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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2013-2014)

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 Twenty-Eighth Report of the Committee (2012-13) on Demands for Grants (2013-14) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)}

THIRTY SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

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Presented to Lok Sabha on 12.12.2013

Laid in Rajya Sabha on 12.12.2013

LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

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Shri Vilas Muttemwar - *Chairman*

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3. Shri Shivraj Bhaiya
4. Shri Kantilal Bhuria
5. Shri Arvind Kumar Chaudhary
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2. Smt. Veena Sharma - Director
3. Shri Khakhai Zou - Under Secretary
4. Smt. Darshana G. Khanduja - Sr. Exec. Asstt.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2013-14) having been authorized by the Committee to submit the Report on their behalf, present this Thirty-Second Report on Action Taken by the Government on the Observations/Recommendations contained in the Twenty-Eighth Report of the Committee (2012-13) on Demands for Grants (2013-14) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Twenty-Eighth Report was presented to Lok Sabha and laid in Rajya Sabha on 30th April, 2013. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 30th July, 2013.

3. The Report was considered and adopted by the Committee at their sitting held on 9th December, 2013.

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

5. For facility of reference and convenience, the Observations/Comments of the Committee have been printed in thick type in the text of the Report.

NEW DELHI;
9 December, 2013
18 Agrahayana, 1935 (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 Twenty-Eighth Report of the Committee (2012-13), (15^{th} Lok Sabha) on Demands for Grants (2013-14) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Twenty-Eighth Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30.04.2013. It contained 34 observations/ recommendations. Action Taken Replies in respect of all the 33 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, 3, 4, 5, 6, 7, 8, 9, 12, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 29, 30, 31, 33 and 34.

Paragraph Nos:- 2.8, 3.12, 3.19, 3.28, 3.35,3.36, 3.44, 3.50, 3.67, 4.18, 4.23, 4.24, 4.25, 4.28, 5.9, 5.18, 5.19, 5.20, 6.5, 6.11, 6.12, 6.15, 6.23 and 7.8

(Chapter – II, Total - 24)

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

Serial Nos. 10, 11, 13, 14, 15, 16, 22, 28 and 32

(Paragraph Nos. – 3.54, 3.59, 3.68, 4.6, 4.10, 4.14, 5.5, 6.7, and 6.21)

(Chapter – III, Total - 9)

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

Serial No. 2

(Paragraph No. – 3.6)

(Chapter – IV, Total -1)

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

Serial No.:- Nil

(Paragraph No. – Nil)

(Chapter – V, Total - 0)

1.3 The Committee desire that the replies in respect of the Observations/Recommendations contained in Chapter-I of this Report be furnished to the Committee within three months of the presentation of this Report.

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. Need to take concrete steps to convince remaining States/UTs to adopt Decentralized Procurement (DCP) Scheme

Recommendation (Serial No.2, Para No. 3.6)

1.6 The Committee in their earlier report observed/recommended as follows: -

The Committee regret to note that after 16 years of launching the scheme and despite of their repeated recommendations for taking concrete steps to try and convince the States/UTs to adopt the Decentralized Procurement Scheme (DCP), the scheme has so far been adopted by only 9 States/UTs for Rice and 5 States for Wheat respectively. Government of Uttar Pradesh had been procuring wheat under the DCP Scheme upto KMS 2008-09 but have discontinued the system. Governments of Andhra Pradesh and Rajasthan have expressed their willingness to adopt the DCP mode from KMS 2012-13 and RMS 2013-14 respectively. While noting that procurement of foodgrains is more effective under the Decentralized Procurement (DCP) Scheme since non-decentralized procurement involves one additional handling transaction of FCI taking over the stock of foodgrains and releasing them to the State Governments, the Committee are fully convinced that the remaining States/UTs should also adopt the DCP Scheme at the earliest possible. It has become all the more essential for the States/UTs to adopt the DCP Scheme in view of the anticipated implementation of the National Food Security Bill. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should make earnest efforts to ascertain the problems being faced by the States/UTs and provide maximum assistance possible to all the States/UTs to enable them to adopt the DCP Scheme. The Department should expedite discussion not only with the Government of Rajasthan who expressed willingness to adopt the scheme, but also make sincere efforts to encourage the Government of Uttar Pradesh who discontinued DCP Scheme since KMS 2008-09 and all other States/UTs so as to persuade them to adopt the scheme.

1.7 The Ministry in their action taken reply have stated as under:-

The Government of India makes active effort to pursue State Governments to adopt the Decentralized System of Procurement (DCP) Scheme. With the efforts made in this regard, Government of Andhra Pradesh has adopted the Decentralized Procurement (DCP) Scheme of procurement from KMS 2012-13 onwards. Government of Rajasthan has adopted the DCP mode of procurement w.e.f. RMS 2013-14, initially in the Alwar district of the State. State Government has been requested to adopt the DCP mode in the entire State from 2014-15 onwards. The decision regarding adoption of DCP system lies with the State Government. The determining factors are infrastructure and resources available with the respective State Governments including manpower, storage and necessary logistics required for procurement and accordingly, State

Government's readiness to undertake DCP procurement. Citing infrastructural problems, Governments of Delhi, Haryana and Sikkim have conveyed their inability to adopt the DCP system of procurement. Among the infrastructure required for procurement operations, storage facilities for foodgrains is a major factor. For this purpose the Government has formulated the Private Entrepreneur Guarantee (PEG) scheme for construction covered storage godowns through private entrepreneurs, CWC and State Warehousing Corporation (SWC). Under the PEG Scheme, FCI gives guarantee for the storage charges to the private investors for ten years. A capacity of 197 (as on 31.03.2013) lakh tonnes has been approved for construction of godowns in 19 States under PEG Scheme.

The Government of Uttar Pradesh had been procuring rice under the DCP Scheme upto KMS 2008-09, but have discontinued the system after this period, on the stated grounds of pending procurement incidentals and delay in receipt of food subsidy bills. The delay, in certain cases in this regard, was on account of delay on the part of the State Government in submitting their claims.

1.8 In their Original Report, the Committee had regretted to note that even after 16 years of launching the Decentralized Procurement Scheme (DCP) and despite repeated recommendation over the years, the Department had failed to convince all the States/UTs to adopt the Decentralized Procurement Scheme (DCP) which had been adopted by only 9 States/UTs for rice and 5 States for wheat, respectively. The Committee had, therefore, recommended inter-alia, the Department to make earnest efforts to ascertain the problems being faced by the States/UTs and provide maximum assistance possible to all the States/UTs to enable them to adopt the DCP Scheme. The Government, in their Action Taken Reply have stated that the Government of India makes active efforts to persuade the State Governments to adopt the DCP Scheme and as a result thereof, the Government of Andhra Pradesh has adopted the DCP Scheme of Procurement from KMS 2012-13 onwards and Government of Rajasthan has adopted the DCP mode of procurement w.e.f. RMS 2013-14, initially in the Alwar district of the State. The State Government has been requested to adopt the DCP mode in the entire State from 2014-15 onwards. The Department have further stated that the decision regarding adoption of DCP system lies with the State Government and the determining factors are infrastructure and resources available with the respective State Governments including manpower, storage and necessary logistics required for procurement. Some of the States like Delhi, Haryana and Sikkim have cited infrastructural problems for their inability to adopt the DCP System of Procurement. The Committee are not convinced with the reply of the Government as the efforts made to ascertain the problems being faced by the States/UTs and to provide maximum assistance possible have not been indicated. The Government have apparently focused upon the storage facilities only and have not paid adequate attention towards other important aspects like manpower and

logistics required for procurement. Now that the National Food Security Bill has been passed by the Parliament, the Committee would like to emphasize the need to adopt the DCP Scheme by all the remaining States/UTs at the earliest so that the implementation of the Food Security Act is facilitated. While reiterating their recommendation, the Committee desire the Department to take concrete steps to convince all the remaining States/UTs to adopt DCP Scheme and extend all possible assistance to them for creation of necessary infrastructure for adoption of DCP Scheme.

B. Need to put a check on leakages/diversion of PDS Commodities

Recommendation (Serial No. 6, Para No. 3.35)

1.9 The Committee in their earlier report observed/recommended as follows:-

"The Committee note that the result of an independent study conducted by a group of scholars in 9 States have shown impressive revival of PDS across the country as it suggests that the days when upto half of the PDS foodgrain was diverted to open market are gone. The Committee are, however, constrained to say that the evaluation study conducted by IIPA in 14 States have shown that the leakage as percentage of offtake has been as high as 49.49% in Nagaland, 27.00% in Manipur and 26.84% in West Bengal. The NCAER Report in 12 States/UTs have also indicated that the level of leakages and diversion of foodgrains was as high as 100% wheat for APL in the States of Assam and Mizoram and in case of rice, it was 83.28% and 81.12%, respectively in these two States. The Committee, therefore, recommend that the Department of Food and Public Distribution, FCI and the States/UT Governments should make earnest efforts to identify the loopholes in the PDS and curb leakage/diversion of foodgrains to the extent possible so as to ensure that the target beneficiaries do receive right quantity and quality of foodgrains at the right price regularly."

1.10 The Ministry in their action taken reply have stated as under:-

"In order to curb leakages and diversion of foodgrains, a Nine Point Action Plan was evolved in 2006 in consultation with the State/UT Governments which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards along with strict action to be taken against the guilty to ensure leakage free distribution of foodgrains. Instructions were also issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of BPL/AAY families and eliminate ineligible/bogus ration cards. As a result thereof, 28 State/UT Governments have reported by 31.03.2013, deletion of 364.01 lakh bogus/ineligible ration cards.

With a view to ensure that the beneficiaries under TPDS and other welfare schemes do receive right quality of foodgrains, this department has issued following instructions from time to time to Food Secretaries of all State Governments/Union Territory Administrations and FCI to ensure supply of good quality foodgrains under the TPDS and other welfare schemes:-

(i) Only good quality foodgrains free from insect infestation and conforming to Food Safety Standards are to be issued under TPDS and other Welfare Schemes.

(ii) Ample opportunities are to be provided to the officials of the State Government/UTs Administration to inspect the stocks prior to lifting from FCI godowns. States/UTs may ensure that officers not below the rank of Inspector are deputed for inspection of the foodgrains before their lifting from FCI.

(iii) The samples from the stocks to be issued to States/UTs under TPDS and other Welfare Schemes are to be drawn jointly and sealed by the officers of the State Governments and FCI for displaying them at the counter of Fair Price Shops for the benefit of consumers. A duplicate sealed sample is to be kept with concerned FCI depots/godowns for any future reference. In case the State agencies are taking delivery from FCI and thereafter delivering the same to the FPS dealers, they should also follow the same procedure as is being followed by FCI for issuing the jointly sealed samples.

(iv) Type sealed samples should be displayed by the FPS dealers in their shops, so that the ration card holder/consumers may check the quality of foodgrain supplied to them. FPS dealers should also maintain a complaint register to enable the consumers to lodge their complaints/opinions, in case the quality of foodgrains issued is not of proper quality standards.

(v) It is the responsibility of the concerned State Government/UT Administrations to ensure that during transportation and storage at different stages in the distribution chain, the foodgrains retain the required quality specifications. For this purpose, all required measures are to be taken for scientific storage of foodgrains so that there is no deterioration in their quality at any stage till they are delivered to the ration card holders/consumers.

(vi) An officer not below the rank of Inspector is to be deputed from State Government to take the delivery of foodgrains stocks from FCI godowns.

(vii) Where the decentralized procurement is in operation, State Government should follow the same procedure of inspection of foodgrains stocks and joint sealed sampling to ensure that quality of foodgrains issued under TPDS and other welfare schemes meet the desired standards under the Food Safety Standards Act.

Department of Food & Public Distribution have also launched a plan scheme under 12th Five Year Plan for end-to-end computerisation of TPDS operations in all States/UTs. The schemes provides for, inter-alia, computerisation of Supply-Chain, Digitization of Ration Card database, SMS/E-mail alerts on dispatch and delivery of foodgrains, setting-up of Transparency Portal, Grievance redressal mechanism, FPS automation, etc. Digitization of PDS data, including ration cards data, is a primary steps to be taken by States/UTs for computerisation of PDS so as to ensure correct identification of beneficiaries, distribution of PDS commodities to deserving beneficiaries, elimination of bogus/duplicate ration cards etc., thereby putting a check on leakages/diversion of PDS commodities.

Further, in view of recommendation of Standing Committee, instructions to all stake holders are being issued in this regard."

1.11 In the context of an independent study undertaken by a group of scholars in 9 States showing impressive revival of PDS across the country, the Committee had observed that the results of the Evaluation Study undertaken by the Indian Institute of Public Administration (IIPA) and the National Council for Applied Economic Research (NCAER) report on the level of leakages and diversion of PDS commodities was far from satisfactory in several States. The Committee, therefore, had recommended in their Original Report that the Department of Food and Public Distribution, FCI and the States/UT Governments should make earnest efforts to identify the loopholes in the PDS and curb leakage/diversion of foodgrains to the extent possible so as to ensure that the target beneficiaries do receive the right quantity and quality of foodgrains at the right price regularly. In their Action Taken Reply, the Department have, inter-alia, stated that under a Nine-Point Action Plan evolved in 2006, instructions were issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of BPL/AAY families and eliminate ineligible/bogus ration cards. As a result thereof, 28 State/UT Governments have reported deletion of 364.01 lakh bogus/ineligible ration cards by 31st March, 2013. The Department have further stated that to ensure that the beneficiaries under TPDS and other welfare schemes do receive right quality of foodgrains, they have issued instructions from time to time to Food Secretaries of all State Governments/UT Administrations and FCI. It is also stated that the Department have launched plan scheme under the 12th Five Year Plan for end-to-end computerization of TPDS operations in all States/UTs. While appreciating the initiatives undertaken by the Government, the Committee feel that the Department should regularly advise/remind the remaining States/UTs who have not yet implemented the scheme, to implement the provisions of the Nine Point Action

Plan at the earliest. The Committee, therefore, desire that the Department should follow up the matter with the remaining States/UTs and also closely monitor and expedite the implementation of the project on End-to-End Computerization of TPDS operations in all States/UTs so as to ensure that leakages/diversion of PDS commodities are kept in check to the extent possible.

C. Need to install Global Positioning System (GPS) in all vehicles carrying PDS foodgrains in all States/UTs on top priority

Recommendation (Serial No. 7, Para No. 3.36)

1.12 The Committee in their earlier report observed/recommended as follows:-

"The Committee also note that the Government has given financial assistance in 2007-08 to the State Governments of Tamil Nadu and Chattisgarh for installation of Global Positioning System (GPS) on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. The installation of GPS devices on vehicles carrying PDS foodgrains in the States of Tamil Nadu and Chhattisgarh have shown positive results. Government of Tamil Nadu have reported that the GPS devices not only help in ensuring that the quantities of foodgrains allotted reached the intended godowns of FCI in time without any diversion, but also create moral fear among those involved in transportation of PDS items and enable the concerned officials and vigilance agencies to track the movement of vehicles. The Government of Chhattisgarh have also reported that the vehicles reached their destination/intended places and no irregularities were noticed. The Committee are, therefore, of the view that installation of GPS devices on vehicles carrying PDS items in all States/UTs of the country would go a long way in checking the problem of leakage/diversion of foodgrains. The Committee, therefore, strongly recommend that the proposals received from the States/UTs for sanctioning of funds under the scheme should be processed on priority and released expeditiously. The Department should also persuade all the States/UTs to submit their proposals for sanction of funds under the scheme."

1.13 The Ministry in their action taken reply have stated as under:-

" In view of the feedback received from State Governments of Tamil Nadu and Chhattisgarh, it was decided to extend this scheme in all the States/UTs from the financial year 2011-12. In the XIIth Five Year Plan too, this scheme had been proposed to be continued.

States/UTs are regularly requested to send their proposals under the scheme. However, despite constant follow up with States, the Department received proposals only from State of Rajasthan and Puducherry UT in 2011-12. Since the proposals were incomplete, they were requested to send revised proposals, which have not been received from them. During the financial year 2012-13 also, only two proposals from State Governments of Manipur and J&K were received. Keeping in view the feedback from States that had implemented the scheme, lack of suitable response from States and plan scheme on End–to–end Computerization of TPDS operations, the functioning of this scheme is being reviewed by the Department."

1.14 While noting that the installation of Global Positional System (GPS) on the vehicles carrying TPDS commodities had shown positive results in Tamil Nadu and Chhattisgarh in curbing leakages and diversion of foodgrains, the Committee in their original report had recommended that the proposals received from the States/UTs for sanctioning of funds under the scheme should be processed on priority and released expeditiously and the Department should also persuade all the States/UTs to submit their proposals for sanction of funds under the scheme. The Department, in their Action Taken Reply, have stated that in view of the feedback received from State Government of Tamil Nadu and Chhattisgarh, it was decided to extend this scheme in all the States/UTs from the financial year 2011-12. In the 12th Five Year Plan too, this scheme had been proposed to be continued. They have further stated that keeping in view the feedback from States that had implemented the scheme, lack of response from the remaining States and plan scheme on end-to-end computerization of TPDS operations, the functioning of this scheme is being reviewed by the Department. The Committee feel that for the successful implementation of the National Food Security Bill as well as other welfare schemes of the Government, curbing the menace of leakages and diversion of TPDS foodgrains to the extent possible is very essential. The Committee, therefore, strongly desire that the Department should take up the issue regarding review of the functioning of the scheme on priority and thereafter, to take vigorous/effective steps to convince the States/UTs to implement reviewed scheme at the earliest.

D. **Need for expeditious implementation of scheme on End-to-End Computerization of TPDS**

Recommendation (Serial No. 8, Para No. 3.44)

1.15 The Committee in their earlier report observed/recommended as follows:-

"The Committee note that pursuant to the Hon'ble Supreme Court instructions, all States/UTs are required to undertake end-to-end computerization of TPDS in a time bound manner for which the Government of India shall provide necessary infrastructure and financial support. The Government has accordingly prepared an estimated outlay of Rs. 4273.47 crore for the XII Five Year Plan on 50:50 cost sharing with States/UTs except for North-eastern States, where the sharing will be 90:10 basis. An amount of Rs. 200 crore has been provided for BE 2013-14 under the scheme of 'End-to-end Computerization of TPDS operations' in all States/UTs. The Smart Card Scheme launched in December 2008 for Chandigarh UT and Haryana have now been subsumed in the Plan Scheme on End-to-End Computerization of TPDS operations to be implemented in all States/UTs under the XII Five Year Plan (2012-17). The Committee are surprised to note that out of the 24 States/UTs that have submitted their proposals for financial assistance under the scheme during the year 2012-13, only proposals from 7 States are found to be complete in all respects and funds released to them. The remaining proposals are under examination in the Department. The Committee are of the firm opinion that End-to-end Computerization of PDS operations will solve several problems that are being associated with the functioning of PDS in the country. The Committee are also not happy with the status of computerization of TPDS operations in States/UTs. The Committee, therefore, strongly urge the Department to expedite the examination of the remaining proposals already received by them for financial assistance from the States/UTs under the scheme and release the funds expeditiously. The Department should also pursue with the remaining States/UTs to submit their proposals for financial assistance and make all efforts to complete computerization of PDS operations in all the States/UTs in anticipation of the ensuing enactment of the National Food Security Bill, 2011."

1.16 The Ministry in their action taken reply have stated as under:-

"After approval of Component-I of the plan scheme on ‘End-to-End Computerization of TPDS Operations’ by the Cabinet, Administrative approval for the same was issued on 10.12.2012, requesting States/UTs to send their proposals under the scheme. So far, proposals for financial assistance from 26 States/UTs have been received, out of which Central assistance has been released by this Department to 9 States. Proposal of Meghalaya which is complete in all respect is under process. Andaman & Nicobar Islands Administration has later on intimated that they do not require funds from the Centre. Similarly, no fund is to be released to Sikkim as the State Government has received the funds from NE Council for implementation of the scheme. Proposals of remaining 14 States/UTs received have also been assessed. However, funds to these States/UTs could not be released as they have not yet fulfilled the pre-requisites prescribed for the scheme, such as confirmation regarding setting up of State Apex Committee (SAC)/State Project e-Mission Team (SPeMT), signing of MoU, etc. Matter is being repeatedly pursued with them.

Proposals for financial assistance are yet to be received from 9 States/UTs. Several reminders have been sent by the Department at various levels to these States/UTs for expediting their financial proposals.

The Department is regularly reviewing the progress of the implementation of the scheme through various meetings, conferences, etc. with States/UTs and NIC. In May 2013, a regional workshop-cum-conference was organized in Guwahati (Assam) for North-Eastern States to assess the progress, challenges faced and help in addressing their issues. Similar conferences will be held for review of progress in other States/UTs."

1.17 The Committee had noted in their Original Report that the Smart Card Scheme launched in December, 2008 had been subsumed in the Plan Scheme on End-to-End Computerization of TPDS operations to be implemented in all States/UTs under the 12th Five Year Plan (2012-17) and that out of 24 States/UTs that had submitted their proposals for financial assistance under the scheme, proposals of only 7 States were found complete and funds released to them. The Committee had, therefore, not only urged the Department to expeditiously examine the proposals already received by them from the States/UTs under the scheme for financial assistance and release the funds but also pursue with the remaining States/UTs to submit their proposals for financial assistance and make all efforts to complete Computerization of PDS operations in all the States/UTs in anticipation of the ensuing enactment of the National Food Security Bill, 2011. In their Action Taken Reply, the Department have stated that after approval of Component – I of the plan scheme on 'End-to-End Computerization of TPDS Operations' by the Cabinet, Administrative approval for the same was issued on 10th December, 2012, requesting the States/UTs to send their proposals under the scheme. So far, proposal for financial assistance from 26 States/UTs have been received out of which Central assistance has been released by this Department to 9 States. The Department have further stated that funds in respect of 14 States could not be released as they have not yet fulfilled the pre-requisite prescribed for the scheme such as confirmation regarding setting up of State Apex Committee (SAC)/State Project e-Mission Team (SPeMT), signing of MoU,

etc. The proposals for financial assistance are yet to be received from 9 States/UTs. The Committee desire that the Department should follow up with the States/UTs so as to help and persuade them to fulfill all necessary pre-requisites prescribed for the scheme and also remind the remaining 9 States/UTs to expeditiously send their proposals for financial assistance under the scheme. The Committee also feel that the procedure for financial assistance be simplified, if necessary, so as to enable the States/UTs to comply with all the necessary formalities for availing the scheme by submitting their proposals complete in all respects and supported by the requisite details/documents. The Committee would like to be apprised of the action taken in the matter.

E. Need for implementation of modified Village Grain Bank Scheme

Recommendation (Serial No. 9, Para No. 3.50)

1.18 The Committee in their earlier report observed/recommended as follows:-

"The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase rations. The Schemes is currently being implemented by 17 out of 35 States/UTs. Out of 21,842 Village Grain Banks sanctioned by the Department, the States have set up 17,266 Village Grain Banks till date. While the State Governments have entrusted the management of Village Grain Banks to Panchayats, SHG, NGOs, etc. the Village Grains Banks established in the state of Uttarakhand is being managed by the World Food Programme (WFP). The Committee also observe that the scheme has helped the beneficiaries reduce their dependence on high interest loans during lean season and the extent of immigration during lean season has also come down significantly. It is also stated that majority of the States are interested in continuation of the scheme during the Twelfth Five Year Plan period and 5 States have given suggestions for modification of the scheme. The Committee, therefore, recommend that the Department of Food and Public Distribution should make sincere efforts to popularize the scheme by engaging the State/UT Governments in a more proactive and regular manner while giving due consideration to the suggestions made by the States/UTs for modification of the scheme."

1.19 The Ministry in their action taken reply have stated as under:-

"Approval of Standing Finance Committee (SFC) has been obtained for its implementation during the 12th Plan period. Based on SFC approval, the scheme has been made more attractive. The revised guidelines of VGB Scheme are under process.

Under the revised VGB Scheme the cash component is to be increased from Rs. 12,200/- to Rs. 19,350/-.

After the revised VGB Scheme is approved, States/UTs will be requested to send their proposals for setting up of Village Grains Banks and also to send the pending utilization Certificates for the past allocation."

1.20 The Committee in their Original Report had observed that the Village Grain Bank (VGB) Scheme had helped the beneficiaries reduce their dependence on high interest loans during lean season and the extent of immigration during lean season had also come down significantly. However, the scheme was being implemented by only 17 States/UTs and out of 21,482 Village Grain Banks sanctioned by the Department, the States/UTs had set up only 17,266 VGBs. The Committee had, therefore, recommended that the Department of Food and Public Distribution should make sincere efforts to popularize the scheme by engaging the State/UT Governments in a more proactive and regular manner while giving due consideration to the suggestions made by the States/UTs for modification of the scheme. The Department, in their Action Taken Reply, have stated that approval of Standing Finance Committee (SFC) has been obtained for implementation of Village Grain Bank Scheme during the 12th Plan Period. Based on Standing Finance Committee (SFC) approval, the scheme has been made more attractive. The revised guidelines of Village Grain Bank Scheme are under process. Under the revised Village Grain Bank scheme, the cash component is to be increased from Rs. 12,200/- to Rs. 19,250/-. While appreciating the action taken by the Government, the Committee desire that the revised guidelines of the Village Grain Bank Scheme be processed on priority and issued at the earliest so that the scheme is implemented by the remaining States/UTs for the benefit of the intended beneficiaries.

F. Need to minimize Storage and Transit losses.

Recommendation (Serial No. 18, Para No. 4.23)

1.21 The Committee in their earlier report observed/recommended as follows:-

"The Committee note that despite the various initiatives taken by the Ministry to reduce the storage and transit losses, the losses have been increasing marginally both in terms of percentage and values over the last 3 years. While the storage loss of wheat and rice increased from 0.21% in the year 2010-11 to 0.27% in the year 2012-13 (upto February, 2013), the transit loss increased from 0.47% to 0.52% during the same period. However, in terms of values, storage loss of Rs.405.36 crore in 2011-12, came down to Rs.343.53 crore in 2012-13 (upto February, 2013). In the same way transit losses have reduced from Rs. 333.01 crore in 2011-12 to 301.89 crore in 2012-13. The Committee, however, feel that these losses are still too high and need to be minimized further. The Committee, therefore, desire that the Department should continue making vigorous efforts to reduce the storage and transit losses of foodgrains to minimum during the year 2013-14 and beyond."

1.22 The Ministry in their action taken reply have stated as under:-

" The updated figures of storage and transit loss for the year 2012-13 (upto March 2013) is given as under:

Storage Loss:

(Qty.in lakh MT/ Value in Crores)

Year	Agency	Qty. Received	Qty. Loss	%age	Value
2012-13	FCI	378.46	0.53	0.14	127.30
	SWC	170.61	0.88	0.52	190.50
	CWC	90.90	0.29	0.33	62.57
Total		639.98	1.70	0.27	380.37

*Provisional figure

Transit Loss:

(Qty.in lakh MT/ Value in Crores)

Year	Qty Received	Qty Loss	%age	Value
2012-13	355.85	1.84	0.52	339.38

*Provisional figure

Constant monitoring and reviews are being done to reduce/ minimize storage and transit losses. The Storage and Transit losses are also monitored as a part of the MOU between the Department and FCI."

1.23 The Committee had noted in their Original Report that despite the various initiatives taken by the Ministry to reduce the storage and transit losses, the losses were increasing marginally, both in terms of percentage and value, over the last three years. Though the storage and transit losses in terms of value had come down marginally, the losses were still too high. The Committee had, therefore, desired that the Department should continue making vigorous efforts to reduce the storage and transit losses of foodgrains to the minimum during the year 2013-14 and beyond. In their Action Taken Reply, the Department have stated that constant monitoring and reviews are being done to reduce/minimize storage and transit losses. The storage and transit losses are also monitored as a part of the MOU between the Department and FCI. The Committee, however, are not satisfied with the reply of the Department as they have not mentioned as to what concrete measures have been taken or are proposed to be taken so as to further reduce the losses. The Committee, therefore, again urge the Department to take effective measures to minimize storage and transit losses of foodgrains by adopting latest modern technology.

G. Need to expedite the finalization of process of National Mission on Oilseeds and Oil Palm (NMOOP) for increased production/productivity of oilseeds.

Recommendation (Serial No. 34 Para No. 7.8)

1.24 The Committee in their earlier report observed/ recommended as follows:-

"The Committee are concerned to note that the production of oilseeds in the country has been gradually declining over the last three years while the consumption of oils is increasing. The Committee observe that the net availability of edible oils during the years 2010-11 and 2011-12 was 97.82 and 89.57 lakh tonnes while the total consumption was 170.24 and 189.00 lakh tonnes respectively. The shortfall was met by import from other countries. The net availability of edible oil from domestic sources in the year 2012-13 was 89.90 lakh tonnes and the edible oil imported was 16.41 lakh tonnes (upto December, 2012) and the total consumption figure is yet to be ascertained. The Committee note that production of oilseeds has decreased due to decline in acreage under cultivation, less monsoon rains in major oilseeds growing states and lesser yield of oilseeds etc. The Government is making efforts to ensure availability of edible oils by fixing import duty on refined edible oils at 7.5%, continuing ban on export of edible oils, authorizing State Governments to impose stock limits on edible oils and providing relief to consumers especially BPL households by distribution of subsidized imported edible oils. A Centrally Sponsored Integrated Scheme of Oilseeds, Oil, Palm and maize (ISOPOM) in 14 major oilseeds, 15 maize growing States and 9 oil Palm growing States is also being implemented to enhance the production and productivity of edible oils. Financial assistance is provided under the scheme for purchase of breeder seeds, distribution of plant protection chemicals, supply of micronutrients and improved agricultural implements, training, publicity etc. Despite all steps taken, the production of oilseeds has not increased to meet the domestic oil consumption requirements. The Committee, therefore, recommend that the Department of Food & Public Distribution in coordination with the Ministry of Agriculture, ICAR and State Governments should pay more attention towards the proper implementation of all the schemes including R&D for increasing the production of oilseeds in the country. "

1.25 The Ministry in their action taken reply to have stated as under:-

" The production of oilseeds has increased from 24.35 million tons in 2004-05 to 30.72 million tons in 2012-13(as per 3rd Advance Estimates). The highest production of oilseeds to the tune of 32.48 million tons was achieved during 2010-11. However, the production also fluctuates due to weather aberrations and low moisture availability at the time of sowing.

The Department of Agriculture and Cooperation is in the process of finalizing the National Mission on Oilseeds & Oil Palm (NMOOP) for increasing production /productivity of oilseeds and area expansion under oil palm and Tree Borne Oilseeds (TBOs) for augmenting the domestic production of vegetable oils in the country. The outlay for this Mission is Rs. 3507 crores for the 12th Plan. The proposed NMOOP will consist of three Mini Missions i. e. (i) Mini Mission on oilseeds in 19 states, (ii) Mini Mission on oil palm for 15 states and (iii) Mini Mission on Tree Borne Oilseeds in 28 states.

The Indian Council of Agricultural Research (ICAR) is under taking research programmes in different oilseed crops at four commodity based institutes. The research programme includes basic and strategic research related to crop improvement, production and protection technologies in different oilseed crops which form a base for applied research. The information so developed will be used by six All India Coordinated Research Projects on specific oilseed crops to develop location specific varieties and technologies as per agro-ecologies for enhancing production and productivity. The contribution of improved technologies in oilseeds has resulted in increasing oilseed productivity continuously (1133 kg/ha in 2011-12) despite marginal variation in acre and production. Some of the initiatives being pursued by ICAR in the XII Plan are:-

- Development of short duration high yielding hybrids in mustard, sunflower, castor and sesame

- Using cutting edge technologies for solving biotic stresses viz. Necrosis in sunflower, botrytis in castor, lepidopteran pests in castor, soyabean and groundnut, white rust in mustard and improving oil quality etc.

- Improving input use (nutrients & moisture) efficiency and reduction in cost of cultivation of oilseeds.

- Development of genomic resources for abiotic stresses/climate adaptation traits and climate resilient technologies for adaptation.

- Developing bio pesticides based IPM technologies.

- Organizing Front line Demonstrations (FLDs) and Tribal Sub Plan (TSP) activities on latest improved technologies of oilseeds.

- Exploration of oilseed cultivation in non traditional areas such as mustard in rice/rabi fallows of Eastern India, Summer Groundnut in Assam, West Bengal, Odisha, Andhra Pradesh, Karnataka and Uttar Pradesh; Safflower in Gujarat and Madhya Pradesh, besides as intercrop in major crops of the region etc.."

1.26 The Committee had noted in their Original Report that despite the various steps taken by the Government to increase oil production such as implementation of ISOPOM scheme, distribution of plan protection chemicals, supply of micronutrients and improved agricultural implements, training and publicity etc., the production of oilseeds in the country had been gradually declining over the last three years while the consumption of oil was increasing and that the shortfall had to be met by import from other countries. The Committee had recommended that the Department of Food & Public Distribution, in coordination with the Ministry of Agriculture, ICAR and State Governments, should pay more attention towards the proper implementation of all the schemes including R&D for increasing the production of oilseeds in the country. In their Action Taken Reply, the Department have stated that the Department of Agriculture and Cooperation is in the process of finalizing the National Mission on Oilseeds & Oil Palm (NMOOP) for increasing production /productivity of oilseeds and area expansion under oil palm and Tree Borne Oilseeds (TBOs) for augmenting the domestic production of vegetable oils in the country. The Department have also stated that the Indian Council of Agricultural Research (ICAR) is undertaking research programmes in different oilseed crops at four commodity based institutes. The information so developed will be used by six All India Coordinated Research Projects on specific oilseed crops to develop location, specific varieties and technologies as per agro-ecologies for enhancing production and productivity. The Committee are of the opinion that expeditious finalization of the aforesaid

process, would raise the productivity of oilseeds in the country. The Committee, therefore, desire that the Department should pursue the Department of Agriculture and Cooperation to finalize the National Mission on Oilseeds and Oil Palm (NMOOP) at the earliest and also utilize the outcome of the research programmes of the Indian Council of Agricultural Research (ICAR) for crop improvement, production and protection technology in different oilseed crops. The Committee further hope that the information so developed will substantially raise the oilseed production thereby bridging the gap between its production and consumption.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1, Para No. 2.8)

2.1 The Committee are not satisfied with the overall performance of the Department in so far as expenditure incurred during 2012-13 is concerned. The Committee note that plan budget during 2012-13 was Rs.126 crores which was reduced to Rs.85 crore at RE stage and the actual expenditure was Rs.69.94crore only (which indicates82.29% of RE). In case of non-plan schemes, the BE for 2012-13 was Rs.86835.66 crore which was increased to Rs.96790.71 crore at RE stage but Actual Expenditure was Rs. 85928.53 crore only which is 88.78% of the RE. This decrease from BE to RE in case of Plan Schemes, increase from BE to RE for non-plan schemes and reduction from RE to Actual Expenditure for both Plan and Non-plan schemes indicates lack of proper planning by the Department at initial stage. The Committee have been informed that various difficulties are being faced by the Department in implementation of various schemes, i.e. non-submission of adequate financial proposals from the States/UTs, non-receipt of utilization certificate under the scheme strengthening of PDS and capacity building; problems in land acquisition in North-Eastern States in the scheme of construction of godowns by FCI/State Governments and lack of interest shown by various States in implementation of Village Grain Bank Scheme etc. The Committee are not convinced with the plea of the Department that the shortfall in expenditure attributed to these problems because such issues could be taken care of by proper planning and better coordination with the States/UTs. In the opinion of the Committee, the Department has not been able to improve its monitoring mechanism over various schemes and it also lacks co-ordination with the States/UTs. The Committee, therefore, strongly recommend that the Department should make sincere efforts in persuading the States/UTs to furnish financial proposals/utilization certificates at the earliest so that the entire funds allocated for the various schemes/projects can be utilized fully during the financial year itself and benefits are passed on to the targeted populace/beneficiaries.

(Reply of the Government)

2.2 Funds utilized during the Financial Year 2012-13 were 98.28% of RE. An amount of Rs.0.40 crores could not be utilized under the Scheme Strengthening of PDS as the agency for Evaluation, Monitoring & Research could not be finalized. Action is under way to finalize the agency for awarding evaluation study on a regular basis. As regards to the issue of difficulty in land acquisition in North East by FCI, the matter is reviewed at the level of Secretary (F & PD) for timely and effective implementation of the Scheme. Officers from the Ministry and FCI are being deputed on field visit for assessing the progress made by FCI and State Govts. of North Eastern States for completion of projects undertaken by them. As for furnishing of UC for the Grant–in-Aid released to the States Govt. of NE and J &K, the State Govt. are regularly requested for furnishing the UCs. Approval of Standing Finance Committee (SFC) has been obtained for implementation of VGB Scheme during the 12th Plan period. Based on SFC approval, the scheme has been updated and made more relevant. The revised guidelines of VGB Scheme are under process. After the revised VGB Scheme is approved, States/UTs will be requested to send their proposals for setting up of Village Grain Banks and also to send pending utilization Certificates for the past allocation. The saving in the RE was due to unavoidable situations and not because of lack of perspective planning by the Department. However, the Department would ensure that RE is fully utilized in future.

So far as Committee's observations with regard to less expenditure in non-plan schemes i.e. Rs.85928.53 crore against RE of Rs.96790.71 crore, it is clarified that the expenditure of Rs.85928.53 crore was incurred upto 28.02.2013 and actual expenditure before the closing of financial year 2012-13 was Rs.96782.12 crore i.e. 99.99% of the RE. An expenditure of Rs.85928.53 crore was booked upto 28.02.2013 and balance of Rs.10853.59 crore was released from 01.03.2013 to 31.03.2013. The heavy expenditure of Rs.10853.59 core booked in the month of March, 2013 was due to Supplementary Grants (3rd Batch) of Rs.10005.91 core (including saving of Rs.63.47 cores which required approval of Parliament through Token supplementary for its re-appropriation) received on 25.03.2013.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.3, Para No. 3.12)

2.3 The Committee note that the amount of food subsidy released to FCI has been constantly increasing each year due to increased procurement of foodgrains, continuous increase in MSP of wheat and rice vis-à-vis Central Issue Price, increased off-take of foodgrains under TPDS and other welfare schemes, additional allocation of foodgrains made for APL/BPL families etc. The Committee feel that the amount of food subsidy is expected to further increase substantially with the implementation of the National Food Security Bill. While appreciating the efforts made by the Government to contain the food subsidy, by encouraging decentralized procurement, giving guarantee to FCI for issue of bonds at lower coupon rates, improving operational efficiency of FCI, negotiating with the consortium of banks to provide food credit at lower rate of interest etc., the Committee, however, desire that the Department should make even more vigorous efforts to explore the possibilities of containing food subsidy without compromising the regular supply and availability of subsidized foodgrains to the targeted beneficiaries especially to the marginalized sections of the society.

Reply of the Government

2.4 The rise in food subsidy is mainly attributable to increase in economic cost of foodgrains on account of increase in MSP whereas Central Issue Prices (CIPs) of subsidized foodgrains have remained unchanged since 2002. Besides MSP, the economic cost of foodgrains consists of taxes levied by State Governments on procurement, and other procurement incidentals. Since taxes levied by State Governments are ad valorem and linked to MSP, they also increase with increase in MSP and contribute to increase in food subsidy. The Government has taken additional measure like bringing in overall cost-effectiveness in the operations of FCI to contain the food subsidy. State Governments which levy taxes at higher level are being pursued to lower the tax rates.

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Recommendation (Serial No.4, Para No. 3.19)

2.5 The Committee are unhappy to note that an amount of Rs. 1646.54 lakhs are yet to be released under the Hill Transport Subsidy Scheme (HTS) to the States of Mizoram, Himachal Pradesh, J&K, Lakshadweep and Sikkim and in some cases, the claims are pending since the year 2010-11. While agreeing that funds under the scheme are released on the basis of claims made by the concerned States/UTs with proper details/documents, the Committee are dismayed to find that out of Rs. 197.30 lakh claimed by the Government of Himachal Pradesh for the year 2012-13, an amount of Rs. 37.07 lakh only was released and the claims for the remaining amount of Rs. 159.93 lakh were found to be deficient and returned to the State for rectification. The Committee are also surprised to note that no claims for reimbursement under the scheme were received from any other State/UT during the year 2012-13. This gives the impression that either there are no clear guidelines for claiming reimbursement for expenditure incurred under the scheme or the guidelines are too cumbersome/complex. The Committee, therefore, recommend that the Department may look into the issue and simplify the procedure of disbursement to ensure full disbursal of funds under the scheme so as to benefit the target groups who normally comprise of backward and weaker sections of society dwelling in predominantly hilly States with difficult and inaccessible terrain areas.

Reply of the Government

2.6 For release of payment under HTS, FCI has been directed to ensure genuineness of claims and to verify that stock is actually transported and reached the fair price shops/beneficiaries. Accordingly, FCI has been insisting for State Governments to submit the documents to this effect. It is also added that some of the State Governments have been submitting their claims along with the supporting documents.

As regards, reimbursement of claims to the State of Himachal Pradesh is concerned, State Govt. has submitted the claims to the tune of Rs. 239.26 lakhs against the financial year 2012-13 and an amount of Rs. 90.26 lakhs has been reimbursed upto 30.04.2013. FCI returned the bills pertaining to the period 2010-11 onwards to the State Government due to some discrepancies and the same have been received after ratification on 20.03.2013 and all bills are under process for release of HTS.

Besides Himachal Pradesh, Lakshadweep Administration has submitted claim bills to the tune of Rs. 15.69 lakhs during the year 2012-13 and admissible amount of Rs. 14.72 lakh have already been released.

As per existing procedure, State Govts. have to submit bills on fortnightly/monthly basis but some of the State Governments are submitting bills after long period or even after years o5n the ground of their operational difficulties.

A Statement showing HTS payments released during 2009-10, 2010-11, 2011-12 and 2012-13 is at **annexure-I**.

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Recommendation (Serial No.5, Para No. 3.28)

2.7 The Committee note that the Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices and the Department is taking all necessary measures to closely monitor the implementation of the scheme by States/UTs. Utilization Certificates for the foodgrains allocated to State Governments are also obtained regularly. The Committee also note that the Department has issued instructions to States/UTs to strengthen functioning of TPDS by improving monitoring mechanism and vigilance, increasing transparency in functioning of the scheme, use of Information and Communication Technology (ICT) tools and improving the efficiency of Fair Price Shop operations. Besides the States/UTs are reminded to ensure implementation of the Nine-Point Action Plan for curbing leakages/diversion of foodgrains under TPDS. Moreover, the PDS (Control) Order, 2001 which mandates the States/UT Governments to carry out all required action to ensure smooth functioning of PDS in the country has been notified on August, 2001. The Committee are pained to note that despite taking all these measures by the Government which also includes reviewing of its functioning, the functioning of the PDS in the country is far from satisfactory. Door-step delivery of foodgrains to fair price shops is being done by 20 States/UTs and the district-wise/FPS-wise allocation of foodgrains on the websites and other prominent places has been initiated in 21 States/UTs only. The Committee, therefore, strongly recommend that the Department should consult and coordinate with the State/UT Governments on a regular basis and also carry out surprise visits and inspections of the agencies involved in distribution of foodgrains such as principal distribution depots of FCI, fair price shops, transporting agencies etc for efficient and smooth functioning of PDS in the country.

Reply of the Government

2.8 Targeted Public Distribution System (TPDS) is operated under the joint responsibility of the Central and the State/Union Territory (UT) Governments wherein the operational responsibilities for allocation and distribution of foodgrains within the States/UTs, identification of eligible Below Poverty Line (BPL) families, issuance of ration cards to them and supervision over and monitoring of functioning of Fair Price Shops (FPSs) rest with the concerned State/UT Governments.

However, in order to improve functioning of TPDS, Government of India has been regularly issuing advisories and holding conferences wherein State/UT Governments are requested for improving the offtake of allocated foodgrains, ensuring timely availability of foodgrains at FPSs, greater transparency in functioning of TPDS, improved monitoring and vigilance at various levels, adoption of revised Model Citizen's Charter, use of Information and

Communication Technology (ICT) tools, improving the viability of FPS operations, etc. Various aspects of functioning of TPDS is also reviewed by the Officers of the Department of Food & Public Distribution during their visits to States/UTs

As per Public Distribution System (Control) Order, 2001, the State and UT Governments are responsible for implementing TPDS and competent to take action against those indulging in malpractices in TPDS by invoking provisions of clauses 8 & 9 of the said Order. An offence committed in violation of the provisions of this Order is liable for penal action under the Essential Commodities Act, 1955. State/UT Governments are also required to take action under Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980. A statement showing results of action taken by the State/UT Governments under Clauses 8 & 9 of the PDS (Control) Order, 2001 from January 2006 to March, 2013 is at **annexure-II.**

Further, in view of recommendation of Standing Committee, instructions to all stake holders are being issued in this regard.

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Recommendation (Serial No.6, Para No. 3.35)

2.9 The Committee note that the result of an independent study conducted by a group of scholars in 9 States have shown impressive revival of PDS across the country as it suggests that the days when upto half of the PDS foodgrain was diverted to open market are gone. The Committee are, however, constrained to say that the evaluation study conducted by IIPA in 14 States have shown that the leakage as percentage of offtake has been as high as 49.49% in Nagaland, 27.00% in Manipur and 26.84% in West Bengal. The NCAER Report in 12 States/UTs have also indicated that the level of leakages and diversion of foodgrains was as high as 100% wheat for APL in the States of Assam and Mizoram and in case of rice, it was 83.28% and 81.12%, respectively in these two States. The Committee, therefore, recommend that the Department of Food and Public Distribution, FCI and the States/UT Governments should make earnest efforts to identify the loopholes in the PDS and curb leakage/diversion of foodgrains to the extent possible so as to ensure that the target beneficiaries do receive right quantity and quality of foodgrains at the right price regularly.

Action taken by the Government

2.10 In order to curb leakages and diversion of foodgrains, a Nine Point Action Plan was evolved in 2006 in consultation with the State/UT Governments which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards along with strict action to be taken against the guilty to ensure leakage free distribution of foodgrains. Instructions were also issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of BPL/AAY families and eliminate ineligible/bogus ration cards. As a result thereof, 28 State/UT Governments have reported by 31.03.2013, deletion of 364.01 lakh bogus/ineligible ration cards.

With a view to ensure that the beneficiaries under TPDS and other welfare schemes do receive right quality of foodgrains, this department has issued following instructions from time to time to Food Secretaries of all State Governments/Union Territory Administrations and FCI to ensure supply of good quality foodgrains under the TPDS and other welfare schemes:-

(i) Only good quality foodgrains free from insect infestation and conforming to Food Safety Standards are to be issued under TPDS and other Welfare Schemes.

(ii) Ample opportunities are to be provided to the officials of the State Government/UTs Administration to inspect the stocks prior to lifting from FCI godowns. States/UTs may ensure that officers not below the rank of Inspector are deputed for inspection of the foodgrains before their lifting from FCI.

(iii) The samples from the stocks to be issued to States/UTs under TPDS and other Welfare Schemes are to be drawn jointly and sealed by the officers of the State Governments and FCI for displaying them at the counter of Fair Price Shops for the benefit of consumers. A duplicate sealed sample is to be kept with concerned FCI depots/godowns for any future reference. In case the State agencies are taking delivery from FCI and thereafter delivering the same to the FPS dealers, they should also follow the same procedure as is being followed by FCI for issuing the jointly sealed samples.

(iv) Type sealed samples should be displayed by the FPS dealers in their shops, so that the ration card holder/consumers may check the quality of foodgrain supplied to them. FPS dealers should also maintain a complaint register to enable the consumers to lodge their complaints/opinions, in case the quality of foodgrains issued is not of proper quality standards.

(v) It is the responsibility of the concerned State Government/UT Administrations to ensure that during transportation and storage at different stages in the distribution chain, the foodgrains retain the required quality specifications. For this purpose, all required measures are to be taken for scientific storage of foodgrains so that there is no deterioration in their quality at any stage till they are delivered to the ration card holders/consumers.

(vi) An officer not below the rank of Inspector is to be deputed from State Government to take the delivery of foodgrains stocks from FCI godowns.

(vii) Where the decentralized procurement is in operation, State Government should follow the same procedure of inspection of foodgrains stocks and joint sealed sampling to ensure that quality of foodgrains issued under TPDS and other welfare schemes meet the desired standards under the Food Safety Standards Act.

Department of Food & Public Distribution have also launched a plan scheme under 12th Five Year Plan for end-to-end computerisation of TPDS operations in all States/UTs. The schemes provides for, inter-alia, computerisation of Supply-Chain, Digitization of Ration Card database, SMS/E-mail alerts on dispatch and delivery of foodgrains, setting-up of Transparency Portal, Grievance redressal mechanism, FPS automation, etc. Digitization of PDS data, including ration cards data, is a primary steps to be taken by States/UTs for computerisation of PDS so as to ensure correct identification of beneficiaries, distribution of PDS commodities to deserving beneficiaries, elimination of bogus/duplicate ration cards etc., thereby putting a check on leakages/diversion of PDS commodities.

Further, in view of recommendation of Standing Committee, instructions to all stake holders are being issued in this regard.

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Comments of the Committee

2.11 Please *see* Para No.1.11 of Chapter-I of the Report.

Recommendation (Serial No.7, Para No. 3.36)

2.12 The Committee also note that the Government has given financial assistance in 2007-08 to the State Governments of Tamil Nadu and Chattisgarh for installation of Global Positioning System (GPS) on the vehicles carrying TPDS commodities in order to curb leakages and diversion of foodgrains. The installation of GPS devices on vehicles carrying PDS foodgrains in the States of Tamil Nadu and Chhattisgarh have shown positive results. Government of Tamil Nadu have reported that the GPS devices not only help in ensuring that the quantities of foodgrains allotted reached the intended godowns of FCI in time without any diversion, but also create moral fear among those involved in transportation of PDS items and enable the concerned officials and vigilance agencies to track the movement of vehicles. The Government of Chhattisgarh have also reported that the vehicles reached their destination/intended places and no irregularities were noticed. The Committee are, therefore, of the view that installation of GPS devices on vehicles carrying PDS items in all States/UTs of the country would go a long way in checking the problem of leakage/diversion of foodgrains. The Committee, therefore, strongly recommend that the proposals received from the States/UTs for sanctioning of funds under the scheme should be processed on priority and released expeditiously. The Department should also persuade all the States/UTs to submit their proposals for sanction of funds under the scheme.

Reply of the Government

2.13 In view of the feedback received from State Governments of Tamil Nadu and Chhattisgarh, it was decided to extend this scheme in all the States/UTs from the financial year 2011-12. In the XIIth Five Year Plan too, this scheme had been proposed to be continued.

States/UTs are regularly requested to send their proposals under the scheme. However, despite constant follow up with States, the Department received proposals only from State of Rajasthan and Puducherry UT in 2011-12. Since the proposals were incomplete, they were requested to send revised proposals, which have not been received from them. During the financial year 2012-13 also, only two proposals from State Governments of Manipur and J&K were received. Keeping in view the feedback from States that had implemented the scheme, lack of suitable response from States and plan scheme on End–to–end Computerization of TPDS operations, the functioning of this scheme is being reviewed by the Department.

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Comments of the Committee

2.14 Please *see* Para No.1.14 of Chapter-I of the Report.

Recommendation (Serial No.8, Para No. 3.44)

2.15 The Committee note that pursuant to the Hon'ble Supreme Court instructions, all States/UTs are required to undertake end-to-end computerization of TPDS in a time bound manner for which the Government of India shall provide necessary infrastructure and financial support. The Government has accordingly prepared an estimated outlay of Rs. 4273.47 crore for the XII Five Year Plan on 50:50 cost sharing with States/UTs except for North-eastern States, where the sharing will be 90:10 basis. An amount of Rs. 200 crore has been provided for BE 2013-14 under the scheme of 'End-to-end Computerization of TPDS operations' in all States/UTs. The Smart Card Scheme launched in December

2008 for Chandigarh UT and Haryana have now been subsumed in the Plan Scheme on End-to-End Computerization of TPDS operations to be implemented in all States/UTs under the XII Five Year Plan (2012-17). The Committee are surprised to note that out of the 24 States/UTs that have submitted their proposals for financial assistance under the scheme during the year 2012-13, only proposals from 7 States are found to be complete in all respects and funds released to them. The remaining proposals are under examination in the Department. The Committee are of the firm opinion that End-to-end Computerization of PDS operations will solve several problems that are being associated with the functioning of PDS in the country. The Committee are also not happy with the status of computerization of TPDS operations in States/UTs. The Committee, therefore, strongly urge the Department to expedite the examination of the remaining proposals already received by them for financial assistance from the States/UTs under the scheme and release the funds expeditiously. The Department should also pursue with the remaining States/UTs to submit their proposals for financial assistance and make all efforts to complete computerization of PDS operations in all the States/UTs in anticipation of the ensuing enactment of the National Food Security Bill, 2011.

Reply of the Government

2.16 After approval of Component-I of the plan scheme on ‘End-to-End Computerization of TPDS Operations’ by the Cabinet, Administrative approval for the same was issued on 10.12.2012, requesting States/UTs to send their proposals under the scheme. So far, proposals for financial assistance from 26 States/UTs have been received, out of which Central assistance has been released by this Department to 9 States. Proposal of Meghalaya which is complete in all respect is under process. Andaman & Nicobar Islands Administration has later on intimated that they do not require funds from the Centre. Similarly, no fund is to be released to Sikkim as the State Government has received the funds from NE Council for implementation of the scheme. Proposals of remaining 14 States/UTs received have also been assessed. However, funds to these States/UTs could not be released as they have not yet fulfilled the pre-requisites prescribed for the scheme, such as confirmation regarding setting up of State Apex Committee (SAC)/State Project e-Mission Team (SPeMT), signing of MoU, etc. Matter is being repeatedly pursued with them.

Proposals for financial assistance are yet to be received from 9 States/UTs. Several reminders have been sent by the Department at various levels to these States/UTs for expediting their financial proposals.

The Department is regularly reviewing the progress of the implementation of the scheme through various meetings, conferences, etc. with States/UTs and NIC. In May 2013, a regional workshop-cum-conference was organized in Guwahati (Assam) for North-Eastern States to assess the progress, challenges faced and help in addressing their issues. Similar conferences will be held for review of progress in other States/UTs.

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Comments of the Committee

2.17 Please *see* Para No.1.17 of Chapter-I of the Report.

Recommendation (Serial No.9, Para No. 3.50)

2.18 The Committee note that the main objective of the Village Grain Bank Scheme is to provide safeguard against starvation during the period of natural calamity or during lean season when the marginalized food insecure households do not have sufficient resources to purchase rations. The Schemes is currently being implemented by 17 out of 35 States/UTs. Out of 21,842 Village Grain Banks sanctioned by the Department, the States have set up 17,266 Village Grain Banks till date. While the State Governments have entrusted the management of Village Grain Banks to Panchayats, SHG, NGOs, etc. the Village Grains Banks established in the state of Uttarakhand is being managed by the World Food Programme (WFP). The Committee also observe that the scheme has helped the beneficiaries reduce their dependence on high interest loans during lean season and the extent of immigration during lean season has also come down significantly. It is also stated that majority of the States are interested in continuation of the scheme during the Twelfth Five Year Plan period and 5 States have given suggestions for modification of the scheme. The Committee, therefore, recommend that the Department of Food and Public Distribution should make sincere efforts to popularize the scheme by engaging the State/UT Governments in a more proactive and regular manner while giving due consideration to the suggestions made by the States/UTs for modification of the scheme.

Reply of the Government

2.19 Approval of Standing Finance Committee (SFC) has been obtained for its implementation during the 12th Plan period. Based on SFC approval, the scheme has been made more attractive. The revised guidelines of VGB Scheme are under process.

Under the revised VGB Scheme the cash component is to be increased from Rs. 12,200/- to Rs. 19,350/-.

After the revised VGB Scheme is approved, States/UTs will be requested to send their proposals for setting up of Village Grains Banks and also to send the pending utilization Certificates for the past allocation.

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Comments of the Committee

2.20 Please *see* Para No.1.20 of Chapter-I of the Report.

Recommendation (Serial No. 12, Para No. 3.67)

2.21 The Committee observe that for greater transparency in the functioning of TPDS, various measures such as display of list of BPL and AAY families at FPS, display of allocated quantities of foodgrains on websites, adoption and implementation of Revised Model Citizens Charter have been initiated. Besides, 11 States have also undertaken various publicity-cum-awareness campaign's such as advertisements in Print and Electronic Media in local and Hindi Newspapers including AIR and DD Channels, distribution of booklets in regional languages, use of sign boards, banners, posters, billboards, quiz competitions, deployment of Youth groups etc. Despite the various steps taken by the Department and the reported adoption and implementation of the Revised Model Citizen Charter by all State/UT Governments except the State Government of Jharkhand, the Committee feel that there is no visible improvement in regard to transperancy and efficiency in the functioning of the TPDS in the country. The Committee, therefore, desire that the Department should impress upon all the State/UT Governments to ensure that the Revised Model Citizen Charter is implemented in letter and spirit and also more publicity-cum-awareness campaign are undertaken during the current financial year.

Reply of the Government

2.22 The Revised Model Citizens' Charter for Targeted Public Distribution System (TPDS) was issued in July, 2007 by the Government for adoption and implementation by State/UT Governments. All State/UT Governments except State Government of Jharkhand have reported the adoption and implementation of the Revised Model Citizens' Charter. State Government of Jharkhand has been requested to look into the matter and ensure its early adoption/implementation. The Department has requested all State/UT Governments to carry out impact analysis of Citizens' Charter adopted by them and has also requested time and again to take stringent measures for their early implementation in letter and spirit.

All States/UTs have been requested to undertake end-to-end computerisation of TPDS, which comprises activities, namely, digitization of ration card/beneficiary and other databases, computerisation of supply-chain management, SMS/E-mail alerts on dispatch and delivery of foodgrains, setting-up of Transparency Portal, Grievance redressal mechanism, FPS automation, etc.

To facilitate greater public scrutiny of functioning of TPDS, publicity-cum-awareness campaign on TPDS has been taken up under a plan scheme on strengthening of TPDS. Rs. 59.832 lakh were sanctioned to 8 States including 4 NE States during 2011-12. During 2012-13, an amount of Rs. 30.756 lakh were sanctioned to the states of Andhra Pradesh (Rs. 8.4 lakh), Kerala (Rs. 19.30 lakh) and Tripura (Rs. 3.05 lakh).

Further, in view of recommendation of Standing Committee, instructions to all stake holders are being issued for making earnest efforts in this regard.

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Recommendation (Serial No. 17, Para No. 4.18)

2.23 The Committee are concerned to note that FCI could not achieve the physical and financial targets set for construction of godowns during 2012-13 in respect of NE States as well as other than NE States. The Committee also note that during 2012-13, physical target set for creation of storage space in NE region was 13.36 MT but its achievement was only 2.9 MT. Financial target set during 2012-13 for NE region was Rs. 70.00 crore but its achievement was only Rs. 12.32 crore. The Department has informed that the shortfall has been mainly due to not getting suitable lands for the storage godowns. The North-eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road network etc. Inadequacy of storage space in NE region poses a serious threat to running of an efficient Public Distribution System (PDS). The Committee, therefore, desire that Department of Food and Public Distribution should take up the matter urgently with States/UTs at highest level for taking over the lands already identified in these States as well as in North-Eastern States for construction of godowns and ensuring that construction of godowns are completed expeditiously. The Committee further recommend that the Ministry should include the NE States also in the perspective plan drawn for the coming year and make sincere efforts for achievement of physical as well as financial targets in these States. The construction of godowns in other than NE region should also be speeded up so that the people of NE region as well as other than NE States are not deprived of the benefits of PDS for lack of foodgrains storage facilities.

Reply of the Government

2.24 It is true that against the physical target of 13360MT (NE), the achievement made was only 2910MT during FY 2012-13. However, due to reasons given below, the targeted capacity and financial expenditure could not be achieved:

A Physical:

The godowns at the following locations could not be completed resulting in shortfall :-

1. **2500 MT(Churachandpur/ Manipur):** As per the recommendations of State Govt. the work was entrusted to Manipur Development Society (MDS) during November 2011. Due to delay in submission of estimate by MDS, the initial amount was deposited in the month of March 2012; the agency could start the work only in the month of Sept.-Oct. 2012. The work is now likely to be completed by October 2013.

2. **7950MT (Arunachal Pradesh – 4 locations):** The work at 4 locations has been entrusted to M/s. Hindustan Prefab Limited (HPL). However, due to limited working period and difficult terrain, the work could not be completed during 2012-13. The construction work is likely to be completed by 30.9.2013.

B Financial:

Against the financial target of Rs.70 crores for NE Areas and Rs.8.50 crores for the areas other than NE) the achievement made in FY 2012-13 was Rs.30.36 crores (NE Rs.27.72 crores and Rs.2.64 crores others). The shortfall is mainly due to difficulty in acquiring land mainly in the NE States of Manipur, Mizoram, Tripura.

Similarly in areas other than NE land could not acquired in Goa and at 2 locations in Himachal Pradesh.

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Recommendation (Serial No.18, Para No.4.23)

2.25 The Committee note that despite the various initiatives taken by the Ministry to reduce the storage and transit losses, the losses have been increasing marginally both in terms of percentage and values over the last 3 years. While the storage loss of wheat and rice increased from 0.21% in the year 2010-11 to 0.27% in the year 2012-13 (upto February, 2013), the transit loss increased from 0.47% to 0.52% during the same period. However, in terms of values, storage loss of Rs.405.36 crore in 2011-12, came down to Rs.343.53 crore in 2012-13 (upto February, 2013). In the same way transit losses have reduced from Rs. 333.01 crore in 2011-12 to 301.89 crore in 2012-13. The Committee, however, feel that these losses are still too high and need to be minimized further. The Committee, therefore, desire that the Department should continue making vigorous efforts to reduce the storage and transit losses of foodgrains to minimum during the year 2013-14 and beyond.

Reply of the Government

2.26 The updated figures of storage and transit loss for the year 2012-13 (upto March 2013) is given as under:

Storage Loss:

(Qty.in lakh MT/ Value in Crores)

Year	Agency	Qty. Received	Qty. Loss	%age	Value
2012-13	FCI	378.46	0.53	0.14	127.30
	SWC	170.61	0.88	0.52	190.50
	CWC	90.90	0.29	0.33	62.57
Total		639.98	1.70	0.27	380.37

*Provisional figure

Transit Loss:

(Qty.in lakh MT/ Value in Crores)

Year	Qty Received	Qty Loss	%age	Value
2012-13	355.85	1.84	0.52	339.38

*Provisional figure

Constant monitoring and reviews are being done to reduce/ minimize storage and transit losses. The Storage and Transit losses are also monitored as a part of the MOU between the Department and FCI.

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Comments of the Committee

2.27 Please *see* Para No.1.23 of Chapter-I of the Report.

Recommendation (Serial No.19, Para No. 4.24)

2.28 The Committee note that abnormal storage and transit loss cases are monitored and vigilance cases are initiated against the delinquent officials by

FCI. Based on the investigations and disciplinary actions, various penalities including recovery have also been imposed upon delinquent officials. The Committee also observe that as many as 192 and 218 cases are pending against FCI officials who were responsible for transit losses during the years 2011-12 and 2012-13 respectively, which is showing an upward trend. The Committee desire that the framework for addressing the pendency of legal cases at department level should be reviewed to include all such essential ingredients necessary for speedier disposal of cases such as streamlining/re-engineering the procedure currently followed, setting guidelines/checklist for various officers, incharges, establishing a monitoring system of legal cases, improving the capacity and skill building of staff etc. The Committee also strongly recommend that steps should be taken to dispose off all pending cases against the delinquent officials expeditiously in a time bound manner.

Reply of the Government

2.29 Efforts are being made for speedy disposal of pending cases. Special focus is on cases pending for more than one year. Besides taking action against those accused of misconduct, FCI's vigilance division has also been taking major initiatives in the area of preventive vigilance. These are aimed at modifying and improving the existing system so as to reduce the scope for any illegal activity.

Cases of disciplinary proceedings are reviewed on regular intervals. Checks and balances are being put in place in respect of occurrences of unjustified storage and transit losses.

A guideline for identifying notorious depots on account of above mentioned discrepancies and malpractices for keeping constant surveillance and vigil at all administrative levels/ hierarchy is being devised as a measure of preventive vigilance.

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Recommendation (Serial No. 20 Para No. 4.25)

2.30 The Committee also note that the steps are being taken to raise proper infrastructure in the country to mitigate loss of foodgrains due to shortage of storage facilities. In order to augment the covered storage gap, the Government is implementing the Private Entrepreneurs Guarantee (PEG) Scheme for construction of storage godowns through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). The Committee feel that inadequate and improper storage facility is again a common concern for almost all the States/UTs. Lack of proper storage space in FCI godowns or non-availability of private storage facilities is the major bottleneck for efficient functioning of Targeted Public Distribution System in various States. The Committee also note that huge amount of foodgrains reportedly get wasted due to lack of adequate storage capacity. Moreover, this wastage of foodgrains has become an yearly phenomenon and yet the Department failed to take any concrete measures to prevent this wastage. The Committee desire that the FCI should make use of new ways and material available, for storing grains for longer period, to prevent huge storage losses in future.

Reply of the Government

2.31 With a view to minimize storage and transit losses and to introduce modern technology, the Govt. of India had approved the National Policy on bulk Handling, Storage and Transportation of foodgrains in June, 2000. M/s Adani Logistics Limited has engaged as Special Purpose Company (SPC) for the project as per requirement of RFP document and service documents for the silos was executed between FCI and SPC on 28.06.2005. FCI started using these silos of 5,50,000 MT capacity since May, 2007. The bulk storage infrastructure has been proved to be helpful in the following manner:-

i. The handling operation is fully mechanized and manual handling is required only at the time of issue of stocks minimizing the handling losses and also results in time saving. Moreover, it has resulted in saving staff and labour requirements.

ii. The stocks can be stored for longer period safely as the storage is done in a scientific manner having all modern facilities of sampling, weighment and preservation enabling longer and safer storage without any storage loss, theft and pilferage losses.

iii. The movement is being done through specialized wagons which has high payload and being faster, saves time besides minimizing transit losses. Since movement is through specialized wagons hence availability of wagons is not a problem.

Government of India is also implementing the **Private Entrepreneurs Guarantee Scheme** for construction of storage godowns through Private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs).

Under this scheme, total capacity of 197.14 Lakh MT has been approved to be created in 19 states through Private entrepreneurs, CWC and SWCs. Out of this tenders have been sanctioned for a capacity of 106.18 Lakh MT to private investors and a capacity of 7.66 Lakh MT and 28 Lakh MT have been allotted to CWC and SWCs. Out of this, a capacity of 70.59 Lakh MT has already been completed as on 30.04.2013 and 37.34 Lakh MT is under construction.

In this regard, Govt. of India has also planned for creation of scientific storage capacity of 20 lakh MTs as Silos. The approved locations of Silos are as under:

Sl. No.	**State**	**Silo capacity in MTs**	**Approved locations**
1.	Bihar	2,00,000	Kaimur, Buxar, Bhagalpur, Bettiah. (50,000 MT each)
2.	Haryana	3,00,000	Bhattu, Jind, Karnal, Palwal, Rohtak, Sonepat. (50,000 MT each)
3.	M.P.	3,50,000	Sehore, Jabalpur, Raisen, Vidisha, Guna, Hoshangabad, Ujjain (50,000 MT each)
4.	Punjab	4,00,000	Barnala, Chhehreatta, Patiala, Jalalabad, Kilaraipur, Sangrur, Dhuri, Batala. (50,000 MT each).
5.	West Bengal	2,00,000	Rangapani, Malda, Dankuni, Mecheda. (50,000 MT each)
6.	Assam	50,000	Guwahati (Changsari) and Dibrugarh. (25,000 MT each)
7.	Kerala	50,000	Eranakulam and Calicut. (25,000 MT each)
8.	Maharashtra	1,00,000	Pune, Nagpur (50,000 MT each)
9.	Uttar Pradesh	3,00,000	Jaunpur, Kannauj, Faizabad, Fatehpur, Basti, Deoria (50,000 MT each)
10.	Gujarat	50,000	Between Palanpur (Banaskantha) and Siddhapur (Patan)
Total		20,00,000	

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Recommendation (Serial No.21, Para No. 4.28)

2.32 The Committee are disturbed to note that as many as 613, 479 and 542 vigilance and corruption cases were pending at the end of the year 2010-11, 2011-12 and 2012-13 respectively. It is also noted that as many as 1750, 1297 and 1735 employees of FCI were held guilty of various irregularities during the years 2010-11, 2011-12 and 2012-13 and were given different penalties such as dismissal/removal/compulsorily retired from service, reduction in rank or time scale of pay, withholding increment or promotion, recovery of the loss caused and censure. Apart from these, 13 cases were referred to CBI in the year 2012-13. The number of vigilance and corruption cases detected over the years only reflects the level of rampant corruption amongst the employees of the FCI. The Committee are of the view that the various preventive and punitive measures initiated by the Ministry such as ensuring fairness and transparency in foodgrain procurement functions, sales of foodgrain stock, procurement of H&T services, scientific management of foodgrain stocks at depots, etc. does not have the desired effect to contain corruption. The Committee also feel that inordinate delay in prosecution of cases could be another factor encouraging employees indulging in corrupt practices. The Committee, therefore, recommend that the Department should strictly enforce the various preventive and punitive measures initiated by them and also speedily dispose of cases of corruption so as to create fears in the minds of the employees of FCI and prevent corrupt practices assuming gigantic proportion.

Reply of the Government

2.33 The following steps have been taken:-

1. Putting in place appropriate business process for detection of cases of fictitious procurement of food grains jointly by FCI staff and state agencies in collusion with rice millers and transporters.

2. Minimizing subjectivity in Quality Control functions at the time of procurement of Food Grains and providing for effective appeal by aggrieved farmers and rice millers.

3. Business Process Reengineering for issue of “weight Check Memo and Acceptance cum Analysis Report so that the farmers, rice miller or state agency is not subjected to harassment by delay in issue of these records and resultantly, procedure for releasing payment to farmers supplying food grains to FCI and rice millers and State Agencies procuring food grains for FCI.

4. Strengthening system of periodic physical verification of stock and putting check on fictitious / cosmetic physical verifications of stock detected in alarmingly large numbers in certain regions of FCI. A practice of sabotaging results of previous physical verification by manipulation of entries in depot ledgers followed by fictitious subsequent physical verification has also been detected and effort are being made to put a check on this.

5. Restoring system of Reconciliation of Monthly and Annual Stock Account and Stock Ledger Summary and Annual Stock Accounts.

6. Putting in place a system of joint monitoring of stock by depot staff and Quality Control staff at Depots so that MSA and RTR can be used for complementing each other.

7. Steps taken to curb instances of corruption by FCI staff and State Agencies through H & T contractors by manipulating with quality of food grains.

8. Introduction of Standard Operating Procedure (SoP) for responding to cases of theft / misappropriation / pilferage of stock.

9. Putting in place a new System of Quality assurance regarding food grains to be issued by FCI under TPDS and other welfare schemes.

10. Steps taken to detect and prevent occurrences new cases of misappropriation of amount of EFP and ESIC contributions for contractual work-men engaged by FCI.

11. Redefining responsibility of supervisory functionaries so that supervisory officer above rank of AGM too, have regular inspections of depot and district offices to ensure proper and scientific stock management, proper record keeping and reporting and monitoring critical parameters like SL, TL, PV losses.

12. Critical Examination of Model Tender Forms and getting them modified, if necessary.

13. Effective Scrutiny of Annual Property Returns to identify disproportionate assets.

14. Strengthening Vigilance Squad through training and redefining their job requirement which is, hitherto, too much centralized on quality of food grains at time of procurement only.

15. In order to eliminate subjectivity and to bring clarity in the analysis of samples of rice, at the initiative of Vigilance division, FCI Hqrs, a pictoral depiction of refractions in respect of Uniform Specifications of rice (Raw and Par boiled) was incorporated in the form of a circular for the benefit of suppliers of CMR/Levy rice to the central pool and also as a measure of transparency. The said circular has been made available on the FCI website also.

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Recommendation (Serial No. 23, Para No. 5.9)

2.34 The Committee are happy to note that Central Warehousing Corporation (CWC) has taken various remedial steps/measures to reduce the administrative cost such as reduction in non-plan expenditure on heads like telephones, TA/DA, Advertisement, entertainment etc. Further, steps have been taken to reduce Establishment Cost such as closing of 13 Construction Cells, implementation of VRs schemes etc. Consequently, the Corporation has been able to reduce its manpower from 5765 employees in 2009-10 to 5253 employees in 2012-13 and also reduced the Establishment Cost from Rs.501.05 crore in the year 2011-12 to Rs.470.78 crore in 2012-13 (upto February, 2013). However, the establishment cost is likely to be around Rs.510 crore during the current year due to likely introduction of PRP scheme for the Executives and revision of perquisites of the Group C & D employees w.e.f. 1.1.2012. The Committee feel that though reducing the Establishment Cost to the extent possible is desirable, yet the Corporation should not compromise the manpower strength necessary to not only maintain its efficient overall functioning but also to improve it. The Committee, therefore, recommend that Corporation should make all efforts to minimize its Establishment Cost and also recruit manpower necessary to ensure improved performance of the Corporation.

Reply of the Government

2.35 In order to further reduce the establishment cost, with the approval of the Board of Directors and as per the MOU entered into with the Department of Food & Public Distribution for 2013-14, the Corporation has decided to introduce Special Voluntary Retirement Scheme for Group 'D' employees w.e.f. 1.7.2013.

As regards the Committee's recommendations on recruitment of manpower, it is informed that the Corporation is recruiting minimum necessary manpower to ensure that the performance of the Corporation is not affected. In view of the increase in storage of foodgrain stocks as well as creation of additional storage capacity under PEG Scheme, the Corporation has recently appointed 109 Junior Technical Assistants. Further, appointment of 10 Accountants, 10 Management Trainees (Accounts) and 20 Management Trainees (General) is in advance stage and offers of appointment are likely to be issued by the end of July 2013.

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Recommendation (Serial No. 24, Para No. 5.18)

2.36 The Committee are happy to note that CWC is making use of owned as well as hired storage capacities to the maximum which is evident from the percentage utilisation of capacity furnished by the department i.e. 94% for owned/covered capacity and 93% for hired. The Committee hope that the corporation will continue to make best utilization of owned as well as hired capacities and make efforts to minimize dependency on hired capacities in the coming years thereby enhancing its profit.

Reply of the Government

2.37 The utilization of owned as well as hired storage capacity is being constantly monitored so as to ensure that the same are gainfully utilized. Hiring of storage capacity is resorted to only when there is either no owned storage capacity or the same is insufficient to meet the business requirement. The Corporation is also progressively creating additional storage capacity either at the vacant land in its existing warehouses or by securing additional land as may be seen from the following:

Year	**Capacity added** (in lakh MT)
2008-09	0.54
2009-10	0.95
2010-11	1.45
2011-12	2.09
2012-13	2.35

Further as per the Memorandum of Understanding (MOU) for 2013-14, 2.20 lakh MT has been targeted for creation during 2013-14.

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Recommendation (Serial No.25, Para No. 5.19)

2.38 The Committee are concerned to note that Corporation has failed to achieve its physical as well as financial target for construction of storage space. The physical target set during the year 2012-13 for construction of godowns was 2.10 lakh MT but its achievement was 2.00 lakh MT and the financial target set by the Corporation during the same year was Rs. 126.56 crore but its achievement was only Rs. 75.15 crore. According to the Department, the main reason for non-achievement of financial targets regarding contribution to the share capital to the State Warehousing Corporations (SWCs) is the failure of the SWCs to comply with the provisions of the Warehousing Corporations Act, 1962 in the matter of finalisation of the Annual Accounts and holding of the Annual General Meeting and lack of demand from the SWCs for infusion of equity, excepting Kerala SWC, Assam SWC, and Meghalaya SWC which are loss making. The Committee feel that inadequacy of storage capacity poses a serious threat to running of efficient Public Distribution System and desire that CWC should pursue the matter with concerned State Governments/UT Administrations vigorously and ensure that funds are fully utilized and the physical and financial targets achieved during the current year.

Reply of the Government

2.39 During the year 2012-13, against the physical target for creation of 2.10 lakh MT storage capacity, the Corporation has constructed 2.35 lakh MT storage capacity, thereby exceeding the physical target set for itself.

In order to improve the compliance of provisions of the Warehousing Corporations Act, 1962 by the State Warehousing Corporations (SWCs), CWC recently organized a meeting of CMDs/MDs of the SWCs on 9th April, 2013. The meeting was chaired by the Secretary (Food & Public Distribution), Government of India during which, among other things, the SWCs were impressed upon to ensure the creation of additional storage capacity as per the target in a time bound manner and to finalize the Annual Accounts upto date and hold Annual General Meetings.

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Recommendation (Serial No.26, Para No. 5.20)

2.40 The Committee also note that the perspective plan drawn by CWC for construction of godowns in 2013-14 does not include any NE States except Assam. Construction of additional storage capacity of 9000 MT in two warehouses in Assam (CW, Sarbhog and CW, Dhubri) has been planned for 2012-13. While construction of 2000 MT at CW, Dhubri is likely to be completed by 31st March, 2013, tender in respect of 7,000 MT at CW, Sorbhog has been finalized and Letter of Intent is being issued shortly. The CWC is operating 9 warehouses in NE region with a total capacity of 1.03 lakh MT and the average occupancy of these warehouses during the years 2009-10, 2010-11 and 2011-12 was 86%, 92% and 90% respectively. The Committee are not convinced with the plea taken by the Government that since the existing capacity in NE region is not fully utilized, the construction of additional capacity could not be considered earlier as the average capacity utilization of the Region during 2012-13 (upto February 2013) was 88%. The Committee feel that the poor people of the region should not be deprived of benefits of Public Distribution System (PDS) due to shortage of storage space and therefore, recommend that NE region be included in the perspective plan drawn by CWC for construction of godown and ensured that construction of godowns as per the plan are taken up expeditiously so as to complete their construction to facilitate implementation of the National Food Security Act.

Reply of the Government

2.41 CWC has added 2,000 MT additional storage capacity at Central Warehouse, Dhubri (Assam) in 2012-13. Construction of additional storage capacity of 7,000 MT at Central Warehouse, Sorbhog is in progress and will be completed during 2013-14. CWC is unable to create further storage capacity in the North-Eastern States for want of suitable land. If and when suitable land is made available by the respective State Governments and guaranteed utilization is extended by the FCI, CWC is willing to consider construction of additional storage capacity in these States.

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O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.27, Para No. 6.5)

2.42 The Committee are concerned to note that the production of sugar has declined from 263.43 lakh tonnes in 2011-12 to 246 lakh tonnes in 2012-13. The area under sugarcane cultivation has marginally increased from 50.38 lakh hectares in 2011-12 to 50.63 lakh hectares in 2012-13 i.e. 0.49% increase. The Committee also observe that a number of steps have been taken by the Government to increase sugarcane production in the country such as replacing the concept of "Minimum Price" to "Fair and Remunerative Price", launching a Centrally Sponsored Scheme called "Sustainable Development of Sugarcane Based Cropping System Areas (SUBACS), providing concessional loans to sugar factories from Sugar Development Fund (SDF) etc. Despite all these measures taken by the Government the production of sugarcane in the country has declined during the year 2012-13, which reflects that the steps taken by the Government are not having positive effect. The Committee are of the view that India being the largest consumer of sugar in the world, the production of sugarcane in the country needs to be enhanced. The Committee, therefore, desire that the Government should encourage the farmers to grow early maturing and high-yielding cane varieties, adopt the drip and sprinkler irrigation system and provide every possible assistance/incentive by way of finance, equipments, fertilizers etc. so that sufficient sugarcane is produce domestically and the country need not resort to import of sugar for their consumption requirements. The Committee, therefore, recommend that the nodal ministry in coordination with the Department of Agriculture and Cooperation and the various State Governments should initiate appropriate public private partnership on research and extension programmes, set up soil testing laboratories in sugar cultivation areas to determine and improve fertility of soil, provide training and incentives to farmers for growing sugarcane etc.

Reply of the Government

2.43 The production of sugar has been provisionally estimated at about 248 lac tons during the current sugar season 2012-13 as against the domestic requirement of 230 lac tons. The shortfall in sugar production as compared to last sugar season 2011-12 is mainly due to drought like situation and diversion of sugarcane as fodder in the States of Maharashtra and Karnataka. As per 3rd advance estimates released on 3rd May, 2013 by the Department of Agriculture and Cooperation, the area under sugarcane cultivation has marginally increased from 50.38 lac hectares in 2011-12 to 50.57 lac hectares in 2012-13 i.e. an increase of 0.38%. However, due to reduction in all India average yield of sugarcane from 71.67 tons/hectare in 2011-12 season to 66.47 tons/hectare in 2012-13 sugar season, the sugarcane production has decreased from 3610.37 lac tons in the sugar season 2011-12 to 3361.46 lac tons during current season 2012-13 i.e. a decrease of 248.91 lac tons.

The Department of Agriculture and Cooperation under Ministry of Agriculture implements research and extension programmes with the help of State Governments for increasing production and productivity of various crops including sugarcane in the country. In order to increase sugarcane production and productivity in the country, assistance is provided by them for the Centrally Sponsored scheme on “Sustainable Development of Sugarcane Based Cropping System(SUBACS)” under Rashtriya Krishi Vikas Yojana (RKVY) in many sugarcane growing States for field demonstration of production technologies, production of seed sets, training of farmers, setting up of Moist heat treatment plants, drip/sprinklers irrigation system, tissue culture laboratories, integrated management of pest, growing early maturing and high-yielding varieties etc. Sugar Development Fund (SDF) in the Department of Food and Public Distribution provides soft term loans to the sugar mills for undertaking cane development activities in the area where the mills are located.

Further, two sugarcane research institutes namely, Sugarcane Breeding Institute (SBI), Coimbatore and Indian Institute of Sugarcane Research (IISR), Lucknow under the Indian Council of Agricultural Research (ICAR), Ministry of Agriculture have developed sugarcane varieties which are high yielding, early maturing, tolerance to water logging stress, good ratooning potential and high sucrose containing suitable for the different regions/parts of the country. Both the Institutes also organize Sugar Institutes-Industry interface meetings (R&D meetings) to discuss the problems and issues faced by the sugar industry. Regular training/demonstration sessions on recent advancement in sugarcane production and protection technology are organized for cane personnel of sugar mills and farmers both in public-private and public-public partnership modes by involving research institutions, sugar mills, NGOs and extension agencies.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.29, Para No. 6.11)

2.44 The Committee note that Sugar Development Fund(SDF) is being utilized by the Government for various purposes such as providing loans for facilitating the rehabilitation and modernization of any sugar factory, loans for undertaking any scheme for development of sugarcane, grants for carrying out any project aimed at the promotion and development of any aspect of sugar industry, defraying expenses to sugar factory on internal transport and freight charges on export of sugar, loans to any sugar factory having an installed capacity of 2500 TCD or higher etc. It is observed that an amount of Rs.9296.33 crore have so far been disbursed from SDF since its inception and the sugar factories have repaid an amount of Rs.3661.84 crore (principal plus interest) as on 31.12.2012. The Committee are of the view that modernization of sugar mills and rehabilitation of sick sugar mills should be accorded due importance so as to ensure regular supply and availability of sugar in the market. The Committee, therefore, recommend that the sugar mills should be encouraged to avail loans/financial assistance from the SDF not only for the purpose of reviving the sick sugar mills but also for modernization/upgradation of the mills for improving their efficiency and production.

Reply of the Government

2.45 The Committee has recommended that the sugar mills should be encouraged to avail loans/financial assistance from the SDF not only for the purpose of reviving the sick sugar mills but also for modernization/upgradation of the mills for improving their efficiency and production.

Rule 16(1) of the Sugar Development Fund Rules, 1983, provides that any sugar undertaking, which is approved by a financial institution for assistance under this relevant scheme for modernization and rehabilitation for purpose of rehabilitation/modernization of its plant and machinery, shall normally be eligible for a loan under this Rule.

With a view to encourage sugar mills to avail SDF loan for modernisation/upgradation of the mills, the simplified procedure for availing the loan has been circulated to the State Governments, the apex organisations of the sugar industry vide letter dated 03.01.2013 and also put on the website of the department.

Amendment to the SDF Rules is considered from time to time to meet the emerging requirement in the industry. Recently the Central Government has amended the SDF Rules 1983 vide notification dated 30.07.2012 reducing the number of concurrent loans to be availed by the sugar mills under this category from two to one. This will facilitate more number of sugar mills to avail assistance under this scheme.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.30, Para No. 6.12)

2.46 The Committee note that the objective of the scheme "Subsidy for Maintenance of Buffer Stock of Sugar" is to give subsidy to the sugar mills to enable them liquidate the sugarcane price arrears. Under the Scheme, the amount of buffer subsidy disbursed was Rs.591.87 crore during 2002-03 and Rs.616.83 crore during 2006-07 sugar season respectively and cases involving an amount of Rs.20 crore and Rs.30 crore respectively are pending settlement due to lack of documentation. Now that a new Rule 19A has been inserted in the SDF Rules, 1983 for settlement of buffer stock claims, the Committee hope that the pending cases involving an amount of Rs.20 crore and Rs.30 crore would be settled during the current financial year.

Reply of the Government

2.47 The settlement of the buffer subsidy claims for the buffer stock created during period 2002-04 [18.12.2002 to 17.12.2004] is governed by the provisions of the Rule 19 of the SDF Rules, 1983. A new Rule 19A was inserted in the SDF Rules, 1983 vide notification dated 08.11.2007 for expeditious settlement of buffer subsidy claims for the buffer stock created during period 2007-08 [01.05.2007 to 31.07.2008].

As on 18.06.2013, the buffer subsidy amounting to Rs. 592.15 crore and Rs. 619.37 crore has been disbursed so far under the buffer stock created during the period 2002-04 and 2007-08 respectively. The claims amounting to Rs. 17.25 crore and Rs. 28.52 crore are pending for settlement under the buffer stock created during the period 2002-04 and 2007-08 respectively on account of non-submission of requisite documents from the claimant sugar mills. The concerned sugar mills have already been informed about the discrepancies/ shortcomings observed in their claims advising them to submit requisite documents in the prescribed time to settle the claims expeditiously. The Cane Commissioners have also been requested to advice the concerned mills to submit the documents. Further, the deficiencies found in the documents of these mills have been put on the web-site of the Directorate of Sugar. All efforts would be made to settle the pending claims within the current financial year.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.31, Para No. 6.15)

2.48 The Committee note that the physical target under the scheme reimbursement of internal transport and freight charges, ocean freight and handling and marketing charges on export shipment of sugar has never been achieved since the year 2008-09 onwards. However, the financial targets have been achieved except during the year 2010-11 when the achievement was Rs.146.81 crore against the target of Rs.150 crores. The reason for not achieving the targets is stated to be non-furnishing of requisite information/proper documents by the concerned sugar mills. The Committee, therefore, desire that concerted efforts should be made for achieving the physical targets also by reviewing the procedural formalities, if necessary, for settlement of claims.

Reply of the Government

2.49 The Committee has recommended that concerted efforts should be made for achieving the physical targets also by reviewing the procedural formalities, if necessary, for settlement of claims.

The above recommendations of the Committee have since been noted. All out efforts would be made for achieving the physical targets also for settlement of pending claims.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.33 Para No. 6.23)

2.50 The Committee express its concern over the continuous rise in price of sugar in the country. The Committee feel that the mismatch between production and demand for sugar is primarily responsible for rise in price of sugar. The Committee also note that production of sugar during sugar season 2011-12 was 263.43 lakh tonnes and sugar production estimated to be about 230 lakh tonnes in the current sugar season 2012-13. The Committee, therefore, strongly desire that Government should sincerely work for a long-term policy involving concerted efforts on the part of number of Departments/Ministries and take steps to achieve long-term stabilization of sugar production and its price thereof.

Reply of the Government

2.51 Sugar production in the country during last two sugar seasons 2010-11 and 2011-12 was 244 & 263 lakh tons respectively as against the domestic requirement of about 215 and 220 lakh tons. The sugar production during current sugar season 2012-13 is estimated at about 248 lakh tons as against the domestic consumption requirement of about 230 lakh tons. Hence, there is adequate availability of sugar in the country. The prices of sugar in the domestic market depends upon various factors namely; sugar production, carry-over stocks, domestic demand, international sugar prices and market sentiments etc. The sugar prices in the domestic market were stable except showing sudden spike during the months of August-September, 2012. The sudden spike was due to speculative tendencies on the news of drought like situation in some of the States as well as delay in commencing sugar production in Brazil. The Government took several measures including additional releases of non-levy sugar over and above the normal monthly quota for sale in domestic market. Thereafter, the prices remained stable.

The Government has constituted a committee under chairmanship of Dr. C. Rangarajan, Chairman to the Prime Minister's Advisory Committee, to look into all aspects of de-regulation of sugar sector. The Government has accepted the recommendations of the Committee and, has inter-alia, done away with the levy obligation on sugar mills for sugar produced after September, 2012 and dispensed with the regulated release mechanism on open market sale of non-levy sugar. The de-regulation of the sugar sector is likely to improve the financial health of the sugar mills, increase the cash flow, reduce their inventory cost and also result in timely and better payment of cane price to sugarcane farmers in the country.

In order to increase sugarcane production and productivity in the country, assistance is provided in a Centrally sponsored scheme on "Sustainable development of Sugarcane Based Cropping System(SUBACS)" under RKVY in many sugarcane growing states for field demonstration of production technologies, production of seed setts, setting of moist heat treatment plants and training of farmers etc. The Department of Agriculture & Co-operation is regularly monitoring the implementation of SUBACS and RKVY through field visits/ review meetings and issue administrative approval, releases funds on time for increasing productivity of sugarcane. The Central Government also provides loans to sugar mills from Sugar Development Funds at a concessional rate of interest for undertaking of any scheme for development of sugarcane in the area in which the sugar mill is located. The Government has also made 5% blending of ethanol with petrol mandatory vide notification dated 2nd January, 2013 for better exploitation of sugarcane crop. It would lead to stabilization of sugarcane production and thus sugar production.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.34, Para No. 7.8)

2.52 The Committee are concerned to note that the production of oilseeds in the country has been gradually declining over the last three years while the consumption of oils is increasing. The Committee observe that the net availability of edible oils during the years 2010-11 and 2011-12 was 97.82 and 89.57 lakh tonnes while the total consumption was 170.24 and 189.00 lakh tonnes respectively. The shortfall was met by import from other countries. The net availability of edible oil from domestic sources in the year 2012-13 was 89.90 lakh tonnes and the edible oil imported was 16.41 lakh tonnes (upto December, 2012) and the total consumption figure is yet to be ascertained. The Committee note that production of oilseeds has decreased due to decline in acreage under cultivation, less monsoon rains in major oilseeds growing states and lesser yield of oilseeds etc. The Government is making efforts to ensure availability of edible oils by fixing import duty on refined edible oils at 7.5%, continuing ban on export of edible oils, authorizing State Governments to impose stock limits on edible oils and providing relief to consumers especially BPL households by distribution of subsidized imported edible oils. A Centrally Sponsored Integrated Scheme of Oilseeds, Oil, Palm and maize (ISOPOM) in 14 major oilseeds, 15 maize growing States and 9 oil Palm growing States is also being implemented to enhance the production and productivity of edible oils. Financial assistance is provided under the scheme for purchase of breeder seeds, distribution of plant protection chemicals, supply of micronutrients and improved agricultural implements, training, publicity etc. Despite all steps taken, the production of oilseeds has not increased to meet the domestic oil consumption requirements. The Committee, therefore, recommend that the Department of Food & Public Distribution in coordination with the Ministry of Agriculture, ICAR and State Governments should pay more attention towards the proper implementation of all the schemes including R&D for increasing the production of oilseeds in the country.

Reply of the Government

2.53 The production of oilseeds has increased from 24.35 million tons in 2004-05 to 30.72 million tons in 2012-13(as per 3rd Advance Estimates). The highest production of oilseeds to the tune of 32.48 million tons was achieved during 2010-11. However, the production also fluctuates due to weather aberrations and low moisture availability at the time of sowing.

The Department of Agriculture and Cooperation is in the process of finalizing the National Mission on Oilseeds & Oil Palm (NMOOP) for increasing production /productivity of oilseeds and area expansion under oil palm and Tree Borne Oilseeds (TBOs) for augmenting the domestic production of vegetable oils in the country. The outlay for this Mission is Rs. 3507 crores for the 12th Plan. The proposed NMOOP will consist of three Mini Missions i. e. (i) Mini Mission on oilseeds in 19 states, (ii) Mini Mission on oil palm for 15 states and (iii) Mini Mission on Tree Borne Oilseeds in 28 states.

The Indian Council of Agricultural Research (ICAR) is under taking research programmes in different oilseed crops at four commodity based institutes. The research programme includes basic and strategic research related to crop improvement, production and protection technologies in different oilseed crops which form a base for applied research. The information so developed will be used by six All India Coordinated Research Projects on specific oilseed crops to develop location specific varieties and technologies as per agro-ecologies for enhancing production and productivity. The contribution of improved technologies in oilseeds has resulted in increasing oilseed productivity continuously (1133 kg/ha in 2011-12) despite marginal variation in acre and production. Some of the initiatives being pursued by ICAR in the XII Plan are:-

- Development of short duration high yielding hybrids in mustard, sunflower, castor and sesame

- Using cutting edge technologies for solving biotic stresses viz. Necrosis in sunflower, botrytis in castor, lepidopteran pests in castor, soyabean and groundnut, white rust in mustard and improving oil quality etc.

- Improving input use (nutrients & moisture) efficiency and reduction in cost of cultivation of oilseeds.

- Development of genomic resources for abiotic stresses/climate adaptation traits and climate resilient technologies for adaptation.

- Developing bio pesticides based IPM technologies.

- Organizing Front line Demonstrations (FLDs) and Tribal Sub Plan (TSP) activities on latest improved technologies of oilseeds.

- Exploration of oilseed cultivation in non traditional areas such as mustard in rice/rabi fallows of Eastern India, Summer Groundnut in Assam, West Bengal, Odisha, Andhra Pradesh, Karnataka and Uttar Pradesh; Safflower in Gujarat and Madhya Pradesh, besides as intercrop in major crops of the region etc.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

(Comments of the Committee)

2.54 Please *see* Para No.1.26 of Chapter-I of the Report.

CHAPTER III

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

Recommendation (Serial No.10, Para No. 3.54)

3.1 The Committee observe that the PDS(Control) Order, 2001 mandates the States/UTs to formulate suitable guidelines for identification of BPL/AAY families as per the poverty estimates adopted by the Central Government. Detailed guidelines issued for identification of eligible AAY families in December 2000 have since been expanded three times in 2003-04, 2004-05 and 2005-06. The Committee also note that the Ministry of Rural Development have commenced the Socio-Economic and Caste census 2011 through a comprehensive door to door enumeration across the country to generate information on a large number of socio-economic indicators of households across the country. As about 97% of the enumerators has been completed, the Ministry of Rural Development has constituted on Expert Committee on 28 December, 2012 under the chairmanship of Prof. Abhijit Sen to examine the SECC indicators and for data analysis and recommend appropriate methodologies for determining classes of beneficiaries for different rural development programmes. The Committee understand during the course of their discussion with the representatives of the Ministry of Consumer Affairs, Food and Public Distribution at the time of the examination of the National Food Security Bill, 2011 that the final result of the SECC will be used by the States/UTs for identifying the households for becoming eligible to get benefit under the ensuing National Food Security Bill and various other development/Welfare Schemes of the Central Government. The Committee, therefore, urge the Department of Food and Public Distribution to closely coordinate with the Ministry of Rural Development so as to persuade them to expedite the work relating to examination of the SECC data analysis and recommend appropriate methodologies for determining the classes of beneficiaries for different rural development programmes on topmost priority.

Reply of the Government

3.2 National Food Security Bill, 2011 (NFSB) inter alia provided that the Central Government may prescribe the guidelines for identification of priority households and general households for entitlements under the Act and that within the number of persons belonging to the priority households and general households determined for each State, identification of households shall be done by the State Governments or such other agency as may be decided by the Central Government in accordance with those guidelines.

The Standing Committee on Food, Consumer Affairs and Public Distribution examined the National Food Security Bill, 2011 and gave their report in January, 2013. The Committee inter alia recommended on the issue of identification of beneficiaries under Targeted Public Distribution System (TPDS) that a simple and fair way of setting State-wise exclusion ratios should be prescribed with the cut-offs set in such a way that 25% of the rural population and 50% of the urban population are above the respective cut-offs at the national level. The Standing Committee further recommended that clearly defined exclusion criteria be devised in consultation with State Governments. Recommendations of the Committee were examined in consultation with concerned Central Ministries and States/UTs. Based on the recommendations and views of various stakeholders thereon, Government proposed certain amendments to the Bill and notice for consideration and passing of the Bill, along with notice for official amendments, was given in the Lok Sabha on 20.03.2013. As regards identification of beneficiaries under TPDS, it was decided that State-wise coverage will be based on inclusion ratios determined for each State by the Central Government corresponding to coverage of 75%/50% of the rural/urban population at the all India level and will be prescribed separately. As regards recommendation of the Standing Committee to devise exclusion criteria in consultation with States, it was felt that it would be difficult to evolve a consensus with State Government over this issue. Therefore, within the inclusion ratios determined for each State, the work of identification of households may be left to States/UTs, who will be free to develop their own criteria or use the SECC data, if they so desire.

Although the Government moved the motion in the Budget Session, 2013 for consideration and passing of the Bill, along with official amendments, the Bill could not be considered and passed. In view of the time that has already lapsed in passing of the Bill and further delay involved in getting it passed through Parliament in the normal course, the Government has promulgated the National Food Security Ordinance, 2013 (NFSO) on 05.07.2013 to ensure that the benefits of the proposed legislation reach the people at the earliest. The NFSO provides that within the coverage under TPDS determined for each State, the State Government shall identify the households to be covered under the Antyodaya Anna Yojana (AAY) in accordance with the guidelines applicable to the said scheme and the remaining households as priority households to be covered under the TPDS, in accordance with such guidelines as the State Government may specify.

It may be seen from the above that earlier the NFSB provided that identification of households to determine coverage of population under TPDS was to be done by State Governments or any other agency as decided by the Central Government, in accordance with the guidelines prescribed by the Central Government. On the other hand, the NFSO now provides that identification of households under TPDS would be done by the State Governments and guidelines for which would also be specified by them (other than for AAY households). However, as recommended by the Standing Committee, the Ministry of Rural Development (Department of Rural Development) has been requested to expedite Socio-Economic and Caste Census (SECC) data analysis.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.11, Para No. 3.59)

3.3 The Committee note that a Nine Point Action Plan, which inter-alia includes continuous review of BPL/AAY lists and to eliminate bogus/ineligible ration cards alongwith taking strict action against the guilty was evolved in 2006 in consultation with State/UT Governments so as to ensure leakage free distribution of foodgrains. As a result of the instructions issued to all States/UTs Governments to carry out an extensive campaign to review the existing list of BPL/AAY families and to eliminate bogus/ineligible ration cards, 28 State/UT Governments have reported deletion of 362.26 lakh bogus/ineligible ration cards since July, 2006. All State/UT Governments were also instructed to issue warnings to the bogus ration card holders through advertisements on the newspapers and to surrender the bogus ration cards. The State/UT Governments have also reported departmental action including suspension, lodging of FIR and recovery action in respect of staff held responsible for issue of bogus ration cards. While appreciating all these steps taken, the Committee are constrained to note that a large number of bogus/ineligible ration cards continue to exist in several States/UTs in the country. The Committee, therefore, strongly recommend the Department to take even more proactive steps in consultation with the States/UT Governments to review the BPL/AAY lists so as to detect and delete bogus/ineligible ration cards on a continuing basis while ensuring that genuine BPL/AAY families are not deprived of the benefits of Public Distribution System (PDS).

Reply of the Government

3.4 PDS (Control) Order, 2001 mandates the State Governments for formulating suitable guidelines for the purpose of identification of families living below the poverty line (BPL), including Antyodaya families as per the estimates adopted by the Central Government. The order further required that State Governments shall get the lists of BPL & Antyodaya families reviewed every year for the purpose of deletion of ineligible families and inclusion of eligible families. Besides, State Government shall conduct periodical checking of ration cards to weed out ineligible and bogus ration cards and bogus units in ration cards. Such an exercise shall be a continuous one by the State Government to check diversion of essential commodities. Instructions were also issued to all State/UT Governments to carry out an intensive campaign from October, 2009 to December, 2009 to review the existing lists of Below Poverty Line (BPL)/Antyodaya Anna Yojana (AAY) families and eliminate ineligible/bogus ration cards. As a result thereof, 28 State/UT Governments have reported by 31.03.2013, deletion of 364.01 lakh bogus/ineligible ration cards.

Further, on the basis of recommendations made by the Standing Committee of the Department in its 16th Report, all the States/UTs have been advised to launch a special drive during 2012-13 (upto March 2013) to identify and issue ration cards to poor families under AAY or BPL who have not been issued the ration cards or who have not yet been included under AAY/BPL list.

Digitization of ration card database in States/UTs being undertaken under the scheme of end-to-end computerisation is expected to lead to elimination of bogus ration cards through the process of de-duplication. Computerisation of PDS will ensure proper identification of beneficiaries and distribution of foodgrains to the intended beneficiaries.

Further, in view of recommendation of Standing Committee, instructions to all stake holders are being issued in this regard.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.13, Para No. 3.68)

3.5 The Committee also note that the State/UT Governments have been authorized to fix margin over and above the Central Issue Price(CIP) to be charged by the FPS Dealers to cover transport charges, margin etc. for distribution of foodgrains to the TPDS beneficiaries. However, in case of AAY, the end retail price of foodgrains is to be retained at Rs.2/- per kg for wheat and Rs.3/- per kg for rice. Though fixing of FPS margin comes under the domain of State/UT Governments, the Central Government has been advising the State/UT Governments from time to time to ensure viability of FPS operations by increasing FPS dealer's margin. The Committee are happy to note that the issue of FPS dealer's margin was taken up by the Hon'ble Minister of State in-charge of Consumer Affairs, Food and Public Distribution with Hon'ble Chief Ministers/Administrators in States/UTs. The Committee, however, regret that whether all these efforts made by the Government have any positive impact on the FPS operations in the country is not known. The Committee, therefore, recommend that the Department should examine the proposal of some states regarding bearing of expenditure by the Central Government on the margins paid to the FPS dealers in respect of foodgrains distributed to AAY category and also take necessary steps to ensure viability of FPS operations in the country.

Reply of the Government

3.6 TPDS is operated under the joint responsibility of Central and State Governments wherein the fixation of margin to Fair Price Shop Dealers is the responsibility of the concerned State /UT Government. Central Govt. has given flexibility to the State/UT Governments in the matter of fixing the margin for the FPS for distribution of foodgrains to TPDS beneficiaries.

State/UT Governments had made requests that on the line of Above Poverty Line (APL) category, they should be given flexibility in determining the margin to FPS owners and fixing of retail issue prices for foodgrains issued to BPL category. The requests from State/UT Governments were considered in this Department and they have been given flexibility vide this Departments letter No.6(4)/2001-PD-I dated 28.8.2001 in the matter of fixing the margin for the Fair Price Shops for distribution of foodgrains to BPL families under TPDS. This is, however, not to apply to the distribution of foodgrains under Antyodaya Anna Yojana where end retail price is to be retained at Rs.2/- a kg for wheat and Rs.3/-

a kg for rice. The rates of commission to FPS owners are, therefore, to be determined by the respective States/UTs.

As regards recommendations that Department of Food and Public Distribution should bear the expenditure on FPS dealers margin, it is stated that in the official amendments proposed to the National Food Security Bill, it is provided that Central Government shall provide assistance to State Governments in meeting the expenditure on intra-State movements, handling of foodgrains and margin paid to FPS dealers in accordance with norms and manners to be prescribed by Central Government. The Government has promulgated the National Food Security Ordinance, 2013 (NFSO) on 05.07.2013.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.14, Para No. 4.6)

3.7 The Committee note with concern that a large amount of dues are still outstanding against the Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains provided to them by FCI for various welfare schemes on payment basis. The Committee have been informed that outstanding amount against Ministry of Rural Development as on 31.03.2013 is Rs. 2890.82 crore for each of the years 2010-11, 2011-12 and 2012-13. The amount outstanding against Ministry of Human Resource Development as on 31.03.2013 for the year 2010-11, 2011-12 and 2012-13 is Rs. 176.97, Rs. 317.99 and Rs. 397.93 crore respectively, which exclude revolving fund of Rs. 300 crore provided by the Ministry of Human Resource Development. The Committee are surprised to note that no time limit has been fixed for making payment by the Ministry of Rural Development for foodgrains supplied under SGRY Scheme which has been closed on 31.3.2008. In respect of Mid-Day Meal Scheme (MDM) of the Ministry of Human Resource Development, there is time limit of 20 days for making payment after submission of bills in the subsequent month (time for submission of bills is 10 days) by the District Authorities under the Decentralized Scheme of Payment. However, the prescribed time limit is not adhered to strictly by the Ministry of Human Resource Development/District Authorities. The Committee find that despite various steps taken by the Department of Food and Public Distribution and even after intervention at Minister's level with the Ministry of Finance and other concerned Ministries i.e. Ministry of Rural Development and Ministry of Human Resource Development, huge amount is still outstanding for several years. The Committee view this with grave concern and reiterate its earlier recommendation made in the report on Demands for Grants (2012-13) and desire that the Department should find ways and means to liquidate these outstanding dues at the earliest so as to avoid undue burden on ever increasing Food Subsidy Bill. The Committee also desire that a time limit should be fixed within which Ministries are required to make payment.

Reply of the Government

3.8 The issue of outstanding dues of the FCI pending against the Ministry of Rural Development (MoRD) and Ministry of Human Resource Development (MoHRD) has been taken up with these Ministries at the highest level from time to time.

In case of Ministry of Rural Development, an amount of Rs.2890.82 crore is outstanding dues of FCI against MoRD in respect of foodgrains released under SGRY Scheme. This scheme has been closed on 31.03.2008. Since then an amount of Rs.2890.82 is constant in pending despite regular follow up by this Deptt./FCI. The matter is regularly followed up with the MoRD through letters and discussion in the meetings. Last such meeting was held on 07.05.2013.

In case of Ministry of Human Resources Development also, the matter for settlement of outstanding dues of FCI has been vigorously pursued at all level to ensure the timely payment of dues for foodgrains supplied for MDM. A meeting was also held in this regard with officers of MoHRD on 26.12.2012.

It is submitted that due to continuous efforts made by D/o Food & PD and FCI, the outstanding dues against MoHRD has been fully settled for the period upto 31.03.2010 i.e the period upto which payment was being made on Centralized basis.

For the period from 01.04.2010 onwards when decentralised payment system was introduced, as per information furnished by FCI, as on 01.04.2013 an amount of Rs.353.89 crore was due against foodgrains supplied under MDM, which also include revolving fund of Rs.300 crore.

Besides, this matter is also being taken up with MoHRD to convert the present credit based payment system into pre-payment system at decentralized level.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.15, Para No. 4.10)

3.9 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 also deeply concerned that a large part of the food subsidy goes towards the establishment cost of FCI which increased from

Rs.160.92 crore in 2011-12 to Rs.335.11 crore in 2012-13 despite reducing the sanctioned staff strength from 55,045 to 36,515 in the year 2010. The Establishment Cost is, therefore, still very high and it should be kept under check as the poor are deprived of foodgrains to the extent the food subsidy amount is diverted towards the establishment cost. The Committee, therefore, strongly recommend that ways and means should be devised by the Department so as to reduce the Establishment Cost and ensure that the maximum amount of food subsidy is utilized for distribution of foodgrains to the poor section of the society, who are the most legitimate beneficiaries.

(Reply of the Government)

3.10 Food Corporation of India is following instructions on economy measure and rationalization of expenditure issued from time to time by Government of India to keep the establishment cost to its barest minimum.

The Establishment Cost of FCI for 2011-12 (Audited) and 2012-13 Revised Estimated (RE) are as under:

(Amt. in Rs crores)

Establishment Cost	**2011-12 (Audited)**	**2012-13 (RE)**
(i) Staff Cost	2285.28	3058.50
(ii) Other Administrative Cost	160.92	335.11
Total Establishment Cost	**2446.20**	**3393.61**

From the above it can be seen that the total establishment cost of FCI has increased from Rs. 2446.20 Crores in 2011-12 to 3393.61 Crores in 2012-13(RE). The increase from Rs. 160.92 crores in 2011-12 to Rs. 335.11 crores in 2012-13(RE) relates to the “other Administrative Cost”. This “Other Administrative cost” is part of the total Establishment Cost. The Staff cost mentioned in the above table includes the cost of outsourcing which is resorted due to the shortage of manpower. The Net Staff Cost of FCI which is incurred on the employee has increased from Rs. 2263.04 crores in 2011-12 to 3001.00 crores in 2012-13(RE). i.e. an increase of 32.61 %.

The Main reasons for increase in the Staff Cost are as under:-

While preparing budget for 2012-13(RE), it was estimated that approximately 3654 new recruits would join the FCI.

Due to the large number of retirement in 2012-13, payment of retirement benefits (DCRG, EL on retirement) have increased from Rs. 466.26 crores in 2011-12 to Rs. 550 crores in 2012-13(RE). A retired person gets his terminal dues which is almost equivalent to 2 years’ salary.

Overtime has increased as manpower strength has considerably reduced. The expenditure on the overtime has increased from Rs. 19.11 crores in 2011-12 to Rs. 43.00 crores in 2012-13(RE).

During 2011-12, the PLI for the employees of FCI was not approved and the same got approved during 2012-13. Thus the cost on account of PLI includes the PLI cost for 2011-12 and 2012-13.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M.No.G-20017/6/2013-AC dated 25th July, 2013]

Recommendation (Serial No.16, Para No. 4.14)

3.11 The Committee are concerned to note that as on 31.01.2013, the utilization of CAP (owned) storage capacity of FCI was only 37% and that of CAP(hired) capacity was only 60%. The Committee are constrained to observe that on the one hand, there is overall shortage of storage facilities in the country and, on the other, the FCI could not make full use of their owned and hired CAP storage capacity. Besides, FCI has been spending a huge amount every year for the last many years on hiring the godowns. The Committee, therefore, desire that utmost care should be exercised by FCI to maximize storage capacity utilization for owned as well as hired godowns. The Committee also strongly recommend that FCI should ensure that their owned capacity is utilized to the maximum before hiring any storage capacity in order to save precious funds, on hiring the storage space to the extent possible.

(Reply of the Government)

3.12 It is submitted that CAP (Cover and Plinth) capacity is used as a temporary mode of storage for a short duration only when no covered capacity is available at a particular location. Further, this capacity is used to store wheat/paddy only and not rice. These factors are responsible for lower utilization of CAP capacity as it is utilized only as a last resort and that too for wheat/paddy only. Further, in some Regions/Zones CAP capacity is not utilized due to local climatological situations.

During the procurement months of April to June, wheat is procured in the states of Punjab, Haryana, M.P. and U.P. etc. which is despatched to the consuming states throughout the year. Therefore the capacity utilization of CAP capacity, which is mainly concentrated in wheat procuring states, is high during the peak season but goes on declining continuously as the stocks are despatched to the consuming areas/states throughout the year.

During the Year 2012-13, the storage capacity with CAP(Owned/Hired), stocks held and its percentage utilization was as follows:-

(Fig. in Lakh MT)

Month	CAP capacity					
	Owned	Stocks	Utilization	Hired	Stocks	Utilization
Apr-12	26.36	9.62	36	8.65	7.28	84
May-12	26.36	16.63	63	10.22	13.00	127
Jun-12	26.36	18.32	69	12.35	17.12	139
Jul-12	26.36	18.21	69	13.54	16.59	123
Aug-12	26.36	16.30	62	12.53	13.95	111
Sep-12	26.37	14.41	55	13.79	11.54	84
Oct-12	26.37	13.42	51	12.57	9.20	73
Nov-12	26.37	12.29	47	11.28	8.30	74
Dec-12	26.37	10.97	42	10.72	7.27	68
Jan-13	26.37	9.87	37	10.43	6.24	60
Feb-13	26.37	7.83	30	11.12	5.55	50
Mar-13	26.37	5.52	21	11.07	4.85	44
Average	26.37	12.78	48	11.52	10.07	87

From the table above it can be seen that the utilization of owned CAP capacity was maximum in the month of June, July 2012 i.e. 69% with average utilization of 48%. The utilization of hired capacity was maximum in the month of June, 2012 i.e. 139% with a average utilization of 87%.

As far as the lower utilization of owned capacity is compared to the hired capacity, it may please be noted that this is a rather natural phenomenon due to the following reasons:

1. The Storage Capacity is hired only when there is absolute necessity of the same which becomes all the more reason for it to be fully/more utilized.

2. The owned capacity once constructed at a particular place/location cannot be shifted if the same is required at a different location due to changed procurement pattern or change in off take of foodgrains on account of consumer preference etc. whereas the hired capacity can be de hired and re hired as per requirements making its utilization more than the owned capacity.

3. Owned capacities are created at certain remote/hill areas also keeping in view the regional requirements where private parties do not come forward to offer hired capacity. Higher utilization of capacity in such places is not possible due to various factors such as difficult terrain, improper

infrastructure, climatic conditions, limitation of railways/other transportation facilities etc. Examples of the same are NE Zone, Himachal Pradesh, J&K etc.

4. Many a times hired capacity is taken on AUB (Actual Utilization Basis) where the capacity hired is shown equal to stock stored there in making the capacity utilization 100% thereby increasing the overall capacity utilization of hired capacity as compared to owned capacity.

5. Some part of the owned capacity remains under repair and maintenance resulting in overall less utilization as compared to hired capacity because the hired capacity is taken only when it is fully storage worthy.

6. Often it is not cost effective to undertake long distance transportation and double handling of food grains just to ensure utilization of FCI vacant space at far off places in place of hiring the fresh storage space at the place where it is required because of proximity to the procurement or consumption centres.

7. As has already been stated above, CAP capacity is used only for storage of wheat, many a times this becomes the reason for low utilization of CAP capacity as compared to covered capacity which can be used for all the commodities.

Further, it is submitted that adequate checks and balances are in place in the form of Internal Audit so as to ensure proper utilization of available capacity whether owned or hired and to ensure that no infructuous expenditure is made on account of rental charges by hiring the godowns unnecessarily. Review of capacity utilization is also carried out by Regional Offices/ Zonal Offices/FCI HQs. to ensure optimum utilization of storage capacity and to minimize the cost of storage.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
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Recommendation (Serial No.22, Para No. 5.5)

3.13 The Committee note that the outstanding dues of Central Warehousing Corporation (CWC) have been rising continuously during the last three years - from Rs.215.00 crore in 2010-11 to Rs.260.00 crore in 2012-13. The Committee also observe that with the approval of the Board of Directors of CWC, an amount of Rs.9.47crore was written off in the year 2010-11 against the outstanding dues in respect of the Fertiliser Corporation of India Ltd.(FCIL) considering the fact that FCIL was referred to Board for Industrial and Financial Reconstruction (BIFR). Though the functioning of CWC may not suffer on account of outstanding dues being a profit making PSU, yet the Committee desire that the Corporation should make efforts to liquidate the outstanding dues fully at the earliest. The Committee further urge the Corporation not to write off bad debts in respect of any PSU before exercising every option available under the rules in this regard.

(Reply of the Government)

3.14 The total outstanding dues of the Central Warehousing Corporation (CWC) has increased from Rs. 228 crore as on 31.03.2011 to Rs. 260 crore(provisional) as on 31.03.2013. During the same period, the total income of the Corporation has increased from Rs. 1030 crore in 2010-11 to Rs. 1400 crore (provisional) in 2012-13. Though the total outstanding dues amount has increased in absolute terms, yet as a percentage of the total income, it has declined from 22.13% as on 31.03.2011 to 18.57% as on 31.03.2013.

Major amount of the outstanding, out of Rs. 260 crore as on 31.03.2013 is against the Food Corporation of India (FCI) amounting to Rs. 159.11 crore. This amounts to about 61% of the total outstanding dues. In order to liquidate the outstanding dues of FCI, besides regular meeting at the level of Area Managers, General Managers (Region), and Executive Directors (Zones) of FCI, the matter is also being taken up regularly with the FCI headquarters. Besides, meetings at the level of the Department of Food & Public Distribution is being organized and the Corporation is hopeful that these steps would bring down the outstanding dues of FCI considerably during the coming days.

As regards writing off the bad debts, the Corporation undertakes writing off bad debts only as a matter of last resort after exhausting all options to realize the outstanding dues and after obtaining the approval of the Board of Directors. However, as advised by the Committee, it would be ensured that before writing off bad debts, all options to realize the same would be explored.

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Recommendation (Serial No.28, Para No. 6.7)

3.15 The Committee observe that the Government had created a buffer stock of 20 lakh tonnes and another buffer stock of 30 lakh tonnes for a period of one year from 01.05.07 to 30.04.08 vide notification dated 20.04.07 and from 01.08.07 to 31.07.08 vide order dated 01.08.07 respectively. Subsequently, when the production of sugar declined, the Government dismantled the buffer stock on their due dates. The Committee feel that maintaining buffer stock of sugar is very much essential to meet the requirement of PDS as also crisis situation in the years of deficit sugar production. The Committee, therefore desire that government may review its buffer stock policy with a view to exploring the possibility of maintaining buffer stock of sugar and take appropriate measures in this regard.

Reply of the Government

3.16 The Central Government had created a buffer stock of 50 lakh tones out of non-levy stock for a period of one year when there was excess production of sugar in 2006-07 and 2007-08 sugar seasons to stabilize sugar prices in the open market.

The Central Government has since reviewed its sugar policy in April,2013 in the light of the recommendations of Dr. C. Rangarajan Committee on deregulation of sugar sector. The Government has accepted the recommendations of the Committee and has, inter-alia, done away with the levy obligation on sugar mills for sugar produced after September, 2012 and dispensed with the regulated release mechanism for sale of non-levy sugar. Under the new dispensation, the State Government/UTs are required to procure sugar from the open market through a transparent mechanism to make sugar available in the Targeted Public Distribution System (TPDS) at the existing Retail Issue Price (RIP) of Rs 13.50 per kg and the Central Government would reimburse the subsidy @Rs. 18.50 per kg, limited to the quantity as per their existing allocation. As such, there is no need to have buffer stock for meeting PDS requirements.

As regards, meeting sugar requirement during the years of low production, the Government is of the view that the appropriate export/import policy coupled with the removal of regulated release mechanism would ensure adequate availability of sugar in the years of deficit sugar production.

It is pertinent to mention that the sugar production during last two sugar seasons 2010-11 and 2011-12 was 244 and 263 lakh tons, respectively which was sufficient to meet domestic requirement. Sugar production during current sugar season 2012-13 is estimated at about 248 lakh tons as against the domestic consumption requirement of about 230 lakh tons. Sugar production in the ensuing 2013-14 sugar season is projected to be less than the current sugar season due to lower sugarcane production in drought affected states. However, with a carryover stock of about 85 lakh tones, the availability of sugar would be sufficient to meet the domestic requirement.

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(Department of Food & Public Distribution)
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Recommendation (Sl.No.32 Para No.6.21)

3.17 The Committee are shocked to note that cane price arrears to farmers are constantly on the rise and the outstanding cane price arrears are as high as Rs. 11102.96 crore as on 15th February, 2013. The Committee are pained to note that although payment of sugarcane arrears is required to be made within 14 days of the supply of sugarcane by the farmers, it is, however, rarely done. Cane price arrears pertaining to sugar season 2012-13 and earlier are still outstanding. Fatty outstanding cane arrears often prompt cane growers to shift to other crops every two years or so which leads to occasional shortfall in sugar output, pushing up consumer prices and a glut deficit cycle. The Committee feel that non-payment of cane price arrears in time can be discouraging and might refrain the farmers from growing sugarcane who may opt for producing other crops. Farmers need to be paid remunerative price immediately on delivery of his agricultural produce. Based on recommendations of the Rangarajan Committee, Government has further decided for removal of levy sugar obligation and dispensing with the regulated release mechanism on non-levy sugar which in turn would affect the profitability of millers and bargaining power of farmers. During evidence, the Secretary, Department of Food & Public Distribution stated that by doing away with the practice of compulsory requisition of part production from sugar factories as levy sugar for distribution to Public Distribution System will, in turn, improve the financial position of the sugar mills and will enable them to make payment of care price arrears at the earliest. The Committee hope that the Government's attempt to decontrol sugar will play a significant role in reducing the cane price arrears of sugar mills. The Committee note that Sugarcane (Control) Order, 1966 also empowers the State Government to recover cane price arrears from defaulting sugar mills as land revenue arrears and desire that strict action should be taken against defaulting sugar mills under the provisions of the order. The Committee, therefore, strongly recommend that to protect the interests of the sugarcane farmers and to motivate them to continue growing sugarcane, the aids/grants given to the sugar mills should be suspended till they liquidate the cane price arrears with interest.

Reply of the Government

3.18 The outstanding cane price payment as on 15.4.2013 is about Rs. 12359 crores. The Sugarcane (Control) Order, 1966 stipulates payment of interest at the rate of 15% per annum on amount due for the delayed period beyond 14 days. The powers for enforcing this provision are delegated and vested with the State Governments/UT Administrations who have necessary field formations. State Governments are also advised by the Central Government from time to time to reduce cane arrears.

However, when the sugar price decline, which generally happens in the years of surplus sugar production, the Central Government, at times, extends assistance to mills through schemes like creation of buffer stock, export subsidy etc. The funds disbursed under such schemes are linked to settlement of cane price arrears as a first priority. If the Government accepts the suggestion of the Committee, it would not be able to extend assistance under these schemes to sugar mills having cane price arrears and ultimately sugarcane farmers may suffer.

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(Department of Food & Public Distribution)
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CHAPTER IV

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

Recommendation (Serial No.2, Para No. 3.6)

4.1 The Committee regret to note that after 16 years of launching the scheme and despite of their repeated recommendations for taking concrete steps to try and convince the States/UTs to adopt the Decentralized Procurement Scheme (DCP), the scheme has so far been adopted by only 9 States/UTs for Rice and 5 States for Wheat respectively. Government of Uttar Pradesh had been procuring wheat under the DCP Scheme upto KMS 2008-09 but have discontinued the system. Governments of Andhra Pradesh and Rajasthan have expressed their willingness to adopt the DCP mode from KMS 2012-13 and RMS 2013-14 respectively. While noting that procurement of foodgrains is more effective under the Decentralized Procurement (DCP) Scheme since non-decentralized procurement involves one additional handling transaction of FCI taking over the stock of foodgrains and releasing them to the State Governments, the Committee are fully convinced that the remaining States/UTs should also adopt the DCP Scheme at the earliest possible. It has become all the more essential for the States/UTs to adopt the DCP Scheme in view of the anticipated implementation of the National Food Security Bill. The Committee, therefore, strongly recommend that the Department of Food and Public Distribution should make earnest efforts to ascertain the problems being faced by the States/UTs and provide maximum assistance possible to all the States/UTs to enable them to adopt the DCP Scheme. The Department should expedite discussion not only with the Government of Rajasthan who expressed willingness to adopt the scheme, but also make sincere efforts to encourage the Government of Uttar Pradesh who discontinued DCP Scheme since KMS 2008-09 and all other States/UTs so as to persuade them to adopt the scheme.

(Reply of the Government)

4.2 The Government of India makes active effort to pursue State Governments to adopt the Decentralized System of Procurement (DCP) Scheme. With the efforts made in this regard, Government of Andhra Pradesh has adopted the Decentralized Procurement (DCP) Scheme of procurement from KMS 2012-13 onwards. Government of Rajasthan has adopted the DCP mode of procurement w.e.f. RMS 2013-14, initially in the Alwar district of the State. State Government has been requested to adopt the DCP mode in the entire State from 2014-15 onwards. The decision regarding adoption of DCP system lies with the State Government. The determining factors are infrastructure and resources available with the respective State Governments including manpower, storage and necessary logistics required for procurement and accordingly, State Government’s readiness to undertake DCP procurement. Citing infrastructural problems, Governments of Delhi, Haryana and Sikkim have conveyed their inability to adopt the DCP system of procurement. Among the infrastructure required for procurement operations, storage facilities for foodgrains is a major factor. For this purpose the Government has formulated the Private Entrepreneur Guarantee (PEG) scheme for construction covered storage godowns through private entrepreneurs, CWC and State Warehousing Corporation (SWC). Under the PEG Scheme, FCI gives guarantee for the storage charges to the private investors for ten years. A capacity of 197 (as on 31.03.2013) lakh tonnes has been approved for construction of godowns in 19 States under PEG Scheme.

The Government of Uttar Pradesh had been procuring rice under the DCP Scheme upto KMS 2008-09, but have discontinued the system after this period, on the stated grounds of pending procurement incidentals and delay in receipt of food subsidy bills. The delay, in certain cases in this regard, was on account of delay on the part of the State Government in submitting their claims.

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Comments of the Committee

4.3 Please *see* Para No. 1.8 of Chapter-I of the Report.

CHAPTER V

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

- NIL -

NEW DELHI
9 December, 2013
18 Agrahayana, 1935 (Saka)

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

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2013-14) HELD ON MONDAY, 9TH DECEMBER, 2013

The Committee sat from 1500 hrs. to 1615 hrs. in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Vilas Muttemwar - Chairman

MEMBERS

LOK SABHA

2. Smt. Harsimrat Kaur Badal
3. Shri Harishchandra Chavan
4. Shri Eknath M. Gaikwad
5. Shri Ponnam Prabhakar
6. Shri C.Rajendran

RAJYA SABHA

7. Dr. Bhushan Lal Jangde
8. Dr. Bharatkumar Raut
9. Dr. T.N.Seema
10. Shri Veer Singh

SECRETARIAT

1. Shri P.K.Misra - Additional Secretary
2. Smt. Veena Sharma - Director
3. Shri Khakhai Zou - Under Secretary

LIST OF WITNESSES

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

1. XXXXXXX - XXXXXXX
2. XXXXXXX - XXXXXXX

At the outset, Hon'ble Chairman welcomed the members to the sitting of the Committee. The Committee first considered the draft report on action taken by the Government on the observations/recommendations contained in the 28th Report of the Committee on Demands for Grants (2013-14) pertaining to the Department of Food and Public Distribution. After due deliberation, the Committee unanimously adopted the draft Report without any amendments/modifications.

2. Thereafter, Senior Economic Advisor and other officials of the Department of Consumer Affairs were invited to the sitting of the Committee to tender oral evidence on the subject 'National Test House (NTH) – Facilities for Testing, Evaluation and Calibration of Engineering Equipments'.

XXXXXXXXX

The Committee then adjourned.

APPENDIX II

(*Vide* Para No. 4 of Introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWELFTH REPORT OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2010-11)

(FIFTEENTH LOK SABHA)

(i) Total number of Recommendations: 34

(ii) Observations/Recommendations which have been accepted by the Government :

Serial Nos.:- 1, 3, 4, 5, 6, 7, 8, 9, 12, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 29, 30, 31, 33 and 34.

Para Nos:- 2.8, 3.12, 3.19, 3.28, 3.35,3.36, 3.44, 3.50, 3.67, 4.18, 4.23, 4.24, 4.25, 4.28, 5.9, 5.18, 5.19, 5.20, 6.5, 6.11, 6.12, 6.15, 6.23 and 7.8

(Chapter – II, Total - 24)

Percentage : 70.59%

(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government

Serial Nos. 10, 11, 13, 14, 15, 16, 22, 28 and 32

Para Nos. – 3.54, 3.59, 3.68, 4.6, 4.10, 4.14, 5.5, 6.7, and 6.21

(Chapter – III, Total - 9)

Percentage : 26.47%

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

Serial No. 2
(Para No. – 3.6)

(Chapter – IV, Total -1)

Percentage : 2.94%

(v) Observations/Recommendations in respect of which the interim replies of the Government have been received.

Serial No.:- Nil
(Para No. – Nil)

(Chapter – V, Total - 0)

Percentage : 00.00%