

**NINETY-FIFTH REPORT  
COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1983-84)**

**(SEVENTH LOK SABHA)**

**CENTRAL WAREHOUSING CORPORATION**

**(MINISTRY OF FOOD AND CIVIL SUPPLIES—  
DEPARTMENT OF FOOD)**

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सत्यमेव जयते

*Presented to Lok Sabha on.....} 30-4-1984  
and }  
Laid in Rajya Sabha on.....}*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1984 Vaisakha, 1906 (Saka)*

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CORRIGENDA TO THE 95TH REPORT OF THE  
 COMMITTEE ON PUBLIC UNDERTAKINGS (1982-84)  
 ON CENTRAL WAREHOUSING CORPORATION.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1983-84)

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Shri Madhusudan Vairale

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15. Shri Satyendra Narain Sinha

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17. Shri Mahendra Mohan Mishra

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- \*19. Shri Manubhai Patel
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Shri T.R. Krishnamachari—*Joint Secretary.*

Shri M.K. Mathur—*Chief Financial Committee Officer.*

Shri G.S. Bhasin—*Senior Financial Committee Officer.*

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\* Ceased to be a Member consequent on his retirement from Rajya Sabha on 9 April 1984.

\*\* Ceased to be a Member consequent on his retirement from Rajya Sabha on 2 April, 1984.

**STUDY GROUP III ON CENTRAL WAREHOUSING CORPORATION,  
BHARAT PETROLEUM CORPORATION LTD. AND MINERAL  
EXPLORATION CORPORATION LTD.**

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3. Shri Nihal Singh Jain
4. Shri Krishna Pratap Singh
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\*\*Ceased to be a Member consequent on his retirement from Rajya Sabha on 2 April, 1984.

## INTRODUCTION

I, the Chairman' Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Ninety-fifth Report on Central Warehousing Corporation.

2. The Committee took evidence of the representatives of Central Warehousing Corporation on 1 and 3 October, 1983 and of Ministry of Food and Civil Supplies (Department of Food) on 14 and 15 December, 1983.

3. The Committee considered and adopted the Report at their sitting held on 19 April, 1984.

4. The Committee wish to express their thanks to the Ministry of Food and Civil Supplies (Department of Food) and Central Warehousing Corporation for placing before them the material and information they wanted in connection with examination of the Corporation. They also wish to thank in particular the representatives of the Department of Food and the Central Warehousing Corporation who gave evidence and placed their considered views before the Committee.

MADHUSUDAN VAIRALE,

NEW DELHI:

April, 27 1984

Vaisakha 7. 1906 (Saka).

*Chairman,*

*Committee on Public Undertakings.*

## CHAPTER I

### HISTORICAL BACKGROUND

Based on the recommendations of the Committee on All-India Rural Credit Survey, the Agricultural Produce (Development and Warehousing) Corporation Act, 1956 was enacted. Under this Act, a National Cooperative Development and Warehousing Board was set up with the functions to plan and promote programmes *inter-alia* for storage and warehousing of agricultural produce through a cooperative society or a Warehousing Corporation.

1.2 The Central Warehousing Corporation was set up in March, 1957 under this Act, mainly for acquiring, building and running of godowns and warehouses at points of all-India importance for storage of agricultural produce, seeds, manures, fertilizers and agricultural implements offered by individuals, cooperative societies and other institutions. Similarly, the State Warehousing Corporations set up under this Act were also entrusted with similar functions of providing storage facilities at points of State and the district level importance. The function to promote storage through cooperative societies by grant of loans subsidies was entrusted to the National Cooperative Development and Warehousing Boards.

1.3 The Agricultural Produce (Development and Warehousing) Corporation Act 1956 was repealed in 1962 and in its place two separate Acts were enacted namely; the Warehousing Corporations Act and the National Cooperative Development Corporation Act. The functions assigned to the Central Warehousing Corporation and the State Warehousing Corporations under the Warehousing Corporations Act 1962 were broadly the same as before, except that the scope of activities was enlarged by allowing these Corporations to run warehouses also for the storage of commodities notified by the Central Government, in addition to the other items namely agricultural produce, seeds, fertilizers, manures and agricultural implements.

## CHAPTER II

### OBJECTIVES AND OBLIGATIONS

#### A. *Micro Objectives*

2.1 The Parliamentary Committee on Public Undertakings as also the Estimates Committee in their earlier Reports had recommended that macro micro objectives, both financial and economic should be laid down for the public enterprises and placed before the Parliament. The Administrative Reforms Commission had also recommended that Government should make a comprehensive and clear statement on the objectives and obligations of the public enterprises. The statement should *inter alia* lay down the broad principles for determining the precise financial and economic obligations of the public enterprises in matters such as creation of various reserves, responsibility of self-financing, the anticipated returns on the capital employed and the basis for working out national wage and pricing policies.

2.2 In November, 1970, Ministries were asked by BPE that statements of objectives and obligations for the undertakings should be formulated by the enterprises with the approval of Government and that Ministry of Finance should be consulted before finalising the financial aspects of such statements.

2.3 Subsequently, in May, 1979, the BPE again requested the Administrative Ministries to advise the public enterprises under their administrative control to spell out their micro objectives consistent with the broad objectives spelt out in the Industrial Policy Resolution of December, 1977.

2.4 During evidence, the Committee enquired whether the micro objectives of CWC had been specifically approved by the Government and if not the reasons for the same. The Managing Director, CWC stated as follows :

“.....All India Rural Credit Survey Committee Report was the basis for the CWC coming into being. This Report was published in 1954 and as per the obligation indicated in that Report the Warehousing Corporations Act was passed in 1962. Under this Act, some macro objectives have been provided and we have been operating on the basis of the macro objectives provided in the Act, but so far as the micro objectives are concerned, they have not yet been framed or provided. We are working out our plans on the basis of macro objectives.”

2.5 Asked as to why the Corporation did not feel any need to frame the micro objectives, the Managing Director, CWC stated :

"Actually, the macro objectives that we provided in the Act are broad-based. On that basis we have been able to work out our plans and we draw each year's objectives, as also the five-year objectives. We have not faced any difficulty in doing so. We have targets of different activities in regard to achieving those objectives."

2.6 When the Committee pointed out that there were standing instructions by B.P.E. that the micro objectives of public undertakings should be framed and got approved by the Government, the Managing Director stated :

"I admit that we have actually failed in not doing it and we are in the process of working it out now."

2.7 The Committee were informed that some physical and financial objectives of the Corporation had been laid down. The Committee enquired as to when the physical and financial objectives of the CWC were formulated and whether the same had been specifically approved by Government. In reply, the Corporation stated that on 1st July, 1971, the Central Warehousing Corporation had submitted to the Government of India physical and financial objectives of the Corporation. The Government of India while examining the same, without touching upon the non-financial objectives, referred the same back to the CWC for recasting the financial objectives taking into account the instructions given by the Ministry of finance which had desired that these should be formulated/defined clearly and precisely. Based on the directions of the Government of India, the financial objectives (in particular relating to the return on capital, self-financing, creation of reserves and pricing policy) were recast and submitted to the Board of Directors in their Meeting held on 27.3.74 and immediately after the approval by the Board of Directors the same were submitted to the Government of India.

2.8 During evidence of the Ministry, the committee enquired whether the instructions of BPE regarding the formulation of the micro objectives and obligations were brought to the notice of the CWC and if so when. The Secretary, Department of Food in reply stated as under :-

"My reply to the question regarding physical objectives which were submitted by the CWC to Government is that in spite of several points being made, and consultation with the BPE, nothing much emerged from them. However, our view has been and is that unlike

other Corporations, in the case of the Central Warehousing Corporation, both on the financial objectives and the main objectives of functioning, principles have been laid down in the Act itself. Section 11 of the Act mentions the functions. On financial side, it is laid down that there should be minimum dividend. Board objectives are already laid down. Five year plan provides the physical target, what is the quantum to be achieved. These norms are sufficient to serve the purpose envisaged by the BPE. Also the annual plan discussions take place which take care of the targets and objectives which the BPE has in mind."

2.9 The Committee pointed out that during discussion with the representatives of the CWC, it transpired that the Corporation had submitted to Government physical and financial objectives in March, 1974 but no final shape had been given so far. In this connection, the Food Secretary stated as follows :-

"From the old records I find that correspondence was there between Ministry and BPE. BPE contemplated to issue general sort of objectives for public undertakings. To my mind, these are already laid down for the CWC in the Act and nothing requires to be laid down now. As I said physical targets vary from year to year, depending upon the size of the five year plan. Therefore, this particular point about objectives to be finalised has not got that much importance now."

He however, added :-

"In the functions put in the Act and the recommendations of the survey committee, basically the points are the same. These as I call them, are the macro objectives. On the other hand the micro-objectives are not laid down in the committee report or in the Act. They are basically the targets coming in each year or every period of five years."

He further said :-

"...the micro-level objectives which the BPE was thinking of is the split up of the objective in physical terms year after year and not on the broad terms, as has been laid down in the Act or as was originally contemplated by the Credit Survey Committee. In that context only I said that micro objectives are laid down in physical terms in the annual plans and the five years plans."

### B. Corporate Plan

2.10 It has been stated that there is no single official document incorporating the targets and achievements of various activities of the Corporation. Asked whether the Corporation was aware of the guidelines issued by BPE in regard to preparation of Corporate Plans by public undertakings which *inter alia* required that Corporate Plans should be approved by the Board and should be formally ratified by the Administrative Ministry. The M.D., CWC, in reply stated :-

“I admit and confess that we were not aware of this Corporate Plan. We are working on year to year plan and we are going ahead with them except that we have worked out construction activity on the basis of Sixth Five Year plan.”

2.11 In a note furnished after evidence, the Corporation stated :-

“CWC is not aware that any guidelines were issued by the BPE. in regard to drafting of Corporate Plan by public undertakings. However, these guidelines are now being ascertained with a view to draw up the Corporate Plan of the Corporation.”

2.12 On being enquired whether the Corporation got any direction from the Government/Ministry to prepare and have a Corporate Plan, the M.D. CWC stated :-

“We never received any direction. I may clarify, we have had our schemes and plans for working out our direction but not under Corporate Plan.”

2.13 In this context, the Secretary, Department of Food, in his evidence stated :-

“I really do not understand the point made by BPE. Plans are of three kinds, viz. (a) the objective part; (b) inventory and annual plans and (c) long-term perspective. I suggested that there should be a survey conducted about potential etc. depending on which plans should be drawn up.”

2.14 The Committee pointed out that the instructions regarding preparation of Corporate Plans by public undertakings had been issued by the Finance Ministry. If the Deptt. was not clear about them, they could have got an explanation or told BPE that inspite of the instructions issued it could not be done in regard to this particular undertaking. The Food Secretary, in reply stated “I am afraid we have not done it. We can make a reference.”

2.15 Asked whether any action has been taken in this regard, the witness stated :—

“No. On their instruction about Corporate Plan, we have not made a reference. Therefore, the question of our taking action on the lines does not arise.”

2.16 The Food Secretary, however, said that they would write to the BPE for seeking elucidation about this Corporate Plan.

2.17 Asked whether the Ministry presumed that without fixing the targets, it was possible for the Department so assess the performance of an undertaking. The Food Secy. stated :—

“No. We assess the performance with reference to their annual plan. The annual plan has to be drawn up every year. The annual plan says what should be and is the capacity and what is the likely utilisation etc.”

2.18 In a note furnished subsequently, the Ministry has *inter-alia* stated that “although the Corporation does not have a separate plan as such, there are other documents duly approved by Government which set out the physical and financial targets in respect of important items and with reference to which corporation's performance is monitored. In this background, the need for preparing a separate corporate plan has not been felt.”

2.19 Although the Central Warehousing Corporation was set up as far back as March, 1957, its specific objectives and obligation—economic, social and financial, have not yet been spelt out in detail. The Committee have been informed that the Corporation has so far been operating on the basis of the objectives broadly laid down in the warehousing Corporations Act, 1962 and some physical and financial objectives though formulated by the Corporation have not been specifically approved by the Government. The managing Director, CWC was frank enough to admit the failure in this respect. He, however, stated in the evidence that “we draw each year's objectives, as also the five years objectives.” Obviously, these objectives have not been produced in the form of a document and got approved by the administrative Ministry. In terms of the guidelines issued by BPE in 1970 and 1979, it is incumbent on all the public undertakings to make a comprehensive and clear statement on their objectives and obligations. Further these statements should be formulated by the enterprises with the approval of Government and that Ministry of Finance should be consulted before finalising the financial aspects of such statements. The Committee would like that action to formulate the micro objectives of the Corporation and getting them approved by the Administrative Ministry is taken without further delay.

2.20 The Committee note that not only the Corporation does not have a Corporate Plan, they are not even aware of the guidelines issued by BPE in this regard. In terms of these guidelines each public undertaking is required to prepare a Corporate Plan, which after approval by the respective Board of Directors is required to be formally ratified by the Administrative Ministry. The Committee desire that after finalisation of the micro objectives of the Corporation, its Corporate Plan which is long over due should also be drawn up so that the performance of the Corporation could be judged against the set plan and targets. They also desire that objectives and obligations should be clearly specified in the Corporate Plan of the Corporation. The Committee would like to be apprised of the action taken in this behalf.

## CHAPTER III

### ROLE AND ACHIEVEMENTS

#### A. Functions.

3.1 The functions of the Central Warehousing Corporation as given in the Warehousing Corporation Act, 1962 are as follows :—

- (a) to acquire and build godowns and warehouses at such suitable places in India as it thinks fit;
- (b) to run warehouses for the storage of agricultural produce, seeds, fertilizers, agricultural implements and notified commodities offered by individuals, co-operative societies and other institutions;
- (c) to arrange facilities for the transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses;
- (d) to subscribe to the share capital of a State Warehousing Corporation;
- (e) to act as agent of the Government for the purpose of the purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities; and
- (f) to carry out such other functions as may be prescribed.

3.2 In pursuance of the main objective of setting up of CWC, the following physical and financial objectives have been formulated by the Corporation :

#### I. Physical Objectives

- (i) To build and run warehouses at markets of all India importance and to act as an agent of Government for purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers and other notified commodities.

- (ii) To reduce waste and losses in storage in order to add to the nation's real income through promotion and development of warehousing facilities on scientific lines.
- (iii) To assist in orderly marketing by introducing:
  - (a) the use of standard grade specifications; and
  - (b) the warehouse receipts.
- (iv) To train personnel to run warehouses.

## II. Financial Objectives

- (i) To make efforts to achieve 6% return on capital investment.
- (ii) To generate internal resources for repayment of loans and financing the extension programme.
- (iii) To create a negotiable paper to provide an instrument for extension of credit through commercial banks, for the benefit of depositors.
- (iv) To adopt a pricing policy keeping in view commercial principles as well as the need for incentive to cooperatives, farmers etc.

3.3 The Committee wanted to know as to what extent the objectives set for CWC had been achieved. The Managing Director, CWC stated as follows :—

“We have achieved the objectives for which the Central Warehousing Corporation has been formed. The expansion of institutional credit is the area where the objectives have not been fully achieved. The difficulty has been that the farmers or depositors have not been able to get the loan against the warehouse receipts, when they deposit the receipts with the Bank.”

3.4 On being pointed out that the main thrust underlying the objectives of the Corporation was the storage and distribution of agricultural products, the witness stated :

“If I give you the break-up in nutshell, at March end 1983, 44% of our capacity utilisation has been only by foodgrains, 41% by fertilizers and the remaining 15% is by other notified commodities. Thus\*\*\*

capacity utilisation for foodgrains and fertilizers taken together, is 85%. So from that angle, we have been able to achieve the objective."

3.5 The Committee enquired whether, with the level of achievements reached by the Corporation, could it be said that the primary objectives of CWC had been realised and if not what reorientation CWC would like to give to the activities of the Corporation so that it fulfilled the objective for which it was set up. The Corporation has stated in a note as follows :—

"The Corporation has successfully achieved both the physical and financial objectives assigned to it. The Corporation has provided storage, handling, transport and distribution services to customers at economical rates and while doing so, have minimised the losses, thus, adding to the national wealth. Thus, in a large measure, the Corporation has discharged satisfactorily the functions assigned to it and fulfilled the objectives for which it was created."

It has been further stated :

"In 1974, the Government of India desired that a review of the provisions of the Warehousing Corporations Act, 1962 may be carried out in the context of the developments that had taken place since the Corporation was established. This was thought necessary in view of the complex nature of operations of the Corporation. The purpose was to examine the concept and objectives of warehousing in public sector, as envisaged at the time Warehousing Corporations were established and to find out whether the same need to be modified.

A working Group headed by the Deputy General Manager of the Corporation was formed to look into the above questions to submit its recommendations. The recommendations made by the Working Group not only relate to the need for expansion of the role, scope and functions of the Corporation but also its relationship with the State Warehousing Corporations and other important and pertinent aspects relating to the scheme of public warehousing in the country."

3.6 The Committee was informed that a final view on the recommendations of the Working Group had yet to be taken by the Corporation for carrying out such amendments to the Act as are deemed appropriate.

3.7 In regard to the achievement of objectives set for CWC, the Secretary, Department of Food stated in evidence as follows :—

"The CWC and the SWCs are playing a very important role in the agricultural economy, because the private sector godowns have not

come up that much and looking in broad terms not only what is actually produced but anything connected with agriculture, including fertilisers, the CWC and the SWCs have been playing their useful role. The Gadgil Committee itself has mentioned that the storage godowns are very capital intensive and, therefore, the private sector people do not take up construction of scientific godowns; hence, the suggestion was that Government should come into the picture to provide scientific storage. This is not merely godown but also a warehouse which means that the receipt from the warehouse can be used for obtaining credit. So, this basic purpose has been served. But, as I said, with the coming into operation of procuring agencies in the field of foodgrains, cotton, jute, etc. the time has come for the warehouse to be utilised for other purposes also. The purpose for which it was originally started has been served to a great extent and that is why there is some diversification of the activities taking place in the CWC."

#### *B. Warehousing facilities in rural areas*

3.8 The Warehousing Corporation at the Centre and similar institutions in the States were started with a view to provide scientific storage to the agriculturists and protect them from low prices that prevail at the time of harvest with the help of loans available from the banks against receipts issued by Warehousing Corporations so that the farmers could tide over their financial problems and sell their produce so stored in the warehouses at a remunerative rate later on when favourable circumstance reappear.

3.9 A depositor-wise break-up of the actual utilisation of Central Warehouses and stocks held in the warehouses during the last five years was as under :—

(Figures in million standard Bags)

Sl. No.	Depositors	As on 31.3.79	As on 31.3.80	As on 31.3.81	As on 31.3.82	As on 31.3.83
1.	Government	1.99 (4%)	1.656 (5%)	2.616 (8%)	3.782 (10%)	2.166 (5%)
2.	Food Corporation of India	18.030 (6%)	16.077 (52%)	13.933 (42%)	17.292 (44%)	18.879 (44%)
3.	Other Public Sector Org.	5.060 (17%)	7.421 (24%)	9.357 (28%)	10.856 (28%)	13.019 (31%)
4.	Producers	0.092	0.490	0.286	0.792	0.230
5.	Co-operative	1.848	2.089	3.211	2.973	3.390
6.	Merchants	3.275	3.105	3.649	3.434	4.927
	Total	29.504	30.838	33.052	39.129	42.611

3.10 It is observed from the above that the Corporation is mainly catering to the needs of bulk depositors viz. Government, Food Corporation of India and Public Organisations in as much as about 80% of the total deposits are from these bulk depositors and the balance of 20% of deposits is shared by others, such as 8% by Cooperatives, 11% by merchants and only 2% by agricultural producers.

3.11 Explaining the reasons for very low percentage of utilisation of Central Warehouses by the private farmers, the MD, CWC stated :

"Unfortunately, the private farmers have not been very much attracted by our warehouses. The reasons broadly are that, first, we operate at the all India level and the small farmers are generally village-based and do not have so much surplus that they may be in a position to come to the cities and keep their surplus. Whatever surplus he has got, he would like to encash that surplus. The Government agency like the Food Corporation of India purchase that as soon as it is harvested. The farmer is not in a position to have adequate surplus to bring to a centre which is of an all India importance"

3.12 In a note subsequently, the Corporation further explained the reasons for low percentage of deposits from producers as follows :

"The three tier system envisaged under the Warehousing Corporations Act places CWC at the apex level i.e., centres of all-India importance to take care of the products for terminal sale. As such the deposits from producers will flow through cooperative warehouses located at the rural level which unfortunately has not developed to the expected extent.

The trend and pattern of foodgrains trade has undergone drastic changes since the setting up of the Corporation. With the involvement of Central and State Governments in the foodgrains trade and with various price support and price control schemes of the Government very little surplus is left with the agriculturist for sale in the open market.

The imposition of the various State Governments with regard to the maximum holdings of essential commodities is a deterrent for the marginal and large growers to bring in their surplus to the Warehouses.

The imposition of restrictions on advances on foodgrains by Reserve Bank of India from time to time was another reason.

The cumbersome procedure in obtaining loans on agricultural produce deposited is another reason."

3.13 The CWC has taken the following steps to attract agriculturists and to protect their interest keeping in view the objectives of the Corporation :

1. Rebate of 10% is allowed in storage charges to bonafide producers and cooperative societies.
2. Disinfestation Extension Service Scheme has been introduced with a view to bring the message of scientific warehousing to the doorsteps of traders, farmers and other agencies engaged in storage.
3. Farmers Extension Service has been introduced to educate the farmers about the techniques of preservation and to make them conscious of the need for warehousing of their products.

3.14 It is also helping the farmers by making available the vital inputs like fertilizers, seeds etc. at location near to their place.

3.15 The MD, CWC during evidence *inter-alia* stated that at the village level, the utilisation of the warehouses had not been satisfactory. He further stated that :

"If we go to the village level and start working out the capacity of 500 or 1000 tonnes, the overall objective will be lost in the process. Because today the nation needs much higher storage capacity for the foodgrains and for other articles for various reasons, we are aware of it... If we start having small warehouses in villages also and in small panchayats, the number will no doubt increase but the capacity will not be fully utilised..."

3.16 Referring to the role of CWC in helping farmers, the MD CWC stated :

"We are meant to provide storage facilities not necessarily to the farmers but to anyone who is in a position to come. Our part is to provide space - big storage capacities. It may be for Government agencies, or for imports from abroad."

3.17 Asked as to what concrete steps had been taken by CWC in furtherance of its main objective of popularising warehousing practices and making their advantages felt in the rural areas and what effective means

were adopted by the Corporation to publicise the services made available by it to the farmers, the Corporation in a note stated as under :

"The contribution of CWC in reducing the post harvest losses of foodgrains has been quite considerable. The overall percentage of loss in respect of foodgrains stored in the warehouses has been brought down to around 1%. However, the deposits, as earlier explained, have been mainly from Government and Government sponsored agencies because of the shift in the pattern of trade in foodgrains, since the setting up of the organisation and also because of the existing Government policies in foodgrains trade.

The surplus left with the farmers is negligible to warrant warehousing which is one of the reasons for the low percentage of utilisation by farmers.

To encourage deposit from agriculturists, the Corporation is extending a 10% rebate on deposits from producers. Besides, through its DES and FES Schemes, the Corporation extends its services to the farmers premises and educates them in techniques of preservation and make them aware of the advantages in warehousing of products."

3.18 The total post harvest loss of foodgrains from the field to the consumers end has been estimated to be as much as 9.33 per cent to 30 per cent. However, the utilisation of warehouse space by farmers has been less than 1 per cent. Asked whether there was need for motivating and enthusing the farmers to make better use of the warehousing facilities offered by the Corporation. The M.D., CWC stated as follows :

"There is no doubt that is need for motivating farmers for utilisation of better facilities, but as far as Central Warehousing Corporation is concerned, we have provided the farmer extension service and are also giving 10% rebate to the farmers in the storage charges. We also give preference to the farmers. The extension service employees are going to the villages and telling them the advantages of public warehousing and how they can get the advance by depositing the receipt of the warehouse in the banks. There are at present 54 warehouses where we are providing these facilities."

3.19 The Committee pointed out that if the Corporation wanted to motivate the farmers to make use of warehousing facilities so that they did not undergo heavy losses, it could have utilised the services of Cooperative organisations and all-India Kisan bodies instead of approaching the farmers directly through their technical staff. The MD, CWC in reply stated "We have noted your advice. From now, we will get in touch with the farmers, association also."

*C. Three-tier system*

3.20 It has been stated that the scheme of public warehousing in India envisaged a three-tier system. Under this, the markets of all-India importance are served by the Central Warehousing Corporation, secondary markets of district level importance are served by the State Warehousing Corporations and the storage needs at the village and taluk level are looked after by the Cooperatives. On being enquired whether the Cooperatives at the village and taluk level were in a position to meet the scientific storage and credit requirements of farmers and producers and if so, what was the scope left for Central Warehousing Corporation and whether that would not result in deviation from its main objective of providing warehousing facilities to the farmers in rural areas. The M.D., CWC stated as under :

"As far as the CWC's role at the taluk and village level is concerned, I am of the view that the CWC should not go to the village level. Rather the State Warehousing Corporations should be expanded and they should be further strengthened and small godowns should be constructed by cooperative societies to provide the necessary infrastructure. That is the only answer by which the farmers and producers can be helped by having multipurpose godowns."

He further stated :

"In the very basis of the scheme under which CWC had been formed, we were supposed to work at the all-India centres and at the all-India centres, the depositors are normally the bulk depositors, Government agencies or manufactures of various form of inputs and not the small individual farmers."

3.21 It has been stated that the warehousing needs of the farmers, as per the three-tier scheme of public warehousing, are to be generally met by the Co-operatives and to a lesser degree by the State Warehousing Corporations.

3.22 During evidence of the Ministry, also the Committee asked whether there was any scope left for CWC to play any role in rural areas on its own. The Food Secretary stated :

"In villages its role is not there ; the real role there is that of cooperatives, Panchayats and market committees. At the taluk level also, normally the SWCs function. At the district level, markets are big and important and the CWC has a role to play. When I say that at the taluk level the SWC is there, there also the CWC plays a

role because it has 50 per cent share in the State Warehousing Corporation. But in the villages, the CWC does not come into the picture."

3.23 On being enquired about the Ministry's assessment of the functioning of the three-tier system, the Food Secretary in evidence stated :

"Of course, there is scope for more coverage and more improvement. More and more godowns have to be constructed in the rural areas. That is why they have got the rural godowns' concept in the Rural Development Department."

3.24 Explaining the role of CWC in rural areas in making the three-tier system more effective, the Ministry in a note furnished to the Committee stated :

"The Central Warehousing Corporation has a very limited role to play in rural areas. In the three-tier system that was envisaged, the responsibility for meeting the warehousing needs of the producers in the rural areas lies with cooperatives. This was visualised even at the stage the Corporation was set up and made clear by Government in the replies given in the course of the debate at the time the Warehousing Corporations Bill, 1962 was piloted."

3.25 The working of the Central Warehousing Corporation was reviewed by the Committee on Public Undertakings in 1968-69. The Committee had at that time *inter-alia*, recommended that the storage functions in respect of all the Government agencies/public undertakings should be assigned to CWC. While not accepting the recommendation, the Government had given the following reasons :

- (a) The Warehousing Corporations have been set up with defined set of functions. They are expected mainly to help the producers to store their foodgrains under scientific conditions and also to provide easy means of credit to them. This purpose will definitely be defeated if the Warehousing Corporations were to handle the entire foodgrains trade in the public sector.
- (b) The Warehousing Corporations are yet to achieve their main purpose. Concerted work is required in the direction of popularising warehousing practices and making their advantages felt in the rural areas.

...Therefore, the policy adopted at present to utilise the space of the Warehousing Corporations by the Food Department, FCI as also the State Governments should continue on with the clear understanding that the quantum of utilisation of space should be gradually reduced as the Warehousing Corporations require more space for use by the legitimate beneficiaries under the Warehousing Corporations Act."

3.26 The Committee on Public Undertakings (1978-79) in their 24th Report again recommended that with a view to maximise the utilisation of storage capacity available with various public undertakings, CWC should be designated as a unified agency responsible for carrying out the specialised function of management of godowns on a scientific basis. The Government again stated in reply that it was difficult to agree with the recommendation as it would not be practicable for CWC to undertake this work. One of the main reasons given for not entrusting the management of storage space requirements of Government agencies/public undertakings to CWC was that it had yet to realise its primary objective of helping the farmers in rural areas.

3.27 When the Committee pointed out that according to Government, the CWC had been set up with the intention of making farmers utilise the warehousing facilities, the MD said, "We will increase our efforts in this direction. We have done it, but what we have done is not adequate."

3.28 During examination of the Ministry, the Committee asked whether in pursuance of the objectives enunciated by the Ministry in reply to Committee's recommendation contained in their earlier Reports, any guidelines were issued to the CWC for paying special attention to the needs of the farmers. The Food Secretary stated, "No, the recommendations were sent to the CWC. Accepting the point regarding popularization of warehousing among the farmers, the CWC have been giving concessions to the farmers."

3.29 It is seen that the CWC has diversified its activities into other areas, such as handling of imported fertilizers and cement, storage of sensitive chemicals and drugs in air-conditioned godowns, running of godowns at air complexes and bonded Warehouses etc. Asked whether this could be attributed to any conscious shift in the CWC's primary objectives of providing the facility to farmers, the MD in reply stated :

"...our object was to provide at the all-India level certain facilities to the farmers and not at the village level. Keeping this all-India character in view, it is obviously meant that we are basically meant for a bigger activity rather than at the village level. This is provided as per the basic structure of the three-tier scheme. It appears that the

very concept and the basic objective of the Corporation have not been clearly understood. The Corporation is not meant to provide facilities at the rural or village level; it is basically meant for activities at the all-India level\*\*\*We have not gone beyond our basic objective. But the objective has been broadened to cover other activities..."

3.30 In a note furnished subsequently, the Corporation stated :

"As already explained the role of CWC is only at the apex level and the farmers as per the Act itself are expected to take advantage of the rural godowns created by the cooperatives besides the present change in pattern of trade in foodgrains and the government policy is not leaving any surplus with the farmers for warehousing of their stock. As could be seen there had not been any shift in CWC's primary objectives."

3.31 Asked whether the Corporation should not concentrate its attention on the original objectives that have been given in the Act instead of going in activities which are not given in the original Act, the MD stated *inter alia* :—

"If we do not diversify our activities and if we continue to provide the facilities to the farmers at the village level then neither the objective will be achieved nor the economic viability of the Corporation be maintained."

#### *D. Farmers' Extension Service Scheme*

3.32 The Corporation introduced the Farmers' Extension Service Scheme in 1978-79 with the following objectives :—

- (a) to educate the farmers on the advantage of scientific storage and utilisation of public warehouses,
- (b) Assisting the farmers in getting loans from the Banks against the pledge of warehouse Receipts.

3.33 It has been stated that for implementing this scheme, warehouses located in predominantly agricultural belts are identified in each region. The technical staff attached to these warehouses visit the surrounding villages and give demonstration of fumigation, prophylactic treatment to the stocks and also educate/inform the farmers on the utility of public warehousing system. They also assist the farmers in utilisation of warehousing facilities of the Corporation and in obtaining bank advances against the pledge of warehouse receipts. Whereas the demonstrations are conducted free of charge,

Dis-infestation Extension Services taken up at farm level carry a rebate of 10%.

3.34 Besides the above scheme, the Corporation has also planned to adopt 11 villages during the year (one in each region) for imparting extensive training to the farming community in methods of preservation and scientific storage. Yearwise achievement for the last three years is stated to be as under :—

Year	No. of farmers contacted	No. of farmers educated	No. of farmers utilised	No. of bags deposited	Quantity treated Bags	Area in s ft.
1980-81	6839	6815	259	11038	6154	1479
1981-82	16212	15831	409	2556	5775	100
1982-83	11690	11228	344	14163	3350	150

3.35 It is to be seen that the total number of farmers who utilised the services was only 259 in 1980-81, 409 in 1981-82 and then declined to 344 in 1982-83. Asked about the reasons for contacting such a small number of farmers, the M.D., CWC stated "our warehouses are mostly at the all India centres and their locations are far off from the villages, but inspite of this, we have identified certain centres to start this service. We are reaching them, but not to the extent desired."

3.36 Asked whether it was a fact that the Corporation could not contact a large number of persons because it had not been conscious of its obligation to do this. In reply, the M.D., CWC stated :—

"This should have been done by the Foodgrains Campaign Agency, Rural Agency and Cooperative societies. It is for them to do this. It is basically their functions and not the function of the Central Warehousing Corporation."

3.37 Explaining the reasons for the CWC's activities in rural areas having considerably declined in 1982-83, the Corporation stated that the decline in progress was due to the fact that there was acute shortage of trained technical personnel in the concerned warehouses where Farmers Extension Service Scheme was being operated. However, additional technical staff had been recruited and given special training on the Scheme and all the 54 centres where the Scheme was operated were being manned by trained technical staff. Besides, there was drought condition prevailing in most of

the centres where the scheme was under operation. The CWC hoped that their promotional activities in the rural areas such as DESS & FESS will considerably increase in the coming years.

3.38 Asked whether it was not a fact that the coverage under the scheme was too insignificant to have any real impact on the problem the M.D. stated :—

"I admit that our coverage of the scheme has been insignificant and the impact has been less. We need to provide more initiative and wide coverage under this scheme."

3.39 In this context, the Food Secretary in the evidence, *inter alia* stated, "...it will not be realistic to presume that the CWC will cover all the people because by the very nature that means going to the villages. It has to be done by the SWCs also."

3.40 Asked about the reasons for such a poor response from farmers for utilising the services, the Food Secretary stated :

"It is not that the farmers are not utilising the services. It is the CWC coverage which has not been that much...the number of farmers educated and the number of farmers utilising the service does not necessarily mean the same. Storage by farmers need not be in CWC godown only. It can be in other godowns also. But on our part we do not know why the farmers had not responded fully. We find that the figures is 409. Out of 15,830 in 1981-82. I have no knowledge why only 409 came to utilise the services "

3.41 On being enquired whether the CWC had made any survey regarding the actual result of this extension service which was started in 1978-79, the M.D. in reply stated :

"Sir, in a very humble way, I will admit that we started this scheme only 4 years ago. Initially we started with 11 numbers then the number went up to 30, then to 54 and then it became more intensive. As a developmental measure, we have taken our own initiative to ensure that we educate the farmers and tell them how best they can keep their produce and what are the post harvest techniques. So, this has been a promotional activity which is gradually growing...I admit that we should make greater efforts to educate the farmers."

3.42 Asked whether the CWC felt any handicap in approaching farmers on account of the fact that their warehouses were located in bigger towns, away from the farming community, the M.D. stated :

"This is one of the constraints, but despite this, I don't think we cannot approach farmers. We would have been able to approach them better if the godowns and warehouses were situated in rural areas."

3.43 On being enquired whether there was any proposal to equip the CWC with necessary resources to enable them to create necessary infrastructure for catering to the requirements of rural areas, the Food Secretary stated :—

"I think the answer is no, CWC is having its warehouses and as already stated rural areas are being served by the cooperatives and the State Warehousing Corporations. No other special structure is necessary for this purpose."

3.44 When the Committee pointed out that the M.D. CWC had stated during evidence that 'they would have been able to approach them (farmers) better if the godowns and warehouses were situated in rural areas,' the Food Secretary in reply stated :

"In the very nature of things, CWC was meant to serve areas of all-India importance, important marketing areas etc. I do not agree with the assessment of the Managing Director."

3.45 On the question of extention service work of CWC in the rural areas, the Food Secretary stated :

"I am in entire agreement with you what you have said that extension service work also has to be done. We have been telling the CWC to please try to expand the extension service work. There is no difference of opinion on that. The CWC will have to work on commercial principles. But it has also an extension service role to play. There is no doubt about it."

3.46 On being enquired whether it was not desirable to adopt an integrated scheme under which the farmers were encouraged to use the storage space in the godowns of CWC and then take benefit of the loss prevention scheme, the Corporation has stated that :

"Under the Farmers Extension Service Scheme, the farmers are advised/persuaded to bring their produce to the nearby Central Warehouses and to avail the scientific storage facilities to prevent losses of their produce. We are requesting the State Warehousing Corporation also to work on similar lines. It is however difficult to have an integrated scheme because of the distance between the farmers' house and the nearest warehouse. As per the existing three-tier Warehousing System, the rural areas are to be served by Co-operative-So

cieties for warehousing purposes and under normal conditions, CWC does not come into the picture. Central Warehousing Corporation has only an advisory role to play by which the rural warehouses can be streamlined and groomed to perform their duties to the best advantage of the farmers."

#### *E. Credit facilities for farmers*

3.47 The Warehousing Corporations in the Public Sector were set up under special legislation for achieving *inter alia* the objective of extension of institutional credit to farmers through the medium of warehouse receipts. The financial objectives of CWC lay down that the Corporation is required "to create a negotiable paper to provide an instrument for extension of credit through commercial banks, for the benefit of depositors." It has been stated the warehouse Receipts issued by Central and State Warehouses are accepted by Banking institutions as collateral security and advances are made against the same Reserve Bank of India has allowed relaxation in respect of margins, limits and rate of interest on advances against warehouse receipts. However, during evidence before the Committee, the M-D. CWC stated that "the extension of institutional credit is one area where the objectives have not been fully achieved." Explaining the reasons for the same, the witness stated :—

"The basic reason behind this is that the key loans and the warehouse receipt loans have got common limits. It means, for the same package, the key loans and warehouse receipt loans have been provided. Most of the loans are utilised under the key loans by various traders and merchants and the result is that the farmers with warehouse receipts could not take advantage of this. The other reason is that when the warehouse receipt is produced in the bank by the depositors, the procedure is so difficult and cumbersome that he is not in a position to come up to the required level of providing them necessary information. For example, if a farmers goes to the warehouse and takes the receipt, when he goes to the bank, he is asked to produce his patta whether he is a farmers, what are the details of his farm what is his produce and whether he is the real producer. Ultimately, he is not in a position to give all those details and he fails in getting the loan. That is the reason why this objective has not been fulfilled. In this regard I will bring to your kind notice that we approached the Reserve Bank of India for widening the margin and for reduction in the rate of interest and the interchangeability of limits but after due consideration the Reserve Bank indicated that no further relaxation can be made."

3.48 The Committee wanted to know the assessment of the Ministry in regard to the role played by the CWC in achieving this objective. The Secretary, Department of Food stated in evidence :—

"The facility has been provided. Warehousing itself is recognised as an instrument for giving credit. Those who want can get it. The position has, however, undergone radical change. The farmer by and large no longer wants credit. He can get cash at a minimum remunerative or higher price. When that is so, though the facility is there, he need not necessarily go and take advantage of the credit facility. The fulfilment of the objective has to be viewed in the context of the changed policy of price support operations."

3.49 when the Committee referred to the evidence of M.D., CWC wherein he had stated that they had failed to achieve the basic objective of providing institutional credit to farmers, because the applicants could not obtain credit from banks when they approached the banks with warehouse receipts as they could not comply with the difficult and cumbersome procedure adopted by the banks, the Food Secretary remarked :—

"I do not think it is quite correct. The banks have been giving credit though the margin is high. we do not like a high percentage of margin. But the banking side did not agree. They are giving 60% as loan, 40% is the margin."

3.50 As regards the cumbersome procedure in banks, the Food Secretary stated, 'I am sorry this has not been brought to my notice.'

3.51 In a note furnished after evidence, the Ministry informed the Committee :

"The Central Warehousing Corporation had approached the Ministry in 1978 and 1981 regarding concessions to be provided by the banks for the advances being given against warehouse receipts. The concessions suggested by Central Warehousing Corporation were for reduction in the margin, reduction in the rate of interest, fixing up separate ceiling limits for warehouse receipts and key loans and exemption from the purview of the credit control to the warehouses established on or after 1.1.1970 and those warehouses which had increased their capacity by more than 100% on or after this date by way of fresh of additional construction. No mention was made about procedural difficulties in 1978. In 1981, Central Warehousing Corporation made a general suggestion for the simplification of procedure for the advances given against warehouse receipts without spelling out any difficulties/cumbersomeness of the existing procedure and without suggesting any specific simplification needed to improve the situation. No remedial measure was, therefore, called for on this aspect at the Ministry's level."

The Ministry further stated :

"As for the concessions sought by Central Warehousing Corporation in extending the credit to the producers against warehouse receipt, the matter was taken up by the Ministry with the Ministry of Finance. That Ministry, however, did not agree and felt that the advances against warehouse receipts were already being accorded preferential treatment over the advances against stocks under the scheme of selective credit control and the Reserve Bank of India was of the view that any further relaxation at this stage, either in regard to margin or interest rate or other facilities would be against the present credit restraint policy being followed by them. That Ministry also mentioned that the Ministry of Rural Development was already implementing a scheme of construction of rural godowns. That scheme provided for preferential treatment to advances against godown receipts. Against such rural godown receipts, as a special case, there was a relaxation in the margin and the interest rate in respect of the small advances upto Rs. 5,000/-. These measures would provide adequate incentive to the small producers for keeping their foodgrains in proper storage conditions and to utilise the storage capacity being created in the rural areas under the scheme of construction of rural godowns."

3.52 With regard to the role and scope of functions of the Central Warehousing Corporation, the Committee had been informed by the Corporation that in pursuance of the directions given by the Government of India in 1974, a Working Group headed by the Deputy General Manager of the Corporation has been formed to review the provisions of the Warehousing Corporation Act, 1962 in the context of development which have taken place since the Corporation was established. The Working Group has made recommendations relating to need for extension of role, scope and functions of the Corporation, its relationship with the State Warehousing Corporations and other pertinent aspects, relating to scheme of public warehousing in the country. The Committee have also been informed that final view on the recommendations of the Working Group is yet to be taken for carrying out such amendments to the Act as may be deemed appropriate. The Committee urge the Government to finalise their proposals at an early date and take necessary steps to initiate legislation in this regard.

3.53 The Central Warehousing Corporation and State Warehousing Corporations were set up under special legislation primarily with a view to provide scientific storage facilities to the agriculturists for storing their agricultural produce, seeds, manures, fertilizers, agricultural implements, etc., as also to help them in getting better prices for their products. The Committee's examination of the working of the Corporation during the last 22 years revealed that precious little had been done to provide necessary facilities to the agriculturists. The depositor-wise utilisation of Central Warehouses in the past has revealed that about 80% of the capacity has been utilised by bulk depositors like Government/Public Undertakings and the balance of 20% of deposits was shared by merchants, cooperatives and producers. All along the utilisation of warehousing space by farmers/producers has been very low. The main reasons for the very low percentage of

deposits from farmers and producers are stated to be that under the three-tier system the markets of all-India importance only are served by the CWC and the storage needs at the village and taluk level are looked after by the Cooperatives. The Managing Director, CWC admitted during evidence that "at the village level, the utilisation of the warehouses has not been satisfactory". He further stated "we will increase our efforts in this direction. We have done it, but what we have done is not adequate." The Committee are not impressed by the plea of the Corporation/Department that "our object was to provide at the all-India level certain facilities to the farmers and not at the village level...We are basically meant for a higher activity rather than at the village level...The Corporation is not meant to provide facilities at the rural or village level."

3.54 One of the functions for which the CWC was set up was to popularise warehousing practices and making their advantage felt in the rural areas. From the data furnished, the Committee find that the facilities provided by the CWC appear to have been availed of mainly by the Government/Public Undertakings and merchants. It is the farmers/producers who need greater warehousing facilities, particularly during post-harvest period to protect them against distress sales of their produce. Although the Committee learn with satisfaction that to encourage deposits from agriculturists, 10% rebate is being extended on deposits from producers, they are still of the view that more intensive efforts are needed to attract deposits from producers and cooperatives for whose benefits these facilities were originally contemplated.

3.55 The total post-harvest loss of foodgrains from the field to the consumer's end has been estimated to be as much as 9.30 per cent to 30 per cent. However, the utilisation of warehousing space by farmers has been less than 1 per cent. The Committee suggest that the farmers should be motivated to make maximum use of warehousing facilities. The Corporation should utilise the services of Cooperative Organisation, and other Rural Development Agencies instead of approaching the farmers directly through their technical staff.

3.56 The Corporation introduced Farmers Extension Service Scheme in 1978-79 with the objectives (i) to educate the farmers on the advantages of scientific storage and utilisation of public warehouses and (ii) assisting the farmers in getting loans from the banks against the pledge of warehouse receipts. The Committee find that the number of farmers all over India who utilised the services under this scheme was only 259 in 1980-81, 409 in 1981-82 and 344 in 1982-83. The reasons for contacting such a small number of farmers are stated to be that the CWC warehouses are mostly at the All India centres and their locations are far off from the villages. While the M.D. CWC admitted during evidence that "our coverage of the scheme has been insignificant and the impact has been less", the Food Secretary stated, "It is not that the farmers are not utilising the service. It is the CWC coverage which has not been that much." He further stated, "On our part I don't know why the farmers had not responded fully. We find that the figure is 409 out of 15,830 in 1981-82. I have no knowledge why only 409 came to utilise the service".

The Committee desire that extension service work should be expanded on a larger scale and greater efforts be made to approach the farmers and educate them on the advantages of scientific storage and utilisation of public warehouses, with the assistance of cooperatives and the State Warehousing Corporations.

3.57 The Warehousing Corporations in the Public Sector were set up under special legislation for achieving *inter alia* the objective of extension of insti:

tutional credit to farmers through the medium of warehouse receipts. The financial objectives of CWC lay down that the Corporation is required to create a negotiable paper to provide an instrument for extension of credit through commercial banks for the benefit of depositors. During evidence, the MD, CWC admitted that "extension of institutional credit is one area where the objectives have not been fully achieved". Difficult and cumbersome procedure adopted by the banks are stated to be the reasons, for which the farmers are not in a position to approach the banks. In this context the Secretary, Deptt. of Food, denying this charge stated, "I do not think it is quite correct. The banks have been giving credit though the margin is high". As regards cumbersome procedure for advances against warehouse receipts, he stated, 'I am sorry this has not been brought to my notice'.

The Committee would like the Department/CWC to resolve the controversy regarding the difficult and cumbersome procedure adopted by the banks for advances against warehouse receipts. If the procedure is difficult and cumbersome as stated by the M. D., CWC, the matter should be taken up at the highest level with the concerned authorities with a view to finding ways and means to simplify the procedure so that farmers and producers derive the maximum benefit out of the scheme of institutional credit through warehouse receipts.

## CHAPTER IV

### SETTING UP OF WAREHOUSES

#### A. *Demand vis-a-vis capacity*

4.1 The Committee on Public Undertakings (1967-68) in their 9th Report had *inter-alia* suggested that C.W.C. should make an intensive survey in consultation with the Agricultural Marketing Societies, Central/State Government authorities etc. with a view to locating new centres and extending warehousing facilities where necessary. In the performance appraisal meetings held in the past at the level of Food Secretary/Minister, the Corporation was also asked to ensure that there was better coverage of uncovered areas from the point of view of availability of warehousing facilities. For this purpose, the Corporation was asked to utilise profits earned in good areas for building godowns in areas of less profitability so that services of warehousing were extended.

4.2 The Committee enquired whether any survey had been conducted for determining the total requirement of storage space in particular areas-regions and the country as a whole, the Managing Director stated in evidence :-

"There is no individual document as such containing the survey of the entire storage requirements in the country. But it is a regular process that the Corporation undertakes from time to time survey and find out the increasing potentialities of various centres and bases where the storage facilities are needed. On that basis, we decide each year how much additional capacity is required and how much is required to be added at different places. This is a regular process. It is not that one time we take a survey throughout the country..."

4.3 The witness admitted by saying. "We have not conducted the all India survey".

4.4 Enquired whether a survey of market potential in various regions was not needed to be taken up on scientific lines, the Corporation in a note stated :-

"Yes. It is admitted that survey of market potential in various regions is required to be taken up on scientific lines....As soon as R&D Cell is completely equipped, a survey of market potential in various regions will be taken up on more scientific lines"

4.5 During examination of the Ministry, the Committee asked whether such a survey for opening new Warehouses in various areas was not called for and what were the reasons and difficulties in not undertaking a survey as yet. The Food Secretary, stated :-

“.....I have been telling them from time to time in a number of Conferences of the State Warehousing Corporations and the Central Warehousing Corporation and M. Ds have been told that they should undertake a survey of the potential state-wise or even area-wise in a State. If they want they can do on their own. It is better to do that jointly by the SWCs and the CWC on the perspective of what is going to happen in the next ten years. Depending on that they can draw up their plans for the future. This sort of survey is necessary and we have been telling the Central Warehousing Corporation that they should take the initiative in this respect.”

He added :-

“I do not know what difficulties they have got, but we have asked them to take up surveys and then plan for it. The *ad-hoc* survey they are doing should be supplemented by a systematic survey.”

4.6 Asked whether any directive was given by Government for survey, the witness said, “I don’t think it was in writing. This is said in the review meetings. This is done in annual Conference”

4.7 Enquired as to when did the Department ask them to go ahead with surveys, the witness stated :-

“During our discussions in the annual Conferences with the SWCs, I mentioned it to them about one-and-a-half years back. Again we have mentioned it this year and in the review of the working of the CWC also we were talking about that.”

4.8 Asked about the follow-up action taken by Government to persuade the Corporation to go ahead with the surveys, the witness stated :-

“They have to get in touch with the state Warehousing Corporations. They have not done it. So I have again asked them when I met them in a Conference recently held in Delhi.”

4.9 Asked whether any attempt had been made to collect information relating to storage capacity available with different agencies in the country and the extent of requirement of additional warehousing capacity, the Managing Director, stated :-

We have collected this information by making a survey. The initial survey was done in 1975-76. On the basis of this information collected we have again conducted the survey in 1981-82 and we have collected the information from various sources. According to the information received, the storage capacity in the country upto 31.3.1982 available with Government agencies, FCI, CWC, State Warehousing Corporations, Co-operatives and other public sector undertakings and private parties is 49 million tonnes."

4.10 As regards the additional capacity of storage needed, he said, "Our gap is about 10 million tonnes looking into the scientific storage capacity". He added :

"I can say that 30 million tonnes of storage capacity which is available with the Government, the public sector undertakings, the State Warehousing Corporations and Central Warehousing Corporation is the capacity which can really be thought of. This is the capacity which can be utilised. The private parties are generally using their storage for their own purposes."

4.11 Enquired about the steps taken by the Corporation to cover those rural areas which had hitherto not been covered by other 'agencies' the Corporation stated :

"The rural areas .....may have to be covered mainly by the Co-operatives. However, in the construction of rural grid of godowns some of the State Warehousing Corporations are actively involved and Central Warehousing Corporation is giving all support including technical advice for construction and running of such rural godowns."

*B. Storage Capacity—owned and hired.*

4.12 The Central Warehousing Corporation started its operations in 1957 with a capacity of 7,000 MT in hired accommodation at 7 centres. It was now reportedly operating at 362 centres with a total capacity of 44.82 lakh tonnes as on 31.3.1983. The growth of the number of warehouses and the capacity over the last 5 years was as follows :—

(Lakh M.T.)

Date	No. of Warehouses	Constructed.	Capacity Hired	Plinth	Total
31.3.1979	245	17.82	9.80	2.38	30.00
31.3.1980	292	19.56	12.45	2.38	34.39
31.3.1981	319	21.73	13.76	1.26	36.35
31.3.1982	342	24.06	15.61	0.87	40.45
31.3.1983	362	27.45	16.49	0.88	44.82

4.13 It is seen from the above that out of the total storage capacity of 44.82 M. T. as on 31.3.1983, more than 35% of the capacity is in rented godowns. The Committee desired to know whether the Corporation gave loans to private parties for constructing warehouses. The M.D., CWC stated in reply :

"We do not provide any loans. We have no funds for providing the loans."

He added :—

"If we need space and if godown is not available, then we have a dialogue with the party. We will ask him whether he can provide us space for godown according to our requirement. If it is agreed, we go into lease with that party for keeping that godown for three years on a particular rent."

4.14 Asked whether the Corporation gave any commitment to the private parties that if they constructed warehouses within a specified period, the Corporation would hire the capacity and hire it at a specific rate of rent, the witness replied: "Such cases are very few." He added :

"The capacity that we have hired by this process is roughly about 40,000 Metric Tonnes and that too mostly in Punjab. The remaining capacity of 16 lakh metric tonnes, I would divide in four or five parts. Some godowns have been taken from State Governments on hire... Some godowns we have taken from Cooperative Societies. Some Cooperative Societies have their own godowns which they are not making full use of and they give to us. Then there are some godowns at ports which we have taken from Port Trust authorities..."

4.15 On being enquired as to how the reasonableness of the rent payable on hired accommodation was assessed, the Corporation has stated :

"The reasonableness of the rent is assessed on the basis of ruling market rents as also approximate provision made in the Corporation's storage charge structure. The Warehouse Manager while submitting the godown hiring proposals is also required to indicate the rent which the owner was previously getting. It gives the Corporation sufficient idea of the reasonableness of the rent being demanded by the party.

Where the Corporation finds that the rent being demanded is high and it cannot be recovered through the existing storage charge tariff, it offers its management services to the depositors who may hire the godowns themselves (sometime in consultation with the CWC) and hand over the same to CWC for management. In such cases, the depositor is required to pay actual rent either through the Corporation or directly to the owner plus management charges at the agreed rate."

4.16. Asked whether the economics of having own warehouses vis-a-vis hiring the warehouses had been worked out, the Managing Director stated :—

"We feel that the hired godowns are more remunerative as compared to our own constructed godowns. Our own godowns cost us 64 paise per sq. ft. whereas the hired ones are available at 50 paise per sq. ft."

4.17 Pointing out that since the private godowns could not be depended upon for a long time and the maintenance cost was higher, the Committee asked whether the Corporation was considering the proposal of giving up the practice of hiring warehouses and constructing their own. The witness stated :—

Where satisfactory capacity is not available or suitable godowns are not available and there is adequate demand, we construct our own godowns. Wherever suitable godowns are available we hire the godowns. So we have got the mixture of both though constructed capacity is increasing now."

#### C. Capacity Utilisation

4.18 It has been stated that in the warehousing industry, average utilisation of 75% of the capacity is considered to be very good because of numerous factors such as simultaneous operations of receipt and delivery, partly built stacks, baby stacks etc. Higher utilisation can generally be achieved

only when the godowns are used for buffer storage and the warehouses are not used as distribution centres.

4.19 It has also been stated that the Corporation has been fixing the targets of utilisation of about 90% of the average operated capacity on the basis of guaranteed utilisation, production, programme of imports etc. These targets are revised on the basis of the current trends. The utilisation the storege capacity at the end of each year during the last five years was as follows :—

**Average \*Utilisation**

S. No.	Period	Budget Estimate	%age	Revised Estimate	%age	Actuals	%age
1.	1978-79	26.10	90	27.075	95	28.207	98
2.	1979-80	26.55	90	30.875	95	31.119	95
3.	1980-81	28.90	85	30.972	87	31.214	87
4.	1981-82	32.30	85	34.695	90	36.246	93
5.	1982-83	36.125	85	41.088	96	41.065	95

4.20 Explaining the reasons for a slight downfall in the utilisation of warehouses in 1980-81, the Corporation has stated that there was a shortfall in production and reduction of imports in the earlier year. However, the Corporation was able to exceed its target of 85% utilisation when it achieved an average utilisation of 87% during this year.

4.21 The biggest client of the Central Warehousing Corporation is the Food Corporation of India which is utilising a little over 40 per cent of the total storage capacity available with the Corporation for storage of foodgrains and fertilizers. The other principal users are the State Trading Corporation of India, Minerals and Metals Trading Corporation, Cotton Corporation of India, Jute Corporation of India, State Civil Supplies Corporation, State Food & Civil Supplies Departments, Cooperative Marketing Federations, Indian Dairy Corporation and fertilizers manufacturing companies both in private and public sector. In addition, a cross section of depositors from trade and industry utilise the warehousing facilities provided by the Corporation at its 362 centres. The commodity-wise utilisation of the storage capacity as on 31.3.1983 was as under :—

- (i) Food 44%
- (ii) Fertilizers 41%
- (iii) Other commodities 15%

4.22 On being enquired whether there was any imbalance in the availability and utilisation of storage space at some places and in some regions, the MD, CWC stated :—

"In 1980-81 there were 52 warehouses which were below 60% utilisation; in 1981-82 the number was 36 and in 1982-83 it fell down to 27.... Our nature of business is such which is of fluctuating type. During the season our demand is heavy. Gradually the demand reduces. Because of the fluctuation in the business, there is likely to under-utilisation at some places or the other."

4.23. Asked whether there was any Central Monitoring System for watching the utilisation of storage space throughout the country the witness stated :—

"So far as the monitoring system is concerned we are getting regular fortnightly reports from our regional offices indicating as to what has been the utilisation in each warehouse and on the basis of those reports, we go on monitoring. If we find that instead of 98% or 97% the utilisation has come down considerably. We ask the Regional Manager to find-out the reasons for that and if necessary we ask him to find out some other parties. In cases where we find that the warehouse Manager is not capable to secure sufficient business take steps to change the Warehouse Manager from that particular centre. Normally in warehousing more than 70% or 75% occupancy is considered very good and we are having 95%."

#### *D. Closure of Warehouses*

4.24 It is seen that during 1981-82 and 1982-83, the Corporation had closed twenty-two warehouses, 14 in 1981-82 and 8 in 1982-83. The Managing Director stated during evidence that if they found that some of the warehouses were uneconomical, those were closed down. He added that they hired warehouses for a specific period and for a particular purpose. When the delivery was over and stocks liquidated, they surrendered those warehouses. Out of the eight warehouses closed in 1982-83, there were four centres which were returned to the State Warehousing Corporation after the purpose was over, because the SWC wanted it back. In respect of a warehouse at Baraut in U.P the capacity utilisation was very low as adequate farmers were not coming to the warehouse, therefore, after keeping it for about 2 years, this was surrendered. These were all hired ones.

4.25. Asked whether the closure of the Warehouses implied that the

initial survey was defective, the witness stated as under :

"In any business we expect some traffic of goods. We take some decisions and in that process we make some potential expectations that it will come through like that. because of change of mandi, or bad produce in a year or two, and other factors which could not be controlled, there are sometimes possibilities where we see that the projections we gave were not coming through."

4.26 The witness stated that no loss had accrued to the Corporation on account of closure of warehouses.

He added :—

"We are working on service-cum-business principle. If we find that this will not be economical, we de-hire the godown."

#### *E. Construction Programme*

4.27 According to the Corporation, the foodgrain production in the country has been increasing steadily. However, the construction of godowns of appropriate specifications for storage of agricultural produce in the country has not kept pace with the increased production. As a result, the gap between the requirements and the available storage capacity has been widening. In order to bridge the gap, the Corporation was required to construct an additional capacity of 2 million tonnes during the Sixth Five year Plan (1980-85) Out of this a capacity of 16.25 lakh tonnes was to be put up under General Warehousing Programme and a capacity of 3.75 lakh tonnes was to be constructed under the World Bank assisted project for and on behalf of FC. An outlay of Rs. 58 crores was approved for Central Warehousing Corporation, comprising Rs. 30 crores from budgetary resources, Rs. 10 crores from internal resources and Rs. 18 crores from institutional resources. Funds for construction of storage capacity under the World Bank assisted project are provided to Central Warehousing Corporation by the Food Corporation of India, since Food Corporation of India is the beneficiary under the agreement signed with the World Bank and requisite funds for construction programme under this projects are provided by Government to Food Corporation of India.

4.28 The mid-term appraisal of the Sixth Five Year Plan was carried out some time in 1982. The revised requirement of funds for completion of a capacity of 16.25 lakh tonnes by Central Warehousing Corporation under general warehousing Programme was worked out at Rs. 71 crores, of which Rs. 30 crores was to be provided through budgetary support, Rs. 21.42 crores from institutional resources and Rs. 19.58 crores from internal resources.

4.29 Subsequently, with the revision of the World Bank assisted project, the Central Warehousing Corporation was entrusted with construction of a capacity of 5.50 lakh tonnes under this project. The capacity to be constructed by Central Warehousing Corporation under the general programme was reduced to 14.50 lakh tonnes. The requirement of funds for the general warehousing programme of Central Warehousing Corporation was worked out at Rs. 69.46 crores, Comprising Rs. 30.00 crores from budgetary support, Rs. 22.44 crores from institutional resources and Rs. 17.02 crores from internal resources.

4.30 It will be seen from the above that according to the approved Sixth Plan the CWC had to construct an additional capacity of 2 million tonnes (14.50 lakh tonnes under the general warehousing programme and 5.50 lakh tonnes under World Bank assisted project). However the achievements/during the first three years of the Sixth Five Year Plan were as under :—

(Capacity in lakh tonnes)

Year	Capacity completed under general warehousing programme	Targets
1980-81	2.03	2.00
1981-82	1.73	2.50
1982-83	2.12	2.00
	5.88	6.50

4.31 Against the target of 14.50 lakh tonnes of storage capacity to be created during the Sixth Five Year Plan (1980-85) under general warehousing programme, the capacity actually constructed was only 5.88 lakh tonnes in the first 3 years.

4.32 Asked whether the progress of construction programme had been according to schedule, the M.D. CWC stated that under General Warehousing Programme, out of a capacity of 14.50 lakh metric tonnes, which was supposed to be constructed by the CWC in the Sixth Five Year Plan, the Corporation had been able to achieve 5.88 lakh metric tonnes capacity in the first three years. The witness admitted that the progress of the work had been rather slightly slow as per schedule. In respect of the capacity of 5.50 lakh metric tonnes to be constructed under the World Bank assisted programme, 3.12 lakh metric tonnes had already been completed by CWC

during the first three years and the balance was likely to be completed in the next two years.

4.33 Asked about the reasons for the slow progress of the construction work and whether the Corporation would be able to achieve the target set for the construction of capacity during the Sixth Plan, the witness stated as under :

"The reason is that when this capacity had come to us, it was decided that 50% of the capacity would be used by FCI. We asked them to give us centres at places where they need them. They have not been able to indicate the centres. We are having a dialogue with the FCI and Department of Food also. We hope that within one month, they will be able to indicate the centre where our land is available. The land is already available with us for 10 lakh tonnes capacity. Out of that we can have a total capacity of 8 lakh tonnes. In addition to this, we have our own additional requirement to the tune of 5 lakh tonnes. In this period of  $\frac{1}{2}$  year, we will have additional 5 lakh tonnes capacity for our use and another three lakh tonne for FCI. Out of the target of 14.5 lakh tonnes, our 11 lakh tonnes capacity is cleared because we have already located our centres. For the remaining 3.5 lakh tonnes, we expect that we will be able to get centres from FCI because they are also in dire need of storage space. But otherwise, if at all there is a shortfall, it would be of only 2 lakh tonnes to capacity of FCI."

4.34 The Corporation in a note submitted to the Committee after evidence stated *inter alia* as under :—

"The main reason for the shortfall in the completion of the storage capacity was more than a year's delay in the approval of the terms and conditions for the operation of the large sized depots by FCI which were cleared by C.S.C. as early as in July 1981.

In absence of allotment of centres by FCI in respect of the centres where CWC has got surplus land for about 13 lakh MT capacity. CWC has revised the total targets of the VI Plan to 11.50 lakh tonnes under Central Warehousing Programmes and 5.5 lakh MT under World Bank Project. Thus CWC will be able to achieve only 17.00 lakh MT against the original targets of 20.00 lakhs MT for the VI Five Year Plan.

During the last meeting of the Senior Officers, the Food Secretary had expressed a desire that wherever vacant land is available with CWC, immediate action will be taken for putting up additional storage capacity at such centres. A centre wise list where CWC has got surplus land of which 13.00 lakh MT capacity warehouses can be put up,

has already been sent to the Department of Food and the Managing Director, FCI for indication the capacity and the centres for putting up additional capacity. No final decision has been taken so far by FCI in this regard and due to this reason CWC has revised the targets for 1983-84 from 3.25 lakh MT to 2.5 lakh MT under Central Warehousing Programme."

4.35 It has been stated that the Corporation has not been able to keep pace with the planned construction programme due to the following constraints :

- "(a) Inordinately long time involved in acquisition of sites ;
- (b) Non-availability/difficulty in procurement of construction materials such as cement, steel and asbestos sheets ;
- (c) Escalation in construction cost which have rendered some projects in the pipeline as financially not viable ;
- (d) Resistance of the clients (depositors) to fixation of an economic rate of storage charge based on the current level of construction costs and
- (e) Multiplicity of agencies taking up construction at the same centre thus making the programme of construction competitive rather than supportive.'

4.36 Asked about the estimated cost of construction and how did it compare with the actual cost incurred, the Corporation in a note stated as under :

"Although the initial target for construction of capacity under the general warehousing programme during the 6th Plan was reduced from 16.25 lakh tonnes to 14.50 lakh tonnes, the requirement of fund for this purpose was increased from Rs. 58 crores to Rs. 69.46 crores.

The Central Warehousing Corporation was originally to construct 16.25 lakh MT storage capacity at a cost of Rs. 58 crores under the General Warehousing Programme during the 6th Five Year Plan. The average cost of construction was estimated at Rs. 355 MT approximately which include cost of land of Rs. 25/-per MT and construction of godown at Rs. 330/-per MT.

Since finalisation of the estimates for 6th Five Year Plan some time in 1980, the cost of land has gone up and it is now estimated at

Rs. 50 per MT approximately. The cost of construction has also gone up because of the escalation in the price of construction material as well as the labour cost. The cost of construction at present is coming to more than Rs. 3.50 per MT, when the cost of ancillary structure and internal roads etc, is added, the total cost exceeds Rs. 450 per MT."

4.37 The Committee pointed out that although the initial target for construction of capacity under the general warehousing programme during the 6th Plan was reduced from 16.25 lakh tonnes, to 14.50 lakh tonnes, the requirement of funds for this purpose was increased from Rs. 58 crores to Rs. 69.46 crores. Asked about the reasons for increase in the fund requirements even when envisaged construction capacity had been substantially reduced, the Corporation explained as under.

"The Corporation in the first two years of the 6th Five year Plan could complete a total capacity of 3.76 lakh MT only because of certain unavoidable reasons. The main reason for poor performance was non-clearance, by the FCT the capacity to be completed by the CWC. Accordingly, the Corporation was compelled to revised its target from 16.25 lakh MT to 14.50 lakh MT under the general warehousing programmes. In view of the escalation in the cost of land as well as the cost of construction, the total outlay was also revised to Rs. 69.46 crores. The Corporation is again reviewing the position after completion of the 3rd year of the 6th Five Year Plan. The Corporation will be finalising its construction programme for 1983-84 and 1984-85 keeping in view the constraints observed in the first three years of the 6th Five Year Plan."

4.38 The Committee drew attention to the statement made by CWC to the effect that several agencies take up construction work at some centres thus making the programme of construction competitive rather than mutually supportive and enquired whether in the field of providing storage capacity, there was a multiplicity of agencies. The M. D., CWC stated in evidence :—

"There is some multiplicity. But the objective of multiplicity is also different. The cooperative societies like MARKFED and NAFED have their own infrastructure and their own activities. They have even agriculture inputs to provide to the farmers whereas our objective is different. But there could be a situation where NCDC and other cooperatives may have their own warehouses but it does not come into conflict because generally cooperative societies do not have these facilities throughout at All India level. Only in capital cities and metropolitan cities, there is some multiplicity. Otherwise, there is a clear cut understanding between the State Warehousing Corporation

and the Central Warehousing Corporation. In the State level coordination committee, the locations are decided—which centre should go to whom. Generally, there is no multiplicity except in the metropolitan cities where the demand is heavy."

4.39 Asked about the reasons for CWC taking up the construction of warehouses at places where other agencies were prepared to offer storage space at competitive rates, the M.D. stated as under :—

"Before we go in for our own construction of warehouses at different places, we work out whether any storage space or any capacity which can be hired is available. First, we go for the hired capacity and if hired capacity is available, then, we do not go for construction until and unless we find that the capacity is not adequate or is not up to the required specifications."

The witness further stated :—

"If State Warehousing Corporations exist, we do not approach the Centre. We do not compete with each other at a Centre. But where FCI is constructing warehouses or they have got their own godowns, they are using these for storing their foodgrains. If other fertilizer manufacturing agencies are constructing warehouses, they are using for storage of their own produced fertilizers. Hence there is no competition."

4.40 Elaborating this further, the Corporation in a written reply stated :

"Public warehousing is the function of the Central and State Warehousing Corporations. The Food Corporation of India, State Civil Supplies Corporation, the Marketing Federations etc. cannot indulge in warehousing activity and the capacity which they are constructing is meant for their captive use."

The monetary resources available for augmenting storage capacity in the country are limited and if there is duplication by various agencies in construction of storage capacity the scarce national resources will not be put to optimum use."

It has been stated :

"The Central Warehousing Corporation provides warehousing facilities at a very reasonable and economic rate. The Warehousing infrastructure created by the Corporation has an in-built flexibility in as much as this can be made use of by various agencies for a variety of goods and for varying durations depending on their need. Hence

in totality the services rendered by the Central Warehousing Corporation can be availed of economically instead of creating captive storage by all the agencies."

In another note, CWC has stated :

"The Central Warehousing Corporation has the engineering capability to construct the additional capacity as well as resources required therefor. In order to avoid duplication and overlapping a Central Storage Committee has been set up in the Department of Food to coordinate the programme of construction of the Central Warehousing Corporation and Food Corporation of India. Similarly, State Level Coordination Committees have also been constituted in various States in which Central Warehousing Corporation, State Warehousing Corporation, Food Corporation of India and Co-operative agencies are represented."

4.41 The Corporation has also stated that while every effort is made to avoid duplication, yet at times some of the agencies prefer to have their own storage at the centres where the Central Warehousing Corporation is already operating. This takes away a part of the market potential for warehousing thus affecting the programme of Construction envisaged for the Central Warehousing Corporation in the Sixth Five Year Plan.

4.42 In this context, the Secretary, Department of Food stated :

"I do not think there is a large scale problem. By and large, the difference of opinion that may arise are sorted out. Generally the difference of opinion exists in a small way but that is sorted out."

4.43 When pointed out that this was the complaint of the CWC, the Food Secretary stated :

"If they have said so, I am afraid, they have magnified it too much. We have got nothing to conclude that there is a large scale difference of opinion."

4.44 In regard to coordination with other agencies in the matter of construction of warehouses, the M.D, stated :—

"In principle we always coordinate with other agencies where they are operating that if any additional capacity is required at that centre, they will add the additional capacity and we will not go. So, normally duplication does not happen. But for historical reasons there are, however, a few centres where they and we operate. For example,

in big metropolitan cities like Calcutta, both the State Warehousing Corporation and the CWC operate and even then we are not in a position to provide adequate storage space.

4·45 Asked whether it was a fact that the Central Storage Committee as also the State Level Coordination Committees were not effective enough, the Corporation in a written reply has stated :—

‘The Central Storage Committee and the State Level Coordination Committees are functioning effectively. The work of the CSC is to co-ordinate activities of various Storage Agencies engaged in the construction of godowns at the central level. Similarly the SLCC coordinates the activities of the Storage Agencies at the State level. In order to avoid duplication of effort at the same centre, the Union Food Secretary has reiterated to the Chief Secretaries of all the respective, State Governments (vide letter dated 10th April, 1981) to ensure to completely avoid duplication of efforts in construction of storage capacity at the same centre by more than one agency. The Food Secretary has also thereby stressed that the constructed capacity would effectively utilised for meeting the requirements of Public Distribution System general merchandise and commodities requiring specialised storage.’

4·46 Asked whether it was possible to make the Central Storage Committee and State Level Coordination Committees more effective if statutory backing was given to them, the Food Secretary, stated :—

“I do not think it was necessary for this, purpose. I don't know whether at this stage we should think of having a statutory backing for this. The effective functioning of the Committees is the only thing that is needed.... According to me they need not be given the statutory backing.”

4·47 The Committee are unhappy to note that no proper survey has so far been conducted for determining the total requirements of storage space in the country as a whole area/region-wise. They have been informed that some *ad hoc* surveys have been made. The Committee note that the Ministry has been stressing the need from time to time in a number of conferences of Warehousing Corporations and on the Managing Directors for undertaking a survey, State-wise or area-wise. However, no such survey has been undertaken in a systematic manner. The Committee desire that the Central Warehousing Corporation should undertake, in collaboration with the State Warehousing Corporations, an intensive survey in order to assess the extent of requirement of additional warehousing capacity in the country and to decide locating new centres of all-India importance and extending warehousing facilities wherever necessary.

4·48 The Committee note that the Corporation is operating both in hired and own constructed godowns. Out of the total storage capacity of 44·82 lakhs M.T. as on 31.3.1983, more than 35% of the capacity was in hired godowns. The hired godowns are stated to be more remunerative than owned constructed godowns. The Committee, however, suggest that more and more warehouses should be built in the areas where warehousing facilities are not available. For this purpose the Corporation should utilise the profits earned in good areas for building godowns in areas of less profitability so that services of warehousing could be extended to such areas. After all, there should be some cross-subsidisation in activities like this.

4·49 The Committee further note that the construction of warehouses by the CWC is proceeding at a slow pace. This should be speeded up. In this connection, the Committee would like to reiterate their earlier recommendation made vide para 3·6 of their 24th Report that the CWC should be provided with sufficient funds for building its net work of godowns throughout the country so that it may gradually come up to play effectively, the role of handling of storage work for all public undertakings in future. In reply the Government had then stated that Committee's recommendations had been noted. The Committee would like to know the present position of the matter, i.e. the extent of funds provided by the Government to C.W.C. for this purpose and the amount of storage capacity provided by CWC and utilised by the various public undertakings since 1979.

4·50 The Committee find that during 1981-82 and 1982-83, the Corporation had to close down 22 warehouses—14 in 1981-82 and 8 in 1982-83, as they were found uneconomical and in some cases the warehouses which were hired for a specific period, were surrendered. The Committee feel that the closure of warehouses implies that the initial surveys conducted by the Corporation were not very realistic. The Committee need hardly point out that a closure of a warehouse entails certain infructuous expenditure, especially when the warehouses are own construction. They suggest that the programme of construction of warehouses should be taken up after examining thoroughly the business potential at each centre so that warehouses may not have to be closed down in future due to low utilisation of space.

4·51 The Sixth Five Year Plan envisaged construction of a capacity of 2 million tonnes during 1980-85 i.e. a capacity of 16·25 lakh tonnes under General Warehousing Programme and 3·75 lakh tonnes under World Bank assisted project. On the basis of mid-term appraisal of the Sixth Plan in 1982, the initial target for construction of capacity under the General Warehousing Programme was reduced from 16·25 lakh tonnes to 14·50 lakh tonnes. Against the revised target of 14·50 lakh tonnes of storage capacity to be created during the Sixth

Plan (1980-85), under General Warehousing Programme, the capacity actually created was only 5.88 lakh tonnes in the first three years leaving a capacity of 8.62 lakh tonnes still to be achieved in the next two years. During evidence, the M.D., CWC admitted that the progress of the work had been rather slow. The main reasons, among others, for the shortfall in the completion of the capacity are stated to be a delay of more than one year in the approval of terms and conditions for the operation of large sized depots by the Food Corporation of India which were cleared by Central Storage Committee in July, 1981 and also delay by FCI in the allotment of centres where CWC has surplus land to put up a capacity of 13 lakh tonnes.

The Committee are distressed to note that the progress made by the Corporation in the creation of capacity during the first three years of the Sixth Five Year Plan has been extremely slow. The Committee desire that all out efforts should be made to achieve the balance capacity of 8.62 lakh tonnes according to the schedule.

4.52 The Committee also regret to note that the matter regarding allotment of centres by the FCI, where CWC has surplus land to put up a capacity of 13 lakh tonnes, has not been settled for so long. The Committee have reason to believe that if the matter regarding clearance by the FCI of the capacity to be constructed by the CWC had been settled in time, the exigency of the escalation in the cost of land and construction leading to revision in the outlay to Rs. 69.46 crores against Rs. 58 crores would have been avoided.

4.53 It has been stated that while every effort is made to avoid duplication, yet at times some of the agencies prefer to have their own storage at the centres where the Central Warehousing Corporation is already operating. According to the Managing Director, CWC this took away a part of the market potential for warehousing thus affecting the programme of construction envisaged for the Central Warehousing Corporation in the Sixth Five Year Plan. The existence of several agencies who took up construction work at the same centres made the programme of construction competitive rather than mutually supportive. Although the Secretary, Department of Food stated that the problem has been magnified too much, the Committee cannot but emphasise that there is need for complete coordination in the construction of storage godowns and in the operation of the same to avoid duplication of efforts.

## CHAPTER V

### STATE WAREHOUSING CORPORATIONS

5.1 The Warehousing Corporations Act, 1962, provided for establishment of the Central Warehousing Corporation and a State Warehousing Corporation in each of the States. The legislation also provided that the CWC and the respective State Government should be equal shareholders in the State Warehousing Corporations so that an integrated approach could be made for the development of public warehousing activity in the country. So far 16 States Warehousing Corporations have been set up in which the CWC has invested a total capital of Rs. 22.42 crores as on 31-3-1983.

5.2 Enquired about the reasons for not setting up the State Warehousing Corporations in the remaining States, the Food Secretary stated "The State Warehousing Corporations have not been set up only in small States like Jammu & Kashmir, Nagaland, Manipur, etc. They will set up only when they feel need for it..."

5.3 Asked if the Department from Central side had approached these States in this regard, the witness stated "We have not approached them to say, 'Please do it'."

5.4 When pointed out that it was one of the functions of the CWC to give guidelines and encouragement to all the States, the witness stated :

"The State may, by notification in the official gazette, with the approval of the CWC, establish warehousing corporation for that State...I can mention that in another context, when they were asked to establish Civil Supplies Corporations with incentives given to them, they have not done."

5.5 The State Warehousing Corporations are independent entities and function under the superintendence of their own Board of Directors. Relationship between the Central Warehousing Corporation and State Warehousing Corporations falls into two categories. The first, is the area of statutory relationship between these two organisations and second is non-statutory or the informal relationship between them. Statutory obligations/powers of the Central Warehousing Corporation comprise of the following :-

- (i) Nomination of 5 Directors (the remaining) 5 Directors being nominated by State Government.

- (ii) Prior approval of CWC in the appointments of Chairmen and Managing Directors of State Corporations.
- (iii) Issue of instructions to State Corporations on question of policy.
- (iv) Prior approval of CWC in the matter of selecting places for construction of warehouse.
- (v) Submission of annual accounts of State Corporations to CWC and submission of statement of programme of activities during the forthcoming year as well as the financial estimates in respect thereof for approval of CWC.

5.6 Under informal relationship between the CWC and State Corporations, CWC *inter alia* renders assistance to SWC, in the matter of development of their business activities and improvement in their service.

5.7 In regard to the respective functions of the CWC and SWCs, the M.D., CWC stated in evidence :

"As the frame of things, initially started, some of the centres at some important places were allotted to CWC. Thereafter, so many new centres have had to be located by CWC for its expansion activities. Many of the State Warehousing Corporations for quite a long time did not come out of their teething trouble. At that time, they could not extend or devote their energy. Some of them went to the extent of depositing money paid to them by CWC and State Governments towards the equity share in the bank and started earning interest. We give 50% equity to SWC, Rs. 22 crore are invested by CWC in the equity of SWCs. We raised some objection to this. We said 'you have to provide facilities and you have to ensure necessary growth in the sector and not earn interest from the banks.' What happened in the meantime was that the Central Warehousing Corporation which had developed infrastructure, had done survey for finding new potential centres. At some places in order to provide higher capacity of storage and other facilities, we selected additional centres. But some of these States have not either diversified their activities or made efforts in that direction. But they want the good centres developed by CWC, which are operated by CWC, be transferred to SWC. We have said that we have worked hard for long years, developed the centres and why not instead of asking those Centres being transferred to SWL, they find new centres through survey in their own States and develop them. Here at times some difference of opinion comes up. Now, what we do is that we at times exchange some centres after constant dialogue and negotiations. But the difficulty arises in regard to the

custom bondage warehouse. The CBEC has authorised only CWC to operate bonded warehouse and they don't want this work to be given to SWC or any other agencies. The private parties have got licence to operate these custome bonded warehouses while the CBEC does not now generally renew but wants CWC to operate. CWC is at present operating about 60 custom bonded warehouses in the country. Here the diversification is in activities of CWC and there is need for this."

5.8 During evidence the Committee enquired what was CWC's experience about the working of the integrated approach envisaged in the Act of 1962. The M.D., CWC stated :

"Actually the coordinated approach between CWC and the State Warehousing Corporation is working well about which we are asking at various levels. Our problems have been about the allocation of centres. Even when we go for survey, we ask the State Warehousing Corporation to have joint survey so that we could jointly decide which centre should go to which organisation. This enables integrated approach at the State level between these two corporations."

5.9 Subsequently in a written note the Corporation has stated:

"The Central Warehousing Corporation is not finding any difficulty in respect of the working of the State Warehousing Corporations on account of the integrated approach envisaged in the Warehousing Corporations Act, 1962 except the following :

"Sometimes due to pressing administrative exigencies of the work, State Governments appoint Chairmen/Managing Directors of the State Warehousing Corporations without obtaining prior approval of the Centre Warehousing Corporation as required under the Act. The attention of the State Governments has been drawn from time to time in this regard. The Union Minister for Agriculture & Rural Development had also requested all the Chief Ministers on 30-9-82 of the States where the State Warehousing Corporations are functioning to follow the provisions of the Act in respect of appointment of Chairmen/Managing Directors. Chairman, Central Warehousing Corporation has also requested the Chief Ministers of States requesting them to follow the provisions of the Warehousing Corporations Act, 1962. Most of the Chief Ministers' Secretariats had assured that the provisions of the Warehousing Corporations Act will be kept in view while deciding the issue of appointment of Chairmen/Managing Directors of the respective State Warehousing Corporations."

5.10 In this context, the Food Secretary stated :

"There may be occasional cases of difference of opinions, but by and large they are working in an integrated manner."

5.11 The Committee pointed out that as reported in the Press, a number of State Warehousing Corporations had urged the Central Government to set up a Commission to review and redefine the operational areas of both the Central and State Warehousing immediately. They asked if it was a fact that the working of CWC and SWCs had not been harmonious and they had requested the Central Government to appoint a Commission to review and redefine their area of operations.

The M.D., CWC stated :

"I have read it in the newspapers. But when these gentlemen came over to Delhi, I asked them what was the problem. They said it was a general discussion and the Press people had given a different story altogether. So far we have not received any communication or paper in this regard either in the Department of Food or myself here in Central Warehousing Corporation indicating about the matter which came in the Press."

5.12 The Corporation in a written reply furnished subsequently has stated :

"The working of the Central Warehousing Corporation and State Warehousing Corporations have been generally harmonious and there have not been many occasions which could have involved clash of interest of both the organisations. Sec. 35 of the Warehousing Corporations Act, 1962 stipulates that in case of any difference of opinion between the two organisations regarding their respective functions and powers/under the Act, the matter shall be referred to the Central Government whose decision shall be final. Whenever any difference of opinion arises, efforts are made to settle the issue by holding personal negotiations between the two organisations and it has been observed that most of the issues are solved amicably.

5.13 In this context the Food Secretary stated as follows :

"Under the Act as it stands now, we have the system of getting the storage permit locations etc. to be cleared by getting the plan of the State Warehousing Corporations approved by the Central Warehousing Corporation. In such matters, occasional difference of opinion may arise. By and large it works well. There is no serious difference of opinion in the matter. That is why, the original Act itself envisages that before the SWC sets up the godowns, they have to get the approval of the CWC."

5.14 Asked if the Department felt any necessity of reconsidering the relationship between the SWCs and the CWC, the Food Secretary stated :

"According to us, what has been provided in the Act itself has been followed and it is based on sound reasoning. But.....it has to be a joint venture of the Central Warehousing Corporation and the State Warehousing Corporations. That is why recently they have set up the Working Group to define the areas as to which types of places should be covered by the Central Warehousing Corporation. According to us, CWC and the SWCs are the two sides of the same coin."

5.15 According to the Corporation, sufficient powers were available to CWC under the Warehousing Act, 1962 for monitoring the progress of the State Warehousing Corporations. Asked if the Corporation was satisfied with the working of various State Warehousing Corporations and whether there were areas where improvement could be made, the Corporation has stated :

"Some of the State Warehousing Corporations had been running in loss for some years. the Central Warehousing Corporation is receiving monthly performance reviews, monthly statement of storage accomodation available with the State Warehousing Corporations, monthly statement regarding progress of construction from State Warehousing Corporations regularly. All the statements are scrutinised by the Central Warehousing Corporation and the State Warehousing Corporations are guided wherever necessary so as to improve the working of the State Warehousing Corporations. The meetings of the Board of Directors/ Executive Committeees are held by the State Warehousing Corporations regularly and the Agenda of these meetings are being sent to Central Warehousing Corporation and wherever necessary, the directors of the State Warehousing Corporations nominated by the Central Warehousing Corporation are acquainted to take up the issues especially these concerning financial matters and other important matters. All such exercises had brought results in the working of the many State Warehousing Corporations."

5.16 In this context, the Food Secretary stated as follows :

"Some of them are functioning well and some are not functioning well. I think, at least 6 of them are working quite well. Some are not holding even annual meetings. During the annual conferences, we have pointed out to them that the effective functioning is possible only with good and close relationships with the Central Warehousing Corporation, to have a closer link and monitoring between the two, to have a review of their plans etc."

5.17 Out of 16 State Warehousing Corporations, only 9 declared dividend from 1.0% to 7.5% during 1981-82. The Committee pointed out that despite the fact that the working of the State Warehousing Corporations was supposed to be closely reviewed by CWC, only 9 Corporations had declared dividend. In this connection, the M.D., CWC stated :

"I will give you an example of the lopsided control. Under the Act we can only refuse to give equity but then what happens. Because of pressure we have to release the equity later on in such cases. Then, for instance, BPE have given the direction that no silver jubilee award will be given to the workmen. On that basis we did not give any award and we issued clear instructions to the concerned SWCs but in spite of that some of them have flouted our instructions and given the award. Then further the Chairman or the MD of the SWCs have to be appointed without approval. But many State Governments appoint them without approval. Therefore, though we have all pervasive powers, when we implement these we find that we cannot do anything except stopping the equity."

5.18 In a note it has been stated :

"10 State Warehousing Corporations have arranged their Annual General Meetings of shareholders for the year 1981-82. Out of these 10 State Warehousing Corporations 9 State Warehousing Corporations have declared dividend @ varying from 0.25% to 8%. Rajasthan State Warehousing Corporation, which earned nominal profit, could not declare a dividend during the year 1981-82. The remaining 6 State Warehousing Corporations could not arrange Annual General Meetings of their shareholders for the year 1981-82 onwards. Out of these 6 State Warehousing Corporations the accounts for 1981-82 in respect of Uttar Pradesh and West Bengal State Warehousing Corporations have since been audited and as per the audited accounts of the 2 State Warehousing Corporations it is observed that they have earned profit for 1981-82. The Uttar Pradesh State Warehousing Corporation proposes to pay dividend @ about 7% whereas the West Bengal State Warehousing Corporation proposes to declare dividend @ 5%."

5.19 Asked about the efforts made or proposed to be made to ensure that these corporations earned sufficient profit to pay dividend on their equity capital, the Corporation has stated that at present all the State Warehousing Corporations are running in profits. The Central Warehousing Corporation is receiving monthly performance review, statement of storage accommodation statement of construction progress reports, Budget Estimates etc. which are thoroughly examined and the State Warehousing Corporations are guided.

The State Warehousing Corporations are also advised to improve the occupancy of their warehouses and also to increase the construction activity. The State Warehousing Corporations are also helped in matters like recovery of dues etc.

5.20 The Committee asked if the Corporation did not feel that the lack of adequate return on the investment in State Warehousing Corporations underlined the need for exploring other profitable business avenues for them. The Corporation in a written reply has stated that.

"Unlike the shares of the CWC the share capital of the SWCs is neither guaranteed for the re-payment of the principal amount nor payment of a fixed minimum dividend. Until 1970-71 the CWC did not receive any dividend on the investment made in the equity capital the SWCs. Since the CWC was obliged to make payment of guaranteed dividend to its own shareholders and a large amount of its share capital was invested in the SWCs, the CWC had to pay the dividend on such investment from its own resources/earnings. During the subsequent years, some of the SWCs had paid dividend at varying rates. The average return on the investment made in the SWCs has been about 2% only in the recent years whereas the CWC had to pay a minimum dividend @ 5.5% to its shareholders. It would, thus, be seen that the CWC has been put to considerable strain due to additional liability imposed on it for payment of guaranteed dividend on the investment made in the SWCs. It has also been our experience that even when the SWC earns substantial profit, there is a general reluctance to declare a reasonable dividend and efforts are made to appropriate a large proportion of the profits to the general reserves. This aspect was discussed by the Conference of the Chairmen and MDs of the CWC and SWCs at Bangalore in June, 1970. The Conference had resolved that the SWCs may transfer 25% of the profit to the general reserve and the remaining amount of net profit may be utilised for payment of dividend. We generally draw the attention of the SWCs to the above aspect at the time of deciding the rate of dividend to be paid to the shareholders. However, there is no denying that in order to sustain their growth and improve their profitability the SWCs should diversify their activities and enter into fields which are more remunerative."

5.21 It has been stated that the Central Warehousing Corporation is competent to issue instructions to a State Warehousing Corporation on questions of policy. Similarly the concerned State Government can also issue such instructions. However, if a doubt arises as to whether a question is or is not a question of policy or if the State Government and the Central Warehousing Corporation give conflicting instructions, the matter is required

to be referred to the Central Government whose decision is final. Similarly, every State warehousing Corporation has to submit a statement of programme of activities during the forthcoming year as well as the financial estimates in respect thereof for approval of the Central Warehousing Corporation. Similar statement and estimates are required to be submitted for approval by the State Warehousing Corporation to the respective State Government also.

5.22 Asked whether the dual authority on State Warehousing Corporations and their accountability to Central Warehousing Corporation and State Governments was posing any problems and hindrance in the smooth and efficient functioning of State Warehousing Corporations, the Corporation stated that dual authority an State Warehousing Corporations and their accountability to Central Warehousing Corporation and State Governments is not posing any problems and hindrance in smooth and efficient functioning of State Warehousing Corporations.

5.23 Asked further whether any amendment of statutory provisions or legislative measure was called for in this regard. The Corporation has stated that the central Warehousing Corporation does not feel the necessity of any change or amendment to the Warehousing Corporations Act concerning this aspect at this stage.

5.24 In this connection, during examination of the Ministry, the Committee asked as to what extent the CWC had been able to orient the policies and programmes of the State Corporations in a manner that would make for coordinated and integrated development of facilities in the country. The Secretary, Department of Food, stated :-

“They are doing it in two or three ways. One is, of course, by having the Directors in the Board of State Warehousing Corporation. The second is by scrutiny of plans and the Budgets. The third is by holding regional meetings.”

5.25 Asked if the powers of CWC *vis-a-vis* State Corporations were adequate for this purpose, the witness stated “the powers of the Central Warehousing Corporation *vis-a-vis* the State Warehousing Corporation are laid down in the Act. The proposals regarding the setting up of godowns are cleared by the Central Warehousing Corporation.”

5.26 The Warehousing corporation Act, 1962 provided for establishment of Central Warehousing Corporation and State Warehousing Corporations in each of the States. It also provided that the Central Warehousing Corporation and the respective State Governments would be equal shareholders in the State

**Warehousing Corporations** so that an integrated approach could be made for the development of public warehousing activity in the country. The Food Secretary in evidence stated "There may be occasional cases of difference of opinions, but by and large they are working in an integrated manner." The Committee, however, find that sometimes the State Governments appoint Chairman/Managing Director of the State Warehousing Corporations without obtaining prior approval of the Central Warehousing Corporation as required under the Act, which is a pointer to the fact that there is lack of coordination between the two organisations in this regard. The Committee would like the Ministry/Corporation to ensure that in the matter of appointments to the senior positions in the State Warehousing Corporations, provisions of the Act laying down the prior approval of the Central Warehousing Corporation are strictly followed by the State Governments.

5.27 Under Section 35 of the Warehousing Corporations Act, 1962, in case of any difference of opinion between the Central Warehousing Corporation and State Warehousing Corporations regarding their respective functions and powers under the Act, the matter shall be referred to the Central Government for decision. The Committee feel that in the operational areas, there is not much coordination as a number of State Warehousing Corporations are reported to have urged the Central Government to set up a Commission to review and redefine the operational areas of both the Central and State Warehousing Corporations. This is a matter of deep concern to the Committee. The Committee would urge the Government to look into the matter and take steps to resolve differences between the two sets of organisations in field of their operations.

5.28 The Committee have been informed that the CWC is required to set up warehouses at markets of all-India importance and the State Warehousing Corporations are to set up warehouses at district and taluk level. They have been informed that the Government of India has prepared the list of centres for operation by the CWC and SWCs in each State in consultation with the State Governments concerned so as to ensure proper coordination and to avoid overlapping of the functions of two organisations. The Committee have also been informed that all out efforts have been made to avoid duplication and competition between the two organisations at the same centre. The Committee desire that the position should be kept under continuous review.

5.29 The Committee are concerned to note that as many as 10 State Warehousing Corporations out of 16 have not been functioning well and incurring losses. They desire that the Central Warehousing Corporation should extend a helping hand and provide more guidance to the State Corporations directly or

through its nominees on the Board of Directors of the State Corporations to put them on sound footing. Besides, only such persons as are able to devote sufficient attention to the work of a State Warehousing Corporation and have the necessary expertise should be nominated on the Board of Directors of a SWC. The CWC should also be more vigilant while approving the appointments of Chairman and M. Ds of the State Warehousing Corporations.

5.30 Section 19(2) of the Warehousing Corporations Act lays down that the share capital of the State Warehousing Corporations shall be subscribed by the Central Warehousing Corporation and the State Government on 50 : 50 basis. The CWC's investment in the shares of the SWCs as on 31st March, 1983 was Rs. 22.42 crores. The Committee note that out of 16 State Warehousing Corporations, 10 SWCs have arranged their Annual General Meetings of shareholders for the year 1981-82 and out of these 10 SWCs, 9 have declared dividend varying from 0.25% to 8%. Rajasthan State Warehousing Corporation which earned nominal profit, could not declare a dividend during the year 1981-82 and the remaining 6 SWCs could not arrange Annual General Meetings of their shareholders for the year 1981-82 onwards.

5.31 The Committee also find that until 1970-71, the CWC did not receive any dividend on the investment made by it in the equity capital of the SWCs. They have been informed that since the CWC is obliged to make payment of guaranteed dividend to its own shareholders and a large amount of its share capital has been invested in the SWCs, the CWC had to pay the dividend on such investment from its own resources/earning. The average return on the investment made in the SWCs has been about 2% only in the recent year, whereas the CWC has to pay a minimum dividend @ 5.5% to its shareholders adding an additional liability imposed on CWC for payment of guaranteed dividend on the investment made in the SWCs. The Committee have also been informed that even when a State Warehousing Corporation earns substantial profit there is a general reluctance to declare a reasonable dividend.

5.32 The Committee feel that when the Act envisaged share of equity capital in equal proportion, the share capital of SWCs should also be guaranteed like the share capital of CWC for the payment of a fixed minimum dividend. This matter should be examined by the Government in all aspects and effective steps, including amendment of the Act, if necessary, may be taken.

5.33 The Committee also feel that since the average return of 2% on the investment made by CWC in SWCs has been very inadequate and there is a

**considerable strain on the CWC due to additional liability for payment of guaranteed dividend on the investment made in the SWCs. some of the profitable business avenues should be explored for the State Warehousing Corporations in order to enable them to sustain their growth and improve their profitability.**

**5.34 The Committee desire that the Government should ensure in consultation with State Governments concerned that the SWCs declare dividends whenever their profitability position allows and there should be no hesitation on their part to do so. The provisions of Section 30 of the Warehousing Corporations Act. 1962 should be complied with by all SWCs.**

## CHAPTER VI

### MISCELLANEOUS

#### A. *Old Stocks*

6.1 During their visit to the Regional Office of CWC at Calcutta in June, 1983, the Committee came to know that some of the stocks were lying in their warehouses for long. Large quantities of damaged fertilizers and sugar belonging to Hindustan Fertilizer Corporation and STC were lying in stock for several months. The Committee were, however, informed that in spite of reminders by CWC no steps had been taken by these undertakings for lifting of these stocks or for disposing them off.

6.2 During oral examination of the CWC, the Committee asked whether the Corporation had taken up with the Government the question of old stocks lying with them and occupying their space. The M.D. in reply said, "Government does not come into the picture."

6.3 When the Committee pointed out that if the Corporation was not able to do anything in the matter it must ask the Government to intervene, the witness stated :

"We keep on writing to the depositors, viz. Hindustan Fertilizers, FCI, giving them details. We always try to see that the old stocks go out first. But we don't take it up at Government level."

6.4 Asked as to what action the Corporation take, if the depositor was not cooperating, the witness stated :—

"About FCI, we have written to our Ministry. They are fully aware of the position. At different levels, we have been discussing it and following it up regularly both at the Managing Director's and the Board levels. There have been problems in this matter."

6.5 When the Committee stressed the need of moving the Government for help in the matter, the M.D. stated :—

"We have been taking it up at the depositor's level. Now we will take it up at Ministry's level."

6.6 Asked whether there was no system of releasing stocks on first in, first out basis, the Corporation has stated that "although deliveries are generally taken by the private customers/fertilizers manufacturers etc. according to the age of stocks, it is not practically possible to adhere to this principle due to various reasons. For example, in the case of Food Corporation of India, many commodities in various grades/categories are received in the warehouses. These stocks are to be kept separately, keeping in view the quality of the goods. The lower category stocks, say in case of wheat, are meant for issue to Roller Flour Mills whereas the higher category stocks are earmarked for release through the public distribution system. If the inferior quality stocks are received first at the centre, the same cannot be issued to the Fair Price Shops dealers. *Vice-versa* if higher category stocks have been received earlier, they cannot be issued to Roller Flour Mills. Moreover, we have to issue stocks as per the requirement of the depositor, irrespective of age, quality and grade."

6.7 The Corporation has informed that in all the warehouses, a stack card is provided for every lot, showing the source, date of receipt, quantity, quality, location, dunnage provided details of various quality control operations being undertaken by the technical staff, report of periodical inspection of the stocks etc.

6.8 The Committee find that at some centres, some of the stocks are lying in the warehouses for long. For example, large quantities of damaged fertilizers and sugar belonging to Hindustan Fertilizers Corporation, Food Corporation of India, STC etc. were lying in the CWC's warehouses at Calcutta for several months. The Corporation has stated that although deliveries are generally taken by the private customers/fertilizers manufacturers etc. according to the age of stocks, it is not practically possible to adhere to the principle of releasing stocks on first-in-first-out basis due to various reasons. The Corporation has also stated that they keep on writing to the depositors for taking delivery of the old stocks, but they have not taken up the matter of lifting of old stocks by the Public Undertakings at the Government level. The Committee would like the CWC to use good offices of the Ministries concerned to get removed the old accumulated stocks of public undertaking lying in the CWC's warehouses.

#### B. Outstanding

6.9 It is noticed that the outstanding dues of CWC against depositors have gone up from Rs. 2.50 crores in 1979-80 to Rs. 6.78 crores in 1982-83 as shown below :

1979-80	1980-81	1981-82	(Rs. in crores) 1982-83
2.50	3.87	4.88	6.78

6.10 According to the Corporation the following are the major depositors who have not been paying storage charges within a reasonable time :

1. Food Corporation of India
2. State Trading Corporation
3. Jute Corporation of India
4. Mineral & Metals Trading Corporation
5. Cotton Corporation of India
6. Government Fertilizer Companies.

6.11 It has been stated that the outstandings against Food Corporation of India and State Trading Corporation constitute more than 50% of the total outstanding storage charges. These include old outstandings of Rs. 78.75 lakh against Food Corporation of India under dispute due to various reasons.

6.12 The table given below indicates the age of outstanding dues from various depositors in respect of storage charges as on 31.3.1983 :

(Rs. in lakhs)

S. No.	Name of Party	More than 3 years	More than one year but less than 3 years	Less than the year	Total
1.	A. P. S. C. S. C	0.33	1.08	3.71	5.12
2.	Cotton. Corp. of India	0.33	3.20	11.58	15.11
3.	Food Corp. of India	30.83	57.35	194.78	282.96
4.	Fertilizer Corp. of India	0.74	1.25	11.94	13.93
5.	Hindustan Fertilizer Corp. of India	1.25	2.48	9.45	13.18
6.	Indian Potash Ltd.	0.11	0.57	7.15	7.83
7.	Rashtriya Chem.& Fertilizers Ltd	0.61	0.71	4.19	5.51
8.	State Trading Corp.	5.65	7.64	74.15	87.44
9.	Southern Petrochemical Ind. Corp. Ltd	0.34	1.14	7.29	8.77
10.	IFFCO Fert.	0.57	1.00	18.96	20.43
11.	Others (Sundry Debtors)	13.06	41.11	171.85	226.02
<b>T O T A L</b>		<b>53.82</b>	<b>117.53</b>	<b>515.05</b>	<b>686.40</b>

Less : Adhoc payment received from FCI (—) 8.69

Net Outstanding 677.71

6.13 The MD informed during evidence that the Central and State agencies were not paying their dues in time. Even the revised rates were not accepted. The Corporation was in correspondence with them. Since they were important depositors and government agencies, they did not want to treat them indifferently.

6.14 Asked about the reasons for heavy outstandings, the M.D. Stated in evidence as follows :—

“The basic reason is that during that last three years our storage charges have gone up ; our turnover has gone up ; our capacity has gone up ; its utilisation has gone up. Naturally, if they are taken together, the outstanding has gone up. Since our business has increased, turn over has increased as a result outstanding has also increased. We are concerned about it. I am giving a monthly statement to them. I take it up at the highest level to find out as to how this can be reduced. We had meetings at higher levels with the depositors to sort out this thing.”

6.15 Explaining the reasons for heavy outstandings the CWC in a note furnished subsequently has further stated that the Corporation is extending the credit facilities to the various bulk depositors such as Central Government/Central Government Sponsored Agencies, State Civil Supplies Department, States Sponsored Agencies and other private depositors. Consequent upon the increase in the capacity utilisation and revision of tariff rates from time to time, there has been a commensurate increase in the volume of billing which has naturally led to higher level of warehousing charges bills remaining outstanding. The main reasons for outstandings particularly against the Government/Government Sponsored Agencies both of Central and States are that they have to carryout number of formalities before the bills are admitted for payment. The process of raising of bills and receipt of the payment after completion of various formalities take around 1 to 2 months particularly in respect of bills raised on general warehousing terms. The total outstanding of the Corporation has normally been around 3 months' billing and a few disputed bills relating to interpretation of the terms and conditions of contract, non-acceptance of higher rates by the depositors etc.

6.16 Asked whether any interest was charged on the amount due beyond the normal credit period, the Corporation has stated that “in so as far the payment delayed beyond the stipulated period is concerned, as per terms and conditions of storage, the Corporation can levy 12½% penal interest for the period of delay. As already stated, most of the space is being utilised by the Government organisations whose goodwill and cooperation

resulted in the present day progress of the Corporation. As such it is felt that it will not be in the overall business interest of the Corporation to enforce penal clause for recovery of interest for the period of delay."

6.17 The Committee are concerned to note that the outstanding storage charges of the CWC against depositors, particularly the Public Undertakings, have been continuously increasing. The major defaulters are reported to be Food Corporation of India, STC, FCT, MMTC, CCI etc. FCI and STC constitute more than 50% of the total outstanding storage charges and these include Rs. 282.96 lakhs against FCI out of which Rs. 78.75 lakhs are stated to be under dispute. The Committee recommend that there should be stricter credit control.

6.18 From the material supplied to the Committee, it is seen that although the Corporation can levy 12½% penal interest for the period of delay, no interest is charged for fear of losing goodwill and cooperation of the Government organisations, the major depositors, who are utilising most of the space. The Committee feel that a credit limit should be fixed for all the Government, department Public Undertakings, Cooperative Societies etc. and all outstandings beyond this limit should carry interest at the Bank rate. The Committee are of the view that charging of interest will make the defaulting departments more vigilant in making payments promptly. The Committee would also like that dispute about amount of Rs. 78.45 lakhs outstanding against FCI should be sorted out without further delay.

#### *C. Performance Appraisal*

6.19 As per guidelines issued by the Bureau of Public Enterprises, the Ministry should hold performance review meetings every quarter, associating the representatives of BPE and the Planning Commission. However, in the case of CWC, only one such meeting was held during each of the years 1979, 1980, 1982 and 1983 and meetings were held in 1981 as shown below :—

1. 5th July, 1979
2. 15th July, 1980
3. 9th June, 1981
4. 11th August, 1981
5. 7th July, 1982
6. 4th July, 1983

6.20 During oral examination of the Ministry, the Committee wanted to know the reasons for not holding performance review meetings quarterly as required under BPE guidelines. The Food Secretary stated :—

“There are other meetings where the same review takes place. But I have made a note of your point. Monthly meetings are there, annual plan meetings are there. Then quarterly plan meeting is there. But as you have stressed this point, we have made a note of the point made by the Hon. Chairman.”

The witness further stated :—

“I would agree...that the meeting was not held...The meetings have not been held regularly may be due to some other work. But there are various other methods of having control over them. We are having reports from them every month and these are looked into at the Government level.”

6.21. The Committee feel that in the matter of monitoring, the administrative ministry has not played the role expected of it. During the last 5 years, the Ministry held only 6 meetings instead of 20. Although the ministry has claimed that there are other meetings where the review takes place, the Committee cannot but stress that in order to make the concept of accountability of the enterprise to Government effective and purposeful, the performance review meetings should be held every quarter regularly as per guidelines issued by the BPE. It need hardly be mentioned that such review meetings are mutually useful to both the Undertaking and the administrative Ministry in sorting out various problems, pushing through proposals, expediting decisions and issuing necessary guidelines.

MADHUSUDAN VAIRALE,

NEW DELHI;

*Chairman,*

April 27, 1984  
Vaisakha 7, 1906 (S)

*Committee on Public Undertaking*

## APPENDIX

### SUMMARY OF CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (CONTAINED IN THE REPORT)

Sl. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	2.19	<p>Although the Central Warehousing Corporation was set up as far back as March, 1957, its specific objectives and obligation-economic, social and financial, have not yet been spelt out in detail. The Committee have been informed that the Corporation has so far been operating on the basis of the objectives broadly laid down in the Warehousing Corporations Act, 1962 and some physical and financial objectives though formulated by the Corporation have not been specifically approved by the Government. The Managing Director, CWC was frank enough to admit the failure in this respect. He, however, stated in the evidence that "we draw each year's objectives as also the five years objectives". Obviously, these objectives have not been produced in the form of a document and got approved by the administrative Ministry. In terms of the guidelines issued by BPE in 1970 and 1979, it is incumbent on all the public undertakings to make a comprehensive and clear statement on their objectives and obligations. Further, these statements should be formulated by the enterprises with the approval of Government and that Ministry of Finance should be consulted before finalising the financial aspects of such statements. The Committee would like that action to formulate the micro objectives of the Corporation and getting them approved by the Administrative Ministry is taken without further delay.</p>
2	2.20	<p>The Committee note that not only the Corporation does not have a Corporate Plan, they are not even aware</p>

of the guidelines issued by BPE in this regard. In terms of these guidelines each public undertaking is required to prepare a Corporate Plan, which after approval by the respective Board of Directors is required to be formally ratified by the Administrative Ministry. The Committee desire that after finalisation of the micro objectives of the Corporation, its Corporate Plan which is long over due should also be drawn up so that the performance of the Corporation could be judged against the set plan and targets. They also desire that objectives and obligations should be clearly specified in the Corporate Plan of the Corporation. The Committee would like to be apprised of the action taken in this behalf.

**3 3.52**

With regard to the role and scope of functions of the Central Warehousing Corporation, the Committee had been informed by the Corporation that in pursuance of the directions given by the Government of India in 1974, a Working Group headed by the Deputy General Manager of the Corporation has been formed to review the provisions of the Warehousing Corporation Act, 1962 in the context of development which have taken place since the Corporation was established. The Working Group has made recommendations relating to need for extension of role, scope and functions of the Corporation, its relationship with the State Warehousing Corporations and other pertinent aspects, relating to scheme of public warehousing in the country. The Committee have also been informed that final view on the recommendations of the Working Group is yet to be taken for carrying out such amendments to the Act as may be deemed appropriate. The Committee urge the Government to finalise their proposals at an early date and take necessary steps to initiate legislation in this regard.

**4 3.53**

The Central Warehousing Corporation and State Warehousing Corporations were set up under special legislation primarily with a view to provide scientific storage facilities to the agriculturists for storing their agricultural produce, seeds, manures, fertilizers agricultural implements, etc., as also to help them in

**3.54**

getting better prices for their products. The Commitsee's examination of the working of the Corporation during the last 22 years revealed that precious little had been done to provide necessary facilities to the agriculturists. The depositor-wise utilisation of Central Warehouses in the past has revealed that about 80% of the capacity has been utilised by bulk depositors like Government/Public Undertakings and the balance of 20% of deposits was shared by merchants, cooperatives and producers. All along the utilisation of Warehousing space by farmers/producers has been very low. The main reasons for the very low percentage of deposits from farmers and producers are stated to be that under the three-tier system the markets of all-India importance only are served by the CWC and the storage needs at the village and taluk level are looked after by the Cooperatives. The Managing Director, CWC admitted during evidence that "at the village level, the utilisation of the Warehouses has not been satisfactory". He further stated "We will increase our efforts in this direction. We have done it, but what we have done is not adequate." The Committee are not impressed by the plea of the Corporation/Department that 'our object was to provide at the all-India level certain facilities to the farmers and not at the village level.... 'We are basically meant for a higher activity rather than at the village level... The Corporation is not meant to provide facilities at the rural or village level."

One of the functions for which the CWC was set up was to popularise warehousing practices and making their advantage felt in the rural areas. From the data furnished, the Committee find that the facilities provided by the CWC appear to have been availed of mainly by the Government/Public Undertakings and merchants. It is the farmers/producers who need greater Warehousing facilities particularly during post-harvest period to protect them against distress sales of their produce. Although the Committee learn with satisfaction that to encourage deposits from agriculturists, 10% rebate is being extended on deposits from producers they are still of the view that more intensive efforts are needed to attract deposits from

producers and cooperatives for whose benefits these facilities were originally contemplated.

5 3.55 The total post-harvest loss of foodgrains from the field to the consumer's end has been estimated to be as much as 9.30 per cent to 30 per cent. However, the utilisation of warehousing space by farmers has been less than 1 per cent. The Committee suggest that the farmers should be motivated to make maximum use of warehousing facilities. The Corporation should utilise the services of Cooperative Organisation, and other Rural Development Agencies instead of approaching the farmers directly through their technical staff.

6 3.56 The Corporation introduced Farmers Extension Service Scheme in 1978-79 with the objectives (i) to educate the farmers on the advantages of scientific storage and utilisation of public warehouses and (ii) assisting the farmers in getting loans from the banks against the pledge of warehouses receipts. The Committee find that the number of farmers all over India who utilised the services under this scheme was only 259 in 1980-81, 409 in 1981-82 and 344 in 1982-83. The reasons for contacting such a small number of farmers are stated to be that the CWC warehouses are mostly at the All-India centres and their locations are far off from the villages. While the M.D., CWC admitted during evidence that "our coverage of the scheme has been insignificant and the impact has been less", the Food Secretary stated, "It is not that the farmers are not utilising the service. It is the CWC coverage which has not been that much." He further stated, "On our part I don't know why the farmers had not responded fully. We find that the figure is 409 out of 15,830 in 1981-82. I have no knowledge why only 409 came to utilise the service".

The Committee desire that extension service work should be expanded on a larger scale and greater efforts be made to approach the farmers and educate them on the advantages of scientific storage and utilisation of public warehouses, with the assistance of cooperatives and the State Warehousing Corporations.

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7 3.57 The Warehousing Corporations in the Public Sector were set up under special legislation for achieving *inter alia* the objectives of extension of institutional credit to farmers through the medium of warehouses receipts. The financial objectives of CWC lay down that the Corporation is required to create a negotiable paper to provide an instrument for extension of credit through commercial banks for the benefit of depositors. During evidence, the MD, CWC admitted that "extension of institutional credit is one area where the objectives have not been fully achieved". Difficult and cumbersome procedure adopted by the banks are stated to be the reasons for which the farmers are not in a position to approach the banks. In this context the Secretary Deptt. of Food, denying this charge stated, "I do not think it is quite correct. The banks have been giving credit though the margin is high". As regards cumbersome procedure for advances against warehouse receipts, he stated, 'I am sorry this has not been brought to my notice'.

The Committee would like the Department/CWC to resolve the controversy regarding the difficult and cumbersome procedure adopted by the banks for advances against warehouse receipts. If the procedure is difficult and cumbersome as stated by the M.D., CWC, the matter should be taken up at the highest level with the concerned authorities with a view to finding ways and means to simplify the procedure so that farmers and producers derive the maximum benefit out of the scheme of institutional credit through warehouse receipts.

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The Committee are unhappy to note that no proper survey has so far been conducted for determining the total requirements of storage space in the country as a whole area/region-wise. They have been informed that some *ad hoc* surveys have been made. The Committee note that the Ministry has been stressing the need from time to time in a number of conferences of Warehousing Corporations and on the Managing Directors for undertaking a survey, State-wise or area-wise. However, no such survey has been undertaken in a systematic manner. The Committee desire that the Central

Warehousing Corporation should undertake, in collaboration with the State Warehousing Corporations, an intensive survey in order to assess the extent of requirement of additional warehousing capacity in the country and to decide locating new centres of all-India importance and extending warehousing facilities wherever necessary.

9      4.48      The Committee note that the Corporation is operating both in hired and own constructed godowns. Out of the total storage capacity of 44.82 lakhs M.T. as on 31.3.1983, more than 35% of the capacity was in hired godowns. The hired godowns are stated to be more remunerative than own constructed godowns. The Committee, however, suggest that more and more warehouses should be built in the areas where warehousing facilities are not available. For this purpose the Corporation should utilise the profits earned in good areas for building godowns in areas of less profitability so that services of warehousing could be extended to such areas. After all, there should be some cross-subsidisation in activities like this.

10     4.49      The Committee further note that the construction of warehouses by the CWC is proceeding at a slow pace. This should be speeded up. In this connection, the Committee would like to reiterate their earlier recommendation made vide para 3.6 of their 24th Report that the CWC should be provided with sufficient funds for building its net work of godowns throughout the country so that it may gradually come up to play effectively, the role of handling of storage work for all public undertaking in future. In reply the Government had then stated that Committee's recommendations had been noted. The Committee would like to know the present position of the matter, i.e. the extent of funds provided by the Government to C.W.C. for this purpose and the amount of storage capacity provided by CWC and utilized by the various public undertakings since 1979.

11     4.50      The Committee find that during 1981-82 and 1982-83, the Corporation had to close down 22

Warehouses—14 in 1981-82 and 8 in 1982-83, as they were found uneconomical and in some cases the warehouses which were hired for a specific period, were surrendered. The Committee feel that the closure of warehouses implies that the initial surveys conducted by the Corporation were not very realistic. The Committee need hardly point out that a closure of a warehouse entails certain infructuous expenditure especially when the warehouses are own construction. They suggest that the programme of construction of warehouses should be taken up after examining thoroughly the business potential at each centre so that warehouses may not have to be closed down in future due to low utilisation of space.

12 4.51

The Sixth Five Year Plan envisaged construction of a capacity of 2 million tonnes during 1980-85 i.e. a capacity of 16.25 lakh tonnes under General Warehousing Programme and 3.75 lakh tonnes under World Bank assisted project. On the basis of mid-term appraisal of the Sixth Plan in 1982, the initial target for construction of capacity under the General Warehousing Programme was reduced from 16.25 lakh tonnes to 14.50 lakh tonnes. Against the revised target of 14.50 lakh tonnes of storage capacity to be created during the Sixth Plan (1980-85), under General Warehousing Programme, the capacity actually created was only 5.88 lakh tonnes in the first three years leaving a capacity of 8.62 lakh tonnes still to be achieved in the next two years. During evidence, the M.D., CWC admitted that the progress of the work had been rather slow. The main reasons, among others, for the shortfall in the completion of the capacity are stated to be a delay of more than one year in the approval of terms and conditions for the operation of large sized depots by the Food Corporation of India which were cleared by Central Storage Committee in July, 1981 and also delay by FCI in the allotment of centres where CWC has surplus land to put up a capacity of 13 lakh tonnes.

The Committee are distressed to note that the progress made by the Corporation in the creation of capacity during the first three years of the Sixth Five

12      Year Plan has been extremely slow. The Committee desire that all out efforts should be made to achieve the balance capacity of 8.62 lakh tonnes according to the schedule.

13      4.52      The Committee also regret to note that the matter regarding allotment of centres by the FCI, where CWC has surplus land to put up a capacity of 13 lakh tonnes, has not been settled for so long. The Committee have reason to believe that if the matter regarding clearance by the FCI of the capacity to be constructed by the CWC had been settled in time, the exigency of the escalation in the cost of land and construction leading to revision in the outlay to Rs. 69.46 crores against Rs. 58 crores would have been avoided.

14      4.53      It has been stated that while every effort is made to avoid duplication, yet at times some of the agencies prefer to have their own storage at the centres where the Central Warehousing Corporation is already operating. According to the Managing Director, CWC this took away a part of the market potential for warehousing thus affecting the programme of construction envisaged for the Central Warehousing Corporation in the Sixth Five Year Plan. The existence of several agencies who took up construction work at the same centres made the programme of construction competitive rather than mutually supportive. Although the Secretary, Department of Food stated that the problem has been magnified too much, the Committee cannot but emphasise that there is need for complete coordination in the construction of storage godowns and in the operation of the same to avoid duplication of efforts.

15      5.26      The Warehousing Corporations Act, 1962 provided for establishment of Central Warehousing Corporation and State Warehousing Corporations in each of the States. It also provided that the Central Warehousing Corporation and the respective State Governments would be equal shareholders in the State Warehousing Corporations so that an integrated approach could be made for the development of public warehousing activity in the

country. The Food Secretary in evidence stated "There may be occasional cases of difference of opinions, but by and large they are working in an integrated manner." The Committee, however, find that sometimes the State Governments appoint, Chairman/Managing Director of the State Warehousing Corporations without obtaining prior approval of the Central Warehousing Corporation as required under the Act, which is a pointer to the fact that there is lack of coordination between the two organisations in this regard. The Committee would like the Ministry/Corporation to ensure that in the matter of appointments to the senior positions in the State Warehousing Corporations, provisions of the Act laying down the prior approval of the Central Warehousing Corporation are strictly followed by the State Governments.

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Under Section 35 of the Warehousing Corporations Act, 1962, in case of any difference of opinion between the Central Warehousing Corporation and State Warehousing Corporations regarding their respective functions and powers under the Act, the matter shall be referred to the Central Government for decision. The Committee feel that in the operational areas, there is not much coordination as a number of State Warehousing Corporations are reported to have urged the Central Government to set up a Commission to review and redefine the operational areas of both the Central and State Warehousing Corporations. This is a matter of deep concern to the Committee. The Committee would urge the Government to look into the matter and take steps to resolve differences between the two sets of organisations in field of their operations.

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The Committee have been informed that the CWC is required to set up warehouses at markets of all-India importance and the State Warehousing Corporations are to set up warehouses at district and taluk level. They have been informed that the Government of India has prepared the list of centres for operation by the CWC and SWCs in each State in consultation with the State Governments concerned so as to ensure proper coordination and to avoid overlapping of the functions of two organisations. The Committee have also been informed

that all out efforts have been made to avoid duplication and competition between the two organisation at the same centre. The Committee desire that the position should be kept under continuous review.

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The Committee are concerned to note that as many as 10 State Warehousing Corporations out of 16 have not been functioning well and incurring losses. They desire that the Central Warehousing Corporation should extend a helping hand and provide more guidance to the State Corporations directly or through its nominees on the Board of Directors of the State Corporations to put them on sound footing. Besides, only such persons as are able to devote sufficient attention to the work of a State Warehousing Corporation and have the necessary expertise should be nominated on the Board of Directors of a SWC. The CWC should also be more vigilant while approving the appointments of Chairman and M.Ds of the State Warehousing Corporations.

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Section 19(2) of the Warehousing Corporations Act lays down that the share capital of the State Warehousing Corporations shall be subscribed by the Central Warehousing Corporation and the State Government on 50.50 basis. The CWC's investment in the shares of the SWCs as on 31st March, 1983 was Rs. 22.42 crores. The Committee note that out of 16 State Warehousing Corporations, 10 SWC's have arranged their Annual General Meetings of shareholders for the year 1981-82 and out of these 10 SWCs, 9 have declared dividend varying from 0.25% to 8%. Rajasthan State Warehousing Corporation which earned nominal profit, could not declare a dividend during the year 1981-82 and the remaining 6 SWCs could not arrange Annual General Meetings of their shareholders for the year 1981-82 onwards.

The Committee also find that untill 1970-71, the CWC did not receive any dividend on the investment made by it in the equity capital of the SWCs. They have been informed that since the CWC is obliged to make payment of guaranteed dividend to its own shareholders

and a large amount of its share capital has been invested in the SWCs, the CWC had to pay the dividend on such investment from its own resources/earning. The average return on the investment made in the SWCs has been about 2% only in the recent year, whereas the CWC has to pay a minimum dividend @5.5% to its shareholders adding an additional liability imposed on CWC for payments of guaranteed dividend on the investment made in the SWCs. The Committee have also been informed that even when a State Warehousing Corporation earns substantial profit there is a general reluctance to declare a reasonable dividend.

The Committee feel that when the Act envisaged share of equity capital in equal proportion, the share capital of CWCs should also be guaranteed like the share capital of SWC for the payment of a fixed minimum dividend. This matter should be examined by the Government in all aspects and effective steps, including amendment of the Act, if necessary, may be taken.

20 5.33 The Committee also feel that since the average return of 2% on the investment made by CWC in SWCs has been very inadequate and there is a considerable strain on the CWC due to additional liability for payment of guaranteed dividend on the investment made in the SWCs, some of the profitable business avenues should be explored for the State Warehousing Corporations in order to enable them to sustain their growth and improve their profitability.

21 5.34 The Committee desire that the Government should ensure in consultation with State Governments concerned that the SWCs declare dividends wherever their profitability position allows and there should be no hesitation on their part to do so. The provisions of Section 30 of the Warehousing Corporations Act, 1962 should be complied with by all SWCs.

22 6.8 The Committee find that at some centres, some of the stocks are lying in the warehouses for long. For example, large quantities of damaged fertilizers and sugar

belonging to Hindustan Fertilizers Corporation, Food Corporation of India, STC etc. were lying in the CWC's warehouses at Calcutta for several months. The Corporation has stated that although deliveries are generally taken by the private customers/fertilizers manufacturers etc. according to the age of stocks, it is not practically possible to adhere to the principle of releasing stocks on first-in-first-out basis due to various reasons. The Corporation has also stated that they keep on writing to the depositors for taking delivery of the old stocks, but they have not taken up the matter of lifting of old stocks by the Public Undertakings at the Government level. The Committee would like the CWC to use good offices of the Ministries concerned to get removed the old accumulated stocks of public undertakings lying in the CWC's wardhouses.

23 6.17

The Committee are concerned to note that the outstanding storage charges of the CWC against depositors particularly the Public Undertakings, have been continuously increasing. The major defaulters are reported to be Food Corporation of India, STC, JCI, MMTC, CCI etc. FCI and STC constitute more than 50% of the total outstanding storage charges and these include Rs. 282.96 lakhs against FCI out of which Rs. 78.75 lakhs are stated to be under dispute. The Committee recommend that there should be stricter credit control.

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From the material supplied to the Committee, it is seen that although the Corporation can levy  $12\frac{1}{2}\%$  penal interest for the period of delay, no interest is charged for fear of loosing goodwill and cooperation of the Government organisations, the major depositors, who are utilising most of the space. The Committee feel that a credit limit should be fixed for all the Government Departments, Public Undertakings, Cooperative Societies etc. and all outstandings beyond this limit should carry interest at the Bank rate. The Committee are of the view that charging of interest will make the defaulting departments more vigilant in making payments promptly. The Committee would also like that dispute about amount of Rs. 78.45 lakhs outstanding against FCI should be sorted out without further delay.

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The Committee feel that in the matter of monitoring, the administrative Ministry has not played the role expected of it. During the last 5 years, the Ministry held only 6 meetings instead of 20. Although the Ministry has claimed that there are other meetings where the review takes place, the Committee cannot but stress that in order to make the concept of accountability of the enterprise to Government effective and purposeful, the performance review meetings should be held every quarter regularly as per guidelines issued by the BPE. It need hardly be mentioned that such review meetings are mutually useful to both the Undertaking and the administrative Ministry in sorting out various problems, pushing through proposals, expediting decisions and issuing necessary guidelines.