

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION  
(2009-2010)**

**(FIFTEENTH LOK SABHA)**

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

**[Action Taken by the Government on the  
observations/recommendations contained in the Second Report of the  
Committee on Demands for Grants (2009-10) of the Ministry of  
Consumer Affairs, Food and Public Distribution  
(Department of Food and Public Distribution)]**

**SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***August, 2010/Sravana , 1932 (Saka)***

---

**SIXTH REPORT**  
**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS**  
**AND PUBLIC DISTRIBUTION**  
**(2009-2010)**

**(FIFTEENTH LOK SABHA)**

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

**[Action Taken by the Government on the  
observations/recommendations contained in the Second Report of the  
Committee on Demands for Grants (2009-10) of the Ministry of  
Consumer Affairs, Food and Public Distribution (Department of Food and  
Public Distribution)]**

Presented to Lok Sabha on 12.08.2010  
Laid in Rajya Sabha on 12.08.2010



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

***August, 2010/Sravana , 1932 (Saka)***

## CONTENTS

COMPOSITION OF THE COMMITTEE .....	.....(ii)
INTRODUCTION.....	.....(iv)
CHAPTER I    Report .....	.....
CHAPTER II    Observations /Recommendations which have been accepted by the Government .....	.....
CHAPTER III    Observations /Recommendations which the Committee do not desire to pursue in view of the Government's replies.....	.....
CHAPTER IV    Observations /Recommendations in respect of which replies of the Government have not been accepted by the committee.....	.....
CHAPTER V    Observations /Recommendations in respect of which the final replies of the Government are still awaited. ....	.....

## APPENDICES

Minutes of the Twenty Second sitting of the Committee held on 9 <sup>th</sup> August, 2010 .....	.....
Analysis of the action taken by the Government on the recommendations contained in the Second Report of the Committee.....	.....

**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER  
AFFAIRS AND PUBLIC DISTRIBUTION – 2009-10.**

Shri Vilas Muttemwar                      -                      Chairman

**MEMBERS**  
**Lok Sabha**

2. Smt. Harsimrat Kaur Badal
3. Shri Kamlesh Balmiki
4. Shri Tara Chand Bhagora
5. Shri Shivraj Bhैया
6. Shri Arvind Kumar Chaudhary
7. Shri Sanjay Singh Chauhan
8. Shri Anant Gangaram Geete
9. Shri Abdul Mannan Hossain
10. Shri Lalchand Kataria
11. Shri Mohinder Singh Kaypee\*
12. Shri Marotrao Sainuji Kowase
13. Shri Sohan Potai
14. Shri Purnmasi Ram
15. Shri Dinubhai Solanki
16. Shri Laxman Tudu
17. Shri D. Venugopal
18. Shri Madhusudan Yadav
19. Shri Ramakant Yadav
20. Vacant
21. Vacant

**Rajya Sabha**

22. Smt. T. Ratna Bai
23. Shri P. Kannan
24. Shri Lalhming Liana
25. Shri Shantaram Laxman Naik
26. Shri Kanjibhai Patel
27. Shri Rajniti Prasad
28. Dr. T.N. Seema
29. Shri Veer Singh
30. Shri Kaptan Singh Solanki
31. Vacant

---

\* Nominated w.e.f. 04.08.2010

### **Secretariat**

- |    |                     |   |                     |
|----|---------------------|---|---------------------|
| 1. | Shri P.K. Mishra    | - | Joint Secretary     |
| 2. | Smt. Veena Sharma   | - | Director            |
| 3. | Shri Jagdish Prasad | - | Additional Director |

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2009-2010) having been authorized by the Committee to submit the Report on their behalf, present this Sixth Report on Action Taken by the Government on the observations /recommendations contained in the Second Report of the Committee (15<sup>th</sup> Lok Sabha) on Demands for Grants (2009-2010) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Second Report was presented to Lok Sabha and laid in Rajya Sabha on 25<sup>th</sup> December, 2009. The Government furnished their replies indicating action taken on the observations /recommendations contained in the Report on 31<sup>st</sup> March, 2010.

3. Report was considered and adopted by the Committee at their sitting held on 9<sup>th</sup> August, 2010

4. An analysis of the action taken by the Government on Observations/ Recommendations contained in the Report is given in **Appendix-II.**

NEW DELHI;  
9<sup>th</sup> August, 2010  
18 Shrawana, 1932 (Saka)

**VILAS MUTTEMWAR**  
Chairman,  
Standing Committee on Food,  
Consumer Affairs and Public Distribution.

## **CHAPTER -I**

### **REPORT**

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the Action Taken by the Government on the Observations/Recommendations contained in the Second Report (15<sup>th</sup> Lok Sabha) on “Demands for Grants (2009-2010) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Second Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 25<sup>th</sup> December, 2009. It contained 28 observations/recommendations. Action Taken Notes in respect of all the 28 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

- (i) Observations /recommendations which have been accepted by the Government :

Serial Nos.- 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 15, 17, 18, 19, 22, 26, 27, 28  
(Paragraph Nos. – 3.6, 4.17, 4.18, 4.28, 4.41, 4.42, 4.43, 4.53, 4.56, 4.62, 5.6, 5.17, 5.25, 5.30, 6.10, 7.8, 7.13, 8.9)

(Chapter –II , Total 18 )

- (ii) Observations /recommendations which the Committee do not desire to pursue in view of the replies received from the Government

Serial Nos. 16, 21, 23, 24, 25

(Paragraph Nos- 5.10, 6.6, 6.21, 6.22, 6.29)

(Chapter –III , Total 5 )

- (iii) Observations /recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. 13, 20

(Paragraph Nos. – 4.69 and 5.31)

(Chapter – IV, Total 2)

- (iv) Observations /recommendations in respect of which the interim replies of the Government have been received.

Serial No. 8, 12 and 14

(Paragraph No. – 4.49, 4.65 and 4.75)

(Chapter – V, Total 3)

**1.3 The Committee desire that the final replies in respect of the Observations/Recommendations for which only interim replies have been received from the Government be furnished to the Committee expeditiously.**

**1.4 The Committee strongly emphasize that utmost importance should be given to the implementation of Observations/Recommendations accepted by the Government. In case where it is not possible for the Government to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.**

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



## **A. Enactment of National Food Security Act**

### **Recommendation (Serial No. 3 Paragraph 4.18)**

1.6 The Committee had recommended as below:-

‘The Committee note that the Government is committed to ensure Food Security to all the BPL and AAY families through Public Distribution System. The Government is also contemplating to adopt a strategy to improve the wage earning capacity of the people by giving them better employment opportunity, so that they can purchase the balance requirement of foodgrains from open market. The Committee are happy to note that the Government would bring forward a legislation for food guarantee to all the citizens, especially the targeted families. Therefore, a bill namely, Food Security Legislation is under consideration of Empowered Group of Ministers. After the broad outlines of the legislation is worked out, it would be posted on the website of the Ministry for eliciting public opinion and wider debate. The Committee are of the opinion that this is the right step taken by the Government to ensure food for all. The Committee, therefore, recommend that the Government should make sincere efforts to get an early clearance of the Bill from Empowered Group of Ministers and ensure that the Bill is introduced during the next session of Parliament’.

1.7 The Ministry in their Action Taken Replies have stated as under:-

‘The Department accepts the recommendation. As announced in the President’s address to the joint session of Parliament on 04.06.2009, Government proposes to enact a National Food Security (NFS) Act. The Department of Food and Public Distribution has already initiated necessary action for this. A Concept Note on the important policy issues related to the proposed law was prepared in the Department and circulated to State Governments and Central Ministries in June 2009 for their comments/ views.

The first consultation meeting with the State Food Secretaries was held on 10.06.2009. In pursuance to that, so far views/ comments have been received from 31 State Governments, which are under examination.

On the concept note, a meeting was held with representatives of Ministries of Rural Development (RD), Women and Child Development (WCD), Human Resource Development (HRD) and Planning Commission on 11.06.2009. Consultation with experts was held on 12.06.2009.

Next round of discussion with representatives of Ministries of Agriculture, RD, Deptt. of Drinking Water Supply, HRD, WCD, Social Justice &

Empowerment, Housing & Urban Poverty Alleviation (HUPA) and Planning Commission was held on 1<sup>st</sup> July, 2009.

Comments have been received from the Ministries of HRD, Social Justice & Empowerment, HUPA and Agriculture, they are under examination. Ministry of RD has initiated action to finalise methodology for identification of poor families in rural areas.

To consider the various issues related to the national Food Security Act, an Empowered Group of Ministers (EGoM) has been constituted. The subject was taken up for discussion in the EGoM meetings held on September 1<sup>st</sup> and 16<sup>th</sup>, 2009. It was decided that the Ministries of Rural Development and Housing & Urban Poverty Alleviation should finalise the methodology for identification of BPL families in rural and urban areas, respectively and place it before the EGoM. The remaining issues of the EGoM Note will be discussed further by the EGoM to firm up various aspects of the NFS Act. The Department is taking further action in this regard.'

**1.8 The Committee are not satisfied with the slow pace of action initiated by the Government to enact the National Food Security (NFS) Act for food guarantee to all the citizens, especially the targeted families. The Committee note that although the comments/views on the important policy issue related to the proposed law have been received from the State Governments/Central Ministries, these are still under examination in the Department of Food and Public Distribution. Further, the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation are still to finalize the methodology for identification of BPL families in rural and urban areas and to place it before the empowered group of Ministers (EGOM). The Committee feel that inordinate delay in finalizing the methodology for identification of targeted families would deprive the vulnerable section of the society from the benefits of the Public Distribution System. The Committee, therefore, urge the Government to impress upon the Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation to finalize the methodology for identification of BPL families at the earliest and make sincere efforts to get early clearance of the Bill from the Empowered Group of Ministers so that the Bill is introduced in the forthcoming session of Parliament.**

## **B. Need to contain huge food subsidy amount**

### **Recommendation (Serial No. 4 Paragraph 4.28)**

1.9 The Committee had recommended as below:-

'The Committee note that Food Subsidy is paid to FCI for re-imbursement of the difference between economic cost of foodgrains and their issue price, carrying cost of buffer stock, and on account of levy sugar, import of sugar, etc. The Committee observe that despite various measures taken by the Government to reduce the food subsidy Bill, there is huge increase in food subsidy amount continuously during the last three years i.e. from Rs.25424.89 Crore in 2007-08 to Rs. 32400.28 in 2008-09 and Rs. 52487.72 crore in 2009-10. The major reason for increase in food subsidy is (i) increase in economic cost of foodgrains on account of increase in Minimum Support Price (MSP) while the Central Issue Price (CIP) remain static over the last seven years, i.e. since 1.7.2002 and (ii) increased offtake of subsidized foodgrains under TPDS. The Committee note that the Government has been taking several measures to contain food subsidy since the year 2007-08 by way of encouraging decentralized procurement and distribution of foodgrains, issue of bonds by FCI at lower coupon rates backed by the Government guarantee and improving the operational efficiency of FCI. The Committee, therefore, recommend that the Department should take the aforementioned measures with all seriousness so as to contain the huge amount of food subsidy. The Committee further note that the Department has also prepared a draft scheme to test feasibility of direct transfer of food subsidy in cash to BPL/AAY beneficiaries under the TPDS. The scheme proposes to disburse equivalent amount of food subsidy in cash to be deposited directly by the concerned district authorities in bank/post office accounts to be opened by each of the beneficiaries instead of releasing subsidized foodgrains to the eligible BPL & AAY families. The Committee desire that the Department may expedite examination of the proposal for direct transfer of food subsidy in cash to the BPL/AAY families and analyse its pilot implementation in select districts.'

1.10 The Ministry in their Action Taken Replies have stated as under:-

'The Government has taken several measures to contain food subsidy. The main measures in this regard include:-

- (i) Encouraging decentralized procurement and distribution of foodgrains. Eleven States are procuring foodgrains under DCP on behalf of Government of India.
- (ii) Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
- (iii) Improving the operational efficiency of FCI.

- (iv) Proposal to increase the Central Issue Prices (CIPs) of wheat and rice for APL categories was initiated on several occasions during the past years by this Deptt. However approval of the EGOM/Cabinet has not been received in this regard so far.

The FCI has informed that the Corporation issued Government Guarantee bonds amounting to Rs.8604.90 crores in the year 2005 at an annualized weighted average cost of 7.31%. The yearly savings on account of issue of bonds by FCI with reference to present annualized cash credit rate of interest of 10.75 % is Rs.296 crores approx. To further reduce the cost of funds, the Corporation has undertaken resource raising initiatives through issue of Short Term Loans and has raised Short Term Loan so far for an amount of Rs.25870 crores for 3 and 6 months tenure, out of which Rs.15870 crores has since been paid. The resultant savings in interest cost has been Rs.319 crore (approx).

As regards draft scheme of direct transfer of food subsidy in cash to BPL/AAY beneficiaries, the draft scheme has been prepared on the basis of proposals received from State Governments of Uttar Pradesh, Haryana and Delhi. The draft scheme is initially for implementation in five districts of these three States (Haryana – 02, Uttar Pradesh-02, and Delhi-01) as a pilot scheme. The proposal has been referred to Department of Expenditure on 26.6.2009 for placing it before the Committee on Non-plan Expenditure (CNE) for appraisal. The Department of Expenditure has latest been reminded on 23.12.2009. Reply of Department of Expenditure on the proposal of this Department is awaited.'

**1.11 Keeping in view the huge increase in food subsidy amount continuously over the last three years, the Committee had recommended that remedial measures should be taken with all seriousness to contain the mounting food subsidy amount. While the Department in their Action Taken Reply have spelled out measures taken by them but unfortunately it appears that the Government have not taken such measures with the seriousness it deserves to contain the subsidy amount which is putting heavy pressure on the inflationary trend. The Committee, therefore, recommend the Government should take their recommendations in this behalf with all earnestness to devise suitable remedial measures so that the food subsidy amount is contained.**

**The Committee had also desired to expedite examination of the proposal for direct transfer of food subsidy in cash to the BPL/AAY families and to analyse its pilot implementation in select districts. The Committee find that the Department of Food and Public Distribution has sent a proposal of a draft scheme, initially for implementation in five districts of three States viz. Haryana, Uttar Pradesh and Delhi as a pilot scheme to the Department of Expenditure for placing it before the Committee on Non-plan expenditure (CNE) for appraisal. The Committee desire that the Government should expedite the matter for getting appraisal of the schemes by the Committee on Non-plan expenditure (NPE) and analyse its implementation on pilot basis.**

**C. Need for greater involvement of Self-help Groups and Panchayati Raj Institutions to improve the functioning of PDS.**

**Recommendation (Serial No. 10, Paragraph 4.56)**

1.12 The Committee had recommended as below:-

‘The Committee express their serious concern that poor quality of foodgrains which is not fit for human consumption are sometimes being supplied by FCI through Fair Price Shops to the BPL and AAY families covered under PDS. The plea of the Government that they have always supplied fair quality of foodgrains from the FCI godowns to the State Government representatives who in turn supplied the foodgrains to the Fair Price Shop dealers is not acceptable to the Committee. The Committee are also unable to accept the contention of the Government that it could be the handiwork of some vested interest as after the stocks are released by FCI there are many intermediaries in the process i.e. State agency, issue centres, wholesalers and Fair Price Shops. The Committee are of the strong view that there is lack of proper monitoring by the Department which leads to such situations. The Committee, therefore, recommend that instead of shifting the responsibility to the State Governments, the Department should evolve a foolproof and transparent system and strengthen its monitoring mechanism by setting up Vigilance Committees at every level to keep strong vigil on the quality of foodgrains supply by FCI through PDS. The Committee also desire that Gram Panchayats should be roped in the process to oversee the functioning of Fair Price Shops. The Department should also look into the possibility of giving the dealership of Fair Price Shops to Self-help Groups and Cooperative Societies to improve its functioning’

1.13 The Ministry in their Action Taken Replies have stated as under:-

‘The Public Distribution System (Control) Order 2001 stipulates formulation of vigilance committees at the State, District, Block and FPS level and also stipulates meeting of Vigilance Committee on periodic basis. Detailed guidelines were issued in 2005 by the Department for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS to bring in more transparent and accountable system of distribution as a measure of social audit. The States were asked to involve PRIs in the vigilance committees.

In November, 2004 all State/UT Governments were requested to allot FPS to Cooperatives of Women & Ex-servicemen. In April 2008 all State/UT Governments were again requested to allot the FPS to Self Help Groups, Cooperatives of Women, Ex-servicemen, PRIs, Urban Local Bodies, etc. Allotment of Fair Price Shops to these Institutions and Groups, as per reports received from State/UT Governments upto December 10, out of 5 lakh fair price shops in the country, about 1,17,266 fair price shops have been allotted to Cooperatives, women's Self Help Groups, Village Panchayats, Urban Local Bodies and other Self Help Groups in different States.

Introduction of monthly certification of delivery of food grains at fair price shops and their distribution to ration card holders - To ensure greater transparency in functioning of fair price shops, directions were issued to State & UT Governments in March 2008 to introduce monthly certification by Village Panchayats/urban local bodies/vigilance committees/women's Self Help Groups for delivery of food grains to fair price shops in time and their distribution to ration card holders during the allocation month. So far, 15 State/UT Governments have reported on implementation of this monthly certification.'



**1.14 While expressing serious concern over the poor quality of foodgrains sometimes being supplied by FCI to BPL/AAY families under PDS, the Committee had recommended the Government to strengthen its monitoring mechanism by setting up vigilance committees at every level and for greater involvement of Self-help Groups and Panchayati Raj Institutions to oversee the functioning of Fair Price Shops and to give them the dealership of Fair Price Shops to improve their functioning. From the action taken reply, the Committee find that out of 5 lakh Fair Price Shops in the country, 1,17,266 Fair Price Shops have been allotted to the cooperatives, Women Self-help Groups, Village Panchayat, Urban Local Bodies and other self-help groups in different States. The Committee urge the Government to further strengthen its monitoring mechanism and impress upon the States to allot more Fair Price Shops to Self-help Groups, Co-operative Societies, Ex-service men, PRI, urban local bodies, etc and expedite implementation of monthly certification of delivery of foodgrains at Fair Price Shops and their distribution to ration card holders in the remaining States also to ensure greater transparency in the functioning of Fair Price Shops.**

#### **D. Need for installing Global Positioning System (GPS) in all the States**

##### **Recommendation (Serial No. 11, Paragraph 4.62)**

1.15 The Committee had recommended as below:-

‘The Committee note that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 47.97% in case of Rice allocated for BPL families and 100% in case of wheat allocated for APL families. In other words, the foodgrains meant for APL families have not reached the beneficiary APL families at all in these two States. The level of diversion of foodgrains in other States are also fairly high. The Committee, therefore, strongly recommend that all necessary steps be taken to prevent diversion of foodgrains meant for TPDS. The scheme for installing Global Positioning System (GPS) devices on vehicles transporting TPDS foodgrains should also be implemented in all the States on top priority.’

1.16 The Ministry in their Action Taken Replies have stated as under:-

‘The concurrent evaluation study reports in respect of 12 States, received from NCAER have been sent to the concerned State Governments for taking necessary remedial measures to remove the deficiencies noticed in the functioning of TPDS including leakages and diversion of foodgrains.

2. TPDS is implemented jointly by Government of India and State/UT governments. Under this mechanism, the responsibility of allocation of foodgrains within the states/UT, identification of eligible BPL and AAY families based on estimates of Planning Commission, issuance of ration cards, distribution of allotted foodgrains to ration card holders through FPS and monitoring of TPDS are done by state/UT governments.

3. To strength the functioning of TPDS, besides the PDS (Control) Order 2001, the Government has taken the following measures:

- A. to strength monitoring and vigilance by-
  - i) implementation of the Nine Point Action Plan;.
  - ii) taking action against those with Bogus Ration Cards; and
  - iii) ensuring greater involvement of Panchayati Raj Institutions (PRIs)/ Urban Local Bodies in functioning of Fair Price Shops.
- B. to ensure increased transparency in functioning of TPDS by-
  - i) adoption and implementation of revised Model Citizens' Charter;

- ii) introduction of monthly certification of delivery of foodgrains at Fair Price Shops and their distribution to ration card holders;
- iii) taking up publicity-cum-awareness Campaign on TPDS; and
- iv) display of allocation of foodgrains – district and FPS wise on websites for public scrutiny.

C. to use ICT tools such as

- i) computerization of TPDS Operations;
- ii) pilot scheme on Smart Card based Operations in Haryana and Chandigarh;
- iii) piloting of new technologies for tracking movement of vehicles transporting TPDS commodities.

D. to improve efficiency of FPS operations through-

- i) doorstep delivery of foodgrains;
- ii) ensuring timely availability of foodgrains;
- iii) distribution of wheat flour/fortified wheat flour under TPDS;
- iv) allotment of Fair Price Shops to Institutions and Groups;
- v) sale of non-PDS items by FPS licensees, and
- vi) revision of commission to FPS licensees

4. The Scheme for installing Global Positioning System (GPS) devices on vehicles transporting TPDS foodgrains was introduced on pilot basis and funds were provided to three State Governments, namely, Tamil Nadu, Delhi & Chhattisgarh. Further funds will be released to the other States after evaluating the performance of the scheme in these three states. So far, State Govt. of Tamil Nadu has sent the performance report. Reports from the remaining two States are still awaited.'

**1.17 The Committee note that besides various other steps taken to prevent diversion of subsidized foodgrains, the Government had launched a scheme for installing Global Positioning System (GPS) Devices in vehicles carrying subsidized foodgrains in three States on pilot basis viz. Tamil Nadu, Delhi and Chhatisgarh. In their Action Taken reply, the Ministry have stated that the funds would be released to other States after evaluating the performance of the scheme in these States. The Committee are unhappy to note that so far the performance report has been received only from the State of Tamil Nadu and reports from the remaining States are still awaited. Moreover, the Department have not mentioned the steps taken by them to get the reports from the remaining two States which indicates the lack of seriousness on their part to implement the scheme. The Committee would, therefore, like to reiterate their earlier recommendation and urge the Department to take up the matter with the two States namely, Delhi and Chattisgarh for forwarding of their performance reports expeditiously. Based on the performance report, the Government may take further action to instal the GPS Devices in vehicles carrying subsidized foodgrains to Fair Price Shops in other States.**

**E. Need for implementation of Smart Card based delivery of Essential Commodities**

**Recommendation (Serial No. 13, Paragraph 4.69)**

1.18 The Committee had recommended as below:-

'The Committee note that the Government has initiated implementation of a pilot scheme on Smart Card based delivery of essential commodities under the TPDS announced in Union Budget 2008-09. Administrative approval for Rs. 142.29 crore to be incurred on this pilot scheme during 2008-09 and 2009-10 has been issued on 18.12.2008. Work on implementation of the scheme is currently in progress in two districts of Haryana and work is being taken up in Chandigarh. Based on the success and after studying its shortcomings, the Governments will improve it and take it up all over the country. The Committee hope that Smart Card based delivery of essential commodities will go a long way in improving the efficiency of the PDS and therefore, recommend that the Department should take all essential steps to expedite the project for implementation all over the country.'

1.19 The Ministry in their Action Taken Replies have stated as under:-

'The scheme was reviewed by the National Scheme Steering Committee (NSSC) on 22.12.09. The first set of smart cards was scheduled to be issued by end of February, 2010'.

**1.20 The Committee regret to note that Government have not furnished the full details of the progress of implementation of the Pilot Scheme on Smart Card based delivery of Essential Commodities under the TPDS which was initially to be implemented in two districts of Haryana. The Committee, therefore, desire to be apprised of the full details of the progress of the scheme. While reiterating its earlier recommendation, the Committee further desire that based on its performance, the scheme may be implemented in other States also at the earliest as the scheme will go a long way in improving the efficiency of the Public Distribution System.**

**F. Need for construction of godowns in NE States to augment storage capacity**

**Recommendation (Serial No. 18, Paragraph 5.25)**

1.21 The Committee had recommended as below:-

'The committee note with concern that the North Eastern States are the most disadvantaged States in maintaining the adequate foodgrain stock. The requirement of the godowns in NE States is 11.78 lakh MT whereas the existing capacity in the entire region is only 4.43 LMT, thereby leaving a gap of 7.35 MT. The Committee are unable to accept the plea of the Govt. that due to Law and Order Problem and delay in providing land by the State Governments, they could not provide adequate storage facilities in the North eastern States. The Committee feel that there is lack of coordination between the Deptt. Of Food and Public Distribution and States/UTs which resulted in non acquisition of land at different centres of States. The Committee observed that due to the geographical conditions of the NE Region, even the Railway authorities find it difficult to carry the required number of rakes during the mon-soon season. The committee further observed that in spite of the subsidy given for foodgrains, it is not subjected to safe storage as at times it is spread in open and simply covered by Tadapatra leaving it rotting, specially during monsoon season. The Committee, therefore, strongly recommend that the Deptt. Of Food & Public Distribution should take up the matter urgently with the North eastern States/UTs at the highest level for identification of suitable land for construction of godowns in the region to augment the storage capacity.'

1.22 The Ministry in their Action Taken Replies have stated as under:-

'The availability of suitable land in NE States is a difficult task, due to the region being hilly or low lying, hence there is delay in acquisition of land for construction of godown. FCI has taken up with the respective States Governments to provide suitable land for construction of godowns at identified centres under Plan Scheme. This Department has also taken up the matter with the State Governments. Due to the continuous efforts during the current Plan Period land has been acquired at the following places in the North Eastern Region including Sikkim:-

1.	Hailakandi/Assam	5000 MT
2.	Changsari/Assam	50000 MT
3.	Jorthang/Sikkim	5000 MT
4.	Kohima/Nagaland	5000 MT
5.	Senapati/Manipur	5000 MT

6.	Churachandpur/Manipur	2500 MT	Land identified, yet to be taken over.
7.	Seppa	1670 MT	Land identified, yet to be taken over.
8.	Ziro	5000 MT	-do-
9.	Lower Dibang Valley (Roing)	1670 MT	-do-
10.	Anjaw Khupa	640 MT	-do-

The Plan Outlay for the XIth Plan will be fully utilized in completing the godowns over these lands. Efforts are also being made for getting suitable land for construction of godowns at other identified centres.'



**1.23 The Committee note that consequent upon the recommendation made in their earlier report for construction of godowns in North-eastern States, the Department have made continuous efforts due to which the land has been acquired at some places in the North-eastern region, including Sikkim. The Committee hope that the Department will continue to make vigorous efforts for taking over of the land and construction of godowns in NE areas.**

**G. Need to ensure strict punitive action against corrupt officials and timely movement of foodgrains etc.**

**Recommendation (Serial No. 19, Para No. 5.30)**

The Committee had recommended as under:-

1.24 The Committee are concerned to note that a large quantity of foodgrains is lost every year in the form of storage, transit and pilferage losses. The Committee have been informed that during 2008-09, a total of 2.69 MT of foodgrains amounting to Rs. 233.91 crore was lost on account of storage, transit and pilferage. Despite the best efforts of the Government, the storage losses in the godowns of Food Corporation of India (FCI) have not shown any decreasing trend. The Committee feel that in order to minimize storage, transit and pilferage losses, it needs constant monitoring through regular inspections. The Committee, therefore, strongly recommend that FCI should adopt scientific and modern technology to store the food grains. Besides, they should also recruit personnel who have technical knowledge and expertise with a view to ensure safe storage and minimizing the storage losses. The Committee also desire that Government should contemplate fixing of responsibility for such losses and punish the guilty officials in this regard.

**Reply of Government**

1.25 It has been mentioned that a total of 2.69 MT of foodgrains have been lost due to storage, transit and pilferage. In this regard the total quantity of storage and transit losses have been 1.54 lakh MT and the pilferage loss has been 1.15 MT in 2008-09. Hence the total loss of foodgrains due to transit, storage and pilferage in 2008-09 was 1.54 lakh MT totaling Rs. 233.91 crore.

The following steps have been taken to bring down storage and transit losses:

**Inspections**

- Special Squad checking at selected rail-heads, transshipment and destination/ despatch centers
- Identification of vulnerable points.
- Inspection of Depots by Senior Officers of the HQs, Executive Directors (Zone)/ General Managers (Region)/ Area Managers.

**Quality Control Measures**

- Periodical prophylactic and curative treatment of stocks, as prescribed.
- Maintaining priority list for issue of stocks observing the FIFO principle.
- Undertaking pre-monsoon fumigation.
- Improvement in dunnage material.
- Ensuring proper quality checking of foodgrains at the time of procurement

#### Preventive Measures and Monitoring of Losses

- Streamlining of procedure and documentation for transparency and accountability in operations at each level.
- Adoption of 50kg packing to avoid use of hooks
- Double line machine stitching of bags.
- Supervision of loading/unloading operations by the ICCS (Independent Consignment Certification Squad)
- MOU is being signed between FCI and Ministry of CAF&PD for the last 5 years. One of the parameters of MOU is to bring down/control storage & transit losses.
- Monitoring of Storage and Transit Losses is being done in the Monthly Performance Review Meetings at Regional/Zonal/Headquarters levels
- Transfer of officials whose integrity is found doubtful as per existing instructions.
- Transit Insurance of stocks.

#### Safeguards for Movement & Storage

- Inspection and monitoring of calibration of weigh-bridges.
- Ensuring that all FCI owned godowns are constructed and maintained on scientific lines for storage of foodgrains.
- Movement of foodgrains from one place to another by safe means i.e. normally covered wagons etc.
- Loading of standardized bags as far as possible and leaving 18 inches space near the flap doors.
- Proper weighment and accounting at the time of receipt and issue.

Due to the above steps, storage losses have come down from 0.42% during 2000-01 (Audited) to 0.13% during 2008-09 (Provisional) and transit losses from 0.84% during 2000-01 (Audited) to 0.40% during 2008-09 (Provisional), as can be seen from the following details :

#### Storage Losses

*(Qty.of wheat + rice in lakh MT/ Value Rupees in Crores)*

Year	Qty of Loss	Value of Loss	Qty issued	% age of Loss
2000-01*	1.56	145.31	375.27	0.42
2001-02*	1.44	143.02	578.98	0.25
2002-03*	3.17	309.39	831.34	0.38
2003-04*	2.32	244.59	821.18	0.28
2004-05*	1.46	156.37	767.02	0.19
2005-06*	1.17	133.87	736.69	0.16
2006-07*	1.34	155.80	654.89	0.20
2007-08 (Provisional)	1.29	160.66	461.45	0.28
2008-09 (Provisional)	0.58	101.26	456.84	0.13

(\*Audited)

#### Transit Losses

*(Qty of wheat + rice in lakh MT/ Value in Rupees in Crores)*

Year	Qty of Loss	Value of Loss	Qty. Moved	%age of Loss
2000-01*	1.55	134.76	185.40	0.84
2001-02*	1.42	123.12	234.28	0.61
2002-03*	1.70	148.52	297.46	0.57
2003-04*	1.70	150.48	341.74	0.50
2004-05*	1.83	149.93	382.77	0.48
2005-06*	1.51	143.00	353.75	0.43
2006-07*	1.39	133.87	322.58	0.43
2007-08 (Provisional)	1.18	139.21	287.01	0.41
2008-09 (Provisional)	0.96	132.65	239.26	0.40

(\*Audited)

During the year 2008-09, the total quantity of storage & transit losses was 1.54 lakh MT excluding pilferage. This works out to 0.22% in relation to the total quantity of 696.10 lakh MT, which was issued and moved during the year.

Despite having taken various steps for reducing losses, occurrence of some losses while carrying out operational activities on a gigantic scale are inevitable / unavoidable.

Besides, the following steps have been taken to detect / curb the pilferage (theft):

1. Installation of barbed wire fencing of boundary walls, provision of street lights in the godowns / complexes and proper locking of the sheds.
2. Security staff of FCI as well as other Agencies like Home Guards, Special Police Officers are deployed for safety of stocks.
3. Deployment of Central Industrial Security Force and State Armed Police has been done at vulnerable depots / godowns in the Naxal prone area.
4. Security Inspection as well as surprise checks of the depots are being conducted from time to time at various levels to detect and plug any security lapses.
5. FIRs have also been lodged with the Police where pilferage has come to notice. Apart from this, departmental action including recovery of loss has been resorted to act as a deterrent.

As a result of the above steps, cases of theft over the years have come down as can be seen from the following details:

Year	No.of Cases	Quantity (MT)	Amount (Rs.)	Remarks
2005-06	5	69.40	669939	3 cases closed
2006-07	3	6.95	53905	2 cases closed
2007-08	17	91.29	895766	5 cases closed
2008-09	2	1.15	17422	2 cases closed

With a view to reduce storage and transit losses, the field functionaries are conducting regular checks/inspections by squads at District/Regional/Zonal levels. Even the progress made in respect of such losses is being closely monitored during the Monthly Review Meetings at Regional/Zonal/Headquarters' levels so as to minimize these losses even below the permissible parameters fixed in MOU. In order to avoid transit losses, loading/unloading operations are undertaken in the presence of FCI's Independent Coordination & Certification Squads / Insurance Company's Surveyors etc.

In so far as storing foodgrains stocks is concerned, scientifically constructed godowns, as per IS Code 607:1971 and also as per the latest CPWD specifications/guidelines issued from time to time, are used for storage purposes.

As regards recruitment of personnel who have technical knowledge and expertise it is mentioned that the Corporation has well defined policy for recruitment in place including recruitment of technical staff. As per the existing recruitment policy for induction of technical staff in Quality Control Cadre, as contained in FCI (Staff) Regulations, 1971, persons with qualifications in Agriculture and Agriculture Engineering and having sufficient experience in

storage of foodgrains and maintenance of food stocks, are recruited in the technical cadre. FCI is giving stress on strengthening of the technical cadres in the future recruitments being planned.

Regarding fixing of responsibility for the losses and punishing the guilty officials, it is mentioned that as per the standing instructions, a system of investigation exists in FCI for each and every case of storage & transit loss on its merits considering various factors responsible for loss including dereliction of duty by officials. The losses beyond 0.5% are mandatorily required to be investigated for fixing responsibility and making recovery from delinquents, if any, against the unjustified losses.

Appropriate disciplinary action is being taken, including imposing of penalties and recovery thereof, against the delinquents responsible for unjustified storage & transit losses. FCI initiated strict disciplinary proceedings against delinquent staff for abnormal storage and transit loss due to negligence. The detailed position about such disciplinary action taken for the year 2008-09 on account of abnormal Storage Losses and Transit Losses cases are as under:

(i)	No. of charge-sheets issued against the delinquents for abnormal Storage Losses/Transit Losses during 2008-09	...	1172
(ii)	No. of officials involved	..	4634

Following penalties were imposed:

a)	Dismissal from the service	..	4
b)	Compulsorily retired from the service	..	7
c)	Reduction in time scale of pay	..	43
d)	Reduction in lower post	..	3
e)	Censure	..	326
f)	Recovery from no. of officials	..	3136
g)	Recovery in addition to stoppage of increment..	23	
h)	Amount recovered		Rs.3,21,15,356

Apart from above, Executive Directors (Zone) / General Managers (Region) have been requested to take appropriate action on the above observation/ recommendation of the Standing Committee.

**1.26 The Committee are unhappy with the casual approach of the Ministry towards the important recommendation of the Committee regarding adoption of scientific and modern technology to ensure safe storage of foodgrains. In their original report, the Committee had recommended that in order to minimize the storage and transit losses of foodgrains, the FCI should adopt scientific and modern technology to store foodgrains. From the reply furnished by the Government, the Committee find that the Department did not give due weightage to the recommendation of the Committee. The Committee, therefore, while reiterating their recommendation, desire that the Government should take instant action for construction of storage space by adopting latest modern technology such as silos, so as to ensure scientific storage of foodgrains and avoid losses. In this regard, they may explore the possibility of involving private people in the construction of silos by providing them proper incentive.**

**The Committee further note from the reply of the Ministry, the steps taken by the Government for movement of foodgrains from one place to another by safe means. The Committee find that no time limit has been prescribed within which the foodgrains produced in a procuring State should be moved to the consuming States. The Committee, therefore, desire that in order to prevent storage and transit losses, a time limit should be prescribed for the movement of foodgrains from one State to another. The Committee are further pained to note that out of 1172 officials charge sheeted for being responsible for abnormal storage and transit**

losses, only 4 officials were dismissed from service and 7 officials were compulsorily retired from service which in the opinion of the Committee, is lack of seriousness in dealing with officials found guilty. The Committee feel that unless punitive action is taken against officials found responsible for corruption or dereliction of duty, the problem could not be contained. The Committee, therefore, strongly recommend that the Government should take deterrent punitive action against the officials who are found responsible for any negligence or corrupt practice leading to storage and transit loss of foodgrains.



## **H. Need for safe storage of foodgrains**

### **Recommendation (Serial No. 20, Paragraph 5.31)**

1.27 The Committee had recommended as below:-

‘The Committee further note that 20,000 MT of foodgrains amounting to Rs. 13 crore was damaged during storage in 2008-09 due to poor maintenance. The Committee also note that as a result of regular/surprise checks, the quantum of damaged foodgrains declared have been reduced drastically but it is still very high. The Committee are unhappy to note that a large quantity of foodgrains are spoiled every year due to floods and cyclonic weather, which in the opinion of the Committee is lack of farsightedness on the part of FCI. The Committee, therefore take a serious view and recommend that the FCI should make advance planning for storing the foodgrains in a safe place. The Committee also recommend that a comprehensive plan for time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on handling and storage of damaged foodgrain which is not fit for human consumption.’

1.28 The Ministry in their Action Taken Replies have stated as under:-

‘The FCI ensures regular checks/super checks of the stocks in order to avoid deterioration/down gradation and subsequent damage to the stocks.

Immediate salvaging operations are taken up to avoid/reduce to the extent possible the stocks that get affected due to floods/cyclones.

FIFO principle is followed to avoid losses due to long storage.’

**1.29 The Committee note with concern the casual approach adopted by the Government in treating the recommendation of the Committee. Keeping in view the large quantity of foodgrains being spoiled due to floods and cyclonic weather, the Committee had recommended to draw a comprehensive plan for a time bound disposal of the stocks accumulated and to prevent unnecessary expenses of handling and storage of damaged foodgrains. But the action taken reply of the Ministry is silent on the issue. The Committee deplore this attitude of the Department and while reiterating their earlier recommendation, desire to be apprised of the details of the comprehensive plan as also the pre-emptive steps taken to prevent damage of foodgrains in such unforeseen situations like floods and cyclonic weather.**

## **CHAPTER II**

### **RECOMMENDATIONS / OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Recommendation (Serial No.1, Para No. 3.6)**

2.1 The Committee note that the Budget Estimate of the Department of Food and Public Distribution for its Plan and non-plan schemes was Rs. 95 crore and Rs. 34016 crore, respectively for the financial year 2008-09. At Revised Estimate Stage, the allocation for its Plan Schemes was reduced to Rs. 65 crores, whereas the allocation of non-plan schemes was raised to Rs. 45619 crore. The Committee find that the Department has utilized the entire funds allocated for its non-plan schemes, the major portion of which i.e. Rs. 44167.20 crore has gone to food subsidy. The Committee, however, note with surprise that the allocation for Plan Schemes, which was reduced from Rs. 95 crore to Rs. 65 crores, could not be fully utilized and the actual expenditure during the year was only Rs. 45.05 crore, indicating that utilization was merely 69.5%. The position is worst in case of the Schemes of 'Construction of godowns' and 'Computerisation of PDS operation' for which 71.5% and 14.7% of the allocated funds were utilized during the year. The committee are unable to accept the pleas of the Government that shortfall in expenditure was due to (i) non approval of Computerisation of PDS operation scheme by Expenditure Finance Committee (EFC) (ii) non-finalisation of Detailed Project Report (DPR) (iii) difficulties in construction of godowns by FCI in N.E.Region (iv) Delay in setting up of Village Grain Bank in the States and (v) Non-submission of utilization Certificates by the State/UTs. In the opinion of the Committee, the Department could not take timely action and get completion of procedural formalities well in advance due to which the BE was reduced by the Planning Commission at RE stage and there was less expenditure during the year. The Committee, therefore, strongly recommend that the Department should make sincere efforts for getting timely approval of the schemes and utilization Certificates from the States/UTs and get clearance from the Competent Authority so that the schemes are implemented and projects are completed within stipulated time limit. The Department should also ensure full utilization of funds earmarked during 2009-10 for their plan schemes.

#### **Action Taken by the Government**

2.2 All Divisional Heads of this Department have been sensitized for taking note and following the recommendations of the Committee scrupulously to ensure full utilization of funds for implementation of plan schemes earmarked during 2009-10. For 2008-09, BE was Rs.95 crores, RE was Rs.65 crores. The actual expenditure after reconciliation of figures was Rs.45.66 crores, after

adjustment of recovery of unspent balance of grant-in-aid to States amounts to Rs.44.67 lakhs.

For "Construction of Godown" scheme for 2008-09, against BE of Rs. crores actual expenditure was Rs. 21.17 crores while during 2009-10 against RE of Rs.29.49 crores full amount was utilized.

The shortfall in expenditure during 2008-09 in the Scheme "Computerisation of TPDS Operations" was due to the EFC clearance for the scheme which was accorded in June 2009 only. First instalment to State Governments has since been released. During 2009-10, the utilization of funds is Rs.69.00 crores (provisional) (98.7% of RE).

During 2009-10, against RE of Rs.70.00 crores, the anticipated expenditure is Rs.69.09 crores (98.07% of RE). The position of utilization of funds has improved in 2009-10 and is likely to be maintained or further improved in 2010-11.

To utilize the funds under the Plan Schemes on Village Grain Bank Scheme this Department has been vigorously pursuing with the representatives of States/UT Governments by holding meeting and periodical correspondence, including monthly D.O. letters sent to apprise them of pending issues. The Department has been requesting States/UTs for furnishing utilization certificates for funds allocated in the previous years and to send fresh proposals so as to ensure full utilisation of funds provided under these schemes. All efforts are being made to utilize the provision earmarked for Village Grain Bank Scheme. However, the utilization of funds depends on the responses received from State/UT Governments and their compliance with the mandatory requirement of furnishing UCs for past releases to enable the Department to make fresh additional releases. In the case of Village Grain Banks, during 2008-09, Rs.16.81 crores have been utilized against the Budget Estimates provision of Rs.17.00 crores. During 2009-10, against Rs.17.33 crores provided under BE, Rs. 17.23 crores have been utilized.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No.2, Para No. 4.17)**

2.3 The Committee note with concern that there has been fluctuating trends in the procurement of wheat and rice during the last two years. The Committee are given to understand that the reasons for increase/decrease in procurement of foodgrains depends upon various factors such as production, marketable surplus, open market price, market sentiment and extent of participation by private trade. The Committee note that the Government have taken various measures to enhance the procurement of wheat and rice, such as increase in procurement price of wheat to Rs. 1080 per quintal and Paddy to Rs. 950 per quintal from the marketing seasons 2009-10. Besides, to maximize procurement of rice, the Government has given Commission to Societies/Cooperatives, etc. @ 2.5% MSP. The Government has also banned exports of wheat and non-basmati rice and reduced the import duty of wheat to zero. The proposal for reduction of import duty on rice is also under consideration. The Committee further note that the production of 805.8 and 991.5 lakh tonnes of wheat and rice, respectively has been estimated for 2008-09 crops, which is sufficient to meet the requirement of the country. Besides, in order to increase foodgrains production and improving the agricultural growth in the country, the Government has initiated two schemes namely (i) National Food Security Mission (NFSM) and (ii) Rashtriya Krishi Vikas Yojana (RKVY). The Committee are of the view that despite the various measures taken by the Government, there is likelihood of decline in production of wheat and rice due to delayed monsoon and consequently there will be shortage of foodgrains in the country. The Committee are aware that every year in one or the other parts of the country there is drought and flood due to which the crops are destroyed. Due to the global warming and climate change the drought have become recurring features. In order to deal with such situations, the Committee desire that the Government should adopt new method of agriculture and irrigation to increase the production of foodgrains, so that the procurement by FCI and other agencies is further enhanced. The Committee also desire that the Department should keep a close watch on other aspects which affect the procurement of foodgrains and take every possible measure to ensure that availability of foodgrains in the central pool is maintained and poor people are not forced to purchase foodgrains at higher prices.

### **Action Taken by the Government**

2.4 Department of Agriculture and Cooperation has information that they have taken following measures for increasing the production of foodgrains:-

#### **(i) Rabi production enhancement measures :**

The foodgrain production has been estimated at about 96.53 million tonnes (1st Advance Estimates) in the country during Kharff 2009 as compared to 117.70 million tonnes during Kharif, 2008. Loss of foodgrain has been reported due to drought during Kharif, 2009 season in major part of the country.

For increasing rabi production, Government of India organized a conference and video conferences with States to review issues relating drought management and preparedness for Rabi crops.

In this regard, State Governments have taken several initiatives to enhance the productivity as well as coverage of more area during rabi season:

States have been given more flexibility to utilize the funds under various Centrally Sponsored Schemes namely National Food Security Mission (NFSM), Integrated Cereal Development Programme (ICDP) under Macro Management and Integrated Scheme of Oilseeds, Pulses, Palm Oil and Maize (ISOPOM) to meet the additional demand for requirement of seed distribution component. Age norms of certified seed of Wheat, rice and pulses have been relaxed and additional area coverage under boro/summer rice /wheat/pulses are planned for enhancing production. Seed norms of Wheat and rice, pulses and Jowar and bajra (rabi /summer 2009-10) have been increased under various crop development schemes of Ministry of Agriculture to reduce the burden on farmers in drought affected area. Availability and supply of essential inputs such as fertilizers, additional power for irrigation etc have ensured in coordination with the States and various Central Ministries.

**(ii) Schemes adopted for improvement in production practices and irrigation technology:**

Government of India is implementing a number of crop specific Schemes to increase the foodgrain production. To enhance the production and productivity of food grains, a Centrally Sponsored Scheme of National Food Security Mission (NFSM) is under implementation in 312 districts in 17 States as mission mode approach focusing on important foodgrain crops, i.e. rice, wheat and pulses by 10, 8 and 2 million tones, respectively by the end of XI Plan (2011-12). It was launched in Rabi 2007-08. Besides, Centrally Sponsored scheme of “Integrated Cereals Development Programme in Rice/ wheat Based Cropping Systems Areas (ICDP- Rice/Wheat)” is implemented in non- NFSM Rice/ Wheat districts in the country and “Integrated Cereals Development Programme in Coarse Cereals (excluding Maize)” based Cropping System Areas (ICDP- Coarse Cereals) in major Coarse Cereals growing states in the country under Macro Management Agriculture (MMA). The development of Maize crop is undertaken through the centrally sponsored Scheme of Oilseeds, Pulses, Oilpalm and Maize (ISOPOM).

The above schemes are meant for popularization of new technologies in crop production and water use includes various components like demonstrations & training on improved production technologies; distribution of quality seeds of high yielding varieties/ hybrids through seed minikit ; support for micro nutrients, gypsum, zero tillage; rotavators, weeders and other farm implements, Integrated Pest Management (IPM), Integrated Nutrients Management (INM), extension, water saving and moisture saving devices, mass media campaign including awards for best performing districts etc.

### **(iii) Development of new technology to adopt to changing climate condition**

The Indian Council of Agricultural Research (ICAR) has taken research work vigorously for development of new technology particularly in view of larger variation in climate change/climate factors since 10<sup>th</sup> five-year plan period in collaboration with State Agricultural University for development of suitable production technologies.

Indian Council of Agricultural Research has developed heat tolerance/high temperature varieties of wheat such as NIAW 34, Raj. 3765, Raj 4037, NW-2036, NW-1014, HW-2045, HD-2643, K-8962 and DBW-14 water saving devices, improved crop-protection/production technology, resource conservation technology like zero tillage and bed planting specifically with surface - residue retention using second-generation seeding machines like rotary disc drill and happy seeder. These technologies generated/are being generated by research systems are being popularized under above motioned various crop development schemes to enhance the production of foodgrains and the Government of India is giving accelerated support for this purpose.

Minimum Support Prices (MSPs) of wheat and paddy has substantially been increased in the last three Kharif/Rabi Marketing Seasons (KMS/RMS). Due to the increased MSP, announcement of incentive bonuses and various other measures taken by the Government, there has been record procurement of 226.89 and 253.82 lakh tonnes of wheat in RMS 2008-09 and 2009-10 and record procurement of 284.93 and 336.85 lakh tonnes of rice in KMS 2007-08 and 2008-09. With the increased level of wheat and rice procurement in the Central Pool, availability of foodgrains to poor people has been ensured.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No.3, Para No. 4.18)**

2.5 The Committee note that the Government is committed to ensure Food Security to all the BPL and AAY families through Public Distribution System. The Government is also contemplating to adopt a strategy to improve the wage earning capacity of the people by giving them better employment opportunity, so that they can purchase the balance requirement of foodgrains from open market. The Committee are happy to note that the Government would bring forward a legislation for food guarantee to all the citizens, especially the targeted families. Therefore, a bill namely, Food Security Legislation is under consideration of Empowered Group of Ministers. After the broad outlines of the legislation is

worked out, it would be posted on the website of the Ministry for eliciting public opinion and wider debate. The Committee are of the opinion that this is the right step taken by the Government to ensure food for all. The Committee, therefore, recommend that the Government should make sincere efforts to get early clearance of the Bill from Empowered Group of Ministers and ensure that the Bill is introduced during the next session of Parliament.

### **Action Taken by the Government:**

2.6 The Department accepts the recommendation. As announced in the President's address to the joint session of Parliament on 04.06.2009, Government proposes to enact a National Food Security (NFS) Act. The Department of Food and Public Distribution has already initiated necessary action for this. A Concept Note on the important policy issues related to the proposed law was prepared in the Department and circulated to State Governments and Central Ministries in June 2009 for their comments/ views.

The first consultation meeting with the State Food Secretaries was held on 10.06.2009. In pursuance to that, so far views/ comments have been received from 31 State Governments, which are under examination.

On the concept note, a meeting was held with representatives of Ministries of Rural Development (RD), Women and Child Development (WCD), Human Resource Development (HRD) and Planning Commission on 11.06.2009. Consultation with experts was held on 12.06.2009.

Next round of discussion with representatives of Ministries of Agriculture, RD, Deptt. of Drinking Water Supply, HRD, WCD, Social Justice & Empowerment, Housing & Urban Poverty Alleviation (HUPA) and Planning Commission was held on 1<sup>st</sup> July, 2009.

Comments have been received from the Ministries of HRD, Social Justice & Empowerment, HUPA and Agriculture, they are under examination. Ministry of RD has initiated action to finalise methodology for identification of poor families in rural areas.

To consider the various issues related to the national Food Security Act, an Empowered Group of Ministers (EGoM) has been constituted. The subject was taken up for discussion in the EGoM meetings held on September 1<sup>st</sup> and 16<sup>th</sup>, 2009. It was decided that the Ministries of Rural Development and Housing & Urban Poverty Alleviation should finalise the methodology for identification of BPL families in rural and urban areas, respectively and place it before the EGoM. The remaining issues of the EGoM Note will be discussed further by the EGoM to firm up various aspects of the NFS Act. The Department is taking further action in this regard.



**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

**Comments of the Committee**

(Please see Para No. 1.8 of Chapter 1 of the Report)

**Recommendation (Serial No.4, Para No. 4.28)**

2.7 The Committee note that Food Subsidy is paid to FCI for re-imbusement of the difference between economic cost of foodgrains and their issue price, carrying cost of buffer stock, and on account of levy sugar, import of sugar, etc. The Committee observe that despite various measures taken by the Government to reduce the food subsidy Bill, there is huge increase in food subsidy amount continuously during the last three years i.e. from Rs.25424.89 Crore in 2007-08 to Rs. 32400.28 in 2008-09 and Rs. 52487.72 crore in 2009-10. The major reason for increase in food subsidy is (i) increase in economic cost of foodgrains on account of increase in Minimum Support Price (MSP) while the Central Issue Price (CIP) remain static over the last seven years, i.e. since 1.7.2002 and (ii) increased offtake of subsidized foodgrains under TPDS. The Committee note that the Government has been taking several measures to contain food subsidy since the year 2007-08 by way of encouraging decentralized procurement and distribution of foodgrains, issue of bonds by FCI at lower coupon rates backed by the Government guarantee and improving the operational efficiency of FCI. The Committee, therefore, recommend that the Department should take the aforementioned measures with all seriousness so as to contain the huge amount of food subsidy. The Committee further note that the Department has also prepared a draft scheme to test feasibility of direct transfer of food subsidy in cash to BPL/AAY beneficiaries under the TPDS. The scheme proposes to disburse equivalent amount of food subsidy in cash to be deposited directly by the concerned district authorities in bank/post office accounts to be opened by each of the beneficiaries instead of releasing subsidized foodgrains to the eligible BPL & AAY families. The Committee desire that the Department may expedite examination of the proposal for direct transfer of food subsidy in cash to the BPL/AAY families and analyses its pilot implementation in select districts.

**Action Taken by the Government**

2.8 The Government has taken several measures to contain food subsidy. The main measures in this regard include:-

- (v) Encouraging decentralized procurement and distribution of foodgrains. Eleven States are procuring foodgrains under DCP on behalf of Government of India.

- (vi) Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
- (vii) Improving the operational efficiency of FCI.
- (viii) Proposal to increase the Central Issue Prices (CIPs) of wheat and rice for APL categories was initiated on several occasions during the past years by this Deptt. However approval of the EGOM/Cabinet has not been received in this regard so far.

The FCI has informed that the Corporation issued Government Guarantee bonds amounting to Rs.8604.90 crores in the year 2005 at an annualized weighted average cost of 7.31%. The yearly savings on account of issue of bonds by FCI with reference to present annualized cash credit rate of interest of 10.75 % is Rs.296 crores approx. To further reduce the cost of funds, the Corporation has undertaken resource raising initiatives through issue of Short Term Loans and has raised Short Term Loan so far for an amount of Rs.25870 crores for 3 and 6 months tenure, out of which Rs.15870 crores has since been paid. The resultant savings in interest cost has been Rs.319 crore (approx).

As regards draft scheme of direct transfer of food subsidy in cash to BPL/AAY beneficiaries, the draft scheme has been prepared on the basis of proposals received from State Governments of Uttar Pradesh, Haryana and Delhi. The draft scheme is initially for implementation in five districts of these three States (Haryana – 02, Uttar Pradesh-02, and Delhi-01) as a pilot scheme. The proposal has been referred to Department of Expenditure on 26.6.2009 for placing it before the Committee on Non-plan Expenditure (CNE) for appraisal. The Department of Expenditure has latest been reminded on 23.12.2009. Reply of Department of Expenditure on the proposal of this Department is awaited.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Comments of the Committee**

(Please see Para No. 1.11 of Chapter 1 of the Report)

### **Recommendation (Serial No.5 Para No. 4.41)**

2.9 The Committee note that the Public Distribution System (PDS) Scheme is one of the most important schemes of the Government to provide subsidized foodgrains to poor people. The Committee also note that BE for strengthening of PDS during 2008-09 was Rs. 5.50 crore but the Department

could utilize only Rs. 1.71 crore during the year. The Committee, regret that this scheme, like other schemes of the Department of Food and Public Distribution, has suffered for want of sufficient proposals and utilization certificates from the States/ UTs. The Committee are not inclined to accept the plea of the Department that the under-utilization of funds was due to non-receipt of sufficient proposals from States/UTs under the component Publicity-cum-Awareness Campaign on TPDS and non-submission of utilization certificates under the component curbing leakage and diversion. In the opinion of the Committee, it is the lack of coordination with the State Governments and weak monitoring over the scheme on the part of the Department. The Committee feel that due to non-utilisation of funds by the State Governments, ultimately the targeted population i.e. BPL and AAY families will suffer and will be deprived of the benefits intended for them. The Committee, therefore, recommend that the Government should take up the matter with State Governments/UT Administration at highest level and find out the reasons for non-submission of utilization certificates and sufficient proposals and persuade them to implement the scheme so that allocated funds are fully utilized in the financial year itself.

#### **Action Taken by the Government:**

2.10 The innovative scheme to curb leakages/diversion meant for TPDS was started on pilot basis and releases were made to three selected States viz. Tamil Nadu, NCT of Delhi & Chhattisgarh in 2007-08 for installing Global Positioning System (GPS) devices on the vehicles transporting TPDS foodgrains. So far, State Govt. of Tamil Nadu has implemented installation of GPS devices and sent the utilisation certificate which has been accepted by the Department. NCT of Delhi has not yet implemented the scheme. While State Govt. of Chhattisgarh has submitted the utilisation certificate but it could not be accepted for want of some information. Further, releases under this component to other States will be made only after reviewing the performance of the scheme in three selected states to whom releases were made. State Govt. of Chhattisgarh & NCT of Delhi have been reminded to submit the utilisation certificates alongwith benefits derived from the implementation of this scheme.

Financial assistance to States/UT for generating awareness amongst TPDS beneficiaries about their entitlement and redressal mechanism:

To utilize the funds under the Plan Scheme Publicity cum awareness campaign on TPDS, the BP Division has been vigorously pursuing and holding periodical meetings with State/UT Governments by correspondences including through monthly D.O. letters sent to State Food Secretaries to apprise them of pending issues. Through these fora, the Department has been requesting States/UTs for furnishing utilization certificates for funds allocated in the previous

years and issue of submission of necessary fresh proposals so as to ensure full utilization of funds. All efforts are being made to utilize the provision earmarked for Publicity cum awareness campaign on TPDS for the year 2009-10. However, the utilization of funds depends on the responses received from State/UT Governments and their compliance with the mandatory requirement of furnishing UCs for past releases to enable the Department make fresh additional releases. Rs.73.66 lakhs have been utilized as against Budget Estimates provision of Rs.250.00 lakhs during 2008-09. During 2009-10, so far an expenditure of Rs.24.00 lakhs have been incurred against the Budget Estimates provision of Rs.100.00 lakhs. The recommendation of the Committee to take up the matter with State/UT Governments at the highest level has been taken note of and accordingly the matter is being taken up with them.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No. 6, Para No 4.42)**

2.11 The Committee note that Central Government has a very important role to ensure efficient functioning of the TPDS since in most of the States/UTs the Foodgrains are procured by Food Corporation of India on behalf of the Central Government for distribution to APL/BPL/AAY beneficiaries at subsidised rates. The Committee note that though the Government has taken a number of measures to strengthen and streamline the functioning of TPDS such as continuous review of the lists of BPL and AAY families, greater transparency in the functioning of TPDS by displaying allocated quantities of foodgrains on web sites, improve vigilance at various levels and introduction of new technologies etc., yet in the opinion of the Committee the scheme is not being implemented effectively in all the States/UTs particularly in hilly/tribal/backward areas of the country. The Committee are given to understand that all the BPL and AAY families are covered in all the areas including inaccessible hilly/tribal/backward and forest areas in each State & UT for allocation of foodgrains as per allocation norms. The Committee, however, feel that all the BPL and AAY families do not get their share of foodgrains as per allocation norms on regular basis. The Committee, therefore, recommend that functioning of TPDS may further be strengthened and the Government should ensure that whatever measures are taken by them are sincerely implemented by all the State/UT Governments for the benefit of the BPL/AAY families.

### **Action Taken by the Government:**

2.12 TPDS is operated under the joint responsibility of the Central and State/UT Governments. The operational responsibilities for identification of eligible families living below poverty line and issuance of ration cards to them rest with the concerned State/UT Government.

For issuing ration cards to eligible AAY, BPL and APL families under TPDS necessary provisions have been made under the PDS (Control) Order 2001. As per para 2 of the annex attached to this Order, the State Governments have to ensure that no eligible applicant is denied a ration card in any area including hilly/ tribal/ backward areas of the country and they have to conduct periodic checking of ration cards to weed-out ineligible and bogus ration cards and bogus units in the ration cards. Elimination of bogus ration cards as well as bogus units in them shall be a continuous exercise by the State Governments to check diversion of essential commodities.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No.7, Para No. 4.43)**

2.13 The Committee note that for identification of BPL families under the Targeted Public Distribution System (TPDS), poverty estimates are made based on level of consumption expenditure. As per the poverty estimates of 2004-05, the level of consumption expenditure per person per month was Rs. 356.30 in rural areas and Rs. 538.60 in urban areas. The Committee are aware that the TPDS is being implemented jointly by the Government of India and State/UT Governments. The State/UT Governments are responsible for identification of eligible BPL and AAY families based on estimates of Planning Commission, issue of ration cards, lifting and distribution of allotted foodgrains to ration card holders through Fair Price Shops (FPS) within the States/UTs including monitoring of TPDS. The Committee find that in order to streamline the functioning of TPDS, the Government has taken a number of measures which include improving the functioning of TPDS machinery, continuous review of lists of BPL and AAY families, door step delivery of foodgrains to Fair Price Shops, improved vigilance at various levels and introduction of new technologies such as computerization of TPDS operations. The Committee, however, feel that the Central Government has a very important role which includes monitoring of TPDS to ensure the efficient functioning of the TPDS since in most of the States/UTs the FCI is procuring and allocating foodgrains on behalf of the Central Government. The Committee, therefore, recommend that the Department should make all out efforts to implement the aforementioned measures in letter and spirit as also strictly monitor and improve the functioning of TPDS in the country.

### **Action Taken by the Government:**

2.14 To strength the functioning of TPDS, besides the PDS (Control) Order 2001, the Government has taken the following measures:

- A. to strength monitoring and vigilance by-
  - i) implementation of the Nine Point Action Plan;.
  - ii) taking action against those with Bogus Ration Cards; and
  - iii) ensuring greater involvement of Panchayati Raj Institutions (PRIs)/ Urban Local Bodies in functioning of Fair Price Shops.
- B. to ensure increased transparency in functioning of TPDS by-
  - i) adoption and implementation of revised Model Citizens' Charter;
  - ii) introduction of monthly certification of delivery of foodgrains at Fair Price Shops and their distribution to ration card holders;
  - iii) taking up publicity-cum-awareness Campaign on TPDS; and
  - iv) display of allocation of foodgrains – district and FPS wise on websites for public scrutiny.
- C. to use ICT tools such as
  - i) computerization of TPDS Operations;
  - ii) pilot scheme on Smart Card based Operations in Haryana and Chandigarh;
  - iii) piloting of new technologies for tracking movement of vehicles transporting TPDS commodities.
- D. to improve efficiency of FPS operations through-
  - i) doorstep delivery of foodgrains;
  - ii) ensuring timely availability of foodgrains;
  - iii) distribution of wheat flour/fortified wheat flour under TPDS;
  - iv) allotment of Fair Price Shops to Institutions and Groups;
  - v) sale of non-PDS items by FPS licensees, and
  - vi) revision of commission to FPS licensees

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No.9, Para No. 4.53)**

2.15 The Committee note that the Government of India have directed the State/UT Governments from time to time to carry out checking of bogus/ineligible ration cards on a continuous basis. As a result of such exercise, 16 State Governments have reported to have deleted 149.16 lakh bogus/ineligible ration cards till 10.9.2009. However, it is believed that a lot of bogus/ineligible ration cardholders still continue to exist in most of the States. The Committee, therefore, desire that all the State/UT Governments should be directed to take necessary steps to eliminate bogus/ineligible ration cards while taking due care to ensure that those persons who are genuinely eligible to have ration cards are not deprived of the same.

#### **Action Taken by the Government:**

2.16 For issuing ration cards to eligible AAY, BPL and APL families under TPDS necessary provisions have been made under the PDS (Control) Order 2001. As per para2 of the annex attached to this Order, the State Governments have to ensure that no eligible applicant is denied a ration card and they have to conduct periodic checking of ration cards to weed-out ineligible and bogus ration cards and bogus units in the ration cards. Elimination of bogus ration cards as well as bogus units in them shall be a continuous exercise by the State Governments to check diversion of essential commodities.

The State Governments have been directed from time to time to carry out this exercise on a continuous basis. Under the 9-point Action Plan, the first action point is to continuously review lists of BPL and AAY families to eliminate bogus/ineligible ration cards. Special instructions have also been issued to the State Governments for taking penal action against the staff responsible for issuance of bogus/ineligible ration cards and those found in possession of such rations. Because of these instructions, as per reports received on 31.12.2009 from 20 State Governments, 170.40 lakh bogus/ineligible ration cards have been deleted since July, 2006.

All the State & UT Governments have been further directed in August, 2009 to take up a special campaign from October, 2009 to December, 2009 for verification of all AAY and BPL ration card holders so as to detect and eliminate bogus/ineligible ration cards.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No. 10, Para No. 4.56)**

2.17 The Committee express their serious concern that poor quality of foodgrains which is not fit for human consumption are sometimes being supplied by FCI through Fair Price Shops to the BPL and AAY families covered under PDS. The plea of the Government that they have always supplied fair quality of foodgrains from the FCI godowns to the State Government representatives who in turn supplied the foodgrains to the Fair Price Shop dealers is not acceptable to the Committee. The Committee are also unable to accept the contention of the Government that it could be the handiwork of some vested interest as after the stocks are released by FCI there are many intermediaries in the process i.e. State agency, issue centres, wholesalers and Fair Price Shops. The Committee are of the strong view that there is lack of proper monitoring by the Department which leads to such situations. The Committee, therefore, recommend that instead of shifting the responsibility to the State Governments, the Department should evolve a foolproof and transparent system and strengthen its monitoring mechanism by setting up Vigilance Committees at every level to keep strong vigil on the quality of foodgrains supply by FCI through PDS. The Committee also desire that Gram Panchayats should be roped in the process to oversee the functioning of Fair Price Shops. The Department should also look into the possibility of giving the dealership of Fair Price Shops to Self-help Groups and Cooperative Societies to improve its functioning.

### **Action Taken by the Government:**

2.18 The Public Distribution System (Control) Order 2001 stipulates formulation of vigilance committees at the State, District, Block and FPS level and also stipulates meeting of Vigilance Committee on periodic basis. Detailed guidelines were issued in 2005 by the Department for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS to bring in more transparent and accountable system of distribution as a measure of social audit. The States were asked to involve PRIs in the vigilance committees.

In November, 2004 all State/UT Governments were requested to allot FPS to Cooperatives of Women & Ex-servicemen. In April 2008 all State/UT Governments were again requested to allot the FPS to Self Help Groups, Cooperatives of Women, Ex-servicemen, PRIs, Urban Local Bodies, etc. Allotment of Fair Price Shops to these Institutions and Groups, as per reports received from State/UT Governments upto December 10, out of 5 lakh fair



price shops in the country, about 1,17,266 fair price shops have been allotted to Cooperatives, women's Self Help Groups, Village Panchayats, Urban Local Bodies and other Self Help Groups in different States.

Introduction of monthly certification of delivery of food grains at fair price shops and their distribution to ration card holders - To ensure greater transparency in functioning of fair price shops, directions were issued to State & UT Governments in March 2008 to introduce monthly certification by Village Panchayats/urban local bodies/vigilance committees/women's Self Help Groups for delivery of food grains to fair price shops in time and their distribution to ration card holders during the allocation month. So far, 15 State/UT Governments have reported on implementation of this monthly certification.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Comments of the Committee**

(Please see Para No. 1.14 of Chapter 1 of the Report)

#### **Recommendation (Serial No. 11, Para No. 4.62)**

2.19 The Committee note that as per the findings of the National Council for Applied Economics Research (NCAER), the level of diversion of foodgrains in the States of Assam and Mizoram have been as high as 47.97% in case of Rice allocated for BPL families and 100% in case of wheat allocated for APL families. In other words, the foodgrains meant for APL families have not reached the beneficiary APL families at all in these two States. The level of diversion of foodgrains in other States are also fairly high. The Committee, therefore, strongly recommend that all necessary steps be taken to prevent diversion of foodgrains meant for TPDS. The scheme for installing Global Positioning System (GPS) devices on vehicles transporting TPDS foodgrains should also be implemented in all the States on top priority.

#### **Action Taken by the Government:**

2.20 The concurrent evaluation study reports in respect of 12 States, received from NCAER have been sent to the concerned State Governments

for taking necessary remedial measures to remove the deficiencies noticed in the functioning of TPDS including leakages and diversion of foodgrains.

2. TPDS is implemented jointly by Government of India and State/UT governments. Under this mechanism, the responsibility of allocation of foodgrains within the states/UT, identification of eligible BPL and AAY families based on estimates of Planning Commission, issuance of ration cards, distribution of allotted foodgrains to ration card holders through FPS and monitoring of TPDS are done by state/UT governments.

3. To strength the functioning of TPDS, besides the PDS (Control) Order 2001, the Government has taken the following measures:

- A. to strength monitoring and vigilance by-
  - i) implementation of the Nine Point Action Plan;.
  - ii) taking action against those with Bogus Ration Cards; and
  - iii) ensuring greater involvement of Panchayati Raj Institutions (PRIs)/ Urban Local Bodies in functioning of Fair Price Shops.
- B. to ensure increased transparency in functioning of TPDS by-
  - i) adoption and implementation of revised Model Citizens' Charter;
  - ii) introduction of monthly certification of delivery of foodgrains at Fair Price Shops and their distribution to ration card holders;
  - iii) taking up publicity-cum-awareness Campaign on TPDS; and
  - iv) display of allocation of foodgrains – district and FPS wise on websites for public scrutiny.
- C. to use ICT tools such as
  - i) computerization of TPDS Operations;
  - ii) pilot scheme on Smart Card based Operations in Haryana and Chandigarh;
  - iii) piloting of new technologies for tracking movement of vehicles transporting TPDS commodities.
- D. to improve efficiency of FPS operations through-
  - i) doorstep delivery of foodgrains;
  - ii) ensuring timely availability of foodgrains;
  - iii) distribution of wheat flour/fortified wheat flour under TPDS;
  - iv) allotment of Fair Price Shops to Institutions and Groups;
  - v) sale of non-PDS items by FPS licensees, and
  - vi) revision of commission to FPS licensees

4. The Scheme for installing Global Positioning System (GPS) devices on vehicles transporting TPDS foodgrains was introduced on pilot basis and funds were provided to three State Governments, namely, Tamil Nadu, Delhi & Chhattisgarh. Further funds will be released to the other States after evaluating the performance of the scheme in these three states. So far, State Govt. of Tamil Nadu has sent the performance report. Reports from the remaining two States are still awaited.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Comments of the Committee**

(Please see Para No.1.17 of Chapter 1 of the Report)

### **Recommendation (Serial No. 15, Para No. 5.6)**

2.21 The Committee note with concern that a huge amount to the tune of Rs. 3039.29 crore is still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them by the FCI for various welfare schemes on payment basis. The Committee note from the information furnished by the Department that the Ministry of Human Resource Development (HRD) has paid Rs. 300 crores as revolving fund against bills in the pipeline. As far as the Ministry of Rural Development is concerned, the Department seems to be justifying the delay in liquidating the dues by stating that liquidation of outstanding dues depends on allocation of funds to these ministries by Ministry of Finance. The Committee are shocked to observe that instead of fixing any time limit for recovery of outstanding dues, the Department has taken a lenient view towards the Ministries. The Committee feel that instead of justifying the delay, the Department should make serious efforts towards settlement of the dues, especially of the Ministry of Rural Development and also taken up the matter with the concerned Ministries to make separate budgetary provision for foodgrain component in their respective Budgets.

### **Reply of Government**

2.22 As per the decision of the Government, foodgrains were supplied under Sampoorna Gramin Rojgar Yojna (SGRY) of Ministry of Rural Development (MoRD) by Food Corporation of India (FCI) since beginning of the Scheme. However, proper budget allocation for the scheme was not made initially resulting in outstanding dues of FCI. To liquidate the outstanding dues of FCI against MoRD, the matter has already been placed before the Cabinet and Committee of Secretaries (COS). As a result of continuous efforts made by this Department for settlement of outstanding dues of FCI pending against Ministry of Rural Development for the foodgrains supplied under SGRY, 94% (approx.) of the outstanding dues has been recovered which includes Rs. 16,200/- crore given by Ministry of Finance in the shape of bonds in the year 2006-07. To liquidate the remaining outstanding amount, this Department has been constantly pursuing the matter with Ministry of Rural Development and Ministry of Finance at various levels.

As regards outstanding dues of FCI against Ministry of Human Resource Development (MoHRD) for supply of foodgrains under Mid-Day-Meal (MDM) scheme, the Corporation has informed that the outstanding dues as on 31.12.2009 are Rs.226.59 crore. The issue relating to outstanding dues has been regularly pursued with the Ministry of HRD at various levels and due to the concerted efforts, some old dues relating to the supply of foodgrains under MDM Scheme for the period upto 2006-07 have been released by the Ministry of HRD during the year 2008-09. For dues & bill in pipeline however, FCI has been given a revolving fund to the tune of Rs. 300 crore by the MoHRD.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No. 17, Para No. 5.17)**

2.23 The committee note with dissatisfaction that the FCI has not been able to maximize the utilizations of its storage capacity, both covered and CAP (Open) available with them. The committee find that the FCI has utilized more hired capacity as compared to their own capacity. It is surprising to the committee that FCI hired 100% open capacity in 2007-08 whereas their own capacity utilization was only 1% during the same period. Similarly, in 2008-09, they have utilized 77% of their own capacity but the utilization of hired capacity was 89%. The position of CAP (covered) utilization is worst in 2008-09 when the FCI utilized only 13% of their own capacity but utilization of hired capacity was 53%. The argument put forth by the FCI that they hired storage capacity only in such cases where they do not have their own godowns or where their capacity is not

sufficient, is not acceptable to committee. The committee also regret to observe that a huge amount is spent every year on hiring the godowns by FCI whereas the utilization of owned capacity is not optimum. For example, FCI paid Rs. 371.31, Rs. 271.06 and Rs. 359.30, respectively during the years 2006-07, 2007-08 and 2008-09, which in the opinion of the committee is nothing but wastage of Government money. The committee are of the opinion that the FCI should, as far as possible, avoid undertaking hiring of godowns and the infructuous expenditure incurred thereon. The committee, therefore, recommend that the FCI should make proper assessment of the availability of their own storage capacity as well as the required capacity and make maximum utilization of owned storage capacity, so as to avoid huge rent spent on hired storage.

### Reply of Government

2.24 The observation made by the committee is that the percentage utilization of owned capacity of FCI is less compared to that of hired capacity and therefore the committee has recommended that FCI should make proper assessment of the availability of its own storage capacity as well as the required capacity and make maximum utilization of owned storage capacity, so as to avoid huge rent spent on hired storage.

There are certain impediments to 100% owned capacity utilization by FCI and the same is not always possible on practical/operational basis. As far as higher percentage utilization of hired capacity, as compared to owned capacity is concerned, it is submitted that the storage capacity is hired when there is necessity of hiring space at specific location/Centres. The table given below gives details of utilization of capacity:

(Figs. in lakh tonnes )

YEAR ENDING MARCH		COVERED			CAP (Open)			G.TOTAL
		OWNED	HIRE D	TOTAL	OWNE D	HIRE D	TOTA L	
2007-08	CAPACITY	129.48	87.13	216.61	22.06	0.27	22.23	238.94
	STOCKS	60.26	56.68	116.94	0.28	0.27	0.55	117.49
	UTILIZATION	47%	65%	54%	1%	100%	2%	49%
2008-09	CAPACITY	129.67	101.24	230.91	21.73	0.15	21.88	252.79
	STOCKS	99.2	90.37	189.57	2.93	0.08	3.01	192.58
	UTILIZATION	76%	89%	82%	13%	53%	14%	76%

- Figures pointed out by the Committee are shown in bold

In respect to the observation regarding 100% utilization of hired open capacity against only 1% utilization of the owned open capacity in absolute terms. It is seen that in 2007-08 only 55,000 MT against a total quantity of 1, 17, 49,000 MT i.e. approximately 0.46% of the total stocks were stored in open. Out of this only 27000 MT CAP capacity was hired (against 22.06 lakh MT of FCI owned CAP capacity) where FCI's owned capacity was not available. Therefore, the rent has just been paid for the CAP space hired for only 27000 MT of stocks. Similarly in 2008-09 the hired CAP capacity was only 15000 MT in which only 8000 MT of stocks were kept which was only 0.42% of the total stocks. Even in respect of covered capacity, above data clearly shows wide variation in the hired capacity depending on the requirements. Capacities are hired and de-hired depending on the need and as a result the capacity utilization of hired capacity remains higher because if they are not needed, they are de-hired, keeping the percentage utilization higher though actual capacity may have gone down. Moreover where godowns are required for very short period, it is economical to hire godowns on Actual Utilization Basis (AUB). FCI hires capacity on AUB (Actual Utilization Basis). In such cases the rent is paid as per the stocks actually stored and not for the entire godown. The capacity utilization in such cases would always remain 100% since the capacity hired is equal to the stocks stored. Thus, the capacity utilization in hired cases is more than that in the owned capacity cases.

The lower percentage utilization in 2008-09 of the owned covered capacity, 77% against 89% utilization of hired covered capacity is due to the fact that FCI was having only 129.67 lakh MT of capacity against total stocks of 189.57 lakh MT stored in covered godowns as on 31-3-2009. FCI hired covered capacity in respect of 90.37 lakh MT of stocks only. As per the norms based on BICP studies, the optimum utilization of storage capacity should be 75% whereas the capacity utilization as on 31.3.09 was 76% (overall) and 82% for covered for both owned and hired together. The capacity utilization is below 100% due to continuous inflow and outflow of stocks.

Further, for hired capacity taken over on 7 year guarantee basis from SWC/CWC, rent to be paid includes preservation charges, which is to be undertaken by the concerned agency i.e. CWC/SWC. Hence, it is preferred to store stocks in godowns hired from CWC/SWC because this saves preservation charges which would have been incurred if the stocks were stored in FCI's own godowns.

Here it is worth mentioning that FCI is dealing with seasonal commodities and utilization of capacity varies throughout the year. The figures taken by the committee are at the end of financial year on 31st March which is the initial/starting point of Rabi season. The capacity utilization at this point of time is less as space creation is under process for accommodating the coming Rabi crop. Rice procurement is also not complete by this time. The capacity utilization as on 30<sup>th</sup> June for the two years is given in the table below which shows that

utilization was higher as compared to that on 31<sup>st</sup> March for the two years under consideration.

(Figs. In lakh tonnes as on 30<sup>th</sup> June)

		COVERED			CAP			G.TOTAL
		OWNED	HIRE D	TOTAL	OWNED	HIRE D	TOTAL	
30.6.08	CAPACITY	129.63	97.49	227.12	22.97	0.86	23.83	250.95
	STOCKS	93.12	86.01	179.13	6.55	0.87	7.42	186.55
	UTILIZATION	72%	88%	79%	29%	101%	31%	74%
30.6.09	CAPACITY	129.67	117.15	246.86	23.07	5.70	28.77	275.59
	STOCKS	112.17	114.28	226.45	10.56	5.65	16.21	242.66
	UTILIZATION	87%	98%	92%	47%	99%	56%	88%

The stock levels after procurement of Rabi crop is highest between 1<sup>st</sup> June to 1<sup>st</sup> July and gradually goes down reaching a minimum level generally between 1<sup>st</sup> January and 31<sup>st</sup> March depending on the trend of rice milling. The comparison of the above table with the table showing capacity utilization as on 31<sup>st</sup> March shows higher percentage utilization of both hired and owned capacities in June.

Further, hiring of capacities depends upon the trend of procurement in the procuring regions. The storage capacities created by FCI are at fixed places and it is not cost effective to undertake long distance transportation and double handling of food grains just to ensure utilization of FCI's vacant space at far off places. Thus hiring of storage capacity at places where it is required because of proximity to the procurement or consumption centres becomes essential. Type of capacity available is also an important factor, FCI may have silos for wheat/Owned CAP capacities at a particular place but FCI may still have to hire storage capacity to store rice, since rice cannot be stored in Silos for wheat/CAP. Sometimes, even if it is economically viable to use FCI's existing capacity at a far off place vis-à-vis hiring a nearby storage capacity, it may be operationally impossible to use the far off owned capacity. For example in procurement areas, during the procurement season often arrivals are very heavy and the arrivals are to be immediately removed from the mandis and taken to the safe storage places to evacuate the mandis for next day arrivals. The local availability of trucks and labour in many such mandis become a serious constraint to undertake long distance transportation. It becomes necessary to hire a nearby storage space to ensure more turnover of available trucks and labour. In some consuming as well as procurement areas, few godowns become unusable for short or long duration

because of litigation, law and order problem, breach of rail/roads, change in railway policies etc.

FCI's emphasis is on reducing the expenditure and not only to maximize percentage utilization of owned capacity. As long as the two objectives are in congruence, the aim is to reduce the expenditure by maximizing the capacity utilization. However, preference is given to reducing the expenditure even if it results in lower capacity utilization of owned space. Thus, the capacity utilization by FCI for the years 2007-08 and 2008-09 may be seen in the light of above stated facts.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No. 18, Para No. 5.25)**

2.25 The committee note with concern that the North Eastern States are the most disadvantaged States in maintaining the adequate foodgrain stock. The requirement of the godowns in NE States is 11.78 lakh MT whereas the existing capacity in the entire region is only 4.43 LMT, thereby leaving a gap of 7.35 MT. The Committee are unable to accept the plea of the Govt. that due to Law and Order Problem and delay in providing land by the State Governments, they could not provide adequate storage facilities in the North eastern States. The Committee feel that there is lack of coordination between the Deptt. Of Food and Public Distribution and States/UTs which resulted in non acquisition of land at different centres of States. The Committee observed that due to the geographical conditions of the NE Region, even the Railway authorities find it difficult to carry the required number of rakes during the mon-soon season. The committee further observed that in spite of the subsidy given for foodgrains, it is not subjected to safe storage as at times it is spread in open and simply covered by Tadapatra leaving it rotting, specially during monsoon season. The Committee, therefore, strongly recommend that the Deptt. Of Food & Public Distribution should take up the matter urgently with the North eastern States/UTs at the highest level for identification of suitable land for construction of godowns in the region to augment the storage capacity.

#### **Reply of Government**

2.26 The availability of suitable land in NE States is a difficult task, due to the region being hilly or low lying, hence there is delay in acquisition of land for construction of godown. FCI has taken up with the respective States Governments to provide suitable land for construction of godowns at identified



centres under Plan Scheme. This Department has also taken up the matter with the State Governments. Due to the continuous efforts during the current Plan Period land has been acquired at the following places in the North Eastern Region including Sikkim:-

1.	Hailakandi/Assam	5000 MT	
2.	Changsari/Assam	50000 MT	
3.	Jorthang/Sikkim	5000 MT	
4.	Kohima/Nagaland	5000 MT	
5.	Senapati/Manipur	5000 MT	
6.	Churachandpur/Manipur	2500 MT	Land identified, yet to be taken over.
7.	Seppa	1670 MT	Land identified, yet to be taken over.
8.	Ziro	5000 MT	-do-
9.	Lower Dibang Valley (Roing)	1670MT	-do-
10.	Anjaw Khupa	640 MT	-do-

The Plan Outlay for the XIth Plan will be fully utilized in completing the godowns over these lands. Efforts are also being made for getting suitable land for construction of godowns at other identified centres.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Comments of the Committee**

(Please see Para No. 1.23 of Chapter 1 of the Report)

### **Recommendation (Serial No. 19, Para No. 5.30)**

2.27 The Committee are concerned to note that a large quantity of foodgrains is lost every year in the form of storage, transit and pilferage losses. The Committee have been informed that during 2008-09, a total of 2.69 MT of foodgrains amounting to Rs. 233.91 crore was lost on account of storage, transit and pilferage. Despite the best efforts of the Government, the storage losses in the godowns of Food Corporation of India (FCI) have not shown any decreasing trend. The Committee feel that in order to minimize storage, transit and pilferage losses, it needs constant monitoring through regular inspections. The Committee, therefore, strongly recommend that FCI should adopt scientific and modern technology to store the food grains. Besides, they should also recruit personnel who have technical knowledge and expertise with a view to ensure safe storage and minimizing the storage losses. The Committee also desire that Government

should contemplate fixing of responsibility for such losses and punish the guilty officials in this regard.

### **Reply of Government**

2.28 It has been mentioned that a total of 2.69 MT of foodgrains have been lost due to storage, transit and pilferage. In this regard the total quantity of storage and transit losses have been 1.54 lakh MT and the pilferage loss has been 1.15 MT in 2008-09. Hence the total loss of foodgrains due to transit, storage and pilferage in 2008-09 was 1.54 lakh MT totaling Rs. 233.91 crore.

The following steps have been taken to bring down storage and transit losses:

#### **Inspections**

- Special Squad checking at selected rail-heads, transshipment and destination/ despatch centers
- Identification of vulnerable points.
- Inspection of Depots by Senior Officers of the HQs, Executive Directors (Zone)/ General Managers (Region)/ Area Managers.

#### **Quality Control Measures**

- Periodical prophylactic and curative treatment of stocks, as prescribed.
- Maintaining priority list for issue of stocks observing the FIFO principle.
- Undertaking pre-monsoon fumigation.
- Improvement in dunnage material.
- Ensuring proper quality checking of foodgrains at the time of procurement

#### **Preventive Measures and Monitoring of Losses**

- Streamlining of procedure and documentation for transparency and accountability in operations at each level.
- Adoption of 50kg packing to avoid use of hooks
- Double line machine stitching of bags.
- Supervision of loading/unloading operations by the ICCS (Independent Consignment Certification Squad)
- MOU is being signed between FCI and Ministry of CAF&PD for the last 5 years. One of the parameters of MOU is to bring down/control storage & transit losses.
- Monitoring of Storage and Transit Losses is being done in the Monthly Performance Review Meetings at Regional/Zonal/Headquarters levels
- Transfer of officials whose integrity is found doubtful as per existing instructions.
- Transit Insurance of stocks.

### Safeguards for Movement & Storage

- Inspection and monitoring of calibration of weigh-bridges.
- Ensuring that all FCI owned godowns are constructed and maintained on scientific lines for storage of foodgrains.
- Movement of foodgrains from one place to another by safe means i.e. normally covered wagons etc.
- Loading of standardized bags as far as possible and leaving 18 inches space near the flap doors.
- Proper weighment and accounting at the time of receipt and issue.

Due to the above steps, storage losses have come down from 0.42% during 2000-01 (Audited) to 0.13% during 2008-09 (Provisional) and transit losses from 0.84% during 2000-01 (Audited) to 0.40% during 2008-09 (Provisional), as can be seen from the following details :

#### Storage Losses

*(Qty. of wheat + rice in lakh MT/ Value Rupees in Crores)*

Year	Qty of Loss	Value of Loss	Qty issued	% age of Loss
2000-01*	1.56	145.31	375.27	0.42
2001-02*	1.44	143.02	578.98	0.25
2002-03*	3.17	309.39	831.34	0.38
2003-04*	2.32	244.59	821.18	0.28
2004-05*	1.46	156.37	767.02	0.19
2005-06*	1.17	133.87	736.69	0.16
2006-07*	1.34	155.80	654.89	0.20
2007-08 (Provisional)	1.29	160.66	461.45	0.28
2008-09 (Provisional)	0.58	101.26	456.84	0.13

(\*Audited)

#### Transit Losses

*(Qty of wheat + rice in lakh MT/ Value in Rupees in Crores)*

Year	Qty of Loss	Value of Loss	Qty. Moved	%age of Loss
2000-01*	1.55	134.76	185.40	0.84
2001-02*	1.42	123.12	234.28	0.61
2002-03*	1.70	148.52	297.46	0.57
2003-04*	1.70	150.48	341.74	0.50
2004-05*	1.83	149.93	382.77	0.48
2005-06*	1.51	143.00	353.75	0.43
2006-07*	1.39	133.87	322.58	0.43
2007-08 (Provisional)	1.18	139.21	287.01	0.41
2008-09 (Provisional)	0.96	132.65	239.26	0.40

(\*Audited)

During the year 2008-09, the total quantity of storage & transit losses was 1.54 lakh MT excluding pilferage. This works out to 0.22% in relation to the total quantity of 696.10 lakh MT, which was issued and moved during the year.

Despite having taken various steps for reducing losses, occurrence of some losses while carrying out operational activities on a gigantic scale are inevitable / unavoidable.

Besides, the following steps have been taken to detect / curb the pilferage (theft):

6. Installation of barbed wire fencing of boundary walls, provision of street lights in the godowns / complexes and proper locking of the sheds.
7. Security staff of FCI as well as other Agencies like Home Guards, Special Police Officers are deployed for safety of stocks.
8. Deployment of Central Industrial Security Force and State Armed Police has been done at vulnerable depots / godowns in the Naxal prone area.
9. Security Inspection as well as surprise checks of the depots are being conducted from time to time at various levels to detect and plug any security lapses.
10. FIRs have also been lodged with the Police where pilferage has come to notice. Apart from this, departmental action including recovery of loss has been resorted to act as a deterrent.

As a result of the above steps, cases of theft over the years have come down as can be seen from the following details:

Year	No.of	Quantity	Amount (Rs.)	Remarks
------	-------	----------	--------------	---------

	Cases	(MT)		
2005-06	5	69.40	669939	3 cases closed
2006-07	3	6.95	53905	2 cases closed
2007-08	17	91.29	895766	5 cases closed
2008-09	2	1.15	17422	2 cases closed

With a view to reduce storage and transit losses, the field functionaries are conducting regular checks/inspections by squads at District/Regional/Zonal levels. Even the progress made in respect of such losses is being closely monitored during the Monthly Review Meetings at Regional/Zonal/Headquarters' levels so as to minimize these losses even below the permissible parameters fixed in MOU. In order to avoid transit losses, loading/unloading operations are undertaken in the presence of FCI's Independent Coordination & Certification Squads / Insurance Company's Surveyors etc.

In so far as storing foodgrains stocks is concerned, scientifically constructed godowns, as per IS Code 607:1971 and also as per the latest CPWD specifications/guidelines issued from time to time, are used for storage purposes.

As regards recruitment of personnel who have technical knowledge and expertise it is mentioned that the Corporation has well defined policy for recruitment in place including recruitment of technical staff. As per the existing recruitment policy for induction of technical staff in Quality Control Cadre, as contained in FCI (Staff) Regulations, 1971, persons with qualifications in Agriculture and Agriculture Engineering and having sufficient experience in storage of foodgrains and maintenance of food stocks, are recruited in the technical cadre. FCI is giving stress on strengthening of the technical cadres in the future recruitments being planned.

Regarding fixing of responsibility for the losses and punishing the guilty officials, it is mentioned that as per the standing instructions, a system of investigation exists in FCI for each and every case of storage & transit loss on its merits considering various factors responsible for loss including dereliction of duty by officials. The losses beyond 0.5% are mandatorily required to be investigated for fixing responsibility and making recovery from delinquents, if any, against the unjustified losses.

Appropriate disciplinary action is being taken, including imposing of penalties and recovery thereof, against the delinquents responsible for unjustified storage & transit losses. FCI initiated strict disciplinary proceedings against delinquent staff for abnormal storage and transit loss due to negligence. The detailed position about such disciplinary action taken for the year 2008-09 on account of abnormal Storage Losses and Transit Losses cases are as under:

- (i) No. of charge-sheets issued against the delinquents ... 1172

for abnormal Storage Losses/Transit Losses  
during 2008-09

(ii)	No. of officials involved	..	4634
------	---------------------------	----	------

Following penalties were imposed:

a)	Dismissal from the service	..	4
b)	Compulsorily retired from the service	..	7
c)	Reduction in time scale of pay	..	43
d)	Reduction in lower post	..	3
e)	Censure	..	326
f)	Recovery from no. of officials	..	3136
g)	Recovery in addition to stoppage of increment..	23	
h)	Amount recovered		Rs.3,21,15,356

Apart from above, Executive Directors (Zone) / General Managers (Region) have been requested to take appropriate action on the above observation/ recommendation of the Standing Committee.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Comments of the Committee**

(Please see Para No. 1.26 of Chapter I of the Report)

### **Recommendation (Serial No. 22, Para No. 6.10)**

2.29 The Committee is unhappy to note that despite taking various measures such as reduction in non-plan expenditure on heads like publicity, telephone, travel, entertainment, etc., the establishment cost which was 234.62 crore in 2007-08 has suddenly gone up to Rs. 333.42 crore i.e. Rs. 99 crore more as compared to previous year. The Committee cannot accept the contention of the Department that the establishment cost of CWC has increased mainly on account of impact of pay revision on salary and increase in Gratuity and Leave Benefits, since these are the regular and compulsory expenditure to be incurred by the management. The Committee are also surprised that the recommendations of Tata Consultancy services (TCS) regarding cost reduction have been taken by CWC very casually. The Committee, therefore, recommend that CWC should restructure its Plan and Policy and make sincere efforts to reduce its establishment cost and enhance its profits.

### **Action taken by the Government**

2.30 (i) The increase of Rs. 99 crore in the establishment cost is attributable mainly to revision in Pay and Allowances in all the categories of employees implemented during 2008-2009 and consequential increase in provisions for gratuity, leave & other employee's benefits. The breakup of increase of Rs. 99 crore in establishment cost is as under:

[Amount in Crore Rs.]

Sl. No.	Head of account	2007-08	2008-09	Increase
1.	Pay & Allowances	157.40	180.27	22.87
2.	Contribution to Provident Fund	14.62	17.51	2.89
3.	Provision for Gratuity	10.89	18.43	7.54
4.	Provision for PLI	3.71	3.30	(-)0.41
5.	Provision for Leave Benefits	13.68	49.21	35.53
6.	Provision for Post Retirement Medical Benefits	10.90	3.48	(-) 7.42
7.	Provision for Death Compensation	0.03	0.09	0.06
8.	Provision for LTC	0.00	0.60	0.60
9.	Provision for Pay Revision	23.40	60.53	37.13
	TOTAL	234.63	333.42	98.79

- (ii) Central Warehousing Corporation (CWC) has also made earnest efforts to reduce the establishment cost. CWC has given due consideration to the recommendations of TCS on Organisational Restructuring and Human Resource Systems, which were implemented in the Corporation after examination and acceptance by the Board of Directors of CWC. The main recommendation of TCS Report was to reduce manpower especially in Groups C&D. There was no fresh recruitment after 1998 in any cadre. Besides, the Corporation also introduced VRS during the year 1994, 1998, 2000, 2005 and lastly exclusively for Engineers during 2008. However, considering the commercial requirement, during 2008-09, the Corporation has made some Direct Recruitments of JTAs (Group-C) and Management Trainees (Group-A).
- (iii) During the period prior to the implementation of the TCS report, no fresh recruitment was being made since 1998 in any cadre with a view to reduce the man power and the resultant cost. Further, the Corporation also implemented VRSs during the year 1994, 1998 and 2002, as a result

of which 2186 employees availed the scheme, thereby reducing the establishment cost to that extent.

Total no. of employees in position as on 31 <sup>st</sup> March of					
1997	1998	1999	2000	2001	2002
9041	8954	8683	8676	8579	8455

- (iv) After, the TCS report was accepted for implementation during Dec., 2002, VRSs were introduced twice during 2005 and 2008, out of which 291 employees availed the scheme, thereby reducing the establishment cost correspondingly.

Total no. of employees in position as on 31 <sup>st</sup> March of						
2003	2004	2005	2006	2007	2008	2009
6984	6813	6690	6413	6192	6059	5935

- (v) The above table will show that the total number of employees on the rolls has been getting reduced every year, resulting in reduction of establishment cost proportionately. When the above is juxtaposed with that the total storage capacity, which had shown a sharp increase over the aforesaid period, (table given below) it would indicate the efficient utilisation of the manpower in the Corporation.

(As on 31 <sup>st</sup> March)						
Total Capacity (in lakh MTs) 31 <sup>st</sup> March	1997	1998	1999	2000	2001	2002
	71.19	72.28	73.48	74.79	83.91	89.17
Capacity handled (MT)/ per employee	787	807	846	862	978	1055
Turnover per employee (lakh Rs)	2.60	2.83	2.94	3.19	3.96	4.49

Total Capacity available (in lakh MTs) 31 <sup>st</sup> March	2003	2004	2005	2006	2007	2008	2009
	91.14	94.16	101.86	100.38	102.20	98.78	105.25
Capacity handled (MT)/ per employee	1305	1382	1523	1565	1651	1630	1773
Turnover per employee (lakh Rs)	6.75	6.79	7.82	9.66	11.09	12.81	14.31



- (vi) Moreover, the wages bill of CPSEs went up by 28.67% during the year 2008-09 mainly on account of pay commissions recommendations (i.e. on account of revision of pay).
- (vii) Based on an internal assessment of the manpower vis-a-vis the capacity operated, recruitment of 40 JTAs (Group'C') and 30 management trainees (Group'A') was undertaken during 2009 in order to tide over the shortage in these cadres.
- (viii) Keeping in view the reduction achieved in manpower, it has been decided to carry out a fresh study through a consultant for reorganisation of the Corporation as well as a study on manpower planning.
- (ix) At the same time, the concern expressed by the Committee with regard to increase in the establishment costs is noted for necessary action as advised by the Committee.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No. 26, Para No. 7.8)**

2.31 The Committee shocked to observe that production of sugar which was more than the consumption level during the years 2006-07 and 2007-08 has got down suddenly in 2008-09. The production of sugar in the country in 2006-07 and 2007-08 was 282 lakh tonnes and 263 lakh tons, respectively, and there was excess stock of sugar in the country. During 2008-09, while the demand of sugar has increased to 225 lakh tonnes, its production has reduced only to 150 lakh tonnes, indicating a shortfall of about 33 per cent. The Committee was unable to accept the argument of the Government that less production of sugar was due to diversion of crops of sugarcane by farmers to other cash crops. The Committee are of the view that the farmers have shifted their crop due to wrong policy of the Government which failed to provide adequate Minimum Support Price (MSP) to the farmers of their cane produce. The Committee feel that import of sugar by the Government at zero duty is not the solution because the farmers will continue to opt for other cash crops if not given adequate MSP of cane produce, resulting in less production of sugar in the country. The Committee are aware that recently the Government has increased the MSP of sugarcane, yet in the opinion of the Committee, these prices are not enough to attract the farmers to opt for sugarcane production. The Committee, therefore, recommend that Government should reconsider its decision and suitably increase the MSP of sugarcane. At the same time, to increase the production of sugar, agriculture should be made profitable vocation and the Government should give highest priority to provide the small and marginal farmers opportunity for assured and remunerative marketing of their produce at the time of harvesting. The Govt. should make sincere efforts to clear all dues of farmers which are pending with Sugar mills in the form of Sugarcane arrears. Henceforth, the loan cane development should be given

directly to the farmers through Panchayats and not through the Sugar Mills, so that the farmers are benefited with the various schemes initiated by the Govt. to raise production of sugarcane.

### **Action taken by the Government**

2.32 The Government felt that the sugarcane pricing policy needed a review and accordingly the Essential Commodities Act, 1955 and the Sugarcane Control Order, 1966 were amended in 2009, as per which the Central Government is now fixing a Fair and Remunerative Price (FRP) for sugarcane instead of Statutory Minimum Price (SMP).

Under the Fair and Remunerative Price, margins on account of risk and profit on the cost of production and transportation of sugarcane will be given at the time of purchase of sugarcane by the sugar factories. Under the Statutory Minimum Price which were fixed by the Central Government previously, the price so fixed did not give any specific consideration for risk and profit to the farmers.

FRP was fixed by the Central Government for the first time for 2009-10 sugar season at Rs.129.84 per quintal of sugarcane linked to a basic recovery rate of 9.5% and subject to a premium of Rs.1.37 for every 0.1 percentage point increase above the basic recovery rate of 9.5%. As was recommended by the Commission for Agricultural Costs & Prices (CACP), the FRP included a margin of 15% on account of profit and 25% on account of risk to the farmers on their cost of production and transportation of sugarcane.

As compared to the SMP for 2008-09 sugar season of Rs.81.18 per quintal linked to a basic recovery rate of 9%, the FRP for 2009-10 of Rs.129.84 per quintal linked to a basic recovery rate of 9.5% was almost 60% higher. Escalating the SMP for 2008-09 to 9.5% which would work out to Rs.85.68, the percentage increase of FRP for 2009-10 over 2008-09 SMP (escalated to 9.5%) is 51.5% more.

The FRP being determined by the Central Government is a guaranteed benchmark price for sugarcane. It is provided in the Sugarcane (Control) Order, 1966 that no person shall sell or agree to sell sugarcane to a producer of sugar or his agent and no such producer or agent shall purchase or agree to purchase sugarcane at a price lower than that fixed by the Central Government as FRP. Further, the SCO provides for an "agreed" price between the sugarcane farmers and the sugar factories which necessarily has to be equal to or above the FRP and which in turn would depend on prevailing market conditions for sugarcane and sugar. Depending on good sugar prices, the sugar factories do pay a much higher price for sugarcane than the FRP fixed by the Central Government. As per information available, the sugar factories in almost all the States have paid/are paying between Rs.225 to 250 per quintal of sugarcane for 2009-10 sugar season.

With good prices of sugarcane paid by the sugar factories during 2008-09 and 2009-10 sugar seasons, the initial reports suggest that more sugarcane is being sown by the farmers which would be available in 2010-11 and 2011-12 sugar seasons.

As concerns payment of cane price arrears, the Central Government took various steps and announced schemes to ensure that the arrear payments are made to the farmers. These inter alia included – (a) export subsidy on sugar; (b) buffer subsidy on buffer stock; (c) interest subvention of maximum 12% on loan against excise duty paid or payable by sugar factories; etc.

It may be mentioned that the payments to sugar factories under the above schemes were to be specifically utilized to clear the cane price arrears of farmers, if any, during 2006-07, & 2007-08 sugar seasons.

As concerns loan for cane development, loans from Sugar Development Fund (SDF) are given for the purpose of cane development to the sugar factories for various schemes which include seed nursery, incentive to cultivators to switch over to better seed varieties, irrigation schemes, computerization of cane management, ratoon management etc. Since Sugar Development Fund Act provides that the loans are to be given only to sugar factories, such loans from SDF are given to the sugar factories who in turn extend loans to the farmers at a similar rate of interest, which is 4% per annum simple interest as of now. The loan is to be recovered from the sugar factories.

Considering the importance of cane development, the Central Government also announced in July, 2009, a short-term cane development loan scheme for sugar factories from SDF for purchase of seed, fertilizers and pesticides at 4% interest rate. This loan is required to be passed on to the farmers by the sugar factories either in cash or in kind. Rs.156.30 crore has been disbursed during 2009-10 under this short-term cane development loan scheme to 81 sugar factories. This is expected to not only increase availability of sugarcane but also improve production of sugar in the coming year.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No. 27, Para No. 7.13)**

2.33 The Committee expresses their concern over the rising trend in prices of sugar during the last one year. The price of sugar which was Rs.20 per kg in all

the four metropolitan cities in November, 2008 has increased to Rs.40 per kg in November, 2009 i.e 100% increase in the price of sugar. The Committee note from the information furnished to them that less production of sugar contributes to rise in price of sugar. The Committee feel that despite being fully aware of the inflationary trends prevailing in the country, the Government has failed to take timely action to bring down the prices of sugar. Moreover, the Committee feel that when there was excess production of sugar, the Government has framed a policy to provide adequate Minimum Support Price (MSP) to sugarcane growers so that the farmers did not shift to growing other crops and would have continued with sugarcane production, in order to obviate occurrence of such a situation. The Committee deplore this lack of farsightedness on the part of the Government. The Government have taken various measures to make available sugar at reasonable prices like import of raw sugar at zero duty, imposing of stock holding and turnover limits on sugar and putting ban on future trading in sugar to check speculative tendencies in sugar trade. The Committee are of the view that all the measures will be futile exercise if these are not implemented in letter and spirit. The Committee are also aware that one of the reasons for rise in the prices of sugar is hoarding of sugar by traders who create artificial scarcity in the market with the motive to earn more profits by selling sugar at higher prices. The Committee, therefore, strongly recommend that Government should strengthen machinery to conduct raids on the godowns of traders and stringent action against them in order to check hoarding and blackmarketing of sugar. The Committee also recommend that the Department of Food and Public Distribution should draw a long term plan to meet the situation of rising trend of sugar before it goes out of hands to unbearable proportions.

### **Action taken by the Government**

2.34 The Central Government has imposed stockholding and turnover limits on dealers of sugar vide the notification dated 12.03.2009 initially for a period of four months, which was subsequently extended for another six months and khandsari sugar was also brought under these limits, vide the notification dated 16.07.2009. The Central Government has again extended such limits vide notification dated 11.01.2010 till 30.09.2010. States /UTs are being urged by the Central Government to impose these limits in their respective States/ UTs. So far only 23 States/ UTs have imposed such limits in their respective areas. It is the responsibility of the State Governments / UT Administrations to ensure that the limits are scrupulously observed and conduct checks/raids on traders for the purpose. Many States have conducted checks/raids on unscrupulous dealers of sugar and also taken penal actions under the relevant provisions of the Essential Commodities Act, 1955. Directorate of Sugar in the Government of India does not have necessary field formations to carry out raids on dealers of sugar. As such, the recommendation of the Committee is being forwarded to the State Governments / UT Administrations for effective implementation. As regards drawing long-term plan, it is stated that the Central Government has, as a part of

long-term strategy to meet rising demand for sugar, has replaced the concept of Statutory Minimum Price of sugarcane with that of 'Fair and Remunerative Price' (FRP) vide the amendment dated 22.10.2009 to the Sugarcane (Control) Order, 1966. The FRP includes an element of risk and profit margin for the farmers upfront as an additional criterion for fixing the price of sugarcane and is a substantial improvement over the earlier concept of SMP based on cost of production alone. The FRP for 2009-10 sugar season has been fixed at Rs.129.84/- per quintal linked to a basic recovery rate of 9.5% against Rs.81.18/- per quintal linked to 9% recovery rate for 2008-09 sugar season, representing more than 50% hike over the earlier SMP. The FRP is a benchmark price below which no longer mill can purchase sugarcane. However, mills are expected to pay higher price for sugarcane depending on market economics. Besides, the Sugarcane (Control) Order, 1966, was amended from 29.12.2008 to provide the realization made from sale of by products viz. molasses, bagasse and press mud or their imputed value to be taken into consideration for fixing the statutory minimum price, which has been continued in the scheme for determining FRP, apart from the earlier existing five criteria as laid down in the Sugarcane (Control) Order, 1966. It is expected that with this substantial increase in FRP, farmers would be attracted for cultivation of sugarcane with consequent increase in sugarcane and sugar production.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

**Recommendation (Serial No. 28, Para No. 8.9)**

2.35 The Committee note that inspite of various initiatives undertaken by the Government, the production of oilseeds have not shown any remarkable rising trend. Every year, the country has to spend a huge amount to import a large quantity of edible oils to meet the domestic demands. The availability of edible oils during 2008-09 from all domestic sources was 85.52 lakh MT and the consumption during this period was 151.18 lakh MT. In order to bridge the gap between demand and supply, the Government had imported 65.66 lakh MT of edible oils during 2008-09. The Committee note that the Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) has been given the responsibility for development of technology for increased production of oil from oil bearing materials as also optimum utilization of these materials. The Committee are astonished to note that though the Government has been allocating huge funds under the plan scheme "Research & Development and Modernization of the Laboratories of the Directorate of Vanasapti, Vegetable Oils and Fats" for research, development and modernization of laboratory, the entire funds could not be utilized, due to unsatisfactory progress of Research & Development Projects undertaken by the Directorate. The Committee desire that the Government should find out the reasons for unsatisfactory progress of R&D

Projects due to which the DVVO&F failed to operate the plan scheme. In view of stagnation in domestic production of edible oils and steadily increasing consumption, the Government have taken a number of steps, but the Committee feel that those steps are not adequate to ensure availability of edible oils. The committee, therefore, recommend that Government should strengthen its monitoring over the functioning of DVVO&F to increase the agricultural production of oilseeds by improving the conditions of soil, its nutrient contents, water management and to grow alternative crops. Besides, the Government should ensure that the funds allocated for R&D Projects are fully utilized by the DVVO&F. The Agricultural Ministry should also organize latest researches, adopt new technologies and measures to raise oilseed production. Use of vegetable oil for bio-fuels should not be permitted as long as local production of these oil is short to meet the country's own demand. The nodal ministry should also direct Agriculture Ministry and Agriculture Research Institutes & Universities to take up the responsibility for providing necessary inputs to increase the production of oil. The export of edible oils should not be allowed under any circumstances.

### **Action Taken by the Government**

2.36 The availability of edible oils during 2008-09 from all domestic sources was 85.98 lakh MT and the consumption during this period was 167.81 lakh MT. The Government had imported 81.83 lakh MT of edible oils during 2008-09.

The Directorate of Vanaspati, Vegetable Oils and Fats is operating a plan scheme on Research and Development and Modernisation of the Laboratory of VVO&F with an initial outlay of Rs.1.00 crores with year-wise break-up of Rs.20 lakhs during the 11<sup>th</sup> Five Year Plan.

The Plan Scheme is basically aimed at improved recovery of oils and co-products, both quantitatively and qualitatively from oil-bearing materials. It is not possible to single out any individual factor, which contributes to the increased production of these oils. A combination of factors including the plan efforts is attributable to the increase. The broad objectives of the R&D Scheme are to co-ordinate and concentrate research efforts for development of technology for increased production of oils from oil bearing materials as also optimum utilization of these materials.

The unsatisfactory progress of Research and Development projects by research Institutes was due to following reasons:-

1. In some cases the institutes either did not purchase equipments in time or purchase some other equipment. These institutes have been asked to refund the amount sanctioned for purchase of equipments.
2. Non-availability of materials used to carry out the research work.
3. Non-submission of utilization certificates and progress reports.
4. Dislocation of work due to frequent changes in top positions in these Institutes.
5. Change in site location for installation of pilot plan.

Procedures have been streamlined in the Department for giving timely approval and for regular monitoring. The institutes have been advised to complete the projects in time.

During the 10<sup>th</sup> Five Year Plan 21 R&D projects were funded out of which 13 projects were completed and 8 projects have been carried over to the 11<sup>th</sup> Plan period. During the 11<sup>th</sup> Plan period (2007-2012) out of 8 ongoing R&D projects, 5 projects have been completed and 4 new R&D projects are under consideration for funding.

The major research work carried out is as follows:

Development of minor oils from tree and forest origin.

- i) Processes are being developed by using new technology like ceramic membrane for purification of rice bran oil.
- ii) Studies have been carried out to determine the frying performance of blended edible oils.
- iii) Laboratory process has been developed for production of nutritionally superior rice bran oil with improved colour and haziness.
- iv) Enzymatic interesterification of vegetable oils and fats is carried out to prepare butter like fats for bakery, confectionary and margarine with no Tran's fat.
- v) Simple reliable low cost analytical method/technology has been developed for detection and determination of adulterants in edible oils and vanasapti.
- vi) Recovery upgradation and modification of lecithin from rice bran oil.
- vii) Determined carotenoids in imported crude palm oil.
- viii) Sesame lignans are used as natural anti-oxidants in different blends of vegetable oils to increase the stability of the oils
- ix) Carotene rich red palmolein and zero trans shortening were developed from imported crude palm oil. These products were found suitable for shallow fried products and found acceptable.

- x) Development of micro nutrients enriched high performance multiple blended oil medium.

2. The Department of Agriculture and Cooperation have informed that they are implementing a Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) in 14 major oilseeds growing States w.e.f.1.4.2004. The production of oilseeds has increased from 25.19 million tonnes in 2003-04 to 28.83 million tonnes in 2007-08. This was brought about not only by increase in area but also by improving the productivity from 1064 kg. to 1086 kg. per hectare during above period. However, the production of oilseeds declined from 28.83 million tonnes to 27.12 million tonnes in 2008-09 (IV Advance Estimates) due to unfavorable conditions in the States of Karnataka, Maharashtra and Andhra Pradesh. Despite increase in production and productivity, the production of oilseeds is less than the demand.

Under ISOPOM, financial assistance is provided for purchase of breeder seed, production of foundation seed, production and distribution of certified seed, distribution of seed mini kits, distribution of plant protection equipments, weedicides, supply of *rhizobium* culture/phosphate solubilising bacteria, distribution of gypsum/pyrite/ liming/dolomite, distribution of sprinkler sets and water carrying pipes, publicity, etc. to encourage farmers to grow pulses on a large scale. In order to disseminate information on improved production technologies amongst the farmers, block demonstrations and Integrated Pest Management (IPM) demonstrations are organized through State Departments of Agriculture and Frontline Demonstrations through ICAR. In order to overcome the constraints and to narrow down the gaps between existing productivity and yields of oilseeds achieved under demonstrations, the Government of India have focused on transfer of technology through demonstration and trainings and supply of critical inputs under the scheme. To promote the cultivation of newly released varieties of oilseeds, the farmers are given seed mini kits of oilseeds of the varieties/hybrids, not older than 10 years, free of cost. The seed mini kits are given to the farmers to bring more area under high yielding varieties/hybrids.

Further, to make ISOPOM more effective, the Government of India has modified/restructured Centrally Sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) during XI plan period. The details of modification made under ISOPOM are as under;

- i) To increase the Seed Replacement Rate (SRR), the assistance on Production of Foundation and Certified Seed has been enhanced from Rs. 500/- per qtl to Rs. 1000/- per qtl. Similarly, the subsidy on Distribution of Certified Seed has been enhanced from Rs. 800/- per qtl to Rs. 1200/- per qtl during 11<sup>th</sup> Plan Period. The Government has further enhanced the



subsidy for distribution of certified seed of oilseeds from Rs1200/ per quintal to Rs2000/ per quintal for Rabi+ Summer of 2009-10.

- ii) The Private Sector seed producing agencies have been involved in the distribution of Certified Seeds of Oilseeds besides NSC, SFCI, NAFED, KRIBHCO and IFFCO.
- iii) Enhancement of rationalization of subsidy on demonstration, sprinkler sets, rhizobium cultures, irrigation pipes besides inclusion of new components i.e. supply of improved farm implements and micronutrients during 11<sup>th</sup> Plan Period.

Keeping in view the fact that there is a constraint in area expansion under oilseeds, the thrust during 11<sup>th</sup> plan is being given towards yield improvement in oilseeds besides promoting the cultivation of oil palm under ISOPOM in 8 States, for augmenting the indigenous availability of edible oils in the country. Under ISOPOM, an area of 96552 hectare has been achieved under oil palm plantation from 2004-05 to 2009-10 (estimated till December, 2009). The oil palm starts yield after 4-5 years of its plantation. These new plantations will help in increasing the domestic supply of edible oils.

3. Under the National Agricultural Research System (NARS) several high yielding varieties/hybrids having inbuilt resistance to diseases with suitable crop production and protection technologies has been developed as per the requirements of different agro ecologies. Varieties suitable for specific situation have also been developed.

4. The study has been entrusted to the Division of Agricultural Economics, Indian Agricultural Research Institute, New Delhi to assesses demand and supply scenario of oilseeds and edible oils in the country and to suggest suitable measures to increase the production of oilseeds to make the country self sufficient, the present and future edible oils needs of the country, current production and its deficiencies, quality of seeds availability and their yield position, constraints in terms of availability and utilization of high yielding variety oilseeds, consumption patterns of edible oils in rural and urban areas of different income groups, import of edible oils and its impact on economy and implications of trade and related policies on domestic oil prices and availability.

5. A National Policy on Biofuels has been announced in December, 2009 by the Ministry of New and Renewable Energy. As per the Policy, the focus for development of biofuels in India will be to utilize waste and degraded forest and non-forest lands only for cultivation of shrubs and trees bearing non-edible oilseeds for production of bio-diesel. Biofuel production is based solely on non-food feed stocks as per the Biofuel Policy.

6. Export of edible oils has been prohibited since 17<sup>th</sup> March, 2008 vide Notification No. 85 dated 17.3.2008. However, w.e.f. 1.4.2008, the export restriction has been lifted in respect of coconut oil (through Cochin Port) and

certain oils produced from minor forest origin. The ban is applicable, presently, till 30.9.2010. However, export of edible oils in branded consumer packs upto 5 kgs, had been allowed subject to a limit of 10,000 MTs for a period till 31.10.2009, initially. A fresh limit of 10,000 MTs has been allowed for a period from 1.11.2009 to 31.10.2010 vide notification No. 18 dated 2.12.2009.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### CHAPTER III

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

##### **Recommendation (Serial No. 16, Para No. 5.10)**

3.1 The Committee note that the net expenditure incurred by FCI, including the establishment Cost, is reimbursed by the Government in the form of food subsidy. The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the Establishment Cost of FCI which is increasing years after years. The steep rise in the Establishment Cost of FCI is evident from the fact that it has risen from Rs.1369.76 crore (0.07%) in 2006-07 to Rs.2073.20 crore (38.87%) in 2008-09. The justification given by the Department that the Sixth Pay Commission benefits were provided to the staff with retrospective effect from 01.01.2006 and in real terms, the Establishment Cost for the year 2008-09 comes to only 3.7% of the total cost of FCI is not acceptable to the Committee. The Committee feel that even after making payment of salary arrears and other benefits accrued from the Sixth Pay Commission, the establishment cost is still very high. The Committee feel that cutting down the establishment cost consequently results in the increased allocation of food component under the food subsidy. The Committee further note that the suggestion given by M/s McKinsey & Co. to improve FCI's efficiency including in the field of staff rationalization is at different stages of implementations. Besides, the Ministry is also stated to have adopted instructions on economy measures issued by the Department of Expenditure. The Committee hope that by adopting various aforesaid measures they would be able to reduce the food subsidy bill by lowering the establishment cost so that the benefits of food subsidy reach the eligible beneficiaries covered under Public Distribution System(PDS)."

##### **Action Taken by the Government:**

3.2 The details of increase in establishment cost and the increase in the Consumer Price Index between 2004-05 and 2008-09 are as under:-

<u>Rs.crore</u>		
	2004-05	2008-09 (RE)
Staff Cost	1499.63	1857.67
Other Establishment Cost	118.29	215.53
TOTAL:	1617.92	2073.20
% increase		28.14%

CPI for UNME* (last Month of the year)	441	577
% increase		30.83%

\* Urban Non Manual Employee.

During the period, the Establishment cost has increased by approx.28% whereas the Consumer Price Index has increased by 31%. Further, in 2008-09, due to pay revision, the Pay of Staff has increased by 30% in the form of uniform fitment benefit. This benefit of revision of pay has been given to all the employees of Govt. of India and it is not possible to deny the benefit of pay revision to FCI's employees.

FCI implements the Foodgrain policies framed by the Govt. of India. For this purpose, it needs to have proper infrastructure and adequate man-power. These costs form only a small part of the total food subsidy. Strong physical infrastructure is necessary for the effective functioning of FCI to carry out the mandate given to the Corporation. The establishment costs are separately accounted and shown in the Annual Report and Performance Budget of the Corporation. Performance budget of FCI is approved by its Board of Directors which includes Financial Advisor of Deptt. of Food & Public Distribution.

It is also pertinent to mention that in addition to FCI, the State Governments also undertake foodgrain procurement and distribution for the Central Pool. The States are also allowed to include the related establishment and administrative charges in their claims for subsidy. On normative basis, they are allowed administrative charges @ 2.5% of MSP for procurement and @ 1.5% of MSP for distribution. The States are also allowed to claim higher administrative charges, (if incurred) at the time of finalization of economic cost.

The instructions on economy measures and rationalizations of expenditure issued by Ministry of Finance, Department of Expenditure vide OM No. 7(1)/E.Coord/2009 dated 7<sup>th</sup> September, 2009 are being implemented by the FCI so that the establishment expenses are lowered.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No. 21, Para No. 6.6)**

3.3 The Committee note that although the amount of bad debts written off has declined from Rs. 0.57 crore in 2007-08 to Rs. 0.41 crore in 2008-09, it is still very high. The Committee note from the information furnished to them that writing off of bad debt is resorted to only when all efforts made to realize the amount have failed. The Committee feel that the huge money written off every year may

be due to shortcomings in the norms fixed by the Department for the recovery of outstanding dues. The Committee, therefore, recommend that the Government should keep a close watch on the amount of bad debt written off and review the norms fixed for recovery of outstanding dues by CWC for full liquidation of outstanding dues at the earliest so as to enhance its profitability.

### **Action taken by the Government**

3.4 Central Warehousing Corporation has assured that all out efforts will be made to reduce the amounts written off as bad debts to the bare minimum possible. The review of outstanding debts is done on a monthly basis by the top management of the Central Warehousing Corporation (CWC) at the level of the Managing Director. A decision to write off the bad debts is taken only after thoroughly ensuring that the amount is not realizable and cannot be recovered from the concerned debtors through all possible efforts including legal steps wherever required.

Presently, the outstanding dues are being regulated / realized as per the terms & conditions of the storage and guidelines for giving credit facility have also been issued to all field units. The recovery of outstanding dues is being undertaken by the Warehouse Managers/Regional Managers concerned and monitored by the Finance Division of CWC at the Corporate Office level and by the Audit Committee comprising of members of Board of Directors of CWC.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No. 23, Para No. 6.21)**

3.5 The Committee are deeply concerned to note that there was continuous decline in the funds allocated and achievements made by CWC for augmentation of storage capacity during the last three years. The funds allocated to CWC for augmentation of storage capacity for food grains under internal and external budgetary resources (IEBR) Scheme were also not utilized fully. The Committee do not agree with the arguments of the Government that the funds could not be utilized for want of suitable location or due to land dispute. The Committee are of the view that it clearly reflects slackness on the part of CWC which could not timely locate the suitable sites for construction of godowns. The Committee wonder how the CWC will utilize the entire fund of Rs. 360 crore allocated for the XI Five Year Plan period until and unless the above mentioned disputes are resolved. The Committee, therefore, recommend that the CWC should pursue the matter with concerned State Government / UT Administration vigorously for providing suitable land for construction of storage godowns and ensure that the funds do not remain unutilized for want of locations. Priority should be given to

remote, hilly and backward areas so that the small and marginal farmers are not deprived of the benefits of the storage facilities of CWC.

### **Action taken by the Government**

3.6 During the year 2009-10, CWC has planned to construct a capacity of 0.91 lakh tonnes at an estimated cost of Rs.53.45 crore (RE 2009-10). CWC also plans to construct additional capacity of 2.34 lakh tones during 2010-11 with estimated expenditure of Rs.110.85 crore. Further, depending on business potential, additional capacity will be created during 2011-12. Hence, CWC will be able to utilize the funds allocated during the XI five year plan period.

As regards priority to backward areas etc., CWC proposes to construct additional capacity of 85,000 MT in the State of Orissa during 2010-11 at Bolangir, Junagarh, Chaudwar and Bargarh, subject to allotment of land by the Govt. of Orissa.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No. 24, Paragraph 6.22)**

3.7 The Committee had recommended as below:-

‘The Committee further note that CWC did not allocate any amount for construction of godowns for food storage in North-Eastern region during the financial year 2009-10. The Committee are not inclined to accept the plea of the Government that due to less occupancy of warehouses, the additional capacity could not be considered. The Committee are of the view that the North-Eastern State which already faces difficult geographical conditions should not be deprived of storage facilities. The Committee, therefore, strongly recommend that the Government / CWC should earmark separate funds i.e. 10% of the total plan funds for construction of godowns in North-Eastern states and make sincere efforts for construction of godowns in the region at the earliest.’

3.8 The Ministry in their Action Taken Replies have stated as under:-

‘CWC, at present, is operating 9 warehouses in North Eastern region with a total capacity of 1.01 lakh MT which had a occupancy of 79% during 2008-09. In addition to above, Assam and Meghalaya State Warehousing Corporations(SWCs), having 50% equity contribution from CWC, are operating warehouses having capacity of 2.50 Lakh MT and 0.11 lakh MT respectively in

Assam and Meghalaya. Both these SWCs also have plans to construct additional capacity of 0.03 Lakh MT each in Assam and Meghalaya.

Being a commercial organization, it may be difficult for CWC to construct the godowns in North Eastern States in the absence of viable demand for storage capacity. Besides, allocation of land by the State Government concerned is also an important factor for creation of godowns in North Eastern Region. Under the Seven Year Guarantee Scheme, matter is discussed with FCI for creation of additional capacity in all states including NE Region. Until there is guaranteed business, if we construct the godowns in N.E. States and there is no business at a later stage, we may invite criticism from all including CAG. If FCI give reservation and State Govt. provides land, CWC may construct the godown in the Region.'

### **Recommendation (Serial No. 25, Para No. 6.29)**

3.9 The Committee find that while on the one hand the utilization of hired capacity of godowns by CWC has declined as compared to their owned capacity utilization, on the other, the rent paid by CWC on hiring the godowns has been increasing for the last three years. The reason for more expenditure on hiring the godowns during 2008-09 are stated to be payment of enhanced rent to Mumbai Port Trust and other State agencies. The Committee regret that despite the fact that the entire capacity is not put to use, the CWC have no plan to dehire the hired capacity. The Committee, therefore, strongly recommend that the CWC should make vigorous efforts to use their owned capacity and dehire the hired capacity to improve occupancy utilization of godowns as well as profitability.

### **Action taken by the Government**

3.10 As far as possible, the Corporation strives to utilize its own capacity for storage. Only in cases where own capacity is in-adequate to meet the depositor's requirement at a specific place or there is no owned capacity at that location, CWC opts for hired capacity. Besides, hired capacity is being de-hired as soon as the stock is liquidated and if there is no further demand for the same. The hired units are also de-hired when it is found economically unviable to continue with the storage.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

## **CHAPTER IV**

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

#### **Recommendation (Serial No. 13, Para No. 4.69)**

4.1 The Committee note that the Government has initiated implementation of a pilot scheme on Smart Card based delivery of essential commodities under the TPDS announced in Union Budget 2008-09. Administrative approval for Rs. 142.29 crore to be incurred on this pilot scheme during 2008-09 and 2009-10 has been issued on 18.12.2008. Work on implementation of the scheme is currently in progress in two districts of Haryana and work is being taken up in Chandigarh. Based on the success and after studying its shortcomings, the Governments will improve it and take it up all over the country. The Committee hope that Smart Card based delivery of essential commodities will go a long way in improving the efficiency of the PDS and therefore, recommend that the Department should take all essential steps to expedite the project for implementation all over the country.

#### **Action Taken by the Government**

4.2 The scheme was reviewed by the National Scheme Steering Committee (NSSC) on 22.12.09. The first set of smart cards was scheduled to be issued by end of February, 2010

#### **Comments of the Committee**

(Please see Para No. 1.20 of Chapter I of the Report)

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

#### **Recommendation (Serial No. 20, Para No. 5.31)**

4.3 The Committee further note that 20,000 MT of foodgrains amounting to Rs. 13 crore was damaged during storage in 2008-09 due to poor maintenance. The Committee also note that as a result of regular/surprise checks, the quantum of damaged foodgrains declared have been reduced drastically but it is still very high. The Committee are unhappy to note that a large quantity of foodgrains are spoiled every year due to floods and cyclonic weather, which in the opinion of the



Committee is lack of farsightedness on the part of FCI. The Committee, therefore take a serious view and recommend that the FCI should make advance planning for storing the foodgrains in a safe place. The Committee also recommend that a comprehensive plan for time bound disposal of the stocks accumulated be prepared by the Government in order to save the accumulated grain from further deterioration and prevent unnecessary expenses on handling and storage of damaged foodgrain which is not fit for human consumption.

### **Reply of Government**

4.4 The FCI ensures regular checks/super checks of the stocks in order to avoid deterioration/down gradation and subsequent damage to the stocks.

Immediate salvaging operations are taken up to avoid/reduce to the extent possible the stocks that get affected due to floods/cyclones.

FIFO principle is followed to avoid losses due to long storage.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Comments of the Committee**

(Please see Para No. 1.26 of Chapter I of the Report)

## **CHAPTER V**

### **OBSERVATIONS/ RECOMMENDATIONS IN RESPECT OF WHICH REPLIES TO THE GOVERNMENT ARE STILL AWAITED**

#### **Recommendation (Serial No.8, Paragraph No. 4.49)**

5.1 The Committee find that at present the total number of BPL families is 652.03 lakh as against 596.23 lakh families originally estimated when the TPDS was introduced in June, 1997. For determination of the BPL families, the Government rely on the data of State-wise poverty estimates of the Planning Commission for the year 1993-94, which is more than one and half decade old. The Committee feel that while identifying the BPL families, 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 like potters, tapers, weavers, blacksmith, carpenters, etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sectors like porters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement, etc. in urban areas. The Committee are given to understand that a Committee headed by Mr. N.C. Saxena, Commissioner for the Supreme Court had been set up by the Ministry of Rural Development to identify the poor in rural areas. The said report is being finalized by the Department of Rural Development which will also be looked at by the empowered Group of Ministers. The Committee desire that the recommendations of the Saxena Committee report be finalized soon. The Committee recommend that the Department should evolve a common methodology across the country for identification of the poor so that the chances for erroneous inclusion or exclusion is checked. The Committee also recommend that the base year for identification of the poor should be revised and the latest information available on the census report of the Registrar General of India may be made the basis for identification of the poor in the country.

#### **Action Taken by the Government:**

5.2 Ministry of Rural Development has informed that the report of the Expert Group submitted in August, 2009 has been circulated among the States/UTs and the concerned Central Ministries for their comments. The Report of the Expert Group has also been posted on the Ministry of Rural Development website [www.rural.nic.in](http://www.rural.nic.in). The methodology for the next BPL

Census would be finalised after taking into consideration the comments/suggestions received.

The Ministry of Rural Development would issue guidelines to carry out next BPL Census in Rural Areas across the country which would cover all the households of Rural Areas at the time of survey.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

**Recommendation (Serial No.12, Paragraph No. 4.65)**

5.3 The Committee are happy to note that a new scheme namely, "Computerization of TPDS operations" has been taken up from 2007-08 to provide for computerization of back end operations essentially. Under the scheme, Rs. 45 crore has been allocated in BE 2009-10 and the Planning Commission has approved an allocation of Rs. 376 crore for this scheme under the 11<sup>th</sup> Five Year Plan. The Committee further note that the scheme is being implemented on Pilot basis in 4 States/UTs, including Assam. The Committee are of the view that computerization of TPDS operations will facilitate and improve the efficient functioning of the TPDS operations, which will in turn benefit the entire beneficiary families across the country. The Committee, therefore, recommend that the work of Computerisation of TPDS operations should be accorded priority and necessary steps be taken to implement the scheme not only on Pilot basis in 4 States/UTs but on regular basis all over the country.

**Action Taken by the Government:**

5.4 It has been envisaged to implement the scheme of Computerization of TPDS operations in all the State/UTs. It was decided to implement this scheme in three phases. In the first phase, it was to be implemented in four States on pilot basis and after reviewing the progress of its implementation in these four States, the scheme will be implemented in 15 other State/UTs in the second phase. Finally it will be implemented in 16 remaining State/UTs in the third phase, thus covering the entire length & breadth of the country.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

### **Recommendation (Serial No.14, Paragraph No. 4.75)**

5.5 The Committee note that Village Grain Bank Scheme (VGBs), which is a centrally sponsored scheme, was started during the year 1996-97 by the Ministry of Tribal Affairs in 11 States. The main objective of the scheme is to provide safeguard against starvation during the period of natural calamity and during lean season. The VGB Scheme has been implemented by the Department of Food and Public Distribution since the year 2005-06. So far, funds have been sanctioned for establishing 16478 VGBs in 20 States/UTs. The Committee further note that the performance of the VGB Scheme has been evaluated into two States viz. Orissa and Chhattisgarh by World Food Programme. An independent agency is evaluating the performance of the scheme in 16 States which is expected to give its report within six months. From the report of the World Food Programme, the Committee find that the absolute proportion of households that faced food shortage has been reduced from 87% to 47%, since the introduction of the scheme. The households that faced food shortage have come down by 60% in Orissa and by 10% in Chhattisgarh. The Committee are, therefore, convinced that the VGB scheme is very important to provide food security to the poorest of the poor sections of the country's population. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should evolve and put in place an effective system of monitoring and control over the performance of the VGB Scheme on top priority. The Committee desire that action taken by the Government in this regard be intimated to them.

### **Action Taken by the Government:**

5.6 The Village Grain Bank Scheme is being evaluated through an independent agency during the current year 2009-10. The agency is evaluating the performance of the scheme in 16 States and has given its report on 24.02.2010. The report is being examined. On the receipt of the recommendations of the evaluation report, the Department would review the implementation of the VGB Scheme and also consider various aspects for improving its implementation. The recommendation of the Committee to evolve and put in place an effective system of monitoring and control over the

performance of the VGB Scheme on priority basis will also be considered in that regard.

**Ministry of Consumer Affairs, Food and Public Distribution (Department of Food & Public Distribution OM. No.G.20017/5/2009-AC dated the 31<sup>th</sup> March, 2010.**

**NEW DELHI;  
9<sup>th</sup> AUGUST, 2010  
18 Sravana, 1932 (Saka)**

**VILAS MUTTEMWAR  
Chairman,  
Standing Committee on Food,  
Consumer Affairs and Public Distribution**

**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE  
ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2006-  
2007) HELD ON FRIDAY, 17<sup>th</sup> NOVEMBER, 2006.**

**The Committee sat from 1530 hours to 1600 hours in Committee  
Room 'E', Parliament House Annexe, New Delhi.**

**Present**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS  
LOK SABHA**

2. Shri W.Wangyuh Konyak
3. Shri Munshi Ram
4. Adv. P. Satheedevi
5. Smt. V. Radhika Selvi
6. Shri Chandra Bhan Singh

**RAJYA SABHA**

7. Shri T.S. Bajwa
8. Shri Shantaram Laxman Naik
9. Shri Kanjibhai Patel
10. Shri Rajniti Prasad
11. Shri Matilal Sarkar

**SECRETARIAT**

- |    |                     |   |                    |
|----|---------------------|---|--------------------|
| 1. | Shri P.K.Bhandari   | - | Joint Secretary    |
| 2. | Shri R.S. Kambo     | - | Deputy Secretary   |
| 3. | Shri B.S. Dahiya    | - | Under Secretary    |
| 4. | Shri Jagdish Prasad | - | Assistant Director |

**Cont/-.....**

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration Draft Report on Action Taken by the Government on the recommendations/observations contained in the 13<sup>th</sup> Report of the Standing Committee on Food, Consumer Affairs and Public Distribution on "Demands for Grants (2006-07)" pertaining to the Department of Consumer Affairs and adopted the same with some minor modifications/ amendments.
3. The Committee authorized the Chairman to finalise the Draft Report in the light of consequential changes and present the same to Parliament on their behalf in the ensuing Winter Session of Parliament.
4. During deliberations, the Members desired that the Committee may visit some of the places to have in depth study of the subjects selected by the Committee for detailed examination after the Winter Session of Parliament. After some discussion , the Committee decided to undertake an on-the-spot study visit to Goa, Cochin, Lakshadeep and Mumbai from 23<sup>rd</sup> to 30<sup>th</sup> December, 2006.

**The Committee then adjourned.**

## APPENDIX II

(Vide Introduction of the Report)

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SECOND REPORT OF THE COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (FIFTEENTH LOK SABHA)

(i)	Total Number of Recommendations	28
(ii)	Recommendations/observations which have been accepted by the Government :	
	Recommendation Nos.1,2,3,4,5,6,7,9,10,11,15,17,18, 19, 22, 26, 27, 28.	
	Total	18
	Percentage	64.29%
(iii)	Recommendations/observations which the Committee do not desire to pursue in view of the replies received from the Government	
	Recommendation Nos. 16, 21, 23, 24, 25	
	Total	5
	Percentage	17.86%
(iii)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	
	Recommendation Nos. 13 and 20	
	Total	2
	Percentage	7.14%
(v)	Recommendations/observations in respect of which the replies of the Government are still awaited	
	Recommendation No. 8, 12 and 14	
	Total	3
	Percentage	10.71%