for transparency and accountability in operations at each level.
f) Special squad checking at selected railhead transshipment and destination / dispatch centres.
g) Identification of vulnerable points.
h) Speed up of write off cases and fixation of responsibility after undertaking investigation and recover the losses (wherever called for) after following the prescribed procedures, as per Staff Regulations.
i) Inspection of depots by Sr. Officers of Headquarters, Zonal Managers / Sr. Regional Managers / District Managers.
j) Inspection of weighbridges
k) Improvement in size and quality of gunnies.
l) Two tier system of audit i.e. Internal and CAG.
m) Maintaining priority list for issue of stocks observing the FIFO principles.
n) Proper weighment and accounting at the time of receipt and issue.
o) Undertaking pre-monsoon fumigation
p) Improvement in dunnage material.

3.21 When the Committee inquired if any investigation is conducted for storage and transit losses, the Ministry in a reply stated that each and every case of abnormal loss is investigated and appropriate action is initiated against the delinquent officials found involved. To minimize losses, regular and surprise checks are conducted at various levels.

3.22 On being asked about the precise definition of abnormal loss, the Ministry in post evidence reply stated as under:-

> "The losses in foodgrains that occur due to natural causes and for reasons beyond the control of humans are considered as normal losses and written off. The losses that are caused due to theft, pilferage, misappropriation etc. are considered as abnormal, for which recovery proceedings are resorted to. The following number of cases were initiated / investigated on account of storage and transit losses during the last 5 years.

| Year | Number of cases initiated/investigated |
|---|---|
| 2000 | 300 |
| 2001 | 585 |
| 2002 | 760 |
| 2003 | 713 |
| 2004 | 488 |

Action taken against the delinquent officials who were found responsible for these losses during the last 5 years is as under:-

| Year | Recovery from the pay of the losses caused to FCI |
|---|---|
| 2000 | 140 |
| 2001 | 196 |
| 2002 | 425 |
| 2003 | 427 |
| 2004 | 489 |

In some cases, beside recoveries, other penalties were also imposed.

3.23 When the Committee enquired about the details of depots where security has been tightened during the last three years and the results achieved in terms of reduction of losses, the Ministry in post evidence reply stated as follows:-

> "The basic responsibility of security arrangements of the depots lies with the District Manager/Senior Regional Manager for which the instructions have been issued from time to time. Further, Security Inspections are regularly carried out at then level of Hqrs./Zonal Office/Regional /District Office as per the guidelines issued.

3.24 The details of inspections conducted at All India level during the last three years is as under:-

| 2002-03 | 2003-04 | 2004-05 (Upto Feb.'05) | Total |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 374 | 666 | 900 | 1940 |

3.25 The number of surprise checks undertaken by the Headquarters/Zonal/ Regional/ District level Vigilance Squads during the last 3 years is as under:-

| Year | Number of surprise checks conducted |
|---|---|
| 2002 | 2394 |
| 2003 | 496 |
| 2004 | 1119 |

3.26 As a result of the above checks the overall losses, including both transit and storage losses have come down from 1.51% during the year 1999-2000 to 0.96% by the end of the year 2003-04.

3.27 On being asked about the periodicity after which stocks are verified and details of short stocks noticed and the action taken during the last 3 years, the Ministry furnished the following information:-

"Annual Verification of stocks are conducted as on 31st March every year and shortages noticed are investigated for taking action. The action taken during the last 3 years are given below:

| Year | Shortages noticed | | | Action taken |
|---|---|---|---|---|
| | Wheat | Rice | Paddy | |
| 31-3-2002 | 16222 bags | Nil | 79449 bags | Departmental action has already been taken, besides FIR for theft cases. |
| 31-3-2003 | 77696 bags | 6727 bags | 188639 bags | Departmental action involved in has already litigation/arbitration been taken, besides FIR for theft cases. |
| 31-3-2004 | 5342 bags | 15121 bags | 7648 bags | Departmental action has already been taken, besides FIR for theft cases. |

3.28 The Committee have been informed that one of the measures to reduce losses is to streamline procedure and documentation for transparency and accountability in operations at each level. When the Committee asked about this new system and its effect in reducing the loss, the Ministry in a reply stated, "the FCI has taken various measures to streamline the procedures for documentation and investigation of transit and storage losses, effective from January 2000, in order to reduce the losses. These instructions were followed by monthly review at various levels. Procedures were also streamlined for transparency and accountability and its impact on implementation was monitored during interactions with the field officers who were advised to adhere to the time schedule fixed for investigation and fixing of responsibility as per staff regulations.

3.29 According to the instructions, each and every case of loss is required to be investigated with reference to the factors responsible for losses including dereliction of duties by officials and its write off will continue without prejudice to the pending/contemplated disciplinary action for accountability of losses. This system had considerable effect with the percentage of loss showing a downward trend".

3.30 When the Committee desired the details of special squad checking undertaken at selected railhead transshipment/despatch centers, the Ministry in a reply stated as follows:-

> "Headquarters Squads had checked the foodgrain specials at Barpetta Road, new Guwahati (Assam), Mangalbari, Jalpaiguri, Siliguri, Durgapur, Dankuni (West Bengal), Vadodara (Gujrat) and Cuttack (Orissa) and found that transit losses were beyond the prescribed norms i.e. 0.5% and quality of stock was also found to be beyond specifications. On the basis of these observations and with a view to contain quantitative as well as qualitative losses, the matter has been taken up with the concerned Regional Heads for taking suitable action against the defaulters".

3.31 On being asked whether vulnerable points have been identified to plug the leakages/pilferages, the Ministry in a post evidence reply stated:-

> "At Hqrs. level the vulnerable points to plug the leakages / pilferages are not identified. However, the Zonal / Regional Managers decide about the vulnerable points and take corrective action wherever it is noticed that there are leakages / pilferages if any, in the Depot under their jurisdiction.
> Special security arrangement are made by deployment of SPO/Home Guard/CISF/State Armed Police etc. in case there is shortage of watch & ward staff".

3.32 When enquired about the recovery made by FCI from its employees, the Ministry in a reply stated that during the process of investigation, some cases of losses are found to be due to dereliction of duties by employees. The recovery of such losses for 2002-03 was Rs.54.41 crore and during 2003-04 it was Rs.56.35 crore in respect of Transit losses and Rs. 5.45 crore and Rs. 5.39 crore respectively for storage losses.

3.33 The following are the powers delegated to various authorities to write off storage and transit losses.

a) **Storage Loss**

| **Competent authority** | **Storage Loss (%age of loss to total quantity killed during the month)** | | |
|---|---|---|---|
| | **Wheat** | **Rice** | **Paddy** |
| District Manager | 1 | 1.5 | 3 |
| SRM/RO | 5 | 5 | 5 |
| ZM | 10 | 10 | 10 |
| MD | Full powers | Full powers | Full powers |

**b)Transit Loss.**

| **Competent authority** | **Transit Loss (%age of loss to total quantity received during the month)** | | |
|---|---|---|---|
| | **Wheat** | **Rice** | **Paddy** |
| District Manager | 1 | 1 | 1 |
| SRM/RO | 5 | 5 | 5 |
| ZM | 10 | 10 | 10 |
| MD | Full powers | Full powers | Full powers |

3.34 Storage losses are computed as the difference between the receipt weight and issue weight on complete liquidation of the stocks in the stacks during the month in a depot. The ceiling limit for write off at various levels were fixed based on the extent of losses that occur in foodgrains kept in storage in covered godowns as well as in open.

3.35 Similarly, in transit losses the percentage ceiling was fixed considering the extent of losses due to various reasons including long period of transit, pilferage en route and dispatches at owners risk under said to contain RRs.

3.36 When the Committee asked how does FCI ensure that the power of writing off is not misused, the Ministry in a reply stated that the food grains are received in the depots on 100% weighment and accounted for indicating the moisture content and stacked under the supervision of Depot as well as Technical staff. Periodical check of quality and quantity is undertaken with specific entries in the concerned records. Storage loss is detected on liquidation of the stacks whereas Transit Loss is the difference between the dispatch weight and receipt weight. As soon as the losses are reported, the reasons are investigated, first by AM (D) and AM (QC) who prepare the statement and record certificates indicating the reasons of losses and forward it to the District manager. There is a system of checks and balance at various levels so that such powers are not misused.

3.37 Statement showing the details of inspection carried out during the last 3 years is as under :-

| Year | Zonal Managers | SRM | DM/DM(QC) | Periodicity | Senior Officers of Hqrs. |
| --- | --- | --- | --- | --- | --- |
| 2001 | 96 | 336 | NA* | Monthly | 37 |
| 2002 | 129 | 327 | NA* | Monthly | 58 |
| 2003 | 60 | 378 | NA* | Monthly | 7 |
| 2004 | 37 | 435 | 1261 | Monthly | 7 |

*Monitoring at Hqrs. level started from 2004.

3.38 In addition random checks are also carried out by Senior Quality Control Officers. Due to inspection carried out as mentioned above the Storage & Transit losses have shown declining trend.

3.39 Weighbridges tend to under-weigh foodgrains, which ultimately results in losses. On being asked about the number of cases in which weighbridges were inspected and found to under-weighing the foodgrains, the Ministry in a reply stated:-

> "After installation, the Lorry Weighbridges are mandatorily certified and stamped by the concerned State Government Weights and Measures Deptt. with all necessary checks through test weights signalling accuracy and correctness of weighment. Only after such certification by the Weights and Measures Deptt., the weighbridges are handed over to the Depot Incharge for storage operation. Certification and stamping is done every year as per the statutory requirement. The annual services and maintenance contract for the weighbridges are entered into by the concerned District Managers with the repairs and servicing contractors registered with the State Governments. The above procedure is being followed at each and every depot of the FCI. No report of under weighing weigh bridges has been received from any depot/district offices".

3.40 When the Committee enquired about the details of proper weighment and accounting system in vogue at the time of receipt and issue, to reduce the chances of transit and storage losses and its effect on reducing the loss, the Ministry in a reply stated as follows:-

> "The FCI operations start with the procurement of food grains in mandies and the procured grains are filled in new gunny bags and the bags are standardized according to the filling size and moved to depots. The food grains are received in depots on 100% weighment and acknowledgement issued. At the time of issues, weighment is carried out on 10% of standard bags and 100% in case of non-standard bags. The gunny bags in many cases lose their texture or tensile strength due to non conformity of specifications which cause spillage and bursting of bags in storage and also in transit. The labour also sometimes uses hooks while handling the bags. Though there exists proper weighment system, these drawbacks result in some losses. The actual effect of these measures will be ascertained and intimated".

3.41 The FCI has at present a two tier system of Audit, one conducted by the Internal Audit and the other by the Auditors of the C&AG. The Internal Audit basically is a concurrent audit where the Audit of transaction of a year is covered in that very year. However, the C&AG Audit is mostly a post-dated Audit, where transactions of certain years are taken up for Audit after the year has been closed.

3.42 The C&AG who conducted the Audit of the shortages of foodgrains covering the period from the year 90-91 to 93-94 has pointed out the following major deficiencies in regard to both the storage shortages as well as transit shortages:-

Storage Shortages:

1. Poor record of fixing responsibility and effecting recovery, on account of shortages of foodgrains.

2. Upward trend in occurrence of shortages.

3. Non fixation of norms of shortages in respect of the regions/depots.

4. Incurrence of shortages due to increase in pilferage and thefts by the employees.

5. Loss/shortages of foodgrains due to storage in temporary and transit sheds.

6. Non conducting of periodical physical verification of stock of foodgrains.

Transit shortages

1. Under loading of stocks by the dispatching points.

2. Increase in the number of depots incurring excess transit loss.

3. Shortages noticed in import of wheat and in riverine movement.

4. Delay in regularization of shortages

The observations or deficiencies pointed out by the Internal Audit Wing of the Corporation also relates to shortages noticed on special P.V., transit shortages observed in movement of foodgrains in seal in tact wagons, shortages due to misappropriation and theft and shortages due to down gradation/deterioration of stocks due to long storage.

The deficiencies pointed out by the Auditors under both the system being of identical nature, the FCI has taken several corrective measures like :-

a) Fixation of responsibility against the delinquent employees has been expedited and recovery as per the administrative orders are being effected. Reiteration of the existing instructions for smooth implementation of above has also been made.

b) Nomination of independent consignment certification officers.

c) No norms for shortages has yet been fixed, in view of the fact that the said norms would be taken as a benchmark by unscrupulous employees.

d) For expeditious regularisation of losses monthly and annual targets have been fixed and are being monitored constantly at D.O./ R.O./Z.O. and HQrs., levels.

3.43 On being asked whether any insurance scheme to cover up losses- both in storage and transit have been thought of, the Ministry in a reply stated as follows:-

> "There is a proposal to insure the risk of rail transit losses. In case of storage losses there is no proposal for insurance because necessary records receipts and issues are available for investigation and fixing responsibility whereas in rail transit loss, both the dispatcher and receiver claim to have carried out loading / unloading operations correctly and the available records do not support as evidencing documents for fixing responsibility. Some insurance brokers approached the FCI for undertaking the risk of rail transit losses through nationalized Insurance Companies provided they may be given chance to study the field operations of the FCI. These parties were allowed to study the FCI operations at their own cost and after understanding the various operations, to quote rates for FCI's consideration. The matter is under examination.

### (f) Labour System in FCI

3.44 Following are the labour systems existing in FCI:

#### *(i) Departmental Labour System*

3.45 Under this system, regular time scale of pay are applicable to the workers apart from statutory benefits of ex-gratia in lieu of Bonus, PLI, CPF, Gratuity and Welfare benefits of various types of leaves, uniform, LTC, HBA, Festival Advance etc. The Departmental Workers are given Minimum

Guaranteed wage for 21 days in a month in addition to 4 or 5 paid weekly offs even if FCI is not able to provide any work or sufficient work to labourers for all the working days of the month provided the worker has attended the work spot on all the working days of the month. The provisions of Industrial Employment (Standing Order) Act are applicable to the Departmental Labourers working in the depots of the Corporation.

*(ii) Direct Payment System*

3.46 The system is presently functioning in 223 depots. In this system, the workers are paid piece rates on a programme schedule of role (ASOR) percentage basis, as in the case of contractors. Gang Workers are paid actual earnings on ASOR for the quantum of work done or the minimum guaranteed wage, when a Gang Worker is not able to earn up to his minimum guaranteed daily wage on a particular day for want of any work or sufficient work. The DPS workers have been given the benefits of CPF in addition to the benefits of Ex-Gratia/PLI/ Gratuity /Workmen's Compensation, Paid Weekly Off, National Holidays, Sick Leave, Medical First Aid, Compassionate engagement of dependants, etc.

*(iii) Direct payment through three members Committee of Workers on productivity linked piece rate on No work no pay basis.*

3.47 This system is popularly known as TMC System or 'No Work No Pay' (NWNP) system. The system is presently prevailing in 15 depots throughout the country. Under this system, the payment for the actual quantum of work done is made on the basis of ASOR percentage to the Committee comprising of 'Three Worker Members' nominated from the workers themselves of the particular depot. Payment to them is made without any minimum guaranteed wage. In addition, the benefits of EPF, Ex-Gratia in lieu of Bonus are given by FCI to these workers.

*(iv) Contract Labour System*

3.48 In a majority of the depots, this system is in existence. Under this system open tenders are floated by FCI inviting private contractors to call on to do the operations.In different Regions, there are respective Schedule of Rates (ASORs) fixed by the respective SRMs. The 'Schedule of Rates' may vary from Region to Region and also vary from the date of their effectiveness but remains uniform and same within the same respective Regions after every two years. The contractors quote their respective percentage above Schedule of Rates (ASOR). The lowest ASOR percentage may differ and vary from contractor to contractor i.e. from depot to depot in the same Region. The contractors so appointed by FCI are required to fuilfil all the statutory obligations as provided in the Contract Labour (R&A) Act, 1970.

3.49 This Act applies to every establishment and contractor who employ on any day 20 or more persons during the preceding 12 months as contract labour. The

Food Corporation of India being principal employer, has to ensure perfect implementation of all provisions of the Contract Labour (Regulation & abolition) Act, 1970 and all other Labour Laws. For any kind of failure on the part of the contractor, the responsibility lies on the Principal employer. Food Corporation of India is required to ensure, through the contractor, the payment of minimum wages prescribed for the area under Minimum Wages Act, employees' as well as employer's contributions towards EPF and to have the particulars of the labourers engaged by contractor, copy of aquittance rolls of the payment made by the contractor to his labourers and to maintain other registers, statements etc. as are required under the Act and rules framed thereunder. Contractors are free to bring labourers from the open market according to their choice and suitability for the work to be done, but not more than the number for which he has obtained the licence.

3.50 It has been stated by the Ministry that a Committee has been constituted to study and rationalize the different labour system in vogue in FCI. On being inquired by the Committee whether the report has been submitted by it or that the Ministry in a reply stated, "The Committee constituted by the Board of Directors of the FCI has held only one sitting on 18th June, 2004. At this meeting, the case pending before the National Industrial Tribunal, Mumbai with respect to 'equal pay for equal work' for workers working under the Direct Payment System came up for discussion. This case is pending before the Division Bench of the High Court of Mumbai. The next date of hearing is fixed for 5th April, 2005. In view of this case, further meetings of the Committee have not been held".

(g) Proxy Labour

3.51 The Committee had noticed with concern the existence of the system of proxy labour in FCI, in their First Report on Demands for Grants (2004-05). The Committee had suggested the following steps to weed out proxy labour: -

- i) Each and every worker should put one's signature or thumb impression as a token of attendance;
- ii) Introduction of mechanical gate entry devices, punching card system with thumb impression;
- iii) Payment of wages to all workers through cheque as per provisions of Income Tax Act.
- iv) Signing of daily work output slip by each labour at the end of the day and countersigned by the Mondal / Sardar / Shed Incharge.

3.52 On being asked by the Committee whether the required action has been taken in this regard, the Ministry in the written reply stated that "these have been sent to the ZMs / SRMs of FCI to take steps for implementation and to apprise the FCI HQrs. about the arrangement which they propose to take for implementing these recommendations so that the matter could be examined further and placed before the Board of Directors of the FCI for suitable directions. The matter is being followed vigorously".

3.53 Though the Government accepts the existence of system of proxy labour in the FCI, it did not take any strong measure to check it until the matter came into the notice of the Standing Committee. When the Committee pointed out this and wanted to know whether this is not a manifestation of institutionalisation of this system by the Government, the Ministry in a note stated:-

> "There is no question of institutionalisation of proxy labour system in the FCI and the Ministry does not support this practise. As recommended by the Standing Committee, the matter of proxy labour was referred for investigation to the Central Vigilance Commission vide this Department's Letter No.11013/02/2004-FC.3 dated 21.10.2004. The CVC has now referred the matter to the CBI for investigation vide letter No.004/FUD/023-635 dated 02.12.2004. The report of the CBI is awaited. FCI has already taken the followings steps: -
>
> i) Entry of labour into the godowns / depots only by showing authorized identity cards;
> ii) Payment by cheque with due consent and cooperation of labour / union;
> iii) Seeking cooperation from Banks for opening of Bank account of labourers;"

3.54 On being asked about the difficulties the Government is facing to curb Proxy Labour System, CMD, FCI during evidence stated as follows:-

> "There are 18 thousand labourers all over the country and we have already sent the recommendation of the Committee to SRM as we are not satisfied with the set up. Your recommendations were circulated soon after their presentation. A meeting was held in this regard. Its explanation has come from all quarters and everybody has responded. Some SRMs have said that it is difficult to put the system in place because if we adopt signature system then we would have to take the signatures of all the 438 labourers, Seven hours time is given to load the bags in the train. How is it possible for me to get their signatures 10 SRMs have said that there is not much pressure in their area and they can do it. They have started this system. They said that on practical grounds, four suggestions are acceptable but at the time of tsunami it was seen that 21 rakes had to be sent to Chennai from different places. If SRM had waited for 438 labourers to sign and than start the work, it would have been difficult to unload the bags within the prescribed time of seven hours There it was permitted to resort to 'P' and 'A'. Present or 'P' is marked when a labourer come with an identity card. There is a second check too. He gets a work slip when he goes to work shed. Shed no. 1 or 2 where he has to report is written on the slip and the record, as to how many bags he has loaded or not, goes to the accounts department.

I am not saying that this system is perfect but this is the system at present. Your suggestion was that there should be mechanical entry at the gate where card would be inserted. Some of the SRMs have accepted it. Some have said that the boundary wall is broken. There are 5-6 gates in godowns from which trucks and rakes enter. How can we stop them? We are making efforts from a practical point of view to make arrangements for this.

As far as payment by cheques is concerned 5 SRMs have already implemented it and work has been started at five other places. I held dialogues with all the unions five months back. Entire payment should be made by the cheques as it is the best way to check proxy labour. If the labour unions agree to this then 50 percent payment would be made by cheques and rest 50 percent would be paid in cash. This arrangement was made for those who are illiterate. At several places banks are far from the payment point. If the 50 percent payment system is successful then the problem of proxy labour could be addressed. It would ensure that money reaches the right person. I believe that today if they have agreed to about 50 percent then later on it could be raised to 70 or 80 percent. At some places 100% payment is made through cheques.

Your fourth suggestion is about signing of work slip of handling labour in Delhi, Haryana, Rajashtan, Orissa and Dinapur. Earlier our set up was that of handling slips at several places. But at several places when due to rush a truck arrives or a rake arrives and as soon as a racks arrives only then the labour activities start. Steps have been taken at several places for monitoring this arrangement.

3.55 During evidence, when the Committee wanted to know the time period by which the Government will be able to stop proxy labour system, CMD, FCI in a reply stated:-

> “ I do not know how a time limit can be fixed for this. As a SP of a district, you can’t say, I will stop all murders after six months’. There will be no sign of proxy labour after three months”

3.56 On a question about the appointment of casual labour, the Ministry in a reply stated that FCI had issued instructions imposing ban for engagement of casual workers/daily wages/part-time workers in field offices with effect from 02.05.1986 vide circular No.28/1986. Despite these instructions, some offices have engaged casual workers and are continuing their services. 143 persons are on the rolls of the Corporation. Their break up is as given under:

| | | |
|---|---|---|
| West Zone | : | 1 |
| South Zone | : | 9 |
| East Zone | : | 64 |
| North Zone | : | 59 |
| NE Zone | : | - |
| | | 143 |

3.57 Most of them have raised either industrial disputes or filed cases in the High Courts and got interim orders in their favour. Consequently, they have been allowed to continue on the FCI rolls. In 2004, the services of 21 casual workers in Jammu & Kashmir region have been regularised on the orders of High Court of Jammu & Kashmir at Srinagar, leaving 122 casual workers still continuing.

3.58 On being asked about the expenditure incurred by the Government on it, the Ministry in a reply stated, "the exact expenditure incurred on the above irregularly appointed casual labour by various offices of the FCI is not readily available, as informed by the FCI".

### (h) Study of FCI

3.59 The 'National Common Minimum Programme (NCMP)' promises that "the Government will bring about major improvements in the functioning of the Food Corporation of India to control inefficiencies that increases the food subsidy burden." The FCI has, accordingly, engaged M/s McKinsey & Co. to conduct a study to bring about substantial and sustainable efficiency improvements in the FCI's functioning, including inter-alia, recommendations on new business models and structural changes, to reduce subsidy burden while improving its effectiveness in meeting the Government of India's social objectives.

3.60 The study would be carried out in two phases of 3 months duration each i.e a total period of 6 months. The focus of the 1st phase will be to develop a set of measures for improving efficiency and reducing cost, along with a new operating model and organizational architecture. During the 2nd phase, the study will focus on operationalising the efficiency improvement measures, business model and operating architecture by syndicating the recommendations with all other stake-holders, defining implementation milestones and launching a structured programme for implementation.

3.61 A Steering Committee headed by Secretary (F&PD) and comprising the Chairman, Food Corporation of India, Additional Secretary & Financial Adviser and Joint Secretary(P&FCI) has been constituted which would meet once a month to monitor the progress of the study.

3.62 The cost of the study would be Rs. 4.80 crore ( inclusive of all taxes and duties) payable by the FCI to M/s. McKinsey & Co. in two equal instalments. The first instalment of Rs.2.40 crores is to be paid after submission of the interim report at the end of $1^{st}$ phase and on the same being accepted by the Steering Committee. Similarly, the second instalment of Rs. 2.40 crores will be released only on the submission of the final report by M/s. McKinsey & Co. and the same being accepted by the Steering Committee. No escalation in cost would be permitted, irrespective of the time taken to complete the study. No additional amount would be payable for minor changes in the scope of the study, if any.

3.63 The Committee are concerned to note that Rs.18071.76 crore are outstanding against various Central Ministries and State Governments and their agencies relating to issue of foodgrains on credit. As much as Rs.16982.44 crore are outstanding against the Ministry of Rural Development for the foodgrains supplied under `Food for Work', SGRY-I, II and special component'. Another Rs.759.37 crore are due against Ministry of Human Resource Development for the foodgrains supplied under `Mid-day Meal Scheme'. The Committee have been further informed that the interest accrued as a result of delayed payment is also loaded on the Food Subsidy Bill. The Committee view this with concern and desire that the Department should take up the matter at the highest level with the concerned Ministries so that the outstanding dues against FCI are liquidated. At the same time, the Committee desire that the interest accrued on account of delayed payment should not be loaded on the Food Subsidy Bill of the Government.

3.64 The Committee are shocked to note that in spite of so called adequate measures taken by the Government to contain storage and transit losses, there has been a steep rise in these over the last few years. Transit losses have increased from Rs. 134.76 crore in 2000-01 to Rs. 148.52 crore in 2002-03. The cases of Storage losses is still worse. In 2000-01 there was a loss of Rs.145.31 crore which rose to Rs.309.39 crore in 2002-03. The abnormal cases of loss (caused due to theft, pilferage, misappropriation etc.) for which recovery proceedings are resorted to have increased tremendously over the last few years, as is clear from the increase in the number of delinquent officials – from 140 in 2000 to 489 in 2004. Although, the number of routine inspections have risen, the Committee are at loss to understand the decline in surprise checks undertaken during the period from 2002 to 2005. The Committee desire that surprise checks be made more frequent, so as to curtail losses. The Committee observe that 0.5% is the norm prescribed for transit losses. The Committee are of the view that this norm is still on the higher side and there is a need to further reduce the same. In addition, the Committee note that enormous powers have been given to Zonal Manager (10%) and MD (Full power) to write off storage and transit losses. The Committee recommend that these powers need to be reduced and Board of Directors and not MD should have full power to write off such losses. Moreover, to reduce transit losses, the Committee recommend that the foodgrains be insured and all the formalities regarding this be completed at the earliest.

3.65 The Committee in their Ist Report [14th Lok Sabha] had drawn the attention of the Ministry towards system of `Proxy Labour' which is prevalent in Food Corporation of India and which in turn is causing a drain on the National Exchequer. The Committee inter-alia had recommended the following measures for ending proxy system:-

i) Each and every worker should put one's signature or thumb impression as a token of attendance;

ii) Introduction of mechanical gate entry devices, punching card system with thumb impression;

iii) Payment of wages to all workers through cheque as per provisions of Income Tax Act.

iv) Signing of daily work output slip by each labour at the end of the day and countersigned by the Mondal/Sardar/Shed Incharge.

The Committee were apprised that the past cases of proxy labour are under investigation by CBI. The Committee further took note of the deposition by Secretary (Department of Food and Public Distribution) at its sitting held on 11th August, 2004 wherein he assured the Committee that if the above mentioned steps are taken, the problem of proxy labour could be solved to a large extent. However, the FCI authorities did not honour the commitment and assurance given to the Committee for eliminating proxy labour and informed that the above four suggestions have been sent to ZMs and SRMs of FCI and thereafter a decision would be taken by the Board of Directors. In the meantime, FCI took steps such as entry of labourers into godowns and depots only by showing authorized identity card, payment of wages by cheque, with due consent and cooperation of Labour Union and seeking cooperation of Banks for opening of bank account of labourers.

During the evidence, the representative of FCI expressed his inability to implement the suggestions of the Committee on the plea that there are a number of practical problems. Such as difficulties in obtaining signatures, as more than two hours would be wasted in the exercise, the labourers are illiterate, the banks are situated at distance and there is opposition from Trade Unions in regard to payment of wages through cheques, mechanical gates cannot be installed in all the places where labourers are engaged. The Committee are however not satisfied with such arguments. The Committee take a serious note that the suggestions of the Committee to prevent proxy labour in the FCI, have not been taken up seriously. The Committee are at a loss to understand as to why the Government is finding it difficult to introduce a simple system of marking of attendance by the labourers . The implementation of suggestions does not require any major investment in the form of infrastructure, time or energy. The Committee note that no where in the world an employer signs the attendance roll on behalf of the employees except in FCI. This is not acceptable to the Committee and they would like to be apprised of the reasons therefore. The Committee are of the view that by not taking any meaningful action to curb proxy labour, FCI is trying to institutionalize the system. The Committee, therefore, recommend that the system of proxy labour must be abolished by regulating the attendance system so that no further drain is caused on the exchequer. It has come to the notice of the Committee that labourers at godowns/ FSD are not engaged as per the norms laid down for the purpose. The Committee recommend that norms stipulated for the workers in the godowns/depots be strictly adhered to.

3.66 The Committee appreciate that M/s Mckinsey and Co. is conducting a study on FCI. It is high time that FCI's functioning be improved so as to increase its efficiency and effectiveness in meeting the social obligation of the Government as well as in reducing the ever-increasing subsidy burden. The Committee desire that the study be completed within the prescribed time period and the Committee be apprised of the outcome.

## Chapter IV

## Central Warehousing Corporation (CWC)

The Central Warehousing Corporation (CWC) was set up in 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956.

The said Act was subsequently replaced by The Warehousing Corporation Act, 1962 (No 58 of 1962). The main objective of the CWC is to provide scientific storage and preservation for agricultural inputs and produce and various other notified commodities.

(a) Capital Structure

4.2 The authorised share capital of CWC is Rs. 100 crore of which the subscribed and paid up share capital stood at Rs. 74.525 crore and Rs. 68.021 crore respectively. The Government of India has subscribed to shares worth Rs. 37.425 crore which have been fully paid up. The Corporation has no outstanding loans.

4.3 The Corporation has already invested Rs. 5613.25 lakh in the equity of various State Warehousing Corporation (SWCs) till 31st March, 2004. Additional investment of Rs. 175.00 lakh is likely to be made by the Corporation in the share capital of various SWCs during 2004-05 respectively. The Corporation expects to earn Rs. 473.58 lakh as dividend on this investment during 2004-05,giving a yields of approx. 8% respectively.

The income and expenditure of the CWC for the last 3 years is as under:-

( Amount in Rs. Crores)

| Year | Income | Expenditure |
|---|---|---|
| 2001-02 | 379.94 | 289.22 |
| 2002-03 | 471.08 | 423.46 |
| 2003-04 | 462.86 | 428.98 |

The outstanding dues and liabilities of the corporation are as under:-
Outstanding dues: Rs.174.80 Crore
Outstanding liabilities(sundry creditors): Rs.97.01 Crore

4.4 The total outstanding against the depositors as on 31.03.2004 was Rs.96.03 Crores as per the audited accounts. The total amount which has been written off as bad debts during the last three years is as under:

| Year | Amount (Rs. In Crore) |
|---|---|
| 2001-02 | 4.63 |
| 2002-03 | Nil |
| 2003-04 | 0.17 |

4.5 The Corporation has not obtained loan from the Central Government. However, the corporation had taken a term loan from State Bank of India for financing on going projects as well as payment of ex-gratia to the employees who opted for VRS. The provision for Rs. 5.00 crore has been made on account of interest due on this loan during 2004-05.

4.6 The Establishment Cost of CWC for the last three financial years is as under:

| Sl. No. | Financial Year | (Rs. In Crore) |
|---|---|---|
| 1. | 2001-02 | 174.53 |
| 2. | 2002-03 | 176.41 |
| 3. | 2003-04 | 182.28 |

On being asked by the Committee whether any cost reduction measure have been identified to reduce the administrative cost of CWC, Ministry in a written reply stated that Corporation has identified various cost reduction strategies as under:-

"The Corporation has reduced the number of Construction Cells from 20 to 11 and is also planning to reduce the number of Regional Offices in order to reduce the establishment cost.
Other plans of action initiated to reduce administrative cost are outsourcing of identified services, banning any fresh recruitment and adopting IT strategies. Further in order to reduce administrative cost, the Corporation proposes to introduce a Special Voluntary Retirement Scheme.

The establishments cost of CWC has been reduced from 60.3% of the total expenditure in 2001-02 to 59.2% in 2003-04.

The Corporation has out sourced watch and ward, house keeping, DESS work etc. and engaged 2098 employees through contractor, which has helped in reducing its administrative cost".

4.7 The turnover and net profit of CWC from 1996 to 2004 is evident form the table.

*(Rs.in Crores)*

| Year | Turnover | Net Profit (Pre-tax) |
|---|---|---|
| 1996-97 | 234.68 | 84.95 |
| 1997-98 | 253.34 | 67.73 |
| 1998-99 | 255.64 | 41.50 |
| 1999-2000 | 276.34 | 48.30 |
| 2000-2001 | 339.86 | 73.33 |
| 2001-2002 | 379.94 | 90.72 |
| 2002-2003 | 471.08 | 47.62 |
| 2003-2004 | 462.86 | 33.88 |

4.8 During evidence the Committee also enquired about the reasons for fluctuation in profit of the Corporation. Thereupon MD of CWC replied that for the last two years 2002-03 and 2003-04, profit of the corporation are continuously declining. Earlier 57% capacity of CWC was utilized for keeping foodgrains of FCI, but effects of various Government policies, buffer stocking, construction of godowns and warehouses under 7 year guarantee scheme had percolated down and business of CWC has been reduced from 47% to 25 %.

In order to improve its profitability, the Corporation is now investing its resources in highly profitable areas i.e. for expansion in the area of Container Freight Stations/Inland Clearance Depots(CFS/ICD) and is also developing infrastructure in the field of rail side warehouses to boost the revenue.

The Committee wanted to know the storage charges, a farmer is supposed to pay for storing foodgrains and other agricultural produce, the Ministry in a note informed the Committee as under:-

> " As per the prevailing tariff structure at a standard rated warehouse, the depositors other than farmers are charged @ Rs. 3.75 per standard bag of foodgrains per month. However, a farmer is allowed 30% rebate over the tariff as above; thus the effective rate charged from a farmer comes to approx. 2.63 per standard bag of 100 kg. per month".

### (b) Growth in Storage Capacity:

4.9 The Corporation had 475 warehouses with a total storage capacity of 99.07 lakh tonne as on 30.11.2004 of which 66.30 lakh tonne was owned,15.38 lakh tonne was hired, and 17.39 lakh was in open storage which includes CAP storage and constructed capacity in open premises. During the year 2005-2006 the average capacity available with CWC is estimated to be around 98.47 lakh tonne (BE). The warehousing capacity with the CWC has grown significantly over the last five years, as under:-

(In lakh tonne)

| As on | Owned | Hired | Total |
|---|---|---|---|
| 31.03.99 | 53.65 | 19.83 | 73.48 |
| 31.03.2000 | 54.47 | 20.32 | 74.79 |
| 31.03.2001(Revised) | 56.12 | 27.79 | 83.91 |
| 31.03.2002 | 68.45 | 20.72 | 89.17 |
| 31.03.2003 | 76.11 | 15.03 | 91.14 |
| 31.03.2004 | 80.75 | 12.84 | 93.59 |
| 30.11.2004 | 83.69 | 15.38 | 99.07 |

4.10 The Committee wanted to know whether adequate storage capacity exists at macro-level to which the Ministry in a reply stated as under:- :

"The details of storage capacity available with CWC during the last 3 years and its percentage utilization Region/State-wise, is at **Annexure-I.**

The details of storage capacity available with the State Warehousing Corporations during the last 3 years and its percentage utilization , is at **Annexure-II".**

It may be seen from the figures of capacity utilization given in the annexures that the storage capacity available with CWC and SWCs is sufficient.

4.11 CWC has targeted for 70% utilisation of the total capacity available for the year 2004-05 and the utilization level as on 1.2.2005 is 63%. Occupancy level or capacity utilisation varies from time to time depending upon requirements.

(Annexure-I)

REGION-WISE STATE-WISE TOTAL CAPACITY WITH THEIR PERCENTAGE UTILISATION
OF CWC AS ON 31ST MARCH OF THE FOLLOWING YEARS

(figures in MTs)

| Region/State | 2001-02 Total Capacity | % utilization | 2002-03 Total Capacity | % utilization | 2003-04 Total Capacity | % utilization |
|---|---|---|---|---|---|---|
| Ahmedabad | | | | | | |
| Gujarat | 515301 | 71 | 485156 | 77 | 566675 | 56 |
| Bangalore | | | | | | |
| Karnataka | 436893 | 93 | 478813 | 73 | 422628 | 58 |
| Bhopal | | | | | | |
| Madhya Pradesh | 665873 | 72 | 660177 | 63 | 677547 | 40 |
| Chhattisgarh | 259964 | 97 | 259939 | 75 | 258415 | 78 |
| Bhuabneshwar | | | | | | |
| Orissa | 150906 | 62 | 161406 | 30 | 188206 | 45 |
| Chandigarh | | | | | | |
| Chandigarh U.T. | 14761 | 88 | 14187 | 83 | 14187 | 81 |
| Jammu & Kashmir | 6265 | 54 | 0 | 0 | 0 | 0 |
| Punjab | 820604 | 88 | 842472 | 81 | 817086 | 50 |
| Channai | | | | | | |
| Pondicherry | 9080 | 97 | 9638 | 95 | 13863 | 85 |
| Tamilnadu | 676411 | 82 | 666201 | 45 | 678802 | 48 |
| Delhi | | | | | | |
| Delhi | 135517 | 108 | 136343 | 108 | 136343 | 113 |
| Haryana | 22750 | 69 | 22750 | 97 | 21174 | 91 |
| Uttar Pradesh | 196323 | 84 | 195041 | 63 | 241473 | 66 |

| | | | | | | |
|---|---|---|---|---|---|---|
| <u>Guwahati</u> | | | | | | |
| Assam | 46934 | 36 | 46307 | 33 | 47630 | 40 |
| Nagaland | 13000 | 89 | 13000 | 81 | 13000 | 19 |
| Tripura | 24000 | 56 | 24000 | 75 | 24000 | 49 |
| <u>Hyderabad</u> | | | | | | |
| Andhra Pradesh | 1259450 | 84 | 1330331 | 55 | 1340190 | 58 |
| <u>Jaipur</u> | | | | | | |
| Rajasthan | 371013 | 73 | 324982 | 36 | 333802 | 42 |
| <u>Kochi</u> | | | | | | |
| Kerala | 93599 | 77 | 93939 | 58 | 118939 | 52 |
| <u>Kolkata</u> | | | | | | |
| West Bengal | 563698 | 52 | 553274 | 67 | 626580 | 71 |
| <u>Lucknow</u> | | | | | | |
| Uttar Pradesh | 822498 | 85 | 880485 | 68 | 867905 | 61 |
| Uttaranchal | 73490 | 84 | 75490 | 76 | 75490 | 103 |
| <u>Mumbai</u> | | | | | | |
| Goa | 30400 | 52 | 30400 | 60 | 30400 | 65 |
| Maharashtra | 860560 | 80 | 841063 | 71 | 913984 | 61 |
| <u>Navi Mumbai</u> | | | | | | |
| Maharashtra | 387950 | 75 | 387950 | 94 | 417350 | 87 |
| <u>Panchkula</u> | | | | | | |
| Haryana | 316110 | 82 | 448344 | 62 | 437265 | 60 |
| Himachal Pradesh | 5370 | 60 | 5370 | 72 | 7040 | 65 |
| <u>Patna</u> | | | | | | |
| Bihar | 104524 | 77 | 92911 | 84 | 92179 | 81 |
| Jharkhand | 33950 | 81 | 33950 | 74 | 33950 | 73 |
| Grand Total | 8917194 | 79 | 9113919 | 66 | 9416103 | 59 |

Annexure-II

Statement showing storage capacity available with the State Warehousing Corporations during the last three years

*(FIGURES IN Lakh MT)*

| STATE/UT | Occupancy | % utilization | Occupancy | % utilization | Occupancy | % utilization |
|---|---|---|---|---|---|---|
| | as on 31.3.2002 | | as on 31.3.2003 | | as on 31.3.2004 | |
| ANDHRA PRADESH | 8.06 | 93 | 16.90 | 88 | 19.74 | 88 |
| ASSAM | 1.78 | 66 | 1.83 | 70 | 1.79 | 69 |
| BIHAR | 2.12 | 88 | 1.63 | 75 | 1.79 | 79 |
| CHHATTISGARH | 0 | 0 | 3.57 | 59 | 4.58 | 72 |
| GUJARAT | 2.35 | 84 | 0.72 | 50 | 0.94 | 62 |
| HARAYANA | 14.95 | 86 | 16.50 | 81 | 16.5 | 81 |
| KARNATAKA | 6.23 | 88 | 5.45 | 83 | 4 | 63 |
| KERALA | 1.14 | 61 | 0.75 | 41 | 0.86 | 46 |
| MADHYA PRADESH | 15.84 | 88 | 7.26 | 65 | 6.43 | 58 |
| MAHARASHTRA | 7.51 | 72 | 6.79 | 65 | 7.41 | 64 |
| MEGHALYA | 0.1 | 91 | 0.10 | 91 | 0.1 | 91 |
| ORISSA | 2.62 | 99 | 1.37 | 68 | 3.04 | 75 |
| PUNJAB | 62.08 | 102 | 72.00 | 100 | 61.11 | 84 |
| RAJASTHAN | 4.09 | 57 | 1.85 | 29 | 3.21 | 47 |
| TAMILNADU | 6.16 | 94 | 4.34 | 68 | 3.42 | 55 |
| UTTAR PRADESH | 33.81 | 98 | 18.74 | 68 | 26 | 96 |
| WEST BENGAL | 1.63 | 63 | 1.63 | 63 | 1.62 | 62 |
| TOTAL | 170.47 | 92 | 161.43 | 59 | 163.16 | 79 |

4.12 Tthe Committee were concerned to know about the reasons for under utilization of storage capacity and when asked about the steps taken to increase capacity utilization the Ministry in a note furnished to the Committee stated :-

> "The utilisation of storage capacity has been dwindling more on account of the fact that FCI had gone in for seven years guarantee utilisation warehouses to be constructed for them. Besides, the volume of stocks of foodgrains carried on in the country have shown a downward trend in recent years. The Corporation is now trying to market its facilities to increase the utilisation of storage capacity by farmers by:

(a) educating farmers about the advantages of the scientific storage and use of Public Warehouses;
(b) assisting farmers in getting loans from banks against the pledge of warehouse receipt; and
( c) educating farmers in the scientific techniques of storage and preservation of foodgrains".

4.13 When the Committee enquired about the target and actual achievements both financial and physical for construction of CWC godowns and the amount spent on creation of storage capacity during the last three years, the Ministry furnished the following details:-

| Year | Physical(Lakh Tonnes) | | Financial(Rs. Crore) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Land | | Construction | | Total | |
| | T | A | T | A | T | A | T | A |
| 2001-02 | 2.00 | 4.75 | 20.00 | 26.69 | 50.00 | 107.06 | 70.00 | 133.75 |
| 2002-03 | 3.25 | 3.59 | 7.00 | 6.30 | 95.00 | 83.61 | 102.00 | 89.91 |
| 2003-04 | 3.12 | 2.98 | 33.00 | 7.27 | 59.00 | 60.19 | 92.00 | 67.46 |

T = Target
A = Achievement

4.14 On being asked about the latest position regarding construction of cold storage/ temperature controlled warehouses and their respective capacity, the Ministry in a written reply stated:-

"The CWC is operating 3 Cold Storage at present as given below:

| | | Capacity | Constructed /Hired | Utilisation |
|---|---|---|---|---|
| (a) | Agartala (Tripura) | 1000 MT | Constructed | Nil |
| (b) | Nimak Mahal Road (Kolkata) | 465 MT | Hired | 70% |
| (c) | Turbhe (Maharashtra) Attached to Vashi – II" | 801 MT | Hired | Full |

### (c) Capacity Utilization

4.15 The average capacity utilisation during the year 2003-2004 was 55.24 lakh tonne, i.e. 60%. It is estimated to be around 66.83 lakh tonne, i.e. 70% in 2004-05 and 74.32 lakh tonne, i.e. 70% in 2005-06. The warehousing capacity, its utilisation and percentage utilization w.e.f. 1997-98 (averages) are as under:-

(in lakh tonne)

| Year | Owned/Covered | | % | Hired/Covered | | % | Total | | % |
|---|---|---|---|---|---|---|---|---|---|
| | Capacity | Utilis-ation | | Capacity | Utilis-ation | | Capacity | Utilis-ation | |
| 1997-98 | 52.23 | 37.94 | 73 | 19.75 | 14.22 | 72 | 71.98 | 52.16 | 72 |
| 1998-99 | 52.93 | 38.90 | 73 | 20.05 | 14.84 | 74 | 72.98 | 53.74 | 74 |
| 1999-2000 | 53.82 | 42.59 | 79 | 20.16 | 14.21 | 70 | 73.98 | 56.80 | 77 |
| 2000-01 | 55.36 | 48.52 | 88 | 23.62 | 18.52 | 78 | 78.98 | 67.04 | 85 |
| 2001-02 | 66.44 | 55.10 | 83 | 20.11 | 16.54 | 82 | 86.55 | 71.64 | 83 |
| 2002-03 | 62.50 | 46.35 | 74 | 29.00 | 21.40 | 74 | 91.50 | 67.75 | 74 |
| 2003-04 | 64.58 | 38.37 | 59 | 28.06 | 16.87 | 60 | 92.64 | 55.24 | 60 |
| 2004-05 April to Nov. | 66.03 | 40.64 | 62 | 30.98 | 19.80 | 64 | 97.01 | 60.44 | 62 |

4.16 As the entire expenditure is met by CWC from its Internal & Extra Budgetary Resources (IEBR), no provision in the Budget of the Department has been made for the Corporation's own storage construction programme or for its equity contribution to the State Warehousing Corporations. CWC had a provision of Rs. 94.00 crore for 2003-2004 (RE) for its own programmes and for matching equity contribution to be given to State Warehousing Corporations. For 2004-2005 the outlay is Rs. 23.25 crore (RE) and for 2005-2006 the outlay is Rs. 63.18 crore. The approved Plan outlay for 2004-05 is 16.75 crore.

4.17 The Committee also enquired whether the warehouse receipt is being recognized under negotiable instrument or any other Central. Act for availing loan/credit to which the Ministry in a reply stated as under:-

> "The warehouse receipt is not recognized under the Negotiable Instrument Act, or any other Central Act. The Negotiable Instrument Act deals only with the monetary transactions through the specified instruments viz., promissory notes, bill of exchange and cheques. However, the warehouse receipt is treated as a collateral security, for grant of loans to the farmers by the commercial banks against the agricultural goods stored in the warehouses. The Department of Food & Public Distribution is considering to introduce a Negotiable warehouse receipt system in the country with a suitable legislative back up."

(d) Diversification of Business.

4.18 When the Committee enquired how online commodity future trading has helped in augmenting business of CWC the Ministry stated that the commodity future trading has helped percentage utilization of centres of CWC in the state of Kerala to go up, where this trading has picked up for coffee and rubber.

4.19 Further when the Committee asked whether any plan of action has been contemplated to diversify the business of CWC to which the Ministry in a reply stated as under:-

> "The CWC plans to diversify its operation into Container Transportation by Rail at par with the facility extended by Ministry of Railways to CONCOR. Matter is under progress. It has also plans to grow into the bulk silo infrastructure, where the foodgrains specially Wheat in bulk will be stored following the latest technology".

4.20 The Railway Minister had announced in Railway Budget 2005-06 to open freight container business for players other than Central Government of India (Private firms both Indian and MNC) into rail transportation by which the monopoly of CONCOR to operate container trains will come to an end and CWC will become a logistic provider.

4.21 The Ministry also informed that CWC has plans to bring up Rail side Warehouse Complexes on the strength of MOU signed between CWC and Railways. With the help of Ministry, diversification has also been started abroad.(Khandhar).

4.22 The Committee during evidence also enquired about profit made by freight station (region-wise) to which MD, CWC replied, "we do not keep activity wise accounts. But major region of our container business in JNPT which exclusively deals in container business through which corporation expect an income of Rs. 100 crore, out of which Rs. 40 crore would be the profit".

4.23 The Committee also enquired about the progress made in CFS in Kandla to which the Managing Director informed that full fledged functioning of CFS Kandla has been started from February 2005. He further stated that so far as, issue of, installation of container scanner was concerned, District park JNP which will be the India's first ICD CFS that will have container scanner installed in it.

4.24 During evidence, MD, CWC also informed that to give effect to the proposal of installation of land freight station in Kerala, they were facing the problem of acquiring land. As clearance of CFS will be done by inter-ministry Committee of Ministry of Commerce, we can go ahead only when they can the survey report is received and assurance given about the land.

4.25 The Corporation had drawn ambitious plans to become a major player in the field of bringing up bulk silo infrastructure. The FCI, having short listed the proposed joint venture, has already issued a document requesting for participation in the bid for bringing up 550000 tonnes of bulk silos capacity at 7 locations. Apart from this, the Corporation has already been given, in principle approval, to bring up similar facilities at Nabha-Jaipur-Mundra Sector.

4.26 The Corporation, which formed its first joint venture in the shape of National Multi Commodity Exchange of India Ltd., has besides getting Gold and Silver trading started on the 3rd of October 2003, has recently added two more commodities for trading in the shape of wheat and rice on the 13th of December, 2003 at the hands of, none other than the Prime Minister of India. It is expected that this Exchange will, not only result in giving a special status to the Warehouse Receipts to be issued for the stocks stored in CWC's Warehouses, as a Negotiable Instrument and be acceptable to various traders dealing in the Forward Market.

4.27 The Corporation also has plans to go into the field of Atmospheric Controlled Cold Storage- its maiden venture would be in the form of a joint venture with M/s. R T. Agro Products Pvt. Ltd., Mumbai for which the efforts are on.

4.28 The Cold Chain concept would become a reality only after CWC is in a position to get the Techno Economic Study undertaken through a Canadian Company i.e. M/s CMC Engineering and Management Ltd., Canada, who are undertaking this study after a substantial grant from Canadian International Development Agency (CIDA).

4.29 The Committee note that the expenditure on Establishment in Central Warehousing Corporation (CWC) is very high despite various cost reduction strategies adopted by the Corporation. The Committee further find that the expenditure of the Corporation have also risen from Rs. 290 crore in the year 2001-02 to Rs. 429 crore in the year 2003-04, within a span of three years. Surprisingly, the Establishment Cost of CWC is 60.3% of the total expenditure in 2001-02 and 59.2% in the year 2003-04. The Committee note that the Corporation has outsourced watch and ward, house keeping, DESS employees through contractor, which has helped in reducing its administrative cost. The Committee further note that a study undertaken by TCS, for cost reduction exercise, have recommended a number of measures to reduce administrative cost in CWC. The Committee emphasize that CWC should implement the recommendations of TCS in letter and spirit for effecting cost reduction in the Corporation.

4.30 The Committee are concerned to note that there is gradual decline in utilization of owned capacity of CWC godowns. The capacity has declined from 48.52% in the year 2000-01 to 38.37% in the year 2003-04. The Committee are pained to note that the capacity utilization of hired godowns, ranges in the vicinity of 15% to 20%. For instance, the hired capacity utilization in the year 1997-98 which was 14.22% rose to 16.87% in the 2003-04. The Committee have taken note of percentage utilization in different regions and States and are shocked to find that in a State like Jammu & Kashmir, the utilization capacity is 'Nil'. In States like Orissa, Assam, Nagaland, Tripura and Rajasthan, the percentage capacity utilization was 45%, 40%, 19%, 49% and 42% respectively in the year 2003-04, when the norm for capacity utilization is 75%. The Committee have further noted that the capacity utilization in the State Warehousing Corporations (SWC) whose 51% of equity is contributed by CWC is 79% whereas the percentage utilization of CWC is merely 59%. The Committee express their deep concern over under-utilization of owned capacity of the godowns. The Committee would like to be apprised of under- utilization of owned capacity and undertaking hiring of godowns and the infructuous expenditure incurred thereon. The Committee, therefore, recommend that efforts should be made by CWC to ensure that break even point for capacity utilization is reached and the hired capacity, whose percentage utilization is merely 14% to 18%, be de-hired and synergy be effected between CWC and SWC.

4.31 The Committee find that the effective rate charged from all farmers is Rs. 2.73 paisa for storage of a bag of 100 kg. per month. This includes a rebate of 30% over and above the tariff fixed so far. The Committee have reasons to believe that this subsidized rate is being misused by depositors other than farmers. The Committee, therefore, recommend that CWC should ensure that the subsidized rate is allowed only to farmers and not-others.

4.32 The Committee find that at present the Warehouse Receipt is not recognized under Negotiable Instrument Act and as such a farmer is deprived of obtaining loan/credit from the Nationalised Banks. However, the Warehouse Receipt is treated as collateral security for grant of loan to farmers by Commercial Banks against the agricultural goods stored in the warehouses. The Committee have been informed that the Government is considering to introduce a legislation on Negotiable Warehouse Receipt system in the country. The Committee desire that the said legislation be expedited, in the interest of the farmers.

## CHAPTER V

## MANAGEMENT OF SUGAR

5.1 India is one of the largest producers of sugar and sugarcane in the world and the sugar industry is the largest agro-based industry located in rural India. About 45 million sugarcane farmers , their dependents and a large mass of agricultural labourer are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 % of rural population. Out of the Indian states Maharashtra and Uttar Pradesh contribute more than 50% share in the country's sugar output. India is the largest consumer of sugar in the world. The Sugar Development Fund is the main instrument through which assistance is provided to sugar industry for modernization and expansion of the existing mills.

5.2 There are 565 installed sugar factories in the country as on December 31. 2004. The sector-wise breakup is as follows: -

| | Sector | Number of factories |
|---|---|---|
| (i) | Private | 187 |
| (ii) | Public | 62 |
| (iii) | Cooperative | 316 |
| | TOTAL | 565 |

### (a) Production of Sugar

5.3 The position regarding production, internal consumption, import and export of sugar during the years 2001-2002 , 2002-2003, 2003-2004 and 2004-2005 sugar seasons (Oct.-Sept.) was as under : -

(Qty. in lakh tonne)

| Sl.No. | Particulars | 2001-2002 (Sugar Year) | 2002-2003 (Sugar Year) | 2003-2004 (Sugar Year)(P) | 2004-2005 (Sugar Year)(E) |
|---|---|---|---|---|---|
| 1. | Carry over stocks from Previous season | 106.63 | 113.19 | 116.16 | 85.00(P)* |
| 2. | Production of sugar | 184.98 | 201.32 | 139.58(P) | 120.00 |
| 3. | Import of sugar | 0.004* | 0.41*(P) | 5.53(P) | 10.00** |
| 4. | Total availability | 291.61 | 314.51 | 261.27 | 215.00 |
| 5. | Internal consumption | 167.48 | 183.35 | 175.00 | 185.00 |
| 6. | Exports | 10.94 | 15.00 | 2.94(P) | Nil |
| 7. | Closing stocks at the end of season | 113.19 | 116.16 | 83.33 (P) | 30.00 |

(P) - Provisional (E) - Estimated

* (i) Unreported stock taken on record, on verification from Central Excise.

(ii) Including 3 LMT of raw sugar imported during 2003-2004 season.

** Actual landed 7.58 lakh M.Ts plus 3 LMT as carry over from previous season.

From the table it is seen that the production of sugar is declining over the years.

5.4 On being asked about the precise reasons for decline in production of sugar and concrete measures being taken by the Government to arrest this declining trend, the Ministry in a note informed as follows:-

> "The decline in production was on account of drought and Woolly Aphids pest infestation in the major sugar producing States of Maharashtra, Tamil Nadu, Andhra Pradesh and Karnataka. However with normal monsoon, area under sugarcane has reportedly increased leading to expectations of higher sugar production in the year 2005-2006".

## (b) Sugar Development Fund

5.5 Under the Sugar Cess Act, 1982 a cess of Rs. 14.00 per quintal is being collected as a duty of excise on all sugar produced by any sugar factory in India. The Sugar Development Fund Act, 1982 provides that the amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982, reduced by the cost of collection as determined by the Central Government, together with any moneys received by the Central Government for the purpose of the Act, shall after due appropriation made by Parliament by law, be credited to the Sugar Development Fund.

5.6 During the period 1982-83 to 2003-2004 (upto 31.3.2004) cess amount of Rs. 3006 crore has been transferred to the Sugar Development Fund out of which an amount of Rs. 2528.94 crore has been disbursed in the same period as loans to sugar factories for cane development, modernization and expansion and bagasse based cogeneration project, subsidy for maintenance of buffer stocks , grants in aid for research and for defraying expenditure for the purpose of the Act. A sum of Rupees 181.25 Crore has been disbursed during the Financial year 2004-05 up to 31.12.2004 to Sugar factories for cane development, modernization and expansion, Internal Transport subsidy , subsidy for maintenance of buffer stocks , for Bagasse based cogeneration, and for production of ethanol from alcohol \
Molasses as detailed below :

(In crore of rupees)

| Sl No | Scheme | Amount Disbursed(1.4.2004 – 30.12.2004) |
|---|---|---|
| 01 | Buffer Subsidy | 56.30 |
| 02 | Reimbursement of Internal Transport | 41.06 |
| 03 | Loans for Cane Development | 9.80 |
| 04 | Loans for Modernisation | 54.79 |
| 05 | Loans for Bagasse based Cogeneration | 13.25 |
| 06 | Loans for production of Ethanol from Alcohol \ Ethanol | 6.05 |
| | **Total** | **181.25** |

5.7 The transfer of proceeds of cess on sugar during the period 2004-2005 (B.E. & R.E.) & 2005-2006 (B.E.) is as under:-

(Rs. In Thousand)

| BE 2004-2005 | RE 2004-2005 | BE 2005-2006 |
|---|---|---|
| 250,00,00 | 250,00,00 | 250,00,00 |

**(i) Loan for Cane Development**

5.8 Loan is advanced from SDF to the Sugar undertakings for the development of sugarcane for the following schemes.:-

1) Setting up of Heat Treatment Plants.

2) Rearing of Seed Nurseries (three tier Foundation, Primary and Secondary).

3) Incentives to cultivators to switch over to improved varieties of sugarcane.

4) Pest Control Measures. (For equipment only)

5) Irrigation Schemes (Tubewells/borings, Drip lift irrigation, Digging of new wells/Deepening of old wells.)

6) Ratoon Management.

7) Tissue Culture Lab./Soil Testing Lab/Biological Control Lab.

8) Computerisation of Cane Management.

9) Construction of Feeder Road.

The Financial assistance is available for one or more of the above schemes. The main purpose is to make adequate cane available to the sugar undertakings so that production of sugar increases.

**(ii) Pattern of Assistance**

5.9 `Loan is advanced from SDF for undertaking various cane development schemes as per the following pattern: -

(i) SDF : 90% of the total cost of the Scheme subject to a maximum ofRs.3.00 cores.

(ii) Sugar Undertaking : Minimum of 10% of the total cost of the Scheme

(iii) Procedure for Disbursement

5.10 Loan for cane development schemes is disbursed normally in three annual instalments through the State Government. Second and subsequent instalments of loans are disbursed on receipt of utilization certificate/ progress report from the concerned State Government who acts as the monitoring agent for these schemes.

(iv) Interest and Repayment

5.11 Loan is advanced at interest rate of 2% per annum below the bank rate prevailing on the date of disbursement and repayment of loan is to be made within 7 years, including a period of moratorium of three years.

5.12 On being enquired by the Committee about the reasons for low disbursement of loans from SDF for cane development, a representative of the Ministry during the evidence stated that Loans for cane development are provided to those sugar factories who apply for such loans. Some formalities are to be completed by the sugar factories before loans are sanctioned to them. It was seen that due to droughts during 2002-2003 and 2003-04 the disbursement of loans from Sugar Development Fund declined. another problem was that sugar factories had to provide Bank Guarantees against this loan. During 2003-04 the financial position of the sugar factories was vary bad, therefore, the attitude of Banks towards sugar factories or the sugar sector as such was not positive, owing to which the sugar factories could not get Bank Guarantees easily. Due to this, the loans though sanctioned in favour of the sugar factories, could not be disbursed and therefore, the disbursal on this account was less. However, disbursement has increased this year. For more disbursal of loans for cane development, the Ministry is making efforts to remove the problems being faced for seeking Bank guarantee and are of the view that more loans for cane development could be disbursed if the loans are provided to sugar factories against their assets.

( v) Recovery of Loans

5.13 On being asked about the status of recovery position of financial assistance availed under SDF, Year-wise for the last three years, the Ministry furnished the following statement showing the total recovery of loans (Principal and Interest) to the fund during the last three years.

| Year | Recoverable Outstanding (in lakhs of Rs) | Recovery (in lakhs of Rs) | Recovery percentage. |
|---|---|---|---|
| 2001-02 | 23015 | 8788.18 | 38% |
| 2002-03 | 35551 | 7796.55 | 21% |
| 2003-04 | 40306 | 5776.41 | 14% |

(c) Cane Price Arrears

5.14 The Committee pointed out that although the sugar mills claims of making payments of arrears to farmers, however, this is seldom done. On being asked as to how does the Government ensure that sugar mills actually make payment to cane growers and whether any monitoring mechanism is in place, the Ministry in a reply stated:-

> "A total amount of Rs. 14547.26 crore, Rs. 15817.16 crore and Rs. 11633.71 crore have been paid by the sugar mills towards the cane price to the farmers in the last three sugar years, namely, 2001-2002, 2002-2003 and 2003-2004, respectively".

5.15 On being asked about the latest position of cane price arrears and actual paid sector-wise (i.e. in the co-operative, private and Government owned sugar-mills) State-wise and year-wise for the last three years, the Ministry furnished the following statement:-

Statement showing cane price payable, paid and arrears, State-wise and Sector wise for the sugar seasons 2001-02 (as on 28.2.2005)

(Figures in Lakh Rupees)
(Provisional)

| | | Cane price payable | | | | Cane Pirce paid | | | | Cane Price arrears | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No | State | Public | Coop | Private | Total | Public | Coop | Private | Total | Public | Coop | Private | Total |
| 1 | Punjab | 0.00 | 39036.08 | 23403.14 | 62439.22 | 0.00 | 39036.08 | 23403.14 | 62439.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Hariyana | 0.00 | 38669.00 | 27345.00 | 0.00 | 0.00 | 38669.00 | 27345.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3 | Rajasthan | 0.00 | 0.00 | 1.18 | 1.18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.18 | 1.18 |
| 4 | U.P | 43839.00 | 81903.00 | 383635.00 | 509377.00 | 43839.00 | 81903.00 | 382044.00 | 507786.00 | 0.00 | 0.00 | 1591.00 | 1591.00 |
| 5 | Uttaranchal | 7196.76 | 13875.62 | 23143.88 | 44216.26 | 7196.76 | 13875.62 | 23143.88 | 44216.26 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | M.P | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | Gujarat** | 0.00 | 81914.86 | 0.00 | 81914.86 | 0.00 | 76154.33 | 0.00 | 76154.33 | 0.00 | 5760.53 | 0.00 | 57.60.53 |
| 8 | Maharasthra$ | 0.00 | 391004.47 | 24957.11 | 415961.58 | 0.00 | 390794.84 | 24957.11 | 415751.95 | 0.00 | 209.63 | 0.00 | 209.63 |
| 9 | Bihar | 0.00 | 0.00 | 32948.00 | 32948.00 | 0.00 | 0.00 | 32642.66 | 32642.66 | 0.00 | 0.00 | 305.34 | 305.34 |
| 10 | Assam | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11 | A.P. | 5965.83 | 16527.33 | 57969.78 | 80462.74 | 5965.63 | 16527.33 | 57969.78 | 80482.74 | 0.00 | 0.00 | 0.00 | 0.00 |
| 12 | Karnataka | 12492.00 | 40466.27 | 45921.78 | 98880.05 | 12466.00 | 38205.27 | 45921.78 | 96593.05 | 26.00 | 2261.00 | 0.00 | 2287.00 |
| 13 | Tamil Nadu | 6749.02 | 38821.59 | 03109.78 | 138680.39 | 6749.02 | 38821.59 | 93109.78 | 138680.39 | 0.00 | 0.00 | 0.00 | 0.00 |
| 13 | Kerala | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 15 | Orrissa | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 16 | West Bengal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0..00 | 0.00 |
| 17 | Nagaland | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0..00 |
| 18 | Pondicherry | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 19 | Goa | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | Total | 76242.41 | 742218.22 | 712434.66 | 1464881.28 | 76216.41 | 733987.06 | 710537.13 | 1454726.69 | 26.00 | 8231.16 | 1897.52 | 10154.68 |

** Position as on 15.22005.
* Position on 15.3.2005
Position as on 31.1.2005 in respect of States Rajasthan, Assam, West Bengal, Nagaland.
$ Maharashtra; payable amount also includes previous sugar season.

Statement showing cane price payable, paid and arrears, State-wise and Sector wise for the sugar seasons 2002-03 (as on 28.2.2005)

(Figures in Lakh Rupees)
(Provisional)

| | | Cane price payable | | | | Cane Pirce paid | | | | Cane Price arrears | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No | State | Public | Coop | Private | Total | Public | Coop | Private | Total | Public | Coop | Private | Total |
| 1 | Punjab | 0.00 | 36651.79 | 23446.66 | 60098.45 | 0.00 | 31280.10 | 23376.85 | 53656.96 | 0.00 | 5371.69 | 1069.81 | 6441.50 |
| 2 | Hariyana | 0.00 | 38764.00 | 23163.00 | 61927.00 | 0.00 | 38764.00 | 23163.00 | 61927.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3 | Rajasthan | 250.80 | 0.00 | 0.00 | 0.00 | 250.80 | 0.00 | 0.00 | 250.80 | 0.00 | 0.00 | 0.00 | 0.0 |
| 4 | U.P | 45744.00 | 84071.00 | 421345.00 | 551160.00 | 45744.00 | 84071.00 | 369310.00 | 499125.00 | 0.00 | 0.00 | 52035.00 | 52035.00 |
| 5 | Uttaranchal | 7653.00 | 13629.00 | 27346.00 | 48628.00 | 7653.00 | 13629.00 | 27346.00 | 48628.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | M.P | 0.00 | 4312.75 | 1827.16 | 6139.91 | 0.00 | 4147.60 | 1793.21 | 5940.81 | 0.00 | 165.15 | 33.95 | 199.10 |
| 7 | Gujarat | 0.00 | 87668.66 | 0.00 | 87668.66 | 0.00 | 81839.67 | 0.00 | 81839.67 | 0.00 | 5828.99 | 0.00 | 5228.99 |
| 8 | Maharasthra | 0.00 | 412483.46 | 15224.75 | 427708.21 | 0.00 | 405939.80 | 15172.75 | 42112.55 | 0.00 | 6543.66 | 52.00 | 6595.66 |
| 9 | Bihar | 0.00 | 0.00 | 32941.68 | 32941.68 | 0.00 | 0.00 | 32354.79 | 32354.79 | 0.00 | 0.00 | 586.89 | 586.89 |
| 10 | Assam | 0.00 | 14.48 | 0.00 | 14.48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 14.48 | 0.00 | 14.48 |
| 11 | A.P. | 4258.39 | 14643.61 | 81157.77 | 100059.77 | 4258.39 | 14643.61 | 77662.31 | 96564.31 | 0.00 | 0.00 | 3495.46 | 3495.46 |
| 12 | Karnataka | 11351.00 | 54862.00 | 83128.00 | 149341.00 | 11351.00 | 54363.00 | 83115.00 | 148829.00 | 0.00 | 499.00 | 13.00 | 512.00 |
| 13 | Tamil Nadu | 5780.59 | 35640.90 | 83962.88 | 125384.37 | 5780.59 | 35640.90 | 83962.88 | 125384.37 | 0.00 | 0.00 | 0.00 | 0.00 |
| 13 | Kerala | 0.00 | 209.00 | 0.00 | 209.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 209.00 | 0.00 | 209.00 |
| 15 | Orrissa | 0.00 | 1946.64 | 825.51 | 2772.15 | 0.00 | 1946.64 | 790.14 | 2736.78 | 0.00 | 0.00 | 35.37 | 35.37 |
| 16 | West Bengal | 0.00 | 0.00 | 249.28 | 249.28 | 0.00 | 0.00 | 249.28 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 17 | Nagaland | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 18 | Pondicherry | 0.00 | 1781.93 | 691.69 | 2473.62 | 0.00 | 1781.93 | 691.69 | 2473.62 | 0.00 | 0.00 | 0.00 | 0.00 |
| 19 | Goa | 0.00 | 892.70 | 0.00 | 892.70 | 0.00 | 892.70 | 0.00 | 892.70 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | **Total** | **75037.78** | **787571.92** | **795309.38** | **1657668.28** | **75037.78** | **768939.95** | **738987.90** | **1581716.35** | **0.00** | **18631.97** | **57321.48** | **75353.45** |

** Position as on 15.22005.

* Position on 15.3.2005

Position as on 31.1.2005 in respect of States Rajasthan, Assam, West Bengal, Nagaland.

Statement showing cane price payable, paid and arrears, State-wise and Sector wise for the sugar seasons 2003-04 (as on 28.2.2005)

(Figures in Lakh Rupees)
(Provisional)

| | | Cane price payable | | | | Cane Pirce paid | | | | Cane Price arrears | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No | State | Public | Coop | Private | Total | Public | Coop | Private | Total | Public | Coop | Private | Total |
| 1 | Punjab | 0.00 | 20695.70 | 19743.69 | 40439.39 | 0.00 | 19852.51 | 19733.62 | 39586.13 | 0.00 | 843.19 | 10.07 | 853.26 |
| 2 | Hariyana | 0.00 | 33005.00 | 22636.00 | 55641.00 | 0.00 | 33005.00 | 22636.00 | 55641.00 | 0.00 | 0.000 | 0.00 | 0.00 |
| 3 | Rajasthan | 1098.28 | 0.00 | 0.00 | 1098.28 | 1098.28 | 0.00 | 0.00. | 1098.28 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4 | U.P | 33590.00 | 61273.00 | 33447.00 | 429310.00 | 33590.00 | 61273.00 | 333459.00 | 428322.00 | 0.00 | 0.000. | 988.00 | 988.00 |
| 5 | Uttarananchal | 5790.66 | 10198.52 | 20937.89 | 36927.07 | 5790.66 | 10198.52 | 20937.89 | 36927.07 | 0.00 | 12.94 | 0.00 | 0.00 |
| 6 | M.P | 0.00 | 5882.48 | 2431.39 | 8313.87 | 0.00 | 5869.54 | 2414.94 | 8284.48 | 0.00 | 0.00 | 16.45 | 29.39 |
| 7 | Gujarat | 0.00 | 92292.19 | 0.00 | 92292.19 | 0.00 | 82892.89 | 0.00 | 82892.89 | 0.00 | 9399.30 | 0.00 | 9399.30 |
| 8 | Maharasthra | 0.00 | 225041.60 | 9568.35 | 234610.00 | 0.00 | 216972.00 | 8514.54 | 225486.60 | 0.00 | 10563.98 | 1342.34 | 11906.32 |
| 9 | Bihar | 0.00 | 0.00 | 23024.68 | 23024.68 | 0.00 | 0.00 | 22878.81 | 22878.81 | 0.00 | 0.00 | 145.87 | 145.87 |
| 10 | Assam | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11 | A.P. | 4442.15 | 5464.29 | 66663.04 | 76569.48 | 4427.04 | 5187.45 | 66663.04 | 76277.53 | 1511 | 276.84 | 0.00 | 291.95 |
| 12 | Karnataka | 6697.00 | 31210.00 | 71103.00 | 109010.00 | 6690.00 | 30821.00 | 71043.00 | 108554.00 | 7.00 | 389.00 | 60.00 | 456.00 |
| 13 | Tamil Nadu | 3877.89 | 20054.75 | 50273.96 | 74206.60 | 3877.89 | 20054.75 | 50273.96 | 74206.60 | 0.00 | 0.00 | 757.57 | 757.57 |
| 13 | Kerala | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 15 | Orrissa | 0.00 | 2342.07 | 1185.62 | 3527.69 | 0.00 | 2342.07 | 1185.62 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 16 | West Bengal | 0.00 | 0.00 | 659.07 | 659.07 | 0.00 | 0.00 | 659.07 | 659.07 | 0.00 | 0.00 | 0.00 | 0.00 |
| 17 | Nagaland | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 18 | Pondicherry | 0.00 | 1713.34 | 0.00 | 1713.34 | 0.00 | 1713.34 | 0.00 | 1713.34 | 0.00 | 0.00 | 0.00 | 0.00 |
| 19 | Goa | 0.00 | 843/62 | 0.00 | 843.62 | 0.00 | 843.62 | 0.00 | 843.62 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | **Total** | **55495.98** | **510016.56** | **622673.69** | **1188186.28** | **55473.87** | **491025.69** | **620399.49** | **1163371.42** | **22.11** | **21485.25** | **3320.30** | **24827.66** |

** Position as on 15.22005.

* Position on 15.3.2005

Position as on 31.1.2005 in respect of States Rajasthan, Assam, West Bengal, Nagaland.

5.16 The responsibility of ensuring timely payment of cane price dues to the sugarcane growers lies with the respective State Governments. The Central Government on its part, besides, writing to the State Governments for speedy clearance of the cane price dues, have taken the following steps:

(i) The levy obligation of the sugar factories had been reduced to 10% w.e.f. 1st March, 2002, to enable the factories to sell more sugar under non levy quota in the open market.

(ii) A buffer stock of 20 lakh tonne of sugar was created initially for a period of one year from 18.12.2002. The Government had extended the maintenance of buffer stock for a further period of one year beyond 17.12.2003. This facilitates liquidity position of the sugar mills which enables them to make payment of cane arrears. As on 29.3.2005, 362 claims have been received out of which in 357 cases, an advance buffer subsidy to the tune of Rs. 219.72 crore have been paid and in addition to this 278 cases pertaining to the period 18.12.2002 to 17.12.2003 have been finalized involving further disbursement of Rs. 59.01 crores. Further, an amount of Rs.67.57 crores has been disbursed against 73 cases towards buffer subsidy (first three quarters) for the extended period 18.12.2003 to 17.12.2004.

5.17 As stated above, since the responsibility of ensuring timely payment of cane price dues to sugarcane growers lies with the respective State Governments, it has been reported by States like U.P that the cane price arrears are monitored on day to day basis by the State Government functionaries at the State, District, Sub-District level. They also hold periodical meetings and take actions including recovery as arrears of land revenue as warranted for clearing the cane dues. In the State of Karnataka, it has been reported that the Cane Commissioner Office procures sugarcane payment details directly from the factories and also resort to certificate actions under Sugarcane (Control) Order, 1966 for recovery of cane arrears to be paid to the farmers.

5.18 On being asked about the concrete steps that have been taken to liquidate the arrears the Ministry in a written replies stated as follows:-

> "It is the responsibility of the sugar mills to pay the sugarcane dues of the farmers and the responsibility of the respective State Governments under the provisions of Sugarcane (Control) Order, 1966 to ensure compliance by the sugar mills for which they also have the necessary machinery".

5.19 In view of high production in successive years upto 2002-03, sugar prices fell constraining the ability of the sugar factories to make cane price payment in 2002-03 sugar season. In order to help the sugar factories to clear cane price arrears of 2002-03 sugar season (as on 30-9-2003), the Central Govt had offered two schemes of financial assistance to State Governments. Ministry of Agriculture had allocated Rs. 678.06 crores as one time assistance to the Governments of U.P., Uttaranchal, Bihar, Punjab and Haryana to help clear the sugarcane price arrears in respect of 2002-03 sugar season by private sugar factories in those States as per certain terms and conditions of the package. The States of Uttaranchal and Bihar have availed of the assistance to the tune of Rs.45.54 crore and Rs.18.85 crore respectively. The Governments of U.P., Haryana and Punjab informed that the terms and conditions are not acceptable to them.

5.20 The Central Government have also offered assistance to the State Governments by way of Additional Open Market Borrowings (AOMB) to help sugar factories to clear cane price arrears of 2002-03 sugar season as per certain terms and conditions. The State Governments of Tamil Nadu, Maharashtra and Andhra Pradesh have availed of this assistance to the tune of Rs.229.97 crore, Rs.300 crore and Rs.46.87 crore respectively. Reminders have been issued to the remaining sugarcane growing States requesting them to submit their proposals for Additional Open Market Borrowings (AOMB).

5.21 To mitigate the hardships of sugarcane growers, the Government created a buffer stock of 20 lakh tonnes of sugar for a period of one year with effect from December 18, 2002 to December 17, 2003 to defray the carrying cost of sugar and to enable payment of cane price arrears. The buffer stock was extended for one more year i.e. upto December 17, 2004.

5.22 Besides, to help increase the liquidity of the sugar mills and to enable it to clear cane price arrears, Central Government amended the Sugar Development Fund Act, 1982 inter alia to provide for:

(i) defraying of expenditure on internal transport and freight charges;

(ii) reimbursement of expenditure incurred on neutralization of ocean freight disadvantage;

iii) reimbursement of expenditure incurred on marketing and handling charges.

## (d) Sick Sugar Mills

5.23 On being asked as to how many sugar industries in the country have been identified as sick units and how many Industries have been closed in the last three years and what criteria has been adopted to declare a unit as sick, the Ministry in a reply stated as follows:

"As per Sick Industrial Companies Act,1985 (SICA),the criteria to determine sickness are as under:

(1) Accumulated losses should be equal to or more than net worth,

(2) The Industrial company should have completed five years after incorporation .

(3) The company should have employed not less than 50 industrial workers during the preceding twelve months.

According to section 15 of the SICA, the Board of Directors of a company is required to make a reference to the BIFR, if a company becomes sick. In respect of the referred companies, the BIFR makes inquiries in terms of section 16 of the SICA and passes a suitable order under section 17 of the SICA on whether it is practicable for a sick industrial company to make its net worth exceed the accumulated losses with in a reasonable time and direct any specified agency (e.g. IDBI, IFCI) to prepare a scheme for its rehabilitation . Such a scheme may include financial reconstruction, induction of fresh funds by the promoters, merger with other companies, change in management, provision for working capital and term loans by banks/NABARD/ financial institutions and concessions by the Central/state Governments. After examining the scheme and hearing all stake holders, the BIFR either sanction it or rejects it. In the event of sanction the BIFR regularly monitors the implementation. However, wherever revival is not possible, the BIFR makes a recommendation to the concerned High Court for its winding up.

The Cooperative sugar mills are not covered under SICA and are registered under the Cooperative Societies Act of the respective states. According to the latest information received form the NABARD 130 mills in the country had negative net worth.

**(i) Steps taken to curb the sickness**

5.24. On being enquired about the steps taken or proposed to be taken by the Government to curb the sickness of sugar industries, the Ministry in a reply stated as under:-

“The Government is constantly monitoring the sugar prices, so that the sugar mills get reasonable price of the sugar and accordingly ensuring the financial viability of the sugar mills through the free sale release mechanism.

In addition to this, Tuteja Committee has made various recommendations to curb the sickness of sugar industry which are as follows:

(a) Loans as on 31.3.2004 may be deferred/rescheduled to long term loans, repayable in 10-12 years, besides, a moratorium of both interest and principal for 3 years starting from 2004-2005. The exact terms of package would be worked out by NABARD (in consultation with State Government) on a case to case basis taking into consideration the debt service obligation and the capacity to repay of the sugar factories.

(b) The Governments of drought and flood affected States may be allowed Open Market Borrowings to help sugar factories to meet the fixed cost of 75% of entitled wages of mills which were in operation in 2002-2003 season, may have been closed in 2003-2004 and 2004-2005 sugar season due to non availability of sugarcane.

(c ) All eligible cases for restructuring sugar industries may be taken under CDR scheme. The present minimum principal exposure of Rs. 20 crores may be brought down to Rs. 10 crores.

(d) Working capital to cooperative sugar factories may be made available by National Cooperative Development Corporation (NCDC) at a subsidized rate of interest. For this purpose, NCDC may arrange cheaper funds through External Commercial Borrowing (ECB) and the Government of India may accord permission as well as provide guarantee in this regard.

(e) A body like BIFR may be set up for rehabilitation of cooperative sugar mills and NCDC may be appointed as Nodal agency for preparing the rehabilitation packages for the sick cooperative sugar mills.

(f) Diversification projects for potential cooperative sugar mills could be encouraged to improve their profitability through value addition of by products like Bagasse and Molasses.”

## (ii) Steps taken to revive sick sugar Mills

5.25. On being asked by the Committee how the Government plan to revive the potentially viable sick sugar industries and rehabilitate the workers employed in closed /sick sugar industries, the Ministry furnished the following information:-

> "It is the responsibility of the entrepreneur to take steps to reopen/revive the closed sugar mills. The sick sugar mills belonging to private and public sectors are covered under the provisions of the sick Industrial Companies (special Provisions) Act, 1985 (SICA). Such sugar mills are required to make a reference to the Board for Industrial and Financial Reconstruction (BIFR) whenever their accumulated losses become equal to or more that the net-worth. If the rehabilitation schemes sanctioned by BIFR provide for any relief/concession from this Ministry, the same is considered as per the existing guidelines.
>
> As regards the cooperative sugar mills a Committee has been constituted by the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) to consider the proposals of the potentially viable sick sugar mills of this sector.
>
> However, the Tuteja Committee has observed that this Committee is neither backed by legislation nor does it have the 'teeth' to undertake this task. As the number of such sugar factories is large, their revival is crucial for the health of the industry. The Committee recommends that a body like BIFR be set up for rehabilitation of cooperative sugar mills and NCDC may be appointed as the Nodal agency for preparing rehabilitation packages for sick cooperative sugar mills. The financial restructuring of cooperative sugar factories under rehabilitation package may generally comprise the following components:
>
> - Conversion of full/part of outstanding State Government loans into equity.
> - Infusion of additional equity by the State Government/members of the society
> - Re-schedulement of outstanding loans of banks and financial institutions and waivers/concessions in interest on outstanding loans of cooperative sugar mills.
>
> The S.D.F. rules were amended on 19-08-2002, so as to provide loans for cane development and modernization to potentially viable sick sugar mills. These rules have again been amended on 21-10-2004 with a view to provide loan to the sugar factories at two percent below the prevailing bank rate, which will overcome the problem of sickness of sugar factories to some extent. Finance Minister also announced in the Budget Speech

that the reduced rate of interest would also be applicable to the existing loans.

As regards rehabilitation of workers employed in closed/sick industries, it is stated that the interests of workers employed in sick/closed sugar undertakings are protected by owners/promoters and State Government (in case of PSUs) as per the relevant Acts & Regulations.

(e) Visits and Inspections of Sugar Mills

5.26 On being asked about the number of surprise visits and inspections of sugar factories carried out by the Directorate of Sugar during the last three years, out of the total number of samples drawn for testing, how many samples failed the tests and what penalties were imposed on the sugar factories, whose samples failed the test, the Ministry in a post evidence reply furnished the following statement:-

| Sl.No | Season | No of factories visited | No of samples drawn | No of samples examined | No of sample failed | No of warning issued | Balance No of samples. |
|---|---|---|---|---|---|---|---|
| 1 | 2001-02 | 72 | 731 | 731 | 129 | 16 | 0 |
| 2. | 2002-03 | 125 | 1745 | 1745 | 85 | 18 | 0 |
| 3. | 2003-04 | 12 | 136 | 136 | 4 | 3 | 0 |

Periodical visits to sugar factories are made to check the quality of sugar produced by the sugar factories. In case, sugar is found inferior to the grade marked on the bag, action is taken against the defaulting sugar factory as per the existing parameter.

As per the existing parameters, if the colour of sugar marked on the bags from which the sample is drawn is found to be of a lower grade as compared to the standard fixed under the Sugar (Control) Order, 1966 for that sugar season, the Directorate of Sugar is required to issue warning letters for the first offence. For the subsequent offence the factory may be prosecuted. As the samples had failed in respect of colour only as compared to the standard fixed for the particular sugar season the concerned sugar factories were issued warning letters for the first offence.

5.27 On being asked to furnish the details of the sugar factories which were found violating statutory/administrative Orders/directions by the Government /Directorate and action taken against the violating sugar factories, the Ministry in a post evidence reply informed as under:-

"Non-Levy (Free-Sale ) Sugar- No violations of the Statutory/Administrative Orders/directions were reported in the years 2001-02 and 2002-03. As per available information, in the year 2003-04, 24 cases of violations came to the notice of the Government. Out of this, FIR/Polices case were filed in case of 3 sugar mills, in 4 cases D.M. concerned had been asked to file FIR, in 5 cases

Show Cause notice had been issued, in 11 case standing counsels views had been sought and in 1 case views of Law Ministry had been sought.

Besides, as per available information, during the last three years, about 192 Courts orders were passed in favour of various sugar mills by the Courts, throughout India, allowing them to sell their non-levy (free-sale) sugar or part thereof, in the open market, under the Court Orders, comprising, 16 in 2001-02, 88, each, in the years 2002-03, 2003-04, respectively.

Levy Sugar- In case of levy sugar, no violation was reported during the last three years.

Export of Sugar.

| SL No. | Season | Remark |
|---|---|---|
| 1 | 2001-02 | 21 |
| 2 | 2003-03 | No violation reported. |
| 3. | 2003-04 | No violation reported |

21 cases of violation of export release orders in the year 2001-02 by the sugar mills/exporters came to the notice of the Central Government.

This Ministry has initiated all the necessary actions with the relevant authorities against the alleged violators for necessary action under the relevant provisions of Law, viz. the authorities of Director General of Foreign Trade, Ministry of Commerce, under Foreign Trade (Development and Regulation) Act, 1992, Central Excise Authorities under Central Excise Act, 1944. Commissioner of Sugar, Government of Maharashtra had also conducted his independent enquiry against the defaulting sugar mills under the Maharashtra Cooperative Societies Act, 1960 and Essential Commodities Act, 1955".

The Department has already forwarded the names of defaulting exporters/sugar mills to the regional as well as New Delhi Offices of the Directorate General of Foreign Trade (DGFT) for taking necessary action against them under Foreign Development and Regulation Act, 1992. Further, the Government, on its part, have already forwarded the details/list of release orders issued to the sugar mills of Maharashtra to the Chairman Central Board of Excise and Customs, Office of Director of Income Tax (Investigation), Pune Office of CBI, Mumbai. Further, the concerned District Collectors have been requested to initiate necessary action against the defaulting exporters/sugar mills including filing of FIR and launching prosecution for violation of Clause 9 of the Sugar (Control) Order 1966, issued under Section 3 of the Essential Commodities Act, 1955."

5.28 On being asked to furnish details of cases of shortages in supply of levy sugar to FCI/State Governments detected or come to notice of the Government along with steps taken to check such malpractices also whether the mills have been paid the amount to levy sugar supplied by them in case of shortages, the Ministry in a post evidence reply stated as under:-

> "As reported by FCI, the tentative shortages in supply of levy sugar by way of railway transit loss with effect from 1.4.2001 to 31.12.2004 was 33975.55 qtls. involving an amount of Rs. 7.87 crores. However, no such information have been received from the State Governments.
>
> As regards steps taken to prevent such malpractices, FCI has been provisionally retaining 5% of the cost of levy sugar rake at the time of dispatch from the sugar mills which has now been reduced to 3%. FCI has now taken up exercise to reconcile these figures of finalizing payments, if any, in this regard. Further, FCI has now started deputing officers/officials of consignee region to get sugar stocks loaded in the premises".

5.29 The Committee are concerned to note that more than 1000 crore of cane arrears pertaining to sugar seasons 2001-02, 2002-03 and 2004-05, is still outstanding. Sugar mills in all the Sectors i.e., private, public and cooperative are in default. The Committee are pained to note that although the payment of sugarcane is required to be paid within 14 days of supply of cane, it is seldom done. In default of payment, the State Governments are authorized to recover cane price arrears remaining unpaid after 14 days after supply of cane by farmers, alongwith interest @ 15% per annum as arrears of land revenue. The Committee are deeply concerned to note that the arrears for the sugar seasons 2001-02 onwards is still outstanding and yet action has not been taken against sugar mills to recover the cane price arrears alongwith interest @ 15% till date. The Committee would like to be apprised of the failure in not invoking the provision of Sugarcane (Control) Order 1966, in this regard. The Committee would also like to be apprised of the details of sugar mills which are still to liquidate their outstanding arrears against the farmers and the reasons for not paying the outstanding arrears alongwith interest. The Committee would like to be apprised of mills under private sector which have been gone sick or referred to BIFR and against whom outstanding cane arrears are still pending and the steps taken by the Government to recover the same.

530 The Committee are concerned to note the low disbursal of loans from Sugar Development Fund (SDF) especially for modernization/rehabilitation of sugar mills and for cane development. For modernization/rehabilitation of sugar mills during the year 2002-03. Rs. 92.19 crore only was utilized out of the Rs. 200 crore sanctioned for the purpose, whereas in 2003-04 out of Rs. 150 crore sanctioned for the purpose Rs. 44.36 crore only could be utilized. The Committee feel that the present laid down procedure for availing assistance is quite cumbersome and therefore, needs to be simplified further. The Committee would like to be apprised of the status of sugar mills i.e. the extent to which loan assistance was availed for the purpose for which it was sanctioned and whether

any mill went sick or was referred to BIFR for rehabilitation/modernization during last 10 years, after availing the loan assistance.

5.31 The Committee find that for cane development Scheme during 2002-03, Rs. 15.74 crore out of Rs. 20 crore and during 2003-04, Rs. 9.70 crore only out of the Rs. 20 crore sanctioned for the purpose were disbursed to the sugar mills. The Committee find that activities like purchase of seeds/fertilizers/pesticides, rearing of seed nurseries, incentives to cultivators to switch over to improved varieties of sugarcane etc. are functions best performed by sugarcane growers and not sugar entrepreneur. The Committee find hardly any justification in routing the assistance through sugar enterprise, for the cane development schemes, especially when such functions are to be undertaken by cane growers. It has been brought to the notice of the Committee that the funds from SDF do not percolate to the ultimate beneficiaries i.e. the farmers and as a result the cane development works suffer and at present are far from being satisfactory. The Committee view this with concern and recommend that SDF authorities should review the scheme so that the benefits of the scheme are realized. The Committee feel that the farmers should be directly involved in such development programmes. The loan for cane development should be given directly to the farmers through the panchayats and not the sugar mills who either due to lack of interest or some other reasons best known to them, do not help in realizing the benefit of the schemes to a desired level.

5.32 The Committee note with concern that the recovery of loans availed as financial assistance from SDF by sugar industries is continuously decreasing. From Rs. 230 crore which were outstanding as recoverable dues in 2001-02 only Rs. 88 crore were recovered, from Rs.355 crore in 2002-03 the recovery was only Rs. 78 crore and from Rs.303 crore to be recovered during 2003-04 the recovery was merely to the tune of Rs. 58 crore. From 38% in 2001-02 it has gone down to 21% in 2002-03 and to merely 14% in 2003-04. The Committee are not at all happy with the recovery position and therefore, strongly recommend that all out efforts should be made for speedy recovery of loans and stringent action should be taken against the defaulting units.

5.33 The Committee note with concern that the number of sugar mills being visited/inspected by the Government in respect of quality control measures is very low. Out of the 471 sugar factories operating in the country only 72 sugar factories were visited/inspected during 2001-02. The number of visits further declined during 2003-04. The number of samples drawn for testing declined to 136 from 731 during the same period. The Committee feel that the Government is not giving adequate attention that it deserves in the matter of quality control of sugar. The Committee are of the view that if the quality of sugar is not maintained , Indian sugar will not be able to compete in the international market. The Committee, therefore, strongly recommend that stringent action be taken against the defaulting sugar mills as by issuing the warnings merely may not bring in the desired results. The Committee also desire that the enforcement set up should be spruced up so that at least 40-50% of the total number of the factories are visited every year.

5.34 The Committee note that 21 cases of violations of export release orders were reported in the year 2001-02. The Committee are not convinced with the Government's reply that no case of violations of statutory/administrative orders/Directions were reported during the years 2001-02 and 2002-03. The Committee feel that the matter is being approached in a very casual manner by the Government. The Committee, therefore, recommend that the Enforcement Department may be asked to strictly monitor the position so that any type of violation may immediately be taken note of and suitable action taken against the violators. The Committee would also like to be apprised of the action taken against the defaulters, for violation of export release orders during the year 2001-02.

## CHAPTER VI
## MANAGEMENT OF EDIBLE OILS

6.1 As an essential ingredient for a wholesome and balanced diet, edible oils and fats are vital items of mass consumption, Considering their widespread requirement, it has been the policy of the Government to have an efficient management of edible oils so as to ensure its easy availability to consumers at reasonable prices throughout the country. Because of the importance of edible oil in our national economy, the Department of Food and Public Distribution has been entrusted with the responsibility of management of edible oils so as to ensure their easy availability to the consumers at reasonable price throughout the country. Supply from indigenous sources falls short because demand of edible oils has been increasing at a pace faster than that of production due to growth in population and improvement in the standards of living of people.

6.2 There are two sources of oils-primary sources and secondary sources. The primary sources include those oilseeds which are cultivated. The main edible oils from these sources are Ground nut, Rapeseed/Mustard seed, Soyabean, sunflower seed, Sesame seed, Nigerseed, and Safflower seed. The main secondary sources of oils include Coconut oil, Cottonseed oil and Rice bran oil. The production of oilseeds and net availability of edible oils from domestic sources (primary source and secondary source) for the year 2002-2003 and 2003-2004 are recorded below:-

(in lakh tonnes)

| Name of the Oilseeds | 2002-03 | | 2003-04 | |
|---|---|---|---|---|
| | Oilseeds | Oils | Oilseeds | Oils. |
| **Primary Source** | | | | |
| Groundnut | 43.63 | 10.04 | 83.32 | 19.17 |
| Repeseed/Mustard | 39.18 | 12.15 | 58.32 | 18.08 |
| Soyabean | 45.58 | 7.29 | 78.54 | 12.57 |
| Sunflower | 9.10 | 3.00 | 10.86 | 3.56 |
| Sesame | 4.34 | 1.35 | 8.15 | 2.53 |
| Nigerseed | 1.17 | 0.35 | 1.11 | 0.33 |
| Safflower | 1.57 | 0.47 | 1.29 | 0.39 |
| Castor | 4.28 | 1.71 | 8.04 | 3.22 |
| Linseed | 1.73 | 0.52 | 1.79 | 0.54 |
| Subtotal | 150.58 | 36.88 | 251.42 $4^{th}$ Advance Estimates) | 60.39 |
| **Secondary Source** | | | | |
| Coconut | | 5.50 | | 5.50 |
| Cottonseed | | 4.30 | | 4.30 |
| Ricebran | | 6.00 | | 6.00 |
| Solvent Extracted Oils | | 2.00 | | 3.30 |

| | | | | |
|---|---|---|---|---|
| Tree and Forest Origin | | 0.80 | | 0.80 |
| Sub Total | | 18.60 | | 19.90 |
| Total (A+B) | | 55.48 | | 80.29 |
| C.Less : Export and Industrial Use | | 8.20 | | 9.20 |
| D. Net availability of edible oils from all domestic sources | | 47.28 | | 71.09 |

(a) Directorate of Vanaspati, Vegetable Oils and Fats.

6.3 The management of edible oils is done through the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F).

6.4 The Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) of the Ministry of Consumer Affairs, Food and Public Distribution is the only specialized organization in the field of Vegetable Oils and Fats and Vanaspati at the Government level (both Central and State). The DVVO&F is staffed with qualified technical people. The DVVO&F assists the Ministry in the coordinated management of Vegetable Oils particularly relating to quality control and monitoring of prices. The activities the DVVO&F include regulatory, developmental and advisory.

6.5 The regulatory functions are performed basically through the three following Orders administered by the DVVO&F: -

(i) Edible Oils Packaging (Regulation ) Order, 1998;
(ii) Vegetable Oil Products (Regulation) Order, 1998 and
(iii) Solvent Extracted Oil, De-Oiled Meal and Edible Flour (Control) Order, 1967.

(b) Quality and Testing

6.6 The monitoring of quality of edible oils and fats is done by the DVVO&F in terms of the provisions of the Orders. For the purpose of ensuring proper quality control, regular inspections of units are carried out by the Field Officers of DVVO&F posted in different zones, in addition to surprise inspections from the Headquarter.

6.7 Irregularities pointed out by the Field Officers in their Inspection Reports are considered for appropriate action against the defaulting units. The samples drawn by the Officers are sent for analysis for checking conformity with the prescribed requirements.

6.8 A well-equipped laboratory exclusively devoted to the analytical work pertaining to oils and fats is available with DVVO&F. During the financial year 2003-04, of the 3294 samples of edible oils and fats analysed in the laboratory of the DVVO&F, 125 samples of vanaspati did not conform to the prescribed standards of quality. In the case of failure of samples, appropriate action has been/is being taken against the defaulting units.

(c) Policy on Import of Edible Oils

6.9 Since there has been a continuous excess of demand over domestic supply of edible oils, import of edible oils has been resorted to for more than two decades to make this item of mass consumption easily available to consumers at reasonable prices.

6.10 In pursuance of the policy of liberalization of the Government, there have been progressive changes in the Import Policy in respect of edible oils during the past few years. Edible Oil, which was in the negative list of imports, was first de-canalised partially in April, 1994 with permission to import edible vegetable palmolein under OGL with revision of import duty structure. Import duty on crude vegetable oils, which were 15% in 1998, had been raised to 75% in 2001 except 45% for crude soyabean oil, 75% for crude rapeseed oil and 65% for crude palm oil. The duty on refined oils including RBD Palmolein had also been raised in 2001 to 85% except in the cases of refined soyabean oil and refined mustard oil where the basic duty has been at 45% and 75% respectively. In addition, 4% SAD was levied on refined oils. However, the import duty on RBD Palm oil and RBD Palmolein which was reduced from 85% to 70% w.e.f. 30.4.2003, had been raised from 70% to 75% w.e.f. 9.7.2004. Presently, SAD is not applicable on refined oils.

6.11 The quantities of edible oils imported during the last five years are as under:

(Qty.in lakh tonnes)

| Year (April-March) | Import of Edible Oils* |
|---|---|
| 1999-2000 | 41.96 |
| 2000-2001 | 41.77 |
| 2001-2002 | 43.22 |
| 2002-2003 | 43.65 |
| 2003-2004 | 52.95 |
| 2004-2005 (Apr.- Oct.,04) | 25.58 |

(d) Production of Edible Oils

6.12 On being asked to furnish a statement showing the total requirement, production, demand, supply, consumption, availability and import of edible oils during the last three years, Year and State-wise and the steps to bridge the gap between demand and supply of edible oils, the Ministry have furnished the following Statement:-

(In Lakh Tonnes)

| Oil Year (Nov-Oct) | Domestic Production of oilseeds | Net availability / Production / Supply of edible oils from all domestic sources | Import of Edible Oils | Total availability / Consumption* of edible oils from domestic and import sources |
|---|---|---|---|---|
| 2001 – 2002 | 206.63 | 61.46 | 43.22 | 104.68 |
| 2002 – 2003 | 150.58 | 47.28 | 43.65 | 90.93 |
| 2003 – 2004 | 251.42 (4th Advance Estimates) | 71.09 | 52.95 | 124.04 (Estimated) |

*Total Consumption has been taken into consideration as demand/requirement. According to Ministry of Agriculture, demand of edible oils during the years 2001-02, 2002-03 and 2003-04 has been 91.80 lakh tonnes, 97.30 lakh tonnes and 103.20 lakh tonnes respectively based on Normative projections for X plan period (Population growth assumed at 1.9% per annum and annual requirement of 9.50 kg per consumption unit).

6.13 State-wise data on requirement, demand, supply, consumption, availability and import of edible oils is not maintained. State-wise estimated production of edible oils based on the oilseeds produced in the respective State is as under:-

(In Lakh Tonnes)

| State/UT | 2001-02 | | 2002-03 | | 2003-04* | |
|---|---|---|---|---|---|---|
| | Oil seed | Oil | Oil seed | Oil | Oil seed | Oil |
| A. PRIMARY SOURCE | | | | | | |
| Andhra Pradesh | 16.14 | 4.09 | 12.56 | 3.31 | 16.87 | 4.48 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assam | 1.56 | 0.48 | 1.49 | 0.46 | 1.47 | 0.44 |
| Bihar | 1.20 | 0.37 | 1.09 | 0.34 | 1.27 | 0.39 |
| Chhatisgarh | 1.13 | 0.30 | 1.01 | 0.27 | 0.85 | 0.23 |
| Gujarat | 36.36 | 9.56 | 16.83 | 4.58 | 55.86 | 14.24 |
| Haryana | 8.07 | 2.50 | 7.09 | 2.20 | 9.97 | 3.10 |
| Himachal Pradesh | 0.10 | 0.03 | 0.06 | 0.02 | 0.11 | 0.03 |
| Jammu & Kashmir | 0.42 | 0.13 | 0.98 | 0.30 | 0.41 | 0.13 |
| Jharkhand | 0.28 | 0.08 | 0.22 | 0.07 | 0.38 | 0.11 |
| Karnataka | 10.20 | 2.69 | 11.12 | 3.02 | 10.39 | 2.86 |
| Kerala | 0.02 | 0.01 | 0.01 | 0.00 | 0.05 | 0.01 |
| Madhya Pradesh | 45.68 | 8.35 | 29.96 | 5.32 | 55.86 | 10.04 |
| Maharashtra | 22.26 | 4.44 | 23.27 | 4.52 | 29.53 | 5.48 |
| Orissa | 1.38 | 0.38 | 1.14 | 0.32 | 2.49 | 0.70 |
| Punjab | 0.83 | 0.25 | 0.92 | 0.29 | 1.07 | 0.33 |
| Rajasthan | 31.29 | 8.45 | 17.54 | 4.97 | 39.49 | 11.02 |
| Tamilnadu | 13.13 | 3.08 | 10.23 | 2.40 | 11.82 | 2.78 |
| Uttar Pradesh | 10.34 | 3.12 | 8.73 | 2.66 | 6.47 | 1.95 |
| Uttaranchal | 0.18 | 0.04 | 0.23 | 0.05 | 0.31 | 0.06 |
| West Bengal | 4.95 | 1.49 | 4.76 | 1.44 | 5.98 | 1.81 |
| Others | 1.14 | 0.30 | 1.33 | 0.34 | 0.77 | 0.19 |
| Sub Total | 206.64 | 50.16 | 150.59 | 36.88 | 251.42 | 60.39 |
| B. SECONDARY SOURCE | | | | | | |
| Coconut | | 5.50 | | 5.50 | | 5.50 |
| Cottonseed | | 4.70 | | 4.30 | | 4.30 |
| Ricebran | | 5.50 | | 6.00 | | 6.00 |
| Solvent Extracted Oils | | 2.80 | | 2.00 | | 3.30 |
| Tree & Forest Origin | | 0.80 | | 0.80 | | 0.80 |
| Sub Total | | 19.30 | | 18.60 | | 19.90 |
| Total(A + B) | | 69.46 | | 55.48 | | 80.29 |
| C. Less : Export and Industrial use | | 8.00 | | 8.20 | | 9.20 |
| D. Net domestic availability of edible oils | | 61.46 | | 47.28 | | 71.09 |
| E. Short fall (import) | | 43.22 | | 43.65 | | 52.95 |
| F. Consumption | | 104.68 | | 90.93 | | 124.04 (Estimates) |

* 4th Advance Estimates

6.14 In order to ensure adequate supply of edible oil in the domestic market, the Government has permitted import of edible oils under Open General Licence (OGL) except coconut oil. In order to increase the production and productivity of oilseeds and hence of edible oils in the country, some of the steps taken to bridge the gap between demand and supply of edible oils are :

(i) Customs duty on crude palm oil/crude palmolein has been increased from 65% to 80% and on refined palm oil/RBD palmolein has been increased from 75% to 90% with effect from 15.2.2005;

(ii) Enhanced incentives to the farmers through fixation of Minimum Support Price (MSP) of major oilseeds in comparison to coarse cereals to encourage farmers to diversify their crop cultivation to oilseeds from coarse cereals;

(iii) A restructured Centrally Sponsored Scheme "Integrated Scheme of Oilseeds, Pulses, Oil palm & Maize" (ISOPOM) is being implemented in 14 major oilseeds growing states for increasing the production and productivity of oilseed and 10 states for oil palm.

(iv) Assistance is also provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seeds, distribution of seeds minikits, infrastructure development, integrated pest management (IPM), supply of sprinkler sets and distribution of rhysobium culture, water carrying pipes, publicity, etc.

(v) Market Intervention Scheme (MIS) is being implemented through National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) for the purchase of oil palm Fresh Fruit Bunches (FFBs).

6.15 On being as to about how does the Government propose to attain self-sufficiency in indigenous production of edible oils and oil seeds to meet the requirement of the Country as only about. 55-60% of the total requirement of edible oils in the country is met indigenously and the remaining requirement is met through imports. The Ministry in their post evidence reply stated that in order to attain self-sufficiency in indigenous production of oil seeds and hence of edible oils to meet the requirement of the country, following steps have been taken in this regard :-

(i) In order to protect the interest of oilseeds growers and to ensure them remunerative prices, the Government is implementing Minimum Support Price (MSP) Scheme. Government has been announcing a hike in the MSP of oilseed crops every year so as to encourage the farmers for diversifying traditional crops with oilseed crops.

(ii) A Centrally Sponsored Integrated Scheme for Oilseeds, Pulses, Oil palm & Maize" (ISOPOM) from 1st April, 2004 for increasing production and productivity in 14 states for oilseeds and 10 states for oil palm.

(iii) Assistance is also provided on 75:25 funding pattern between Central and State Governments for purchase of breeder seed, production of foundation seed, production and distribution of certified seeds, distribution of seeds minikits, infrastructure development, supply of sprinkler sets and supply of rhizobium culture, water carrying pipes, publicity, etc. to encourage farmers to grow oilseeds on a large scale.

(iv) In order to disseminate information on improved production technologies amongst the farmers, block demonstrations and Integrated Pest Management (IPM) demonstrations are organized.

(v) For Oil Palm Development, financial assistance is provided to various components such as planting material, cultivation cost, drip irrigation, diesel pump sets, development of waste and technology transfer through demonstration and training, extension and publicity.

(vi) In order to enhance the production and availability of edible oils, a scheme "Research and Development on Post Harvest and Processing Technology in oilseeds, pulses, oil palm and maize including TMOP Head quarters" is being implemented by the Ministry of Agriculture. Under this Scheme assistance is being provided for the implementation of the following programmes : -

   (a) Modernisation of Huller Rice Mills.
   (b) Establishment of 1TPD expeller for production of pungent mustard oil, for mustard/rapeseed producing States of the country.
   (c) Refining Units for Rice Bran Oil
   (d) Establishment of demonstration units of Palm Oil Mills of 2.5 tonnes Fresh Fruit Bunch (FFB) per hour capacity.

(vii) Indian Council of Agricultural Research (ICAR) is engaged in development of high yielding improved varieties/hybrid, production and protection technologies in crops for enhancing the production and productivity of oilseeds crops in the country through its net work of Research Institutes all over the country.

(viii) Under the Centrally Sponsored Integrated Scheme on Oilseeds, Pulses, Oil Palm and Maize(ISOPOM) new varieties/hybrids, production and protection technologies of oilseeds crops developed by ICAR are being popularized through supply of quality seeds, seed minikits and other inputs besides Front line and block demonstrations and Integrate Pest Management (IPM)demonstrations conducted through ICAR and States Department of Agriculture to encourage the farmers to undertake oilseeds cultivation on a large scale.

(ix) In order to harmonise the interests of growers of domestic oilseeds, processors and consumers and to regulate import of edible oils to the extent possible, the import duty structure on edible oils is reviewed from time to time.

(x) The use of indigenous oils in the manufacture of vanaspati to at least 12% of the production on a monthly basis is mandatory, at present; higher use of expeller mustard oil in the manufacture of vanaspati upto 30% has also been allowed, the objective being to incentivise the farmers in terms of better return for their production.

(e) Adulteration in Edible Oils

6.16 On being asked about the number of samples of edible oils picked up for testing and the number of such samples tested and found adulterated and action taken thereon, the Ministry in a post evidence reply stated as under:-

> "According to Directorate General of Health Services (DGHS), Ministry of Health & Family Welfare, during the calendar year1999, 2000 and 2001 the number of samples of edible oils drawn for analysis and found adulterated are as follows :-
>
> | S.No. | Year | Samplesdrawn | Samples found Adulterated |
> |---|---|---|---|
> | 1. | 1999 | 19289 | 1605. |
> | 2. | 2000 | 16289 | 1693. |
> | 3. | 2001 | 15918 | 1790 |
>
> In all those cases where samples were found to be adulterated, prosecutions have been launched in the Court by the respective States/UT Governments under the provisions of Prevention of Food Adulteration Act, 1954.

6.17 On being asked to comment on the matter that no complaints regarding adulteration of imported oil in edible oils that were brought to/come to the notice of the Ministry, considering the reports of spurious/adulterated oils available in the market, the Ministry in a post evidence reply informed that according to Directorate General of Health Services (DGHS),Ministry of Health & Family Welfare, the standards for imported edible oil as well as indigenous edible oils for any particular oil are same as prescribed under PFA Rules, 1955 except for rapeseed oil. As the standards for indigenous and the imported oil for a particular oil are the same, hence the admixture of the imported oil in indigenous oil of a particular oil would not be deemed as adulteration.

6.17 On being asked about the cases of blended edible vegetable oil being sold in loose form brought to the notice/come to notice of the Government and action taken against the defaulters, the Ministry in a reply stated as follows:-

> "According to Directorate General of Health Services (DGHS), Ministry of Health & Family Welfare, no case of blended edible oil being sold in loose form has been brought to the notice of DGHS. Rule 49(21) of Prevention of Food Adulteration Rule, 1955 already provides that blended edible oil shall not be sold in loose form and it shall be sold in sealed packages weighing not more than 5 kg. The sealed packaged shall be sold only under Agmark."

6.19 The Committee are concerned to note that only 50-55% of edible oil requirement of the country is met indigenously and the rest 45% is met through imports resulting in huge outgo of precious foreign exchange to the tune of US $2542 million (Rs.11683 crore). The dependence on imported edible oils of more than 40% also points towards insecurity in edible oils sector. The Committee are of the view although the country has achieved self-sufficiency in the production of foodgrains, adequate attention has not been paid for raising the production of edible oilseeds indigenously. The Committee have taken note of measurers taken to increase the production of edible oils both from primary and secondary sources. Although the production of oilseeds have risen from 206.64 Lakh tonnes in the year 2001-02 to 251.42 lakh tonnes in the year 2003-2004 but is still short of the total requirement of the country. The production of secondary sources has remained static and has ranged in the vicinity of 19 lakh tonnes. The Committee, therefore, recommend that ways and means should be initiated to improve the production and productivity of traditional oilseeds crop. Incentives to farmers –fiscal and otherwise, low and cheap credit and other inputs be extended and adequate steps taken to promote and popularize the use of non-traditional secondary sources of edible oils, such as Cotton Seed, Rice Bran and oilseeds of Tree and forest Origin, so that the dependence on imported edible oils is reduced to a large extent. In order to augment production of edible oils, there is an imperative need to improve technology for extraction of edible oils. The Committee would like to be apprised of the action taken by the Government in this regard.

6.20 The Committee find that management of Vegetable Oils, particularly relating to quality control and monitoring of prices is exercised by the Directorate of Vanaspati, Vegetables Oil and Fats (DVVO&F). One of the regulatory functions assigned to DVVO&F is to administer the Edible Oils Packaging (Regulation) Order 1998 which inter-alia provides for availability of safe and quality edible oils in packaged form at pre-determined prices to the consumers. Under this order, the packaging of edible oils sold in retail is compulsory, unless specifically exempted by the concerned State Government. The Committee have taken note of the status of the implementation of the Edible Oils Packaging (Regulation) Order 1998 and find that in a large number of populous States such as, Uttar Pradesh the Order is not being implemented. Similarly, in States like Assam and Bihar, the implementation of the Order is still under active consideration. In the State of Haryana the implementation of Order has been kept in abeyance. The Committee are of the view that the purpose for which the Order has been promulgated shall be frustrated, if it is not implemented in letter and spirit by the State Governments. The Committee, therefore, recommend that all State Governments may be impressed upon the need to implement the said Order in the interest of the health of the citizens. At the same time, the enforcement machinery of DVVO&F should be geared up to ensure quality control and monitoring of prices. The Committee would like to be apprised of the action taken by the Government in this regard.

6.21 The Committee are concerned to note that as per Report of Director General of Health Services, M/o Health & Family Welfare whereas the number of edible oils sample drawn for analysis have been on the decline, the number of samples found adulterated have risen. For instance the number of samples drawn in the year 1999 were 19,289 which declined to 15998 in the year 2001, the number of samples which were found to be adulterated rose from 1605 to 1790 during the same period. The Committee are of the view that there is widespread adulteration in the edible oils and hardly any exemplary punitive action is taken against the culprits. The Committee are further of the view that in a country like ours where the main cooking medium is edible oil, the number of samples drawn are miniscule. The Committee, therefore, recommend that to check adulteration in edible oils, a large number of samples need to be drawn across length and breadth of the country. In this context special attention needs to be paid for drawing samples from rural/tribal and far flung areas, jhuggi-jhonpri bastis, unauthorized residential areas in cities and other vulnerable pockets. The cases of adulteration ought to be decided expeditiously. In cases where adulteration is proved, exemplary punishment must be meted to the culprits.

6.22 The Committee find that Rule 49(21) of the Prevention of Food Adulteration Rule, 1955 provides that blended edible oil shall not be sold in loose form and it shall be sold in sealed packages weighing not more than 5 kgs. The sealed packaged shall be sold only under Agmark. The Committee have been informed that no case of blended edible oil being sold in loose form has been brought to the notice of Director General Health Services, Ministry of Health. The Committee are not inclined to accept this contention of Government, since edible oils are sold in loose form freely, especially in rural and far far-flung areas where the purchasing power of the people is quite low. The Committee, therefore, recommend that a survey should be undertaken to ascertain the use and sale of edible oils in loose form and violation of Agmark. At the same time, the enforcement machinery of Directorate of Vanspati, Vegetable Oils and Fats (DVVO&F) be geared up to ensure that quality of edible oils sold in the market is not compromised. The Committee would also like to be apprised of the action taken in the matter.

DEVENDRA PRASAD YADAV
Chairman
Standing Committee on Food, Consumer Affairs and Public Distribution

25 April, 2005
5 Vaisakha, 1927 (Saka)

MINUTES OF THE SEVENTH SITTING OF THE STANIDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 8TH APRIL, 2005.

The Committee sat from 1100 to 1800 hours. in Committee Room '53', Parliament House, New Delhi.

PRESENT

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri A.P. Abdullakutty
3. Shri Alakesh Dass
4. Shri Atma Singh Gill
5. Shri Avinash Rai Khanna
6. Shri Baliram Kashyap
7. Shri Hari Kewal Prasad
8. Smt. Daggubati Purandareswari
9. Shri Chandrabhan Singh
10. Shri Ramakant Yadav

RAJYA SABHA

11. Shri T.S. Bajwa
12. Shri Palden Tsering Gyamtso
13. Shri Lalitbhai Mehta
14. Smt. Bimba Raikar
15. Shri Thanga Tamil Selvan
16 Shri Vikram Verma
17. Shri Vijay Singh Yadav

SECRETARIAT

| | | | |
|---|---|---|---|
| 1. | Dr. (Smt.) Paramjit Kaur Sandhu | - | Joint Secretary |
| 2. | Shri R.S. Kambo | - | Deputy Secretary |
| 3. | Shri B.S. Dahiya | - | Under Secretary |
| 4. | Shri Jagdish Prasad | - | Assistant Director |

……2/-

Representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

| | | | |
|---|---|---|---|
| 1. | Shri S.K. Tuteja | - | Secretary |
| 2. | Shri D.N. Padhi | - | AS&FA |
| 3. | Shri Sanjay Kaul | - | Joint Secretary |
| 4. | Shri P. Uma Shankar | - | Joint Secretary |
| 5. | Smt. Anita Chaudhary | - | Joint Secretary |
| 6. | Dr. Karnail Singh | - | Joint Secretary |
| 7. | Shri S.K. Srivastava | - | Joint Secretary |

Food Corporation of India (FCI)

| | | | |
|---|---|---|---|
| 8. | Shri V.K. Malhotra | - | Chairman&MD |

Central Warehousing Corporation (CWC)

| | | | |
|---|---|---|---|
| 9. | Shri N.K. Choubey | - | MD |

Representative of the Ministry of Railways

| | | | |
|---|---|---|---|
| 1. | Shri L. R. Thapar | - | AM(T), Railway Board |

XXX XXX XXX

2. XXX XXX XXX

3. XXX XXX XXX

5. The Chairman welcomed the Secretary and other Officers of the Department of Food and Public Distribution. The Committee, then, took the evidence of the representatives of the Department on Demand No. 19, pertaining the Department of Food and Public Distribution on Demands for Grants for the year 2005-06.

5. The following points were discussed by the Committee:-

(i) Uneven utilisation of fund in different quarters of the financial year.
(ii) Procurement of foodgrains
(iii) Missing and unconnected wagons
(iv) Hill Transport Subsidy Scheme
(v) Increasing transport/movement expenditure
(vi) Storage and Transit Losses
(vii) Proxy Labour in FCI
(viii) Cane Price Arrears

6. A copy of the verbatim proceedings of the sitting of the Committee have been kept on records.

The Committee, then, adjourned.

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XXX Not related to this Report

MINUTES OF THE NINTH SITTING OF THE STANIDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON MONDAY, THE 25TH APRIL, 2005.

The Committee sat from 15.00 to 16.00 hours in Committee Room . `D', Parliament House Annexe, New Delhi.

PRESENT

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri Suresh Angadi
3. Shri Ranen Barman
4. Shri Alakesh Dass
5. Shri Avinash Rai Khanna
6. Shri Parsuram Majhi
7. Shri K.P. Naidu
8. Shri Hari Kewal Prasad
9. Shri Chandrabhan Singh

RAJYA SABHA

10. Shri Palden Tsering Gyamtso
11. Shri Narayan Singh Kesri
12 Shri Vijay Singh Yadav

SECRETARIAT

1. Dr. (Smt.) Paramjit Kaur Sandhu - Joint Secretary
2. Shri R.S. Kambo - Deputy Secretary
3. Shri B.S. Dahiya - Under Secretary
3. Shri Jagdish Prasad - Assistant Director

2. At the outset, the Hon'ble Chairman welcomed the Members of the Committee. The Committee then took up Draft Sixth Report on Demands for Grants (2005-2006) relating to Department of Food and Public Distribution for consideration and adopted the same with the some modifications/ amendments.

3. XXX XXX XXX

4. The Committee authorized the Chairman to finalise these Reports after making consequential changes arising out of factual verification of the reports by the concerned Departments and present/lay the Reports in both the Houses of Parliament.

5. XXX XXX XXX

The Committee, then, adjourned.

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XXX Not related to this Report