

EIGHTH REPORT
STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION
(1999-2000)

(THIRTEENTH LOK SABHA)

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

*[Action Taken by the Government on the Recommendations contained
in the Fifth Report of the Committee on Food, Civil Supplies and
Public Distribution on Demands for Grants (2000-2001) of the
erstwhile Ministry of Consumer Affairs and Public Distribution
(erstwhile Department of Public Distribution)]*

Presented to Lok Sabha on.....

Laid in Rajya Sabha on.....



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NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

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COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION
(1999-2000)

Shri Devendra Prasad Yadav—*Chairman*

MEMBERS

Lok Sabha

2. Shri A.P. Abdullakutty
3. Prof. S.P. Singh Baghel
4. Shri Shyamlal Bansiwala
5. Shri Ranen Barman
- *6. Shri Surender Singh Barwala
7. Shri Sujan Singh Bundela
8. Shri Namdeorao Harbaji Diwathe
9. Shri Rameshwar Dudi
10. Shri Abdul Hamid
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- ***28. Shri Kishan Lal Diler
- ***29. Shri Ramshakal
- ***30. Shri Rama Mohan Gadde
- ***31. Shri P.D. Elangovan

(iv)

Rajya Sabha

- *32. Shri Sushil Barongpa
- 33. Shri W. Angou Singh
- 34. Shri Abdul Gaiyur Qureshi
- 35. Shri Lajpat Rai
- 36. Shri Dawa Lama
- 37. Shri M.A. Kadar
- 38. Shri Kaushok Thiksey
- 39. Shri D.P. Yadav
- #40. Shri Nanaji Deshmukh
- \$\$41. Shri Vijay Singh Yadav
- \$\$\$42. Smt. Bimba Raikar
- ##43. Dr. A.K. Patel
- ###44. Shri K.G. Bhutia
- ####45. Shri G.C. Kharwar

SECRETARIAT

- 1. Shri Harnam Singh — *Joint Secretary*
- 2. Shri Krishan Lal — *Director*
- 3. Shri R.S. Mishra — *Under Secretary*
- 4. Smt. Manju Chaudhry — *Committee Officer*

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- * Ceased to be a member of the Committee w.e.f. 24.1.2000 *vide* Bulletin Part II (Para No. 400) dated 24.01.2000.
 - ** Nominated to the Committee w.e.f. 14th March, 2000 *vide* Bulletin Part II, No. 667 dated 14th March, 2000.
 - \$ Ceased to be a member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2.4.2000.
 - *** Nominated to the Committee w.e.f. 6th April, 2000 *vide* Bulletin Part-II, No. 708 dated 6th April, 2000.
 - \$\$ Nominated to the Committee w.e.f. 1st May, 2000 *vide* Bulletin Part-II, No. 811 dated 3rd May, 2000.
 - \$\$\$ Nominated to the Committee w.e.f. 5th May, 2000 *vide* Bulletin Part-II, No. 847 dated 8th May, 2000.
 - * Ceased to be a member of the Committee consequent upon his resignation from the Committee w.e.f. 10th October, 2000 *vide* Bulletin Part-II, dated 13th October, 2000.
 - ## Nominated to the Committee w.e.f. 19th May, 2000 *vide* Bulletin Part-II, No. 911 dated 19th May, 2000.
 - ### Nominated to the Committee w.e.f. 29th May, 2000 *vide* Bulletin Part-II, No. 942, dated 31st May, 2000 and ceased to be member of the Committee due to his demise w.e.f. 12th August, 2000.
 - #### Nominated to the Committee w.e.f. 29th May, 2000 *vide* Bulletin Part-II, No. 942 dated 31st May, 2000.
 - \$\$\$\$ Ceased to be a member of the Committee w.e.f. 1st August, 2000 *vide* Bulletin Part-II, No. 1121 dated 1st August, 2000.

INTRODUCTION

I, the Chairman, of the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on Action Taken by the Government on the Recommendations/Observations contained in the Fifth Report of the Committee (Thirteenth Lok Sabha) on "Demands for Grants" (2000-2001) of the erstwhile Ministry of Consumer Affairs and Public Distribution (Erstwhile Department of Public Distribution).

2. The Fifth Report was presented to Lok Sabha on 20th April, 2000. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 27th August, 2000. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1999-2000) at their sitting held on 13th December, 2000.

3. An analysis of the action taken by the Government on recommendations contained in the Fifth Report of the Standing Committee (Thirteenth Lok Sabha) on "Demands for Grants" (2000-2001) is given in Appendix II.

NEW DELHI;
13 December, 2000
22 Aagrahayana, 1922 (Saka)

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

CHAPTER I

REPORT

1.1 This Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Govt. on the recommendations contained in the Fifth Report (13th Lok Sabha) on Demands for Grants (2000-2001).

1.2 The Report was presented to Lok Sabha on April 20, 2000 and laid on the Table of Rajya Sabha on April 20, 2000. It contains 19 observations/recommendations.

1.3 Action Taken Notes in respect of all the 19 observations/recommendations contained in the report have been received and categorized as follows:—

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

Para Nos. 1.7, 2.15, 2.16, 3.18 and 5.6

(Chapter II, Total-5)

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

Para Nos. 2.14, 3.16, 6.2, 7.19, 7.21 and 7.22

(Chapter III, Total-6)

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

Para Nos. 2.13, 3.15, 3.17, 7.9, 7.20 and 7.23

(Chapter IV, Total-6)

- (iv) Recommendations/Observations in respect of which reply of the Government is still awaited.

Para Nos. 4.4 and 7.10

(Chapter V, Total-2)

1.4 The Committee desire that the final reply in respect of the recommendations for which only interim reply has been given by the Government should be furnished to the Committee expeditiously.

1.5 The Committee strongly emphasize that utmost importance should be given to the implementation of recommendation accepted by the Government. In cases 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.

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

Recommendation (Para No. 2.13)

1.7 Expressing their concern about the inadequate storage facility, the Committee made the following recommendation:—

“The Committee are concerned about non-availability/inadequate storage facility at most of the procurement points. The procured foodgrains is sent for storage to distant places by incurring heavy expenditure both on transportation and transit losses. The Committee, therefore, recommended that during the year 2000-2001, the Govt. should construct the godowns near procurement centres to avoid transit and storage losses.”

1.8 The Ministry of their reply stated that:

“The FCI creates storage capacity depending upon its requirement for PDS, procurement and buffer stocking of foodgrains. FCI creates its own capacities against the budgetary allocations made in the Five Year Plans besides hiring the storage capacities from Central Warehousing Corpn., State Warehousing Corporations, State Govt. agencies and private parties to meet the requirements of foodgrain storage.

It has been the endeavour of the FCI to create maximum storage capacity near the procurement centres. This is evident from the fact that the total capacity in the procuring State of Punjab, Haryana, U.P., Rajasthan and A.P. is around 17 million tonnes as against the total capacity of 27.3 million tonnes with FCI. Government of India has recently announced a National Policy

on handling, storage and transportation of foodgrains. The main objectives of this policy are firstly to reduce post-harvest losses at farm level by encouraging farmers to adopt scientific storage methods; secondly to modernize the system of handling, storage and transportation of foodgrains procured by FCI and thirdly to harness efforts and resources, public and private sectors both domestic and foreign to build and operate infrastructure for introduction of bulk handling storage and transportation of foodgrains in the country.

The requirement of storage capacities for foodgrains at the procurement centres increase or decrease depending upon the trends of procurement and off take/sale of foodgrains in the procuring/consuming States. The storage capacities are created either by FCI of its own or through other agencies near the procurement centre where sufficient quantity of foodgrain is procured on regular basis and monitoring of storage capacity to meet the increased requirements of foodgrains storage is a regular feature. Thus, in the procuring States the foodgrains are generally stored nearest to the procurement points and transported to the consuming States for distribution to the PDS and for buffer stocks. Transportation of stocks from surplus region to the deficit region is inevitable. However an effort is made to minimize the operational losses on account of transit and storage.

FCI is making an assessment of the requirement of the storage space at all the procurement centres to include further capacities to be created either in their own plan of construction or to take up with the Central Warehousing Corporation, State Warehousing Corporation or other Government agencies to construct the storage capacities."

1.9 Though the Committee are satisfied about the efforts made by the Govt. to construct adequate storage facility at the procurement centres, but the Committee further desire that it will be beneficial if some mechanism is adopted to constructed co-operative storage at the production centres also to protect the foodgrains of the farmers from unexpected and sudden rainfalls and other natural calamities. However, despite all efforts made by the different agencies for providing adequate store storage facility, it has been found that a large quantity of foodgrains is still damages due to lack of storage capacity. Hence, the Committee desire that further efforts should be made to make full proof storage facility available at all levels.

Recommendation (Para No. 3.15)

1.10 The Committee was concerned about the increase in the price of foodgrains and recommended that:

"The Government has taken a decision to increase BPL allocation of foodgrains from 10 kg. to 20 kg. per family per month. Whereas the TPDS prices of BPL population by taking Economic Price as yardstick has increased almost more than 60%. The Committee feel that while taking this decision Government have increased the hardships of BPL beneficiaries in the name of giving them highly subsidized ration through TPDS. Though this measure, the Government presumes to save Rs. 3,000 crore in food subsidies, the remaining Rs. 5,000 crore worth of subsidy will be targeted to the BPL. Going by the economic price criteria, BPL segments will now have to pay Rs. $4.50 + 0.50 =$ Rs. 5.00 per kg. for wheat against Rs. 2.50 per kg. and Rs. $5.90 + 0.50 =$ Rs. 6.40 per kg. for rice against Rs. 3.50 per kg. Calculations show that by hiking the TPDS prices for the BPL, the Government has actually reduced subsidy for the BPL from 65% to 50% causing further hardships to the poor. The purpose of increasing ration from 10 kg. to 20 kg. for BPL has been badly defeated due to the exorbitant hike in the price of foodgrains meant for poor which is totally beyond their low purchasing power. Further the Committee feel that the additional requirement of foodgrains per BPL family per month would have to be met from open market at exorbitant price. In the opinion of the Committee the Government has not been able to successfully launch the poverty alleviation programme there by increasing the economic disparity between the rich and the poor. The aims of TPDS is defeated in case the Government is unable to provide wheat and rice at affordable rates to the poorest of the poor in the country. The Government could have covered the budgetary and fiscal deficit by reducing Government expenditure and by increasing the prices of other commercial commodities or by further taxing luxurious goods instead of raising the prices of foodgrains available to BPL population under TPDS. Also the Government could have excluded the affluent class i.e. APL from TPDS scheme due to the fact that these population normally do not consume the foodgrains available at the Fair Shops. The Committee, therefore, very strongly recommend that for the fulfilment of the social responsibility of the Government to uplift the weaker section of

the Society numbering nearly .35 crores which is almost 1/3 of the total population of the country and is further increasing day by day. Increase in prices of foodgrains available through TPDS for BPL is not justified due to the fact the purchasing power of the poor section of the Society has not at all increased and the economic disparity between rich and poor could not be narrowed even after the lapse of 51 years of independence. Hence there is great need to uplift the economic status of poor masses which is the first and foremost obligation of the Government. The Government should explore the other alternative means and resources to minimise the subsidy sparing the poor section of the Society so that the very object to Democratic Welfare State is achieved in letter and spirit enshrined in the Constitution which is the Law of the Land of our Country. In such circumstances the Government must roll back the increase in the prices made available to BPL through TPDS."

1.11 The Ministry in the Action Taken reply have stated that:—

"The need for streamlining the TPDS with focus on reaching adequate quantities of foodgrains to the families below the poverty line at affordable prices, had been engaging the attention of the Government for sometime. The need for affecting changes in the TPDS was highlighted in the Ninth Plan Document, where it was specially recommended that the quantity of foodgrains for BPL families requires revision to 20 kg. per month per family. Planning Commission, too, recommended that the Central Issue Price for BPL should be 50% of the economic cost, and subsidy for APL should be reduced and eventually eliminated.

Charging of 50% of the economic cost of foodgrains from BPL families is in tune with the proposed guidelines laid down by the Government which introduced TPDS in June, 1997. The Central Issue Prices, with the introduction of TPDS, were not raised but re-adjusted for BPL and APL families. The earlier revision of CIP was undertaken only in 1994. Therefore, the CIPs have not been increased from that time, especially for the BPL families. Even when a decision was taken in January, 1999, to raise the CIP for BPL families, there were protests from many State Governments and the prices had to

be rolled back for the BPL families. The CIPs prior to 01.04.2000 were as follows:—

	(Rs. per Quintal)	
	BPL	APL
Wheat	250	682
Rice	350	905

The present CIP for APL and BPL families, with effect from 1st April, 2000, is as follows:—

	(Rs. per Quintal)	
	BPL	APL
Wheat	450	900
Rice	590	1180

With the introduction of the modified TPDS from 1st April, 2000, the BPL quota has been raised to 20 kgs. per family per month and the APL issue prices have been fixed at economic cost of these foodgrains. These measures have resulted in the transfer of subsidy from APL population to the BPL population to the extent of Rs. 2,217 crores i.e. BPL subsidy in the existing scheme was Rs. 5,439 crores and in the modified scheme it is Rs. 7,656 crores.

Therefore, the increase in the BPL prices has not resulted in any saving for the Government. The subsidy is now going entirely for the BPL population while in the earlier dispensation there was subsidy for APL population also."

1.12 The Committee do not at all agree with the reply of the Govt. No sincere efforts have been made by the Ministry to minimise the storage, operational cost which contributes rise in economic cost and the plea that 50% of economic cost is charged from the BPL is not agreeable. If Govt. would have been sincere enough, they would have made efforts to curtail the economic cost and then the formula of 50% cut in economic cost for BPL would have been adopted. Introduction of modified TPDS from 1st April, 2000 by raising BPL quota to 20 kgs per family, with a substantial increase in price

without matching the purchasing power of the poor is nothing but a deception with the poor. There have been regular bumper crops of foodgrains for four years in the country but the Govt. do not have sufficient storage capacity. Even very old stocks are rotting in the godowns and there is no storage facility to keep the surplus and new arrivals of stocks of foodgrains. It was unfortunate that when there was abundant foodgrains with us, the Govt. raised the CIP for BPL to reduce subsidy which led to the negligible offtake of foodgrains from the godowns as well from the fair price shops. Hence, economic cost in stocking the foodgrains rises endlessly. On the one hand, it increases the economic burden on the exchequer and on the other hand, the poor masses are deprived of foodgrains under PDS. The old stock of foodgrains have damaged and become unhygienic. Thus, there was a great mistake on the part of the Govt. to raise the price of CIP at that juncture which caused heavy loss to the Government and the poor could not get foodgrains at an affordable price. While giving the reply, the crux of the recommendation of the Committee that the BPL should get the foodgrains from TPDS at affordable price has not been considered seriously. At one side due to bumper crop, foodgrains is lying in stocks and on the other side, the BPL population is not able to purchase the foodgrains at a high price.

During the course of on-the-spot study tours of the Committee, the State Govts. like Kerala, Karnataka, Maharashtra, Bihar and UP were of the opinion that the decision of the Govt. to increase the price of foodgrains under PDS has led to the decline in the off take., which has caused large stocks to pile up with the ration shops wholesale depots, FCI godowns and even at the rail heads.

It was mentioned in the Budget speech that the reduction in the food subsidy will save Rs. 1100 crores. The reduced offtake from the FCI, coupled with the obligation to procure at increased support price will ensure that instead of saving any subsidy, a large loss will be suffered on account of carrying costs and losses in storage.

The Committee, therefore, while re-iterating the earlier recommendation, very strongly recommend that the Govt. should very sincerely consider the plea of the Committee to roll back the increase in the prices of foodgrains for BPL under PDS.

Recommendation (Para No. 3.17)

1.13 The Committee Expressed their concern over the availability of interior quality of foodgrains under PDS and recommended that the Committee is concerned about the inferior quality of foodgrains including sugar available under PDS. It has been observed that though Food Corporation of India asserts that foodgrains conforming to prescribed quality specifications are procured, the consumer at Fair Price Shops (FPS) is getting inferior quality of foodgrains which is sometimes even not fit for human consumption. In the opinion of the Committee it is a prime duty of the Central Government to ensure that foodgrains available at FPS are of good quality due to fact that huge amount of subsidy is involved in it. The Committee, therefore, strongly recommend that the Government should further strengthen its monitoring mechanism in coordination with State Governments to ensure that foodgrains including sugar available under Public Distribution System are of good quality.

1.14 The Ministry in their reply stated that:—

“With a view to improve the quality of foodgrains distributed under TPDS the following steps have been taken by the Government:

- (i) No relaxations have been given in the specifications of paddy/rice during current Kharif Marketing Season (1999-2000) except in case of Orissa where the paddy crop was severely affected by super cyclone.
- (ii) The uniform specifications of Rice for the Kharif Marketing Season 1999-2000 and of Wheat for Rabi Marketing Season 2000-2001 have been further tightened with a view to improve the quality of these foodgrains and to enhance their consumers acceptability.
- (iii) In order to improve the quality of foodgrains a high power committee has been constituted under the Chairmanship of Joint Secretary (Policy and comprising of Food Secretaries of producing and consuming states and officials of FCI and CFTRI etc. for suggesting/recommending the uniform specifications of foodgrains.

2. To strengthen the monitoring mechanism of the quality of foodgrains at the time of procurement, the following steps have been taken in coordination with the State Governments.

- (i) Special drives have been organised during the procurement of paddy in marketing season 1999-2000 by the Senior officers of Ministry, FCI and State Governments in Punjab, Haryana and UP to ensure that paddy strictly conforming to Uniform specification is procured.
- (ii) During the Rabi marketing season 2000-2001, officers from Quality Control Cell, Ministry HQ have been deputed to Punjab, Haryana UP, MP & Rajasthan to monitor the quality of wheat grains being procured by FCI and State agencies.
- (iii) The monitoring activities of the three quality control cells situated at New Delhi Calcutta & Hyderabad have been further intensified by increasing the physical targets pertaining to inspection of Procurement Centres, Food Storage Depots & Fair Price Shops.

3. With reference to quality of sugar available under PDS, the Central Government prescribes Sugar standards for adoption by the sugar factories in the country. At present there are 3 grades of sugar namely, L, M & S (Large, medium and small) and three colour series namely, 29, 30 & 31.

4. The sugar factories are required to produce sugar conforming to the Indian Sugar Standards Grades. Further, as per the sugar (Packing and Marking) Order, 1970 the sugar factories are also required to mark grades on every bag of sugar and the quality as marked be maintained till it is delivered to the buyer.

5. The periodical visits to sugar factories are also made to check the quality of sugar produced by the sugar factories. In case sugar is found inferior to the grade marked on the bag, action is taken against the defaulting sugar factories.

6. No case of supply of inferior quality of sugar taken under levy quota as well as the sugar sold in open market has come to the notice of the Directorate of sugar during 1999-2000. Then distribution of sugar under PDS within the States/Union territories is the sole responsibility of the State Governments/Union territories. Further levy sugar release order issued from Directorate of sugar stipulates that the quality of levy sugar to be supplied shall conform to ISS grade produced by sulphitation/carboration process."

1.15 The Ministry is silent over the recommendation of the Committee regarding availability of good quality of foodgrains including sugar under PDS. Though they have formulated some steps at procurement stage, but during the course of study visits to States like Kerala and Karnataka, the representatives of State Govt. apprised the Committee that they are getting the inferior quality of foodgrains under PDS.

The Committee while reiterating their earlier recommendation very strongly emphasise that monitoring mechanism should be further strengthened to ensure that only good quality of foodgrains is procured and farmers are advised not to go for premature harvesting and also good quality of the foodgrains is made available to the BPL consumers under PDS at reasonable prices.

Recommendation (Para No. 7.9)

1.16 The Committee observe that the foodgrains and sugar are still lying in Food Corporation of India (FCI) godowns for the last five years. In the opinion of the Committee the foodgrains which is produced by the farmers with their sweat to make the country self-sufficient should not be wasted in such a manner and the disposed off before it becomes damaged. It is very unfortunate that no concrete step has been taken to dispose off the accumulated old stock. At one side farmer's labour is being wasted and on the other side it leads to storage problems for fresh crop. The Committee very strongly recommend that some concrete efforts should be made to dispose off the accumulated old stock adhering to the principle of First-in-First-Out (FIFO). Also concrete efforts should be made by organizing more surprise checks for physical verification of different godowns of FCI throughout the country so that foodgrains stocked in the godowns should not accumulate for more than a year.

1.17 The Ministry in their Action Taken Reply sated that:—

"To dispose of old/damaged/'D' category stocks, the following steps have been/are taken/envisaged:

1. In July, 1999 the High Level Committee (HLC) of FCI was delegated full powers to dispose of more than 2 years old 'D' category rice through open tender. Cut off price for disposal of such stocks are at 3/4th of the Central Issue Price (CIP)

applicable for APL families. CIP of rice and wheat for APL families have however been hiked w.e.f. 1.04.2000 by a considerable amount. Formula rates for 'D' category foodgrains to be disposed of through tenders are fixed w.r.t. CIP. However, the maximum price quoted in tenders fail to touch the reserve price. Even when it happens, the quantities are not significant. In view of this, a proposal to the effect that HLC of FCI may be given full powers (including fixation of formula rate and acceptance of tenders) to dispose of 'D' category rice is under consideration.

2. In April, 2000, powers have been delegated to FCI to dispose of Feed-I category of damaged foodgrains based on the rates floated by the tenders at the 2nd tender if in the first instance, the reserve price is not realized. FCI has been directed to exercise utmost care and transparency while following the procedure. According to the existing procedure, the power of disposal of damaged foodgrains lies with ZMs/SRMs of FCI.
3. Power have been delegated to HLC of FCI in April, 2000 to dispose of the 2.80 lakh MTs of URS rice procured during 1997-98 and 46,138 MTs of unmilled paddy procured during 1996-97 to 1998-99.
4. Instructions have been re-issued to FCI on 12.5.2000 to observe the First-in-First-Out (FIFO) principle strictly.
5. In January, 2000, powers have been delegated to HLC to dispose of Imported wheat (1.81 lakh tonnes of Australian Wheat and 0.41 lakh tonnes of Canadian red wheat which was imported in 1997-98 lying with FCI as on 1.11.99 by calling tenders), 0.40 (Forty thousand) tonnes only of C&D category wheat available with FCI as on 1.11.99 on 'as is where is' basis in a transparent manner by calling tenders, 3.21 lakh tonnes of more than two years old wheat available with FCI as on 1.11.99 on 'as is where is' basis in a transparent manner by calling tender subject to the following conditions:—
 - a. Stocks proposed to be disposed through tenders should be specifically indetified and put up for action;

- b. High Level Committee will give clearance for the actual stocks to be disposed of and approve the bids received in response to the tender enquiry.
- 6. After the recent decision to revise CIP of foodgrains, a proposal for downward revision of formula rate of non-assumable stocks is also being considered.
- 7. Before disposal of damaged foodgrains through tender, FCI offers such stocks to the State Govts. and other Govt. and semi-Govt. agencies either through a rate running contract or through a right to refuse first. If no response is available within 15 days the quantities or the surplus quantities are put to All India Tenders or auction to obtain the best possible price.
- 8. As regards disposal of damaged foodgrains the position has been indicated in reply to recommendation para No. 2.16. Besides the MD, FCI is being requested to take immediate necessary action for the surprise checks of the different godowns of FCI. As regards disposal of sugar, information is being collected.

1.18 The Ministry in subsequent reply further Stated that:-

"Apart from following the principle of FIFO, FCI is also issuing instructions/directions to Zonal, Regional and District Offices for organizing surprise checks for physical verifications of foodgrains in FCI godowns. FCI is presently undertaking handling and distribution of sugar only in 11 States—7 NE States, J&K, Sikkim, Andaman and Nicobar and Lakshadweep Islands. Sugar stocks in these States are handled on month to month basis and there is hardly any stocks which is more than a few months old. In the States of West Bengal, Bihar and Orissa, FCI had stopped handling operations from December, 1999/ February, 2000. Some left over stocks of sugar are being issued to the State Governments for distribution under PDS and these are likely to be liquidated shortly. Even these stocks may not be more than 10 months old. FCI is pursuing SRMs to liquidate the accumulated stocks of sub-standard sugar i.e. wet/sweat which have accumulated over the years during the coming festival season in October/November, 2000."

1.19 The Committee is not satisfied with the reply of the Govt. This is the reflection of improper mismanagement of FCI. Not only indigenous but also the stock of imported wheat is lying in godowns for many years thus increasing carrying cost and storage loss. This is in turn increasing burden on foreign exchequer. FCI have not formulated any long-term or short-term policy in this regard. The Committee have come to know that in the absence of proper monitoring, only the labels indicating the dates of storage of foodgrains are changed. Actually the valuable foodgrains are allowed to decay in godowns for many years. During 1999-2000, a quantity of 205520 MT of foodgrains was placed on damaged account which costs approximately more than Rs. 185 crore. No concrete and sincere step has also been taken by the Ministry in adhering to the principle of FIFO despite repeated recommendations made by the Committee in this regard. This storage/transit loss contributes further increase in carrying cost and BPL population face the consequences of the high price rise of foodgrains under PDS. While recording their grave displeasure over the whole issue, the Committee strongly recommend that the Ministry should devise concrete ways and means to avoid bureaucratic unfarsightedness and to curb the prevailing practice of FCI immediately by conducting surprise checks/inspections and accountability should be fixed on erring officials.

The Committee is also of the view that in order to safeguard the interest of both the farmers and consumers, which is foremost duty of a welfare State, the Govt. should make all efforts to dispose of the old accumulated stock of foodgrains which has become unfit for human consumption without further loss of time. In case, the Govt. is unable to plan for disposal of rotten foodgrains, it is suggested that they may take a practical approach to clear the storage space even by throwing the foodgrains into deep sea or otherwise before onsetting of rabi season so that new arrival of crops do not suffer for want of sufficient storage.

Recommendation (Para No. 7.20)

1.20 The Committee are concerned to note that the audit report of the Corporation for the year 1998-99 was placed on the Annual General Meeting (AGM) of the Shareholders without placing the

same before the Board of Directors (BoD) and which was unprecedented in the history of CWC. The Financial Advisor had advised that replies to the report on Statutory Auditors on the accounts for the financial year ending 31.3.99 and the report of the auditors on the annual accounts should be put to the BoDs before placing it to the Annual General Meeting. The Committee is unable to understand the reasons for such omissions and deviation from well-established practice of the Corporation. The Committee, therefore, urge to Government to analyse the reasons for such irregularities in the Corporation and furnish the same to the Committee. Further the Government should device ways and means so that such lapses do not occur in future. The Committee would also like to have a copy of the Annual Accounts of CWC in question alongwith Auditors Report thereon.

1.21 The Ministry in their Action Taken Reply Stated that:—

“The general practice has been to place the Auditors Report before the Board of Directors before placing it before the Annual General Meeting of the Shareholders. The Auditors Report for 1998-99 was placed before the AGM on 29.9.99 without being cleared by the BoD. Thus, there has been a departure on this occasion. The CWC has reported this to be an unintended lapse. The Ministry on its part, has directed the CWC to follow the practice strictly in this regard and to ensure that no such lapse occur in future.”

1.22 Though the Ministry have accepted that the audit report of CWC was not placed before BoD and directly submitted to AGM and was a lapse on the part of CWC, but no responsibility has been fixed on the erring officials in this regard. The Committee feel that the Ministry has tried to cover up the lapse instead of analysing the reasons behind it. Thus the Committee seems to believe that the serious lapse was not an unintended one. These lapses which involve financial implications by an Organisations which is already showing the declining trend in profit should not be taken so lightly. The Committee, therefore, strongly recommend that the Ministry should ensure that the responsibility be fixed on the erring officials in the present case and ensure that in future such serious lapses are not allowed to recur.

Recommendation (Para No. 7.23)

1.23 CWC was established to acquire and build were houses at suitable places and to operate them for storage of agricultural produces and certain other items including industrial goods. The Committee note that the Corporation was earning profits in the past but from the year 1996-97 onwards the performance of the Corporation deteriorated. While the turnover of the Corporation increased year after year from 1996-97 onwards the net profit of the Corporation declined from 84.95 Crore in 1996-97 to Rs. 67.77 in 1997-98 and subsequently slumped to Rs. 41.50 crores in 1998-99 which amounts to nearly 51% decrease in profit over 1996-97. The reasons put forth by the Ministry that there is a declining trend in the utilisation of godowns of the warehouses is not very much convincing due to the fact that total capacity utilisation during the years 1996-97, 1997-98 and 1998-99 stood at 73%, 72% and 74% respectively. Also the Ministry could not convince the Committee during the evidence as to whether any study has been initiated by them to check the declining trend of the net profit earned by the Corporation and to search for alternative measures. In view of the Committee CWC have virtually failed in helping and encouraging the farmers which is quite contrary to purposes of its establishment. The Committee, therefore, strongly recommend that Govt. should make all out efforts to check the declining trend of profit and to make it commensurate in proportion to total turnover. Steps taken and progress achieved in this regard should be communicated to the Committee within three months time.

1.24 The Ministry of their reply stated that:—

The financial results of the CWC for the last five years are given in the following table:—

	Income	Expenditure	Establishment Cost	Net Profit
1995-96	209.30	148.32	88.32	60.98
1996-97	234.68	149.73	84.62	84.95
1997-98	253.34	185.61	118.06	67.73
1998-99	255.64	214.14	138.31	41.50
1999-2000	270.83 (RE)	225.72 (RE)	145.51 (RE)	45.10 (RE)

2. It may kindly be seen that the income of the Corporation over the years had gone up. However, increase in the expenditure during this period is showing a disturbing trend. The expenditure on establishment during the year 1996-97 has been lower by Rs. 3.70 crores as compared to the expenditure on establishment during the year 1995-96 on account of write back of the provisions. There has been, however, an increase in the expenditure on other heads during 1996-97 to the tune of Rs. 5.11 crores as compared to the previous year. The overall position was that the Corporation earned a record profit of Rs. 84.95 crores during this year. The expenditure on establishment in the subsequent year i.e. 1997-98 had increased by Rs. 33.44 crores as compared to the previous year which is very high. This increase was as a result of pay revisions. The increase in expenditure on other heads during this year have, however, been only to the extent of Rs. 2.44 crore. The sizable increase in the expenditure on establishment resulted in a substantial reduction in the profit level for the year 1997-98. A similar trend had also been noticed in the subsequent year i.e. 1998-99 which showed an increase of Rs. 19.75 crores on account of cost of establishment and increase of Rs. 9.28 crores on other heads, resulting into further dip in the level of profits, i.e. Rs. 41.50 crores. Though the trend further shows that there is a further increase in the cost of establishment by Rs. 7.20 crores and Rs. 4.39 crores on other heads in the year 1999-2000 as per the Revised Estimates, yet the Corporation is likely to improve its overall profitability by increasing the level of profit from Rs. 41.50 crores to Rs. 45.10 crores. The Corporation has further increased its average capacity to 73.97 lakh tonnes with a percentage utilization of 77% during the year 1999-2000. The above analysis thus shows that the increase in the level of expenditure over the years has been higher in comparison to the increase in the level of income during this period. This has been mainly due to the reason that though the Corporation was able to improve its level of utilization, the income generation through the business of custom bonded warehouses of the Corporation decreased substantially due to economic liberalization resulting into loss of income.

3. With the intervention of the Ministry, the FCI has agreed to hire additional storage capacity of 2.08 lakh tonnes from the CWC and this will result into further improvement in the profitability of the Corporation. The Corporation is also taking measures to tap other avenues of business to improve its level of utilization as also the profitability. Besides the Board of Directors of the CWC has already approved introduction of a Voluntary Retirement Scheme in order to reduce the surplus manpower. This is likely to cut down the establishment cost further and increase the profitability. The Board of the CWC has been reviewing the performance of the Corporation on quarterly basis in order to take the remedial measures.

4. The Corporation has introduced a scheme known as the Farmers Extension Service Scheme during the year 1978-79 for educating the farmers on Post Harvest Technology. This scheme is being operated through the warehouses from where the Technical Staff visit the villages and impart training to the farmers on scientific storage of foodgrain to avoid storage losses. The scheme is being operated through 205 warehouses and more than 85000 villages have been visited where in more than 16 lakh farmers have been imparted training. This, scheme is mainly to provide assistance to marginal farmers for promoting and propagating the warehousing of agriculture produce. The farmers who bring their stocks for storage to the warehouses are given rebate of 30% on the storage charges. In addition to this the Corporation also arranges special training programs belonging to SC/ST community farmers and those who undergo training are given metal bins free of cost.

1.25 The Committee is not satisfied with the reply given by the Ministry regarding the declining trend in profit of CWC. Though, the Committee had recommended that the Ministry should make sincere efforts to check the declining trend in profit and the Committee should be informed about the results achieved in this regard within three months time from the presentation of their Report, the Ministry did not even deem fit to furnish the requisite information within the stipulated time. More so, the reply furnished by the Ministry does not clearly indicate any concrete step that have been taken by them to make the Corporation more profitable. The Committee, therefore, while reiterating their earlier recommendation very strongly urge the Ministry to ensure that a full proof and positive step is taken by the Corporation to check the declining trend in their profit. For this, the Organisation should make all efforts to check the prevailing financial irregularities and results achieved in this regard should be communicated to the Committee at the earliest.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1.7)

The Committee are not satisfied with the performance of the Ministry in so far as plan expenditure during the year 1999-2000 over the budget estimate in some of the schemes such as other programmes of food, storage and warehousing, assistance for construction of godowns assistance for retail outlets in rural areas/purchase of mobile vans, other civil supplies stood at 54.6%, 38.72%, 13.2% and 42% respectively which is far from being satisfactory. The reasons put forth by the Ministry for less utilisation of funds such as delay in construction works by CPWD, non-receipt of proposals from States/UTs, not-receipt of utilisation certificate from the States/UTs etc. are not satisfying to the Committee. Further during evidence of the representatives of the Ministry, the Committee was informed that savings of the order of Rs. 8.93 crores under the Head Assistance for Retail Outlets are proposed for diversion to construction of godown in Orissa. The Committee are not happy with this situation in their opinion, the ministry has tried to escape from one pretext to other which is indicative of their poor planning. Natural calamity in Orissa could not be foreseen by the Ministry at the time of formulation of annual plan proposals. The Committee therefore, recommend that the Ministry should make all out efforts to ensure that the amount allocated under BE/RE in a financial year should be fully utilised and in no case diversion of funds from One Head to other should take place at fag end of the financial year. The Committee also recommend that the Ministry should strengthen its monitoring mechanism so that delays in regard to construction work and non-receipt of proposals etc. do not occur in future.

Reply of the Government

Keeping in view the trend of the expenditure and proposals received from State Govts. for assistance under the schemes for purchase of vans during the year 1999-2000, the Ministry has lowered the budget estimate for the year 2000-2001 under the scheme to Rs. 1.3 crores as against Rs. 10 Crores in the year 1999-2000.

2. To ensure that the amount allocated under BE 2000-2001 is fully utilised, the State Governments/UT Administrations have been asked to submit proposals complete in all respects and have been given a deadline of the 30 June, 2000 for this purpose. With regard to Centrally Sponsored Scheme for construction of godowns and purchase of vans it is expected that prescribing a deadline would ensure that States/UTs would not delay submitting their proposals and by the third quarter of the year the proposals would be finalised for sanction of assistance. Once the amount is sanctioned the State Government can take up the construction work on priority. Based on these proposals a definite revised estimate would be prepared as required in October/November in the current financial year, and no diversion/re-appropriation of funds one Head to other would be required at the fag end of the financial year.

In order to ensure that budgetary allocation made available for major works under plan expenditure are fully utilized, the allocated funds are being released in favour of CPWD and CPWD Authorities are being instructed to ensure cent per cent utilisation of funds released in their favour. All efforts are exercised to ensure full utilization of funds allocated for the purpose during the financial 2000-2001.

Recommendation (Para No. 2.15)

The Committee feel happy that the increased foodgrains production has resulted in the country achieving self-sufficiency in production of foodgrains. The increase in demand for golbal market can be met, by maintaining the tempo of increase in foodgrain production and also by reducing avoidable losses during and after harvesting and in the transit, storage and distribution channels through which foodgrains pass before final destination. A grain saved is a grain produced. The Committee, therefore, recommend that some concrete efforts should be made by using scientific modern technology, so that foodgrains losses both quantitative and qualitative are minimised, if not avoided. Utmost care should be taken to reduce cost on storage, handling, transportation by encouraging community storage.

The Committee are also concerned about the less utilisation of the storage capacity and very strongly recommend that storage capacity must be utilised fully.

Reply of the Government

The Government is taking necessary steps to modernize the system of handling, storage and transportation of foodgrains and there by ensuring that the foodgrain losses both quantitatively and qualitatively are minimized. The Govt. of India has already formulated a national storage policy on 20th June, 2000. A copy of the resolution on this policy is enclosed at Annexure-A.

2. FCI, CWC and other agencies involved in the warehousing of foodgrains are already taking measures to minimize the wastages, damages, transit & storage losses as under:

- (i) Enforcement of strict quality specifications at the time of procurement of foodgrains.
- (ii) Adoption of 50 kg. Packing in a passed manner.
- (iii) Administrative measures such as tightening of security at depots, intensifying surprise checks, ensuring regular stock verification, etc.
- (iv) Augmentation of covered capacity and minimizing CAP storage as far as possible.
- (v) Encouraging machine stitching of bags.
- (vi) induction of CISF at vulnerable depots to curb theft and pilferage.
- (vii) Ensuring strict preservation measures during storage.
- (viii) Multiple handling, transshipment and movement in open wagons is minimized.
- (ix) Streamlining of operations to control losses and damage with special emphasis on transparency and accountability.

3. The issue of community storage had been taken care of in the national policy on handling, storage and transportation of foodgrains. It has been formulated by the Government on 20.6.2000.

4. With the increase in the level of foodgrains production, the utilization of the storage capacities available with the FCI has improved tremendously. Further, FCI and CWC have already discussed mutually the requirement of additional storage space and FCI has agreed to hire a capacity of 2.08 lakh tonnes from the CWC. There by the utilization level of the capacities available with the CWC would go up remarkably. Further , FCI and CWC are also advised to make strenuous efforts to utilize the balance capacities gainfully.

Recommendation (Para No. 2.16)

The Committee are constrained to note that old stock of foodgrains is accumulated in the godowns of FCI due to the non-movement/ slow movement of foodgrains which causes storage scarcity for the arrival of fresh crop of foodgrains. The Committee, therefore, recommend that some concrete efforts should be made to exhaust the old stocks well in time so that forthcoming Rabi procurement may not suffer on account of movement constraints.

Reply of the Government

To dispose of old damaged/'D' category stocks, the following steps have been/taken/envisaged:—

1. In July, 1999 the High Level Committee (HLC) of FCI was delegated full powers to dispose of more than 2 years old 'D' category rice through open tender. Cut off price for disposal of such stocks are at 3/4th of the Central Issue Price (CIP) applicable for APL families. CIP of rice and wheat for APL families have however, been hiked w.e.f. 1.04.2000 by a considerable amount. Formula rates for 'D' category foodgrains to be disposed of through tenders are fixed w.r.t. CIP. However, the maximum price quoted in tenders fail to touch the reserve price. Even when it happens, the quantities are not significant. In view of this, a proposal to the effect that HLC of FCI may be given full powers (including fixation of formula rate and acceptance of tenders) to dispose of 'D' category rice is under consideration.
2. In April, 2000 powers have been delegated to FCI to dispose of Feed-I category of damaged foodgrains based on the rates floated by the tenders at the 2nd tender if in the first instance, the reserve price is not realized. FCI has been directed to exercise utmost care and transparency while following the procedure. According to the existing procedure, the power of disposal of damaged foodgrains lies with ZMs/SRMs of FCI.

3. Powers have been delegated to HLC of FCI in April, 2000 to dispose of the 2.80 lakh MTs of URS rice procured during 1997-98 and 46,138 MTs of unmilled paddy procured during 1996-97 to 1998-99.
4. Instruction have been re-issued to FCI on 12-5-2000 to observe the First-in-First-out (FIFO) principle strictly.
5. In January, 2000 powers have been delegated to HLC to dispose of imported wheat (1.81 lakh tonnes of Australian wheat and 0.41 lakh tonnes of Canadian red wheat which was imported in 1997-98 lying with FCI as on 1.11.99 by calling tenders). 0.40 (Forty thousand) tonnes only C&D category wheat available with FCI as on 1.11.99 on 'as on where is' basis in a transparent manner by calling tenders 3.21 lakh tonnes of more than two years old wheat available with FCI as on 1.11.99 on 'as is where is' basis in a transparent manner by calling tender subject to the following conditions:—
 - a. Stocks proposed to be disposed through tenders should be specifically identified and put up for auction;
 - b. High Level Committee will give clearance for the actual stocks to be disposed of, and approve the bids received in response to the tender enquiry.
6. After the recent decision to revise CIP of foodgrains, a proposal for downward revision of formula rate of non-issueable stocks is also being considered.
7. Before disposal of damaged foodgrains through tender, FCI offers such stocks to the State Govts. and other Govt. and semi-Govt. agencies either through a rate running contract or through a right to refuse first. If no response is available within 15 days the quantities or the surplus quantities are put to All India Tenders or auction to obtain the best possible price.

8. For expeditious disposal of damaged foodgrains the formula rates for them have been revised as follows:—

Category of damaged foodgrains	Existing price	Revised reserve price
Feed I	3/4th (75%)	40% of CIP for APL families
Feed II	1/2 (50%)	30% of CIP for APL families
Feed III	1/4th (25%)	20% of CIP for APL families
Industrial Use	1/8th (12.5%)	10% of CIP for APL families
Manure	1/16th (6.25%)	5% of CIP for APL families

Recommendation (Para No. 3.18)

The Committee appreciate the efforts of States such as Andhra Pradesh and Maharashtra where the number of bogus ration card detected during the year 1998 are of the order of 1917330 and 333456 respectively. In their view ration card issued under Public Distribution System (PDS) is a very important document and due care is required to be taken in issuing it. The Committee therefore, strongly recommend that the Ministry should issue guidelines to the State Governments to take utmost care in issuing ration cards and that too in transparent and accountable manner by involving Panchayati Raj Institution. Also the States should be asked to strengthen their monitoring mechanism for detection and elimination of bogus ration cards.

Reply of the Government

Letter has been issued to all States/UTs on 24.5.2000 reiterating the earlier instructions of the Ministry contained in the (i) guidelines for implementation to TPDS; and (ii) guidelines for involvement of Panchayati Raj Institutions (PRIs) regarding issue of ration cards in a transparent and accountable manner by involving PRIs and elimination of bogus ration cards. The States/ have been asked to submit a report on the action being taken in this regard.

Recommendation (Para No. 5.6)

The Committee observe that the utilisation of funds for the assistance given to the States for purchase of mobile vans is very less. The States are not able to utilise this amount taking one plea or the other. The Committee suggest that Ministry should take up the matter with State Governments as the purpose of allocation under this head is to help the poor in all areas. As some areas are remote hilly areas, tribal areas, drought prone areas, desert and far-flung areas, emphasis for suitable infrastructure in these areas is necessary. Provision of godowns, vans for transport of foodgrains and trucks to function as mobile shop in these areas is necessary to be emphasised. The Committee, therefore recommend that the Ministry should earnestly persuade the State Governments to take advantage of these schemes. The Committee also recommend that the request no North-Eastern States, Jammu and Kashmir and other hilly areas to purchase small trucks having small capacity of 1 to 2 tonnes which suits their geographical conditions may be considered.

Reply of the Government

The State Government/UT Administration have been urged to submit proposals for availing of assistance under the plan scheme for strengthening of PDS including purchase of mobile vans vide D.O. letter issued to Secretaries, D/o Food and Civil Supplies. The State have also been asked to submit utilisation certificates of assistance sanctioned in the past at the earliest so that they are able to take advantage of fresh assistance under the scheme. Further action will be taken in case sufficient proposals are not received by the 30th June, 2000.

2. The request of Jammu and Kashmir for purchase of small trucks having capacity of 1-2 tonnes has been reconsidered and it has been decided with the concurrence of the Planning Commission to extend the scope of the scheme for purchase of smaller capacity vehicles.

CHAPTER III

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

Recommendation (Para No. 2.14)

The Committee enquired about the criterion for opening of the procurement centres for foodgrains. The Ministry in their reply said that in order to facilitate procurement of foodgrains after estimates the expected production; Food Corporation of India and the various State Agencies in Consultation with the State Government establish a number of temporary purchase centres at various mandis and key points. The Ministry also said that the number of centres and their locations are decided by the State Governments. In this regard the directive of Prime Minister for opening centres within a radius of 10 kms. distance from farmers village is kept in view.

Food Corporation of India (FCI) along with other agencies procure foodgrains under Minimum Support Price (MSP) scheme to maintain food security and to ensure remunerative price to the farmers. But it has come to the notice of the Committee that farmers are compelled for distress sale in absence of sufficient number of procurement centres. In order to overcome such a situation, the Committee recommend that sufficient number of procurement centres should be opened preferably near the production points and mandis. The Committee further recommend that MSP and Bonus should also be announced well in advance and Mass Publicity in this regard should be given to facilitate and enthuse the farmers and complaints of distress sale should be attended to on priority basis.

Reply of the Government

The procurement centres are opened by the State Governments in consultation with FCI at various mandies and key-points, keeping in view the directives of Hon'ble Prime Minister for opening purchase centres within a radius of 10 kms. from farmers' village. however, BICP's report also recommended that for effecting reduction in controllable costs, the allotment of mandis for the FCI — operations

should be rationalised. It would not be desirable for the FCI to operate uneconomic mandis where the total arrival in the season do not exceed say 1000 tonnes. Mandis should be near storage depots/rail head. This recommendation was accepted by the BICP subject to the conditions that (i) FCI with the help of State Agencies will have to ensure effective price support operations to the farmers; and (ii) keeping in view the objective of price support to farmers and having regard to operational cost and convenience, the FCI may be allocated only such mandis having a turn of 1000 tonnes and above in a season and the rest should be assigned to the State Agencies who will be in a position to undertake price support operations in smaller mandis and interior areas more effectively and at a lesser cost. Keeping in view the above, procurement centres are opened in consultation with the State Governments well in advance before commencement of each marketing season.

2. In order to closely monitor the Minimum Support Price scheme, a special Control Room has been set up in the Food Corporation of India at their Hqrs. as well as Regional Offices to collect and compile daily procurement figures from the State Governments and other procuring agencies. These Control Rooms work on a 24 hours basis during the peak procurement season. In order to ensure uniformity in the collection process of the procurement figures a new software has been developed by NIC. FCI and all the procuring State Governments have been requested to adopt this software from the new Kharif Marketing Season 2000-2001 so that daily data is collected and transmitted to this Ministry and FCI Hqrs. without any further delay. All complaints of distress sale are taken up immediately with the FCI and the State Governments for taking necessary action. The MSP is announced by the Ministry of Agriculture on the recommendations of CACP, views of State Governments, Central Ministries and on various other relevant factors. The State Governments undertake the required publicity in this regard.

Recommendation (Para No. 3.16)

The Committee are of the view that identification of beneficiaries of the Targeted Public Distribution System (TPDS) namely the population Below Poverty Line (BPL) and issue of foodgrains at specially subsidised rates are the main features of the TPDS. Estimates arrived at by the expert group under the Chairmanship of Late Prof. Lakdawala on estimation of population Below Poverty Line (BPL) and number of poor people are inadequate in the Present circumstances. The Committee are concerned to note that the benefit has not percolated to the right persons due to mass scale irregularities in identification of

families living below poverty line and the actual beneficiaries have been deprived of the benefit. In view of the Committee names of really poor and vulnerable sections of the society such as landless, agriculture labourers, marginal farmers, rural artisans/crafts men, potters, tapers, weavers, blacksmiths, carpenters etc. in rural areas and slum dwellers and persons earning their livelihood on a daily-wage basis like porters, colliers, rickshaw pullers and hand cart puters fruits, vegetables and flower sellers on pavement etc. in urban areas should also be included in the list as TPDS is mainly meant for poorest section of the society. The Government should ensure that not even a single poor and needy person is deprived of the benefit of the TPDS. The Committee, therefore, strongly recommend that Gram Panchayats and Gram Sabhas should invariably be involved in the initial identification of eligible families and final identification may be made after verification of doubtful cases. The higher officers, subordinate officers and staff involved in the task of identification of the BPL families should be made accountable.

Reply of the Government

PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation upto Central godowns and bulk allocation at subsidised prices of certain essential items, viz., rice, wheat, sugar, imported edible oil and kerosene. The responsibility of distribution to the consumers through the network of FPSs rests with the State Governments. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards and supervision of functioning of FPSs rest with the State Governments.

2. The identification of BPL families under TPDS is carried out by the States/UTs themselves. Under the guidelines framed in the year 1997 for implementation of Targeted Public Distribution System (TPDS) State Governments were asked to involve Gram Panchayats and Gram Sabhas in the identification of eligible families below poverty line. The States/UTs have been requested in the guidelines for implementation of TPDS that the thrust should be to include only the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tappers, weavers, black-smiths, carpenters, etc. in the rural areas and slum dwellers and persons earning their livelihood on a daily basis in the informal sector like porters, rickshaw pullers and handcart pullers, fruit and flower sellers on the pavements, etc. in urban areas. Gram Panchayats and Gram Sabhas should be involved in the initial identification of eligible families.

3. As announced in the Finance Ministers Budget speech in February, 1999 the Government has taken action for greater involvement of Gram Panchayats in supervision and implementation of the Targeted Public Distribution System for suitably strengthening the system and to ensure its proper coverage and making it efficient.

4. This Department has also issued detailed guidelines in June, 1999 (copy enclosed) for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS and to bring in a more transparent and accountable system of distribution as a measure of social audit. This included:

- List of BPL beneficiaries to be displayed at FPS and office of Gram Panchayat for public scrutiny.
- Formation of FPS Committee by Gram Panchayat for inspecting the FPS records and to keep a watch on functioning of FPS. FPS Committee's report to be placed before the larger body *i.e.* Gram Sabha for onward transmission to State Government for taking necessary action.
- Responsibility of the Gram Panchayats in checking of ration cards occasionally for its genuineness and correct entries of units in them.
- Redressal of grievances.

A copy of the guidelines is given at Annexure B

5. State Government have been once again asked to take all precautionary measures to ensure that none of the eligible persons (BPL) are deprived of the benefit of the scheme and to ensure involvement of Gram Panchayats and Gram Sabhas in the identification of BPL families under TPDS. They have been requested to make the officers and staff involved in the task of identification of BPL families accountable to the Gram Sabhas.

6. These points have recently been emphasised by MOCAPO to all Chief Ministers of States and Administrators of Union Territories *vide* D.O. No. 39-4/2000 AC dated 13.1.2000 and D.O. No. 1800 MCAPD/VIP/2000 dated 24.4.2000.

Recommendation (Para No. 6.2)

Significant quantity of foodgrains are lost at pre-harvest and post harvest stages due to variety of factors. It is estimated that quantity of nearly 20 million tonnes of foodgrains is lost every year on these accounts. The Committee feel that saving of foodgrains should, therefore be main aim to the food security policy of the country. The Committee recommend that as the economy of rural India is both complex and traditional, the concept of commodities storage and handling facility at village level will be an important milestone. The Committee further recommend that Save Grain Campaign programme should be declared a national programme and the quality of supervision and monitoring which needs to be upgraded should also be strengthened.

Reply of the Government

Since the house-hold sector retains about 70% of the total production and substantial quantity of foodgrains are wasted due to improper storage at farm level, the Government focuses due attention on the improvement of storage standards at farm level. Presently, the only scheme targeting this need is the Save Grain Campaign (SGC) which popularises the use of metallic and non-metallic storage structures and educates the farmers about adoption of scientific storage methods. The scheme also aims at development/improvement of non-metallic traditional storage structures. To strengthen the SGC as per the proposed National Storage Policy the following actions are proposed to be taken by the Department:

- (i) introduction of a scheme to encourage use of metal bins as well as non-metallic storage structures at individual farm level and construction of RCC bins a community level with appropriate financial incentives.
- (ii) strengthening of the existing research and training components of the Save Grain Campaign Scheme for scientific storage and preservation of foodgrains and their propagation among farmers.

2. In view of limited infrastructure and resources available with the SGC and in order to cover larger number of farmers/villages, active collaboration and support of State Governments, NGOs, Gram Panchayats, corporate sectors like ACC, SAIL, Tata Steel, Joint Plan Committee if the Ministry of steel etc. were obtained for supply of metal bins, construction of pucca Khoties etc.

Recommendation (Para No. 7.19)

The Committee note with concern that though the Ministry has asserted that the OM No. F. 19(1), E. F(A)/98, dt. 20th Aug. 98 issued by the Government on the austerity and economy measures which *inter-alia* states that visits abroad for study tours, workshops, seminars, conferences etc. funded by the Government of India may be discouraged being implemented by Central Warehousing Corporation (CWC) in letter and spirit, whereas expenditure incurred specifically on foreign travels by the Sr. Officers of the Corporation increased from Rs. 37,885/- in the year 1996-97 to Rs. 29,26,311/- in the year 1998-99 which amounts to 930% increase in expenditure. It is clear cut violation of the guideline issued by Government *i.e.* 10% cut in expenditures. Committee further note that from the aforesaid foreign travels nothing substantial seems to have been achieved by the Corporation in regard to betterment of the professional skills of those officers. In the opinion of the Committee the Corporation should have avoided the unnecessary foreign travels keeping in view the declining trend in the net profit *vis-a-vis* the aforesaid austerity measures suggested by the Government for economy cut of the Corporation since 1996-97. The Committee, therefore, strongly recommend that steps should be taken to avoid unnecessary foreign tours by the Sr. Officers of the Corporation in future instead steps should be taken to improve the net profit of the Corporation. The Committee would also like to have the details of tour notes prepared by the Officers of the Corporation who undertook foreign travels during the year 1997-98 and 1998-99 within three months time.

Reply of the Government

Instructions have been issued to the Central Warehousing Corporation to curtail the foreign travels/visits. In order to have controls over the expenditure on foreign tours by officers in the CWC, the Ministry has issued instructions that no foreign travel will be undertaken by the officers of the Corporation without the prior approval of the Government (Annexure-C).

2. As regards the utility of study tours, seminars, workshops etc. attended abroad by the officers of the CWC the same were considered relevant. The exposure and the expertise gained from these programmes are expected to be useful in terms of betterment of professional skills in the long run as in the present competitive environment to which CWC is also exposed off international exposure of its officers is necessary.

3. The CWC has also stated that as per advice of the Committee they shall be more careful in future while initiating the proposal of foreign tours and further regarding improving the profitability of the Corporation they have already initiated measures to increase the income and control the expenditure to the extent possible.

4. The tour notes/reports of the executives/officers who went abroad for Workshops, Training, Conference, Business Meet, etc. during 1997-98 and 1998-99 are enclosed (Annexure-D).

Recommendation (Para No. 7.21)

The Committee note that the Central Warehousing Corporation (CWC) is a Schedule 'C' Public Sector Undertaking (PSU) and the Managing Director (MD) of CWC who enjoys facilities prescribed by Government/DPE for Schedule 'C'. However, the reply furnished by the Ministry that none of the officers of the CWC including MD are availing any facility prescribed by Government/DPE for Schedule 'B' only and not for Schedule 'C' is quite misleading. It seems that the MD of the CWC is some times availing the facilities of Schedule 'B' also. The Committee views this situation very seriously and opines that the Ministry is obstructing the Committee in discharge of their parliamentary responsibilities. The Committee, therefore, strongly recommend that while furnishing the information called for by the Committee, the Ministry should take utmost care and the reply furnished by them should be specific and to the point. The Committee further recommend the Government to examine the matter in depth in consultation with BODs of the Corporation and issue necessary instructions so that the officers of the Corporation availing higher facilities than entitled should be checked with immediate effect. The exact and specific information sought by the Committee in regard to facilities availed by the MD (CWC) should be furnished to the Committee within 3 months time specially with reference to foreign travel.

Reply of the Government

As already informed, the position on perks and facilities admissible for Chief Executives and other Officers of Schedule A, B&C PSUs have been confirmed from the Department of Public Enterprises who clearly indicated that it had not issued any specific guidelines in this area except O.M. No. 2(49)/98-DPE(WC) dt. 25.6.99 and No. 2(53)/90-DPE(WC) GIV dt. 26.3.2000 regarding eligibility of perks (mainly on leased accommodation and staff car) of Board level officers of different schedules. The DPE had further confirmed that the perks differ from PSU to PSU which they implement with the approval of the Board and Administrative Ministry. Copy of the advice received from the DPE is enclosed at Annexure 'G'. Therefore, the Ministry had furnished the information to the Standing Committee only after confirming the position from the controlling department, i.e. Deptt. of Public Enterprises.

Recommendation (Para No. 7.22)

The Committee are constraint to note that the officials against whom the CBI inquiries are pending are still working on sensitive posts in view of the gross irregularities committed by them the Committee recommend that such officials should immediately be transferred to some other non-sensitive posts so that they may not influence the inquiry proceedings pending against them. The Committee further desires that CBI should be persuaded for speedy disposal of the cases pending with them so that guilty persons may be penalised and the amount, if any, found to be misappropriated by them, may be recovered speedily. The Committee could also like to be apprised of the outcome of the pending cases.

Reply of the Government

The Officers, against whom CBI inquiries are pending, have been transferred on non-sensitive posts. A list of officers against whom CBI inquiry is either pending or at RC/PE stage, status of their cases alongwith the case number is given below. This list also indicates the place of posting of the officer/official before and after initiation of cases.

Sl. No.	Name & designation	Post & place of previous posting	Post & place of new posting	Whether sensitive or non sensitive	Status of CBI Inquiry	Case No.
1	2	3	4	5	6	7
1.	N. Subramaniam, WA-I, Razak, WA-II, Selvaraju, WA-II	CW, K.K. Nagar, Trichy	1. CW, Madurai, 2&3 Thanjavur	Non-sensitive	CBI case is in progress in the trial court	50(A)/89
2.	Vijender Singh, TA	TA, CW, Gorakhpur	TA, CW, Hardoi	-do-	Defence argument except that of CO is completed at Lucknow	3/80-CTU (I)
3.	Mohar Singh, SO	SO, CC, Hyderabad	SO, Dronagiri node	-do-	Case is in progress in CBI Court at Hyderabad	44(A)/91-BOM
4.	S.C. Jesswal, EE Shiv Shankar, AE	EE, CC, Hyderabad 2. AE, Hyderabad	RO, Mumbai 2. CC Bhopal	-do-	-do-	20(A)/91

1	2	3	4	5	6	7
5.	Mohar Singh, SO	SO, Mumbai	SO, D. Node	-do-	-do-	72(A)/1992/CBI/ SCB/BOM 6(9)/95/BPL
6.	P.P. Gulwade, RM, Bhopal	Under suspension	Under suspension	—	Convicted in CBI Court, study brought from HC by CO against conviction. Action is on by CBI	
7.	P.P. Gulwade, RM, Bhopal	Under suspension	Under Suspension	—	Case is in CBI Court and examination of prosecution is near completion	N(A)/95-BPL
8.	K.R.K. Rao, Suptd.	Supdt. Raigarh	Retired	—	Case is progress in trial court of CBI, Jabalpur	12(A)/95-JBR

1	2	3	4	5	6	7
9.	A.K. Mittal, TA	T.A., Raigarh	Supdt, RO, Bhopal	Non-sensitive	The case is in progress along with KRK Rao in the CBI trial Court at Jabalpur.	12(A)/95-JBR
10.	Ram Sewak, WA-II	WA-II, Etawah	WA-II, CW Dadri	-do-	The case is in progress in the court of CBI, Lucknow under section 420 IPC	21(3)/95/LKO

The above cases were registered by the CBI of their own on source information received by them and are pending before the various courts as indicated in the table.

R.C./PE Cases

Sl. No.	Name & Designation	Post and place of previous posting	Post and place of new posting	Whether sensitive or non-sensitive	Status of the case	Case No.	Remarks
1	Sh. C.U.S. Janwal WHM	T.A. Bishna	R.O. Chandigarh	Non-sensitive	Preliminary examination is under process	11(A)/99 Jammu	The case was registered by CBI on some information of CVO, CWC reminded the CBI to expedite the Case.

1	2	3	4	5	6	7	8
2.	Sh. T.R. Sharma, WHM (PE)	WHM, R.S. Pura	CW, Pathankot (BD)	Non sensitive	-do-	3(A)/99-Jammu	-do-
3.	1. Sh. Kulwant Singh, Ex-MD	1. Retired	Retired	—	CBI has taken possession of the documents, files etc. from the CWC for investigation and some of the the Cos have been summoned for clarification by the CBI	RC(C)-DAI-1999-A-0063	
	2. Sh. Ajay Khera, CM	2. CM, CWC CO, New Delhi	CM (PD), CWC, New Delhi	Non sensitive			
	3. Sh. R.C. Aggarwal, CM, Mumbai	3. R.M. Mumbai	Manager (QAS) New Delhi.	Non sensitive			

As indicated in the tables all the officers against whom the inquiries are pending are at different stages either with the court or with the CBI. While the Government has no control over the cases which are pending in the courts, the cases which are pending with the CBI are being followed by the CWC and the Ministry regularly.

Concerned CBI units have been requested by the CVO, CWC to expedite early disposal of cases. In most of the cases, CBI have collected documents for investigation. The Ministry had also written to the Director, CBI conveying the advice of the Committee for early disposal of cases. The CBI has informed that its concerned units have been suitable instructed for speedy disposal of these cases.

CHAPTER IV

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

Recommendation (Para No. 2.13)

The Committee are concerned about non-availability/inadequate storage facility at most of the procurement points. The procured foodgrains is sent for storage to distant places by incurring heavy expenditure both on transportation and transit losses. The Committee, therefore, recommended that during the year 2000-2001, the Government should construct the godowns near procurement centres to avoid transit and storage losses.

Reply of the Government

The FCI creates storage capacity depending upon its requirement for PDS, procurement and buffer stocking of foodgrains. FCI creates its own capacities against the budgetary allocations made in the Five Year Plans besides hiring the storage capacities from Central Warehousing Corpn., State Warehousing Corporations, State Government agencies and private parties to meet the requirements of foodgrain storage.

It has been the endeavour of the FCI to create maximum storage capacity near the procurement centres. This is evident from the fact that the total capacity in the procuring States of Punjab, Haryana, U.P. Rajasthan and A.P. is around 17 million tonnes as against the total capacity of 27.3 million tonnes with FCI. Government of India has recently announced a National Policy on handling, storage and transportation of foodgrains. The main objectives of this policy are firstly to reduce post-harvest losses at farm level by encouraging farmers to adopt scientific storage methods; secondly to modernize the system of handling storage and transportation of foodgrains procured by FCI; and thirdly to harness efforts and resources, public and private sectors both domestic and foreign to build and operate infrastructure for introduction of bulk handling, storage and transportation of foodgrains in the country.

The requirement of storage capacities for foodgrains at the procurement centers increase or decrease depending upon the trends of procurement and off take/sale of foodgrains in the procuring/consuming States. The storage capacities are created either by FCI of its own or through other agencies near the procurement centre where sufficient quantity of foodgrain is procured on regular basis and monitoring of storage capacity to meet the increased requirements of foodgrains storage is a regular feature. Thus, in the procuring States, the foodgrains are generally stored nearest to the procurement points and transported to the consuming States for distribution to the PDS and for buffer stocks. Transportation of stocks from surplus region to the deficit region is inevitable. However, an effort is made to minimize the operational losses on account of transit and storage.

FCI is making an assessment of the requirement of the storage space at all the procurement centres to include further capacities to be created either in their own plan of construction or to take up with the Central Warehousing Corporation, State Warehousing Corporation or other Government agencies to construct the storage capacities.

(Please see Para 1.9)

Recommendation (Para No. 3.15)

The Government has taken a decision to increase BPL allocation of foodgrains from 10 kg. to 20 kg. per family per month. Whereas the TPDS prices for BPL population by taking Economic Price as yardstick has increased almost more than 60%. The Committee feel that while taking this decision Government have increased the hardships of BPL beneficiaries in the name of giving them highly subsidized ration through TPDS. Through this measure, the Government presumes to save Rs. 3,000 crore in food subsidies, the remaining Rs. 5,000 crore worth of subsidy will be targeted to the BPL. Going by the economic price criteria, BPL segments will now have to pay $\text{Rs. } 4.50 + 0.50 = \text{Rs. } 5.00$ per kg. for wheat against Rs. 2.50 per kg. and $\text{Rs. } 5.90 + 0.50 = \text{Rs. } 6.40$ per kg. for rice against Rs. 3.50 per kg. Calculations show that by hiking the TPDS prices for the BPL, the Government has actually reduced subsidy for the BPL from 65% to 50% causing further hardships to the poor. The purpose of increasing ration from 10 kg. to 20 kg. for BPL has been badly defeated due to the exorbitant hike in the price of foodgrains meant for poor which is totally beyond their low purchasing power. Further, the Committee

feel that the additional requirement of foodgrains per BPL family per month would have to be met from open market at exorbitant price. In the opinion of the Committee the Government has not been able to successfully launch the poverty alleviation programme thereby increasing the economic disparity between the rich and the poor. The aims of TPDS is defeated in case the Government is unable to provide wheat and rice at affordable rates to the poorest of the poor in the country. The Government could have covered the budgetary and fiscal deficit by reducing Government expenditure and by increasing the prices of other commercial commodities or by further taxing luxurious goods instead of raising the prices of foodgrains available to BPL population under TPDS. Also the Government could have excluded the affluent class *i.e.* APL from TPDS scheme due to the fact that these population normally do not consume the foodgrains available at the Fair Price shops. The Committee, therefore, very strongly recommend that for the fulfilment of the social responsibility of the Government to uplift the weaker section of the Society numbering nearly 35 crores which is almost 1/3 of the total population of the country and is further increasing day by day, increase in prices of foodgrains available through TPDS for BPL is not justified due to the fact the purchasing power of the poor section of the Society has not at all increased and the economic disparity between rich and poor could not be narrowed even after the lapse of 51 years of independence. Hence there is great need to uplift the economic status of poor masses which is the first and foremost obligation of the Government. The Government should explore the other alternative means and resources to minimise the subsidy sparing the poor section of the Society so that the very object of Democratic Welfare State is achieved in letter and spirit enshrined in the Constitution which is the Law of the Land of our Country. In such circumstances the Government must roll back the increase in the prices made available to BPL through TPDS.

Reply of the Government

The need for streamlining the TPDS with focus on reaching adequate quantities of foodgrains to the families below the poverty line at affordable prices had been engaging the attention of the Government for sometime. The need for affecting changes in the TPDS was highlighted in the Ninth Plan Document, where it was specially recommended that the quantity of foodgrains for BPL families requires revision to 20 kg. per month per family. Planning Commission, too, recommended that the Central Issue Price for BPL should be 50% of the economic cost, and subsidy for APL should be reduced and eventually eliminated.

2. Charging of 50% of the economic cost of foodgrains from BPL families is in tune with the propopsed guidelines laid down by the Government which introduced TPDS in June, 1997. The Central Issue Prices, with the introduction of TPDS, were not raised but re-adjusted for BPL and APL families. The earlier revision of CIP was undertaken only in 1994. Therefore, the CIPs have not been increased from that time, especially for the BPL families. Even when a decision was taken in January, 1999, to raise the CIP for BPL families, there were protests from many State Governments and the prices had to be rolled back for the BPL families. The CIPs prior to 01.04.2000 were as follows:

	(Rs. per Qunital)	
	BPL	APL
Wheat	250	682
Rice	350	905

3. The present CIP for APL and BPL families, with effect from 1st April, 2000, is as follows:

	(Rs. per Quintal)	
	BPL	APL
Wheat	450	900
Rice	590	1180

4. With the introduction of the modified TPDS from 1st April, 2000, the BPL quota has been raised to 20 kgs. per family per month and the APL issue prices have been fixed at economic cost of these foodgrains. These measures have resulted in the transfer of subsidy from APL population to the BPL population to the extent of Rs. 2,217 crores i.e. BPL subsidy in the existing scheme was Rs. 5,349 crores and in the modified scheme it is Rs. 7,656 crores.

5. Therefore, the increase in the BPL prices has not resulted in any saving for the Government. The subsidy is now going entirely for the BPL population while in the earlier dispensation there was subsidy for APL population also.

(Please see Para 1.12)

Recommendation (Para No. 3.17)

The Committee is concerned about the inferior quality of foodgrains including sugar available under PDS. It has been observed that though Food Corporation of India asserts that foodgrains conforming to prescribed quality specifications are procured, the consumer at Fair Price Shops (FPS) is getting inferior quality of foodgrains which is sometimes even not fit for human consumption. In the opinion of the Committee it is a prime duty of the Central Government to ensure that foodgrains available at FPS are of good quality due to fact that huge amount of subsidy is involved in it. The Committee, therefore, strongly recommend that the Government should further strengthen its monitoring mechanism in coordination with State Governments to ensure that foodgrains including sugar available under Public Distribution System are of good quality.

Reply of the Government

With a view to improve the quality of foodgrains distributed under TPDS the following steps have been taken by the Government:

- (i) No relaxations have been given in the specifications of paddy/rice during current Kharif Marketing Season (1999-2000) except in case of Orissa where the paddy crop was severely affected by super cyclone.
- (ii) The uniform specifications of Rice for the Kharif Marketing Season 1999-2000 and of Wheat for Rabi Marketing Season 2000-2001 have been further tightened with a view to improve the quality of these foodgrains and to enhance their consumers' acceptability.
- (iii) In order to improve the quality of foodgrains a high power Committee has been constituted under the Chairmanship of Joint Secretary (Policy) and comprising of Food Secretaries of producing and consuming States and officials of FCI and CFTRI etc. for suggesting/recommending the uniform specifications of foodgrains.

2. To strengthen the monitoring mechanism of the quality of foodgrains at the time of procurement, the following steps have been taken in coordination with the State Governments:

- (i) Special drives have been organised during the procurement of paddy in marketing season 1999-2000 by the Senior officers of Ministry, FCI and State Governments in Punjab, Haryana and UP to ensure that paddy strictly conforming to Uniform specification is procured.
- (ii) During the Rabi marketing season 2000-2001, officers from Quality Control Cell, Ministry HQ have been deputed to Punjab, Haryana, UP, MP & Rajasthan to monitor the quality of wheat grains being procured by FCI and State agencies.
- (iii) The monitoring activities of the three quality control cells situated at New Delhi, Calcutta & Hyderabad have been further intensified by increasing the physical targets pertaining to inspection of procurement Centres, Food Storage Depots & Fair Price Shops.

3. With reference to quality of sugar available under PDS, the Central Government prescribes Sugar standards for adoption by the sugar factories in the country. At present there are 3 grades of sugar namely L, M & S (Large, medium and small) and three colour series namely 29, 30 & 31.

4. The sugar factories are required to produce sugar conforming to the Indian Sugar Standards Grades. Further, as per the sugar (Packing and marking) order, 1970 the sugar factories are also required to mark grades on every bag of sugar and the quality as marked be maintained till it is delivered to the buyer.

5. The periodical visits to sugar factories are also made to check the quality of sugar produced by the sugar factories. In case sugar is found inferior to the grade marked on the bag, action is taken against the defaulting sugar factories.

6. No case of supply of inferior quality of sugar taken under levy quota as well as the sugar sold in open market has come to the notice of the Directorate of sugar during 1999-2000. Then distribution of sugar under PDS within the States/Union territories is the sole responsibility of the State Governments/Union territories. Further levy sugar release order issued from Directorate of sugar stipulates that the quality of levy sugar to be supplied shall conform to ISS grade produced by sulphitation/carboration process.

(Please see Para 1.15)

Recommendation (Para No. 7.9)

The Committee observe that the foodgrains and sugar are still lying in Food Corporation of India (FCI) godowns for the last five years. In the opinion of the Committee the foodgrains which is produced by the farmers with their sweat to make the country self-sufficient should not be wasted in such a manner and be disposed off before it becomes damaged. It is very unfortunate that no concrete step has been taken to dispose off the accumulated old stock. At one side farmer's labour is being wasted and on the other side it leads to storage problems for fresh crop. The Committee very strongly recommend that some concrete efforts should be made to dispose off the accumulated old stock adhering to the principle of First-in-First-Out (FIFO). Also concrete efforts should be made by organizing more surprise checks for physical verification of different godowns of FCI throughout the country so that foodgrains stocked in the godowns should not accumulate for more than a year.

Reply of the Government

To dispose of old/damaged/'D' category stocks, the following steps have been/are taken/envisaged:

1. In July, 1999 the High Level Committee (HLC) of FCI was delegated full powers to dispose of more than 2 years old 'D' category rice through open tender. Cut of price for disposal of such stocks are at 3/4th of the Central Issue Price (CIP) applicable for APL families. CIP of rice and wheat for APL families have however been hiked *w.e.f.* 1.4.2000 by a considerable amount. Formula rates for 'D' category foodgrains to be disposed of through tenders are fixed w.r.t. CIP. However, the maximum price quoted in tenders fail to touch the reserve price. Even when it happens, the quantities are not significant. In view of this, a proposal to the effect that HLC of FCI may be given full powers (including fixation of formula rate and acceptance of tenders) to dispose of 'D' category rice is under consideration.
2. In April, 2000, powers have been delegated to FCI to dispose of Feed-I category of damaged foodgrains based on the rates floated by the tenders at the 2nd tender if in the first instance, the reserve price is not realized. FCI has been directed to exercise utmost care and transparency while following the procedure. According to the existing procedure, the power of disposal of damaged foodgrains lies with ZMs/SRMs of FCI.

3. Powers have been delegated to HLC of FCI in April, 2000 to dispose of the 2.80 lakh MTs of URS rice procured during 1997-98 and 46,138 MTs for unmilled paddy procured during 1996-97 to 1998-99.
4. Instructions have been re-issued to FCI on 12.5.2000 to observe the First-in-First Out (FIFO) principle strictly.
5. In January, 2000, powers have been delegated to HLC to dispose of Imported wheat (1.81 lakh tonnes of Australian Wheat and 0.41 lakh tonnes of Canadian red wheat which was imported in 1997-98 bying with FCI as on 1.11.99 by calling tenders); 0.40 (Forty thousand) tonnes only of C&D category wheat available with FCI as on 1.11.99 on 'as is where is' basis in a transparent manner by calling tenders, 3.21 lakh tonnes of more than two years old wheat available with FCI as on 1.11.99 on 'as is where is' basis in a transparent manner by calling tender subject to the following conditions:—
 - (a) Stocks proposed to be disposed through tenders should be specifically identified and put up for auction;
 - (b) High Level Committee will give clearance for the actual stocks to be disposed of, and approve the bids received in response to the tender enquiry.
6. After the recent decision to revise CIP of foodgrains, a proposal for downward revision of formula rate of non-issueable stocks is also being considered.
7. Before disposal of damaged foodgrains through tender, FCI offers such stocks to the State Governments and other Government and semi-Government agencies either through a rate running contract or through a right to refuse first. If no response is available within 15 days the quantities or the surplus quantities are put to All India Tenders or auction to obtain the best possible price.
8. As regards disposal of damaged foodgrains the position has been indicated in reply to recommendation para No. 2.16. Besides the MD, FCI is being requested to take immediate necessary action for the surprise checks of the different godowns of FCI. As regards disposal of sugar, information is being collected.

The Ministry in their subsequent reply state that:

"Apart from following the principle of FIFO, FCI is also issuing instructions/directions to Zonal, Regional and District Offices for organizing surprise checks for physical verifications of foodgrains in FCI godowns. FCI is presently undertaking handling and distribution of sugar only in 11 States—7 NE States, J&K, Sikkim, Andaman and Nicobar and Lakshadweep Islands. Sugar stocks in these States are handled on month to month basis and there is hardly any stocks which is more than a few months old. In the States of West Bengal, Bihar and Orissa, FCI had stopped handling operations from December, 1999/ February, 2000. Some left over stocks of sugar are being issued to the State Governments for distribution under PDS and these are likely to be liquidated shortly. Even these stocks may not be more than 10 months old. FCI is pursuing SRMs to liquidate the accumulated stocks of sub-standard sugar *i.e.* wet/sweat which have accumulated over the years during the coming festival season in October/ November, 2000."

(Please see Para 1.19)

Recommendation (Para No. 7.20)

The Committee are concerned to note that the audit report of the Corporation for the year 1998-99 was placed on the Annual General Meeting (AGM) of the Shareholders without placing the same before the Board of Directors (BoD) and which was unprecedented in the history of CWC. The Financial Advisor had advised that replies to the report on Statutory Auditors on the accounts for the financial year ending 31.3.99 and the report of the auditors on the annual accounts should be put up to the BoDs before placing it to the Annual General Meeting. The Committee is unable to understand the reasons for such omissions and deviation from well-established practice of the Corporation. The Committee, therefore urge to Government to analyse the reasons for such irregularities in the Corporation and furnish the same to the Committee. Further, the Government should device ways and means so that such lapses do not occur in future. The Committee would also like to have a copy of the Annual Accounts of CWC in question alongwith Auditors Report thereon.

Reply of the Government

The general practice has been to place the Auditors Report before the Board of Directors before placing it before the Annual General Meeting of the Shareholders. The Auditors Report for 1998-99 was placed before the AGM on 29.9.99 without being cleared by the BoD. Thus, there has been a departure on this occasion. The CWC has reported this to be an unintended lapse. The Ministry on its part, has directed the CWC to follow the practice strictly in this regard and to ensure that no such lapse occur in future.

2. Copy of the Annual Report for 1998-99 of the CWC containing Annual Accounts and the Auditors Report thereon is enclosed, as desired (Annexures 'E' & 'F').

(Please see Para 1.22)

Recommendation (Para No. 7.23)

CWC was established to acquire and build warehouses at suitable places and to operate them for storage of agricultural produces and certain other items including industrial goods. The Committee note that the Corporation was earning profits in the past but from the year 1996-97 onwards the performance of the Corporation deteriorated. While the turnover of the Corporation increased year after year from 1996-97 onwards the net profit of the Corporation declined from Rs. 84.95 crore in 1996-97 to Rs. 67.77 in 1997-98 and subsequently slumped to Rs. 41.50 crores in 1998-99 which amounts to nearly 51% decrease in profit over 1996-97. The reasons put forth by the Ministry that there is a declining trend in the utilisation of godowns of the warehouses is not very much convincing due to the fact that total capacity utilisation during the years 1996-97, 1997-98 and 1998-99 stood at 73%, 72% and 74% respectively. Also the Ministry could not convince the Committee during the evidence as to whether any study has been initiated by them to check the declining trend of the net profit earned by the Corporation and to search for alternative measures. In view of the Committee CWC have virtually failed in helping and encouraging the farmers which is quite contrary to purposes of its establishment. The Committee, therefore, strongly recommend that Government should make all out efforts to check the declining trend of profit and to make it commensurate in proportion to total turnover. Steps taken and progress achieved in this regard should be communicated to the Committee within three months time.

Reply of the Government

The financial results of the CWC for the last five years are given in the following table:

	Income	Expenditure	Establishment Coast	Net Profit
1995-96	209.30	148.32	88.32	60.98
1996-97	234.68	149.73	84.62	84.95
1997-98	253.34	185.61	118.06	67.73
1998-99	255.64	214.14	138.31	41.50
1999-2000	270.83 (RE)	225.73 (RE)	145.51 (RE)	45.10 (RE)

2. It may kindly be seen that the income of the Corporation over the years had gone up. However, increase in the expenditure during this period is showing a disturbing trend. The expenditure on establishment during the year 1996-97 has been lower by Rs. 3.70 crores as compared to the expenditure on establishment during the year 1995-96 on account of write back of the provisions. There has been, however, an increase in the expenditure on other heads during 1996-97 to the tune of Rs. 5.11 crores as compared to the previous year. The overall position was that the Corporation earned a record profit of Rs. 84.95 crores during this year. The expenditure on establishment in the subsequent year *i.e.* 1997-98 had increased by Rs. 33.44 crores as compared to the previous year which is very high. This increase was as a result of pay revisions. The increase in expenditure on other heads during this year have, however, been only to the extent of Rs. 2.44 crores. The sizeable increase in the expenditure on establishment resulted in a substantial reduction in the profit level for the year 1997-98. A similar trend had also been noticed in the subsequent year *i.e.* 1998-99 which showed an increase of Rs. 19.75 crores on account of cost of establishment and increase of Rs. 9.28 crores on other heads, resulting into further dip in the level of profits, *i.e.* Rs. 41.50 crores. Though the trend further shows that there is a further increase in the cost of establishment by Rs. 7.20 crores and Rs. 4.39 crores on other heads in the year 1999-2000 as per the Revised Estimates, yet the Corporation is likely to improve its overall profitability by increasing the level of profit from Rs. 41.50 crores to Rs. 45.10 crores. The Corporation has further increased its average

capacity to 73.97 lakh tonnes with a percentage utilization of 77% during the year 1999-2000. The above analysis thus shows that the increase in the level of expenditure over the years has been higher in comparison to the increase in the level of income during this period. This has been mainly due to the reason that though the Corporation was able to improve its level of utilization, the income generation through the business of custom bonded warehouses of the Corporation decreased substantially due to economic liberalization resulting into loss of income.

3. With the intervention of the Ministry, the FCI has agreed to hire additional storage capacity of 2.08 lakh tonnes from the CWC and this will result into further improvement in the profitability of the Corporation. The Corporation is also taking measures to tap other avenues of business to improve its level of utilization as also the profitability. Besides, the Board of Directors of the CWC has already approved introduction of a Voluntary Retirement Scheme in order to reduce the surplus manpower. This is likely to cut down the establishment cost further and increase the profitability. The Board of the CWC has been reviewing the performance of the Corporation on quarterly basis in order to take the remedial measures.

4. The Corporation has introduced a scheme known as the Farmers Extension Service Scheme during the year 1978-79 for educating the farmers on Post Harvest Technology. This scheme is being operated through the warehouses from where the Technical Staff visit the villages and impart training to the farmers on scientific storage of foodgrains to avoid storage losses. The scheme is being operated through 205 warehouses and more than 85000 villages have been visited wherein more than 16 lakh farmers have been imparted training. This scheme is mainly to provide assistance to marginal farmers for promoting and propagating the warehousing of agriculture produce. The farmers who bring their stocks for storage to the warehouses are given rebate of 30% on the storage charges. In addition to this the Corporation also arranges special training programmes belonging to SC/ST community farmers and those who undergo training are given metal bins free of cost.

(Please see Para No. 1.25)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLY OF THE GOVERNMENT IS STILL AWAITED

Recommendation (Para No. 4.4)

The Committee note that the actual food subsidy for the year 1996-97, 1997-98, 1998-99 and 1999-2000 has been Rs. 5166 crore, Rs. 7500 crore, Rs. 8700 crore and Rs. 9200 crores (RE) respectively. The Government has proposed a subsidy of Rs. 8210 crores in (BE) (2000-2001) and are claiming that the food subsidy has been increased. To the contrary, the food subsidy has actually been reduced. The Committee feel that Government should make effort to reduce the subsidy but not at the cost of BPL population. The Committee, therefore, strongly recommend that while curtailing the food subsidy some economical, administrative and operational measures should be adopted by reducing administrative cost, operational cost, transit loss, shortage, carrying cost, pilferage etc. in the operation of FCI, instead of burdening the BPL population of the country, otherwise the dream to cater to the nutritious need of the poor through TPDS at cheaper rates will not come true.

Reply of the Government

Although over-all subsidy proposed provided in the BE 2000-2001 is less than what it was during the last two years, the subsidy meant for the BPL population has actually gone up. This is evident from the fact that while allocation of foodgrains for BPL population has been doubled from the level of 10 kg per family per month to 20 kg, the increase in the issue price for them has been only 68%. At the time of introduction of TPDS it was felt that the issue price for BPL population should be fixed around 50% of the economic cost. The same approach was reiterated in the 9th Five Year Plan approved by the NDC. The present decision to revise the Central Issue Price was in tune with the general approach adopted towards TPDS since 1997.

2. Nonetheless, other measures as recommended by the Committee, are also being taken by the FCI to reduce/minimize its administrative and operational cost.

Results achieved in regard to reduce administrative and operational cost during last six months, may please be communicated to the Committee.

Recommendation (Para No. 7.10)

The Committee note with concern that out of 13 posts of Directors in the Board of Directors (BOD) of Food Corporation of India (FCI) of six posts are lying vacant for the last three years and no steps seem to have been taken by the Government to fill the same. The Committee are unable to understand as to how the Corporation is running smoothly and decisions are being taken by them in the absence of full strength of Directors. The Committee view this situation very seriously, they, therefore, recommend that the Government should take immediate steps to fill the vacant posts of Directors in the BOD of FCI so that the Corporation runs smoothly. Steps taken and progress achieved in this regard should be communicated to the Committee within three months time.

Reply of the Government

Out of the 12 slots in the Board of Directors of the FCI (in terms of Clause-7 (i) of the Food Corporations Act, 1964) at present three are five slots lying vacant. Out of these five slots, four are meant for the Non-Official Directors and the fifth one is generally filled by a representative of a State Government.

2. This Ministry has been taking steps to fill up the four vacancies of non-Official Directors on BOD of FCI. But due to frequent changes in Government/Ministries, vacancies of non-Official Directors could not be filled during the last 4 years. With the approval of the present Hon'ble Minister of Consumer Affairs, Food & Public Distribution, action is being taken to fill up the vacancies of non-official Directors on the BOD. This Department has already requested the Department of Personal & Training to obtain the necessary approval of the 'Appointments Committee of the Cabinet' to the appointment of 3 persons, recommended/approved by the Hon'ble Minister of Consumer Affairs, Food & Public Distribution as non-official Directors on the BOD of FCI. Vigorous efforts are being made to fill up the fourth vacancy on the BOD.

NEW DELHI;
13 December, 2000
22 Agrahayana, 1922 (Saka)

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

APPENDIX I

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON WEDNESDAY THE 13TH DECEMBER, 2000

The Committee sat from 15.00 hrs. to 16.00 hrs.

PRESENT

Shri Devendra Prasad Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Prof. S.P. Singh Baghel
3. Shri Namdeorao Harbaji Diwathe
4. Shrimati Preneet Kaur
5. Shri Brijlal Khabri
6. Shri Shyam Bihari Mishra
7. Shri Vishnu Dev Sai
8. Shri Ram Naresh Tripathy
9. Shri Kishan Lal Diler
10. Shri P.D. Elangovan

Rajya Sabha

11. Shri W. Angou Singh
12. Shri Lajpat Rai
13. Shri Vijay Singh Yadav
14. Shrimati Bimba Raikar
15. Shri G.C. Kharwar

SECRETARIAT

1. Shri R.S. Mishra — *Under Secretary*

(I) Consideration and adoption of Draft Seventh Report.

2. **

(II) Consideration and adoption of Draft Eighth Report

3. The Committee considered the Draft Eighth Report on Action Taken by the Government on the recommendations contained in their Fifth Report on Demands for Grants (2000-2001) relating to erstwhile Ministry of Consumer Affairs and Public Distribution (erstwhile Department of Public Distribution) and adopted the report with certain amendments.

(III) Consideration and adoption of Draft Ninth Report

4. **

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5. The Committee, then, authorised the Chairman to make grammatical and consequential changes in the Report and present/lay the same in the both House of Parliament.

The Committee then adjourned.

**** Not related to this Report.**

APPENDIX II

[Vide Introduction of the Report]

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTH REPORT OF STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (THIRTEENTH LOK SABHA)

(i) Total Number of Recommendations	19
(ii) Recommendations/Observations which have been accepted by the Government: Para Nos. 1.7, 2.15, 2.16, 3.18 and 5.6	
Total	5
Percentage	26.31
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: Para Nos. 2.14, 3.16, 6.2, 7.19, 7.21 and 7.22	
Total	6
Percentage	31.58
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: Para Nos. 2.13, 3.15, 3.17, 7.9, 7.20 and 7.23	
Total	6
Percentage	31.58
(v) Recommendations/Observations in respect of which reply of the Government is still awaited: Para Nos. 4.4 and 7.10	
Total	2
Percentage	10.53