

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1971-72)**

(FIFTH LOK SABHA)

TWELFTH REPORT

FOOD CORPORATION OF INDIA

**MINISTRY OF AGRICULTURE
(DEPARTMENT OF FOOD)**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1972/Chaitra, 1894 (S)

Price : Rs. 4.95

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

| Sl. No. | Name of Agent | Agency No. | Sl. No. | Name of Agent | Agency No. |
|-----------------------|---|------------|----------------------|--|------------|
| ANDHRA PRADESH | | | | | |
| 1. | Andhra University General Cooperative Stores Ltd. Waltair (Visakhapatnam) | 8 | 12. | Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay. | 30 |
| 2. | G.R.Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District. | 94 | 13. | The Current Book House, Maruit Lane, Raghunath Dadaji Street, Bombay-1. | 60 |
| ASSAM | | | 14. | Deccan Book Stall, Ferguson College Road, Poona-4. | 65 |
| 3. | Western Book Depot, Pan Bazar, Gauhati. | 7 | 15. | M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 B.R. | 5 |
| BIHAR | | | | | |
| 4. | Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur. | 37 | MYSORE | | |
| GUJARAT | | | 16. | M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1. | 16 |
| 5. | Vijay Stores, Station Road, Anand. | 35 | RAJASTHAN | | |
| 6. | The New Order Book Company Ellis Bridge, Ahmedabad-6. | 63 | 17. | Information Centre, Government of Rajasthan, Tripolia, Jaipur City. | 38 |
| HARYANA | | | | | |
| 7. | M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana). | 14 | UTTAR PRADESH | | |
| MADHYA PRADESH | | | 18. | Swastik Industrial Works, 59, Holi Street, Meerut City. | 2 |
| 8. | Modern Book House, Shiv Vilas Palace, Indore, City. | 13 | 19. | Law Book Company, Sardar Patel Marg, Allahabad-1. | 48 |
| MAHARASHTRA | | | | | |
| 9. | M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2. | 6 | WEST BENGAL | | |
| 10. | The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1. | 22 | 20. | Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas. | 10 |
| 11. | The International Book Service, Deccan Gymkhana, Poona-4 | 26 | 21. | W. Newman & Company Ltd., 3, Old Court House Street, Calcutta. | 44 |
| | | | 22. | Firma K.L. Mukhopadhyay, 6/1A, Banchharam Akur Lane Calcutta-12 | 82 |
| | | | 23. | M/s. Mukherji Book House, 8-B, Duff Lane, Calcutta-6. | 4 |

CONTENTS

| | PAGE |
|--|-------|
| COMPOSITION OF THE COMMITTEE | (v) |
| COMPOSITION OF THE STUDY GROUP | (vii) |
| INTRODUCTION | (ix) |
| I. INTRODUCTORY : | |
| A. Historical Background | 1 |
| B. Object and Functions | 2 |
| C. State-wise Review of the activities of the FCI during 1970-71 | 3 |
| II. ORGANISATION : | |
| A. Board of Directors | 11 |
| B. Executive Committees and other Committees | 13 |
| C. Offices and Agencies | 14 |
| D. Boards of Management and Other Advisory Committees | 15 |
| E. Relations of the Corporation with the Ministry of Agriculture (Department of Food) | 15 |
| F. Liaison with State Governments | 16 |
| III. PROCUREMENT : | |
| A. Objectives of Procurement Policy | 17 |
| B. Targets and Procurement | 17 |
| C. Procurement Policies of State Governments | 20 |
| D. Methods of Procurement | 22 |
| E. Procurement Through Cooperatives | 22 |
| F. Multiplicity of Procurement Agencies | 27 |
| G. Annual Turnover | 28 |
| H. Regulated Markets | 28 |
| I. Market Intelligence | 30 |
| J. Advisory Committees | 31 |
| IV. STORAGE : | |
| A. Buffer Stock | 33 |
| B. Studies on Storage | 34 |
| C. Storage Capacity under the Fourth Plan | 34 |
| D. Storage Capacity of the Corporation | 35 |
| E. Crash Programme | 36 |
| F. Silos and Bins for bulk storage | 37 |
| G. Portable Warehouses | 39 |
| H. Overlapping in Creation of Storage Capacity | 41 |
| I. Utilisation of Godowns | 45 |
| J. Cost of Storage | 46 |
| K. Loss due to faulty Storage | 48 |
| L. Thefts at Godowns | 53 |
| M. Bagging, Stitching and Weighment | 54 |

| V | MOVEMENT : | PAGE: |
|------|--|-------|
| A. | Quantum of Movement | 57 |
| B. | Planning and Control | 57 |
| C. | Coordination with Railways | 58 |
| D. | Use of open Wagons | 59 |
| E. | Use of Road Transport | 67 |
| F. | Transit Losses | 70 |
| G. | Wheat Movement Plan | 73 |
| H. | Telecommunication System | 74 |
| VI | SALES AND DISTRIBUTION : | |
| A. | Sales Policy | 76 |
| B. | Public Distribution System | 77 |
| C. | Wholesale Distribution of Foodgrains | 79 |
| D. | Sale Through Tender System | 82 |
| E. | Sale of Wheat to Roller Flour Millers | 83 |
| VII | OTHER ACTIVITIES : | |
| A. | Port Operations | 86 |
| B. | Rice Mills Project | 88 |
| C. | Paddy and Maize Dryers | 94 |
| D. | Maize Milling Plant | 95 |
| E. | Milling and Distribution of Wheat Products | 96 |
| F. | Nutrition Programme | 97 |
| G. | Supplies for Defence Services | 101 |
| H. | Supplies for Cyclone Victim in East Pakistan | 101 |
| VIII | QUALITY CONTROL : | |
| A. | Stages of Quality Control | 102 |
| B. | Techniques of Quality Control | 103 |
| C. | Role of Laboratories : | 104 |
| IX | PRICING POLICY : | |
| A. | Objectives of Pricing Policy | 112 |
| B. | Cost of Inputs used by Farmers | 113 |
| C. | Procurement Prices | 114 |
| D. | Price Support Operations | 115 |
| E. | Issue Prices | 117 |
| F. | Subsidy | 120 |
| G. | Production of Foodgrains | 123 |
| H. | Wholesale Prices | 124 |
| X | COST CONTROL : | |
| A. | Incidental Expenses | 127 |
| B. | Cost Consciousness | 139 |
| XI | FINANCIAL MATTERS : | |
| A. | Authorised Capital | 143 |
| B. | Capital Employed | 143 |

| | PAGE |
|---|------|
| C. Cases of Misappropriation, Fraud, etc. | 144 |
| D. Outstandings | 150 |
| E. Loans, Overdrafts and Stocks | 152 |
| F. Profitability | 154 |
| G. Audit | 156 |
| XII. PERSONNEL AND ADMINISTRATION : | |
| A. Staff Strength | 157 |
| B. Integration of Cadres | 159 |
| C. Departmentalised Labour at the Ports and Depots | 161 |
| D. Overtime Allowance | 165 |
| E. Labour-Management Relations | 168 |
| XIII PLANNING AND RESEARCH : | 170 |
| XIV CONCLUSIONS : | 173 |
| APPENDICES : | |
| I. Statement showing the powers delegated to Zonal Managers in the FCI | 178 |
| II. Rabi Procurement | 187 |
| III. Kharif Procurement | 193 |
| IV. Storage accommodation available with the Food Corporation of India on 1-11-1971 | 197 |
| V. Statement showing the number of various type of Rice Mills in India | 199 |
| VI. Grain-wise break up of total amount of subsidy paid | 201 |
| VII. Summary of main conclusions/Observations | 202 |

COMMITTEE ON PUBLIC UNDERTAKINGS

(1971-72)

CHAIRMAN

Shri M. B. Rana

MEMBERS

2. Shri K. Baladhandayutham
3. Shri Dinen Bhattacharya
4. Shri G. Bhuvarahan
5. Shri Khemchandbhai Chavda
- *6. Shrimati Subhadra Joshi
7. Dr. Kailash
8. Shri S. N. Misra
9. Shri Amrit Nahata
10. Shri P. Parthasarathy
11. Shri Syed Ahmad
12. Shri Narayana Kalliyana Krishnan
13. Choudhary A. Mohammad
14. Shri Dahyabhai V. Patel
- **15. Shri Kota Punnaiah

SECRETARIAT

1. Shri Avtar Singh Rikhy—*Joint Secretary.*
 2. Shri M. A. Soundararajan—*Deputy Secretary.*
 3. Shri M. N. Kaul—*Under Secretary.*
-

*Elected w.e.f. 11th August 1971 in the vacancy caused on the resignation of Dr. V. K. R. Varadaraja Rao, M. P., on 29 July, 1971.

**Ceased to be member of the Committee w. e. f. 3rd April, 1972 consequent on retirement from Rajya Sabha.

**STUDY GROUP IV ON TRADING, AVIATION AND SHIPPING
UNDERTAKINGS OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS (1971-72)**

1. Shri Syed Ahmad—*Convenor*
- *2. Shri Kota Punnaiah—*Alternate Convenor*
3. Choudhary A. Mohammad
4. Shri G. Bhuvarahan
5. Shri Khemchandbhai Chavda
6. Dr. Kailas
7. Shri P. Parthasarathy

*Cesed to be member of the Committee w.e.f. 3rd April, 1972 consequent on retirement from Rajya Sabha.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present the Twelfth Report on Food Corporation of India.

2. The subject was examined by the Committee on Public Undertakings (1970-71). That Committee took evidence of the representatives of the Federation of All India Foodgrain Dealers' Association, Delhi and the Roller Flour Millers' Federation of India, New Delhi on 16th December, 1970, the representatives of the Food Corporation of India on 18th December, 1970. The Committee, however, could not take evidence of the representatives of the Ministry of Agriculture (Department of Food) due to sudden dissolution of the Fourth Lok Sabha on the 27th December, 1970. The Committee on Public Undertakings (1971-72) took evidence of the representatives of the Ministry of Agriculture (Department of Food) on 9th and 10th August, 1971.

3. The Report was considered by the Committee on 25th and 28th March, 1972 and adopted on the 28th March, 1972.

4. The Committee place on record their appreciation of the commendable work done by the Members of the Committee on Public Undertakings (1970-71) in taking evidence and obtaining information for this report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

5. The Committee wish to express their thanks to the Ministry of Agriculture (Department of Food)|State Governments|non-official organisations and the Food Corporation of India for placing before them the material and information they wanted in connection with the examination of Food Corporation of India. They wish to thank in particular the representatives of the Ministry|Undertaking|non-official organisations who gave evidence and placed their considered views before the Committee.

NEW DELHI;
April 12, 1972.

Chaitra 23, 1894 (S).

M. B. RANA,
Chairman,
Committee on Public Undertakings.

INTRODUCTORY

A. Historical Background

The executive wing of the Food Department headed by the Director-General of Food was responsible for purchase, storage, movement, transport and distribution of foodgrains ever since the inception of the Department of Food in 1942. As early as in 1946, the Price Sub-Committee of the "Policy Committee on Agriculture, Forestry and Fisheries" headed by Shri V. T. Krishnamachari had held the opinion that "the enforcement programme cannot be carried out with sufficient efficiency and despatch through the normal machinery of a Government Department. It was felt that the working of a Government department involved procedural delays and that operational decisions could not be taken with the speed and elasticity essential for market operations. Moreover, a departmental administration did not provide the financial incentives indispensable for the working of a commercial enterprise. The aforesaid Committee had therefore, recommended the setting up of a machinery a kin to a business corporation with its essential freedom and elasticity of operation.

1.2. The views of this Committee were reiterated and elaborated by the "Foodgrains Enquiry Committee" presided over by Shri Ashok Mehta in 1957. This Committee also felt that whereas the Ministry of Food and Agriculture should continue to be responsible for formulation of food policy and for measures like licensing of trade, organising fair price shops, imposing cordons, zones, etc., a separate organisation called the "Food-grains Stabilisation Organisation" under the Ministry should be set up for "the specific functions of open market purchases and sales, procurement of foodgrains and maintenance of stocks." This organisation, in their view, should, apart from the work carried out by the Director-General of Food, "operate as a trader in the foodgrains market with branches or agencies of its own in all important mandis".

1.3. The suggestions of these bodies were accepted by Government only in 1964 with the enactment of the Food Corporation Act (No. 37 of 1964). Section 13(1) of the Act provides "It shall be the primary duty of the Corporation to undertake the purchase, storage, movement, transport, distribution and sale of Foodgrains and their foodstuffs". The Corporation was thus designed to take over the executive functions of the Food Department.

1.4. While it was felt that an autonomous corporate organisation working on business principles would provide an organisational structure which would be conducive to efficient management, policy formulation as well as giving operational guidance to the Corporation was a function retained for the Government of India in the Department of Food. This was clearly incorporated in Section 6 (2) of the Food Corporation Act which reads as under:—

“The Board of Directors, in discharging its functions, shall act on business principles having regard to the interests of the producers and consumer and shall be guided by such instructions on questions of policy as may be given to it by the Central Government.”

1.5. The Food Corporation of India was consequently set up on the 1st January, 1965 to function as a Statutory Corporation wholly owned by the Government.

1.6. The work relating to imports, internal purchase, sales, storage, movement and distribution was gradually handed over to the Food Corporation of India from time to time. The work relating to imports of foodgrains as well as its handling, movement, storage and distribution within the country handled by the organisation of the Director-General of Food (Department of Food) was transferred to the Food Corporation in stages. A beginning was made on 1st October, 1965 when port handling and internal distribution in the case of all ports in Kerala and Tuticorin port was handed over to the Food Corporation of India. Similar work in relation to ports in the Southern and Eastern Regions was handed over to the Corporation on 16th December, 1968. This process was completed with the handing over of the ports in the Western Region to the Corporation on 1st March, 1969. With effect from 1st April, 1969 the Food Corporation of India took up directly the work of importing from abroad. The Food Corporation of India thus became the sole agent of the Central Government for imports, purchase, movement, storage and distribution of foodgrains w.e.f. 1st April, 1969.

B. Objects and Functions

1.7. The main objects and functions of Food Corporation of India are:—

- (i) To engage primarily in the purchase, storage, movements, transport, distribution and sale of foodgrains and other foodstuffs. It may also with the previous approval of the

Central Government (a) promote by such means as it thinks fit the production of foodgrains and other foodstuffs; (b) set up, or assist in setting up of rice mills, flour mills and other undertakings for the processing of foodgrains and other food-stuffs and (c) discharge such other functions as may be prescribed or as are supplemental, incidental, or consequential to any of these functions conferred on it under the Act;

- (ii) to ensure that the primary producer obtains the minimum price that may be announced from time to time and to protect the consumer from vagaries of speculative trade;
- (iii) to take up state trading in foodstuffs on an appreciable scale and to build up gradually buffer stocks;
- (iv) to secure for itself a strategic and commanding position in the foodgrains trade of the country, and
- (v) to work with the active and continued cooperation of State Governments and their machinery.

1.8. With the completion of the transfer of the executive functions of the Food Department from April, 1969, the Food Corporation of India became the sole agency of the Central Government for State Trading in foodgrains. In a span of five years, it had extended its activities both in terms of area of operation and the volume of purchases and sales. The Corporation which was set up with the object of securing a commanding position in the foodgrains trade, and had started playing a dominant role in purchase, storage and distribution of foodgrains in the country. The Corporation registered considerable progress in building up and holding a buffer stocks of foodgrains towards the target of 5 million tonnes of buffer stocks to be achieved by the end of the Fourth Five Year Plan (1973-74). Whilst a major portion of the Corporation's transactions related to commodities like wheat and rice, which are traded on Central account, the Corporation expanded and diversified its activities by trading in the open market and entering the field of processing technology.

C. Statewise Review of the activities of the Food Corporation of India during 1970-71.

1.9. A State-wise review of the activities of the Food Corporation of India during 1970-71 is given below:—

1. Delhi

In view of the rise in procurement of rabi foodgrains, FCI utilised 24000 tonnes capacity godowns of the Central Warehousing Corporation in addition to its existing storage capacity.

The region continued to meet the foodgrain requirements of the consumers in Delhi and issued 2.00 lakhs tonnes to fair price shops, roller flour mills etc.

The progressive total purchases of foodgrains from the two regulated markets in Delhi were 1069 tonnes including 332 tonnes of wheat, 584 tonnes of gram and 100 tonnes of mustard seeds and 53 tonnes of coarse grains. These purchases were conducted under the supervision of the quality control staff, who drew samples from the lots purchased, for laboratory analysis as well as evaluation of price in relation to prescribed standards.

The region continued to function as the Central Reserve depot for storage and despatch of chemicals and stores to other units. Assistance regarding storage and preservation was extended to Army Purchase Organisation, Delhi Milk Scheme and the National Seeds Corporation.

2. Punjab & Haryana

The impact of green revolution through the implementation of improved farming methods was very great in Punjab and Haryana where the Corporation launched a massive procurement drive.

The procurement of rabi and kharif foodgrains in this region was 37.76 lakh tonnes during the year. Over 19.46 lakh tonnes of wheat were despatched to various Regions during the year. In addition, the Corporation issued 5.87 lakh tonnes of wheat for sales. About 5.71 lakh tonnes of rice and 0.58 lakh tonnes of coarse-grains were despatched to various States from the region. About 0.14 lakh tonnes of rice 0.28 lakh tonnes of coarse-grains were also sold during the year.

The total storage capacity available in the region at the end of the year was 10.19 lakh tonnes, including 6.87 lakh tonnes of owned capacity.

A training programme was conducted at the Regional Office in Chandigarh and 468 godowns and technical assistants were given training.

3. Rajasthan

Unlike the year 1969-70 when Rajasthan was in the grip of famine, the year 1970-71 experienced satisfactory rainfall and increase in irrigation facilities.

During 1970-71, extensive procurement of bajara, jowar and maize was undertaken under price support. The purchases made during the year were 485 tonnes of wheat, 56,077 tonnes of coarse-grains, 6,827 tonnes of moong and other pulses, 40,600 tonnes of gram and 3,373 tonnes of mustard seeds.

Moong, gram and barley were purchased for meeting the requirements of the Army Purchase Organisation and mustard seeds were despatched to West Bengal. A quantity of 1,250 tonnes of moong was also sent to Kanpur for supply to Defence forces after conversion into moongdal.

The storage capacity available in the region at the end of the year was 2.17 lakh tonnes.

4. Uttar Pradesh

The activities of the Corporation increased in the region during the year under review. The Corporation being the only agency to ensure price support measure in the region, all-out efforts were made to prevent the price level from falling below the support price in the mandis.

A quantity of 3.30 lakh tonnes of wheat and 1.18 lakh tonnes of rice was procured. This included basmati rice meant for export. In addition, 1.01 lakh tonnes of maize, 1,424 tonnes of gram and 3,008 tonnes of pulses and other minor food products and mustard seed were purchased.

Deploying a large staff to ensure speedy lifting and movement of grains in the Corporation operated in 217 mandis and through the Provincial Cooperative Federation at 278 seed stores.

The total purchases of foodgrains were of the order of 5.53 lakh tonnes. 4.15 lakh tonnes were sold. Of the total quantities purchased, 0.35 lakh tonnes of indigenous wheat and 0.88 lakh tonnes of rice were moved to the depots in other regions. Short distance movement of stocks by road was also arranged to avoid accumulation at the mandis and various centres.

At the end of the year, the total storage capacity available with the region was 7.85 lakh tonnes.

5. Gujarat

In the absence of any procurement operations in the State, storage functions received the main attention during the year. The storage capacity in the region was augmented by over 70,000 tonnes during

the year including 20,000 tonnes of storage capacity constructed by the Corporation. The total storage capacity available in Gujarat at the end of the year was 2.87 lakh tonnes.

Over 75,000 tonnes of indigenous wheat from Punjab and Haryana and 40,000 tonnes of imported wheat were received in the region. The region also received during the year from other regions/ports 42,529 tonnes of indigenous rice and 21,000 tonnes of imported rice. The region issued over 91,000 tonnes of wheat and 39,000 tonnes of rice.

About 8,000 tonnes of maize were also sold to starch manufacturers under a running contract. Over 11,000 tonnes of gram and gram products were also sold by the region during the year.

6. Maharashtra (including P.O. Bombay)

For the first time in the country, an experiment on discharging bulk rapeseed through machines was conducted at the Bombay Port by the engineering staff of the Corporation. An average discharge of 1,702 tonnes per day was maintained, as against the discharge rate of only 1,000 tonnes under the Charter Party provision. Simultaneously weighing and stitching operations were conducted automatically in the bagging plants.

Various operations for handling bulk fertiliser vessels were also mechanised at Bombay, resulting in considerable savings on foreign exchange.

During the year under review 11.28 lakh tonnes of foodgrains were imported including stocks in high seas and 5.75 lakh tonnes of fertilizers were cleared at Bombay, Kandla, Bhavnagar and Marma-goa.

About 11.75 lakh tonnes of foodgrains were sold during the year.

At the end of the year, the region had 8.94 lakh tonnes of storage capacity made up of 6.83 lakh tonnes of owned and 2.11 lakh tonnes of hired capacity.

7. Madhya Pradesh

The procurement of indigenous foodgrains made in the region during the year was 5.51 lakh tonnes comprising of 0.06 lakh tonnes of wheat, 5.43 lakh tonnes of rice and 0.02 tonnes of coarse grains and other commodities. The off-take from the region during the year were 1.16 lakh tonnes made up of 0.86 lakh tonnes of wheat,

0.27 lakh tonnes of rice and 0.03 lakh tonnes of coarse grains and other commodities. About 2.59 lakh tonnes of rice were despatched to other region during the year. The storage capacity in the region at the end of the year was 3.75 lakh tonnes made up of 1.29 lakh tonnes of owned and 2.46 lakh tonnes of hired capacity.

8. *Andhra Pradesh*

The procurement in the region during the year was 4.48 lakh tonnes made up of 4.46 lakh tonnes of rice and 0.02 lakh tonnes of coarse grains. A substantial part of the rice procured was surrendered to Central Pool. Two modern rice mills had been completed and commissioned during the year. The sales effected during the year were 0.62 lakh tonnes of rice and 1.97 lakh tonnes of wheat. The storage capacity available at the end of the year was 4.87 lakh tonnes made up of 1.55 lakh tonnes owned and 3.32 lakh tonnes of hired godowns.

9. *Kerala*

The Kerala region concentrated on imports from abroad and the distribution of foodgrains to the nominees of the State Government, comprising wholesalers and retailers. About 7.33 lakh tonnes of rice and 1.05 lakh tonnes of wheat were released from the region during the year.

Twenty-seven foodgrain and four fertilizer vessels were cleared at the ports in Kerala during the year and a quantity of 2.65 lakh tonnes of foodgrains and 0.13 lakh tonnes of fertilizers were handled.

The whole-sale distribution of foodgrains through 22 sub-depots in all the taluks of the region, except Mallapuram, also continued.

At the end of the year, the net storage capacity available in the region was 2.36 lakh tonnes.

10. *Mysore*

The region procured 5,982 tonnes of rice, 3,887 tonnes of coarse grains and 66 tonnes of wheat during the year. 385 tonnes of rice and 1170 tonnes of wheat were also imported. The off-take from the region during the year was 1.28 lakh tonnes made up of 0.61 lakh tonnes of wheat and 0.67 lakh tonnes of wheat products. The storage capacity in the region at the end of the year was 0.96 lakh tonnes made up of 0.65 lakh tonnes of owned and 0.31 lakh tonnes of hired capacity.

11. *Tamilnadu (including P.O. Madras)*

The procurement of foodgrains in the region was about 93,000 tonnes made up of 80,000 tonnes of rice, 6,000 tonnes of coarse grains and 7,000 tonnes of wheat products. The wheat products (Maida) were purchased for export to Ceylon Government. A large part of the rice procured in the State was surrendered to the Central Pool. Three modern rice Mills were in operation in the State during the year. The sales effected during the year were 4.67 lakh tonnes. The region had a storage capacity of 2.66 lakh tonnes at the end of the year made up of 2.02 lakh tonnes of owned and 0.64 lakh tonnes of hired capacity. The quantity of foodgrains imported at the ports during the year were 8.81 lakh tonnes made up of 8.76 lakh tonnes of imported wheat and 0.05 lakh tonnes of imported rice.

12. *Assam (including Manipur)*

The area of procurement operations was enlarged in Assam with the taking over of the revenue district of Nowgong by the Corporation from the Apex Marketing Cooperative.

A quantity of 90,235 tonnes of paddy was procured from Gauhati, Jorhat, North Lakhimpur, Silchar, Kokrajhar and Nowgong districts. In addition, 594 tonnes of rice were also procured. Levy system not being in vogue in the State, the mode of procurement was by way of voluntary purchases through the agency of primary Cooperative Marketing Societies and individual traders. Cooperatives, however, were assigned an important role. More than 76 per cent of the total procurement was made by them on behalf of the Corporation during the kharif year 1970-71.

The Corporation also undertook procurement on behalf of the State Government on monopoly basis. The storage capacity in the region at the end of the year was 1.22 lakh tonnes comprising of 0.45 lakh tonnes of owned and 0.77 lakh tonnes of hired godowns. About 48.71 tonnes of paddy were also purchased in Manipur.

13. *Bihar*

The procurement operations of the Corporation are carried out under statutory levy order and as a measure of price support in Bihar. The two other main functions in the region are distribution and storage.

During the year 26,051 tonnes of rice and 3129 tonnes of paddy were procured. Due mainly to the poor rabi crop in the State, only 130 tonnes of wheat were procured.

With a view to protecting the interests of consumers against spurt in wheat prices, the Corporation introduced open sale of wheat through weekly tenders and sold 13,306 tonnes. This had a salutary effect on wheat prices.

The region also sold during the year 4.12 lakh tonnes of wheat and 0.50 lakh tonnes of rice under the public distribution system.

Construction of additional storage godowns was under-way to meet the growing requirements of storage. The storage capacity was 1.85 lakh tonnes at the end of the year made up of 1.65 lakh tonnes of owned and 0.20 lakh tonnes of hire godowns.

14. Orissa

With the setting up of the Modern rice mill at Hirakud by the Corporation, a large number of millers, in the private sector, from Sambalpur district were encouraged to modernise and expand their rice mills by installing automatic par-boiling units and dryers. Modernisation of their units has helped them to run the mills round the year and obtain better out-turn of rice from paddy.

Due to floods in the coastal districts, the procurement of rice during the year was only 2.75 lakh tonnes.

As in many other States, a crash programme was undertaken in Orissa for the construction of godowns and the storage capacity in the Region at the end of the year was 0.64 lakh tonnes. Five phases of the construction programme were in various stages of implementation.

15. Jammu & Kashmir

The Food Corporation of India has not yet extended its activities to the State of Jammu & Kashmir. Even when it does so the main direction, for the present at any rate, will be for storage and maintenance of buffer stocks in that State. The question whether it should do so is still under the consideration of the Government of India in the Department of Food. The Corporation is having its activities in all the other States.

1.10. The Committee note that the activities of the Food Corporation of India cover all the States except the State of Jammu & Kashmir. The question of extending some of the functions of the Corporation to the State of Jammu and Kashmir is stated to be still under the consideration of the Government of India. The Committee recommend that a decision in this regard should be taken soon to enable the Corporation to operate in that State and ensure remunerative prices to growers and sustained supply of foodgrains at reasonable prices to consumers. The Corporation should be permitted to undertake the storage as well as procurement work in the State of Jammu and Kashmir on the same lines as in other States.

ORGANISATION

The organisational set up of the Corporation comprises of the following:—

- (i) Board of Directors including the Chairman and Managing Director.
- (ii) Executive Committee and other committees.
- (iii) Offices and Agencies.
- (iv) Boards of Management and other Advisory Committees.

A. Board of Directors

2.2. The organisational set up of the Food Corporation of India is governed by the provisions of the Food Corporations Act, 1964. Section 6(1) of the Act provides that the general superintendence, direction and management of the affairs and business of the Corporation shall vest in a Board of Directors which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation under the Act. It has been stipulated therein that the Board of Directors, in discharging its functions, shall act on business principles having regard to the interests of the producer and consumer and shall be guided by such instructions on questions of policy as may be given to it by the Central Government. If any doubt arises as to whether a question is or is not a question of policy, the decision of the Central Government thereon is final.

2.3. The Board of Directors of the Corporation consists of 12 Director *viz.* one Chairman, one Managing Director, three Wirectors as representatives of the Ministries dealing with Food, Finance and Cooperation, Managing Director of the Central Warehousing Corporation (*ex-officio*) and 6 other Directors. All the Directors of the Corporation are appointed by the Central Government.

2.4. The following persons held the office of the Chairman of the Corporation from time to time:—

| Name | Period |
|---|---|
| 1. Shri T.A. Pai (On expiry of Term) | 2-1-65 to 3-1-66 |
| 2. Shri K. T. Chandi (Resigned) | (i) 27-3-66 to 31-1-67 (as part-time Chairman) (ii) 1-2-67 to 30-5-68 (as whole time Chairman) |
| 3. Shri Shah Nawaz Khan | 2-12-68 to 1-2-71 |
| 4. Shri Iqbal Singh | 19-7-71 onwards. |

2.5. The following persons held the office of Managing Director for the period noted against each:—

| Name | Period |
|---|----------------------|
| 1. Shri C. Narasimhan | 2-1-65 to 31-5-66 |
| 2. Shri C. R. Krishnaswamy Rao Sahib | 1-6-66 to 16-10-66 |
| 3. Shri N. P. Sen (resigned w.e.f. 31-10-68) | 17-10-66 to 30-10-68 |
| 4. Shri J. A. Dave | 4-11-68 onwards |

2.6. The Committee find that the Food Corporation of India have got one full time Chairman and one full time Managing Director as provided for in Section 7(1) of the Food Corporation Act, 1964. In their Report on Public Sector Undertakings, the Administrative Reforms Commission had recommended that a Board of Management of the Public Sector Corporation should have a full time Chairman-cum-Managing Director. The Government considered that recommendation and decided that as a rule there should be full time Chairman cum-Managing Director and in exceptional cases where the Chairman might be only a part time one, there should be a full time Managing Director. The Committee recommend that Government should explore the possibility and study the feasibility of combining the posts of Chairman and Managing Director of the Food Corporation of India in pursuance of their own decision.

2.7. The Committee also find that since the inception of Food Corporation of India in 1965, the post of Managing Director has changed hands thrice and the post of Charman has been held by four

different persons so far during six years of working of the Corporation. The Committee feel that such frequent changes at the top level of an Undertaking engaged in country-wide operations in essential foodgrains are not conducive to efficient management. The Committee therefore, urge that Government should discourage such frequent changes at the top level of management.

B. Executive Committee and Other Committees

2.8. The Board of Directors of the Corporation have constituted an "Executive Committee" consisting of—

- (a) The Chairman of the Board,
- (b) The Managing Director, and
- (c) Three other Directors of whom one is non-official.

2.9. The Chairman of the Board of Directors is the Chairman of the Executive Committee. Subject to the general control, direction and superintendence of the Board of Directors, the Executive Committee of the Corporation is competent to deal with any matter within the competence of the Corporation.

2.10. The Corporation have also constituted separate "Functional Committees" to deal with various operational and subject-wise problems. These Committees are:

- (1) Purchase/Sales Committee
- (2) Basic Plan Committee
- (3) Rice Mills Location Committee
- (4) Central Storage Committee
- (5) Economy Committee
- (6) Plan Implementation and Review Team.

2.11. Asked whether before deciding upon the present organisational set up of the Food Corporation of India, the set up of any other comparable enterprise in any of the major wheat producing countries e.g., U.S.A., Canada, Australia etc. was studied, the Corporation have stated that "no such study was apparently made".

2.12. The Ministry of Agriculture (Department of Food) have stated that in their opinion the present organisational set up of the Food Corporation of India is "well suited" for the effective performance of the duties and responsibilities entrusted to the Corporation. Improvements, adjustments and orientation were, it has been stated, always possible and were constantly being made.

C. Offices and Agencies

2.13. The Head Office of the Corporation is in overall charge of the activities of the Corporation. It lays down broad policies, and is responsible for overall control and coordination of various units of the Corporation.

2.14. The Corporation has one Chairman and one Managing Director. They are assisted by ten functional Managers and a Financial Adviser. The organisational set up of the Corporation is a functional one, each Manager being responsible for a specified and well defined function. The precise allotment of these functions among various Managers is as under:—

1. Chief Commercial Manager
2. Personnel Manager
3. Manager (Planning and Research)
4. Manager (Engineering)
5. Manager (Movement)
6. Manager (Storage and Contract)
7. Manager (Shipping and Port Coordination)
8. Manager (Quality Control).
9. Manager (Security)
10. Manager (Legal).

Besides, the Corporation has also got a Secretary who is appointed by the Central Government.

2.15. When the Corporation was set up in 1965, its Head Office was located at Madras. With the expansion of Corporation's activities in the northern, eastern and western parts of the country and further diversification of its operations, the need for closer supervision and continuous Liaison with Central and the State Governments was increasingly felt and the Corporation, therefore, shifted its Head Office from Madras to New Delhi in July, 1967 with the approval of the Central Government.

2.16. The Corporation has 4 Zonal Offices, one each at Bombay, Calcutta, Madras and New Delhi. Each Zonal Office is under the charge of a Zonal Manager who exercises supervision in the Regions under his jurisdiction. He functions not merely as an intermediary officer between the Regional Offices and the Head Office, but in a way as a territorial extension of the Head Office. Zonal Managers attend the Board and Executive Committee meetings and they keep a close liaison with the State Governments. Powers delegated to the Zonal Managers are indicated in detail in Appendix-I.

2.17. No critical study of the organisational set up of the Corporation by any leading Management Institute in the country has been made.

D. Boards of Management and other Advisory Committees

2.18. Section 16(1) of the Act provides that the Central Government may on a request received in this behalf from the State Government or Governments concerned or otherwise by notification in the official Gazette establish a "Board of Management" for a State or two or more contiguous States, to advise the Food Corporation of India on such matters if no State Food Corporation is functioning in such State or States.

2.19. "Boards of Management" and Informal Advisory Committees are set up principally at the request of the State Governments concerned in order to ensure harmonious implementation of policies to serve the mutual interests of the Corporation and the State Governments. At the beginning Boards of Management were set up under the provisions of Section 16 of the Food Corporation Act in Andhra Pradesh and Orissa. Experience, however, showed that the formation of such Boards carrying with it rigidity in regard to its composition and functioning did not serve the purpose and consequently it was considered expedient to set up "Informal Advisory Committees" in other States, wherever necessary, which allowed the desired flexibility in its set up and functioning. Such Informal Committees have been set up in the States of Tamil Nadu, Kerala, Bihar, U.P., Madhya Pradesh, Rajasthan and Assam.

E. Relations of the Corporation with the Ministry of Agriculture (Department of Food)

2.20. The Food Corporation of India, though an autonomous body, is guided by such instructions on questions of policy as may be given to it by the Central Government. Thus the main function of the Department of Food in the Ministry of Agriculture is to give instructions on matters of policy. For example the Department indicates to the Corporation, the prices on which the Foodgrains are to be purchased and issued, the rate at which incidental charges in the purchase and distribution of foodgrains are to be allowed, the quantity of foodgrains to be allocated to various State Governments, the quantity of foodgrains to be imported from abroad and the size of the buffer stock to be built up. At the apex of the Department of Food is the Food Secretary. He coordinates policy formulation function of the Department and provides operational guidance to the Corpora-

tion. In this task, he is assisted by the Joint Secretary (Policy). The Joint Secretary (Policy) is also Director on the Board of Directors representing the Department of Food. The Food Secretary is assisted by the Administration Division of the Department in tackling administrative problems and by the Shipping Division in so far as the Port Operations were concerned. Certain subsidiary activities of the Corporation like setting up of Rice Mills and other technical projects are looked in by the Technical Division.

2.21. As food plays an important role in the economy of a country, notwithstanding the full autonomy of the Corporation as a Commercial Organisation, day to day consultations with the Department become necessary, even on matters which are not of policy nature. In order to sort out such matters meetings are held between officers of the Corporation and the Department of Food at appropriate levels.

F. Liaison with State Governments etc.

2.22. The formulation of the Corporation's activities in any State necessarily involve close consultation with the State Governments concerned. Thereafter a high degree of coordination is required in the actual implementation of purchase and sales programmes. It has been stated that towards this end, frequent meetings and discussions are held with the representatives of the State Government. District authorities etc. Likewise coordination is also maintained with the activities of other agencies like the Railways, Port Trust, etc.

2.23. The Food Corporation of India was set up at a time when the country was faced with shortage of foodgrains and there was imperative need for building up buffer stock primarily from imported foodgrains to meet any contingency. Now that India has become practically self-reliant in foodgrains, the main emphasis in the operations of the Corporation will have to be on price support measures to benefit the producer so as to sustain his enthusiasm for increased production. It is equally important that foodgrains should be made available through fair price shops, particularly to the weaker sections of the society at reasonable prices. This twin objective can be achieved only if the overheads incurred by the Corporation in the handling operations are kept to the minimum by organising its activities in a most efficient and rational manner. Now that the Corporation has been functioning for several years and there is a new trend discernible in the range and scope of its functions, the Committee would like Government to have its organisation and working critically examined early with a view to reduce handling charges.

III

PROCUREMENT

A. Objectives of Procurement Policy

3.1. The Corporation devoted initial period of three months following its establishment on 1st January, 1965 to building up an appropriate organisational base. It was in a position to commence operations from the beginning of the financial year 1965-66, corresponding to the later part of the crop year 1964-65. The basic territorial unit of the Corporation is a State. The Corporation generally functions as an agency of the Central Government or the State Government concerned in the operations undertaken by it in each State. The terms and conditions of these are generally governed by the decisions of the Central or State Government, as the case may be. In its purchase and sale operations, the Corporation is expected to be guided by the principle laid down by Section 6(2) of the Food Corporations Act, 1964 that it should function in the interests of both the producer and consumer.

B. Targets and Performance

3.2. Targets of procurement and performance statewide for Rabi and Kharif are given in Appendix II and III respectively. Percentage shortfall in the achievement of targets was as under: —

| Period | Target | Procurement | Percentage Shortfall Excess |
|--------------------------------|-----------|-------------|-----------------------------------|
| <i>Rabi</i> | | | |
| Apr. 68 to March, 69 | 7,25,000 | 20,12,977 | (—)178 |
| Apr. 69 to March, 70 | 27,58,500 | 24,16,600 | (—)12.40 |
| Apr. 70 to March, 71 | 32,38,500 | 32,75,000 | 1.13 |
| <i>Kharif</i> | | | |
| Nov. 67 to Oct. 68 | 26,27,000 | 23,69,990 | (—)9.7 |
| Nov. 68 to Oct. 69 | 24,80,500 | 23,10,336 | (—)6.9 |
| Nov. 69 to Oct. 70 | 24,31,500 | 22,61,600 | (—)6.09 |

3.3. In a reply furnished after the evidence, the Ministry of Agriculture stated that the target of procurement of wheat and rice in the

last two years and the actual procurement made was as under:—

| (In '000 tonnes) | | | | | |
|------------------|---|---|---|--------|--------------------|
| Wheat | | | | Target | Actual procurement |
| 1970-71 | . | . | . | 3,700 | 3,186 |
| 1971-72 | . | . | . | 4,000 | 5,028 (so far) |

| Rice | Target | | Actual procurement | |
|---------|---------------------|--------------------|---------------------|--------------------|
| | Overall procurement | F.C.I. procurement | Overall procurement | F.C.I. procurement |
| 1969-70 | 4,545 | 2,230 | 3,002 | 2,191 |
| 1970-71 | 4,700 | 2,855 | 3,125 (so far) | 2,537 |

3.4. Since the Food Corporation of India was only one of the procuring agencies for fulfilment of the overall targets, it fixed its targets in consultation with the Central Government and the State Governments on the basis of share of procurement allotted to the Corporation. For the marketing season, 1971-72, the Agricultural Prices Commission had recommended a target of 4 million tonnes for wheat which was considered feasible by the Central Government and State Governments. Since all wheat procured in the surplus States was ultimately handed over to the Food Corporation of India, the Food Corporation of India also fixed its target at 4 million tonnes of wheat.

3.5. The Agricultural Prices Commission had recommended a target of 4.7 million tonnes or *rice* for the year 1970-71. Considering the fact that overall procurement of rice during the previous year was only about 3 million tonnes, it was felt by Government that the target recommended by the Agricultural Prices Commission was too high. The target was, however, accepted in view of the Government's emphasis on maximising internal procurement particularly in view of the fact that the Government was committed to do away with all concessional imports by the end of 1970-71.

3.6. The target of wheat has already been exceeded. It was now expected that the procurement of wheat during the current season would be about 5.2 million tonnes. There may not thus be an overall gap in the requirements of foodgrains for public distribution to be met from imports during this year. The imports of 1.7 million tonnes of wheat which have been planned would go to augment buffer stocks.

3.7. The Ministry of Agriculture have stated that the overall procurement targets were fixed by the Government on the basis of the recommendations made by the Agricultural Prices Commission. The Agricultural Prices Commission while fixing the procurement targets took into account the crop prospects, market availability demand for public distribution system and the needs for building buffer stock, keeping in view the Government's resolve to stop all concessional imports of foodgrains after 1971. The targets recommended by the Agricultural Prices Commission were reviewed by Government in consultation with Chief Ministers at the Chief Ministers' Conference which is held before each harvest season. Since the Food Corporation of India was only one of procuring agencies for fulfilment of the overall targets it fixed its targets in consultation with the Central Government and State Governments on the basis of share of procurement allotted to the Corporation.

3.8. It has also been stated that Government kept a continuous watch on the progress of procurement. Periodical returns were being received from F.C.I. by the Government. The returns were examined and the problems of procurement were discussed with the Managing Director and other senior managers of the Corporation to solve the day to day problems of procurement. Periodical review meetings were held by Food Secretary and when necessary by the Minister and Minister of State with the F.C.I. in order to discuss problems of mutual interest. To resolve the difficulties in the field, tours were undertaken by the senior officers of the Department as well as by the Ministers.

3.9. Asked whether an enquiry was held to enquire into the causes of shortfalls in achievement of targets, the Ministry of Agriculture (Department of Food) stated that as Government was keeping a watch on the progress of procurement and was taking remedial action as and when problems arose the Government had not felt any necessity to hold an enquiry into the causes of shortfalls.

3.10. The Committee find that since 1967 there had been shortfalls in achievement of targets of procurement ranging from 6 to 12 per cent despite the fact that Government had been keeping a watch on the progress of procurement in more than one way and taking remedial measures as and when problems arose. The Committee feel that whenever shortfalls in achievement of targets of procurement occur beyond a certain level in future, an investigation should invariably be carried out by Government to find out what had caused these shortfalls and device remedial measures for future.

C. Procurement Policies of State Governments

3.11. The Committee were informed by the F.C.I. that in Punjab in the years 1968-69 and 1969-70 procurement was handled by the Food Corporation of India and Markfed on 50 : 50 basis but in 1970-71 the procurement pattern was changed and the State Government procured 10 lakh tonnes and F.C.I. and Markfed 7 lakh tonnes each. In Madhya Pradesh, F.C.I. was allowed to undertake procurement in 1968-69 in the entire State but in 1970-71 procurement had been entrusted to Markfed in the entire State. Similarly in Haryana, F.C.I. was allowed to procure wheat directly from *mandis* in "1967-68" but thereafter all procurement had been undertaken by the State Government and Hafed.

3.12. In a reply furnished after the evidence, the F.C.I. has expressed the view that if the State Governments kept on changing their procurement policies, methods of procurement and the agencies for procurement from year to year, it was bound to affect long term planning of the procurement operations by the F.C.I. such as the man-power requirements, financial arrangements, storage capacity, movement programmes etc. The Agricultural Prices Commission after taking various factors into consideration had suggested that the Food Corporation should be entrusted with purchase, movement and storage of foodgrains at least in respect of procurement undertaken for or on behalf of the Union Government. They had pointed out that if this work was distributed between various agencies in the States, it became difficult to plan and execute efficiently the entire complex of operations involved. It also frustrated efforts at creating quality consciousness in respect of foodgrains delivered by the producers, the millers and the traders.

3.13. It was pointed out by the F.C.I. that in some of the States where the State Governments themselves undertook the procurement operations particularly rice, they still left the price support operations for paddy to the Food Corporation of India. It meant setting up almost parallel organisation for procurement. Since the inter-State movement of foodgrains was handled by the Food Corporation of India. It should be the only procurement agency. Further, Corporation managed the Central Pool (buffer stocks) on behalf of the Central Government with all the responsibilities attending to it. The Corporation was at present the sole procurement agency for paddy/rice in some of the surplus as well as deficit States such as Andhra Pradesh, West Bengal, Bihar. It was the major procurement agency in Assam, Tamil Nadu and Orissa. It was only in Punjab, Haryana and U.P. that the State Governments undertook procurement through their own agency and then handed over the surplus to the Corporation for the Central Pool. The Cor-

puration feels that for reasons stated above, in these States also, the work should be handed over to the Corporation.

3.14. Asked whether it was a fact that the State Government had been compelled to change the policy because they were not satisfied with the procurement operations or cost of the operations of the FCI, the FCI stated that this was not a fact. On the other hand the trend appeared to be to entrust more work to the Corporation. The Governments of Mysore, Tamil Nadu and Manipur had recently handed over a sizeable portion of this work to the Corporation. The States of Punjab and Haryana, had effected the change in order to have a large share of the procurement work. In Madhya Pradesh the work of wheat procurement was transferred to Markfed by way of mutual agreement between the State Governments and the Food Corporation of India. The Corporation continued to be the procurement agency here for rice. There had been some changes in the States of Orissa and Assam during the year. In all these, the State Governments had more actively associated the concerned apex cooperative marketing society with the work. Since this was a part of the general Government policy to strengthen the cooperatives, this was not considered as an adverse comment on the working of this Corporation.

3.15. In a reply furnished after the evidence the Ministry of Agriculture (Deptt. of Food) opined that if the State Government kept on changing their procurement policy, method of procurement and agency of procurement from year to year it certainly affected long term planning by Food Corporation of India regarding manpower requirement, financial arrangements storage capacity and movement programmes. The Ministry has clarified that Food is a concurrent subject and in terms of national policy settled in consultation with State Governments, procurement policy had to be decided by the State Governments keeping in view the local conditions in consultation with the Central Government. The only feasible method to convince the State Governments to have relative stability in the policies was to convince them of the necessity of the same. It was stated that this was being emphasised from time to time in Conferences, discussions, correspondence, etc.

3.16. The Committee are conscious of the fact that food is a concurrent subject under the Constitution and hence the procurement policy had to be decided by the State Governments keeping in view the local conditions, in consultation with the Central Government. The Committee, however, recommend that Central Government

should utilise the forum of Chief Ministers' Conferences and urge upon the State Governments to evolve their procurement policies on a stable basis so that changes from year to year or even during the course of a year in such policies are obviated. The Committee are of the view that stability in procurement policies is vital for effective implementation of food policy. It is to be achieved by the Central Government and the State Governments by mutual consultation and above all by making the operations of the Food Corporation so efficient and economic in the field as to win the confidence of the agriculturist, the consumer and the local authorities.

D. Methods of Procurement

3.17. The methods adopted by the Corporation in its purchase operations depend on the nature of the grain, the procurement policies of State and Central Governments, targets of procurement and provisions of the statutory orders under which the Corporation functions. The following methods are generally adopted:—

1. Collection of producer's levy at prescribed purchase centres through commission agents.
2. Collection of levy on millers at rail-heads depots.
3. Purchase in regulated markets at fixed prices.
4. Purchase in regulated markets by exercising right of pre-emption either by the Corporation's Officers or by the Officers of State Governments.
5. Purchase in *mandis*, other than regulated markets, either by bidding or negotiation.
6. Purchase direct from producers at centres established by the Corporation without intermediaries.

3.18. Giving evidence before the Committee on 16-12-1970 the representative of the Federation of All India Foodgrain Dealers Associations, Delhi expressed the view that the Food Corporation should not be given any monopoly, privileges or priorities and that it should function in open competition with the private trade in the country. This, he thought, would benefit both farmer and the consumer. Farmer would get a better price for his produce if there were more than one buyers. The Committee pointed out that every manufacturer determined the price of his products. Farmer was the only producer who brought his produce to the market and it is the trader who fixed the price for it. The Committee enquired whether it was not a fact that with the setting up of the FCI, the position had changed and now the farmer was assured of a

minimum price for his produce. The representative of the Federation said, "the trade agreed that floor price should be fixed and the farmer should have a guarantee of the rate at which his produce will be bought. We are not against that. But if a trader or big customer or Government gives more than the floor price, then you should not complain about it." The witness added, "the question is who—FCI or trader pays more. We do not say that we pay the farmers more. What we say is that there should be competition". The representative also contended that monopoly procurement or procurement by levy created scarcity of foodgrains and blocked Government funds.

3.19. In a reply furnished after the evidence, the Ministry of Agriculture (Department of Food) have stated that the policy of method of procurement was decided in consultation with the State Governments. The method of procurement varied depending on the nature of commodities and the local situation. In case of price support operations which were being carried on in respect of wheat, paddy and coarse grains, purchases were made through the open market. In case of open market purchases, the procuring agencies like the Food Corporation of India, State Government and Co-operative Marketing Federations, purchased these grains either through procuring agents or through co-operatives and at direct purchase centres.

3.20. In the case of rice, so far compulsory procurement had been the major method of procurement. Compulsory procurement was resorted to as the increase in rice production so far had not been adequate in relation to the demand for this grain. The choice of methods of procurement such as monopoly procurement, producer's levy, millers' and dealers' levy had been left to the State Governments to decide keeping in view the local conditions and traditional practices. As in the case of rice, Maharashtra and Mysore were also procuring jowar under monopoly procurement and producers' levy respectively as "jowar" was required for the distribution requirements of the States. With the situation of emerging surpluses more and more quantities of all grains were being procured as price support operations and the method of compulsory procurement was being gradually substituted by a system of price support operations through the open market.

3.21. After the setting up of the Food Corporation of India in January, 1965 the country suffered from one of the worst famines in history during crop years 1965-66 and 1966-67. Even though the bulk of the deficit was met by imports, every possible effort was made to mobilise internal procurement by a system of compulsory

3489 LS—3.

levy. The system of compulsory levy varied from State to State and grain to grain depending on the nature of the problem in the individual States. Since the commencement of the crop year 1967-68 the food production had been continuously going up consequently easing the food situation. With the easing of the food situation the Government in consultation with the State Governments had been following a policy of liberalisation in respect of wheat and coarse grains. With the first bumper harvest year 1967-68, compulsory procurement of wheat was given up. Beginning with crop year 1967-68, compulsory procurement of coarse grains had also been gradually given up. In respect of these grains procurement was being done as a price support measure.

E. Procurement Through Cooperatives

3.22. The Corporation have intimated that the percentage of procurement of Wheat and Rice (including Paddy in terms of Rice) made (a) direct from farmers, (b) through Cooperatives and (c) through middlemen, total procurement was as under:—

A. Wheat

| Period | Direct from farmers | Through Cooperatives | Through Middlemen(b) |
|------------------------------|---------------------|----------------------|----------------------|
| <i>Rabi</i> | | | |
| Apr. 66—Mar. 67 | 12.6 | — | 87.4 |
| Apr. 67—Mar. 68 | 18.7 | 10.7 | 70.6 |
| Apr. 68—Mar. 69 | 4.5 | 41.4 | 54.1 |
| Apr. 69—Mar. 70 | 0.9 | 49.1 | 50.0 |
| Apr. 70—Mar. 71 | 0.1 | 41.1 | 58.8 |
| Apr. 71—Mar. 72(a) | 0.9 | 38.1 | 61.0 |

B. Rice and Paddy in terms of Rice

Kharif

| | | | |
|------------------------------|-----|-----|-------|
| Apr. 65—Oct. 65 | — | — | 100.0 |
| Nov. 65—Oct. 66 | — | 2.5 | 97.5 |
| Nov. 66—Oct. 67 | 1.1 | 0.2 | 98.7 |
| Nov. 67—Oct. 68 | 1.0 | 2.4 | 96.6 |
| Nov. 68—Oct. 69 | 1.0 | 2.6 | 96.4 |
| Nov. 69—Oct. 70 | 3.3 | 4.9 | 92.2 |
| Nov. 70—Oct. 71 | 3.4 | 7.8 | 88.8 |
| Nov. 71—Oct. 72(a) | 1.3 | 9.0 | 89.7 |

Note : (a) Figures for Nov. 71—Oct. 72 (Kharif) and Apr. 71—Mar. 72 (Rabi) are provisional and represent the position upto different dates.

(b) In compiling this information, procurement made by any of the following methods has been accounted for as having been made through 'middlemen':—

- (i) Rice|Paddy|Wheat taken over from State Government as in the case of Punjab, Haryana, M.P. etc.
- (ii) Rice procured from Millers under statutory levy as in Andhra Pradesh, under leavy and offer in Madhya Pradesh.
- (iii) Wheat and Rice purchased in different regions by Purchase Agents appointed by the Food Corporation of India.

3.23. Asked whether it would not be in the larger interests of farmers and consumers if the Food Corporation of India made all its purchases directly from the farmers or through the agency of co-operatives so as to eliminate intermediaries. Agreeing with this view, the Ministry of Agriculture stated that it is an important plank of procurement policy to eliminate intermediaries to the maximum extent possible. The Government have issued directives (which the Corporation is implementing) to adopt measures for increasing involvement of cooperatives in the procurement system. The cooperatives agencies such as producers' cooperatives, cooperative seed stores and village cooperatives were being utilised as agents of Food Corporation of India to the maximum extent possible. Cooperative marketing federations particularly in the States of Punjab, Haryana, and U.P. were also entering "mandis" directly as "pucca arhatias". In addition to the involvement of cooperatives, the Government had also advised the Food Corporation of India to open direct purchase points. This policy was reviewed at the meetings of Food Secretaries held in New Delhi between 16th and 18th of August, 1971 and Food Ministers' Conference held on 19th August, 1971. The State Governments had agreed to increase the involvement of cooperatives which currently is about 25 per cent of total procurement in a phased manner in the coming years.

3.24. In another reply, the Ministry of Agriculture intimated that before the start of current Rabi Operations, the question of involvement of cooperatives in the procurement operations was reviewed at length with the National Cooperative Development Corporation. The matter was also reviewed by the Agriculture Ministry in a meeting taken by the Minister of State for Agriculture. As a result of these discussions, the field staff was directed to ensure greater involvement of the cooperatives in the procurement operations. It has been decided that the Corporation would operate mainly through coopera-

tives and only where the cooperatives were not forthcoming the services of the private trade would be utilised. Wherever it was possible, the Apex Cooperative Marketing Society would be appointed as the Agent of the Corporation. Where, however, the Apex Society was not in a position to undertake the responsibility, the Corporation would operate through other cooperative societies. Where it became necessary to involve both cooperatives and private trade, as far as possible the areas for the two agencies would be clearly demarcated. The Corporation would also be utilising the Cooperative rice mills to the fullest extent. It would be giving suitable financial assistance to the cooperative rice mills on mutually acceptable terms. It had been noted that in some cases there were difficulties at the lower level. Wherever state level committees were functioning these would be strengthened by the inclusion of the representative of the State Cooperative Department. Elsewhere such coordination Committees would be constituted.

3.25. Procurement through direct purchase points had also been stepped up. During the year the Corporation gave an advance of Rs. 4 crores to the Provincial Cooperatives Federations, U.P. for procurement purposes. Similarly in Madhya Pradesh Rs. 34 lakhs were advanced to the Cooperative Banks, interest free as operational funds for cooperative societies. The Corporation proposed to continue these efforts. For the current "Kharif" it was intended to involve the cooperatives in still bigger way. More direct purchase centres would be opened.

3.26. The Committee are perturbed to find that FCI's direct procurement of foodgrains from farmers had been so low that it ranged between 0.1 to 3.4 per cent of the total procurement during the last three years. The Committee also find out that the current involvement of co-operatives is only 25 per cent of total procurement. This involvement is not adequate. The Committee are glad to learn that the Government have agreed to increase the involvement of co-operatives in a phased manner in the years to come. The Committee feel that if the Co-operative movement is to make any significant advance in the area of procurement of foodgrains, its involvement should be stepped up from year to year on a programme basis. The Committee would like the Government/Food Corporation of India to draw up a detailed plan of action for "Rabi" and "Kharif" from year to year, to achieve this objective. Where the co-operatives are not functioning, direct purchase centres may be got opened in consultation with State Governments so as to procure the foodgrains directly from the producers without the intervention of Arhtias and other middlemen.

F. Multiplicity of Procurement Agencies

327. The following agencies are engaged in procurement operations for wheat and rice:—

| <i>Wheat</i> | |
|---------------------------------|---|
| Punjab | (1) Food Corporation (2) Marketing Federation (3) State Government. |
| Haryana | (1) State Government (2) State Marketing Society. |
| <i>Rice</i> | |
| Assam | (1) Food Corporation (2) Appex Marketing Society/Federation |
| Madhya Pradesh | (1) Food Corporation (2) Appex Marketing Society/Federation |
| Orissa | (1) State Government (2) Food Corporation. |

328. The Food Corporation of India has claimed that it is “adequately equipped organisationally and otherwise” to take over the procurement work effectively from the State Governments. The Corporation has all along been of the view that the entire procurement work in the States should be handed over to it, and in any case the procurement for and on behalf of the Central Government should be undertaken exclusively by the Corporation.

During evidence, the Chairman, Food Corporation of India stated, “Personally if you ask my opinion, I think it is not advantageous to have too many agencies functioning in the same area but it is the State Government which lays down the policy. We would prefer only single agency procurement.

329. In their reply furnished after the evidence the Government have stated that they agreed with the views of the Corporation in principle but in actual practice, however, adjustments were required to be made to allow other agencies depending on the volume of work and other local conditions. In areas such as Punjab, Haryana and U.P., where large scale procurement of wheat was necessitated on account of price support during a short span of about 2 to 3 months between May and July it was not possible for a single agency to efficiently handle the entire market arrivals. In such cases, Government felt that it might be desirable to have more than one agency

like the Food Corporation of India, Markfed and the State Government.

3.30. The Committee note that procurement of wheat and rice in various States is at present being done by multiplicity of agencies, namely, the State Governments, Food Corporation of India and Marketing Societies/Federations, etc. The Committee feel that if procurement operations are handled by a multiplicity of agencies it was bound to give rise to problems of coordination, costlier overheads and what is more, render the task of long term planning difficult. The Committee, therefore, recommend that Government should take up this problem with the Chief Ministers of various States and strive to evolve an agreed pattern which would assure the Food Corporation of India a major role in price support and buffer stock operations.

G. Annual Turnover

3.31. The total purchase and sales turnover of the Food Corporation of India since its inception had been as follows:—

| Year | (Rs. crores) | | |
|--------------------------|--------------|--------|---------|
| | Purchase | Sales | Total |
| 1965-66 | 158.94 | 130.67 | 289.61 |
| 1966-67 | 241.87 | 251.19 | 493.06 |
| 1967-68 | 439.80 | 384.62 | 824.42 |
| 1968-69 | 714.69 | 567.20 | 1281.89 |
| 1969-70 | 683.63 | 759.55 | 1443.18 |
| 1970-71 (Provisional) | 739.00 | 684.00 | 1423.00 |

3.32. The Committee note that the turnover of the Food Corporation of India has registered marked growth from Rs. 289.61 crores in 1965-66 to Rs. 1423 crores in 1970-71. The Committee, however, feel that efficiency of a trading enterprise like the Food Corporation of India had to be judged more on the basis of the service it renders to farmers and consumers in the country than on the basis of turnover alone.

H. Regulated Markets

3.33. A regulated market serves as a means for promoting orderly marketing, adoption of fair trading practices and maintenance of

competitive conditions in buying and selling. It strengthens the position of the cultivator and enables him to obtain a fair price for his produce.

3.34. During the evidence, the Chairman, Food Corporation of India stated that where the Regulated markets were developed well, they were performing an excellent function in ensuring the interests of farmers he added, "it is a good institution and we would like the State Governments to encourage it."

3.35. During evidence of the Ministry of Agriculture (Deptt. of Food), the Committee enquired how far regulated markets had played an effective role in ensuring fair price to the producers which was one of the main objectives of the Food Corporation of India. The Food Secretary stated that regulated markets were constituted long before the Food Corporation of India came into existence. Their aim was to protect the interests of producers and to ensure fair play in trade. Regulated markets is a State Subject. All States with the exception of two or three States had passed necessary legislation on the subject. Implementation of these laws varied from State to State. The Food Secretary was of the opinion that States like Punjab, Haryana, Maharashtra, Gujarat and certain other States in the South had followed the laws strictly and ensured fair play. In certain other States, important markets had not been classified as regulated markets. FCI are the principal customers of the regulated markets. 2145 out of 3406 markets were regulated markets in India.

3.36. The Committee note that some States have still not passed the necessary legislation to establish regulated markets and that out of 3406 markets in the country as many as 1261 are not regulated. The Committee cannot too strongly stress the need for establishment of regulated markets in all the States for these are the best means of assuring a fair deal to the farmer as also facilitate the task of any Government agency like the Food Corporation of India to procure foodgrains in well regulated conditions. The Committee also wish to draw in this connection attention of Government to the recommendation made by the Estimates Committee (1960-61) in para 77 of their 129th Report on the Directorate of Marketing and Inspection (Ministry of Food and Agriculture), wherein it was stressed that (i) States which had not enacted legislation for regulation of markets should be persuaded to do so; (ii) constitution of Market Committee should be uniform; (iii) representation of growers in market Committees should not be less than 50 per cent; (iv) rates for various Commodities should be widely disseminated among producers; and (v) grading facilities should be provided to make the producers

quality conscious. The Committee would like concerted measures to be taken to achieve these objectives in the interest of the producer.

I. Market Intelligence

3.37. One of the major wheat producing State in India has expressed a feeling to the Committee that in the matter of procurement, the machinery of the FCI needed streamlining particularly in market intelligence. The State Government has pointed out that the opportunity for maximum purchases was when prices came down to the level of support prices and there were peak arrivals of wheat in "mandis", i.e., during the months of May and June. The time factor and speed were of utmost importance. It was pointed out that FCI was not quick to swing into action in time and effectively, with the result that its total purchases in that State had been less than the target set by itself.

3.38. In their post-evidence reply, the Corporation informed the Committee that in June, 1969 Quality Supervisors drawn from all the Zones were trained in the reporting of information on (i) crop forecasts, (ii) market arrivals, (iii) trade stocks, (iv) prices in the producing secondary and terminal markets, and (v) market sentiments. The Regional Managers were utilising their services in the preparation of fortnightly reports sent to the Head Office on the above aspects. In addition to this the Head Office kept itself informed about the latest trends in prices, market arrivals and stock positions with the trade from the information being compiled by the Directorate of Economics and Statistics from various markets all over the country. Wherever necessary, this was also supplemented with price data from the daily newspapers and telexes from the prominent markets. The Corporation was considering further strengthening of these arrangements particularly the training of its personnel for the work. The stipulated arrangements were only a beginning in this direction and efforts were being made to streamline the procedure particularly with regard to the intelligence information and its adequacy as a reliable indicator of market sentiments.

3.39. In a reply furnished after the evidence, the Ministry of Agriculture have stated that the schemes for procuring different foodgrains by the FCI in the States were being drawn up in consultation with their Regional Managers who were in touch with the field staff and also in consultation with the State Governments with regard to likely crop prospects, marketable surplus and quantities to be procured etc. The Food Corporation was also being supplied by the Directorate of Economics and Statistics prices of various foodgrains

on daily basis collected from all important markets of the country including those in U.P. A bi-weekly bulletin on wholesale and retail prices was brought out by the Directorate of Economics and Statistics every Monday and Wednesday which was also supplied to the Food Corporation of India. Procurement Programmes were constantly under review in the light of the market trends and feed back received from the field staff both at the Regional Office and Head Office. Any drawback which came to notice was immediately looked into and corrective measures taken.

Government therefore, feel that the present procurement machinery of FCI, particularly market intelligence was quite adequate.

3.40. The Committee need hardly stress that marketing intelligence is the key to market operations and therefore no pains should be spared in making it as precise and as realistic as possible. At the Conference on Agricultural Marketing held at New Delhi in September, 1969, the Economics and Statistics Adviser had conceded the view point of representatives of State Governments that the information that was disseminated was often out of date and lacked precision, as it was for the Fair Average Quality. The Committee, recommend that Government should co-ordinate and streamline the market intelligence operations of the Economics and Statistical Wing and the Food Corporation of India in consultation with the State Governments so that the feeling among some State Governments that market intelligence machinery was not equal to the task expected of it was removed and what is more the market intelligence served as a reliable basis of planning procurement operations by the Food Corporation.

J. Advisory Committees

3.41. The Ministry of Food, Agriculture, Community Development & Co-operation (Department of Food), New Delhi constituted an Advisory Committee for the Food Corporation of India by Notification No. 2944 dated the 1st October, 1966. The notification was subsequently rescinded by the Deptt. of Food vide Notification No. 4204 dated the 22nd November, 1968. Only one meeting of the Advisory Committee was held on 28th December, 1967. An expenditure of Rs. 9772 was incurred by the Corporation in connection with the meeting. The Committee consisted of 29 Members including Chairman, Vice-Chairman and Member-Secretary.

3.42. Advisory Committee known as "Boards of Management" have been set up in Andhra Pradesh and Orissa Regions under Section 16 of the Food Corporation Act, 1964. "Informal Advisory Committee"

have been set up in the Regional Offices of the Corporation functioning in the States of Tamil Nadu, Kerala, Bihar, U.P., M.P., Rajasthan and Assam.

3.43. During evidence of the Ministry of Agriculture, the Committee enquired whether it would not be advisable to revive the Advisory Committee which was set up by Government in October 1966 in terms of Section 11 of the Food Corporation Act, 1964 to advise the Central Government and Food Corporation of India but was wound up in 1968. The Food Secretary stated that the Advisory Committee represented mostly trade interests and it was not quite so useful. Moreover, at about the same time, the Government of India had constituted a National Food Council consisting of economists, experts, administrators and people from public life to advise the Government of India on matters of policy. He added that at the State level, they had Boards of Management in certain states and Advisory Committees in other States. These were presided over by Chief Secretary or the Food Secretary of the State Government concerned.

3.44. During evidence the Food Secretary stated "the best way would be to have committees of the State Government officials, i.e. the Chief Secretary, the Food Secretary, the Director, Civil Supplies, Agriculture Secretary and on our side, the Regional Manager and an officer from the Centre and the Co-operatives. That will serve a useful purpose and we can probably institutionalise it and rationalise it and ensure that the frequency of meeting is more than it is now."

3.45. The Committee recommend that Advisory Committees may be set up at local or mandi level so that matters of local interest may be resolved in consultation with representatives of all concerned by producers, co-operatives etc.

IV STORAGE

A. Buffer Stock

The Central Government have taken a decision to build up buffer stock of foodgrains of 5 million tonnes by the end of the Fourth Five Year Plan. The stocks in hand with the Food Corporation of India as on 15th June, 1970 were 3.73 million tonnes. The figure of stocks as on 1st March, 1972 was 6.66 million tonnes. Out of this about 1.5 to 2 million tonnes may be treated as pipeline stocks committed for distribution through Public Distribution System at any given time. Thus the buffer stock holding of the Corporation was 1.75 million tonnes as on 15th June, 1970.

4.2. During the evidence of the Ministry of Agriculture, the Committee enquired whether the target of 5 million tonnes of buffer stock by the end of Fourth Five Year Plan was adequate to take care of 100 per cent of contingencies for a period of 20 years. In reply, the Food Secretary stated that studies were made both by the Economic and Statistical Advisers of the Department of Food and by the Planning Commission to determine the quantum of buffer stock. He explained, "If we provide for 100 per cent of contingencies, of course the stock required will be very large. In fact, it was worked out that if we provide for about 19 out of 20 years, we would have required 6.10 million tonnes; this was in 1964-65. If on that basis, we work it out now, it would come to about 13 million tonnes of stocks."

4.3. The witness added, "Because in some cases the crop is good and in some others not so good, we cannot provide for contingencies of that type. So we tried to work out a more realistic contingency, say, a bad season once in every three or four years and we came to the conclusion at that time that about 4.3 million tonnes (which will now come to about 7 to 8 million tonnes) would be enough. But we felt that even this was a large figure because 7 to 8 million tonnes buffer stock would mean 2.5 million tonnes more of operational stock i.e. 10 million tonnes in all. We also felt that we could count on some imports in times of emergency. So, what we really provide is a normally bad season. When the season is particularly bad, as in 1967-68, we could rely on imports. In this matter, there should be a balance of two factors—capacity to handle and providing funds for buffer. Have regard to this fact while we should normally provide for 7 to 8 million tonnes of buffer stock, we felt that 5 million tonnes

plus 2½ million tonnes of operational stock i.e. 7½ million tonnes would see us through a normally bad year."

4.4. The witness revealed that they had got stock of 8½ million tonnes as against 7½ million tonnes planned for the Fourth Plan.

4.5. The Committee are happy to note that the target of buffer stock of 5 million tonnes of foodgrains by the end of the Fourth Five Year Plan fixed by the Central Government has already been achieved because the present stock of foodgrains with the Government is stated to be about eight and a half million tonnes which includes an operational stock of two and a half million tonnes.

B. Studies on storage

4.6. Since 1965 the following studies on storage and allied matters were taken up:—

- (i) The report by Shri K. T. Chandy, Chairman of the Committee to determine the requirement of storage of Southern States by F.C.I., during the year 1965.
- (ii) The report of the Special Group (A) of the working group on storage/report of the working group on storage for the Fourth Plan set up by the Planning Commission (1968-69).
- (iii) A general study by Dr. A. N. Khusro on the economics of the buffer stocks and storage of major foodgrains in India (1969).
- (iv) A study by the National Council of Applied Economics Research (1970).
- (v) Report of the Expert Committee on storage appointed by the Planning Commission (1971).

C. Storage Capacity during the Fourth Plan

4.7. On the eve of the Fourth Plan, the storage capacity in possession of the Union Department of Food, the Food Corporation of India, State Governments, the Central Warehousing Corporation, State Warehousing Corporations and Cooperatives was as under:—

| Agency | (In million tonnes) | | |
|---|---------------------|-------------|--------------|
| | Owned | Hired | Total |
| (1) Food Corporation of India | 2.62 | 1.26 | 3.88 |
| (2) State Governments | 1.40 | 1.26 | 2.66 |
| (3) Central Warehousing Corporation | 0.65 | 0.31 | 0.96 |
| (4) State Warehousing Corporations | 0.23 | 0.60 | 0.83 |
| (5) Cooperatives | 2.60 | N.A. | 2.60 |
| TOTAL | 7.50 | 3.43 | 10.93 |

Out of the total owned storage capacity of 7.50 million tonnes at the beginning of the Fourth Plan, the storage capacity available for foodgrains was 4.51 million tonnes as indicated below:—

| | Cap. Million Tonnes |
|---|---------------------|
| Food Deptt. and Food Corporation of India | 2.82 |
| State Govts. | 1.40 |
| Central Warehousing Corporation | 0.49 |
| | <hr/> 4.51 |

4.8. In its Report submitted in September, 1971 the Planning Commission's Expert Committee on storage has assessed that as on 1st April, 1971, the owned storage capacity available for public distribution and procurement of foodgrains was 6.04 million tonnes. It has recommended that an additional capacity of 3.08 million tonnes may be created by the end of the Fourth Plan i.e., 1973-74 when the need for storage capacity would aggregate to 9.12 million tonnes on the basis of a procurement of 11.1 million tonnes of foodgrains, public distribution of 10.5 million and a buffer stock of 5 million tonnes by 1973-74.

4.9. The Expert Committee has arrived at this assessment after working out the requirements of storage for each district in the country. The Committee has not indicated the additional operational space and has desired the Central Storage Committee to take this factor into consideration while planning additional capacities in various Districts giving consideration to local needs. The Expert Committee has also recommended that requirement of storage for foodgrains in the Public Sector for Fourth Plan period should be reviewed periodically with a view to make such adjustments as may be necessary.

D. Storage Capacity of the Corporation

4.10. Storage accommodation available with the Food Corporation of India since its inception in 1965 has been as under:—

Available Storage Accommodation with Food Corporation of India

(In thousand tonnes)

| Year | Owned | Hired | New Construction | | Total |
|---------|----------|----------|------------------|-------------------------|----------|
| | | | By FCI | By CWC on FCI guarantee | |
| 1965-66 | 569.00 | 549.00 | — | — | 618.00 |
| 1966-67 | 1,016.90 | 454.16 | 35.50 | 147.50 | 1,654.06 |
| 1967-68 | 1,176.90 | 460.51 | 66.25 | 272.50 | 1,976.16 |
| 1968-69 | 2,293.40 | 2,078.01 | 131.50 | 287.50 | 4,790.41 |
| 1969-70 | 2,293.40 | 2,312.29 | 519.35 | 446.66 | 5,571.70 |
| 1970-71 | 2,293.40 | 2,472.39 | 1,158.09 | 326.11 | 6,249.99 |

4.11. Storage accommodation available with the Food Corporation of India has further increased to 7760.71 thousand tonnes as on 1st November, 1971 (Appendix IV). The State-wise break up of this storage capacity is as under:—

| Sl. No. | State | Storage accommodation (Thousand tonnes) |
|-----------------|--------------------------|--|
| 1 | Uttar Pradesh | 1450.21 |
| 2 | West Bengal | 1119.38 |
| 3 | Punjab | 1117.98 |
| 4 | Maharashtra | 903.77 |
| 5 | Andhra Pradesh | 481.04 |
| 6 | Madhya Pradesh | 457.52 |
| 7 | Rajasthan | 418.00 |
| 8 | Gujarat | 382.84 |
| 9 | Tamil Nadu | 263.67 |
| 10 | Bihar | 220.88 |
| 11 | Haryana | 207.72 |
| 12 | Kerala | 207.55 |
| 13 | Assam | 178.16 |
| 14 | Delhi | 160.20 |
| 15 | Mysore | 103.73 |
| 16 | Orissa | 75.70 |
| 17 | Pondicherry | 5.86 |
| 18 | Manipur | 6.50 |
| TOTAL | | 7760.71 |

E. Crash Programme

4.12. No particular target was fixed by the Corporation for the creation of additional storage capacity till recently. There was a ban on construction of godowns and this was lifted during the year 1968. But with the advent of Green Revolution need was felt to augment storage capacity. Action to create the additional capacity was, therefore, initiated during 1968-69 itself and subsequently under the Crash I, II, III, IV and V Programmes for a total capacity of about 28 lakh tonnes. A capacity of about 11.99 lakh tonnes has been approved for construction under the VI Crash Programme.

Bulk of the capacity under the I to V Crash Programmes already approved was taken up by the Food Corporation of India and a certain capacity was also allotted to the C.W.C., and the Food Department. The construction undertaken by the Food Department was to be transferred to the F.C.I., and C.W.C.

4.13. Out of the above five Crash programmes, a capacity of about 11.24 lakhs tonnes had been completed by 31st March, 1971 by the various agencies i.e., within the first two years of the Plan. Since then a capacity of about 3 lakhs tonnes has been completed in the first quarter 1971-72. Hence the total capacity completed by 1st July, 1971 out of the above five Crash Programmes has come to about 14.24 lakhs tonnes which is roughly 50 per cent of the total approved programmes of 28 lakhs tonnes. The remaining capacity is expected to be completed by March, 1974.

4.14. It has been stated by the Corporation that "The Crash Programmes has attempted to correct regional imbalances in the availability of storage for foodgrains. Punjab, Haryana, U.P., Madhya Pradesh and Orissa have now been dotted with newly constructed godowns." Ministry of Agriculture have admitted that imbalances in the storage capacity as between heavily surplus and certain deficit states had necessitated temporary storage of stocks in the open after taking necessary precautions.

F. Silos and Bins for Bulk Storage

4.15. The Department of Food Constructed bulk storage structures constituting silos/R.C.C. bins and flat type storage of various capacities at the following centres and transferred them to F.C.I.:—

| Centre | Capacity/ (tonnes) | |
|-----------------------|--------------------|--------------------|
| 1. Calcutta | 19,000 | Completed |
| 2. Kanpur | 73,000 | Do. |
| 3. Hapur . | 10,000 | Do. |
| 4. Boriville. | 1,23,000 | Do. |
| 5. Manmad | 83,500 | Do. |
| 6. Gaya | 32,600 | Under Construction |

4.16. The Food Corporation of India has taken up construction of silos/bins, bulk storage with mechanical handling at the following centres:—

| | |
|---|---------------|
| 1. Faridabad | 20,000 Tonnes |
| 2. Semboarkoil . (Tamil Nadu) | 5,600 „ |
| 3. Chidambaran (Tamil Nadu) | 5,600 „ |
| 4. Miryalaguda (Andhra Pradesh) | 5,600 „ |
| 5. Satlenapalli (Andhra Pradesh) | 5,600 „ |
| 6. Rudhrapur (Uttar Pradesh) | 5,600 „ |

There is a programme to Construct 10 silos of 20,000 tonnes Capacity each at 10 Centres in the wheat producing States under the World Bank Assistance. The tentative indications are as follows:—

| State/Centre | Capacity (Thousand Tonnes) |
|-------------------------|----------------------------|
| <i>Punjab</i> | |
| 1. Moga | 20.0 |
| 2. Jagram | 20.0 |
| 3. Bhatinda | 20.0 |
| 4. Faridkot | 20.0 |
| 5. Gobindgarh | 20.0 |
| <i>Uttar Pradesh</i> | |
| 6. Lucknow | 20.0 |
| 7. Khurja | 20.0 |
| 8. Ghaziabad | 20.0 |
| <i>Rajasthan</i> | |
| 9. Jaipur | 20.0 |
| 10. Ajmer | 20.0 |

4.17. The agreement has been signed recently. The total outlay is estimated to be U.S. \$15.9 million equivalent to about Rs. 11.9 crores.

4.18. During evidence of the Ministry of Agriculture the Committee asked whether storage accommodation available was of the requisite standard. In reply, the Food Secretary said, "So, Sir, you will be quite right in suggesting that some of the accommodation is not of the requisite standard and needs to be improved and it is being improved." The witness added that Silos had been provided in Hapur, Kanpur and Boriville. These Silos were good enough to keep stocks for 2 to 3 years without any appreciable damage. The Committee enquired if food and fertilizers were stored together. The Food Secretary replied "No, Sir, some of the godowns are taken over by the State Government. The storage capacity included capacity for the fertilizers also, we do not mix the two, however. That will be bad from the health point of view. The representative of the Ministry of Agriculture added, "Some times when we import the foodgrains and fertilizers in the ships, in some cases, the foodgrains are contaminated with fertilizers and in such cases, we make a survey. If we find that they can be cleaned, then we give them to the flour mills."

G. Portable Warehouses

4.19. A view was expressed at the seventh Asia-Pacific Food Production Conference held in New Delhi in January, 1971 that colossal waste of foodgrains due to inadequacy of transport and storage facilities could be prevented by setting up a chain of "Portable Warehouses" in the country. These warehouses could be moved to different areas at the time of harvest. The Committee learnt during evidence that in England, grain silos prefabricated in Butyl rubber were coming up. These could be used as permanent or temporary storage units. It can be transported at short notice to another site to provide temporary emergency storage. Referring to the view expressed at the Conference about portable warehouses, the Food Secretary stated:—

"This is over generalisation. We are concerned with the Food Corporation's problems, not the general problems of the country as to what should be done. From the long term point of view, permanent storages of adequate capacity are essential. About the portable storage, of course, we have the open cover storage with polythylene sheets and tarpaulin. They serve the purpose, not as an organised or modernised method as is done in the West. I happened to see some literature brought out by a Company in England. They have evolved Sheets made of Butyl rubber on some stiff frame at the lower level. Then it can be blown up

and rendered firm, and so on. It is more sophisticated. But I would submit that this will be required only for the peak periods".

4.20. The Committee are glad to note that the Expert Committee appointed by the Planning Commission and consisting of representatives of the Planning Commission, Ministries of Agriculture, Finance, Railway Board, Food Corporation, etc., had carried out a systematic assessment of country's requirements for storage during the Fourth Five Year Plan. The Committee hope that their assessment will serve as a guide for Government and the Food Corporation of India for drawing up a programme for augmentation of storage capacity. The Committee recommend that while drawing up a programme for augmentation of storage capacity in the country, the point up to which storage would be absolutely necessary and beyond which the money locked up in storage would be counter-productive should be carefully determined. The Committee find that if past experience is any guide wheat virtually "cascades" into mandis in wheat producing States and has to be bought at support prices. This naturally creates problems of storage and transportation.

The Committee feel that perhaps the best way is to encourage provision of warehouses and storage accommodation by the co-operative societies in agriculturally surplus areas so that it achieves the dual purpose of providing staying power to the farmer and regulating the flow of the foodgrains into the market. The spare storage capacity could be utilised for other grains also depending on the seasonal requirements. The Committee would, therefore, urge Government to give encouragement to cooperative societies to set up modern storage facilities which are free from rodent and other pests and would serve best the interests of the producers and the people at large. Government should also exercise necessary vigilance in the formative years to ensure that the producers get dependable storage services, free from any suspicion of malpractices or mismanagement. Government/Food Corporation of India should also develop in the light of their experience and in consultation with Research Institutions design and specifications for storage which would meet best the requirements of co-operative societies.

4.21. During evidence it was admitted by the official representatives of the Ministry that some of the storage accommodation in the country was not of the requisite standard. The Committee wish to stress that whatever additional storage capacity is created under the Fourth Five Year Plan or subsequent Plans, it should be based on the most modern scientific techniques and should be equipped with

latest facilities to prevent damage of foodgrains during storage and to ensure most economic handling.

4.22. The Committee understand that the latest trend is to provide bulk storage structures like Silos and Bins although the capital costs of bulk storage may not compare favourably with the present system of storage in bags. The operating costs are lower in the case of bulk storage with the added advantage of better preservation of grains. For taking up proposals for construction of silo storage, a detailed feasibility study would be necessary to examine what other complementary facilities are necessary to be provided in "Mandis" and elsewhere in order to ensure that working of silos was efficient and economical. The Committee are of the view that it is better to spend more on scientific storage now than lose year after year by allowing wide-spread damage to foodgrains owing to faulty and out-moded storage system.

4.23. The Committee feel that the view expressed at the Seventh Asia-Pacific Food Production Conference held in January, 1971 in New Delhi that colossal wastage of foodgrains due to inadequacy of transport and storage facilities can be prevented by setting up a chain of "Portable Warehouses" in the country deserves a close study by Government. The Committee recommend that feasibility studies should be carried out to determine whether it would be advantageous and if so to what extent, to introduce portable warehouses in the country to cater for the requirements of peak periods.

4.24. The Committee regret to note that Crash Programme had failed to correct regional imbalances in the creation of storage capacity and that even now the Corporation had to resort to storage of stocks in the open which carried with it attendant risks of pilferage and damage due to vagaries of weather. The Committee, therefore, recommend that Government should draw up future programme of augmentation of storage capacity with an eye on correction of regional imbalances and keeping in view the field experience gained by the Food Corporation of India.

H. Overlapping in creation of storage capacity

4.25. At present various agencies, for example, the Food Corporation of India, the Central Warehousing Corporation, the State Warehousing Corporations, etc. are engaged in construction of storage capacity. In their Ninth Report on Central Warehousing Corporation, the Committee on Public Undertakings (Fourth Lok Sabha) expressed the following view:—

"The Committee are of the view that godowns should not be set up by a multiplicity of agencies like the Central Ware-

housing Corporation, the Central/State Governments and any other public undertakings at the same centre. Unless there is one agency handling the work for all the organisations the average occupancy of warehouses constructed from public funds or hired for public purposes cannot be maintained at a high level. Secondly, the overhead costs, particularly for establishment and inspection, in the operation of multiple agencies for storage at a centre will be higher. Thirdly, the cost of maintenance, of fumigation and other services in such warehouses will be high because each agency have to keep the required equipment and staff for such services. The operation of warehouses at the same centre by different Government agencies was, therefore, uneconomical. It is also desirable that Govt. Deptts/Public Undertakings should increasingly patronize the Central Warehousing Corporation for their storage. The Committee recommend that at places where the Corporation had warehouses, no new ones should be constructed or hired by the Central Government or Food Corporation of India or any public sector organisation unless this becomes necessary due to the inability of the Central Warehousing Corporation to cater to their needs. The question of entrusting the storage of Government Departments|Food Corporation of India to the Central Warehousing Corporation at places where multiple Government storage agencies are functioning also needs to be examined. For the warehouses to be set up in future, the storage requirements of Government Departments etc. should be communicated to the Central Warehousing Corporation, who should take necessary steps to construct or hire warehouses. The Committee hope that the State Governments would also cooperate by entrusting their storage work to the warehousing Corporation. Since the Central Warehousing Corporation subscribes 50 per cent of the share capital of the State Warehousing Corporation and also the fact that a State Warehousing Corporation cannot acquire or build godowns and warehouses without the approval of the Central Warehousing Corporation it should not be difficult to make the State Warehousing Corporations fall in the line in the interest of efficiency and economy."

4.26. In their reply to the above recommendation, the Government, *inter alia*, stated that they agreed with the assumption of the Com-

mittees that the operations of warehouses at the same centres by different Government agencies was uneconomical but pointed out difficulties due to which centralisation of storage work in the Warehousing Corporations would not be a practical proposition.

4.27. Asked if centralisation of storage work was not a practical proposition, how coordination among various agencies was sought to be achieved, the Ministry of Agriculture have stated that the functions of the various agencies engaged in the construction of food-grains godowns and grain warehouses and the level of their operations were fairly well defined so that there was little scope for duplication. Nevertheless the Government of India had been fully aware of the need for effective coordination in the construction of grain warehouses between the programmes of the various agencies so as to ensure that there was no unnecessary duplication.

4.28. In May, 1966 a meeting was held by the Food Secretary in which he suggested that a Committee with representatives of the various agencies should examine the construction programmes of each agency so that the storage programme in the different areas and the specific location of storage unit would be effectively planned so as to bring about maximum utilisation besides meeting the urgent warehousing need of different areas. The Government of India accordingly set up the "Central Storage Committee" whose present constitution is as below:—

1. Joint Secretary, Department of Food—*Chairman*.
2. Managing Director, F. C. I.
3. Managing Director, C. W. C.
4. Secretary, N. C. D. C.
5. Financial Adviser (Food)
6. Joint Commissioner (FC), Department of Agriculture.
7. Special Adviser (Food) and E. S. A., Department of Agriculture.
8. Chief (Food), Planning Commission.
9. Director, Traffic Transportation, Railway Board.
10. Director of Movement, Department of Food.

4.29. In order to ensure coordination at the State level to consider the construction programmes of the State Governments, the co-operatives and, to some extent, including the programmes of FCI and the C. W. C., the Government of India had been impressing on the State

Governments the need for setting up a similar coordination body to coordinate storage construction programmes of the various agencies at the State level. To enable the State Level Committees to ensure effective coordination, it was suggested that the State level Coordination Committees, may, among others, consist of the following members.

- (i) Development Commissioners—*Chairman*
- (ii) Managing Director, S. W. C.
- (iii) Registrar of Cooperative Societies.
- (iv) Representative of the C. W. C.

4.30. The State Governments of Andhra Pradesh, Mysore, Tripura, Kerala, Madhya Pradesh, Punjab, Maharashtra, Haryana, Orissa, Gujarat, Assam, West Bengal and Manipur have already formed these Committees. The question of setting up of such a Committee was under consideration of the State Governments of Tamil Nadu, Rajasthan and Bihar.

4.31. During evidence the Committee asked whether construction and maintenance of warehouses in the country by the F. C. I. did not amounts to duplication of efforts as there was the Central Warehousing Corporation whose primary responsibility was to develop storage capacity, the Chairman, F. C. I. stated:—

“It is not duplication of effort at all. The Food Corporation, as you know, has to build up a buffer stock of 5 million tonnes and we have to keep a pipeline stock of 2 to 3 million tonnes. So we require storage accommodation for nearly 8 million tonnes. As the storage distribution and all that is entirely the function of the Food Corporation, we would like to have all these godowns completely under our own charge. The Central Warehousing Corporation have different functions altogether. They deal with all the commodities. According to the Gadgil Report, they were to act as storing agency where the farmers would keep their products. That was the conception under which the Central Warehousing Corporation was created. They cannot take the responsibility of storing 8 million tonnes.”

4.32. The Committee are of the view that in order to achieve efficiency in operation and ensure greater utilisation of storage capacity, coordination has to be secured not only at the Centre but at the State

level between various agencies including the State Governments, State Warehousing Corporations and Co-operatives on the one hand and the Food Corporation of India, Central Warehousing Corporation and the Railways on the other. The Committee are glad to note that in order to ensure coordination among various agencies like the Food Corporation of India, Central Warehousing Corporation, State Governments etc., the State Governments of Andhra, Mysore, Kerala, Madhya Pradesh, Punjab, Maharashtra, Haryana, Orissa, Gujarat, Assam, West Bengal, Tripura and Manipur have already formed Storage Committees. They hope that the remaining State Governments of Tamil Nadu, Rajasthan and Bihar would also form such committees soon and thus help in tackling the problem of storage on rational lines.

The Committee recommend that the position should be closely watched by the Central Storage Committee so that corrective action to obviate overlapping or duplication of capacities may be taken in time.

I. Utilisation of Godowns

4.33. The storage requirements of the Food Corporation of India are planned on the basis of operational and buffer stocks Government requires it to keep. Average/actual utilisation therefore, varies from time to time, depending on fluctuations on the volume of procurement and public distribution. The utilisation both on gross and usable capacities had been as under:—

| Year | On gross capacity | On usable capacity | Peak Utilisation |
|-------------------------|-------------------|--------------------|------------------|
| 1965-66 | 52% | 58% | 96% |
| 1966-67 | 57% | 63% | 96% |
| 1967-68 | 63% | 70% | 79% |
| 1968-69 | 64% | 71% | 79% |
| 1969-70 | 69% | 74% | 77% |
| 1970-71 | 68% | 75% | 88% |
| 1971-72 (April-June) | 77% | 86% | 92% |

4.34. The Food Corporation has intimated that the period 1965-66 to 1967-68 was characterised by draught and scarcity conditions and there was need to rush supplies to consumers and there was therefore, little possibility of building up of stocks to any sizeable extent. The stocks in the godowns had to be issued out quickly as a result of which there was a better turnover although average utilisation had been less. During 1968-69, however, on account of increased agricultural production particularly in the Northern States, utilisation of Godowns had improved over the previous years.

4.35. The Committee find that the utilisation of godowns on gross capacity has improved from 52 per cent in 1965-66 to 77 per cent in 1971-72 (April-June). On usable capacity, the utilisation was 58 per cent in 1965-66 but in 1971-72 (April-June) it has gone up to 86 per cent. Though some improvement in the utilisation of godowns over the years is thus discernable, the Committee cannot regard the present level of utilisation as the optimum one. It is rather strange that on the one hand it is said that storage capacity in the country is inadequate to cater to the growing needs of the country but on the other hand one finds the utilisation of existing capacity as only 77 per cent of gross capacity and 86 per cent of usable capacity. It appears that Government and the Food Corporation of India are not giving adequate attention to the problem of optimum utilisation of existing storage capacity in the country. Optimum utilisation of storage capacity at procurement centres and consumption points cannot be ensured without evolving an integrated pattern for procurement, movement, storage and distribution after a close study of full conditions. The Committee, therefore, strongly recommend that concrete measures aimed at optimum utilisation of storage capacity should be evolved and given effect to.

J. Cost of Storage

4.36. In paras 92—95 of their Ninth Report on Central Warehousing Corporation, the Committee had recommended that the Food Corporation of India should be asked to work out its cost of storage and if it was found to be higher than the cost at which the Central Warehousing Corporation was operating, there was no reason why the storage work should not be entrusted to the Central Warehousing Corporation. In reply to that recommendation, the Government stated:—

“The Food Corporation of India have been doing a constant review of economics of holding stocks both for commercial

operations as also buffer stock operations. The Food Corporation have, therefore, to take a total view of the entire operations and storage of their stocks will be essential for them."

4.37. In another reply, the Ministry of Agriculture have stated that the storage cost of FCI and CWC and other agencies are not really comparable for the following reasons:—

- (i) The FCI has to maintain operational and buffer stocks of foodgrains which may be for a very long period of time as compared to the average turn over of stocks in the godowns of CWC and other agencies.
- (ii) The FCI has a number of huge complexes in which for operational purposes railway sidings are built thereby adding to cost of storage. On the other hand the CWC and other agencies, godowns are normally of smaller capacity without railway sidings.
- (iii) The staff in the godowns of the FCI are utilised not only for storage work, but also for other purposes like, procurement, receipt and despatch including supervision of handling and transportation. In the case of CWC the depositors undertake the handling work at the time of deposit and delivery.
- (iv) Because of the nature of FCI's operation, the staff at the godowns has to work, if necessary at all the time of the day which necessitates payment of over-time. This is not the case with C.W.C. and other agencies.
- (v) The godowns of the Food Department including old type sheds, e.g., the Lahore type sheds, were transferred wholesale along with the staff to the Food Corporation of India. This has not been the case with the C.W.C. Its godowns are comparatively of modern designs and it recruited staff according to its requirements.

4.38. In their Report on storage, the Expert Committee appointed by the Planning Commission has stated that at present data on operational costs is lacking for any meaningful analysis and interpretation. It has suggested that to ensure uniformity in the calculations of operational costs and storage costs, the following norms should be generally adopted:—

- (a) Cost of construction inclusive of all ancillaries;
- (b) interest charges on the funds invested;

(c) depreciation calculated on (a) above at a uniform percentage; and

(d) Maintenance and repair costs.

In this respect of hired godowns, items (a) to (d) will be covered by rent.

4.39. The committee recommend that Government should undertake a comparative study of operational costs of godown management of the Food Corporation of India, Central Warehousing Corporation and other agencies engaged in the construction and maintenance of godowns in the country so as to evolve norms for guidance of various agencies. Unless these norms are evolved, the Committee cannot see as to how the cost of storage of the Food Corporation of India or for that matter any other agency can be adjudged as reasonable or excessive.

The Committee would like this comparative study to be undertaken without further delay. The Committee need hardly stress that in the light of this comparative study remedial action may be taken to reduce the cost of construction as well as of maintenance of godowns so that overheads on food handling and storage by the Food Corporation of India are reduced to the minimum, in the interest of consumers.

K. Loss due to Family Storage

4.40. The following quantities of foodgrains were damaged in the godowns of the Corporation and rendered unfit for human consumption:—

| Year | Quantity (Metric tons) | Value (Rs.) |
|-------------------|---------------------------|----------------|
| 1965-66 | 15·417 | 7,896 |
| 1966-67 | 8·207 | 4,169 |
| 1967-68 | 55·251 | 30,440 |
| 1968-69 | 1042·272 | 7,17,735 |
| 1969-70 | 874·198 | 6,08,550 |
| 1970-71 | 1327·903 | 11,96,711 |

4.41. The transit and storage losses expressed as a percentage of the total turnover (purchases and sales) in respect of all the

commodities had been as under:—

| Year | % on purchases and sales turnover |
|---------|-----------------------------------|
| 1965-66 | 0.33 |
| 1966-67 | 0.58 |
| 1967-68 | 0.55 |
| 1968-69 | 1.01 |
| 1969-70 | 0.64 (provisional) |
| 1970-71 | |

4.42. Explaining the reasons for increase in the transit and storage losses during 1968-69, the Food Corporation of India have stated that during 1968-69, Government of India transferred practically all the Government storage depots to the Corporation. The port clearance work at all the ports in the country was also transferred to the Corporation during the year. The Corporation had also for the first time during this year undertaken the "Rabi" operations in wheat in Punjab, Haryana and Uttar Pradesh on a massive scale resulting in use of open wagons.

4.43. The following steps have been taken by the Corporation to ensure that the transit and storage losses are brought down to the minimum level:—

- (i) The Food Corporation is constructing its own godowns with improved godown facilities and sub-standard godowns hired from private parties are being given up gradually.
- (ii) strict quality control measures have been taken and preservation steps are being tightened.
- (iii) In the matter of purchases, specification of moisture contents, etc. are being strictly adhered to.
- (iv) Arrangements are being made to move foodgrains as far as possible through covered wagons instead of open wagons.
- (v) Norms are being fixed for storage losses and the write off of losses are being authorised after a thorough scrutiny.
- (vi) A vigilance squad to conduct surprise checks at the various loading, unloading and weighment points is being set up.
- (vii) Movements by rail are being planned on scientific basis in order to avoid as far as possible long movements and transshipments during change of gauge.

4.44. While noting Government's explanation that the higher percentage of storage loss was due to higher moisture content of indi-

genous rice and the relatively larger quantities of that grain stored, the Public Accounts Committee had in para 1.13 of their 43rd Report (Fourth Lok Sabha) expressed the feeling that the matter needed further study by Government, with a view to devising effective measures to reduce the losses. In reply, Government intimated to that Committee that a sustained effort was being made by Government to reduce loss of foodgrains in storage. The measures which had been taken or were being taken for the purpose included progressive increase of owned capacity of the Corporation, which is damp and rodent proof, carrying out of rat control operations with modern techniques in hired godowns, imparting training in scientific methods of storage at the Grain Storage Research and Training Centre, Hapur, and other temporary centres, development of Grain Storage and Training Centre at Hapur into a full-fledged Institute with the assistance from the United Nations Development Programme, holding of demonstrations, exhibitions and symposia in various parts of the country to promote adoption of scientific methods of storage of foodgrains, moving the Agricultural Universities/Colleges to include the subject of storage in the courses of study, development of modern rice mills in the country.

4.45. During evidence, the Chairman of the Food Corporation of India stated that storage loss included items such as loss by driage, difference in the mode of weighment etc. He stated that sometimes, when the weather was wet, there would be gain in storage. He added that damages mainly took place in the privately hired godowns, where the godown were sub-standard, or if there was food. Sometimes roof got blown off due to heavy rain and wheat got damaged and became unfit for human consumption.

4.46. In a reply furnished after the evidence, the Food Corporation of India intimated that Storage Losses (in terms of quantity and value) had been as under:

| Year | STORAGE LOSS | | |
|----------|----------------------------------|-----------------------|--|
| | Quantity Thousand (tonnes) | Value (Rs. crores) | Percentage Sales & Closing Stocks |
| 1965-66* | 11.0 | 0.95 | (Provisional) |
| 1966-67 | 23.5 | 1.57 | 0.56 |
| 1967-68 | 22.7 | 1.77 | 0.35 |
| 1968-69 | 48.7 | 5.56 | 0.49 |
| 1969-70 | 85.0 | 6.46 | 0.68 |
| 1970-71 | 76.0 | 6.60 | 0.61 |
| TOTAL | 255.9 | 21.96 | |

* For the year 1965-66, storage loss includes transit loss also.

4.47. Loss during storage is assessed only through difference in weight received and weight issued. This difference includes all losses such as brought about by driage, insects, spillage and rats. The Corporation have stated that it is not possible to assess losses accounted for by each factor. The Corporation had been taking the following steps to minimise losses caused by rats:

- (a) Only rodent-proof godowns have been so far constructed and the godowns being constructed are also rodent-proof;
- (b) the godowns taken on hire which are not rodent-proof are made rodent-proof by temporary measures, to the extent possible;
- (c) this year the Corporation was obliged to keep large quantities of foodgrains in the open. Extensive rat control measures have been adopted in the areas where open storage has been done and these areas have been made practically rat-free; and
- (d) regular rat campaigns are undertaken by way of trapping, catching and poison baiting wherever godowns are not rodent-proof.

4.48. During the evidence of the Ministry of Agriculture (Department of Food), the Managing Director of the Corporation stated that the Corporation had taken two major steps to reduce losses. First, it had launched a crash programme for augmentation of storage capacity and secondly, it had embarked on a programme for construction of Silos for bulk storage on scientific and economic basis. Asked whether storage losses would continue to occur till the programme for construction of Silos was completed, the Food Secretary said:

“.....it should be the aim of the Corporation to minimise the losses at each stage, otherwise it is failing in its duty. There are certain sub-standard godowns. The losses can be minimised if proper care is taken. The losses have actually come down.”

4.49. The Committee asked whether these storage losses were considered reasonable, the Food Secretary observed:

“I would say that they are not big, but they should be reduced further. It should be our aim to minimise the losses as far as possible. This can be done only by modernisation as we

are doing by having better silos, transport in bulk by avoiding pilferages and so on. I won't say that all of them are inevitable."

4.50. The Committee find that the Food Corporation of India suffered a total storage loss of Rs. 21.96 crores during 1966-67 to 1970-71 (5 years). The Committee are not impressed with the plea that viewed against the total turnover, these losses were not large. By themselves, these storage losses are substantial and they call for urgent and effective steps to minimise such losses. The Committee recommend that every case of storage loss which is in excess of the norm should be thoroughly investigated with a view to finding out the exact reasons for the loss and taking remedial measures. Investigation into storage losses should be undertaken promptly because if it was taken in hand after a lapse of appreciable time, the very purpose of such investigation to plug loopholes would be defeated. Besides the parties of fault would also evade responsibility. Norms for storage losses should be the lowest and should be so fixed as to leave no scope for unscrupulous elements to take advantage of high norms and remove the foodgrains. There is also a clear need to intensify vigilance and surprise checks at the various loading, unloading and weighment points. The Committee need hardly point out that if responsibility for storage loss is fixed in every case, where the loss exceeds the norms, and deterrent action is taken against those found guilty, it will have a salutary effect in bringing down the storage losses.

4.51 The Committee note that as on 31-10-71 the Food Corporation of India had hired storage capacity of 6.11 lakh tonnes from the State Governments and 20.05 lakh tonnes from private parties. Since the Food Corporation is heavily dependent on private parties at present for godown accommodation, the Committee feel that every care should be exercised by the Food Corporation to ensure that the accommodation to be taken over or already taken over by them is made rodent-proof by the owners and that all necessary alterations and repairs are carried out efficiently to obviate chances of damage to foodgrains due to rains or flood waters.

The Committee need hardly stress that Food Corporation should ensure that the rent paid by it for the godowns is fully competitive so that it does not lead to the development of any vested interest.

L. Thefts at Godowns

4.52. Number of thefts/cases of pilferage in the Food Corporation of India godowns since inception were as under:

| Year | No. of cases of theft/pilferage. | Amount of Loss Rs. |
|------------------------|----------------------------------|--------------------|
| 1965 | .. | Nil |
| 1966 | 8 | 3,660 |
| 1967 | 32 | 26,131 |
| 1968 | 63 | 2,42,275 |
| 1969 | 69 | 4,92,637 |
| 1970 | 62 | 5,04,739 |
| 1971 (upto 15-3-71) | 7 | 39,239 |

4.53. During evidence, the Food Secretary stated that there had been 241 cases of thefts at FCI's godowns involving a total loss of about Rs. 13.08 lakh. But this, he said, was over a period of six years. He added, "this question of thefts and losses has naturally been worrying FCI and ourselves....I would not like to underestimate it because any loss is a bad thing."

4.54. The Committee were informed that in order to reduce such losses, the Chairman of the FCI had taken steps in consultation with the Ministry of Agriculture, e.g. construction of compound walls with barbed wires on top, provision of flood lights, provision of armed personnel in depots, posting of watchmen, induction of Central Industrial Security force, etc. A Committee of officers had been set up in the FCI to consider formation of watch and ward cadre.

4.55. Asked whether the person incharge of security in the FCI was a retired hand, the Managing Director of the FCI stated that the officer selected for the post of Manager Security in the scale of Rs. 1600—2000, was serving as DIG in U.P. and was due to retire in June, 1971. FCI appointed him for one year. The Committee enquired whether this post was advertised. The Managing Director stated that FCI called for character rolls of suitable persons from the Ministry of Home Affairs. That Ministry recommended a number of names out of which this person was selected for the post

of Manager Security. He added that as this was a new post, recruitment rules for this post had not been framed as yet.

4.56. The Committee enquired whether it had been possible to apprehend the culprits responsible for these thefts. The Managing Director of FCI stated, "Any case of pilferage from the depots or theft is reported to the Police and the case is investigated by the Police. I cannot give you information about in how many cases they have already sent their final Report and in how many cases they have not been able to do so. But as far as I can recall, in most of the cases they said they were not able to trace the culprit".

4.57. During evidence the Committee enquired whether it was a fact that good quality stuff was replaced with or converted into bad quality stuff at F.C.I. godowns during night. The Chairman, F.C.I. said, "Personally, I do not think that is correct."

4.58. The Committee are perturbed to note that there had been as many as 241 cases of the thefts/pilferages at the godowns of the Food Corporation of India since its inception in 1965 involving a total loss of Rs. 13.08 lakhs.

The Committee expected Food Corporation of India to be seriously exercised about the matter and spare no effort to get an officer whose services would be available on an assured basis for a length of time so that all loopholes in the existing system which give rise to thefts and pilferages were identified and effective remedial measures taken to plug them. The Committee are therefore not able to appreciate how the Corporation could persuade itself to get, whose services would be available for a length of time and who was on the verge of retirement. The Committee would like the Corporation/Government to go into the matter and ensure that an officer whose services would be available for a length of time and who has proven experience and ability in security duties, is appointed to the post and held responsible for effectively organising the security measures so as to bring about appreciable reduction, if not elimination, of thefts from the godowns of the Food Corporation.

M. Bagging, Stitching and Weighment

4.59. The Food Corporation of India has introduced automatic bagging and stitching machines at ports and depots where bulk handling of the grain is involved. 25 such machines are in use at big depots like Manmad, Kanpur, Borivilli and Hapur. Apart from this, such machines are in use at the ports of Kandla, Bombay and

Calcutta which generally receive imported foodgrains in bulk. The Corporation feels that in view of the steep decline in the volume of imports, any further investment on these machines at the ports would not be justifiable.

4.60. The Corporation is using B. Twill gunny bags of 44"x26½" size (1.021 Kg. weight). However due to shortage of B. T. will bags, the Corporation had used on occasions D.W. Flour Bags of 44"x28" size. The bags are hand-stitched by double 4 ply jute twine with 14-16 stitches. Stitching is done by rolling the mouth of the bag.

4.61. Bags are normally being standardised at purchase centres. At the time of imports mechanical standardisation facilities are available at Bombay and Kandla Ports. At Calcutta where the foodgrains are discharged into the silos through Marineleg, the subsequent filling is standardised. FCI has intimated that at the remaining ports, standardisation is not possible because foodgrains are filled in the holds of ships and these bags are being discharged after stitching. At Madras where the discharge is in bulk on the wharf, the filling is done through schuits and standardisation is not possible at that stage. At times standardisation, it has been stated, is not possible at various operational points because of the attitude of the labour and also as the operation retards the progress of discharge. Even the port authorities do not permit standardisation on this account.

4.62. The Food Corporation of India is storing foodgrains at 775 depots all over the country. This number includes both owned and hired capacity. The number of owned depots is 174. Mainly Beams Scales are being used for weighment at the depots. However platform scales are being gradually introduced. At 45 owned depots, weigh-bridge facilities have been provided. For godowns of smaller capacities, weigh-bridges are not being provided. The Ministry of Agriculture have intimated that sanction for 53 weigh-bridges for installation at the depots has been issued. In addition 16 weigh-bridges have been sanctioned for installation at the Rice Mills. The installation had been completed at 25 depots. Proposals are under consideration of Government for installation of weigh-bridges at 14 more depots.

4.63. During evidence of FCI, the Committee asked whether it was not a fact that the use of 100 Kg. bags for handling and transportation of foodgrains led to spillage and involved cruelty to manual labourers who had to lift them. The Chairman of the Corporation said, "I did receive such a complaint during my tour of South

India and East India. Mostly wheat is procured from Punjab and Haryana in 100 Kg. bags. The labour in East India and South India find it difficult to carry 100 Kg. bags. He stated that they were considering introduction of 90 Kg. bags but the problem was that of the cost of the gunny bags.

4.64. During evidence of the Ministry of Agriculture, the Food Secretary stated that there were two aspects of this problem. First was the standard size of bag and the second was the cost involved in using smaller bags. The standard size of bag was 100 Kg. capacity. If the bags were smaller, it would be easier to lift them but the cost of gunnies and other incidentals would go up. He informed the Committee that they did realise the difficulties of labour and that was why they had given the incentive of additional payment of 5 per cent wages for labour for handling the bigger bags. Asked whether it was not possible to introduce trollies for carrying bags from one place to another, the Food Secretary states that they had a plan for modernising the system of handling of foodgrains. He admitted that modernisation of handling operations would be economical.

4.65. The Committee attach great importance to standard weighing, stitching and packing of bags so as to reduce wastage and losses on these accounts to the minimum. The Committee note that the present capacity of bags is 100 Kgs. and that the labourers are paid an additional incentive amount of 5 per cent for handling these heavy bags. The Corporation, however, admit that difficulties are being experienced by labourers in certain parts of the country to carry such heavy loads. Apart from the possibility of providing wheel barrows or trollies to facilitate handling of bags, the Committee would like the Food Corporation of India to thoroughly examine the question of reducing the weight of the standard bag keeping in view the trade requirements, the cost of filling of bags and the difficulties experienced by labourers, etc.

MOVEMENT

A. Quantum of Movement

From its inception, the Food Corporation of India moved the following quantities of indigenous foodgrains inter-State and handled imported foodgrains directly either on behalf of the Central Government or the State Governments:—

| Year | Indigenous Foodgrains | Imported Foodgrains | Total |
|-----------------------------|--------------------------|------------------------|-------|
| (Quantities in Lakh Tonnes) | | | |
| 1965-66 | 6.59 | 3.15 | 9.74 |
| 1966-67. | 7.42 | 4.96 | 12.38 |
| 1967-68 | 15.60 | 3.63 | 19.23 |
| 1968-69 | 24.44 | 11.72 | 36.16 |
| 1969-70 | 34.88 | 40.20 | 75.08 |
| 1970-71 | 41.42 | 31.30 | 72.72 |

B. Planning and Control

5.2. Recognising the need for organising quick movement of stocks of foodgrains from purchasing centres, depots, ports etc. to storage and consuming centres, the Corporation had set up a "Movement Branch" at its Head Office as early as 1965-66. Movement Cells were also set up in Regional Offices of the Corporation wherever necessary. Now the Corporation has a Movement Division which is responsible for planning and control of movement.

5.3. On the basis of the directives issued by the Ministry of Agriculture indicating the quantities of foodgrains to be allocated from the Central pool stock to the various State Governments out of the indigenously procured foodgrains as well as imported foodgrains, source-wise allocations are finalised by the Basic Plan Section under Manager Commercial III, at a joint meeting held with officers of different Divisions and representatives from the Ministry of Agriculture every month, and the movement of foodgrains is then planned and executed by the Movements Division. A Committee of

Officers known as Plan Implementation Review Team periodically reviews the progress made by the Corporation in various fields including Movement.

C. Coordination with Railways

5.4. The bulk of the movement of foodgrains is effected by rail but sometimes the Corporation also avails itself of road transport. Speedy and smooth movement of foodgrains, therefore, depends on active assistance and cooperation of the Railways to secure Coordination with Railways.

5.5. It has been stated that entire planning, execution and coordination is centralised under the Movement Division of the Corporation which maintains constant liaison with the Railway Board, the Zonal Railways, and the Railway Divisions for expediting transportation of foodgrains on the basis of the allocations made. Besides, the Senior Deputy Manager (Movement) at the Zonal Headquarters of the Corporation and the Deputy Manager (Movement) or Senior Assistant Manager (Movement) at the Regional Headquarters also maintains a close liaison with the Railways/Divisions concerned and execute plans already made out for despatch of foodgrains from zone to zone or from region to region.

5.6. In a reply, the Ministry of Agriculture have stated that at the beginning of each crop year, the Food Secretary takes a meeting with the State Governments, Railway and Food Corporation of India to assess the likely production, procurement and movement of foodgrains from the ensuing Rabi or Kharif Crops. At this meeting the local conditions, available facilities for handling and movement, monthly requirements and allocation to State Governments were reviewed for purposes of formulating a suitable movement plan. The details of the movement plan, however, were worked out on a monthly basis at the coordination meetings between the officers of the Department of Food, FCI, Railways and the State Governments. Food Secretary reviewed the position with regard to procurement, movement and storage from time to time. The Department of Food was thus fully in the picture pertaining to the movement of foodgrains at all times. Whenever necessary the Department of Food persuaded the State Governments to give despatch instructions promptly to cover the allocated quantity of foodgrains to the maximum extent possible so as to facilitate increase movement. The Department of Food (Government of India) planned and coordinated procurement and movement of foodgrains with the State Governments, Ministry of Railways and Zonal Railways, Ministry of Transport,

Port Trust and the Food Corporation of India. Whenever departures from the rationalisation scheme become necessary, the Department of Food (Government of India) approached the Railways for such movement to be permitted. *Inter se* priority in movement, *ad hoc* assistance, particularly *via* routes on which traffic was regulated by quotas was also obtained by the Department of Food from the Railways. Daily wagon quotas for the clearance of foodgrains and fertilisers from various ports were being asked for by the Ministry of Agriculture (Department of Food) from the Railway Board, every month. Diversion of ships to avoid congestion in ports and incurrence of ship and shed demurrage as also to suit storage and movement was being arranged by the Department of Food from time to time. The coordinated plan for movement was also undertaken to avoid congestion in a particular area by simultaneous receipts of foodgrains from ports and procurement Centres. Fortnightly and monthly coordination meetings were being held with the Zonal Railways to chalk out suitable movement plan. The Union Department of Food also assisted the FCI by approaching the Ministry of Railways (Railway Board) for obtaining such facilities as may be required by the FCI from time to time to meet exigencies caused by social, political and natural calamities. The Ministry of Agriculture have stated that they are satisfied that by and large the existing machinery within the framework of the FCI/Department of Food for handling and movement of foodgrains was satisfactory. Procurement was seasonal. During the peak period following the harvesting of crop, generally labour and road transport difficulties were experienced but these, it has been stated, were overcome to the maximum extent possible.

D. Use of Open Wagons

5.7. The Agricultural revolution in Punjab and Haryana produced a bumper "rabi" crop of wheat during the period May to July, 1968, when 17.17 lakh tonnes of wheat avalanched into the Mandis of Punjab and Haryana. This was far in excess of storage and movement capacities which had been planned by the Food Corporation of India on the basis of a daily movement of about 10,000 tonnes of wheat during the procurement period in accordance with estimates, furnished by the State Governments in April, 1968. There was some delay in the post-harvesting operations due to late winter rains, the size of the crop and the initial price uncertainty. This resulted in late arrival of wheat in the "Mandis" as will be evident from the fact that market arrivals increased from 2 lakh tonnes in the first half of May, 1968 to more than 13 lakh tonnes in the subsequent six

weeks. The consequent compression of procurement and movement operations into a short span of about six weeks created temporary storage and movement problems. Special efforts were made by the Central and State procurement agencies to procure all the grain materialising in the Mandis, as any failure to do so would have created serious difficulties for the farmer whose morale had to be sustained at all costs. Thus, a record procurement of 15.12 lakh tonnes was achieved during the period May to July 1968 against a total market arrival of 17.17 lakh tonnes. This unexpected increase in market arrivals created temporary movement and storage problems, as the wheat had to be moved to storage depots in the consuming areas before the monsoon commenced in the Punjab and Haryana where storage facilities existed only for a fraction of the wheat procured by the Central and State agencies.

5.8. Faced with this situation and in order to carry away the huge quantities of foodgrains, which had suddenly arrived in the "Mandis" and stations, and as delay would have meant loss or damage, transport was arranged in open wagons to supplement the local availability of covered wagons. The utilisation of covered and open wagons enabled the Northern Railway to achieve a record despatch of 10.25 lakh tonnes of wheat on Government account from Punjab and Haryana during the period May to July 1968 despite dislocations caused by the serious hold up of wagons at the unloading points which were unable to cope with this record level of movement due to acute labour shortage.

5.9. The transport of wheat in open wagons from Punjab and Haryana was reported to have resulted in extensive damage to consignments which got wet in transit or at the unloading points, when the monsoon commenced earlier than expected in the eastern and western regions where the bulk of the despatches from Punjab and Haryana were concentrated. Similar reports of damage by rain to rice loaded in open wagons from Andhra Pradesh were also received. These reports received wide publicity in the Press and were also raised in Parliament. A Committee consisting of the following officers was, therefore, appointed by Government in the Department of Food on the 31st July, 1968, to investigate and submit a report in accordance with its terms of reference:

- (1) Shri J. A. Dave, Director General (Food), Ministry of Food & Agriculture, New Delhi.
- (2) Shri B. N. Maheshwari, Financial Adviser, Ministry of Food and Agriculture, (Department of Food), New Delhi.

(3) Shri N. P. Sen, Managing Director, Food Corporation of India, New Delhi.

(4) Shri P. W. Impett, Joint Director Traffic (Trans.), Ministry of Railways (Railway Board), New Delhi.

5.10. Quantum of foodgrains transported in open and covered wagons from Punjab, Haryana and Andhra Pradesh on Government account was as under:

(Figures in tonnes)

| | Wheat | Rice | Total |
|---|-----------|---------|-----------|
| (1) Grain loaded in covered wagons from May to July, 1968. | 882,726 | 113,746 | 996,472 |
| (2) Grain loaded in open wagons from May to July, 1968. | 141,950 | 94,224 | 236,174 |
| (3) Total loading in covered and open wagons from May to July, 1968 | 1,024,676 | 207,970 | 1,232,646 |
| (4) Grain delivered in wet condition from open wagons | | | |
| (a) with tarpaulins | 7,060 | 1,630 | 8,690 |
| (b) without tarpaulins | 7,141 | 14 | 7,155 |
| | 14,201 | 1,644 | 15,8 |
| 5) Wet grain found unfit for human consumption after salvaging | 6,144 | 597 | 6,741 |
| (6) Percentage of grain found unfit for human consumption to the total loading in open wagons | 4.32% | 0.63% | 2.85% |
| (7) Percentage of grain found unfit for human consumption to total loading in covered and open wagons | 0.59% | 0.29 % | 0.55% |

5.11. The grain found unfit for human consumption was further salvaged and made fit for cattle/poultry feed and manure to the extent indicated below:

(Tonnes)

| | |
|---|--------|
| (i) Fit for cattle/poultry feed | 4236.6 |
| (ii) Fit for manure | 1950.7 |
| (iii) Unfit for any purpose | 553.9 |
| TOTAL | 6741.2 |

5.12. The Dave Committee submitted their Report on the 30th April, 1969. The Report contained the following findings:

“(1) Any avoidable damage to foodgrain is certainly a matter for concern irrespective of the quantities involved. It is

however, clear that the earlier reports about the extent of damage to foodgrains were exaggerated. Of the large quantities of foodgrains transported in open wagons from Punjab, Haryana and Andhra Pradesh in the months of May, June and July, 1968, only about 6741 tonnes were rendered unfit for human consumption. 6187.3 tonnes out of this was, however, found fit for cattle/poultry feed and manure.

- (2) The damage by rain to foodgrains transported in open wagons was due to despatch by open wagons without tarpaulins, and seepage of rain water into consignments covered with tarpaulins.
- (3) Considering the extreme urgency of heavy movement of foodgrains which made it necessary to take a calculated risk of over-looking some of the normal procedures, the damage to foodgrains transported in open wagons has not been found due to any human failure. One isolated case of failure has come to the notice of the Sub-Committee where 7274 bags of wheat were despatched in wet condition from Patiala to Naini for which the staff concerned are already being proceeded against departmentally.
- (4) By and large, there has been no delay in salvaging operations except in a few isolated cases which have been brought to the notice of the Food Corporation of India and the Food Department for appropriate action.
- (5) It is indeed unfortunate that because of a complicity of unforeseen events certain quantities of foodgrains became unfit for human consumption. This should not, however, minimize the tremendous effort jointly put in by the Railways, the Food Corporation of India, the Marketing Federation of Punjab and State Governments of Punjab and Haryana during the Rabi season of 1968 in carrying out what may be the largest price support operation hitherto. The transportation of such large quantities during such a short time was undoubtedly a creditable performance on the part of all the agencies concerned".

5.13. In its Report, the Dave Committee recommended, *inter alia*, that foodgrains should under no circumstances be carried in open wagons without tarpaulins. It recommended that Railways should not only augment its fleet of covered wagons but also examine the possibility of modifying open wagons by suitable

improvised arrangements for safe carriage. It also recommended development of facilities for mechanical handling of foodgrains in bulk at selected loading and unloading points. The Corporation have intimated that these matters have already been taken up with Railways.

5.14. In a reply furnished after the evidence the Ministry of Railways (Railway Board) have informed the Committee that there had been gradual increase in the availability of covered wagons with the Railways. The details are given below:

| Year (As on 31st December) | Broad Gauge | Metre Gauge |
|------------------------------------|----------------|----------------|
| 1966 | 1,58,083 | 76,205 |
| 1967 | 1,65,878 | 77,857 |
| 1968 | 1,75,389 | 78,760 |
| 1969 | 1,80,822 | 80,228 |
| 1970 | 1,85,244 | 81,355 |
| 1971 (As on 31-10-71) | 1,86,639 | 81,841 |

5.15. It has been stated by the Ministry of Railways that though all possible efforts were made by them to make maximum number of covered empties available for foodgrain loading, it was not always possible to ensure the movement of the entire foodgrain traffic offering for despatch by rail in covered wagons, particularly during the peak period of Rabi crop, when the bulk of the traffic procured from Punjab and Haryana had to be lifted within a concentrated period of 2 to 3 months. Shortage of storage at the procurement points aggravated the situation and the Railways had perforce to carry some consignments in BOX rakes in order to clear the stocks which were kept in open storage, before the rains set in. General paucity of storage capacity at the terminals coupled with labour problems, it has been stated, had been creating conditions for covered wagons containing foodgrains getting immobilised for long periods awaiting release. This, in turn, reduced availability of covered wagons at the loading points.

5.16. The Ministry of Railways have assured that when open wagons were loaded with foodgrains, they were duly covered with tarpaulins and block rakes were escorted by personnel of the Railway Protection Force. These rakes were inspected en-route at specified points so that any displacement of the tarpaulins or loosening of

lashings etc., was rectified. Movement of wheat and other foodgrains was stopped as soon as the monsoon set in.

5.17. The Railways expect that with more and more storage being available both at the loading and unloading points, there would be very well distributed level of loading throughout the year in which case larger percentage of foodgrains loading could be done in covered wagons.

5.18. The Committee have also been informed that Railways had built a bogie type of wagon with sliding top but after experimental loading of different commodities in these wagons the new arrangement was not found satisfactory. It has been stated that from the design point of view, it was not possible to convert the existing open wagons into covered wagons.

5.19. The Ministry of Railways have explained that the storage accommodation provided by the Food Corporation of India and the State organisations did not permit of any mechanical bulk unloading to be done, eliminating the use of labour. If the Food Corporation could arrange to handle the foodgrains in bulk both at the loading and unloading points, the type of wagons that could be used would be open wagons and not covered wagons. The Ministry of Railways have opined that this would not be desirable particularly during the monsoon period.

5.20. The following number of covered and open wagons were utilised by the Corporation during the peak months of May, June and July during 1968, 1969, 1970 and 1971:—

| Year | Covered wagons | Open wagons | | Remarks |
|------|----------------|-----------------|--------------------|---------|
| | | With tarpaulins | Without tarpaulins | |
| 1968 | 43,107 | 2,621 | 3,865 | |
| 1969 | 50,841 | 8,155 | Nil | |
| 1970 | 47,086 | 12,347 | 467 | |
| 1971 | 42,804 | 14,436 | Nil* | |

*58 wagons reached to W. Bengal Region and 21 wagons reached U.P. without tarpaulins.

5.21. Asked as to why open wagons were utilised in 1970 even after the unhappy experience of 1968, the Corporation stated:—

“Initially it was anticipated that the movement of wheat would start from middle of April, but due to early rains and late

harvesting which delayed arrivals in the market for procurement by various agencies in Punjab and Haryana, the despatches did not commence in right earnest before the middle of May. This resulted in the peak despatches having to be compressed in a much shorter period which necessarily involved utilisation of open wagons in longer measure as compared to earlier years. In addition due to relaxation of Food Zones, the public offering was more in 1970 as compared to last year resulting in greater utilisation of covered stock for this purpose”.

5.22. In another reply, the Corporation has confirmed that no damage to foodgrains occurred during 1969 and 1970. Whenever there was superficial wetting of bags, loss of grain was prevented by immediate opening up of bags and drying of grain.

5.23. Asked why the Food Corporation of India failed to arrange timely transportation of 3 lakh tonnes of Maize and Bajra from Punjab and Haryana to deficit States in 1971, the Ministry of Agriculture stated that a complaint to that effect had been received from the Governments of Punjab and Haryana. The Ministry have explained that the responsibility for distribution of foodgrains to deficit States was that of the Government of India. The kharif grain available in Punjab and Haryana including 3 lakh tonnes of Maize and Bajra was not required in any State. Punjab and Haryana Governments, it was stated, perhaps desired movement of Kharif grain to other States so that storage accommodation falling vacant could become available for rabi procurement. The Corporation has since been advised by the Ministry to spread over the movement of food-grain from Punjab and Haryana to all months of the year so that transport bottlenecks and handling difficulties at the terminals were minimised.

5.24. The Committee also enquired whether it was a fact that about one lakh tonne of wheat worth Rs. 8 crores from the wheat stocks in Haryana State meant for the Central pool had been damaged due to failure of the Food Corporation of India to lift the wheat stocks despite timely warning by the Haryana Government. In reply, Ministry of Agriculture stated that Haryana Government had reported that the damage had been caused largely to the wheat lying on farmers' threshing floors on account of unseasonal rains in the months of April and May, 1971. They had taken adequate precautions to cover the foodgrains procured by tarpaulins etc. and only small quantities of wheat were affected.

5.25. The Ministry also stated that in Haryana about 7 lakh tonnes of wheat had been procured during 1971 against 4.82 lakh tonnes for the whole of last year. Such Heavy procurement had created difficulties in clearance etc. Movement difficulties in Haryana and in other Northern States were accentuated on account of difficulties of Railways particularly on account of labour trouble and law and order situation in the Eastern Region. To deal with this situation, the Corporation took the following steps in consultation with the Government of Haryana:—

- (i) Supplementation of rail movement by road movement to Delhi.
- (ii) Additional rail movement of stocks by piece-meal wagons.
- (iii) Mobilisation of additional storage capacity with Roller Flour Mills for Delhi and through CWC/SWC at Faridabad and other places in Haryana.
- (iv) Loan of tarpaulins to the Government of Haryana for enabling safe storage in the open.
- (v) Open storage in Food Corporation of India godowns premises after taking all necessary protective measures.
- (vi) Provision of additional movement outlets to the Southern States.
- (vii) Increasing the quota of Haryana Government in the total share of movement out of Punjab/Haryana.

5.26. During the evidence of the Ministry of Agriculture, the Food Secretary stated that in 1968 they had to use open wagons and as such losses were somewhat high. Thereafter they prescribed a certain procedure. The witness stated that according to this procedure all the open wagons must be covered by tarpaulin, otherwise they should not be moved at all. For that purpose, the Railway station should be equipped with tarpaulins. At check points, the wagons must be checked. They should be replaced if they get torn. The representative of the Ministry of Railways added:—

“But this year there had been certain difficulties. The main difficulty had been that in Western Sector i.e. Maharashtra, Madhya Pradesh and in U.P. too the storage accommodation was full. The main storage accommodation available this year was mainly in West Bengal areas putting 60 per cent of the total crop both of Punjab and Haryana, it had to move to West Bengal. In West Bengal

we had very difficult time. For the last six months, or so, apart from movement difficulties, in Calcutta area the release has not been keeping pace. There are certain difficulties which the F.C.I. has also been facing. The wagons sent are not released. The difficulty in this regard has been immense. The result was that the return back of the wagon was delayed. In fact we asked the West Bengal Government to help us in moving the Rabi crop so that we can keep a constant flow. But the problems are too much".

The representative of the Ministry of Railways informed the Committee that precautions had been taken to ensure that whenever open wagons were used, these were covered with tarpaulins, and en-route checks were made. He added that movement of foodgrains by rail had two aspects—the transit and unloading. He expressed the view "the danger is not that the foodgrains are moved in open wagons but the detention at terminals is fraught with danger in that they get exposed to rain".

E. Use of Road Transport

5.27. In para 1.22 of 43rd Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1966-67 and Audit Report (Civil), 1968 relating to the Ministry of Food, Agriculture, C.D. & Corporation (Department of Food), Public Accounts Committee (1968-69) had recommended that 'in planning of foodgrains for transport facilities for the movement of foodgrains the Committee would like the Government to take note of great improvement made in road transport in the country, so as to make increasing use of it in the interests of expeditious transport of foodgrains.' In a reply furnished to that Committee, Government replied as under:—

"Foodgrains are being transported by road wherever it is not unduly uneconomical to do so. The movement of foodgrains by road is being resorted to, particularly from Haryana to Delhi and from certain ports in the South serving Madras and Kerala. In other sectors also road movement will be resorted to, wherever necessary, provided it is not too costly".

5.28. In its Report, the Dave Committee which had been appointed by Government for investigation of damages to foodgrains carried in open wagons during May to July in 1968 also favoured utilisation of road transport "to a greater extent for short leads during

periods of heavy movements so as to conserve rail transport for long leads".

5.29. In a reply furnished after the evidence, the Food Corporation of India intimated that road transport is utilised for short lead movements particularly from Haryana to Delhi. During the last three years, the following quantities of foodgrains were moved by road into Delhi:—

| | |
|---------|---------------|
| 1968-69 | 23,881 tonnes |
| 1969-70 | 39,684 " |
| 1970-71 | 57,255 " |

5.30. The Committee note that from May to July 1968, out of 12.36 lakh tonnes of foodgrains transported from Punjab, Haryana and Andhra Pradesh on Government account from May to July during 1968, 2.36 lakh tonnes of foodgrains were transported in open wagons. Unfortunately there were early monsoon rains in the Eastern and Western regions where the bulk of despatches were concentrated and consequently 6,741 tonnes of foodgrains got wet and were rendered unfit for human consumption. The Dave Committee which investigated into the damages to foodgrains moved in open wagons recommended, inter-alia, that foodgrains should under no circumstances be carried in open wagons without tarpaulins. The Committee regret that despite Dave Committee's recommendation, the Food Corporation used 12,814 open wagons in 1970 of which 467 wagons were stated to be without tarpaulins. During 1971, 14,336 open wagons with tarpaulins were used. It was found that 58 wagons reached West Bengal Region and 21 wagons reached U.P. without any tarpaulins. It was explained by the Corporation that 'due to early rains and late harvesting' in 1970 and because of the fact that public offering of foodgrains was more in 1970 than in 1969, peak despatches had to be compressed in a much shorter period and consequently movement by open wagons had become necessary. The Committee recommend that keeping in view the experience of 1968 and as a matter of abundant caution, the use of open wagons should be avoided in future. Should it become unavoidable to use open wagons owing to unforeseen reasons, it should be ensured that open wagons are covered with tarpaulins without fail. The Committee feel that the Corporation cannot afford to take chances in an important matter like this. The Committee have been informed by the Ministry of Railways that availability of covered wagons has increased from 1,58,083 BG and 76,205 MG in 1966 to 1,86,639 BG and 81,841 upto October, 1971.

531. During evidence, the representative of the Ministry of Railways (Railway Board) opined that 'the danger is not that the foodgrains are moved in open wagons but the detention at terminals is fraught with danger in that they get exposed to rains.' The Committee also learnt during evidence that for the last six months or so, there had been hold-ups of movement in the Eastern sector. The wagons, it was stated, were not unloaded in time resulting in delays in the return back of the wagons. The Committee are deeply concerned with the problem of hold-up of wagons at terminals. Delays in unloading of wagons not only result in less availability of wagons for movement of foodgrains in the country but also create bottlenecks, frustrating the very objective of ensuring movement of foodgrains on a planned basis. The Committee, therefore, recommend that concerted efforts should be made by the Department of Food/Food Corporation of India and the Railways to ensure that wagons carrying foodgrains are not held up en route or at terminals to obviate losses by 'wet' or pilferage.

5.32. In the Committee's view, smooth movement of foodgrains depends to a large extent on how well the movement of foodgrains is planned by the Food Corporation of India in coordination with the Railways. The Committee recommend that while preparing Movement Plans, the aim should be to spread out movement of foodgrains throughout the year so as to avail of closed wagons for safe transport. Now that the Food Corporation of India/Government have adequate storage capacity at their disposal, this task should not prove formidable and it should be possible to draw up integral plan for procurement, movement and storage on the basis of well verified data.

5.33. The Committee find that the Food Corporation of India have been moving larger quantities of foodgrains by road particularly from Haryana to Delhi. The quantity of foodgrains moved by road into Delhi was 23,881 tonnes in 1968-69, 39,684 tonnes in 1969-70 and 57,255 tonnes in 1970-71. The Committee recommend that a comprehensive study be undertaken to determine break-even point between the cost of road transportation and cost of movement of foodgrains by rail for various regions in the country. Any enlargement of the scope of movement of foodgrains by road should depend on the results of such study and availability of spare capacity on the Railways to undertake the transport expeditiously and in time.

F. Transit Losses

5.34. The following transit and voyage losses occurred since the inception of the Food Corporation of India:—

(i) Transit Losses

| Year | Quantity (tonnes) | Value (Rs./crores) | Percentage to Qty. moved |
|------------------------|----------------------|-----------------------|-----------------------------|
| 1965-66 | 11,000 | 0.95 | 1.13 |
| 1966-67 | 19,500 | 1.30 | 1.58 |
| 1967-68 | 33,800 | 2.63 | 1.76 |
| 1968-69 | 1,18,000 | 6.81 | 3.26 |
| 1969-70 | 1,05,000 | 7.90 | 1.40 |
| 1970-71 | 90,000 | 7.80 | 1.23 |
| TOTAL | 3,77,300 | 27.39 | |

(ii) Voyage Losses

| Year | Quantity (tonnes) | Value (Rs./crores) | Percentage to quantity shipped |
|-------------------|----------------------|-----------------------|--------------------------------------|
| 1965-66 | .. | .. | .. |
| 1966-67 | .. | .. | .. |
| 1967-68 | 1,300 | 0.10 | 0.16 |
| 1968-69 | 7,000 | 0.52 | 0.55 |
| 1969-70 | 15,000 | 0.93 | 0.37 |
| 1970-71 | 10,000 | 0.60 | 0.33 |

5.35. In January, 1968, Government of India appointed a Committee under the chairmanship of Shri J. A. Dave to go into the question of shortages/losses of foodgrains at various stages of handling and transit. Some of the important recommendations made by the Dave Committee are:—

- (1) to avoid spillage because of loose or inadequate stitching the only remedy is to introduce automatic bagging and stitching machines without delay. However, till this is done it has to be ensured that bags are stitched to the extent required i.e. 16 stitches should be there. As Department of Food is adopting certain incentive measures

to ensure maximum possible output from labour the question of allowing an extra payment to the labour who stitch to the required extent may also be considered.

- (2) In order to minimise the losses due to stitches giving way or being inadequate, it is necessary that stitchers are readily available at the loading points so that the bags could be mended immediately.
- (3) It should be ensured that the bags whether standardised or not are loaded into the wagons under proper supervision and the Railways made liable to deliver the same number of bags at the consignees' end.
- (4) The difference in weight on account of differences in the modes of weighment can be minimised by installation of the same type of scales at the loading and unloading points and also at the storage depots.
- (5) Standardisation of bags would solve many problems arising on account of difference in the mode of weighment and the difference in the percentage of weighment,
- (6) Use of open wagons should be strictly avoided. If movement of foodgrains by open wagons is to be resorted to as inescapable due to limited stock of covered wagons available and heavy transport requirements, the Railways should ensure complete safety of cargo by adequate provision of tarpaulins, proper lashing and escorting of the wagons including frequent checks *en route*.

5.36. The amounts of transit losses (including storage losses) written off by the Food Corporation of India were as under:—

| Year | Amount of Loss written off (Rs./crores) |
|---------|---|
| 1967-68 | 0.27 |
| 1968-69 | 2.00 |
| 1969-70 | 1.34 |

5.37. During official evidence, the Food Secretary clarified that the losses written off during 1967-68 and 1968-69 was for a period of six years and was not for a particular year and that it was in the nature of financial book adjustment. He assured 'the loss is

written off only after FCI is satisfied that these losses are genuine and *bona fide* ones and were not due to human factors'.

5.38. Powers have been delegated to Regional Managers and Zonal Managers for write off of transit and storage losses upto 0.5% and 1% respectively. Cases of losses exceeding 1% but below 2% are written off by the Chief Commercial Manager. All losses in excess of 2% are written off by the Managing Director.

5.39. During evidence, the representative of the Ministry of Railways (Railway Board) stated that normally when foodgrains were moved in bulk, they were specially escorted to ensure that no pilferage or damage took place in yards. Special precautions like 'anti-bleeding devices' had been introduced in wagons. This device had, it was claimed by the witness, prevented making of holes and extracting of grains. The witness also claimed that "by and large with the provision of escorts and watch and ward personnel, these complaints have been brought down very considerably." On being pointed out that loss of foodgrains through pilferage in Railway yards was a national loss and something had to be done about it, the representative assured, "We will take notice of this, Sir."

5.40. The Committee note that losses of foodgrains in transit had been rising steadily from 1.13 per cent of the quantity moved in 1965-66 to 1.58 per cent in 1966-67 and 1.76 per cent in 1967-68 until 1968-69 when such losses reached an all time high at 3.26 per cent. The Committee also note that subsequently, the Corporation had been able to arrest the rising trend of transit losses in close coordination with Railways. In 1969-70 transit losses were brought down to 1.4 per cent and it is estimated that these losses may be only 1.23 per cent during 1970-71. The Committee welcome the efforts made by the Food Corporation of India and the Railways to bring down these losses under control. The Committee, however, feel that scope for further reduction of transit losses still exists. Vigorous efforts are called for to minimise the transit losses. With this end in view, the Committee recommend the adoption of the following measures:—

- (i) bagging, stitching and weighment should be done with utmost care to avoid spillage of foodgrains. Use of non-standardised bags should be eliminated. Same types of scales for weighment may be used at loading and unloading points;
- (ii) Loading and unloading operations should be supervised by responsible officials of the Corporation and the Railways because if the loading is done in a careless manner no

amount of en route checks would be able to prevent these losses;

- (iii) With the improvement in the availability of covered wagons with the Railways, use of open wagons should be resorted to only in exceptional circumstances and after making sure that necessary provision for covering these wagons securely with tarpaulins and safe escort would be there;
- (iv) En route checks be intensified by the Railways to plug leakage of foodgrains and to ensure that tarpaulins remain in position and are not removed by unscrupulous people;
- (v) En route surprise checks be carried out to ensure observance of instructions; and
- (vi) security arrangements be augmented to avoid pilferage of foodgrains at loading and unloading points and Railway yards.

G. Wheat Movement Plan for 1970-71

5.41. In May, 1969, the Food Corporation of India assigned the transportation and storage study to the National Council of Applied Economic Research. The Council has completed a Wheat Movement Plan for 1970-71 season. The plan covers 5.968 million tonnes of wheat including 3.177 million tonnes of imported wheat estimated to be transported during May, 1970 to April, 1971. In addition to the optimum plan, the Council has suggested a number of improvements in movement operations. The Food Corporation of India forwarded their observations on this plan to the Ministry in June, 1970. The Council has completed a similar kharif movement Plan which has been received by the Corporation in November, 1970. The NCAER is expected to complete a General Report soon.

5.42. In their Wheat Movement Plan for 1970-71, the Council had, *inter alia*, recommended that:—

- (i) Greatest advantage in rail transport can be secured by block loading at a single station. But as this is not possible in practice, the next better viz. concentration of loading at as few points as possible should be attempted.
- (ii) To enable the Railways to mobilise resources to deal with long distance traffic, it is suggested that local movements during May and June be kept to the minimum and short lead traffic moved by road.

- (iii) Finally, the efficiency of wheat movements—in fact all foodgrain movement—depend a great deal on a close co-ordination between the FCI and the Railways. The basis for this coordination has already been established, but it is limited in the sense that it does not extend to all levels involved in actual operation.

H. Telecommunication System

5.43. The Ministry of Agriculture have stated that on receipt of a copy of the Council's Wheat Movement Plan, a reference was made to the Food Corporation of India to let the Department of Food know the action taken by the FCI on the various recommendations. While many of the observations and recommendations made by the NCAER were already being implemented, there was only one item which attracted the attention of the Government of India. It was the suggestion for improving the system of telecommunication including the installation of teleprinters. The views of the FCI on the provision of vast telecommunication system at the district and Regional level with the FCI Headquarters were called for. The FCI commented that the suggestion for improving the telecommunication system would imply the installation of teleprinters/telex at least at the important producing and receiving centres. The cost of installation at such centres could be excessive in comparison to the advantages claimed. Though the FCI appreciated the need to improve the communication system in order to obtain and analyse the data and for communicating decisions quickly but considered that the investment may not be justified at this stage. The FCI was also of the view that the utility of the communications will have to be seen not only with reference to its orientation in terms of limited transportation problem during the peak Rabi season but also with regard to purchase and sale operations in a free market when the Food Corporation of India will necessarily have to take snap decisions on the basis of day-to-day fluctuations in market prices.

5.44. The Committee are glad to note that Food Corporation of India had entrusted the task of preparing a Wheat Movement Plan for 1970-71 to an expert body like the National Council of Applied Economic Research. This was no doubt a step in the right direction. The Committee hope that the recommendations made by the Council for rationalisation of wheat movement would continue to guide the Corporation in evolving movement plans for future years.

5.45. The Committee find that the National Council of Applied Economic Research had suggested improvement in the system of telecommunication including the installation of teleprinters in the

Food Corporation of India in the context of problem of transportation of foodgrains. The Corporation, however, are not in favour of its introduction because utility of the communications will in their view have to be seen not only with reference to its orientation in terms of limited transportation problem during the peak "Rabi" season but also with regard to purchase and sale operations in a free market when the Corporation will necessarily have to take snap decisions on the basis of day-to-day fluctuations in market prices. Moreover, installation of teleprinters/telex at the important producing and receiving centres would involve extra investment which, the Corporation feels, may not be commensurate with the advantages claimed. While it is true that installation of teleprinters/telex involve expenditure, the Committee would like the Corporation to re-examine the matter in the light of the following facts:—

- (i) For a country-wide Organisation like F.C.I. reliable and quick means of communication are an essential tool;
- (ii) teleprinter/telex would naturally reduce heavy expenditure at present spent on trunk telephones;
- (iii) the investment on telex/teleprinters may be reduced to the minimum necessary in consultation with Directorate of Telegraphs. To begin with only the most vital points where fast communications are a "must" may be connected by telex/teleprinters and the position reviewed in the light of experience.

VI

SALE AND DISTRIBUTORS

A. Sales Policy

The disposal of the grain purchased in each State on behalf of State Governments is decided by the State Government. Where an allocation is made, in consultation with the State Government, to the Central Pool for supply to other States, the State-wise allocations of such quantities to the other States, are determined by the Central Government. Sales by the Corporation are effected either to State Governments, or to their official nominees like the District Collectors or directly to wholesale or retail dealers, according to the directions given by the State Governments. Wherever the Corporation sells directly to the trade, the sale price is recoverable by the Corporation before delivering. Under this arrangement the State Governments are relieved of the responsibility of financing the purchase of stocks and keeping account of the transactions, at the same time retaining full control over the operations. Where, however, sales are made under specific directions of the State Governments at prices below the economic cost, the difference has to be met by the State Governments.

6.2 In the case of foodgrains which are subject to price control, the sale price (inclusive of the amount recoverable by the Corporation for covering its expenses) is fixed by the State Government concerned or the Central Government, as the case may be. In cases, however, where there is no price control and the Corporation purchased foodgrains like gram, gramdal, arhar dal, etc., in producing States to meet the needs of consuming States, selling prices are fixed by the Corporation having regard to the economic cost.

6.3 Purchases of imported foodgrains were being made by the Corporation from the Government of India till recently. The Corporation had, however, been clearing the foodgrains in certain minor ports. The work relating to clearance of foodgrains at all the ports has been transferred to the Corporation since 1st March, 1969. These imported foodgrains are distributed in accordance with the allocations of the Central Government to various States.

6.4 Initially the activities of the Corporation were limited to Southern States comprising of Andhra Pradesh, Madras, Mysore and Kerala. In the course of the last three years the Corporation's activities have been extended to cover almost the entire country. In addition to wheat, rice and paddy, the Corporation undertakes the purchase and sale of gram, gramdal, barley, groundnut oil, jowar, maize etc. either as a commercial activity or as a measure of price support.

B. Public Distribution System

6.5 The following was the quantity of foodgrains distributed through the public distribution system since 1965:—

(in Million Tonnes)

| Year | Rice | Wheat | Other grains | Total |
|------|------|-------|--------------|-------|
| 1965 | 3.6 | 5.9 | 0.6 | 10.1 |
| 1966 | 4.1 | 8.1 | 1.8 | *14.1 |
| 1967 | 3.0 | 7.4 | 2.8 | 13.2 |
| 1968 | 3.3 | 5.7 | 1.2 | *10.2 |
| 1969 | 3.4 | 5.2 | 0.8 | 9.4 |
| 1970 | 3.1 | 5.4 | 0.4 | 8.9 |

(*Totals do not tally due to rounding off)

6.6 Arrangements for distribution of Government foodgrains through fair price shops at fixed prices already exist in practically all the States and Union Territories. In August, 1971, when the prices of foodgrains registered a rise in some of the States, Central Government advised the State Governments to liberalise the distribution of foodgrains, particularly of wheat and coarse-grains through the fair price shops. Certain States were also advised to enlarge the public distribution system of foodgrains by opening additional fair price shops where necessary and covering a larger population. At present 316.5 million people in the country are understood to be served by a chain of 1,23,095 fair price shops. The system of public distribution of foodgrains in the States was reviewed at the Conference of the Chief Ministers of the States held in New Delhi on 13th October, 1971. At this Conference, the need was appreciated of further strengthening the public distribution system, particularly in rural and inaccessible areas. In a letter

addressed to all State Governments/Administrations, the Ministry of Agriculture (Dept. of Food) emphasized that :—

- (i) it is necessary that the State Governments which have already arrangements of fair price distribution of foodgrains should maintain them;
- (ii) In areas where there are no such arrangements at present, the State Governments concerned should keep a skeleton scheme for fair price distribution of foodgrains ready for immediate implementation when necessary; and
- (iii) State Governments may review the position in different areas of their States and keep arrangements ready for enlarging the fair price distribution system and extending it to areas where it does not exist at present, so that, the system may start working immediately when need is felt for it in any particular area.

6.7 At present Statutory rationing is in force only in Calcutta and Durgapur-Asansol group of towns for rice and wheat; it is in force in Bombay for rice only. During 1971, there have been draughts in parts of Andhra Pradesh, Maharashtra, Assam, Mysore and unprecedented floods in Uttar Pradesh, Bihar and West Bengal. Prices of foodgrains have, therefore, gone up considerably.

6.8. The Committee note that at the Conference of the Chief Ministers of the States held in New Delhi in October, 1971, need was felt for further strengthening of the public distribution system, particularly in rural and inaccessible areas. The Committee also note that as a follow up measure, the Ministry of Agriculture (Department of Food) have requested the State Governments to "review the position in different areas of their State and keep arrangements ready for enlarging the fair price distribution system and extending it to areas where it does not exist at present, so that the system may start working immediately when need is felt for it in any particular area." The Committee are aware of complaints sometimes voiced in the Press that fair price shops in the rural areas hardly function and where they do, the quantum of ration available is insufficient. The Committee have no doubt that in extending the system to rural areas and inaccessible areas in States, Government would take into account the difficulties being experienced by weaker sections of consumers in rural areas. The Committee desire that in the event of enlargement of the public distribution system to rural and inaccessible areas in various States, the Food Corporation of India would

make special efforts to feed the public distribution system in such areas with assured supply of foodgrains at a reasonable price.

C. Wholesale Distribution of foodgrains

6.9 At present the Food Corporation of India, undertakes whole-sale distribution of foodgrains in two States only. These are West Bengal and Kerala. The Ministry of Agriculture has intimated that some time back Government of India had suggested to all other State Governments including the Government of Rajasthan to consider favourably the expansion of the activities of the Food Corporation of India in different States. This included taking over of wholesale distribution of foodgrains also. This suggestion was made in order to ensure that by taking on this additional work and by using the staff, which did not have much work during the non-procurement seasons, the overheads of the Corporation could be reduced and thereby both procurement and distribution could be done a little cheaper than otherwise. However, with the phenomenal increase in procurement and with the problems of storage movement, etc. that the Corporation was now facing, the Government are now of the view that it would not be advisable to saddle the Corporation with these additional commitments of distribution in the various States. Government have, however, stated that they will examine this matter and take a policy decision soon.

6.10 The question of transfer of wholesale distribution of foodgrains in Rajasthan had not been settled because of differences between the Corporation and the State Government on two main points. Whereas the Government of Rajasthan had desired that the Corporation should take over 82 centres spread over 26 districts including 17 centres which were non-rail heads, the Corporation was prepared to operate wholesale distribution programme to only 5 godown centres owned by it and 29 centres at which CWS/RSWC godowns were situated. Secondly, the Corporation had demanded incidentals of Rs. 4.94 per quintal for undertaking distribution whereas the Government of Rajasthan was prepared to pay incidentals at the rate of Rs. 2.47 per quintal for the month and additional incidentals at this rate if the foodgrains were stored beyond one month.

6.11 In a reply furnished after the evidence, the Food Corporation of India informed the Committee that apart from Rajasthan, they had received requests for taking over wholesale distribution of foodgrains had been received by them from State Governments of Orissa, Gujarat, Maharashtra, Himachal Pradesh, Madhya Pradesh,

Binar. The Corporation has intimated that the position in this regard in these States is as under:—

- (i) *Orissa*.— The State Government in their letter dated 11-12-68 had enquired whether F.C.I. could under take wheat distribution at the incidentals indicated by the State Government. Counter proposals were sent to the State Government. The matter was also discussed with State Government's representatives. There was almost complete agreement on the arrangements for the take over of the wheat distribution work. In the meantime, Northern Wheat Zone was enlarged so as to include Orissa also in it. Considerable reduction in the off-take of wheat was therefore expected. The State Government have not since shown any keenness for the implementation of the Scheme. The Corporation is the procurement and the wholesale distribution agency for rice in the State.
- (ii) *Gujarat*.—In April, 1969, the Regional Manager requested the State Government to consider the question of handing over the distribution work to FCI. The matter is under consideration of the State for sometime but they have not taken any decision so far.
- (iii) *Maharashtra*.—When the work of the Food Department was taken over by the FCI on 1-3-69, the Maharashtra Government was also requested to consider handing over the work of distribution of foodgrains in the State. The information desired by the Maharashtra Government was supplied to them. The work was also at a higher level with the State Government officials. It was gathered that the State Government was not anxious to change the existing arrangements and to hand over this work to the Corporation.
- (iv) *Himachal Pradesh*.— At the request of the H. P. Government for undertaking the work of distribution in the State, certain information was sought from them. The information required was not furnished but as desired by that Government, officials of the Corporation went over to Simla for discussion. On the basis of the discussion, a questionnaire was prepared and handed over to the State Civil Supplies Department on the spot for eliciting further information required for studying the economics etc. of distribution work. The information is still awaited.

(v) *Madhya Pradesh*.— On 29-4-70, the State Government issued instructions requiring the FCI to supply wheat directly to the fair price shops from our depots on release orders issued by the Collectors. The FCI have undertaken it at mutually acceptable terms at places indicated by the State Government.

(vi) *Bihar*.— At the instance of the State Government the Corporation has given broad outline of a wholesale distribution scheme. The final reaction of the State Government is awaited."

6.12. It has been pointed out by the Ministry of Agriculture that responsibility for internal distribution of foodgrains was that of the State Government. The State Governments had a civil supplies organisation which was expected to look after this work. Though internal distribution of foodgrains was not the primary function of the FCI, but it was thought that FCI could take over the function of whole-sale distribution in order to save some overhead charges. It has been stated that it was for the State Government to make arrangements for distribution in vulnerable and far flung places and the FCI was not expected to handle this work as a matter of course.

6.13. The Committee note that sometime back the Government of India had suggested to various State Governments that the Food Corporation of India should be given the responsibility for whole-sale distribution of foodgrains also, so that by taking on this additional work and using its staff, which did not have much work during the non-procurement seasons, the Corporation could reduce its overheads and thereby both procurement and distribution could be done a little cheaper than otherwise. The Committee have been informed that Government are examining this matter and a policy decision will be taken by them soon. The Committee would like Government to expedite their decision. The Committee would, however, like to stress that the approach should be for finding greater utilisation of staff already on the pay rolls of Food Corporation of India and not to add to them in the name of additional responsibilities taken over from States. As recommended elsewhere in the Report, there is a pressing need to reduce the burden of overheads, which are borne largely by the consumer and exchequer. Moreover, Government should keep in mind the fact that with growing abundance of foodgrains in the country the need for regulatory measures and extensive distribution agency may in course of time come to be reduced.

As far as the internal distribution of foodgrains in the States is concerned, it is and should continue to be the primary responsibility of the respective State Governments. The State Governments have a civil supplies organisation which is expected to handle this work. There should, therefore, be no question of transfer of internal distribution work to the Corporation alongwith the staff concerned in any State.

D. Sale through Tender System

6.14. It was alleged in a representation received by the Committee that "inspite of a stipulation in the tender form of acceptance of offers upto one wagon then has been bungling of crores of rupees in such sales, either by offering huge lots in such a way that the genuine purchasers are discouraged and scared away or by adopting other ways so that only the favoured bidders come forward to take the commodity." Both the Food Corporation of India and the Ministry of Agriculture have in their replies denied this allegation and have stated that large scale disposals of commodities not subject to Governmental control were generally made by the Corporation through open tenders only, in which case wide publicity was given in prominent English and local language dailies. Whenever such disposals were advertised, it was made clear that the parties were at liberty to quote for whole or part of the stocks on tender. For operational reasons, it was also laid down that offers for less than one wagon load may not be considered. For disposal of commodities in small lots, which may be left-overs in a number of places, the Corporation also resorted to auction sales. The auction sales were also resorted to in certain cases where little or no response was received to tender inquiries and the stocks had to be disposed of as expeditiously as possible.

6.15. The procedure regarding auction sales had been circularised to all the Regional Managers of the Corporation and the period of notice for holding these sales and the maximum quantities to be auctioned at a time had been left to the discretion of the Regional Managers who generally held auction as suited to local conditions. Wide publicity was also given to these auctions commensurate with the quantities to be sold and their value. The bidders were also allowed to inspect and satisfy themselves about the quality of stocks before the bidding takes place. The Food Corporation of India, therefore, feel that the present policy was adequate to ensure that the interests of the small purchases were safeguarded.

6.16. The Committee recommend that the present system of sale of foodgrains may be reviewed to see how it could be improved so as not to discourage small and bona-fide traders.

6.17. The Committee enquired whether it was a fact that the present system of sale of coarse grains by inviting tenders frustrated the objective of providing foodgrains to the consumers at steady prices throughout the year because traders bid higher and higher price. In reply, the Corporation has stated that it does not agree that what the sales of coarse grains by open tenders frustrated the objective of steady prices. In fact such sales had a healthy effect on prices. Sales of coarse grains *viz.*, Jowar, bajra and maize generally made to the State Governments. It was only when the allocations made by the Government of India were not accepted by the State Governments for one reason or another, that alternative avenues of disposal were explored by the Corporation, the allocations made to the State Governments were in fact for the purposes of having these coarse grains distributed through the public distribution system in the various States at a price determined by the State Governments.

6.18. While the Corporation agree that all the stocks of coarse grains purchased by the Corporation should be disposed of by sales through Fair Price Shops, the demand through the public distribution system depends on the issue price of the coarse grains concerned and availability of various other grains and pulses and their prices in the open market. If the prices of other grains are low, there is very poor lifting of the coarse grains through the public distribution system with the consequent decline in the demand for coarse grains from the State Governments. In such a situation, the Corporation is obliged to dispose of these grains either by open tenders or by offer to the bulk consumers at mutually acceptable rates.

E. Sale of wheat to Roller Flour Millers

6.19. According to the information received by the Committee, the Roller Flour Millers in the country had been facing the following difficulties:—

- (1) Corporation procures wheat from April to July thereafter it is dormant for the rest of the year leaving the foodgrains market at the mercy of demand and supply.

- (2) Roller Flour Millers cannot buy their requirements of wheat from the open market and take advantage of fall in market price.
- (3) The data furnished to the Roller Flour Millers by the Corporation about the wheat supplied to them is incomplete in as much as it gives only the physical characteristics but not the chemical composition i.e. protein content, etc.
- (4) The number of delivery points set-up by the Corporation at Delhi are not adequate with the result that whenever major deliveries of wheat are to be made, delivery operations get begged.
- (5) Corporation does not provide adequate labour at their godowns with the result that Millers had to bring their own labour for the sake of expeditious delivery.
- (6) Operating hours of the Corporation in Delhi are from 10.00 A.M. to 3.00 P.M. Millers who fail to turn up during these hours to go without delivery.

6.20. During evidence of the Ministry of Agriculture, the Committee asked whether it was a fact that the F.C.I. undertook procurement of wheat during the months of April to July only and become dormant during rest of the year leaving the market at the mercy of demand and supply. The Food Secretary said, "Sir, the first statement that F.C.I. undertake procurement only during the months of April to July, is not correct. It is making procurement all the year round." He added, "of course, the bulk of the procurement of wheat is done from the middle of April to June."

6.21. The Committee were also informed by the official representatives of the Ministry that the ban on the Roller Flour Millers to purchase their requirements of wheat from the open market had been lifted. Now if a Miller did not want supplies from Government, he was free to purchase 100 per cent of the required grain from the open market. But if the Miller wanted supply from Government, he could buy only upto 30% from the open market.

6.22. The Ministry of Agriculture stated that data relating to physical and chemical characteristics as also of baking qualities of various varieties of wheat was being supplied to the Roller Flour Mills.

6.23. During evidence the official representative of the Ministry stated that there were large number of delivery points in the existing depots in Delhi and whenever there was a particular rush additional delivery points were opened. Delivery was further facilitated by weighing on weigh bridges. Weigh bridges were functioning in two or three depots.

6.24. The Food Secretary admitted that shortage of contractors' labour at F.C.I. depots was felt in the harvest season from April to June and Millers brought their own labour to expedite delivery.

6.25. The Committee were informed that hours of work of FCIs depot were from 9.30 A.M. to 3.30 P.M. Customers had to come within these hours but deliveries went on two to three hours after. Customers were not received after 3.30 P.M. because trucks had to be loaded.

6.26. The Food Secretary denied the allegation that the Miller were asked to sign a letter of delivery before the delivery. Acknowledgement was obtained only at the end of the delivery at the back of the order in token of having received the wheat.

6.27. One of the main grievance voiced before the Committee by a Federation of the Roller Flour Millers was that millers had to buy all their requirements of wheat from the Food Corporation of India and that even when open market prices of wheat were less than the Corporation's prices they could not take advantage of the reduced open market prices. During evidence the official representative of the Ministry of Agriculture (Department of Food) informed the Committee that the ban on the Roller Flour Millers to purchase their requirements from open market had since been lifted and now if a Miller did not want supplies from Government, he was free to purchase 100 per cent of the required grain from the open market but if a Miller still wanted supply from Government he can buy only upto 30 per cent from the open market. While the Committee hope that this relaxation will remove the main grievance of the Roller Flour Millers, the Committee wish to invite attention of Government to the need to ensure that whatever quantities of wheat are sold by the Corporation to the Roller Flour Millers at a fixed price are in fact milled into Atta and are not surreptitiously sold in the market in order to earn profits without rendering any service to the consumers of Atta.

VII

OTHER ACTIVITIES

A. Port Operations

Since 1965, India's net imports of Rice, Wheat and Cereals were as under:

(in Million Tonnes)

| Year | Rice | Wheat | Cereals | Total |
|------|------|-------|---------|-------|
| 1965 | 0.8 | 6.6 | 7.5 | 14.9 |
| 1966 | 0.8 | 7.8 | 10.3 | 18.9 |
| 1967 | 0.5 | 6.4 | 8.7 | 15.6 |
| 1968 | 0.4 | 4.8 | 5.7 | 10.9 |
| 1969 | 0.5 | 3.1 | 3.9 | 7.5 |
| 1970 | 0.2 | 3.4 | 2.6 | 5.2 |

7.2. The following quantities and values of foodgrains and fertilizers were handled at various ports by the Food Corporation of India since its inception:

(Qty. in lakh tonnes)

(Value in Re. crores)

| Year | Wheat | | Rice | | Milo | | Total | Fertilizers |
|---------|-------|--------|------|-------|------|-------|-------------|-------------|
| | Qty. | Value | Qty. | Value | Qty. | Value | Food-grains | Qty. |
| 1965-66 | 2.13 | 9.90 | 1.01 | 6.14 | .. | .. | 3.14 | 0.22 |
| 1966-67 | 4.81 | 23.36 | 4.06 | 25.37 | 0.13 | 0.45 | 9.00 | 1.83 |
| 1967-68 | 6.15 | 36.65 | 1.94 | 18.62 | 0.13 | 0.59 | 8.22 | 2.83 |
| 1968-69 | 9.81 | 74.52 | 3.01 | 28.97 | .. | .. | 12.82 | 4.63 |
| 1969-70 | 31.93 | 186.35 | 4.46 | 50.84 | 3.04 | 14.76 | 39.43 | 21.43 |
| 1970-71 | 29.37 | 171.19 | 2.93 | 21.90 | .. | .. | 32.30 | 14.04 |

7.3. The entire port operations work at all the 25 ports in the country was entrusted to the Corporation by 1st April, 1969. A major step has been taken by the Corporation in de-casualising labour at the port and godowns in Greater Calcutta from January, 1970.

7.4. With the increasing responsibility being cast on the Corporation for handling of imports of foodgrains and fertilizers at the ports, the Corporation has now developed an expertise in the sphere of port operations. An idea of the efficiency with which these operations were carried out can be had from the estimated amount of demurrage incurred and the despatch money earned by the Corporation. These figures are given below:

(Rs. in lakhs)

| Year | Demurrage incurred | | | Despatch Money Earned | | |
|---------|--------------------|-------------|-------|-----------------------|-------------|-------|
| | Food-grains | Fertilizers | Total | Food-grains | Fertilizers | Total |
| 1965-66 | 0.28 | .. | 0.28 | 2.76 | 0.38 | 3.14 |
| 1966-67 | 7.36 | 1.13 | 8.49 | 7.62 | 2.61 | 10.23 |
| 1967-68 | 9.09 | 0.12 | 9.21 | 7.03 | 3.96 | 10.99 |
| 1968-69 | 5.32 | 0.66 | 5.98 | 14.26 | 4.42 | 18.68 |
| 1969-70 | 17.92 | 13.64 | 31.56 | 35.91 | 31.23 | 67.14 |
| 1970-71 | 15.27 | 0.52 | 15.79 | 35.64 | 30.27 | 65.91 |

7.5. During evidence of the Ministry of Agriculture, the Committee enquired why demurrage incurred had gone up from Rs. 0.28 lakhs in 1965-66 to Rs. 31.56 lakhs in 1969-70. In reply, the Food Secretary stated that demurrage had gone up in the years 1966-67, 1967-68 and 1968-69 because of tremendous imports of the order of more than 10 million tonnes in those years and because of bunching of ships and non-availability of berths. He added that the Corporation had earned more despatch money than the demurrage by quick clearance of foodgrains and this had resulted in a net gain to the Corporation.

7.6. The Committee are unhappy to note that the demurrage incurred by the Food Corporation on foodgrains and fertilizers had shot up from Rs. 0.28 lakhs in 1965-66 to Rs. 31.56 lakhs in 1969-70. During 1970-71, demurrage is estimated to be Rs. 15.79 lakhs.

While as pointed out by the official representative of the Ministry, it was true that the Corporation had earned more despatch money than the demurrage incurred by it each year since 1965-66, the Committee stress that there should be unceasing effort to so regulate flow of imports as to avoid bunching of ships at ports and unload the foodgrains with utmost expedition so as to earn maximum despatch money and obviate any demurrage. The Committee recommend that the Corporation should undertake a critical investigation of each case of demurrage; assess responsibility for the lapse, and devise concrete remedial measures for future to arrest this disturbing trend.

B. Rice Mills Project

7.7. There were 67,100 rice mills of various types in India as on 1st January, 1970. Details are given in Appendix V. Of these, 57,445 mills are of single Huller type. While most of the mills in the Cooperative and public sectors are generally larger capacity units, majority of the rice mills, especially Hullers, are very small units which are predominately in the private sector.

7.8. Rice milling is the largest food industry in India. Although it is the oldest of the food industries, it is the most backward. This is because the industry is very poorly organised and is using old outmoded milling equipments. The age old process of hand-pounding of paddy to produce rice was substituted in the later part of the 19th century by rotary type Hullers. Paddy Shellers and rice-polishing cones were introduced about 35-45 years ago and the handling process was further mechanised with a view to reduce costs. Improved mill designs with better performance have been introduced in other rice producing countries since then while in India, this industry has remained stagnant.

7.9. In the total marketing functions of rice, milling has a key role and millers dominate the entire operation. Unlike Wheat, paddy has to be milled before marketing. Rice Millers thus not only mill paddy, but are also important wholesale traders who purchase paddy and sell rice. It is through rice mills that one can gain a commanding position in the rice trade. Realising the importance of it, the Food Corporation of India has embarked on a programme of setting up a chain of 24 modern rice mills in the country at a capital cost of Rs. 3.51 crores (revised estimate) The capital cost is exclusive of the cost of silos attached to rice mills. The cost of these silos has been included in the storage programme approved by Government. The Rice Mills Project was approved by Government in

1967. The rated capacity of each Rice Mill will be 4 tonnes per hour. 21 out of 24 rice mills would have par-boiling facilities.

7.10. For fulfilment of the programme, five complete rice mills and the more intricate components such as paddy separator, paddy husker and rice whitening machines for 19 other mills were ordered from Japan early in 1967, with the intention that the balancing equipment for these 19 mills would be manufactured indigenously. For the manufacture of the balancing equipment M/s. Binny Engineering Works, Madras entered into collaboration with M/s Stake of Japan. The Food Corporation of India's Agreement with M/s Binny Corporation Works provides for the supply of the above machinery at landed cost of corresponding components of Japanese make plus 5% in Indian currency.

7.11. Location of all these Rice Mills was finalised by October, 1970. It will be as under:—

LOCATION OF F.C.I. MODERN RICE MILLS

(in '000 M.T.)

| Location | Region | Procurement of paddy, rice in 1970-71 (From Nov. 70 to July, 71 in the region). | | |
|------------------|----------------|--|-------|------------------------|
| | | Rice | Paddy | Total in terms of rice |
| 1 | 2 | 3 | 4 | 5 |
| *1. Thanjavur | Tamil Nadu | | | |
| *2. Mannargudi | " | | | |
| *3. Sembanarkoil | " | 4 | 77 | 55 |
| *4. Chidambaram | " | | | |
| *5. Nizamabad | Andhra Pradesh | 353 | 153 | 455 |
| *6. Nellore | " | | | |
| *7. Mir-Yalaguda | " | | | |
| 8. Sattenapalli | " | | | |
| *9. Olavakot | Kerala | (Requirements to be met from Palghat district and other neighbouring districts in Tamil Nadu). | | |
| *10. Hirakund | Orissa | | | |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------|---|---------------|--------------------------------------|-----|-----|
| 11. Dungirapalli . | | Orissa | | 365 | 243 |
| 12. Jeypore . | | ” | | | |
| 13. Buniadpur | | West Bengal | | | |
| 14. Suri . | | ” | 133 | 174 | 249 |
| *15. Durgapur | | ” | | | |
| *16. Bankura | | ” | | | |
| 17. North Lakhimpur . | | Assam | .. | 93 | 62 |
| 18. Hojai | | ” | | | |
| *19. Chanpatia | | Bihar | 26 | 3 | 27 |
| 20. Purnea . | | | | | |
| | | | (Mills are still to be commissioned) | | |
| *21. Batala | | Punjab | 643 | 138 | 375 |
| *22. Patiala . | | | | | |
| *23. Karnal . | | Haryana | | | |
| *24. Rudrapur | | Uttar Pradesh | 102 | .. | 102 |

(*Rice Mills which have been commissioned)

So far only 16 out of 24 rice mills have been commissioned.

7.12. During the evidence of the Food Corporation of India, the Committee enquired on what principles the location of modern rice mills in the country had been decided by the F.C.I. The Chairman, F.C.I. stated, "supposing in one area there are too many rice mills already, we would not like to cluster that area. So, our idea is to go into areas which are heavily surplus in rice and where the farmers are exploited and do not get a fair price. We try to select such areas for setting up modern rice mills."

7.13. The Committee enquired how was it that in U.P. which is the largest State in India, only one rice mill was being set up and none in Madhya Pradesh. The Food Secretary stated that location of a rice mill depended on whether or not surplus rice was available in the State. In Madhya Pradesh a large number of private mills and cooperative mills were already there. He added, "We are trying to get this under the Cooperative Departments activity. But if it is considered necessary, we will certainly see that the rice mills were set up there. This is linked up with the purchase programme

of paddy. In the case of M.P., F.C.I. is not directly purchasing paddy but rice from millers."

7.14. In a reply furnished after the evidence, the Ministry of Agriculture have stated that basic criterion for determining the location of FCI's Rice Mills, was the availability potential available in the command area. In order to maximise their demonstration effect, 14 out of 24 rice mills had been located in rice producing States of Tamil Nadu, Andhra Pradesh, Bihar and West Bengal. While deciding location it had been ensured that they did not compete with rice mills in the cooperative sector.

7.15. During the evidence of the Food Corporation of India, the Committee enquired whether it was a fact that sometimes, rice supplied contained "pressed stones". The Chairman, F.C.I. said, "We carry out laboratory tests and if we find the admixture of foreign matter, then corresponding cuts are made and we deduct the price." He added, "If any rice that is going to the Mills has got admixture of more than the tolerance limit, then we reject it." F.C.I. was trying to ensure that only rice of "fair average quality" was supplied by the Millers.

7.16. Asked as to how was it that F.C.I. was supplying raw rice to those who want parboiled rice and parboiled rice to those who want raw rice, the representative said that they were aware of this problem. He stated that Punjab and Haryana had surplus raw rice. It was despatched to consuming areas in accordance with the instructions issued by Government. Rice required for consumption in Kerala & West Bengal was of parboiled quality.

7.17. The Committee enquired why good quality rice *e.g.* Basmati rice was not being supplied in Delhi. The representative said, "Sir, I would like to inform you that in Delhi itself, some 1600 to 2000 tonnes of Basmati rice was being issued every month. In Delhi, at one time, only Basmati rice was issued from our godown. But when I got the rice from the ration shop for my own consumption, I got very inferior rice." He added, "Actually distribution of rice is done by the State Government and we have now initiated the system whereby our officers and the officers of the State Government go round to different shops and ensure that rice we issue is distributed to the consumer and they do not replace it by inferior rice."

7.18. Asked whether in the opinion of the F.C.I. investment of more than Rs. 3.00 crores on the modern rice mills project was justifi-

fied when the recovery of rice from these mills was expected to be higher by only 3 to 4 per cent, the Chairman, F.C.I. said, "Yes, we consider that this is fully justified. But as I said, there are certain areas where the availability of paddy is very high, where the farmers are exploited and where they do not get a fair price. For instance, take Lakhimpur. That area is neglected though there is plenty of paddy available. The farmers do not get a fair price. We feel that one of our legitimate functions is also to look after the interests of the growers."

7.19. In their reply furnished after the evidence, Ministry of Agriculture have stated that in the original project report submitted to the Government, additional out-turn of rice taken into account for determining the economic viability of all the 24 mills was 2 per cent. Even at this rate of higher out-turn, the return on capital indicated was 41.37 per cent, 23.78 per cent and 12.06 per cent at 100 per cent, 70 per cent and 50 per cent capacity utilization. In addition, there was improvement in the quality of rice and also by-products. Above all, the additional rice available in these 24 mills from higher out-turn of even 2 per cent would be 9600 M.T. (at 100 per cent capacity utilisation) which would have otherwise been lost in conventional mills.

7.20. During evidence, the Chairman, F.C.I. expressed the hope that their rice mills will be able to run on profitable basis. The Ministry of Agriculture have also stated that "Judging from the economics of the rice mills as have been worked out, with reasonable utilization of capacity, the mills should not lose. However, only a few mills had been set up and these had not been running sufficiently long in order to make an assessment on whether this venture would be a profitable one or not". Stating that the locations of the mills had been carefully determined with a view to ensuring that sufficient paddy would be available, so that the percentage of capacity utilized would be fairly high, the Ministry of Agriculture have expressed the hope that "unless there were some un-expected difficulties or inefficiency in running, there is no reason to expect that there will be losses in running the mills." The Ministry have expressed the view that "Apart from the question of profit or loss, so long as the Food Corporation of India had to buy paddy as a price support measure, it is essential that the Corporation has mills to process the paddy. Otherwise, the Food Corporation of India would be completely at the mercy of the private rice millers and would be held by them to ransom in getting the paddy processed."

7.21. The Committee find that though the Rice Mills Project was approved by Government in 1967 the location of the last 2 out of 24 rice mills was finalised as late as October, 1970. It thus took three years to complete finalisation of location of these Rice Mills. The time taken is obviously excessive and it should have been possible to finalise the matter with greater sense of urgency. The Committee also find that so far it had been possible to commission only 16 out of 24 modern Rice Mills in the country. The Committee understand that in setting up these Mills, the Corporation encountered difficulties like delay in acquisition of land, delay in supply of mild steel plates required for fabrication of Dryers, parboiling tanks and chimneys and special steel plates for boilers etc. The Committee feel that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delay.

7.22. The Committee find that according to the locations finalised by F.C.I., for setting up modern mills, the States of Tamil Nadu, Andhra Pradesh and West Bengal will have 4 rice mills each, the State of Orissa will have 3 rice mills, the State of Assam, Bihar and Punjab will have 2 rice mills each, and the States of U.P., Haryana and Kerala will have one rice mill each. There would be no rice mill in Madhya Pradesh. During evidence the official representative of the Ministry stated that one reason why no rice mill was located in Madhya Pradesh was that there were already a large number of private mills there. Stating that efforts were being made to get rice milling in that State under the Co-operative Department's activity, the official representative assured the Committee, "but if it is considered necessary, we will certainly see that the rice mills were set up there." The Committee feel that the Corporation should make a careful re-assessment of the requirement of rice mills in the States not given adequate attention in the plan of location of rice mills hitherto, (e.g., M.P.; U.P. and other rice producing States). The plea that large number of private rice mills exist in a State is not a convincing argument. The Committee feel that no chances be taken with private mills and hence the Corporation should decide soon to locate rice mills in such States so that there is healthy competition between private and public rice mills or to break the monopoly of the private mills as they might misbehave any time.

7.23. The Committee note that in the original Project Report submitted to Government, additional out-turn of rice mills taken into account for determining the economic viability of all the 24 rice mills was only 2 per cent. The Committee have been informed by the Ministry of Agriculture that the return on capital was expected to be

41.37 per cent, 23.78 per cent and 12.06 per cent at 100 per cent, 70 per cent and 50 per cent capacity utilization. In other words, the key to ensure adequate return on capital and profitability of this venture depended on whether and if so to what extent, the Corporation was able to utilise the capacity of these rice mills. The Committee have no doubt that knowing as they do this fact, the Corporation and the Government would do their utmost to see that these mills operate at their full capacity and look after the interests of the growers also.

The Committee would like Government|Food Corporation of India to keep a close watch on the financial results of working of the Rice Mills so as to obviate losses.

The Committee note that out of 67,100 rice mills in the country as on 1-1-1970 only 665 rice mills have been installed in the cooperative sector. The Committee are of the view that Government should publicise the salient features of the modern rice mills and their attendant advantages to encourage the cooperative sector to set up modern rice mills in the country. The Committee have an impression that not a few of the mal-practices obtaining in rice trade are traceable to the private rice mills. The Committee consider that Government and Food Corporation should exercise great vigilance in their dealings with the rice mills so that there is no scope for any surreptitious leakage or diversion of rice contrary to orders and that in no case trade indulges in charging an unconscionably high price from the consumers particularly those coming from weaker sections of society.

C. Setting up of Paddy and Maize Dryers

7.24. Thirty mechanical dryers for paddy were set up in Tanjavur District of Tamil Nadu in 1967 at a cost of Rs. 1.11 crores. The paramount need for these dryers arose out of the intensive cultivation programme leading to the production of Kuruvai paddy which is highly susceptible to germination after 48 hours of harvesting during monsoon period if stored without drying. For this project no technical or other collaboration was entered into Technical guidance for this project was made available by the Ford Foundation. All the equipment was manufactured indigenously. The capacity of these dryers is 160 tonnes per day based on 3 passes. For drying boiled paddy for milling its capacity is about 60 tonnes per day. During 1969-70, 22, 616 tonnes of paddy were dried.

The Committee were informed that because of vagaries of climatic conditions, the paddy did not have the expected degree of high moisture and full utilisation of the Paddy Dryers had not been possible. For ensuring better utilisation, the shifting of dryers from 7 centres has so far been approved in addition to the use of

dryers at three drying centres as part of the parboiling complex. Asked as to what would be the cost of shifting these Dryers, the Ministry of Agriculture have stated that the cost of shifting the dryers was estimated to Rs. 60,000/- for each dryer, but this, the Ministry feels, will be off-set considerably by the steep rise in the present day cost of new Dryers.

7.25. The Committee are unhappy that the Rice Dryers were not properly located in the first instance and that additional expenditure would be incurred on their shifting. The Committee are concerned that a heavy investment of Rs. 1.11 crores should have been made without trying out the dryers on a pilot scale in the field. The Committee would like Food Corporation of India to keep a close watch on the working of the dryers so as to ensure their maximum use and obviate any losses.

7.26. Punjab he emerged as a major producer of maize. This grain being form a post monsoon crop, contains high moisture content. During 1967-68 purchases of large quantities of maize containing high moisture had to be moved to Uttar Pradesh for drying and storage. It was, therefore, felt that if the work of drying could be undertaken in Punjab, itself, it would facilitate considerably the operations and also be economical. The first mechanical maize dryer has been set up at Khanna in Punjab, an important mandi on the national high way. The maize dryer has a drying capacity of 5 tonnes per houuse and its holding capacity is 12 tonnes. It will bring down the moisture content by 5% in one pass. On the basis of a 90 day working season at the daily output of 100 tonnes, the dryer can handle, 9,000 tonnes of maize a year. The approximate operation and maintenance cost has been estimated as Rs. 2.12 per tonne.

After an economic evaluation of the operation of the dryer at Khanna the Corporation plans to take up the installation of 2 more dryers. These would be located in Ludhiana and Jagraon mandies in Punjab.

7.27. The Committee would like the Corporation to carefully evaluate the working of Maize dryer at Khanna (Punjab) before installing additional dryers.

D. Maize Milling Plant

7.28. To popularize maize products such as maize atta, 'suji', grits, particularly from the hybrid maize, the Corporation is setting up a small maize milling Plant at Faridabad in Haryana which

will be the first of its kind in the country. The plant will be imported from Italy. Its capacity will be 25 tonnes per day. The Plant will adopt dry milling process and will be able to process about 7,500 tonnes of maize per annum.

E. Milling and distribution of wheat products

7.29. The Corporation took up, with the approval of the Ministry of Agriculture (Deptt. of Food) arrangements for milling of imported wheat and distribution of wheat products first in the Southern States of Madras, Mysore, Kerala and Andhra Pradesh with effect from 1st April, 1965 with a view to enforce control over the prices of wheat products and to ensure that the wheat products are of requisite quality standards. The scheme was extended to Rajasthan and Orissa States from 1st January, 1966 and to Delhi with effect from 1st July, 1966.

7.30. Quantity of wheat products handled by the Corporation was as under:

| | (In tonnes) | | | | | |
|-------------------|-------------|----------|----------|---------|---------|---------|
| | 1965-66 | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 |
| 1. Tamil Nadu | 1,21,070 | 1,59,328 | 1,21,943 | 59,919 | | .. |
| 2. Mysore | 65,971 | 89,926 | 62,109 | 84,170 | 93,100 | 62,400 |
| 3. Kerala | 53,594 | 73,873 | 73,055 | 51,504 | 17,300 | |
| 4. Andhra Pradesh | 49,027 | 64,220 | 32,326 | 20,168 | 200 | |
| 5. Rajasthan | 4,539 | 38,948 | 23,897 | 13,301 | | .. |
| 6. Orissa | 6,346 | 39,863 | 44,237 | 39,739 | | |
| 7. Delhi | N.A. | 1,56,954 | 2,71,205 | 50,691 | | |

7.31. Government of India made allocation of wheat every month to each State for production of wheat products. Against these allocations, the Food Corporation of India supplied wheat to Flour Mills on Corporation account for milling into wheat products. Millers were paid milling charges ranging from Rs. 39/- to Rs. 80 per tonne of wheat crushed depending on the pattern of extraction i.e. pattern of extration Atta, bran, refractions, whole meal Atta and other factors. The Corporation has now decided not to enter into wheat milling arrangements with roller flour mills except where State Governments desired continuation of these arrangements and these were economically viable. They have withdrawn

from the business in the States of Andhra Pradesh, Tamil Nadu, Rajasthan and Delhi. However, in Kerala, Mysore & Orissa, the work was continued on a limited scale and wheat products were distributed by the Corporation. The Corporation marketed 1.11 lakh tonnes of wheat products during 1969-70.

F. Nutrition Programme

7.32. Fortification of food stuffs with essential Vitamins, minerals, amino acids and protein concentrates is a convenient and effective method of providing nutrition in the daily diet of the people and thereby fighting malnutrition in the country.

7.33. The Food & Nutrition Board of the Government of India has in collaboration with USAID and the Food Corporation of India sponsored a project for providing better nutrition to consumers of mill atta. As a promotional effort, fortified atta will be sold to consumers at no extra cost. Increase in cost due to fortification is entirely subsidised by the Government of India. Fortification of wheat atta is done with groundnut protein concentrate (5%) and Vitamins and minerals (0.2%) consisting of vitamins 'A' Thiamin, Riboflavin Niacin, Calcium and Iron. Food and Nutrition Board is responsible for ensuring quality control of raw materials and end products.

7.34. The following quantities of fortified atta were produced in Bombay and Calcutta:—

| Centre | Period | Quantity produced in M.T. |
|---------------|--------------------------|---------------------------|
| (i) Bombay | 1969-70 | 1,578 |
| | 1970-71 | 5,105 |
| | 1971-72 (Up to 26-12-71) | 10,515 |
| | | 17,198 |
| (ii) Calcutta | 1969-70 | NIL |
| | 1970-71 | 15,916 |
| | 1971-72 (Up to 26-12-71) | 8,898 |
| | | 24,814 |
| GRAND TOTAL | | 42,012 |

No production was possible in Delhi, in view of Delhi Millers reluctance to take up fortification because of underselling of atta in the markets. However, further attempts are being made by the Corporation to start fortification of wholemeal atta in Delhi, on a small scale. The scheme of fortification of Atta has not extended to any other city.

7.35. Early in 1967, the U.S. Government expressed their willingness to provide 5 million dollars worth of commodities which could be substantially designated for the local production of a low cost high protein food for needy children in the drought affected areas of Bihar. This offer was accepted by the Government of India. The Corporation was entrusted with the responsibility for the manufacture of 'Balahar' in May, 1967. 'Balahar' is mostly taken in the form of Halwa, Uppama and Gruel by Children. It is made up of the following ingredients:

| | |
|---|-----|
| Wholemeal atta Bulgur wheat and Bread flour | 70% |
| Groundnut flour | 25% |
| Skimmed Milk Powder | 5% |

7.36. The final product fortified with vitamins and minerals has a protein content of 22% to 25%. In order to make it palatable to children powdered coriander, saunf and salt are added. Saccharine is used for sweetening. The Government of India exercises supervision on the quality of the product.

7.37. Since June, 1967, the Corporation manufactured the following quantities of 'Balahar':

| Period | Quantity (Tonnes) |
|------------------------------------|---|
| (1) First Phase (July 67—Feb. 68) | 8,715 |
| (2) Second Phase (Mar. 68—Mar. 69) | 19,329 (including 15,543 tonnes of flavoured Balahar) |
| (3) 1969-70 | 7,502 |
| (4) 1970-71 | 8,700 |

7.38. The present demand of CARE is about 43,000 tonnes for 1971-72. So far the main demand for Balahar had been from CARE but now the Department of Social Welfare had drawn up feeding programmes to cover not only children but also mothers. A proposal is stated to be under consideration of Government to produce a pre-cooked product of Balahar in collaboration with FCI and commercialise the product as a ready made product for the public.

7.39. Wheat component of 'Balahar' is supplied by USAID-CARE, while the cost of groundnut flour is borne by USAID and Skimmed Milk powder is made available by World Food Programme. Food Corporation manufactures Balahar and supplies it to the CARE for their Mid-day meal programme for School Children. The cost towards processing of Balahar comes to Rs. 201.72 per tonne of Plain Balahar. This includes cost of handling of ingredients, processing, vitamins and minerals, blending and packing, despatch and supervision. The expenditure incurred by the Corporation is re-imbursed to it by Government of India.

7.40. The Committee enquired that if the nutritional programme proceeds, as in the past, on a modest scale, how do the Government expect to tackle the national problem of under-nutrition especially among the poor strata of society in the foreseeable future? In reply, the Ministry of Agriculture stated that 'Balahar' and 'fortified atta' were only two of the several programmes drawn up, by the Government to combat malnutrition and undernutrition in the country. An integrated programme of agricultural production, processing, preservation and effective utilization coupled with wide spread nutrition education, correct dietary habits, supplementary feeding through pre-school and school feeding programmes and build up of the economy for increasing the purchasing power of the people were necessary to make any real impact. Production of 'Balahar' and 'fortified atta' were treated only as pilot projects by the Department of Food.

7.41. It has been stated that Government had set up Community Canning Centres in different regions in the country, where fruit and vegetable preservation at home scale level was encouraged and the programme was to develop 25 such Centres in the Fourth Plan. Certain State Governments had also developed such Centres in their States. A proposal to further expand this activity was also under consideration of Government.

7.42. Government had also developed 17 Nutrition Mobile Extension Units in different parts of the country to extend nutrition education through demonstration, lectures, publicity materials etc. The proposal was to set up 40 such units in the 4th Plan.

7.43. The Modern Bread produced through the Modern Bakeries is fortified with vitamins, minerals and protein concentrates. About 57.7 million standard loaves of bread have been produced during

1970-71 and the target for this year is about 75 million breads. Proposal to establish small scale bakeries are also under consideration of the Government.

7.44. Vegetable protein Isolate Tonned Milk is at present being produced at Bangalore. The present production rate was 1000 litres per day. Miltone was being distributed in school feeding programmes. Proposals to step up this production rate to 5000 litres per day and setting up more units were under consideration of the Government.

7.45. A scheme was being finalised for setting up Soyabean and edible groundnut flour production plants in collaboration with Food Corporation of India, which when commissioned would make vegetable protein for utilisation for the production and development of high protein foods.

7.46. A project for the production of a Weaning Food utilising vegetable protein is under development in collaboration with Kaira Union and is being assisted by UNICEF and USAID. These are some of the Projects which, the Government considered, would help in bringing about a nutritional improvement in general including the poor strata of society.

7.47. The Committee find that since July, 1967 Food Corporation of India had so far produced 62,030 tonnes of 'Balahar' and Mill Atta fortified by it since 1970 was 42,012 tonnes. The Committee are convinced that at this rate it will not be possible to touch even the fringe of the problem of malnutrition and under-nutrition in the country. The Committee are glad that Government are conscious of the magnitude of this problem and are considering proposals to expand these programmes so as to embrace the entire country and launch other programmes like setting up of 40 Nutrition Mobile Extension Units under the Fourth Plan, establishment of small scale Bakeries, stepping up of rate of production of Miltone, setting up Soyabean and Groundnut flour production plants, development of a weaning food utilising vegetable protein, etc. The Committee have no doubt that keeping in view the urgency of combating protein deficiency in the daily diet of the people particularly in the weaker sections of society decisions on these proposals would be arrived at soon and the approved programmes would be implemented with speed and vigour so as to bring these fortified foods within the reach of weaker sections of society.

The need for a nutrition programme particularly for the weaker sections of society has been recognised for decades in our country and a mention about it has also been made in our Five Year Plans. Now that Government have a country-wide agency in the Food Corporation of India and also adequate stocks, the Committee feel that it should not be too difficult to implement in letter and spirit the programme of making available nutritious foodgrains e.g., 'Balahar', fortified 'atta' etc., at reasonable prices to the weaker sections of the society. The Committee need hardly stress that the programme should be so implemented in the field that the benefit reaches the weaker members of our society, particularly the children.

G. Supplies for Defence Services

7.48. A project report was also prepared by Planning and Research Division on the setting up of a "Dal" Mill by the Corporation. After considering the feasibility of this project, the Corporation also decided to set up one such unit at Lucknow. This was largely to meet the demand of the Defence Services for split pulses.

7.49. An important policy decision taken by the Government of India in this context needs special mention, namely, that, in future, all the supplies of foodgrains, pulses and animal feed grain being made by the Army Purchase Organisation of the Food Department for the Defence Forces should be arranged through the Food Corporation of India. During 1970-71, the following supplies were made by the Corporation to the Army Purchase Organisation, conforming to the special Army specifications:

| | |
|--------|-----------------|
| Wheat | 1,60,000 tonnes |
| Rice | 88,400 .. |
| Barley | 9,274 .. |
| Pulses | 17,500 .. |

H. Supplies for Cyclone Victims in East Pakistan

7.50. At the instance of the Government of India, the Food Corporation arranged supplies of 400 tonnes of chura, 500 tonnes of pulses, 840 tonnes of rice, 300 tonnes of sugar, 100 tonnes each of mustard oil and gur and 50 tonnes of Balahar, at a total cost of Rs. 35.22 lakhs inclusive of interest and other charges for providing relief to the victims of cyclone disaster in East Pakistan in November, 1970.

VIII

QUALITY CONTROL

The foodgrains distributed by the Food Corporation of India are subject to the Statutory provisions of the Prevention of Food Adulteration Act.

8.2. In order to exercise quality control effectively, a Division manned by adequately qualified personnel has been set up at the headquarters. Necessary technical staff is posted at the purchase centres and storage depots.

A. Stages of Quality Control

8.3. Quality control is exercised by the Corporation at three stages. These are:

- (i) at the time of purchase
- (ii) storage stage, and
- (iii) processing level.

(i) *Pre-Purchase Quality Control*

8.4. The Corporation has stated that for carrying out purchase operations, specifications to be adopted and the method of quality inspection to be followed was decided upon before the starting of the actual operation. Wherever necessary, the technical staff to be responsible for the quality inspection was trained in the methods of analysis of foodgrains. Standard techniques recommended either by the Indian Standards Institute, the Agricultural Marketing Adviser or the Union Food Department were adopted in sampling, inspection and analysis of foodgrains.

8.5. The work of import of foodgrains had been transferred to the Food Corporation recently. The procedure adopted in the Food Department namely of either subjecting the foodgrains to official inspection of the exporting countries or posting technically qualified staff for quality inspection in the exporting country and further subjecting these grains to quality inspection at the ports of receipt was being continued. At the port of receipt between 75 to 100

samples were drawn from each consignment and these are examined for various refractions in relation to a specification that is adopted for purchasing the grain. In addition, analysis was also carried out for inspection residues and important nutritive constituents like protein.

(ii) Storage Quality Control

8.6. It has been stated that with a view to ensuring maintenance of quality foodgrains in storage for a longer period, the storage structures being constructed by the Corporation were rodent damp and white-ant proof. These storage godowns further were well ventilated. Technically qualified, trained staff was maintained by the Corporation to look after the quality in storage. The Corporation has claimed that quality standards were being satisfactorily maintained by it and this was evident from the fact that 90 per cent grain in stock with the Corporation continued to remain in category 'A', that is, almost exactly in the same condition as it was at the time of purchase. To ensure that stocks in storage were maintained in good condition, about 360 lakh tonnes of foodgrains were given prophylactic treatment and 85 lakh tonnes fumigated during 1969-70. During 1970-71, such treatments were given to 8.3 million tonnes respectively. A close watch was maintained on the performance of the staff both from the Zonal and Central headquarters. Suitable curative and prophylactic treatment was imparted to maintain quality during storage.

(iii) Processing level: Quality Control

8.7. The Corporation was also dealing with milling wheat and had to set up its own mills for rice. The Corporation has stated that it had been successful in introducing quality standards in its milling operations in the States of Kerala, Tamil Nadu, Mysore, Andhra Pradesh, Delhi, Rajasthan and Orissa.

B. Techniques of Quality Control

8.8. It has been stated that in addition to the field duties mentioned above the Corporation was continuously engaged in improving the standards of quality by periodically training the technical staff at Grain Storage Research and Training Centre, Hapur and Central Food Technological Research Institute, Mysore and maintaining a close link with Agricultural Institutes in the country and abroad. It has been indicated by the Corporation that it was possible to standardise the techniques as result of these large scale training and coordination efforts.

8.9. The Corporation has stated that it had successfully tried the following quality control techniques:—

- (i) To evolve better and more effective methods to save foodgrains which got affected by rain particularly in harvest during the rainy season, experiments for quick drying of paddy were conducted in Assam, Bihar and Tamil Nadu. Results showed that mixing of salt in a fixed proportion considerably helped in drying of grain quickly. This technique checked fungal or bacterial activity.
- (ii) Experiments were conducted to dry the foodgrains by forcing air circulation through the stacks covered with black polythene stacks. The principle involved was warm-up of the air inside the stacks by distribution/circulation of Solar Heat. Demonstration trials utilising the heat of the sun or from boiler furnace of the rice mills were carried out in Assam.
- (iii) A new small gadget called Grain-Vernier was designed and developed at the Central Laboratory of the Corporation. It can be used for quick measurement of rice kernels for classification of indigenous varieties. It is claimed that this gadget is portable, easier to operate and economical. It has been supplied to the field staff.
- (iv) A new experiment on bulk storage of wheat in conventional godowns was undertaken at Boriville Godowns, Maharashtra. It is expected that this experiment will permit increased quantity of grains to be stored in conventional godowns without deterioration.

8.10. A Manual on Quality Control for the guidance of quality control staff was brought out by the Corporation in 1970.

C. Role of Laboratories

8.11. The Corporation had been expanding its net work of Laboratories so as to keep pace with increased needs of quality control in the matter of procurement, storage and distribution of foodgrains.

The number of its Laboratories and the number of samples analysed by these laboratories each year was as under:—

| Year | Central Laboratories | Regional Laboratories | District Laboratories | Total Num. of Lab. | No. of Samples |
|-------------------------|----------------------|-----------------------|-----------------------|--------------------|----------------|
| 1965 | 1 | 4 | 17 | 22 | 7,392 |
| 1966 | 1 | 4 | 28 | 33 | 34,475 |
| 1967 | 1 | 8 | 34 | 43 | 85,377 |
| 1968 | 1 | 14 | 69 | 84 | 1,33,117 |
| 1969 | 1 | 15 | 78 | 94 | 1,71,590 |
| 1970 | 1 | 15 | 78 | 94 | 1,43,793 |
| 1971 (Upto 31-10-71) | 1 | 15 | 79 | 95 | 1,46,344 |

8.12. During the evidence of the Food Corporation of India, the Committee enquired how the F. C. I. ensured that foodgrains it distributed were of a good quality when a large number of agencies were engaged in procurement. In reply, the Chairman, F.C.I. said:

“This precisely is the major problem we have to face. We have our agency for checking when the State Government or the Marketing Federation pass on the stocks to us at the loading point, that is Railway Stations, we have our staff who check the stuff that is handed over to us and they also draw samples and those samples are tested in our laboratories. I must confess before you that cases have come to our notice where the stocks have not been put up for our inspection and where we have not been satisfied with the quality of the stuff that had been handed over to us. But those are the things which we are sorting out.”

8.13. Asked how control on quality of foodgrains was exercised, the Chairman, F. C. I. stated that the Corporation had Inspectors, Supervisors, Regional Managers, Zonal Manager etc. who went round and kept a continuous check and supervision over the quality.

8.14. The Committee enquired whether the Corporation had received any complaint about the quality of its Quality Inspectors. The Chairman F.C.I. stated, “they are also human beings. But by and large we have not had any special complaint against them.

Every now and then some complaints do come to our notice. We enquire into them and where necessary, we take disciplinary action."

8.15. During evidence of the Ministry of Agriculture, the Committee asked whether in the opinion of Government, the record of the F.C.I. in ensuring quality of foodgrains distributed by it had been "free from blemish". The Food Secretary stated, "The Food Corporation tries by and large, successfully to adhere to the specifications and to give price depending upon the quality of grains purchased after keeping in mind the specified formula i.e. Fair Average Quality or grade one below or grade two below or relaxed specifications." He added, "When we are dealing with lakhs of purchases over large areas with a large number of parties, certain amount of subjectivity is reduced to minimum by methods of supervision and by settlement of disputes. Having regard to all these things, I think you would probably agree and those who have seen the work of the Corporation will appreciate that it has done quite well. But I won't say categorically that the Corporation has been free from blemish."

8.16. The Committee drew the attention of the Food Secretary to the complaints that often FCI's officials would reject the grains as below Fair Average Quality (FAQ) quality when offered by farmers but when the same grain was purchased by the middlemen and offered to the FCI, it was accepted. This seemed to have become a habit with F.C.I.'s officials and the impression one gained was that they were acting like "Kacha and Pucca Arhtias". The Food Secretary stated that what happened was that often grain offered by the farmers was below FAQ. It was rejected by the FCI. But the middlemen purchased it. The trader blended it with a better type of grain and passed it on as a blended grain. He said, "Well that is something which is difficult to check excepting to avoid the middlemen to the extent possible."

8.17. Explaining the role of "Kacha" and "Pucca" 'Arhtias' the Food Secretary stated that "Kacha" and "Pucca" 'Arhtias' were part of the regulated market system in North India. They had their limited use. "Kacha Arhtias" cleaned the grain, took it along and had a deal done and pucca Arhtias financed it. He opined, "We feel that the pucca Arhtias can be done away with and that FCI deals strictly with it and FCI can purchase grain either directly from the farmers at their own depot points or through Cooperatives and it has succeeded in this to some extent in the last rabi season. About 25 per cent of the total purchase was made through cooperatives in the last rabi season."

8.18. The Committee enquired whether it would be possible to go through multi-purpose societies for procurement of foodgrains. These societies, the Committee pointed out, could ensure that good quality of foodgrains was offered to the F.C.I. The Food Secretary replied, "We are fully in agreement with this view. In regard to U.P., I took a meeting with the Food Commissioner about a fortnight back. The following decision was taken:—

"Village Cooperatives should be made use of to the utmost extent. Similarly the primary Societies should be made use of. At the Block level, the Block Development Officer of the State should make purchases directly at "Mandi" level. The Cooperatives should open its own cell in the Mandis for purchasing the grains from Kutchha Arhtias. The FCI should follow a similar procedure. That is our line of action."

8.19. The Committee drew attention to allegations made in the Rajasthan Assembly that in spite of a good crop of Bajra in Rajasthan, officials of the Food Corporation had refused to purchase "Bajra" from the farmers who had to part with the same to the local traders who, it was reported, managed to sell the same cereal to the Food Corporation of India at a higher price. The Committee enquired whether these allegations had been investigated by the Government and if so what the findings were. The Food Secretary admitted that there was a steep fall in the price of "bajra" in Rajasthan. He said, "In the case of Rajasthan, fortunately, last year the crop position was extremely good. But unfortunately, however, because of late rain, just at the time of harvesting, the grains were affected by rains and quite a bit of it was damaged."

8.20. Asked why rain affected bajra in Rajasthan was not purchased by the Food Corporation of India, the Food Secretary, stated, "In making purchases, we have to bear in mind that whatever we purchase we should be able to sell it also. But that kind of bajra especially shrivelled and damaged grains would not have been acceptable to other States...." He added that "to save the farmers from financial loss, the State Government relaxed specifications upto a particular limit on the condition that F.C.I. would purchase such stocks on behalf of the State Government and the State would take responsibility for the grains so purchased. Thus F.C.I. purchased 15,000 tonnes on the State Account. It is true that farmers suffered because of the fact that they got low prices from the traders."

8.21. The Committee enquired why purchase of "bajra" in Rajasthan was made through middlemen, the Food Secretary replied, "In some cases where market is not properly organised, we have to resort to private traders as agents for purchasing these grains. Where the availability of grain is not large, purchases are not very large, it becomes very difficult for the F.C.I. to make purchases directly. But we did also rectify the situation to some extent and the wheat was purchased directly as well as through cooperatives."

8.22. Asked how was it ensured that farmers got the right price for their produce, the Food Secretary stated, "You are right. We cannot be sure. We are now trying to rectify the situation. We are making purchases through regulated markets or 'mandis' or through cooperatives or directly through F.C.I. or the State Governments. It is something which requires time to improve. But now we have reached a different level of growth when F.C.I. will have to concentrate on seeing that farmers got more benefit than they used to get." The Committee were informed by the witness that State Government was making an enquiry in great details about allegations made with regard to purchase of "Bajra" in Rajasthan by the F.C.I.

8.23. Referring to the quality specifications, the Food Secretary stated that in the case of "Bajra", the grade designated as Fair Average Quality (F.A.Q.) allowed the following:—

| | Percentage |
|--------------------------------------|------------|
| (1) Foreign matter | 1.5 |
| (2) Other foodgrains . . . | 2.0 |
| (3) Damaged and Discoloured grain | 2.0 |
| (4) Shrivelled and immature grain | 3.0 |
| (5) Slightly Damaged grain | 2.0 |
| (6) Weerilled grain | 2.0 |

If the percentage was more than 3.0 per cent foreign matter, 6.0 per cent other foodgrains, 5.0 per cent damaged and discoloured grains and 8.0 per cent weerilled grain, then in the matter of damaged and discoloured grains, FCI, it was stated, was helpless to accept such grains.

8.24. The Committee asked whether it was a fact that rain affected bajra in Rajasthan was only discoloured and did not suffer from:

any physical damage and if so, why the F.C.I. had refused to purchase such grain, the Food Secretary clarified, "As far as "bajra" is concerned, good quality bajra can be kept for two years. But discoloured would not keep for more than a season. If the damaged grain was more than 5 per cent we could not accept that as it was against the Prevention of Food Adulteration Act."

8.25. The Committee pointed out that the general complaint against the F.C.I. was that its categorisation of foodgrains was partly objective and partly subjective because it was the F.C.I.'s official on the spot, who decided about the quality of the grain. When the farmers brought the grain to F.C.I., they were told that their grain was of a low quality. The farmer would then sell away his grain to a private trader at a lower price. Then that trader would sell that very grain to the F.C.I. at the fixed price. The margin thus earned was, it was often alleged, pocketed by the private trader and the F.C.I. officials. The Food Secretary stated, "complaints of this type have reached us both from Rajasthan and U.P. and we are trying to prevent them."

8.26. The Committee note that the Food Corporation of India exercised quality control over foodgrains at three vital stages of procurement, storage and processing, and that for this purpose the network of laboratories had been considerably expanded from 22 laboratories in 1965 to 95 in 1971. The Committee learnt during evidence that there were a few unresolved problems which called for urgent attention in order to ensure quality. The first problem which the Chairman of the Corporation termed as major one was that despite the fact that F.C.I. had their agency for quality inspection, when the State Government or the Marketing Federation passed on stocks to the Corporation at the loading points, that is Railway Stations, cases had come to notice where such stocks were not put up to the Corporation for their inspection. The Committee consider this a serious lacuna and would urge the Central Government to take up all such cases promptly with the State Governments concerned. The Committee would like to be informed of the concrete measures taken to ensure that such lacuna in quality inspection are rectified.

8.27. Another problem that needed to be tackled was the preponderance of subjectivity in the matter of enforcement of quality of foodgrains. It has been represented to the Committee that in some cases the officials of the Corporation, who were on the spot, rejected the grain offered by farmers for sale as being below "fair average quality" but when the same grain was purchased by the middlemen

and offered to the Corporation, it was accepted. This naturally gave rise to suspicion that in such dealings, the conduct of F.C.I., officials was not above board and that it was the subjective judgement of officials on the spot which really mattered. This is what was alleged to have happened while purchases of "Bajra" were made in Rajasthan. It was admitted during evidence that Government had received such complaints from U.P., and Rajasthan and they were looking into them. As was hinted during the evidence of official representatives, it was just likely that in some cases the middleman indulged in the malpractice of purchasing the grain from the farmer, blending it with the better type of grain and passing it on to the Corporation as a blended grain. The official representative of the Ministry added that in Rajasthan, 'Bajra' was purchased through middlemen because the market there was not properly organised and the availability of grain was not very large. The Committee are of the view that it should be possible for the Corporation to check this malpractice. The Committee are also convinced that if the supervisory staff of the Corporation are alert and vigilant, it should be possible to introduce a greater measure of supervision on the exercise of discretionary authority by the officials on the spot. The F.C.I., should strive continuously to avoid the entry of middlemen in the Corporation's purchase of foodgrains.

8.28. The Committee consider that since the Food Corporation of India has been primarily constituted in the interest of the producer and the consumer it should be its ceaseless endeavour to serve both these interests and eliminate the intervention of middlemen to the maximum extent possible. In this context, the Committee would urge that, either the foodgrains should be procured directly from the farmer or from "collection centres" which may be organised in co-operation with agricultural cooperative societies of standing. The Committee are glad to note that the Food Corporation of India procured 25 per cent of foodgrains in "Rabi" season through Cooperatives. This trend needs to be greatly accelerated. The Food Corporation may also have their own procurement organisations in "Mandis" so that the farmers who come there can sell the foodgrains directly to them without the intervention of any middlemen. In order to inspire in the producers a feeling of confidence in the categorisation of foodgrains and the prices being paid for them, the Committee suggest that the Food Corporation|local authorities should widely publicise the grades of foodgrains and the prices being currently paid by the Food Corporation amongst the farmers so that they are encouraged to sell their foodgrains directly to the Corporation rather than to 'Arhtias' and other middlemen. The specifications should be so laid down that they are readily understandable to a farmer. What is

even more important is that the process for categorisation should be done in such a manner as to leave no scope for any unfair or malpractice to creep in. The farmers need payment in cash. The Corporation should ensure that there is quick and prompt payment "on the spot" to the farmers for their foodgrains so as to win and sustain their confidence. The Committee consider that the Food Corporation should continuously endeavour to pass on the benefit of higher prices to the producer so as to serve one of the primary objectives for which they have been set up.

8.29. The Committee feel unhappy that there were complaints both from U.P., and Rajasthan that foodgrains were purchased not directly from the producer but through the intervention of middlemen to the detriment of producers. The Committee note that the matter is being thoroughly investigated by the Corporation. The Committee would like to be informed of the outcome of the investigations and the action taken against all those found responsible for indulging in any unfair or malpractice.

The Committee expect the large supervisory staff which the Corporation has to be alert and vigilant in their duties so as to ensure that officers on the spot render fair service to the producers and there is no ground for any suspicion of malpractice either in grading or payment for foodgrains or avoidable intervention of middlemen to the detriment of the producer.

IX

PRICING POLICY

A. Objectives of Pricing Policy

The major objectives of the price policy followed by the Government are:—

- (a) to assure a reasonable price to the producer, which would provide incentive to him for continuously increasing production by adoption of improved technology;
- (b) to assure that consumer's prices are stabilised and in particular that the interests of the low income consumers are safeguarded; and
- (c) to avoid excessive price fluctuations and regional disparities in prices.

9.2. For achieving these objectives, Government have taken a number of measures. These include:—

- (i) Ban on forward trading in foodgrains;
- (ii) Regulation of private trade through; licensing and other measures.
- (iii) Regulation of bank advances against foodgrains; and
- (iv) Government have built a sizeable buffer stock which is not merely designed to help emergency situations caused by failure of crop but also counter speculative activities of the trade in lean season. Whenever necessary grain is released from the buffer stock through the openmarket in addition to maintaining the public distribution system to check rise in prices.

9.3. The prices for Rabi and Kharif cereals are recommended by the Agricultural Prices Commission and are discussed at the Chief Ministers' Conferences held in April and September respectively. Thereafter the Government of India fix the procurement and issue prices for the year.

9.4. The main policy formulations in regard to the prices at which foodgrains should be purchased and issued, the fixation of incidental charges in the purchase and distribution of foodgrains that should be allowed to the Corporation and the quantities of foodgrains to be allotted to the various State Governments and to be imported from abroad as well as size of the Buffer stock vest with the Union Department of Food. Since pricing policy is ultimate responsibility of the respective Governments, the role of the Food Corporation of India in evolving a pricing policy is very limited. However, the pricing objective of the Corporation have basically to subserve the need to cover the cost of its operations and to reduce the burden of less viable operations.

9.5. The trading operations of the Corporation largely fall under the following four categories:

- (i) Transactions on Central Government account.
- (ii) Transactions on State Government account.
- (iii) Purely commercial transactions.
- (iv) Price Support Operations at the instance of the Central or State Governments.

B. Cost of Inputs Used by Farmers

9.6. The Ministry of Agriculture (Dept. of Food) have informed the Committee that though no composite index bringing out the trend in the cost of inputs of farmers is available for the country as a whole, some data having a bearing on this are available primarily from two sources (i) All India Index Numbers of Wholesale prices (base 1961-62—100) and (ii) Farm Management Studies.

9.7. It has been stated that the index number of wholesale prices had risen between 1965 and 1971 by 7.5 per cent in the case of diesel oil, by 25 per cent in the case of electricity and insecticides and by 42 per cent in the case of fertilisers. To compare these trends in input prices, with those in output prices, it may be mentioned, that since 1965 the index number of wholesale prices of foodgrains has gone up by about 37 per cent and that for industrial raw material has advanced by 52 per cent. The general price level, as measured by the all-community index of wholesale prices, has risen by about 43 per cent between 1965 and 1971.

9.8. The Committee have also been informed that the farm management investigations carried out in some of the selected districts,

provide, *inter alia*, information on the costs of cultivation and production of the major crops grown in the concerned districts. These investigations it has been stated, are conducted for a three year period and therefore provide data on costs for those three years. Study of data in respect of wheat and paddy reveals that the cost of cultivation per hectare has generally shown some rise between 1967-68 and 1968-69. Such rise may be accounted for by rise in inputs prices as also by changes in the level of input use. Cost of production per quintal which is derived after taking into account the yield per hectare declined in the above period for both Mexican and Desi wheat in Muzaffarnagar (UP) but rose for Desi wheat in Ferozepur (Punjab). The trend was irregular for Mexican wheat in Ferozepur (Punjab). As regards paddy, the cost of production declined between 1967-68 and 1968-69 in most of the cases.

C. Procurement Prices

9.9. Since 1969-70, uniform procurement price fixed by Government of India for all varieties of wheat except red indigenous varieties had been Rs. 76/- per quintal with marginal adjustments in some States.

9.10. The Agricultural Prices Commission had been recommending lowering of procurement prices of wheat during the last three years as under:—

| Year | Procurement Price recommended by APC for wheat |
|---------|--|
| 1969-70 | Rs. 70/- per quintal |
| 1970-71 | Rs. 72/- per quintal |
| 1971-72 | Rs. 74/- per quintal |

9.11. In its report on the price policy for rabi foodgrains for the 1971-72 season, the Agriculture Prices Commission had observed that since 1964, the issue prices of wheat had been more than doubled. Any further increase in issue prices would hit hard the poor consumers. On socio economic grounds the Commission, therefore, recommended that procurement prices for wheat should be lowered from Rs. 76/- fixed by Government to Rs. 74/- per quintal. It felt that fall in procurement prices, suggested by it, would affect only the big farmers who had sizeable market surplus.

9.12. The Committee enquired what consideration weighed with the Government in agreeing to a repeated recommendation of an expert body like the Agriculture Prices Commission for lowering of the procurement price of wheat. In reply, the Ministry of Agriculture have stated that the consensus of opinion in the Chief Ministers' Conference had been that the procurement prices should not be reduced in view of the need to provide incentive to the farmers to maximise production and particularly in view of the fact that the prices of inputs, like fertilizers, power, etc. have been going up from year to year. The view of the Government of India is that "the reduction in the procurement prices will dampen the spirit of the farmers and reduce the over all production". Keeping in view the necessity of procuring more foodgrains for the Central pool to meet the demands of the public distribution system and building up a buffer stock of 5 million tonnes at the end of the 4th Five Year Plan, the procurement prices have not been lowered by Government.

9.13. The Committee note that the procurement price of wheat since 1969-70 had been and still is Rs. 76 per quintal for all varieties except red indigenous variety subject to marginal adjustments in prices in some States. Marginal increase in procurement price may have been just about sufficient to cover the higher cost of inputs and the general rise in price index. Agriculture Prices Commission had been recommending lowering of the procurement price of wheat but the Government firmly stuck to its view that such a step will dampen the spirit of farmers and reduce over all production of foodgrains. The Committee agree that farmers must get an incentive price in order to maintain the tempo of green revolution. The Committee are equally concerned that the interests of consumer should be fully taken care of. Farmers should have the satisfaction that the procurement price not only adequately compensates them for the rise in the cost of inputs like fertilizer, power etc., but also leaves them with a fair return on their investment and labour. The consumers should have the feeling of sharing the glow of green revolution by ensuring to them supply of foodgrains at a reasonable price. The Committee have no doubt that Government would take care of the legitimate interests of farmers and expectations of consumers in fixing the base price for foodgrains.

D. Price Support Operations

9.14. In pursuance of the policy of the Central and State Governments to support prices of certain agricultural commodities, the Corporation is required to purchase such commodities (e.g. barely, maize) at specified prices and arrange for the movement and sale.

Losses, if any, arising from the sale price being lower than the economic cost suffered by the Corporation in such transactions are reimbursed by the Central Government/State Governments concerned. If at any time Corporation intends to stop purchases under price support scheme it has to obtain the prior and specific approval of the Government.

9.15. The following quantities of wheat were procured by various agencies including the Food Corporation of India from Punjab and U.P. during 1968-69 to 1970-71 as a measure of price support:—

(in lakh tonnes)

WHEAT

| Year | Production | | Target for Procurement | |
|----------------------|------------|-------------------------------|------------------------|------|
| <hr/> | | | | |
| PANJAB | | | | |
| 1968-69 | 34.00 | FCI | 4.00 | 5.28 |
| | | Market | Nil | 5.19 |
| 1969-70 | 40.00 | FCI | 7.75 | 7.64 |
| | | Markfed | 7.75 | 8.03 |
| | | State Govt. | 3.00 | 3.07 |
| 1970-71 | 48.00 | FCI | 7.00 | 6.70 |
| | | Markfed | 7.00 | 7.01 |
| | | State Govt. | 10.00 | 9.95 |
| | | Union Territory Chandigarh | | 0.04 |
| UTTAR PRADESH | | | | |
| 1968-69 | 57.48 | FCI | Nil | 0.85 |
| | | State Govt. | Nil | 4.00 |
| 1969-70 | 61.00 | FCI | 7.30 | 1.99 |
| 1970-71 | 55 to 57 | FCI | 3.00 | 3.22 |

9.16. The following quantities of Kharif foodgrains were purchased by the Corporation as a measure of price support:

(In tonnes)

| Year | Paddy | Maize | Jawar | Bajra | Total |
|--|----------|----------|--------|--------|----------|
| 1965-66 | | 2,254 | — | .. | 2,254 |
| 1966-67 | .. | 1,692 | 1,583 | 19,597 | 22,872 |
| 1967-68 | 18,453 | 2,63,139 | 24,807 | 19,913 | 3,26,312 |
| 1968-69 | 12,216 | 96,092 | .. | | 1,08,308 |
| 1969-70 | 65,584 | 5,054 | 15 | .. | 1,20,644 |
| 1970-71 (approximately up to 31-7-1971) | 3,26,069 | 3,30,708 | 413 | 86,745 | 7,43,935 |

9.17. In a reply furnished after the evidence, the Ministry of Agriculture have stated that but for mopping up of wheat surplus in the market by the Corporation, the open market prices would have a tendency to sag. The price support operations were designed to curb that tendency and achieve stabilisation of prices. Kharif cereals consist of Rice and Coarse grains viz. Maize, Jawar and Bajra. It is expected that with the successive launching of high yielding varieties programme in many parts of the country since 1970-71 notably Punjab, Haryana, and Andhra Pradesh, price support operations are expected to increase on a significant scale and the price support operations in course grains may decline.

E. Issue Prices

9.18. The following revisions were made by Government of India in the Issue Prices of Wheat, Rice and Milo since 1965:

I. WHEAT

(Rs. per quintal)

| Year | Date from which effective | Imported | | Indigenous | | | |
|-------|---------------------------|----------|-------|-----------------------|--------------|---------------|------------------|
| | | Red | White | Red including mexican | Common white | Superior farm | Indigenous Amber |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1965. | January 1 | 48.00 | 48.00 | | 70.00 | 75.00 | |
| | November 15 | 50.00 | 50.00 | | | | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------|-------------|-------|-------|-------|-------|-------|-------|
| 1966 | November 15 | 55.00 | 55.00 | | 70.00 | 75.00 | |
| 1967. | | 55.00 | 55.00 | | 70.00 | 75.00 | |
| 1968. | January 1 | 67.00 | 67.00 | | | | |
| | June 17 | 70.00 | 90.00 | 70.00 | 90.00 | 95.00 | |
| | December 16 | | 85.00 | | 85.00 | | |
| 1969. | May 4 | 78.00 | 78.00 | 78.00 | 78.00 | 78.00 | |
| 1970. | May 3 | 78.00 | 78.00 | 78.00 | 78.00 | 78.00 | 84.00 |
| 1971. | May 1 | 78.00 | 78.00 | 78.00 | 78.00 | 78.00 | |

[Note.—For rain affected wheat on 20-6-70 an issue price of Rs. 78 per quintal was fixed for all varieties. This was reduced to Rs. 76 per quintal on 20-9-71]

II. RICE

| Year | Super Fine I | Super Fine II | Fine I | Medium | Coarse | Common |
|--------------------------------|-----------------|------------------|---------|--------|-------------------------------------|--------|
| 1965. | 100.00 | 85.00 | 83.00 | 71 | 52.00 to 64.00** 55.00 to 67.00@ | |
| 1966-67 | | | | | | |
| (i) Prior to devaluation | 100.00 | 85.00 | 83.00 | 71.00 | 55.00 to 67.00 | |
| (ii) From 10-6-66 to 11-12-66 | 100.00 | 90.00 | 85.00*† | 73.00 | 58.00 to 70.00 | |
| (iii) From 12-12-66 to 14-7-67 | 110.00 | 110.00 | 94.00* | 84.00 | 68.19 to 81.00† | |
| (iv) From 15-7-67 to 31-12-67 | 110.00 | 102.00 | 97.00 | 85.00 | 80.00 | |
| 1968 | | | | | | |
| From 1-11-1968 onwards | 125.00 | 115.00 | 110.00 | 102.00 | 96.00 | |
| 1969 | | | | | | |
| From 4-5-69 onwards | 150.00 | 128.00 | 120.00* | 111.00 | 100.00 | |

NOTE: The term 'Issue Price' connotes the ex-godown or f.o.r. destination station price for bagged grain issued from Central Government stocks:

*Fine I and Fine III varieties amalgamated and treated as Fine Rice w.e.f. 10-6-1966.

**Effective from 15-11-1965

@Effective from 1-1-1965 to 14-11-1965.

†Effective from 15-12-1966

III. MILO

| | | | | | | | | |
|-----------------------|---|---|---|---|---|---|---|----------|
| 27-6-65 to 9-6-66 | . | . | . | . | . | . | . | Rs. 40/- |
| 10-6-66 to 14-11-66 | . | . | . | . | . | . | . | Rs. 33/- |
| 15-11-66 to 31-12-67 | . | . | . | . | . | . | . | Rs. 40/- |
| 1-1-68 to 15-12-68 | . | . | . | . | . | . | . | Rs. 48/- |
| From 16-12-68 onwards | . | . | . | . | . | . | . | Rs. 51/- |

9.19. The Ministry of Agriculture have stated that the Government of India had been heavily subsidising the distribution of foodgrains from its stocks built from internal procurement and imported from abroad until 1964. Towards the end of 1964, it was decided that the Central Government issue prices of foodgrains should be gradually raised in order to reduce the burden of subsidy on the national exchequer. In pursuance of this decision, the issue prices of foodgrains were gradually increased. Consequently on devaluation of the rupee in 1966 there was an increase in the economic cost of imported foodgrains. Part of this increase was subsidised and part of the increase was met by increasing the issue prices in 1966. Towards the end of 1967 it was decided that there should be no subsidy in the distribution of indigenously procured foodgrains. The issue prices were further raised in 1968 and 1969 to implement this decision. Thereafter the prices have been kept steady as it was felt by Government that further rise in prices would be resisted by the consumer and was likely to generate inflationary pressures. The factors responsible for rise in issue prices between 1965 and 1969 were stated to be:—

- (i) Reducing the burden of subsidy in distribution of food grains;
- (ii) Increase in economic cost on account of devaluation and consequent inflation after 1966;
- (iii) In the case of wheat prices after 1968, prices had to be revised on account of difficulties of selling amber coloured and superior varieties at a higher price through the public distribution system.

F. Subsidy

9.20. The following amounts were paid to the Food Corporation of India as subsidy:—

| Year of Payment | Amount paid | Period to which it relates |
|--------------------|------------------|--|
| 1965-66 | Nil | |
| 1966-67 | Nil | |
| 1967-68 | Rs. 1.25 crores | On account, payment for the year 1965-66 and 1966-67 |
| 1968-69 | Rs. 12.30 crores | |
| 1969-70 | Rs. 30.65 crores | Rs. 8.0 crores relates to 1968-69 and the balance to 1969-70 |
| 1970-71 | Rs. 17.98 crores | Rs. 12.98 crores to 1968-69 and the balance to 1970-71 |
| 1971-72 | Rs. 6.00 crores | |
| April and May 1971 | | |
| TOTAL | Rs. 67.98 crores | |

9.21. A statement giving grain-wise break up of total amount of subsidy paid each year to the Corporation is appended. (Appendix VI).

9.22. The difference between the per quintal economic cost of the foodgrains and the issue price per quintal constituted the unit rate of subsidy and the total consumer subsidy payable to the Food Corporation is calculated by multiplying the unit rate by the total supplies made in respect of each category of foodgrain. Profit, if any, made by the Corporation in respect of any foodgrain is set off against the total loss and only the net loss incurred by the Corporation is reimbursed.

9.23. The following were the Economic costs, issue prices and subsidy (—) Profit (+) per quintal of wheat and rice:—

| Year | Commodity | Economic Cost (Rs.) | Issue Price £ | Elementary of Subsidy(—)/ Profit (+) |
|---------|------------------------|---------------------|--------------------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| 1964-65 | Wheat (Imported) | 45.62 | 37.51 to 48.00 | (—) 8.11 to (+) 2.38 |
| | Coarse Rice (Imported) | 65.69 | 42.87 *52.00 to 64.00 | (—) 13.69 to (—) 1.69 |

*Different rates fixed for each Government.

£ Issue price including carrying of buffer.

| 1 | 2 | 3 | 4 | 5 |
|---------|--------------------------------|----------------------|--|------------------------------|
| | Coarse Rice (Indigenous) | 56.36 to 64.71 | Do. | (—) 21.48 to (+) 7.64 |
| 1965-66 | Wheat (Imported) | 45.54 | 48.00 to 50.00 | (—) 3.64 (+) 4.46 |
| | Coarse Rice (Imported) | 66.25 | *52.00 to 64.00 | (—) 14.25 to (+) 0.75 |
| | | | & 55.00 to 67.00 | |
| | Coarse Rice (Ind) | 65.12 to 75.35 | Do. & (—) (+) | 23.35 to 11.88 |
| 1966-67 | Wheat (Imported) | 42.85 to 66.39 | 50.00 to 55.00 | (—) 16.39 to (+) 7.15 |
| | Coarse Rice (Imported) | 66.03 to 96.92 | *55.00 to 67.00 & 68.19 to 90.82 | (—) 38.92 to (+) 3.97 |
| | Coarse Rice (Indigenous) | 74.35 to 87.25 | Do. (—) (+) | 33.25 to 16.47 |
| 1967-68 | Wheat (Imported) | 67.45 | 55.00 to 67.00 | (—) 12.45 to (—) 0.45 |
| | Coarse Rice (Imported) | 119.10 | *68.19 to 90.82 & 96.00 | (—) 50.91 to (—) 23.10 |
| | Coarse Rice (Indigenous) | 94.53 to 95.53 | Do. (—) (+) | 26.34 to 0.47 |
| 1968-69 | Wheat | 85.48 | 74.95 | (—) 10.53 |
| | Rice | 101.27 | 99.02 | (—) 2.25 |
| 1969-70 | Wheat | 80.59 | 78.00 | (—) 2.5 |
| | Rice | 114.37 | 108.87 | (—) 5.5 |
| 1970-71 | Wheat | 80.79 | 78.92 | (—) 1.87 |
| | Rice | 120.70 | 122.31 | (+) 1.6 |

*Different rates fixed for each State Government.

9.24. It has been the policy of Government to limit the subsidy in the distribution of foodgrains to the minimum possible consistent with the objective of providing remunerative prices to the producers and reasonable prices to the consumers. Government buys grains from the cultivators at fixed procurement prices and these are supplied to recipient State Governments at prices fixed by the Central Government. Food Corporation of India acts only as the agent of the Government of India in the matter. The expenditure incurred by the Corporation on the purchase of foodgrains cannot be met fully by the sale of foodgrains to the State Governments at issue prices, as the issue prices fixed by the Government of India have been lower than the economic cost of the Food Corporation of India.

9.25. Subsidy is mostly paid on account of distribution of wheat. Although the difference between the procurement price and the issue price of wheat is only Rs. 2, the economic cost of wheat handling operations is much more. Earlier with the import component of wheat in the total wheat distributed through the public distribution system being higher, the subsidy, on the issue price of wheat was to some extent minimised as the economic cost of the imported variety was lower and consequently, would offset the higher economic cost of indigenously procured wheat.

9.26. It has been stated by the Ministry of Agriculture that with the reduction in the import component, the economic cost of wheat and consequently the subsidy were likely to increase unless the issue price was correspondingly increased or the procurement price was reduced. In the case of rice, the indigenously procured grain constituted the bulk of distribution and the distribution was made at the economic cost. Subsidy on rice distribution was, therefore, negligible. The Ministry of Agriculture has also stated that the Food Corporation of India was constantly endeavouring to reduce its overhead charges and minimise operational losses.

9.27. During the evidence of the Ministry of Agriculture, the Committee pointed out that though it was the Government which subsidised part of the overhead charges and consequently consumer had to pay a lesser price, the fact was that subsidy came from the general exchequer resources for which were raised through taxation. So it was the poor consumer who had to pay for it in some form or the other, the same year or the next year. In reply the Food Secretary said, "I am very glad, Sir, that you have taken such a constructive approach. I think it is the duty of the FCI like any other public body to work with greatest economy and consideration

of public funds. As you said, Sir, the subsidy does mean taxing the tax payer or the public by some other way. It may not be the same man being taxed to the same extent, it is probably another person being taxed to a large extent. Incidentals have, therefore, to be reduced as far as possible."

9.28. The Committee find that since 1965-66 the Food Corporation of India has been paid a total sum of Rs. 67.98 crores as subsidy by Government upto May, 1971. Subsidy is mostly paid on account of wheat because the economic cost of wheat is more than its wholesale issue price. In the case of rice, distribution was made at the economic cost and consequently the subsidy thereon was negligible. During evidence the Committee could not get an assurance from the Corporation and the Government that the amount of subsidy would decline in the years to come. On the other hand, the Committee were informed in a note furnished by the Ministry of Agriculture after evidence that with the reduction in the import component of wheat, its economic cost and consequently the subsidy were likely to increase unless the issue price was correspondingly increased or the procurement price was reduced. The Committee are of the view that as the wholesale price of wheat is higher than the procurement price by Rs. 2 per quintal the Food Corporation of India which now has a dominating share in the foodgrains trade should be able to cut on its overhead charges and operational losses. The Committee are convinced that these expenses need initial analysis and meaningful follow up action so as to reduce the need and quantum of subsidy paid to the Food Corporation of India by General Exchequer and make available food grains at more competitive and reasonable prices to the consumers.

G. Production of Foodgrains

9.29. The production of foodgrains in the country since 1961-62 had been as under:—

PRODUCTION OF FOODGRAINS SINCE 1961-62

(Million tonnes)

| Year | Rice | Wheat | Other cereals | Total cereals | Total pulses | Total foodgrains |
|-----------|------|-------|---------------|---------------|--------------|------------------|
| 1961-62 | 35.7 | 12.1 | 23.2 | 71.0 | 11.7 | 82.7 |
| 1962-63 | 33.2 | 10.8 | 24.6 | 68.6 | 11.5 | 80.1 |
| 1963-64 | 37.0 | 9.8 | 23.7 | 70.5 | 10.1 | 80.6 |
| 1964-65 | 39.3 | 12.3 | 25.4 | 77.00 | 12.4 | 89.4 |
| 1965-66 | 30.6 | 10.4 | 21.4 | 62.4 | 9.9 | 72.3 |
| 1966-67* | 30.4 | 11.4 | 24.1 | 65.9 | 8.3 | 74.2 |
| 1967-68* | 37.6 | 16.5 | 28.9 | 83.0 | 12.1 | 95.1 |
| 1968-69** | 39.8 | 18.7 | 25.1 | 83.6 | 10.4 | 94.0 |
| 1969-70** | 40.4 | 20.1 | 27.3 | 87.8 | 11.7 | 99.5 |
| 1970-71** | 44.4 | 23.2 | 30.6 | 96.2 | 11.6 | 107.8 |

1. *Partially Revised Estimates- subject to revision.

H. Wholesale Prices

9.30. Index numbers of wholesale prices of foodgrains since 1961 were as under:—

| Year | All commodities | Foodgrains | Cereals | Rice | Wheat |
|---------------------|-----------------|------------|---------|-------|-------|
| 1961- | 100·6 | 99·3 | 99·3 | 99·5 | 98·1 |
| 1962 (April-Dec) | 104·1 | 106·5 | 104·0 | 106·1 | 98·9 |
| 1963 | 107·9 | 110·2 | 107·7 | 115·3 | 99·7 |
| 1964 | 119·1 | 137·6 | 129·4 | 125·6 | 128·5 |
| 1965 | 128·9 | 152·9 | 142·7 | 129·9 | 150·9 |
| 1966 | 144·3 | 171·0 | 163·3 | 160·5 | 161·6 |
| 1967 | 166·0 | 225·0 | 205·3 | 197·0 | 214·5 |
| 1968 | 165·3 | 208·2 | 198·8 | 200·1 | 204·6 |
| 1969 | 168·8 | 202·8 | 197·5 | 193·8 | 209·1 |
| 1970 (Up to August) | 177·7 | 201·4 | 204·0 | 201·4 | 215·9 |
| 1970 | 179·2 | 209·7 | 202·1 | 201·2 | 214·5 |
| 1971 | 186·1 | 209·8 | 199·0 | 194·5 | 206·2 |

Source : Economic Adviser, Ministry of Industrial Development, Internal Trade and Company Affairs.

Financial Year Average

| | | | | | |
|---------|-------|-------|-------|-------|-------|
| 1970-71 | 181·1 | 206·8 | 199·5 | 201·3 | 208·6 |
|---------|-------|-------|-------|-------|-------|

9.31. The Committee enquired as to how it was that despite bumper crops, the wholesale prices of Foodgrains had been rising in the country. In reply, the Ministry of Agriculture has stated that there was a substantial fall in foodgrains prices since the beginning of the 1970-71 agricultural year because of good monsoons and bring prospects of the kharif crops. Later on and particularly since the middle of May, 1971 prices had shown a seasonal rise. However, the all-India July, 1970. The latest index in the end of July was lower year since July, 1970. The latest index in the end of July was lower than last year by 2.2 per cent. The index number for rice and wheat were also lower by 0.6 per cent and 3.6 per cent respectively. It was stated that the rise in prices since the middle of May, 1971 was mainly seasonal; it was also partly due to the dry spell in certain parts of the country notably Maharashtra, Andhra Pradesh,

parts of Mysore and Tamil Nadu. It has been confirmed that Government have adequate stocks to deal with the situation.

9.32. Asked as to how far the increase in foodgrains prices had lead to general rise in prices in the country, the Food Corporation of India has stated that apart from liberal procurement policy of effecting significant price support purchases, there were other factors like phased reduction of imports and building of buffer stock resulting in decrease in the net availability of foodgrains, increase in issue prices, etc. These had a significant effect on the general price level.

9.33. During 1972 the open market prices of wheat were rising steadily throughout the country. In order to arrest the rising prices of wheat in the open market, the Food Corporation of India have, with the approval of the Ministry of Agriculture (Department of Food), organised open sales of wheat from its stocks at selected centres in almost all the States in the country. The Corporation proposes to organise 700 sales centres in the country. The floor price for sale of wheat in the open market has been fixed at Rs. 82/- per quintal. Wheat is sold by open auction in the regulated markets in different States. Where there is no regulated market, wheat is sold by inviting daily tenders. After taking into consideration the price at which wheat is sold through fair price shops in the States of Maharashtra and Gujarat, the floor price of wheat in these two States has been revised as under:—

| | |
|----------------------|----------------------|
| Naked Grain — | Rs. 82/- per quintal |
| Bagged gross weight— | Rs. 84/- „ |
| Bagged net weight | Rs. 85/- „ |

Upto 17th February, 1972, the Corporation have sold about 60,000 tonnes of wheat in the open market by tenders/auctions. By the end of February, the aggregate sales of wheat is expected to amount to about one lakh tonnes.

9.34. The Committee have stated that the scheme to pump into the markets substantial quantities of wheat would supplement the public distribution system to ensure availability of wheat to the consumers at reasonable prices. The Corporation have issued instructions to all the regions that the open market wheat sales scheme should not affect regular supplies of wheat to the fair price shops. The Committee have been assured that even after sale of wheat by the Corporation into the open market, supplies of wheat of good quality to the fair price shops according to the standing instructions continues unhampered and their requirements are being met in full.

9.35. The Committee find that during the years 1961-62 to 1966-67, the production of foodgrains in the country was almost static with lowest production being 72.3 million tonnes in 1965-66 and the highest being 89.4 million tonnes in 1964-65. It was in the year 1967-68 that a major breakthrough was achieved by attaining a record production of 95.1 million tonnes. Since then the production of foodgrains had been steadily rising and in 1970-71, the production is estimated to have exceeded 107 million tonnes. This "Green Revolution" naturally raised high expectations that prices of not only foodgrains but also of other commodities would come down. But this did not happen. Index number of foodgrains wholesale prices which during the years 1961 to 1966 had ranged between 99.3 and 171.0 moved between 202.8 and 210.4 during the year 1968 to 1971—the years of bumper crops. In the context of this paradoxical phenomenon of rising prices in the midst of plenty, the Corporation bid to curb the rising market prices of wheat by opening sales centres is a welcome step in as much as Corporation's direct participation as a seller in the open market is expected to offer healthy competition to the private traders and check rising prices of wheat in particular and foodgrains in general. The Committee hope that as foodgrains price is an important determinant of general price level, Corporation's strategy to curb the rising prices of wheat by pumping into the open market adequate stocks would have a salutary effect on the general price level in the country. The Committee however wish to caution the Corporation that if unscrupulous private traders lift the additional wheat stocks from the open market and hoard the same, the Corporation's venture may ultimately fail. It is, therefore, essential that the Corporation should take adequate precautions to ensure that as far as possible the stocks released by them reach the genuine customers and are not cornered by speculative traders for hoarding at present with a view to release them when artificial scarcity is created so that they may indulge in profiteering.

COST CONTROL

A. Incidental Expenses

The overhead charges incurred by the Department of Food during 1967-68 when the work was handled by that Department and those incurred by the Food Corporation of India are given below:—

| Nature of Incidentals | (Rs. per tonne) | | | |
|-----------------------------|---------------------------|--|--|---|
| | Food Deptt's (1967-68) | Food Corporation of India (1969-70) (Actuals for normal operations) | Consolidated provisional rates allowed by Govt. of India for 1969-70 | % raises compared with 1967-68 |
| 1. Transit and Storage Loss | 2.00 | 13.70 | 9.00 | 350 |
| 2. Freight | 27.60 | 29.60 | 28.60 | 3.6 |
| 3. Handling of Godowns | 3.30 | 3.90 | 4.10 | 24 |
| 4. Godown Charges | 5.60 | 4.80 | 7.70 | 37 |
| 5. Interest on Capital | 8.50 | 11.60 | 30.20 | 255 |
| 6. Establishment | 4.40 | 13.50 | 11.90 | 170 |
| | 51.40 | 77.10 | 91.50 | 78 |

10.2. Import of foodgrains was till recently being made by the Central Government and issued for consumption in the various States. Till 1-4-1967, the rates at which the Corporation was to pay for the supplies made by the Central Government were determined by deducting from the issue prices a sum assessed as being sufficient to cover the incidental costs that the Corporation would incur upto the time of issue. These incidentals were inclusive of the railway freight element which was borne by the Corporation.

10.3. From 1-4-1967 to 3-5-1969, Government of India had been billing the Corporation prices for the imported foodgrains at full issued prices applicable on f.o.r. destination basis and the Corporation was being paid separately incidentals to cover its cost of storage and distribution. During this period railway freight was being borne by the Government of India.

10.4. Since 1-4-1969 import of foodgrains was being done directly by the Corporation and the actual cost in respect of the same was being paid by the Corporation. Since 4-5-1969 the incidentals allowed to the Corporation are included in the issue price.

10.5. During evidence, the Food Secretary informed the Committee that overhead charges or incidentals vary from cereal to cereal. Incidentals are of two types viz. (i) Procurement incidentals levied by the State Government or the Marketing Federation or incurred by the Corporation as the case may be and (ii) Food Corporation's own overhead charges incurred after the grain is taken over by it from the State Government/Marketing Federation own procurement. In the case of wheat procurement incidentals amount to Rs. 10.26 per quintal (Rs. 102.60 per tonne) and FCI's storage, movement and distribution incidentals allowed were Rs. 9.15 per quintal, (Rs. 91.50 per tonne), the total incidentals being Rs. 19.41 per quintal. (Rs. 194.10 per tonne). The details of 'procurement incidentals' and the FCI's incidentals are given below:—

Procurement Incidentals on wheat

| | (Rs. per Quintal) |
|--|----------------------|
| (1) Mandi charges including commission | 2.37 |
| (2) Mandi Labour | 0.49 |
| (3) Temporary Storage and extra handling | 0.18 |
| (4) Forwarding charges | 0.64 |
| (5) Internal Movement | 0.38 |
| (6) Establishment Charges | 0.59 |
| (7) Interest Charges | 0.35 |
| (8) Gunny Bag Cost | 2.72 |
| (9) Sales and Purchase Tax | 2.32 |
| (10) Services Administration Charges | 0.20 |
| (11) Octoroi | 0.02 |
| TOTAL | 10.26 |

(Note: The gunny bag cost of Rs. 2.72 in the procurement incidentals for Wheat during 1969-70 is the average cost of gunny bag of 100 Kg. in all the procuring States. The prevailing cost of gunny bag as at present is much higher and is around Rs. 3.50 per bag)

b. Storage, Movement and Distribution Incidentals of the Food Corporation of India

| Nature of Incidentals | (Rs. per quintal) Wheat imported (w.e.f. 1-4-67) | Wheat imported indigenous (w.e.f. 4-5-69) |
|--------------------------------|--|--|
| (1) Transit & Storage Loss | 0.35 | 0.90 |
| (2) Handling Godown Operations | 0.35 | 0.41 |
| (3) Establishment | 0.43 | 1.19 |
| (4) Godown Charges | 0.44 | 0.77 |
| (5) Interest | 0.61 | 3.02 |
| (6) Freight | .. | 2.86 |
| TOTAL | 2.18 | 9.15 |

(NOTE : Incidental expenses on Rice are the same as for wheat w.e.f. 4-5-69).

10.6. The incidentals at Rs. 2.18 per quintal were fixed by the Government of India in 1965-66 as soon as the Corporation was formed. The incidentals at Rs. 9.15 per quintal were fixed from 1969-70 onwards. The Corporation is of the view that the two sets of incidentals (i.e. effective from 1-4-1967 and those effective from 4-5-69) are not comparable since the "scope, size and area of operations" performed by the Corporation from 1969-70 have been much larger than these performed in the previous years. The main factors which are stated to account for the wide difference in the two sets of incidentals are:—

- (i) The activities of the Corporation in the initial years were largely confined to the Southern Zone only while the operations for 1969-70 were spread throughout the country.
- (ii) The activities of the Corporation prior to 1969-70 were confined mostly to storage and distribution of imported foodgrains and there was practically very little indigenous procurement. From 1969-70 onwards, apart from storage and distribution of imported foodgrains, the Corporation has undertaken massive procurement of wheat, rice and coarse grains and storage and distribution of these indigenous grains also.

- (iii) The movement operations of the Corporation prior to 1969-70 were very much limited while from 1969-70 onwards, the Corporation had undertaken massive movement operation for moving stocks of foodgrains all over the country. The movement of stocks were limited to imported foodgrains from the ports in the previous years and such movement was done by the Government of India. From 1969-70 onwards, the responsibility for the movement of both imported and indigenous foodgrains and incurrence of freight thereof has developed on the Corporation.
- (iv) The clearance of foodgrains at all the major ports in the country was done in the previous years by the Government of India. The officers and staff in the port offices were under the Government of India. From 1969-70 onwards, all these officers and staff in the port offices were transferred to the Corporation (from 1-3-69 in respect of western ports and 16-12-68 in respect of other ports) and the clearance work of foodgrains at all the ports became the responsibility of the Corporation.
- (v) Prior to 1969-70, the import and distribution of foodgrains (mostly imported) were such that there was hardly any accretion to stocks. The stocks did not remain in storage for any appreciable period of time. From 1969-70 onwards, on account of the massive procurement operations the Corporation began to build sizable quantities of buffer stocks in pursuance of Government policy and the storage periods of the stocks increased considerably. On account of this interest and storage charges have registered substantial increases.
- (vi) From 1969-70 onwards, the Corporation had embarked on a series of crash programmes for the construction of storage godowns for storage of foodgrains. The considerable additions to the storage capacity also meant considerable increases in the staff strength to man the godowns and other expenses.
- (vii) The incidentals fixed at Rs. 2.18 per quintal were in respect of imported wheat only while the incidentals fixed at Rs. 9.15 per quintal were in respect of imported wheat, indigenous wheat, imported rice and also indigenous rice.

- (viii) The incidentals fixed at Rs. 2.18 per quintal do not include freight charges. As already pointed out, the Corporation was obtaining imported Wheat from the Government of India at its depots on 'freight paid' basis and as such incidentals of Rs. 2.18 per quintal did not include any element towards freight charges. However, from 1969-70 onwards, the issue prices of wheat and rice are on F.O.R. destination basis and the Corporation is moving foodgrains all over the country incurring freight charges thereon.

10.7. The Corporation have explained that in the procurement incidentals, 'Mandi Charges' represent the commission paid to *Kutchra* and *Pucca arhatiyas* in the mandi, market fee, auction fee, etc. The rates of Commission paid to *Kutchra* and *Pucca arhatiyas* and also market fee and auction fee are regulated by the State Governments concerned. 'Mandi Labour' is an item which represents the expenditure incurred in mandi for bagging, stencilling, stitching etc. 'Forwarding Charges' cover the amounts incurred in mandies for loading of foodgrains in trucks etc.

10.8. Asked as to how is it that "Establishment Charges" accrue twice under 'Procurement Incidentals' as well as under FCI's own incidentals, the Corporation have stated that procurement of wheat is done not only by the Corporation on its own but also by other agencies such as Cooperative Marketing Federations, State Government etc. The establishment charges paid to the other procuring agencies are included in the "procurement incidentals" while the entire establishment cost of the Food Corporation (including the Establishment on procurement) is covered in the overall rate of Rs. 1.19 per quintal. The establishment cost of Rs. 0.59 per quintal included in the procurement incidentals represents the establishment cost paid to other agencies expressed as a rate per quintal in the total procurement. The Food Corporation gets only Rs. 1.19 per quintal as its own establishment charges.

10.9. The Committee pointed out that that increase in operations of the Corporation did push up the total amount of incidentals but it was not clear how and why it increased the rate of incidentals per quintal. In reply, the Corporation have explained that "the increased procurement and storage operations for building up buffer stocks increased the total costs or incidentals incurred by the Corporation. If the total quantity of sales also increases correspondingly, the rate of incidentals per quintal of sales would not show any increase. However, with the level of sales remaining practically constant, the rate

of incidentals per quintal of sales in the coming years would be higher”.

10.10. One of the reasons given by the Corporation for increase in incidentals from Rs. 2.18 to Rs. 9.15 per quintal w.e.f. 4.5.69 in the case of wheat was transfer of port clearance operations to the Corporation. Asked whether justification for increase in incidentals would not be substantially minimised with the stoppage of import of wheat from 1972 onwards, the Corporation have stated that though the imports were expected to be stopped, it might not be practicable to discharge the staff employed in the ports for port clearance work due to reduction in imports. It has been stated that fresh avenues would have to be found for absorbing the surplus labour and staff at the ports for other activities. It has also been stated that with the off take for the public distribution system remaining practically at the same level, the increases in the costs incurred by the Corporation cannot be absorbed by increased sales and as such the rate of incidentals or costs per quintal of sales would show a steady increase over the years.

10.11. In a Memorandum furnished to the Committee, the Government of Bihar stated that:

“The procurement prices of paddy/rice in this State during the last two kharif years were Rs. 56.25/95.25 per quintal and after adding all necessary incidentals and administrative charges, the wholesale issue price of rice came to Rs. 115.43 paise per quintal. The incidentals etc. thus worked out at 21 per cent of the basic cost of the commodity. This is apparently very high and efforts need to be made by the FCI for more efficient and economic management of the job in order that the consumers may be able to get foodgrains at a more reasonable rate. There is ample scope for reduction in the incidentals like godown shortage, transit loss, transport cost and administrative cost”.

10.12. The Government of U.P. represented to the Committee that:

“...as a result of the heavy expenditure incurred by the FCI on its large overstaff and costly organisation, consisting of zonal regional and district offices and numerous centres and labour corps at ports, their overheads work out to be quite high. In the most recent case, FCI quoted Rs. 67.05

per quintal for supply to this State of 2,000 tonnes of maize which is require for distribution in scarcity and flood affected areas of U.P. this year. The procurement price for maize fixed by Government of India is Rs. 52.00 per quintal only. If the offer, which is f.o.r. station of despatch only (from Punjab or Haryana), is accepted the retail issue rate of the maize will be about Rs. 80.00 per quintal. This is a price which a consumer can ill afford to pay much less in a flood affected or scarcity hit area".

10.13. The Government of Rajasthan have stated in the Memorandum to the Committee:

"It is felt that the incidentals charged by the FCI for undertaking various operations such as procurement, transportation, storage and despatch are very high and this results in an increase in the issue price of the foodgrains at which the State Government finds it difficult to dispose off the same because the higher issue price leaves little margins even for incidentals necessarily to be incurred by the State Government and the State Government has to incur losses by selling the grain at lesser rate or on account of lack of offtake and piling up stock because the grain supplied by the FCI cannot be sold through Fair Price Shops on account of prevailing lesser market rates. It would be worthwhile to examine the price structure of FCI and its procurement procedures so as to find out scope for reduction in the issue price of the grain, supplied by the Corporation."

10.14. Giving evidence before the Committee on 16.12.70, the representative of the Federation of All India Foodgrains Dealers' Associations stated:

"Shri Narayan Gupta, one of our friends has sent us a letter from Andhra Pradesh to the effect that traders of Andhra Pradesh and agreed to handle foodgrains at a cost of Rs. 3.75 per quintal and as against this FCI's handling charges were Rs. 13 per quintal".

10.15. A representative of the Roller Flour Millers' Federation of India, New Delhi stated during the evidence on 16.12.70 that the FCI must reduce their overhead expenditure. Its staff strength had increased manifold. He said, "FCI's procurement cost for the storage and handling is anything between Rs. 10 and Rs. 15 per quintal

which represents nearly 8 to 12 per cent of the cost. Now nowhere in the history of the foodgrain trade, handling charges are anything more than 3 to 4 per cent. The witness suggested "they must streamline and bring down handling charges as much as they can. I am quite sure that the experience of the private trade and industry in this matter could be sought as to how they can reduce these charges which are quite high."

10.16. During the evidence of the Food Corporation of India, the Committee enquired why there was a vast difference between the purchase and sale price of wheat and rice. The Chairman, FCI stated that the difference was nearly Rs. 20 per quintal in the case of wheat. This difference was due to the fact that storage, movement and distribution incidentals were Rs. 9.15 per quintal. Over and above that, 'procurement incidentals' came to nearly Rs. 10.26 per quintal. The Chairman, Food Corporation of India explained that the procurement price of wheat was Rs. 76 per quintal and its issue price was Rs. 78 per quintal. Thus the difference between the procurement and issue prices was only Rs. 2. The rest was made up by the Government of India by pooling prices i.e. by pooling the imported wheat with the indigenous wheat.

10.17. Asked why the incidental charges of imported wheat and rice had been raised from Rs. 2.18 to Rs. 9.15 w.e.f. 4.5.69 the witness explained that the functions of the Corporation had increased considerably. Moreover, the amount of Rs. 2.18 represented godown charges i.e., handling within the godown whereas the amount Rs. 9.15 included the entire operations. It also included port handling, freight and other charges.

10.18. The Committee pointed out that even some State Governments e.g., Bihar and U.P. had complained that FCI's incidentals were high. The Chairman, FCI said, "We did get a certain complaint to that effect. We consult the State Governments and we fix the rate in consultation with them". The witness informed the Committee that in these incidentals there was some share of State Governments also.

10.19. During the evidence of the Ministry of Agriculture: the Food Secretary expressed the view that as procurement incidentals of Rs. 10.26 per quintal were all levied by the State Government or the Marketing Federation, there was hardly any scope for reducing them.

10.20. The Food Secretary stated during evidence that both godown and storage losses had gone up because of the larger buffer stock. He added "I am afraid this year the buffer stock is so heavy, the charges will go up further". When his attention was drawn to para 1.50 of the Seventh Report of the Public Accounts Committee (1971-72) wherein need for economy in incidental expenses had been stressed, the representative of the Ministry said: "You are right, Sir, in suggesting that the F.C.I. should exercise utmost economy in the matter of staffing and overhead charges. We should think of economy of lakhs of rupees, when we are having transaction of crores of rupees. Certain studies have been done. The Cost Accounts Officer of the Ministry of Finance assisted by the officers of the FCI has looked into the incidentals or the overhead as they are called and he has given a report which is now under consideration. After that if we feel that a further examination is necessary we shall certainly take it up."

10.21. In his report, the Cost Accounts Officer has expressed the opinion that perhaps one of the reasons why the unit incidentals as claimed by the Corporation year by year is going up, despite more than proportionate increase in the quantity of foodgrains handled, is that the allocations are related by the Corporation only to annual sales. It has been pointed out that if in any one year procurement has been considerable but sales have not been of equal magnitude, under the Corporation's method, the unit incidence is bound to show very steep increase since the annual high handling charges incurred on procurement and storage are related only to a lower quantum of sales. The Cost Accounts Officer has recommended that the Corporation may be asked to work out the incidence of handling charges for the years 1967-68, 1969-70, 1970-71 on the basis recommended in the Report to exhibit a more realistic and acceptable picture. The Report further states that the question of evolving a norm for the future can be decided after examination of the trend for the last three to four years.

10.22. The Committee enquired how trading in foodgrains by the F.C.I. had helped the farmer and the consumer. The Food Secretary stated, "If I may mention, the Food Corporation is one of the biggest trading Corporation all over the world, dealing with 10 million tonnes of food and sales of about 800 crores of rupees". The Food Secretary stated that normally at the harvesting time, the prices tended to slump heavily because the farmers were in a hurry to sell their produce. The F.C.I. came to the rescue of farmers by making procurement of wheat at the incentive level of Rs. 76 per quintal. The consumer was provided grains through the public distribution system. This benefited the poorer classes

of consumers especially in the rationed areas like Bombay, Calcutta, etc. Thus every body was able to get ordinary type of foodgrains at a reasonable price which included only minimum overhead expenses. The Food Secretary claimed, "Normally he (Consumer) gets the foodgrains at Rs. 78/- plus cost of distribution. He would never get so, if the trader purchases at Rs. 76/- because he would not charge less than Rs. 83/- or so."

10.23. The Corporation has also stated that the procurement as well as the storage, movement and distribution incidentals form about 25% of the procurement price for wheat and about 16% of the procurement price for rice. The high percentage was due to certain items of expenditure like gunny, mandi charges, taxes etc. which were beyond the control of the organisation as also to the holding of buffer stocks.

10.24. The Corporation are of the view that the two sets of Incidentals shown under the heading Food Department (1967-68) and food Corporation of India (1969-70) in para 1 are not quite comparable for the following reasons:—

- (a) As already stated, the incidentals given in the case of the Food Department relate to 1967-68 while those of the Food Corporation are for 1969-70.
- (b) In the case of the Food Corporation the incidentals indicated have been worked out by deducting from the total expenditure incurred during the year the estimated expenditure on holding the buffer stocks and dividing the balance by the sales for the year 1969-70;
- (c) The method of calculating the incidentals also differs in the two cases. In the case of Food Department the quantity of foodgrains purchased was generally the basis. The exact procedure followed in calculating each item of incidental is given in Appendix. So far as the Food

Corporation is concerned, except for transit and storage loss, the other incidentals are calculated on the basis of the expenditure booked in accounts under each category divided by the total quantity paid during the year. The transit and storage loss is calculated by dividing the actual loss of each kind during the year (as evidenced by the stock accounts) by the total sales for the year.

- (d) The increase in the establishment charges of the Food Corporation is partly due to the fact that as compared to 1967-68, there has been an increase in the allowances payable to staff. Further when the Food Department was handling the foodgrain operations, the purchase operations consisted mostly of imports and, therefore, these were confined to the ports. But the Food Corporation has also been procuring internally considerable quantities of wheat and rice, and they are also to handle the price support operations. For this purpose they have to employ staff at a number of centres throughout the country with the result that there is a proportionate increase in the establishment charges.
- (e) As regards 'interest on capital' in respect of loans drawn from the State Bank of India for their purchase|procurement operations nearly half the amount employed in procurement operations is drawn from the State Bank of India for which the rate of interest paid is 7½% which is much higher than the rate of interest adopted by the Food Department when the foodgrains transactions were handled by them."
- (f) Regarding the transit and storage loss, the incidentals of the Food Department for 1967-68 are based on the amount of losses written off during the year divided by the opening balance of stock and the purchases and do not take into account actual losses incurred. However, the incidentals worked out by the Corporation for 1969-70 are worked out on the amount of actual losses incurred during the year. If the incidentals of the Corporation are worked out on the same basis as that of the Food Department for 1967-68, the losses for the Corporation for 1969-70 would work out to Rs. 1.24 per tonne against Rs. 2.00 per tonne for the Food Department in 1967-68.

- (g) The Corporation had undertaken massive procurement of foodgrains from 1969-70. This involved longer leads of transportation from the procurement centres to the consumption centres. In the case of the Food Department, however, the indigenous procurement of foodgrains was insignificant and the movements were in respect of imported foodgrains from the ports to the storage depots. The incidentals on freight incurred by the Corporation in 1969-70 were, therefore, slightly higher than those incurred by the Food Department in 1967-68.
- (h) Regarding interest on capital the incidentals of the Food Department for 1967-68 were in respect of imported foodgrains, the cost of which was considerably less than that of indigenous foodgrains. The interest on capital incurred by the Food Corporation for 1969-70 is, however, in respect of both imported and indigenous foodgrains (including imported and indigenous rice). The cost of indigenous foodgrains is much higher and hence the interest liability of the Corporation had also become higher. Also the Corporation has been utilising not only Government loans but also bank overdrafts for its working capital and paying much higher rates of interest than the Food Department. The rate of interest paid by the Corporation on Bank overdraft was 7½%. These factors were responsible for the increase in the interest charges incurred by the Food Corporation for 1969-70 as compared to those incurred by the Food Department in 1967-68.
- (i) As regards establishment cost, the incidentals of the Food Corporation relate not only to the storage establishment but also port establishment and procurement establishment. There was very little of indigenous procurement by the Food Departments in 1967-68 and there was, therefore, no separate establishment for the same. However, as already pointed out, the Corporation had been undertaking massive procurement of indigenous foodgrains from 1969-70. This involved establishment of a very large number of procurement centres and employment of additional staff for the same. These constituted the main reason for the increase in the establishment cost of the Corporation for 1969-70 as compared to the establishment cost of the Food Department in 1967-68.

10.25. The percentage rise in administrative Overheads of the Corporation with reference to the base year 1965-66 was as under:—

ADMINISTRATIVE OVERHEADS

| Year | Rs/Quintal | % rise in Overheads |
|-----------------------|------------|---------------------|
| 1965-66 | 0.73 | .. |
| 1966-67 | 0.86 | 18 |
| 1967-68 | 1.46 | 100 |
| 1968-69 | 1.45 | 100 |
| 1969-70 | 1.49 | 104 |
| 1970-71 (Provisional) | 1.98 | 171 |

10.26. The Corporation have stated that the increase in administrative overheads on normal operations increased from Rs. 13.14 crores in 1969-70 to Rs. 14.72 crores in 1970-71 (provisional), the increase in 1970-71 being 11% over the overheads of 1969-70. This increase, it has been stated, was mainly attributable to normal increments and payment of interim relief to the officers and staff. Out of the total increase of Rs. 1.36 crores in 1970-71 over 1969-70, the normal increments alone to officers and staff accounted for about 0.50 crores and payment of interim relief accounted for about Rs. 0.70 crores. The increase in the cost of administrative overheads per quintal of sales in 1970-71 was not only due to the increase in the quantum of administrative overheads but also due to the reduction in the volume of sales in 1970-71 as compared to 1969-70.

B. Cost Consciousness

10.27. In a written reply, the Food Corporation of India have stated that they had been making efforts to bring about cost consciousness and reduction in overheads. These steps include laying down of norms for storage and transit losses, surprise checks on unloading operations, arranging training courses, seminars and orientation lectures, placing of rail movements on scientific basis, launching of crash programmes for augmentation of storage capacity, giving up of sub-standard godowns from private parties, improvement of process of billing, quarterly performance reports, formation of Budgetary and Cost Control Section/& Centralisation of Cash Control, Budgetary and Cost Control, strengthening of Internal Audit Cells, entrusting the preparation of movement plans for Rabi and Kharif to the National Council of Applied Economic

Research and study of staffing pattern for procurement and quality control to IBCON (P) Ltd. and Indian Institute of Management, Ahmedabad and obtaining of services of U.S.A.'s Experts for Information System, Budget and Control including Inventory Management, etc. In a Note furnished to the Committee on 12th January, 1972, the Corporation intimated that the Reports of IBCON (P) Ltd. and Indian Institute of Management, Ahmedabad are still under-consideration. These Reports had to be discussed with the representatives of the employees Unions/Associations before the recommendations could be implemented. It has been stated that although the process of consultation has been completed, certain objections and suggestions arising therefrom were being examined further and that it might take some time before final decisions are taken/reached.

10.28. The Committee view with concern the fact that there had been steep rise in the incidental expenses of the Food Corporation of India. During 1967-68 when the work was being handled by the Food Department directly, incidental expenses amounted to Rs. 51.40 per tonne. With the transfer of work relating to procurement, storage and distribution of foodgrains to the Corporation, those expenses rose to Rs. 77.10 per tonne during 1969-70 inclusive of buffer stock carrying charges, these expenses were provisionally allowed at Rs. 91.50 per tonne. The Committee would like to focus attention of the Corporation as well as Government on some of the important components of incidental expenses in respect of which the rise has been phenomenal. For example, 'transit and storage loss' has increased by 350 per cent, 'establishment charges' by 170 per cent of and 'Godown Charges' by 37 per cent as compared to the charges incurred when the Food Department handled directly the foodgrains.

The Committee recognise that there has been increase in the 'scope, size and area' of operations of the Corporation and that some increase in such charges could not be ruled out but they find it hard to accept that the present charges of Rs. 91.50 per tonne (Rs. 9.15 per quintal) are the barest minimum and there is no scope for reduction. During evidence, a representative of the Roller Flour Millers' Federation of India informed the Committee that 'nowhere in the history of the foodgrain trade, handling charges are anything more than 3 to 4 per cent.' In the case of the Food Corporation of India, handling charges of Rs. 9.15 per quintal constitute 12 per cent of the procurement price of Rs. 76 per quintal of wheat. When 'procurement incidentals' of Rs. 10.26 per quintal are added to the Corporation's incidentals of Rs. 9.15 per quintal, handling charges amount to Rs. 19.41 per quintal and constitute about 25 per cent of the procurement price of wheat. Some of the State Governments

have also categorically stated in written memoranda to the Committee that incidental charges of the Corporation are extremely high and needed to be brought down to a reasonable level. The turnover of the Corporation has increased manifold and it is now admittedly one of the biggest trading Corporation in the world dealing as it does, with 10 million tonnes of foodgrains and sales to the tune of Rs. 800 crores. The Committee are constrained to observe that the Corporation have not been able to derive full benefit of economy of scale.

10.29. The Committee find that though the Food Corporation of India are in existence for the last seven years they have not evolved any norms for regulating the incidental expenses. In its Report on incidental expenses of the Corporation, the Cost Accounts Officer of the Ministry of Finance has expressed the opinion that 'perhaps one of the reasons why the unit incidentals as claimed by the FCI year by year is going up, despite more than proportionate increase in the quantity of foodgrains handled, is because the allocations are related by FCI only to annual sales'. The Cost Accounts Officer has recommended that FCI should work out the incidence of handling charges for the years 1967-68 to 1970-71 on the basis indicated in his Report to 'exhibit a more realistic and acceptable picture' and to study the trend for the purpose of evolving norms for the future. The Committee expect that no further time would be lost in evolving such norms which are a vital instrument in the hands of Management to exercise check on such expenses and are indispensable for creation of cost consciousness among officers and staff at all levels of the Corporation.

10.30. The Committee note that the Food Corporation had got some aspects of their management and costs analysed by the Institute of Management, Ahmedabad and Ibcon (P) Ltd., but their Reports remain still under consideration of the Food Corporation of India. The Committee would like the Food Corporation of India to give highest priority to the processing of these Reports of expert bodies and take concrete measures to effect economies.

10.31. The Committee have dealt with the question of high cost of unduly large staff carried by Food Corporation of India in a separate Chapter on "Personnel and Administration" but they cannot help repeating that there is a paramount need for rationalisation of staff strength keeping in view the trends of procurement, stocking, distribution etc. To give an example, the large handling staff at ports are no longer obviously required when the imports of foodgrains have perceptibly come down and adequate buffer stock of

5—7 million tonnes built up. The Committee consider that the question of reducing the heavy 'incidentals' brooks no further delay and they reiterate that it should receive earnest and continuous attention at the highest level. The Committee recommend that the Food Corporation of India/Government should critically analyse the present incidental expenses of the Corporation with the help of best experts available in the field of costing, management etc. and initiate effective steps to bring down the 'incidental' expenses to the barest minimum level, for in the last analysis it is the poor consumer and the Exchequer who have to bear this unconscionably high unproductive burden of handling charges of foodgrains by the Food Corporation of India.

XI

FINANCIAL MATTERS

A. Authorised Capital

The funds of the Corporation consist of:

- (a) Equity capital from the Central Government;
- (b) Loans from the Central Government; and
- (c) Cash credit facility offered by the State Bank of India, on the guarantee of the Central Government.

11.2. Under Section 5 of the Food Corporation Act 1964, the authorised capital of the Corporation is Rs. 100 crores to be wholly contributed by the Government of India.

B. Capital Employed

11.3. The capital employed by the Corporation as at the end of the last six years was as under:

| | As on 31st March of (Rupees crores) | | | | | |
|---|-------------------------------------|---------|---------|---------|---------|---------|
| | 1965-66 | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 |
| (i) Share capital (including capital advance) | 9.00 | 13.96 | 17.09 | 27.06 | 53.26 | 65.16 |
| (ii) Reserves | 0.03 | 0.65 | 2.05 | 2.19 | 2.60 | 2.88 |
| (iii) Government of India Loan | 30.00 | 23.00 | 39.00 | 223.50 | 238.50 | 214.00 |
| (iv) Bank overdraft | — | 5.19 | 56.04 | 120.73 | 29.29 | 182.01 |
| | 39.03 | 42.80 | 114.18 | 373.48 | 322.65 | 464.05 |

and losses due to over payments. Particulars of these cases are given below:

| Year | (Rupees in crores) | | |
|---------------------------------|--------------------|-----------------|------------------|
| | Fixed Assets (Net) | Working Capital | Capital Employed |
| 1965-66 | 6.39 | 32.74 | 39.03 |
| 1966-67 | 11.51 | 31.29 | 42.80 |
| 1967-68 | 15.49 | 128.69 | 144.18 |
| 1968-69 | 27.47 | 346.01 | 373.48 |
| 1969-70 | 45.52 | 270.66 | 316.18 |
| 1970-71 (provisional) | 68.47 | 404.22 | 472.69 |

C. Cases of Misappropriation, Fraud, etc.

11.5. There have been ten cases of misappropriation of Corporation's funds and shortage of gunny bags etc. during 1966, 1969 and 1970. Particulars of some important cases are given below:

| S. No. | Name and designation | Details of alleged misappropriation | Action taken |
|--------|--|--|---|
| 1 | 2 | 3 | 4 |
| 1968 | | | |
| 1 | Shri A.K. Banerji Assistant Manager, Calcutta. Shri S.K. Some, Chief Inspector, Kalighat Siding, Calcutta. | Misappropriation of Rs. 32.61 lakhs in connection with sale of maize to Baby Food Corporation, Calcutta during 1968. | The report of the C.B.I. has since been received and the persons are being prosecuted. The matter is <i>Sub-judice</i> . |
| 2 | Shri S. N. Sen Gupta, Quality Inspector, Belasore | Misappropriation of Rs. 8943.53 in connection with sale of rice in Orissa during 1968. | The C.B.I. themselves registered this case and launched prosecution in the court under section 5(2) read with Section 5(1) (c) of the prevention of Corruption Act, 1947. The case is <i>sub-judice</i> . |

1

2

3

4

1969

- 3 Shri Khareti Lal Cashier, Shaktinagar Depot, Delhi Misappropriation of Rs. 47184/- and loss of documents and Cash Book (on reconstruction of the Cash Book, a Shortage of Rs. 47000/- has been found) The matter was reported to the Delhi Police on 29-9-69 but after inquiry the case was treated by them as closed due to lack of evidence. The matter was, therefore, investigated departmentally and it is proposed to take departmental action against certain officials who are suspected to be involved. The matter has been referred to the Central Vigilance Commission and their advice is awaited.
- 4 Shri S. B. Sahai, Sr. Godown Keeper, Shri R.T. Singh Jr. Godown Keeper, Shri R.P. Gupta Godown Clerk at ESD Golghar Depot, Shortage of 427 bags of wheat found during surprise inspection by C.B.I. and suspected to be a case of misappropriation of wheat. Officials placed under suspension and departmental proceedings initiated against them as recommended by C.B.I.
- 5 Shri S.N. Awasthi, Asstt. (Gr. II) Dighaghat Depot, (Bihar). Shri Hameshwar Singh Asstt. (Gr. III), Dighaghat Depot, (Bihar). Shri S.D.P. Verma, Assistant (Gr. III), Dighaghat Depot, (Bihar). Shri A.K. Yadav, Asstt. (Gr. III) Dighaghat Depot, (Bihar). Shortage of 309 quintals of wheat found during surprise inspection by C.B.I. and suspected to be misappropriation of wheat. Officials placed under suspension and departmental proceedings being initiated as recommended by CBI.

1970

- 6 Shri S.B. Sahai, Sr. Godown Keeper FSD, Golghar (Patna) Shortage of 3868 gunny bags found during inspection by CBI and suspected to be a case of misappropriation of gunny bags. Official placed under suspension and departmental proceedings initiated against him as recommended by CBI.
- 7 Shfi G.L. Chopra, Sr. Assistant Manager, New Kandla. Misappropriation of sum of Rs. 4000/- and Rs. 3082.12. The report of the C.B.I. has been received. Shri Chopra is being prosecuted for mis-appropriation of Rs. 4,000 and departmental proceedings have been initiated for misappropriation of Rs. 3,082.12
- 8 Shri G.R. Bishnoi, Quality Inspector, Amritsar. Misappropriation of 3000 gunny bags during 1969 and 1970. Official placed under suspension and departmental proceedings initiated against him.

11.6. Besides, there have been some cases of embezzlement, fraud; losses due to over payments. Particulars of these cases are given below:

| Name of the Region | Amount of overpayment involved | Nature of the case |
|-------------------------|--------------------------------|---|
| 1. Sarnatnagar (Andhra) | Rs. 1,500/- | Contractor received payment not only on the originals of work slips but also duplicates/ triplicate copies thereof. |
| 2. Hapur (U.P.) | Rs. 19,120 | Excess payment made to Handling and Transport Contractor in January 1970 without adjusting advances made to him. C.B.I. report has been received and the matter is under examination. |
| 3. Rampur (U.P.) | Rs. 86,730 | Payments made on the basis of duplicate/triplicate workslips. The contractor interpolated the figures in workslips and altered the amounts. Over-payments and double payments made between 1.5.69 and 30-9-70. C.B.I. report has been received and the matter is under examination. |

11.7. During evidence of the Ministry of Agriculture, the Managing Director of the Corporation stated that misappropriation of Rs. 32 lakhs in the FCI's Calcutta Office related to a transaction of sale of maize to a private party. Normally for such sales, stocks were made over to the party by the F.C.I. after obtaining payment in advance but in this particular case certain consignments were handed over in advance by "forging of documents and the changing of register, etc." The case was handed over to the CBI for investigation in 1969. The CBI had given its report recommending launching of prosecution against 2 officers of the FCI on deputation from the Government of West Bengal and seven private individuals. It had not been possible for the F.C.I. to recover the amount from the trader. A civil suit had been filed.

11.8. In a reply furnished after the evidence, the Ministry of Agriculture have stated that "the over-payments or losses had arisen from a violation of the prescribed procedure and/or non-observance of rules and not due to any lack of financial discipline." The Ministry have expressed the view that in a large organisation like the Food Corporation of India with a decentralised set-up, stray cases of violation of rules or procedure could not altogether be ruled out. The enforcement of the procedure and rules was to be exercised

through heads of Districts or Regions who had been given adequate delegation of powers. Considering that there were over 100 District Offices besides Regional and Zonal Offices, a few cases of non-observance of procedure might occasionally arise. In such cases, appropriate remedial action was taken.

11.9. In a reply furnished after the evidence, the Fod Corporation of India furnished more details about the case of misappropriation of Rs. 32 lakhs in West Bengal. The reply indicates that the MCI had agreed to supply 10,000 tonnes of Maize to M/s. Bihar Traders, Calcutta, at the rate of Rs. 70 per quintal f.o.r. Calcutta during 1968 on the following terms:

- (i) The representative of M/s. Bihar Traders will examine and accept the quality and weight of the maize at each of the three U.P. Depots viz. Hapur Depot, Kanpur Depot and Agra Depot, before despatch. Once the maize, passed by their representative at the Depot has been loaded in railway wagons, FCI will be free from all further responsibilities regarding quality and weight, etc.;
- (ii) The price of the maize will be Rs. 70 per quintal f.o.r. Calcutta railway stations of their choice exclusive of sales and other local taxes, if any. This price is effective for the despatches made upto and including the 21st of May, 1968. On any despatch made subsequent to this date, terms and conditions will be negotiated afresh between M/s Bihar Traders and FCI.
- (iii) The proprietor of M/s Bihar Traders, Shri B. K. Kedia, will visit three depots of Uttar Pradesh for preliminary inspection of stocks. He will return to Calcutta and deposit the earnest money of Rs. one lakh at Regional Office, Calcutta, not later than on 22nd April, 1968. Once the deposit of earnest money is paid, FCI's Calcutta Regional Office will advise FCI's Lucknow Regional Office to arrange for despatch from three U.P. Depots already mentioned.
- (iv) Stocks will be despatched, preferably, freight paid consigned to FCI, Calcutta.
- (v) R/Rs will be sent from the U.P. despatch depots to the Officer on Special Duty, FCI, Calcutta and he will arrange to intimate the party of each despatch as soon as possible, after it is made. M/s Bihar Traders will be responsible for full payment to cover the value of each such despatch

immediately on receipt of such intimation and certainly within seven days of such intimation, Railway Receipts were to be handed over to the representatives of M/s Bihar Traders by the FCI's Office at Calcutta on receipt of full payment.

11.10. On 26th June, 1969 in the course of internal audit of the accounts of the Regional Office of the FCI, Calcutta, it was found that 402 wagons of maize containing 98,812.54 quintals valued at Rs. 69,16,877.80 were delivered to M/s Bihar Traders, Calcutta, between the period from 7th May, 1968 to 11th December 1968. Against the value of this quantity of maize supplied, only a sum of Rs. 36,56, 110 was credited in the account of the FCI while the balance of Rs. 32,60,767.80 was not so credited. The matter was reported to the Central Bureau of Investigation on 21st June, 1969.

11.11. In their Report, the Central Bureau of Investigation are stated to have pointed out that during the period between 7th May, 1968 and 11th December, 1969 about 402 wagons containing 98.812.54 quintals of Maize valued at Rs. 69,16,877.80 were delivered to Shri Kedia of M/s. Bihar Traders and/or his agents. In all these cases, delivery of railway receipts and issue orders were effected by Shri A. K. Banerjee, Assistant Manager (Movement), FCI. In some of the cases, he obtained the approval of the Deputy Regional Manager. Out of this, an amount of Rs. 36,56,110 only appears to have been credited with the Corporation leaving Rs. 32,60,767 unaccounted for.

11.12. The arrangement between the FCI and Shri Kedia in connection with the agreement of sale of 10,000 metric tonnes of maize commenced on 18th April, 1968 and continued upto 11th December, 1968 on M/s Bihar Traders making a further security deposit of Rs. 10,000 on or about 25th May, 1968. It appeared from the records that during the period from 7th May, 1968 to 23rd May, 1968, Shri Banerjee received about Rs. 20,89,200 and released wagons worth as much upto 6th June, 1968. Thereafter from 10th June, 1968, Shri A. K. Banerjee started issuing release orders much in excess of the amount received in the accounts of the Corporation from the party and this is stated to have continued till 11th December, 1968 and during this period the sum of only Rs. 15,61,000 had been credited in the accounts of the Corporation against an approximate value of Rs. 48,21,767.80 for which Shri A. K. Banerjee had issued release orders.

11.13. FCI have intimated that "The CBI concluded that Shri A. K. Banerjee, Assistant Manager (Movement) and Shri S. K. Shome, Chief Inspector, Kalighat siding, officers of the Government

of West Bengal on deputation to the Corporation, entered into criminal conspiracy with the representatives of M/s Bihar Traders and committed criminal mis-conduct, fraud and forgery for pecuniary gains to themselves and the parties. They also forged documents by falsely showing delivery of maize to M/s Bihar Traders against payment and thereby obtained pecuniary advantage of Rs. 32,60,767. 80 for M/s. Bihar Traders and themselves at the cost of the Corporation."

11.14. The Corporation has intimated that in view of these facts, the persons concerned are being prosecuted under Section 120B, IPC read with Section 5 (2) | 5 (1) (d) of Prevention of Corruption Act of 1947 and under Sections 468, 467, 471|468 and 477A IPC. This, it has been stated by the Corporation, 'was a deep laid conspiracy between these officials and the private persons representing M/s Bihar Traders. It has been claimed that safeguards had been provided by the Corporation by prescribing accounting procedures and checks and it was due to these that the case could be detected during internal audit. The Corporation have also intimated that the CBI have not found any lacunae in the rules and procedures. They have, however, pointed out that there should have been effective checks on the dealing of Shri A. K. Banerjee and Shri S. K. Shome. In other words, there was only lack of supervision in this case. The matter is being probed departmentally with a view to fixing responsibility of the concerned officers.

11.15. The Committee have been informed that when this case came to notice, Sarvashri A. K. Banerjee and S. K. Shome were placed under suspension. Necessary sanction for their prosecution was issued by the Government of West Bengal. Apart from the criminal case having been launched by the CBI, the Corporation had also filed a civil suit for the recovery of the amount due from M/s. Bihar Traders. Both the cases are *sub judice*.

11.16. The case of misappropriation of Rs. 32 lakhs in 1968 in the Calcutta Regional Office of the Food Corporation of India is the most serious of all cases of misappropriation, fraud, over-payments etc. which have so far occurred in the Corporation. The Corporation have intimated that the CBI which had conducted the investigation into this case had not found any lacunae in the rules and procedures of the Corporation but had pointed out that there should have been effective checks on the dealings of the Corporation's officials involved in the case. As the case is *sub judice*, the Committee do not wish to offer any views thereon. The Committee, however, recommend that the Corporation should tighten the financial discipline in their

enterprise, tone up the administration of rules and procedures and provide adequate supervisory checks and enforce their observance at all important levels to prevent recurrence of such cases which besides entailing financial loss tarnish the fair image of the Corporation.

D. Outstanding

11.17. The outstandings due to the Corporation are as under:

| As on | (Amount Rs. in crores) |
|----------------------|------------------------|
| 31-3-1969 | Rs. 40.45 crores |
| 30-11-1970 | Rs. 36.60 „ |
| 31-10-1971 | Rs. 67.19 „ |

Details of the outstandings as on 31st October, 1971 are given below:

(i) State Governments

| S. No. | State Government | Outstanding amount in lakhs | The year of the oldest item outstanding with the amount for the year |
|--------|------------------------|-----------------------------|--|
| 1 | 2 | 3 | 4 |
| 1. | Assam Government | 109.69 | 1968-69 (33.44) |
| 2. | Bihar Government | 662.14 | 1966-67 (2.71) |
| 3. | Gujarat Government | 30.91 | 1967-68 (1.00) |
| 4. | J&K Government | 442.47 | 1970-71 (118.00) |
| 5. | Maharashtra Government | 485.54 | 1966-67 (0.14) |
| 6. | Orissa Government | 61.91 | 1968-69 (1.27) |
| 7. | Rajasthan Government | 58.41 | 1966-67 (12.89) |
| 8. | U.P. Government | 96.93 | 1966-67 (0.33) |

| 1 | 2 | 3 | 4 |
|---|--|----------------|---------------------|
| 9. | Tamil Nadu Government | 25.16 | 1966-67 (1.65) |
| 10. | Tripura Administration | 166.76 | 1967-68 (8.02) |
| 11. | West Bengal Government | 2802.28 | 1966-67 (223.77) |
| | | <u>4942.20</u> | |
| (ii) <i>Government of India</i> | | | |
| (a) | For Defence supplies. | 661.26 | 1966-67 (9.80) |
| (b) | On other account (Supplies to erstwhile C.S. Ds. incidentals subsidiary etc. | 1011.43 | |
| (iii) <i>State Trading Corporation of India</i> | | <u>1672.69</u> | |
| | | 104.87 | |
| | Grand Total | <u>6719.76</u> | |

11.18. The Corporation have stated that their total annual sales were about Rs. 750 crores. Thus the outstandings on 30th November, 1970 represented about 15 days' sales only. According to the Corporation, considering the volume of transaction the outstandings were not 'too high'. The Corporation have assured that every effort was being made by them to keep these outstandings as low as possible.

11.19. During evidence, the Food Secretary stated, "it is certainly a big amount (Rs. 36.60 crores as on 30th November, 1970) but it represents only about 15 days dues transactions. These are outstandings against the State Governments and we give them a reasonable time to pay the same. I think any businessman would have at least 15 days' outstandings."

11.20. The Committee enquired what time was allowed for payment and what interest was charged by the FCI on over due amounts. The Managing Director of the FCI stated that normally they gave about 48 hours from the time of presentation of the Bill, for payment of their bills. If bills were not paid in time, interest was liable to be charged. He added, "We do seek the assistance of

the Government of India also in enforcing a certain amount of discipline in the payment of the bills. Unfortunately delays do take place, sometimes possibly for genuine reasons and at times because of the ways and means difficulties. When we are dealing with Government we have to be a little circumspect." The Food Secretary stated that 95 per cent of dues were supposed to be paid in 48 hours. The remaining 5 per cent took time to collect. Interest was recovered by including it in the incidentals.

11.21. The Committee find that the outstandings of the Food Corporation of India have gone up from Rs. 36.60 crores as on 30th November, 1970 to Rs. 67.19 crores as on 31st October, 1971 despite efforts made by the Corporation to bring down the outstandings. In this connection the Committee note that of the total amount of Rs. 67.19 crores, the outstandings from State Governments alone are Rs. 49.42 crores. Some of the oldest items outstanding from State Governments date as far back as 1966-67. The Committee are not averse to a reasonable time limit being allowed to State Governments to settle bills and make payment. But if the outstandings linger on for years and the Corporation find itself unable to clear the outstanding items within a reasonable time limit the Central Government should come to the aid of the Corporation by persuading the State Governments concerned to clear the outstandings expeditiously. It is obvious that if the outstandings are kept low, the Corporation would have larger liquid resources and will not be forced to lean too heavily on loans on which they have to pay a high rate of interest.

E. Loans, Overdrafts and Stocks

11.22. The Government of India loan to the Corporation amounted to Rs. 214.00 crores and Bank overdraft of the Corporation stood at Rs. 181.63 crores as on 31st March, 1971. During evidence, the Food Secretary stated that at the end of July, 1971, there was a "staggering loan" of Rs. 246 crores from Government and Rs. 300.85 crores from the Banks. The witness assured the Committee that the amount was fully secured by the stocks held by the Corporation. The stocks held by the Corporation from time to time were as under:

| Year | Stocks (tonnes in lakhs) | Value (Rs. crores) |
|---------|--------------------------|--------------------|
| 1965-66 | 5.61 | 37.31 |
| 1966-67 | 6.85 | 48.43 |
| 1967-68 | 15.64 | 128.60 |
| 1968-69 | 32.56 | 286.32 |
| 1969-70 | 37.31 | 309.13 |

11.23. The Composition of the stock at the end of the year 1970-71 was:

| | Million tonnes |
|-----------|-----------------|
| (a) Wheat | 2.3 |
| (b) Rice | 2.2 |
| (c) Grain | 0.5 |
| | <hr/> 5.0 <hr/> |

11.24. During evidence, official representative of the Ministry of Agriculture alleged the apprehension that the Corporation was being heading towards a financial crisis because of the mounting overdrafts and added, "F.C.I. is still going very strong. Borrowing is quite a respectable profession for any commercial body and the banks are meant for this purpose." He explained, "bulk of the working capital of any commercial organisation is obtained by borrowings from banks. Equity is only utilised for storage godowns and for mechanical appliances like rice mills and so on. So far as the capital required for machinery is concerned, this is not secured by advances obtained from banks but so far procurement is concerned, it is financed by loans from the Government of India and from the banks."

11.25. The Committee find that while the stocks with the FCI increased by about 11 times i.e. from Rs. 37.31 crores in 1965-66 to Rs. 446 crores in 1970-71, its loans and overdrafts went up by 18 times i.e. from Rs. 30.00 crores in 1965-66 to Rs. 546.85 crores in July, 1971. This does not reflect a comfortable position because Corporation's dependence on loans and overdrafts has far exceeded the value of stocks held by it. They recommend that the loans and overdrafts should be kept by the Corporation within reasonable limits as the "burden" of borrowing involves payment of interest at a higher rate and thus raises the cost of intermediate handling affecting the consumers in the long run. The Government should ensure that the Corporation does not, as a rule, lean heavily on loans and overdrafts to sustain its activities.

F. Profitability

11.26. The Corporation earned the following profits since its inception:

| Year | (Rupees in Lakhs) | |
|---------|--------------------------|----------------------------|
| | Profit (Prior to tax) | Profit (After taxation) |
| 1965-67 | 22.57 | 10.07 |
| 1966-67 | 304.73 | 95.27 |
| 1967-68 | 391.08 | 88.34 |
| 1968-69 | 126.05 | 14.05 |
| 1969-70 | 263.89 | 41.73 |
| 1970-71 | 157.84 | 27.41 |

11.27. The percentages of profits to sales, gross fixed assets, capital employed, equity capital and net worth are shown in the following table:

| Percentage of Net Profit prior to Tax on | 1965-66 % | 1966-67 % | 1967-68 % | 1968-69 % | 1969-70 % |
|--|--------------|--------------|--------------|--------------|--------------|
| (a) Sales | 0.17 | 1.21 | 1.02 | 0.22 | 0.3 |
| (b) Gross fixed assets | 3.43 | 24.88 | 22.94 | 4.16 | 5.1 |
| (c) Capital employed | 0.58 | 7.12 | 2.72 | 0.34 | 0.8 |
| (d) Equity capital | 2.51 | 21.82 | 22.90 | 4.66 | 4.9 |
| (e) Net worth | 2.50 | 20.85 | 20.79 | 4.31 | 4.7 |
| Percentage of Net Profit after Tax on | | | | | |
| Equity capital | 1.12 | 6.82 | 5.17 | 0.52 | 0.8 |
| Net worth | 1.11 | 6.52 | 4.70 | 0.48 | 0.8 |

11.28. During the evidence of the Food Corporation of India, the Committee asked why the profitability of the F.C.I., had gone down. the Chairman, F.C.I., said, "As I said we have a social objective to perform. We do not make an unduly high profit." The Committee pointed out that they got such an answer from all public undertakings

who make losses. F.C.I.'s percentage of net profit prior to Tax on sales in 1969-70 was 0.3 per cent. This was low looking to the investment and overhead costs as also the turnover of Rs. 1500 crores. The representative explained that purchase and issue prices were determined by Government. F.C.I. operated on no profit no loss basis i.e., the Government reimbursed actual expenses incurred by the F.C.I. The Committee pointed out that if the F.C.I., worked efficiently, actual expenses would be less and the consumers would be able to get foodgrains at a lesser price. As it was, incidentals, especially the establishment charges were going up. In reply, the witness stated "I may explain that there is a very plausible reason for that, that is, when we build up buffer stocks, we have to store for a much longer period. In some cases we are hoarding the stocks for over two years. And so the storage charge for hoarding the buffer stocks as also the interest charges mounts up."

11.29. During evidence of the Ministry of Agriculture, the Food Secretary stated that under the present policy, the Food Corporation worked on no profit basis, in that bulk of the transactions regarding wheat and rice were subsidised by the Government and the loss was made good by the Government. The witness added that if there was any profit it was due to certain commercial transactions like purchase of pulses and also purchase and sale of coarse grains. As the quantity of such transactions was limited, the profit was small. Moreover, he said, while F.C.I.'s turnover had gone up the quantities of its commercial transactions had remained limited.

11.30. In the round-up of "The Review 1965-70", the Food Corporation has *inter alia* stated, "...the prime motivating factor of private trade is profitability. For the Corporation, it cannot be and is not so. This is evidenced by the financial results of its operations so far. It has to secure the social objective of the State policy. Everything else is subservient to it." In the conclusion part of the "Performance and Provisional Financial Results 1970-71", the Corporation has emphasised that "Profitability can neither be its aim nor can it be the yardstick for judging its performance." Citing an example, it has been stated that the Corporation purchased over 3 lakh tonnes of Maize during 1970-71 in price support to remunerate the farmer for his effort knowing fully well that there was no demand for maize at that price. Likewise, the Corporation also purchased lakhs of tonnes of rain affected wheat during the Rabi season fully aware of consumers resistance to its sale and risk of deterioration in storage. The object was not to let the enthusiasm of the farmer get dampened.

11.31. The Committee note that the profit (prior to tax) earned by the Food Corporation of India has come down from Rs. 305 lakhs in 1966-67 to Rs. 158 lakhs in 1970-71. The Committee are convinced that in the case of Food Corporation the conventional yardstick of judging the performance of an enterprise by the quantum of profit earned by it should not apply, though the Committee are not averse to marginal profits being made by the Food Corporation to meet any unforeseen contingencies. The Corporation has to be more judged by the achievement of the social objectives underlying its set up. The Committee would therefore like the Corporation to spare no efforts to ensure that the farmer is paid remunerative price, that the high cost of handling at present incurred by the FCI is reduced to the minimum so that the consumer is sold the foodgrains at reasonable prices and on assured basis. The Committee would also like Government to examine whether the cost for maintaining the buffer stock should not in all fairness be met by the Government so that it does not go unnecessarily to inflate the handling charges of the Food Corporation. The Committee need hardly stress that the size of the buffer stock should be most judiciously fixed in the light of experience gained and every care should be taken to see that stocks are duly rotated so that the foodgrains are sold well before the normal period of their preservation is exceeded.

G. Audit

11.32. Statutory auditors are appointed by the Food Corporation of India annually from among a list of auditors approved by the Central Government on the advice of the Comptroller and Auditor General of India. There are at present six auditors who audit the accounts of the Corporation in various regions. The C.A. and A.G. does not exercise any direct control over the audit of the accounts of the Corporation. During 1969-70, the Internal Audit and Physical Verification Teams were placed under the direct charge of the Financial Adviser.

11.33. Ministry of Agriculture (Department of Food) contemplate to amend the Food Corporation of India Act, 1955 so as to provide for audit of the accounts of the Food Corporation of India by the Comptroller and Auditor General of India.

11.34. The Committee recommend that steps to bring the Food Corporation of India within the audit control of Comptroller and Auditor General of India be taken as early as practicable.

XII

A. Staff Strength

The staff strength of the Food Corporation of India has increased from 2,150 persons in 1965 to 28,982 in 1971. The year-wise increase was as under:—

| Staff Strength as on | Category I | Category II | Category III | Category IV | Total |
|----------------------|---------------|----------------|-----------------|----------------|-------|
| 31-3-65 . | 24 | 61 | 915 | 1150 | 2150 |
| 31-3-66 . | 65 | 295 | 2032 | 1707 | 4099 |
| 31-3-67 . | 110 | 426 | 5905 | 4912 | 11353 |
| 31-3-68 . | 124 | 545 | 8224 | 6335 | 15228 |
| 31-3-69 . | 210 | 1104 | 14246 | 10530 | 26090 |
| 31-3-70 . | 507 | 1024 | 15313 | 9892 | 26719 |
| 31-3-71 | 500 | 1104 | 16086 | 11292 | 28982 |

12.2. The expenditure on the staff strength and its percentage to the total purchase and sales turnover had been as under:—

| Year | Salary Bill | Purchases and Sales | Percentage to turnover |
|-------------------|--------------|---------------------|------------------------|
| | (Rs. Crores) | | |
| 1965-66 | 1.17 | 289.61 | 0.41 |
| 1966-67 | 2.66 | 493.06 | 0.54 |
| 1967-68 | 5.75 | 824.42 | 0.70 |
| 1968-69 | 8.02 | 1281.89 | 0.63 |
| 1969-70 | 13.40 | 1485.29 | 0.90 |
| 1970-71 | 17.19 | 1413.05 | 1.22 |

(Note :—The wages, salaries, contributions and staff welfare given above in Col. 2 represents the total amount, inclusive of the wages, salaries, Contributions and staff welfare pertaining to buffer operations also.)

12.3. It has been stated by the Corporation that their first attempt was to ensure smooth taking over of the functions and to see that no disruption in work was caused by the change-over. Scientific manning studies were, it has been stated, not practicable in the initial stage.

12.4. A study on operational norms and manpower assessment for procurement staff in the Chandigarh region made by IBCON(P) Ltd., has revealed that currently, volume of procurement, during a season, is taken as a basis for arriving at "mandiwise" staff requirement whereas it is the volume of arrivals, and not procurement, which should in their opinion, govern the workload of the procurement staff. The study has recommended standard staff requirement for procurement of operations for each Mandi, the F.C.I., representative visiting two days in the week, as follows :—

- | | |
|---|-------------|
| (i) For arrivals upto 10,000 tonnes of Rabi crop during a season | : 1 person |
| (ii) For every additional 1200 tonnes | : 1 person |
| | in addition |

On the basis of this standard requirement IBCON have assessed that in Punjab 258 persons would be required as against the present requirement of 287 persons. IBCON have also recommended that during the lean season, procurement staff could be gainfully utilised as below :—

- (a) For attending to storage and despatch of foodgrains at Food Storage Depots;
- (b) For attending to preservation of foodgrains, after proper training;
- (c) For carrying out physical verification of stocks.

12.5. In March, 1970, the Corporation entrusted to the Indian Institute of Management, Ahmedabad a study of the staffing norms relating to the storage and quality control functions at the depot level in the Corporation. Later the Institute was also asked to simultaneously examine whether there was a possibility of cutting down unnecessary paper work and wastage of manpower and make recommendations for the staffing pattern. Some of the shortcomings in the existing staffing norms pointed out by the Institute are:—

- (i) present practice accepts storage capacity as the sole criterion for assessing staff requirements and does not take into account the activity in a depot.
- (ii) current norms also do not take into consideration fully the problem of promotional avenues for the staff.

2.6. M/s. IBCON Private Ltd. submitted two reports, one on the procurement operations in Punjab and the other on the procurement operations in U.P. In the case of Punjab, it has been decided that the classification of mandies should be made on the basis of procurement potential. As for the super-inspection, it will continue at the loading points. The consideration of the report on the procurement operations in U.P. could not still be completed because of the destruction of records at Lucknow during the last floods.

12.7. During the evidence of the Ministry of Agriculture (Department of Food), the Committee enquired as to how it was that while the turn over the Corporation had increased only 5 times, its staff strength had increased by 12 times since its inception in 1965. In reply, the Food Secretary stated that when the Corporation was set up in 1965, its activities were confined to Southern States only. Later on, its activities spread to other states. On 1st April, 1969 all the storage depots and warehouses of the Government of India were transferred to it and alongwith about 10,000 persons employed on that work. Similarly, when the distribution work in West Bengal entrusted to the Corporation, about 5,000 employees of West Bengal were transferred to the Corporation. Stressing the functional aspect of the development of staff, the witness stated that function-wise break up of the staff strength was as follows:

| Function | Staff strength |
|--|----------------|
| (1) Procurement | 1,743 |
| (2) Godowns and clearance work at ports/harbours | 17,095 |
| (3) Quality Control. | 2,317 |
| (4) Engineering | 870 |
| (5) Other (including W.Bengal employees) | 6,957 |
| Total : | 28,982 |

B. Integration of Cadres

12.8. The staff strength of the Corporation comprises three distinct cadres. These are:—

- (a) Transferees from the Regional Directorates of Food of the Government of India;
- (b) Direct Recruits;
- (c) Deputationists drawn from Central/State Government.

As on 31st March, 1971 "Transferees" constitute about 57 per cent, direct recruits, 24 per cent and Deputationists, 19 per cent of the total strength in the Corporation.

12.9. The extra expenditure on employees transferred to the Corporation on 'foreign service' terms is normally represented by the amount of leave salary and pension contributions paid in respect of them. The year-wise amount of these contributions was as follows:—

| Year | Amount of leave of salary and pension contribution (Rupees) |
|---------|---|
| 1965-66 | 8,32,397 |
| 1966-67 | 20,30,461 |
| 1967-68 | 41,50,808 |
| 1968-69 | 55,55,039 |
| 1969-70 | 96,50,998 |
| 1970-71 | 1,03,83,414 |
| Total : | 3,26,03,117 |

12.10. The Corporation are of the view that expenditure on these contributions cannot be treated as an additional liability. If the persons concerned had been the employees of the Corporation, leave salary and employers' contribution towards contributory provident fund would have been paid by the Corporation. In the case of deputationists, after payment of the leave salary and pension contributions to the parent department, the liability is discharged by the Department when the occasion arises.

12.11. The following amounts were paid to the deputationists as 'deputation allowance':—

| Year | Amount (Rs.) |
|---------|--------------|
| 1965-66 | 1,23,339 |
| 1966-67 | 1,74,700 |
| 1967-68 | 2,99,716 |
| 1968-69 | 5,24,086 |
| 1969-70 | 6,25,266 |
| 1970-71 | 6,42,544 |
| Total : | 23,89,651 |

Note:—Figures for all the years are not inclusive of the amounts paid in Assam.

12.12. It has been stated by the Corporation that the efforts made by them to evolve a long term personnel policy had not been very successful so far owing to the fact that the bulk of their employees were taken over on 'foreign service' in respect of whom the practices followed in Government had to be continued. The flexibility normally enjoyed by an employer, with a homogenous body of men, was thus denied to the Corporation. Some of the problems, is apprehended, would persist even after the permanent transfer of Food Department employees to the Corporation took place as the statutory safeguards provided in the Amendment Act may facilitate their continued existence as a distinct group *vis-a-vis* other directly recruited Corporation employees. The re-orientation of this diverse body of employees drawn from different sources, posed a complex problem. The Corporation are of the view that it was only when complete integration takes place in the cadres of the Corporation, that the task of welding them as one whole will become easy.

12.13. The Corporation have intimated that the 'Staff Regulations' framed for the purpose of integration of cadres have since been finalised and notified in the Gazette of India on 8th May, 1971. The employees proposed to be finally transferred to the Food Corporation of India under Section 12(A) of the Food Corporations Act have been asked by the Government of India, under Sub-section (i) of the said Section, to indicate by 29-2-72 if any of them do not intend to become employees of the Corporation. Necessary notification regarding their statutory transfer to the Corporation will, it has been stated be issued by the Government after these intentions are known.

C. Departmentalised Labour at the Ports and Depots

12.14. With the heavy increase in the quantum of imports since 1964, the problem of grain handling at the ports, assumed a serious proportion on account of heavy congestion at most of the major ports. At Bombay, following the failure of the then clearance and transport contractors in early 1964, a decision was taken, after negotiations with the labour unions to carry out clearance operations departmentally from 1-8-1964. Since then the labour was departmentalised at the other ports also. The total strength of the departmentalised dock workers at the four major ports as follows:—

| Port | Total strength of departmentalised dock workers |
|------|---|
|------|---|

| 1 | 2 |
|--------------------|--------|
| Kandla | 2,124 |
| Vizag | 529 |
| Calcutta | 213 |
| Total | 10,590 |

12.15. The total strength of the labour departmentalised at Bombay, Madras, Vizag and Calcutta Depots is indicated below:—

| Name of Port | Total strength |
|--------------------|----------------|
| Bombay | 1653 |
| Madras (Egmore) | 90 |
| Vizag | 401 |
| Marimad | 425 |
| Calcutta | 1801 |
| Total : | 4,370 |

12.16. It has been stated by the Corporation that on account of reduction in imports of foodgrains and also fertilizers, the problems of prospective surplus of departmental labour is looming large. Asked whether port workers at various ports were taken over by the Corporation on an ad-hoc, specified or on a permanent basis, the Corporation have stated that port operation work was taken over by the Corporation on 'as is where is' basis, without execution of fresh Memoranda of Settlement by the Corporation at that time. The port workers unions subsequently raised certain demands and agreements were reached by the Corporation with them covering their demands for enhanced benefits with respect to attendance allowance, minimum guaranteed days/shifts, leave, paid holidays, maternity leave, gratuity medical benefits, etc. etc. As there had been no change in the general pattern of work subsequently to the transfer of work to the Corporation, this constituted practically a regular arrangement, and not one of an ad-hoc nature or confined to a specified period.

12.17. In July, 1969, the Corporation introduced a 'voluntary retirement scheme' to tackle the problem of surplus departmentalised labour at the ports. The Scheme carried the following provisions:—

- (i) introduction of voluntary retirement scheme to enable the surplus workers to retire voluntarily even if they have not completed 5 years of continuous service, which entitled them to the benefit of Contributory Provident Fund and Gratuity.
- (ii) Transfer of surplus departmental workers at the ports to the godowns to the extent possible.

12.18. As the Scheme achieved only partial success, Committee was constituted by the Corporation in July, 1970 to examine the problem further. The Committee prepare a suitable scheme for the voluntary retirement and made suggestions for absorption of surplus workers within the organisation or outside. It also prepared an 'alternative employment scheme' for providing fresh employment to the surplus labour after they retire voluntarily on payment of *ex-gratia* amount equivalent to retrenchment compensation admissible under the Industrial Disputes Act, besides payment of full terminal benefits such as gratuity, contributory provident fund and leave salary. It has been stated that as a result of these measures extent of surplus departmental labours has been considerably reduced as would be apparent from the following figures:—

| | |
|---|-------|
| A. Surplus assessed in | |
| (i) Regular | 1800 |
| (ii) Non-regular | 1189 |
| | <hr/> |
| Total | 2989 |
| | <hr/> |
| B No. of Surplus labour shed till December 71 | 1005 |
| | <hr/> |
| C. Balance surplus | 1984 |

12.19. The following are some other steps being taken to tackle the problem of surplus departmental labour:—

- (i) To transfer the workers from the port to the local godowns as far as possible where activities are likely to continue, even if the imports stop altogether.
- (ii) The Dock Labour Board/Port Trust are being persuaded to take over the surplus labour where ever possible, avoiding fresh recruitment. The response from Vizag Dock

Labour Board considering absorption of the permanent gangs is hopeful. Madras and Kandla Port Trust/Dock Labours Board apprehend the problem of surplus labour. Bombay Dock Labour Board may consider taking over a couple of hundred people.

- (iii) The condition of 5 years' minimum qualifying service for being eligible to get the benefit of Gratuity, Provident Fund contribution etc. has been waived with the concurrence of the Department of Food, in order to induce the departmental workers to seek voluntary retirement.
- (iv) Details are also being worked out for a voluntary retirement scheme, offering attractive terms to induce the labour to seek voluntary retirement.

12.20. The Committee find that, as on 31st March, 1971, while the turnover of the Corporation has increased five times its staff strength has increased 12 times. The Committee are not able to appreciate the passive and somewhat complacent attitude adopted by the Corporation in the matter of taking over a large number of staff on the plea that they were doing the work before the Corporation was formed and took over those functions. The Committee feel that it should not have taken the Corporation long to work out some realistic norm and critically examine on each occasion to see whether it was at all necessary to add the entire staff while taking over some functions. It was obviously incumbent on the Corporation to ensure on each such occasion that the number taken over was absolutely the minimum and essential for the discharge of responsibilities. The Committee feel that had this critical and analytical approach been applied from the very inception, the Corporation would not have found itself burdened with the problem of an excessively large number of staff.

12.21. The Committee note that recently the Corporation have had two studies made of the operational norms and man-power by IBCON(P) Ltd. and the Institute of Management, Ahmedabad. Now that the role and responsibilities of the Corporation are well defined and they have the benefit of the studies made by two expert bodies and extensive experience in the field it should be possible for the Corporation to evolve, without further delay, realistic norms for manning of the different operations. In evolving these norms, the

Corporation would no doubt keep in mind the imperative need for reducing the unconscionably high handling charges which are at present being charged by them.

The Committee note that as on 31-3-71 the staff strength of the Corporation is made up of direct recruits (24 per cent.) deputationists (19 per cent) and transferees (57 per cent). There should be no difficulty in placing back the services of deputationists who are surplus to the requirements at the disposal of the respective parent departments. No additional recruitment should be made unless it is absolutely inescapable and certified as such by the Managing Director in consultation with the Finance Adviser.

The Committee also find that the Corporation have taken over as many as 5,000 employees of West Bengal Government when the distribution of foodgrains was taken over at the instance of West Bengal Government. The Committee feel that the Food Corporation should not be saddled with the duties and responsibilities of internal distribution which should appropriately be discharged by State authorities who had detailed knowledge and experience of local requirements. There should be no question of such State employees being taken over by the Corporation and swelling further the Staff strength.

12.22. The Committee would also like to draw attention to the problem of dock labour engaged specially for handling of foodgrains. A study made in 1970 had revealed that as many as 2,989 dock labour were surplus to requirements. The Committee note that as a result of introduction of various measures such as Voluntary Retirement Scheme and alternative employment scheme, the Corporation were able to shed 1005 dock labour leaving still 1984 of dock labour as surplus. As our country has already attained self-sufficiency in foodgrains and we have adequate buffer stock of 7 million tonnes of foodgrains, the import of foodgrains is bound to cease. The Committee recommend that keeping in view these factors, the Corporation should undertake continuous study to determine the extent of surplus departmental dock labour engaged in handling of foodgrains and draw up a time bound programme in consultation with Port Trusts, Dock Labour Boards, Ministries of Transport & Labour for finding alternative employment for them.

D. Overtime Allowance

12.23. The following amounts of overtime allowance were paid to

the staff of the Corporation each year since its inception:

| Year | Total amount of over- time allowance paid |
|-------------------|--|
| | (Rupees) |
| 1965-66 | 9,942 |
| 1966-67 | 35,971 |
| 1967-68 | 2,43,822 |
| 1968-69 | 11,96,084 |
| 1969-70 | 31,71,322 |
| 1970-71 | 56,57,650 |

12.24. The Ministry of Agriculture (Department of Food) have intimated that the steep increase in the overtime allowance paid from 1969-70 onwards as compared to the earlier years was mainly attributable to the fact that the clearance operations at all the ports in the country alongwith the staff working at those ports had been transferred to the Corporation by the Government of India. (from 16th December, 1968 in all the ports other than western ports and from 1st March, 1969 in western ports also). The increase in overtime allowance, it has been stated, was also attributable to the enormous increase in procurement, movement and storage operations undertaken by the Corporation from 1969-70 onwards as compared to earlier years.

12.25. Asked as to how it was that the Corporation paid overtime allowance to their staff at the rates applicable to their staff at the rates applicable to Central Government employees when their staff had their own scales of pay, the Corporation have stated that the overtime allowance is related to the actual emoluments of an employee and not to his scale of pay.

12.26. The Committee enquired that if the steep increase in overtime allowance since 1969-70 had been due to transfer of port operations work to the Corporation from 16th December, 1968 what overtime allowance was paid at the clearance ports earlier and what the quantity of foodgrains handled then. In reply, the Corporation inti-

mated that the following amounts of overtime allowance was paid at the clearance ports during the years 1967-68 and 1968-69:—

| | 1967-68 | | 1968-69 | |
|---------------|------------------------------|--------------------------------------|-----------------------------|--------------------------------------|
| | OTA Paid (Rs.) | Qty of food-grains handled (in M.T.) | OTA Paid* (Rs.) | Qty of food grains handled (in M.T.) |
| CALCUTTA . | 1,70,490 | 16,22,621 | 2,31,843 (upto 15-12-68) | 9,08,915 |
| WESTERN ZONE | 4,69,440 | 38,93,000 | 7,01,379 | 22,60,000 |
| SOUTHERN ZONE | Figure not readily available | 14,79,545 | 23,038 | 6,73,595 (up to 15-2-68) |

12.27. Asked whether incentive wages are being paid for clearance operations the Corporation have intimated that incentive wages are being paid for clearance operations on the basis of Schedules I & II of the Memorandum of Settlement dated 30th October, 1964 at Bombay Port and of the letter dated 29th September, 1967 of the Department of Food and the Venkatachallam Award dated 24th July, 1971 at Vizag Port. These rates represent the total rates constituting the normal rates plus the element of incentive. The incentive wages scheme is in vogue at two ports viz., Bombay and Vizag. The following amounts were paid at these ports as an incentive:—

| Year | Incentive Amount (Rs. in lakhs) |
|-------------------|------------------------------------|
| BOMBAY | |
| 1969-70 | 0.79 |
| 1970-71 | 2.71 |
| VIZAG | |
| 1969-70 | 0.72 |
| 1970-71 | 1.03 |

*The amount of overtime allowance paid covers not only the work relating to handling of foodgrains but also other work like handling of fertilizer and gift consignments at the clearance ports.

12.28. Normally when the staff strength of an undertaking increases, expenditure on overtime allowance is expected to come down. The Committee, however, observe that in the case of the Food Corporation of India, despite increase in its staff strength, expenditure on overtime allowance to staff showed an upward trend. Expenditure on Overtime Allowance has increased from about Rs. 10 lakhs in 1965-66 to Rs. 56 lakhs (approximate) in 1970-71. Keeping in view the fact that the Corporation have more than adequate number of personnel on their rolls, the Committee suggest that the deployment of manpower and rosters of duty should be so arranged as to bring down the incidence of overtime.

E. Labour-Management Relations

12.29. The 'transferees' continue to be members of the same service Associations as existed while they were employed in the Food Department of the Government of India. The All India Central Government Food Employees' Association is the all-India organisation representing non-gazetted employees. The present status of the Food Department transferees in the Corporation is that of deputationists on foreign service terms without entitlement of deputation allowance. The direct recruits of the Corporation have also formed themselves into a Union known as Food Corporation of India Employees' Union representing categories III and IV employees. The Union was registered in Madras in May, 1967 under the Indian Trade Union Act. This Union has also got regional branches.

12.30. The Association of Food Department transferees and the Union of direct recruits have been representing for recognition of their Unions by the Corporation. They have not been accorded recognition so far because the Corporation are of the view that until the Food transferees are finally absorbed in the Corporation, the status of the Association would be fluid and the question of its recognition premature. The number of direct employees of the Corporation is very small and the Corporation thinks that to give recognition to their union at this stage will give rise to multiplicity of Unions after the Food Department 'transferees' are finally absorbed in the Corporation. It is only when one cadre of Corporation's own employees including transferees and direct recruits emerges that the time will come to give recognition to the most representative Union to ensure harmonious staff relationship.

12.31. At present, the Association|Union have been given a *de facto* status for purposes of negotiating staff relations etc. Although

formal recognition has not been extended to the staff Association and the Union, it has been stated that the Corporation do not deny to them access to different levels of management in the Districts, Regions and the Head-quarters. It has been stated by the Corporation that "Regular periodical and *ad hoc* meetings are being held with them at various levels and efforts are constantly being made constructively to the problems brought out by them. The Corporation have stated that this approach has been on the whole working well.

12.32. The Committee recommend that genuine grievances of the employees of the Corporation should be attended to with sympathy by the management of the Corporation.

XIII

PLANNING AND RESEARCH

Planning and Research Division of the Food Corporation of India is responsible for formulating and recommending to the Management, policies and programmes pertaining to purchase sale, behaviour of market prices, development schemes, assessment and evaluation of their progress and identifying new activities for diversification. The Division undertakes market surveys relating to appraisal of crop out-look and prospects, market arrivals, stocks with trade and market sentiments. It also prepares complete project reports, feasibility reports for location of plants, rice mills, planned movement of foodgrains to derive maximum advantage at minimum cost and other operational research studies and long range planning in regard to operations. It keeps the Management informed of All-India position of foodgrains, progress of regulatory measures of selective credit control and advises measures to be adopted in case of regulation of forward trading, credit squeeze, restrictions on inter-state movements, exports etc.

13.2. It has been stated by the Corporation that due to limited staff in the Division till now, the scope of market intelligence had been largely limited to the collection of prices, analysis and preparation of periodical reports, etc. However, since the Corporation has been increasingly involved both in procurement and distribution operations all over the country, the need to enlarge the coverage of functions of the Planning and Research Division of the Corporation so as to keep the management better informed about the crop prospects, market arrivals during the post harvest period in the producing areas and later in the terminal markets, prices in the producing and consuming areas, general market sentiments etc. was felt and the following additional functions had been entrusted to the Division:

- (i) Assessment of Kharif Crop prospects during August of every year covering the major States.
- (ii) Similar assessment of rabi crop prospects in major rabi States.
- (iii) Study of actual operations in the peak marketing season of both kharif and rabi seasons in December/January,

May/June respectively. In these studies actual procurement market systems movement pattern, storage, payment etc. will be etc.

- (iv) Special surveys of purchases and sales in respect of commercial commodities like gram, mustard, seeds, groundnut pods, oil etc.

13.3. The Corporation contemplate strengthening of the Planning & Research Division by the addition of a Senior Deputy Manager, two Assistant Managers etc. for dealing exclusively with the market intelligence work. In addition to this, there would soon be a Deputy Manager (Operations Research) with the Division who would be in a position to apply Operations Research technique to transport planning, storage utilisation, optimum product mix, rotation of stocks and other related studies.

13.4. During 1971-72 the Planning and Research Division has completed (i) a location study for a Soya Bean plant, (ii) sales strategy for Ujjain plant, Maize Mill and Rice Bran solvent extraction plant, (iii) Inventory Control study of Chemicals (iv) Rotation problem of Buffer stocks, (v) study of implications of abolition of single-State Rice zone, (vi) examination for diversification of purchase and sales programme in strategic sectors, (vii) study of price behaviour of Rice in W. Bengal and (viii) velocity of stocks in storage godowns. Their programme for 1971-72, includes exploration of export potential for selected agricultural produce and processed food and preparation of Project-Report on Cattle and Poultry feed.

13.5. The Committee note that the Food Corporation of India have a Planning and Research Division which has been expanded recently. The Committee feel that the work could have been handled by a cell instead of a Division, as the main purpose of planning and research is to help the management in devising tools for exercising vigilant, contemporaneous and effective control of field operations. The expenditure on this cell should be kept under close scrutiny and should be commensurate with the services it is able to render to the management. The Committee need hardly stress that the approach of the cell should be problem-oriented. The Committee would commend that the following problems, amongst others, may be taken up by Research and Planning Cell for urgent study:

- (i) Devising ways and means for purchasing either directly or through genuine cooperatives from the producer so that he gets the maximum benefit of floor price;

- (ii) **planning movement of foodgrains so as to obviate "damage by wet";**
- (iii) **Location of storage capacity, keeping in view the size of Buffer Stock to be built and the need to remove regional imbalances and transport bottlenecks;**
- (iv) **Analysis of "incidentals" incurred by the Corporation with a view to reduce them to the minimum, and**
- (v) **Perspective plan so that the Corporation may modify|rationalise its structure and modes of operation in keeping with changing requirements.**

XIV

CONCLUSION

The Food Corporation of India was set up on the 1st January, 65 with the object of:—

- (i) ensuring that the primary producer obtains the minimum price that may be announced by Government from time to time;
- (ii) protecting the consumer from the vagaries of speculative trade;
- (iii) securing for itself a strategic and commanding position in the foodgrains trade of the country.

14.2. The Corporation have been able to fulfil these objectives to a very large extent. During Rabi season 1970-71, apart from taking over 2.18 million tonnes of wheat procured by State Governments or their cooperative Marketing Federations, the Corporation purchased one million tonnes of wheat, 90,000 tonnes of rabi coarse grains and over 5,000 tonnes of mustard seeds. During the kharif season of 1970-71 the Corporation purchased over 1.35 million tonnes of rice procured by State Government or their agencies. The Corporation sold a total quantity of 5.1 million tonnes of wheat and 2.4 million tonnes of rice during 1970-71 through the public distribution system. It handled transportation of over 9 million tonnes of foodgrains. It has successfully implemented Crash Programme and added 8 lakh tonnes of storage capacity at a cost of Rs. 16 crores during 1970-71 raising the total storage capacity to 6.4 million tonnes as on 31st March, 1972. The Corporation have also launched a project of setting up 24 modern rice mills in the country.

14.3. The Committee have found that FCI's direct procurement of Foodgrains from farmers had ranged between 0.1 to 3.4 per cent of the total procurement during the last three years. The Committee have also found that the current involvement of cooperatives is only 25 per cent of total procurement. The Committee have expressed the feeling that if the Cooperative movement is to make any significant advance in the area of procurement of foodgrains, its involvement should be stepped up from year to year on a programme basis.

Where the cooperatives are not functioning, direct purchase centres may be got opened in consultation with State Governments so as to procure the foodgrains directly from the producers without the intervention of "Addhartias" and other middlemen.

14.4. The utilisation of godowns on gross capacity has improved from 52 per cent in 1965-66 to 77 per cent in 1971-72 (April-June). On usable capacity the utilisation was 58 per cent in 1965-66 but in 1971-72 (April-June) it was gone up to 86 per cent. Though some improvement in the utilisation of godowns over the years is thus discernable, the Committee cannot regard the present level of utilisation as the optimum one. The Committee have therefore, recommended that concrete measures aimed at optimum utilisation of storage capacity should be evolved and given effect to.

14.5. During 1966-67 to 1970-71 the Food Corporation of India suffered a total storage loss of Rs. 21.96 crores. Although viewed against the total turnover, these storage losses are not large but in themselves they are substantial and they call for urgent and effective steps to minimise such losses. The Committee have recommended that norms for storage losses should be fixed suitably which should be the lowest leaving no scope for unscrupulous elements to take advantage of high norms and remove the foodgrains. Every case of storage loss which is in excess of the norm should be promptly and thoroughly investigated with a view to finding out the exact reasons for the loss and taking remedial measures. There is also a clear need to intensify vigilance and surprise checks at the various loading, unloading and weighment points.

14.6. Losses of foodgrains in transit had been rising steadily from Rs. 95 lakhs in 1965-66 to 780 lakhs in 1970-71. In relation to the quantity moved the percentage of transit loss has increased from 1.13 per cent in 1965-66 to 1.58 in 1966-67 and 1.76 in 1967-68 until 1968-69 when such losses reached an all time high at 3.26 per cent. The Committee also note that subsequently, the Corporation had been able to arrest the rising trend of transit losses in close coordination with Railways. 1969-70 transit losses were brought down to 1.4 per cent and it is estimated that these losses may be only 1.23 per cent during 1970-71. The Committee have welcomed the efforts made by the Food Corporation of India and the Railways to bring down these losses under control but feel that vigorous efforts are called for to further minimise the transit losses. With this end in view, the Committee have recommended adoption of certain measures such as use of standardise bags, adoption of uniform scales for weigh-

ment, avoidance of open wagons for transport of foodgrains intensification of enroute checks and augmentation of security arrangements etc.

14.7. One of the main grievances voiced before the Committee by a Federation of the Roller Flour Millers was that millers had to buy all their requirements of wheat from the Food Corporation of India and that even when open market prices of wheat were less than the Corporation's prices they could not take advantage of the reduced open market prices. During evidence the official representative of the Ministry of Agriculture (Department of Food) informed the Committee that the ban on the Roller Flour Millers to purchase their requirements from open market had since been lifted and now if a Miller did not want supplies from Government, he was free to purchase 100 per cent of the required grain from the open market but if a Miller still wanted supply from Government he can buy only upto 30 per cent from the open market. While the Committee hope that this relaxation will remove the main grievance of the Roller Flour Millers, the Committee wish to invite attention of Government to the need to ensure that whatever quantities of wheat are sold by the Corporation to the Roller Flour Millers at a fixed price are in fact milled into Atta and are not surreptitiously sold in the market in order to earn profits without rendering any service to the consumers of Atta.

14.8. The Committee have stressed the need for further strengthening of the public distribution system and in particular mentioned the need for making foodgrains available at reasonable prices to those living in rural or inaccessible areas.

14.9. Though the project to set up 24 modern rice mills in the county was approved in 1967, but so far only 16 out of these 24 mills have been commissioned. The Committee have expressed the feeling that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land to facilitate the commissioning of the Mills without delay.

14.10. Since July, 1967, the Food Corporation of India had produced 62,030 tonnes of 'Balahar' and fortified 42,012 tonnes of Mill Atta since 1970. The Committee are convinced that at this rate it will not be possible to touch even the fringe of the problem of malnutrition and under-nutrition in the country. The Committee are glad to note that Government are considering proposals to expand these programmes so as to embrace the entire country and also launch other programmes. The Committee have expressed the hope that keeping

in view the urgency of combating protein deficiency in the daily diet of the people particularly in the weaker sections of society, decisions on these proposals would be arrived at soon and the approved programmes would be implemented with speed and vigour as to bring these fortified foods within the reach of weaker sections of society.

14.11. The Food Corporation of India having been primarily constituted in the interest of the producer and the consumer it should be its ceaseless endeavour to serve both these interests (i) by procuring foodgrains directly from the producer and obviating the intervention of middlemen, (ii) by giving wide publicity to the grades of foodgrains and the prices being currently paid by Food Corporation amongst these farmers so that they are encouraged to sell their foodgrains directly to the Corporation rather than to 'Arahityas' and other middlemen, (iii) by ensuring quick and prompt payment 'on the spot' to the farmers for their foodgrains so as to win and sustain their confidence, and (iv) by accelerating procurement of foodgrains through Cooperatives.

14.12. The Committee note that the Food Corporation have already drawn as much as Rs. 67.98 crores as subsidy from Government up to May, 1971.

The Committee feel that the Food Corporation should spare no efforts to cut these overhead charges and operational losses so as to reduce the need and quantum of subsidy which is being paid to the Corporation to cover the difference between the economic cost of foodgrains and their sale price.

14.13. The Committee have found that the outstandings of the Food Corporation of India have gone up from Rs. 33.60 crores as on 30-11-70 to Rs. 67.19 crores as on 31-10-1971. Of the total amount of Rs. 67.19 crores, the outstandings from State Governments alone are Rs. 49.42 crores. Some of the oldest items outstanding from State Governments date as far back as 1966-67. The Committee feel that Government should persuade the State Governments concerned to clear the outstandings expeditiously, so that the Corporation can have larger liquid resources and will not be forced to lead too heavily on loans on which they have to pay a high rate of interest.

14.14. As on 31st March, 1971, while the turnover of the Corporation has increased five times its staff strength has increased 12 times. The Committee have not been able to appreciate the passive and somewhat complacent attitude adopted by the Corporation in the matter of taking over a large number of staff on the plea that they were doing the work before the Corporation was formed and took over these functions. The Corporation should have worked out

some realistic norm and critically examined on each occasion to see whether it was at all necessary to add the entire staff while taking over some functions. Had this critical and analytical approach been applied from the very inception, the Corporation would not have found itself burdened with the problem of an excessively large number of staff. The Committee recommend that services of deputationists who are surplus to the requirements may be placed back at the disposal of the respective parent departments.

14.15. The Committee feel that with the increase in its staff strength, it should have been possible for the Corporation to reduce expenditure on over-time allowance. Expenditure on Over-time allowance has increased from about Rs. 10 lakhs in 1965-66 to Rs. 34 lakhs in 1970-71. The Committee have suggested that deployment of manpower and duty rosters should be so arranged so as to bring down the incidence of Over-time allowance.

14.16. The Committee have viewed with concern the fact that there had been a steep rise in the incidental expenses of the Food Corporation of India. In the case of wheat, handling charges are Rs. 9.15 per quintal and constitute 12 per cent of the procurement price of Rs. 76 per quintal of wheat. When 'procurement incidentals' of Rs. 10.26 per quintal are added to the Corporation's incidentals of Rs. 9.15 per quintal, handling charges amount to Rs. 19.41 per quintal and constitute about 25 per cent of the procurement price of wheat. As the turnover of the Corporation had increased manifold and it is now admittedly one of the biggest trading Corporation in the world dealing as it does, with 10 million tonnes of foodgrains and sales to the tune of Rs. 800/- crores, the Committee feel that the Corporation should desire full benefit of economy of scale and reduce its incidentals to a reasonable level.

M. B. RANA,

NEW DELHI:

Chairman,

April 12, 1972

Committee on Public Undertakings.

Chaitra 23, 1894 (S)

APPENDIX I

(vide para 2-16)

Statement Showing the Powers Delegated to Zonal Managers in the Food Corporation of India

| Sl. No. | Nature of powers delegated | Extent to which powers are delegated | Remarks |
|------------------|---|---|--------------------------------|
| 1 | 2 | 3 | 4 |
| SECTION-I | | | |
| 1 | Controlling authority for travelling and other allowances | (i) Cat. I; II in Zonal Office except D.F.A. (ii) Tours of all officers beyond the Zone. (iii) Air travel of officers drawing pay below (Rs.1000/- All over India) (iv) May authorise officers to travel by higher class than to which entitled. | |
| 2 | Authority Competent to create posts. | *(i) Category-III & IV upto one year. *(ii) Posts of Asst. Mgr. upto 3 months, subject to a report being sent to the R.O. immediately will full justification for sanctioning extension beyond 3 months if considered necessary. | *In Consultation with FA / DFA |
| 3 | Authority competent to appoint persons to posts. | Cat II | |
| 4 | Authority competent to promote employees. | Do. | |
| 5 | Disciplinary authority for the employees in respect of : | | |
| | (i) Minor penalties | Cat. II in the Zonal Office. | |
| | (ii) Major penalties | Cat. II in the Zone. | |
| 6 | Appellate authority for the employees in respect of : | | |
| | i) Minor penalties | All Cat. II except in Zonal Office Cat. III & IV (of the Zonal Office). | |
| | (ii) Major penalties | Cat. III (entire Zone) Cat. IV Zonal Office. | |

| 1 | 2 | 3 | 4 |
|---|--|--|---|
| 7 | Authority competent to transfer employees. | Employees of and below the rank of S.D.M. within the Zone. | |
| 8 | Authority competent to grant earned leave. | R.Ms and other under his control where no relief is required except D.F.A. | |
| 9 | Appointment of staff paid from contingencies and limits upto which they could be paid. | Full powers subject to Budget provision. | |

SECTION-II

- | | | |
|---|--|---|
| 1 | Local purchase of stationery and other articles needed for an office. | Full powers. |
| 2 | Contingent Expenditure : | |
| | (a) recurring | Full powers. |
| | (b) non-recurring | Full powers. |
| | (c) Expenditure on entertainment (light refreshment on informal meeting or conference) within the office). | Full powers. |
| | (d) Entertainment charges, light refreshments etc. outside office premises. | Full powers. |
| 3 | Grant of advances for the following :— | |
| | (a) From Provident Funds | |
| | (b) Advance of pay | |
| | (c) Advance of T.A. | |
| | (d) Festival advance | |
| | (e) Conveyance Advances | Zonal Manager/D.F.A. will function as controlling officer in respect of the Zonal Office staff for grant of advances. Conveyance advance to the Zonal Office staff will be sanctioned by the Secretary, treating the Zonal Office as part of the Head Office. |
| 4 | (a) Purchase of furniture | Full powers. |
| | (b) Hiring of office furniture including electric fans. | Full powers. |
| | (c) Purchase of type-writers, duplicating machines, franking machines and other office requirements. | Full powers. |
| | (d) Purchase of Electric fans needed for office. | Rs. 2,000 per year. |

| 1 | 2 | 3 | 4 |
|----|---|--|---|
| 5 | Payment for maintenances, upkeep and repairs of motor cars. | Full powers. | |
| 6 | Telephone rents for existing connections. | Full powers. | |
| 7 | Installation of new telephones. | Full powers. | |
| 8 | (a) Repairs to or erection/removal of machinery | Full powers. | |
| | (b) Purchase and repair of fire fighting equipment. | Full powers as per scale. | |
| 9 | (a) Purchase of priced official publications such as books, maps newspapers etc. | | |
| | (i) recurring and (ii) non-recurring | Full powers. | |
| | (b) Purchase of general publications for the recreation of the staff. | Rs. 2,500 | |
| 10 | Purchase of cycles, repairs to cycles etc. | Full powers. | |
| 11 | (a) Hiring of typewriters and repairs to typewriters. | Full powers. | |
| | (b) Purchase of comptrometers and repairs to them. | Full powers. | |
| 12 | Sanction of expenditure for despatch/receipt of stationery stores etc. from one place to another. | Full powers. | |
| 13 | Incidental expenditure — Municipal rates & taxes. | Full powers. | |
| 14 | Maintenance and repairs to buildings and installations : | | |
| | (a) Major repairs | Full powers subject to budget provision. | |
| | (b) Urgent and minor repairs | Do. | |
| | (c) Special repairs including sanitary fitting, water supply, electric installations etc. | Do. | |
| 15 | (a) Hiring of office accommodation and execution of lease agreements. | Full powers. | |
| | (b) Hiring Storage accommodation. | Full powers. | |
| 16 | Postal, telegraph and telephone charges. | Full powers. | |

| 1 | 2 | 3 | 4 |
|----|---|-------------------------------------|---|
| 17 | Purchase of liveries, badges and other articles of clothing and sanctioning washing allowances. | Full powers as per scale laid down. | |
| 18 | Funds required for foundation laying ceremonies, opening of public buildings and similar functions. | Full powers. | |

SECTION III

| | | |
|----|---|---|
| 1 | Powers to write off losses of food-grains. | 1% of the value of the grain. |
| | (a) In transit by rail, Operation & Transit Losses (<i>vide</i> order No. K-3/68/Genl (I) dated 15-11-68) | |
| | (b) In transit by road. | Do. |
| | (c) In storage. | Do. |
| 2 | Payment of wagon and shed demurrage charges. | Full powers subject to responsibility being fixed as laid down in the manual. |
| 3 | Powers to engage labour departmentally on daily wages under emergent cases. | Full powers subject to justification. |
| 4 | Write off of losses of dunnage in storage. | Full powers. |
| 5 | Servicing of weigh-bridge and weighing machines. | Full powers. |
| 6 | Powers to write off of deficiencies and depreciation in the value of stores other than foodgrains included in the stock and other accounts. | Full powers. |
| 7 | Powers to write off loss of gunnies. | Full powers. |
| 8 | Powers to dispose of dead stock articles and write off of losses connected therewith. | Full powers. |
| 9 | General write off of losses : | |
| | (a) Irrecoverable losses of stores. | Full powers. |
| | (b) Losses of revenue or irrecoverable loans and advances or other money due. | Rs.5000 in each case or subject to a maximum Rs.25000 in a year. |
| 10 | Disposal of unserviceable, surplus and obsolete stores. | Full powers. |
| 11 | Disposal of sub-standard, damaged or deteriorated foodgrains. | Full powers. |

| 1 | 2 | 3 | 4 |
|-----|------------------------------|--------------|---|
| 12 | Local purchase of | | |
| (a) | Gunnies | Full powers. | |
| (b) | Jute twine | Full powers. | |
| (c) | Dunnage | Do. | |
| (d) | Locks and electric bulbs . . | Full powers. | |
| (e) | others | Full powers. | |

SECTION IV—PORT OPERATIONS

1. Payment of freight charges
 - (a) Railway Freight
 - (b) Steamer Freight Full powers
2. Payment of ship's demurrage Full powers.
3. Write off of losses arising out of discharging and clearnace operations
 - (a) Loss of foodgrains in tranist including LOB/ @LOP. . . . Full powers.
 - (b) Loss of damaged foodgrains Full powers.
 - (c) Loss of dunnage Full powers.
 - (d) Loss of gunnies, Jute twine including LOB- LOP Full powers.
4. Disposal of obsolete/surplus/unserviceable stores and deadstock articles.
 - Other than gunnies Full powers.
5. Disposal of substandard Full powers.
6. General write off of losses. (This will cover losses other than those directly connected with discharge/ clearance mentioned in item 3 above)
 - (a) Irrecoverable losses of stores including gunnies and jute twine/foodgrains, public money due to theft, fraud or negligence. . . . Full powers per year.

@L.N.B. : LOST OVER BOARD : (i) the rates secured are not lower than the rates announced by the Government of India from time to time for the disposal of old serviceable gunnies; (where the most favourable rates secured are lower than the Government of India rates, the Regional Managers/Joint Manager (Port Operations)/ Deputy Zonal Managers should consult the Zonal Manager).

L.O.P. : LOST OVER PIER : (ii) In cases where the State Government approach the Regional Managers/Joint Manager (Port Operations) /Deputy Zonal Managers may effect direct sale if the rate payable by the State Governments is fixed as the average of the rates secured during these auctions/tenders immediately proceeding the sale or the Government of India rates for serviceable gunnies whichever is higher.

| 1 | 2 | 3 | 4 |
|-----|---|--|---|
| (b) | Irrecoverable losses of stores including gunnies and jutetwine/foodgrains, public money otherwise than due to theft, fraud or negligence. | Full powers, | |
| (c) | Losses of revenue or irrecoverable loans and advances or other moneys due. | Upto Rs. 10,000/- per year. | |
| 7. | Settlement of shipping claims valued upto: | Rs. 25,000/- | |
| 8. | PURCHASES | | |
| (a) | Purchases of gunnies and jutetwine | Full powers. | |
| (b) | Purchase of miscellaneous articles such as metric weights, threads, needless discharging equipments spare parts and accessories for all kinds of equipments including grain vaysors, vacuators etc. stores for silos, dunnage for use in the parts, pellets for fork lifts. | Full powers. | |
| (c) | Purchase of weighting scales | Full powers. | |
| (d) | Purchase of sophisticated machineries & equipments including grain vaysors, vacuators, conveyor belts, fork lift cranes. etc. | — | |
| 9. | Powers to make departmental arrangements for storing, clearing, handling, loading, unloading, transport and other operational work at the ports/deposits inside the port areas. | Full powers in case of emergency for a period not exceedig 3 months. | |

SECTION V—General Administration

—Nil—

SECTION VI

- | | | |
|----|---|--|
| 1. | Negotiated or single tender contracts (including limited or open tender) which results in only one effective tender like handling, transport etc. | Rs. 5 lakhs. |
| 2. | Authority competent to refund security deposits. | **May authorise in consultation with the Deputy Financial Adviser the refund of security deposits to contractors who are unable to submit 'No Demand Certificate' owing to non-settlement of their claims against the Corporation. |
| 3. | Power to finalise schedules of contract rates for the Regions falling within the Zone. | Full powers. |

SECTION—VI(A)

- | | | |
|----|--|---|
| 1. | Transportation of foodgrains fertilisers etc. by road. | Open tenders Full power. (in consultation with the Dy. Fin. Adviser of the Zone). |
|----|--|---|

** Copy of the order passed by the C.O. for refund of security deposits in such case should be endorsed by the Head Office. In respect of contract not within the jurisdiction of ZMs proposals for the refund of security deposit without production of 'No Demand Certificate' should be referred to the H.O.

| Sl. No. | Nature of powers delegated | Zonal Manager |
|----------------------|---|---|
| 1 | 2 | 3 |
| SECTION VII | | |
| <i>Legal Matters</i> | | |
| 1. | Sanction of and defending law suits etc, and filing and defending appeals where the subject matter of the suit or appeal does not exceed. | Rs. 10,000/- |
| 2. | Sanction for reference to arbitration in accordance with arbitration Agreement between the parties and defence of arbitration cases. | Rs. 10,000/- |
| 3. | Settlement of cases out of Court or withdrawing or dropping of appeals or making compromises. | Rs. 10,000/- |
| 4. | Authority competent to sanction payment from Corporation's funds in accordance with the degree of a court of the award of an arbitrator. | Rs. 10,000/- |
| 4A. | Authority competent to sanction defence of claims under Workmen's Compensation Act and to make payment of Compensation under the Act as per orders of the Commissioner Appellate Authority. | Rs. 10,000 in each case (in consultation with the SDM DM (Legal) also with DFA/AFA attached to the ZM's (f.f.c.)) |
| 5. | Authority competent to sign and execute Vakalat and sign and verify pleading and connected papers | Appropriate officer not below the rank of a District Manager after obtaining necessary prior approval of the authority competent to sanction filling defending suits/appeals etc. |
| 6. | Authority competent to appoint counsel and to pay fees to him. | Do. |
| 7. | Fees to Central Govt./State Govt. pleaders in accordance with the scales prescribed by the Central/State Govt. as the case may be. | Rs. 1,000/- |
| 8. | Sanction for filing criminal cases, including complaints to police. | District Manager or any other superior authority with the prior approval of the Managing Director. |
| 9. | Authority competent to sanction defence before a criminal court. Original or appellate of any Official of the FCI accused of any offence alleged to have been committed by him while acting or purporting to act in the discharge of official duties. | Managing Director in consultation with the F.A. |

Note :

1. Officers/authorities empowered to act for the Corporation in respect of any judicial proceeding in accordance with the delegations contained in this Section shall be deemed to be the recognised agents by whom appearances, acts and applications under this Section may be made or done on behalf of the Corporation.
2. The Managing Director is empowered to give ex-post-facto sanction in suitable cases concerning items 1 to 8 where prior sanction of the Managing Director as required was not obtained. This note shall be deemed to have come into force on 1-4-65.

3. The amounts shown in the above statement indicate the maximum limits in respect of each case or a batch of related or similar cases.
4. In this Section, Central Government/State Government pleader shall be deemed to include a standing Council or solicitor appointed to handle Food Corporation of India's litigation legal work with the prior approval of the Managing Director.
5. In the Section, the expression 'District Managers' shall be deemed to include a Deputy Manager, an Assistant Manager and any other officer discharging the functions of a "District Manager" similarly a Regional Manager shall be deemed to include any officer discharging the functions of a "Regional Manager".

Further clarifications issued *vide* Circular No. 3/1-70-Legal dt. 11-5-70.

Item No. 1, 2, & 3 of Section VII : These powers relate to and cover only suits and arbitration matters where some money claims form the subject matter and not writs where important questions of law/policy are generally involved. Therefore, all cases of writs proposed to be filed by the Food Corporation of India or filed by others against the Food Corporation of India (irrespective of pecuniary limits) should be referred to the Administrative Division concerned in the Head Office for Managing Director's sanction for filing or defending the writs as the case may be.

SECTION—VIII

1. Laboratory/storage equipments/other miscellaneous items costing upto Rs. 50/- Full powers.
2. Laboratory/Storage equipments/other miscellaneous items costing Rs. 51/- to Rs. 200/- Full powers.
3. Laboratory/storage equipments whose individual cost is Rs. 200/- and above. Full powers.
4. Entering into contract for stitching of new fumigation covers of specifications approved by Head Office. Full Powers.
5. Maintenance and repairs to Laboratory/Storage equipments and Gas proof covers. Full powers.
6. Purchase of Laboratory chemicals Full Powers.
7. Purchase of Rectified spirit for Laboratories. Full powers.
8. Emergency purchase of insecticides/Fumigants/chemicals of approved specifications etc. Full powers.
9. Purchase of Technical Books/journals. Full power.
10. Purchase and Repairs of Laboratory Furniture including electrical water fittings etc. according to the approved scale. Full powers.

*N.B. :—*Items 1,2,3, and 10 : while exercising the powers under these items the scales laid down by Head Office will be strictly adhered to.

**DELEGATION OF POWERS FOR OPERATION AND MAINTENANCE OF
FOOD-GRAIN HANDLING EQUIPMENT AT PORTS AND DEPOTS**

SECTION LX—PORTS & DEPOTS

| | |
|---|--|
| 1. Purchase without call of tenders of stores borne on DGS&D Rate Contract (such as diesel oil etc.) but without going through DGS&D) | 5,00,000 |
| 2. Purchase of proprietary stores direct from manufactures/ authorised distributors (e.g. spare parts etc.) | 50,000 |
| 3. Purchase of stores other than those in items 1 and 2 above against tender enquiry. | 1,00,000 |
| 4. Condemnation/scrapping and write-off of over-aged machinery, plant or equipment. | 10,000 (book value less depreciation). |
| 5. Award of contracts for repairs to plant and machinery. | 50,000 |
| 6. Cash purchases (miscellaneous items not exceeding Rs. 100/- each) | 25,000 |
| <hr/> | |

APPENDIX II

(Vide para 3.2)

RABI PROCUREMENT

Procurement of Foodgrains during Rabi April, 1968—March, 1969

| S.No. | States | Quantities in tonnes | |
|---------------|------------------------|----------------------|--------------------------------------|
| | | Target Fixed | Procurement from April '68-March '69 |
| 1 | 2 | 3 | 4 |
| <i>Wheat</i> | | | |
| 1 | Rajasthan FCT | 1,00,000 | 70,146 |
| 2 | Bihar | — | 131 |
| 3 | Madhya Pradesh FCT | 1,00,000 | 1,02,182 |
| 4 | Gujarat | — | 74 |
| 5 | Delhi | — | 580 |
| 6 | U.P. from State Govt. | — | 4,00,183 |
| 7 | Uttar Pradesh | — | 85,019 |
| 8 | (a) Punjab F.C.T. | 4,00,000 | 5,28,013 |
| | (b) Markfed Punjab | — | 5,19,164 |
| 9 | (a) Haryana | — | 1,69,532 |
| | (b) Markfed Haryana | — | 5,958 |
| | (c) U.T. of Chandigarh | — | 1,664 |
| | (d) Himachal Pradesh | — | 19 |
| Total | | 6,00,000 | 18,82,665 |
| <i>Barley</i> | | | |
| 1 | Punjab | — | 12,685 |
| 2 | Haryana | — | 15,822 |
| 3 | Rajasthan | — | 8,146 |
| 4 | Uttar Pradesh | — | 384 |
| 5 | U.P. from State Govt. | — | 4,351 |
| 6 | Delhi | — | 243 |

| 1 | 2 | 3 | 4 |
|--------------------------|-----------------------|----------|-----------|
| <i>Pulses (Gram/dal)</i> | | | |
| 1 | Punjab/Haryana | 30,000 | 25,707 |
| 2 | Uttar Pradesh | 20,000 | 22 |
| 3 | U.P. from State Govt. | — | 878 |
| 4 | Madhya Pradesh | 25,000 | 1,311 |
| 5 | Delhi | — | 1,179 |
| 6 | Rajasthan | 50,000 | 60,422 |
| Total | | 1,25,000 | 89,519 |
| <i>Black Gram/Urad</i> | | | |
| 1 | Andhra Pradesh | — | 757 |
| 2 | Uttar Pradesh | — | 875 |
| | | — | 1,632 |
| <i>Arhar</i> | | | |
| 1 | Bihar | — | 46 |
| 2 | Madhya Pradesh | — | 2,052 |
| | | — | 2,098 |
| <i>Masoor</i> | | | |
| 1 | Madhya Pradesh | — | 32 |
| Grand Total | | 7,25,000 | 20,12,977 |

(II) Procurement of Rabi Grains from April, 69 to March, 70

(In 000 tonnes)

| Sl. No. | States | Target | Procurement % of procurement |
|--------------|--------|--------|------------------------------|
| <i>Wheat</i> | | | |
| 1. | Assam | 15 | 0.1 |

| 1 | 2 | 3 | 4 | 5 |
|---|---|--------|--------|--------|
| 3. Delhi | . | 2 | 1.2 | |
| 4. Haryana | | | | |
| (a) Through State Govt. | . | { 200 | 246.4 | |
| (b) Through Markfed | . | { — | 24.4 | |
| 5. Himachal Pradesh | . | | 0.2 | |
| 6. Madhya Pradesh | | | | |
| (a) Directly by FCI | . | { 85 | 6.5 | |
| (b) Through Markfed | . | { | 12.9 | |
| 7. Mysore | . | 1.5 | 0.1 | |
| 8. *Punjab | | | | |
| (a) Directly by FCI | . | 775* | 763.6 | |
| (b) Through Markfed | . | 775 | 802.6 | |
| 9. Rajasthan | . | 75 | 4.0 | |
| 10. Uttar Pradesh | . | 730 | 199.2 | |
| 11. West Bengal | . | .. | 0.1 | |
| TOTAL | | 2708.5 | 2074.0 | |
| Taken over from Punjab Provincial Reserve :— | | | 307.2 | |
| Taken over from Haryana Provincial Reserve :— | | | 31.8 | |
| TOTAL | | 2708.5 | 2413.0 | 89.09% |
| Gram | | | | |
| 1. Punjab | } | 10.0 | 0.2 | |
| 2. Haryana | } | | | |
| 3. Rajasthan | . | 30.0 | 1.7 | |
| TOTAL | . | 40.0 | 1.9 | 4.75% |
| Barley | | | | |
| 1. Punjab | } | 5.0 | Neg. | |
| 2. Haryana | } | | | |
| 3. Rajasthan | . | 5.0 | .. | |
| 4. Delhi | . | .. | Neg. | |
| TOTAL | . | 10.0 | Neg. | |

*Including U.T. Chandigarh
 Note : Neg. stands for negligible.

| 1 | 2 | 3 | 4 | 5 |
|--------------------------------|-------------------------|--------|--------|--------|
| <i>Pulses</i> | | | | |
| 1. | Uttar Pradesh | .. | 1.7 | |
| GRAND TOTAL OF RABI GRAINS : . | | 2758.5 | 2416.6 | 87.60% |

(III) Procurement of Rabi Grains from April, 1970 to March, 1971

(Figures in '000' tonnes)

| Sl. No. | States | Target for 1970-71 | Procurement April, 70 to March, 71 (upto dates in March, 71 for which figures are available) | Percentage for procurement made so far. |
|-----------------|-------------------------------|--------------------|--|---|
| (1) | (2) | (3) | (4) | (5) |
| <i>Wheat</i> | | | | |
| 1. | Assam | 5 | .. | |
| 2. | Bihar | 10 | Neg | |
| 3. | Delhi | 2 | Neg | |
| 4. | Haryana | | | |
| | Through State Government } . | 350 | 482 | |
| | Through Markfed . . . } | | | |
| 5. | Himachal Pradesh | | Neg | |
| 6. | Madhya Pradesh | | | |
| | (a) Through Markfed | 30 | 5 | |
| 7. | Mysore | 0.5 | Neg | |
| 8. | Punjab | | | |
| | (a) By F.C.I. | 700 | 670 | |
| | (b) By Markfed | 700 | 701 | |
| | (c) By State Govt. | 1,000 | 995 | |
| | (d) U.T. Chandigarh | .. | 4 | |
| 9. | Rajasthan | 32 | Neg | |
| 10. | Uttar Pradesh | 300 | 322 | |
| TOTAL | | 3,129.5 | 3,179 | 101.58 % |

Note : Neg. stands for negligible.

| 1 | 2 | 3 | 4 | 5 |
|------------------|-----------|---|------|---------|
| <i>Barley</i> | | | | |
| 1. Delhi | | | Neg. | |
| 2. Haryana | | | | |
| 3. Punjab | | 6 | 6 | |
| 4. Rajasthan | | | Neg. | |
| 5. Uttar Pradesh | | | 1 | |
| TOTAL | | 6 | 7 | 176.67% |

| | | | | |
|---------------------|-----------|----|------|--|
| <i>Mustard Seed</i> | | | | |
| 1. Delhi | | | Neg. | |
| 2. Haryana | | | 1 | |
| 3. Punjab | | | Neg. | |
| 4. Rajasthan | | | 4 | |
| 5. Uttar Pradesh | | .. | Neg. | |
| TOTAL | | | 5 | |

| | | | | |
|---------------------|-----------|-----|----|--------|
| <i>Gram/Gramdal</i> | | | | |
| 1. Delhi | | .. | 1 | |
| 2. Punjab | | 20 | 10 | |
| 3. Haryana | | | 32 | |
| 4. Rajasthan | | 60 | 40 | |
| 5. Madhya Pradesh | | 20 | .. | |
| 6. Uttar Pradesh | | | 1 | |
| TOTAL | | 100 | 84 | 84.00% |

Note : Neg. stands for negligible.

| 1 | 2 | 3 | 4 | 5 |
|--------------------------------------|-----------|--------|---|---------|
| SOYABEAN | | | | |
| 1. Uttar Pradesh | | — | | Neg |
| 2. Rajasthan | | — | | Neg |
| | | | | |
| TOTAL | | — | | Neg |
| Arhar | | | | |
| 1. Uttar Pradesh | | 3 | | Neg. |
| | | | | |
| GRAND TOTAL | | 3238.5 | | 3275 |
| Percentage of procurement in 1970-71 | | = | | 101.13% |

NOTE : Neg. stands for negligible.

APPENDIX III

(Vide para 3'2)

1. Procurement of foodgrains Vis-A-Vis targets fixed by the F.C.I. during Kharif Nov. 1967-October, 1968

(Quantities in tonnes)

| States | Target fixed | Procurement from Nov. 67-Oct'68 | Percentage of procure- ment. |
|---------------------------------------|--------------|---------------------------------------|------------------------------------|
| 1 | 2 | 3 | 4 |
| <i>Rice /Paddy in terms of Rice :</i> | | | |
| Andhra Pradesh | 7,00,000 | 6,80,200 | |
| Assam | 1,00,000 | 69,921 | |
| Madhya Pradesh | 4,00,000 | 2,51,493 | |
| Madras | 2,00,000 | 1,86,415 | |
| Punjab/Haryana | 2,75,000 | 3,49,702 | |
| Orissa | 2,50,000 | 1,64,601 | |
| West Bengal | 3,00,000 | 2,65,596 | |
| Uttar Pradesh | .. | 5,218 | |
| Bihar | 1,00,000 | 338 | |
| Pondicherry | | 7,661 | |
| TOTAL | 23,25,000 | 19,18,145 | 85.21 % |
| <i>Muige</i> | | | |
| Punjab/Haryana | 2,50,000 | 2,35,027 | |
| West Bengal | .. | 24 | |
| Rajasthan | 15,000 | 28,112 | |
| TOTAL | 2,65,000 | 2,63,163 | 99.31% |
| <i>Jowar</i> | | | |
| Andhra Pradesh | | 502 | |
| Madhya Pradesh | 20,000 | 80,445 | |
| Rajasthan | 10,000 | 24,807 | |
| Mysore | .. | 15 | |
| TOTAL | 30,000 | 1,05,769 | 352.56% |

Bajara

| | | | |
|------------------------------|------------------|------------------|----------------|
| Haryana | .. | 5,107 | |
| Rajasthan | 7,000 | 14,608 | |
| TOTAL | 7,000 | 19,913 | 284.47% |
| GRAND TOTAL | 26,27,000 | 23,69,990 | |

Percentage of procurement :—90.3%

Shortfall : 9.7 %

II.—Procurement of foodgrains vis-a-vis the targets fixed by the F.C.I. during Kharif—November, 1968—October, 1969

(Quantities in tonnes)

| States | Target Fixed | Procurement from Nov. '68—Oct. '69 |
|--------------------------|------------------|------------------------------------|
| 1 | 2 | 3 |
| Andhra Pradesh | 5,50,000 | 3,76,659 |
| Madras | 2,25,000 | 2,38,347 |
| Mysore | 3,500 | 3,296 |
| Orissa | 3,00,000 | 2,71,989 |
| Punjab | 2,00,000 | 2,49,998 |
| Haryana | 1,00,000 | 1,41,012 |
| Madhya Pradesh | 3,50,000 | 3,03,469 |
| West Bengal | 4,50,000 | 4,36,768 |
| Assam | 70,000 | 85,207 |
| Pondicherry | .. | 8,239 |
| Bihar | 75,000 | 66,582 |
| Uttar Pradesh | 10,000 | 1,060 |
| TOTAL | 23,33,500 | 21,82,626 |

Maize

| | | |
|--------------------------|---------------|---------------|
| Mysore | 1,000 | 709 |
| Andhra Pradesh | 1,000 | |
| Haryana | 5,000 | 105 |
| Punjab | 20,000 | 64,352 |
| Uttar Pradesh | 20,000 | 29,873 |
| TOTAL | 47,000 | 95,039 |

Jowar

| | | |
|------------------------------|------------------|------------------|
| Madhya Pradesh | 1,00,000 | 32,671 |
| GRAND TOTAL | 24,80,500 | 23,10,336 |

Percentage of procurement: 93.1 %
Shortfall : 6.9 %

III.—*Procurement of Kharif Grains from November, 1969—October, 1970 and FCI targets fixed thereof and the percentage of Achievement*

(Figures in '000 tonnes)

| S. No. | States | Targets | Procurement | Percentage |
|--|--------------------------|---------|-------------|------------|
| 1 | 2 | 3 | 4 | 5 |
| <i>Rice & Paddy in terms of Rice</i> | | | | |
| 1. | Andhra Pradesh | 290 | 169 | |
| 2. | Tamil Nadu | 170 | 183 | |
| 3. | Mysore | .. | .. | |
| 4. | Orissa | 300 | 299 | |
| 5. | Punjab | 250 | 360 | |
| 6. | Haryana | 150 | 225 | |
| 7. | Madhya Pradesh | 375 | 347 | |
| 8. | West Bengal | 450 | 411 | |
| 9. | Assam | 100 | 60 | |
| 10. | Pondicherry | 10 | 5 | |
| 11. | Bihar | 35 | 33 | |
| 12. | Uttar Pradesh | 100 | 99 | |

| 1 | 2 | 3 | 4 |
|---|---|---|---|
|---|---|---|---|

Progressive total of rice and paddy for Tamil Nadu, Pondicherry and Punjab/Haryana are from October, 1969.

Jowar

| | | |
|-------------------|----|-----|
| 1. Madhya Pradesh | 50 | .. |
| 2. Mysore | .. | Neg |
| TOTAL | 50 | Neg |

Maize

| | | |
|---------------------|-----|------|
| 1. Haryana | 10 | Neg |
| 2. Himachal Pradesh | .. | Neg. |
| 3. Punjab | 60 | 55 |
| 4. U.T. Chandigarh | .. | Neg |
| 5. Uttar Pradesh | 60 | Neg |
| 6. Rajasthan | 5 | .. |
| 7. Mysore | 2 | .. |
| TOTAL | 137 | 55 |

40.14%

Progressive total of Maize for Punjab/Haryana/U.T. Chandigarh are from October, 1969.

Bajra

| | | |
|--------------|----|------|
| 1. Haryana | .. | 4 |
| 2. Punjab | .. | 11 |
| 3. Rajasthan | 12 | Neg. |
| TOTAL | 12 | 15 |

125%

Pulses

| | | |
|----------------------|--------|--------|
| 1. Rajasthan (Moong) | 2.5 | 0.5 |
| 2. Rajasthan (Urad) | .. | 0.1 |
| TOTAL | 2.5 | 0.6 |
| GRAND TOTAL | 2431.5 | 2261.6 |

24%

Percentage of procurement : 93.01%
Shortfall : 6.09%

APPENDIX IV (Para 4.11)

Storage Accommodation available with Food Corporation of India as on 1-11-1971

(Figures in '000 tonnes)

| Sl. No. | Name of the State | Owned | | Hired as on 31-10-71 from | | Storage space being utilised by F.C.I. as on 31-10-71 in | | | | Total Storage Capacity available |
|---------|-------------------|-----------------------------|--|---------------------------|-----------------|--|---------------------------|---------------------------|--------|----------------------------------|
| | | Taken over from Food Deptt. | Constructed by FCI/ Food Deptt. as on 31-10-71 | State Govt. | Private Parties | C.W.C. Crash Programme godowns | C.W.C. General Warehouses | S.W.C. General Warehouses | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| 1. | Andhra Pradesh | 129.70 | 25.00 | 12.20 | 26.78 | 272.02 | 1.83 | 13.46 | 481.04 | |
| 2. | Assam | 39.90 | 5.00 | 12.43 | 97.99 | .. | 12.50 | 10.34 | 178.16 | |
| 3. | Bihar | 165.10 | .. | 3.82 | 20.16 | .. | .. | 31.80 | 220.88 | |
| 4. | Delhi | 114.00 | 5.00 | .. | .. | 27.00 | 14.20 | .. | 160.20 | |
| 5. | Gujarat | 48.60 | 37.50 | 141.45 | 137.13 | 12.62 | 5.54 | .. | 382.84 | |
| 6. | Haryana | 15.30 | 128.20 | .. | 6.62 | 10.00 | 9.40 | 38.20 | 207.72 | |
| 7. | Kerala | 103.30 | 45.00 | 24.10 | 34.21 | .. | 0.94 | .. | 207.55 | |
| 8. | Madhya Pradesh | 45.90 | 101.75 | 51.74 | 179.17 | 2.42 | 9.41 | 67.13 | 457.12 | |
| 9. | Maharashtra | 680.40 | 20.20 | 43.73 | 159.44 | .. | .. | .. | 903.77 | |
| 10. | Manipur | .. | .. | 6.50 | .. | .. | .. | .. | 6.50 | |
| 11. | Mysore | 22.90 | 43.25 | 16.50 | .. | .. | 2.00 | 19.08 | 103.73 | |
| 12. | Orissa | 15.30 | 35.00 | 6.40 | .. | 1.20 | 5.15 | 12.65 | 75.77 | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-------------------|---|---------|----------|--------|---------|---------|--------|--------|---------|
| 13. Pondicherry | . | . | ... | 2.50 | ... | 3.36 | ... | ... | 5.86 |
| 14. Punjab | . | 33.10 | 659.89 | 0.53 | 408.09 | 10.00 | ... | 6.37 | 1117.98 |
| 15. Rajasthan | . | 65.00 | 104.80 | 0.12 | 2.08 | 30.00 | 11.51 | 204.49 | 418.00 |
| 16. Tamil Nadu | . | 191.70 | 10.85 | ... | 23.91 | 25.87 | 11.34 | ... | 263.67 |
| 17. Uttar Pradesh | . | 381.20 | 196.00 | 40.48 | 537.99 | 10.00 | 27.14 | 257.40 | 1450.21 |
| 18. West Bengal | . | 242.00 | 65.00 | 251.46 | 367.88 | ... | 119.80 | 73.24 | 1119.38 |
| TOTAL | . | 2293.40 | 1484.94* | 611.46 | 2004.81 | 401.13* | 230.81 | 734.16 | 7760.71 |

1. 6,000 tonnes capacity constructed by Food Corporation of India in Mysore State was sold to the State Government (3,000 tonnes each at Srirangapatna and Ponnempet). This capacity has not been included.

2. Food Corporation of India has furnished guarantee for occupation of the storage space of 2,58,930 tonnes capacity constructed by C.W.C. in Andhra Pradesh.

3. Food Corporation of India is utilising storage space of 25,870 tonnes out of a total capacity of 2 lakh tonnes constructed by C.W.C. in Tamil Nadu under the Crash Programme. No guarantee is given to C.W.C. in respect of this capacity.

4. During the period from 1-10-1971 to 31-10-1971 capacity completed is as indicated in Annexure I below.

* Includes 74,500 tonnes capacity completed by Food Corporation of India before launching Crash Programme (35,000 tonnes in Kerala, 37,000 tonnes in Mysore and 2,500 tonnes in Pondicherry).

** Includes 3,10,430 tonnes guaranteed capacity (2,58,930 tonnes at 90% guarantee and 51,500 tonnes at 60% guarantee).

ANNEXURE I

Details of Capacity Completed—All by C.P.W.D.

| Crash Programme | State | Centre | Capacity | Total |
|-----------------|---------------|-----------|-----------------|--------------|
| III | . | Rajasthan | Alwar | 1,250 tonnes |
| IV | . | Punjab | Nihal Singhwala | 2,500 tonnes |
| | . | Rajasthan | Kishangarh | 1,250 " |
| | Uttar Pradesh | Barah | 1,250 " | 5,000 tonnes |
| | | | | 6250 tonnes |

APPENDIX V

(Vide Para 7.7)

Statement showing the number of various types of Rice Mills in India

(Total with all agencies)

| | | (As on 1-1-1970) | | | | | |
|-----|-------------------------|-----------------------------|----------------------|----------------------|----------|--------------------|---|
| | | (Total within all agencies) | | | | | |
| | Name of State/Territory | Single hullers | Batteries of hullers | Shellers-cum-hullers | Shellers | Total No. of Mills | No. of Rice Mills installed in the Coop. Sector |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | Andhra Pradesh | 5332 | 29 | 3032 | 316 | 8709 | 138 |
| 2. | Assam | 409 | 4 | 412 | 10 | 831 | 30 |
| 3. | A & N Island. | 95 | .. | 3 | .. | 98 | .. |
| 4. | Bihar | 1839 | 181 | 3 | 2 | 2025 | 11 |
| 5. | Chandigarh | 19 | .. | .. | 1 | 20 | .. |
| 6. | Dadra & Nagar Haveli | 14 | .. | 4 | .. | 18 | .. |
| 7. | Delhi | 40 | 1 | .. | .. | 41 | .. |
| 8. | Gujarat | 2641 | 27 | 169 | 242 | 3079 | 22 |
| 9. | Goa, Daman & Diu | 396 | 14 | 8 | .. | 418 | .. |
| 10. | Haryana | 1447 | 110 | 36 | 121 | 1714 | 9 |
| 11. | Himachal Pradesh | 763 | .. | .. | .. | 763 | .. |
| 12. | J & K | 1810 | .. | .. | 27 | 1837 | 22 |
| 13. | Kerala | 3861 | 11 | 4 | 35 | 3911 | 7 |
| 14. | Madhya Pradesh | 3502 | 250 | 275 | 195 | 4222 | 84 |
| 15. | Maharashtra | 3075 | .. | 444 | 321 | 3840 | 116 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-----|----------------------------------|-------|------|------|------|-------|-----|
| 16. | Mysore. | 5289 | .. | 212 | 671 | 6172 | 68 |
| 17. | Manipur | 59 | 3 | 27 | .. | 89 | .. |
| 18. | Nagaland | .. | .. | .. | 124 | 124 | .. |
| 19. | Orissa | 2388 | 206 | 169 | 1 | 2764 | 59 |
| 20. | Punjab | 2435 | 108 | 22 | 192 | 2757 | 16 |
| 21. | Pondicherry, Karikal Mahé, Yanam | 184 | .. | .. | .. | 184 | .. |
| 22. | Rajasthan | 344 | .. | 40 | 15 | 399 | 4 |
| 23. | Tamil Nadu | 11207 | 96 | 92 | 21 | 11416 | 40 |
| 24. | Tripura | 146 | .. | 4 | .. | 150 | .. |
| 25. | Uttar Pradesh | 4017 | 228 | 171 | 256 | 4672 | 17 |
| 26. | West Bengal | 6133 | 661 | 37 | 16 | 68,47 | 22 |
| | | 57445 | 1925 | 5164 | 2566 | 67100 | 665 |

NOTES :— (1)* Assam : Information about batteries of hullers awaited.

(2) Rajasthan : Information about Banswara district awaited.

(3) Information given in the last column about the number of rice mills installed in the Co-operative sector is as at end of 1971 and is based on the information collected from the National Co-operative Development Corporation.

(Source : Department of Food Ministry of Agriculture Government of India, New Delhi.)

APPENDIX VI
(Vide Para 9.21)

Grainwise break up of total Amount of subsidy paid during the years

| (Rs. Amount in crores) | | | | | |
|------------------------|-------------------------|---------------|---------------|--------------------------|--------------------------------|
| Name of grain | 1967-68 | 1968-69 | 1969-70 | 1970-71 | 1971-72 (April & May 71) |
| Wheat imported | | | | | +1.83 |
| Wheat indigenous | .. | -12.10 | -21.17@ | -7.08* | -9.54 |
| Rice imported | .. | | -8.79 | +1.44 | +0.46 |
| Rice indigenous | -1.25 & (on account) | | -4.00 | -0.40 | +0.11 |
| Milo | .. | | -2.03 | -0.05 | .. |
| Maize | .. | | -1.85 | .. | .. |
| Jowar | .. | | -0.81 | .. | .. |
| | | | | -12.45 % (on account) | |
| TOTAL | -1.25 | -12.10 | -30.65 | -18.54 | -7.14 |

| | | | |
|---|----------------|-------------|--|
| | Paid Rs. 17.98 | Paid Rs. 6 | |
| | crores only | crores only | |
| | (+ Gain | | |
| | (-) Loss | | |
| | | | *0.53 crores pertain to the year 1968-69 |
| & pertains to the year 1965-66 | | | % Pertains to the year 1968-69 |
| 1965-67 | | | and is for all grains against the claim |
| @Rs. 8 crores pertain to the year 1968-69 | | | of 16.26 crores. |

APPENDIX VII

Summary of main conclusions/Recommendations

| Sl. No. | Preference to Para No. in the Report | Summary of conclusions and Recommendations. |
|---------|--------------------------------------|--|
| 1 | 2 | 3 |
| 1 | 1.10 | The Committee note that the activities of the Food Corporation of India cover all the States except the State of Jammu & Kashmir. The question of extending some of the functions of the Corporation to the State of Jammu & Kashmir is stated to be still under the consideration of the Government of India. The Committee recommend that a decision in this regard should be taken soon to enable the Corporation to operate in that State and ensure remunerative prices to growers and sustained supply of foodgrains at reasonable prices to consumers. The Corporation should be permitted to undertake the storage as well as procurement work in the State of Jammu & Kashmir on the same lines as in other States. |
| 2 | 2.6 | The Committee find that the Food Corporation of India have got one full time Chairman and one full time Managing Director as provided for in Section 7(1) of the Food Corporation Act, 1964. In their Report on Public Sector Undertakings, the Administrative Reforms Commission had recommended that a Board of Management of the Public Sector Corporation should have a full time Chairman-cum-Managing Director. The Government considered that recommendation and decided that as a rule there should be full time Chairman-cum-Managing Director and in exceptional cases where the Chairman might be only a part time one, there should be a full time |

| 1 | 2 | 3 |
|---|------|---|
| | | Managing Director. The Committee recommend that Government should explore the possibility and study the feasibility of combining the posts of Chairman and Managing Director of the Food Corporation of India in pursuance of their own decision. |
| 3 | 2.7 | The Committee also find that since the inception of Food Corporation of India in 1965, the post of Managing Director has changed hands thrice and the post of Chairman has been held by four different persons so far during six years of working of the Corporation. The Committee feel that such frequent changes at the top level of an Undertaking engaged in country-wide operations in essential foodgrains are not conducive to efficient management. The Committee, therefore, urge that Government should discourage such frequent changes at the top level of management. |
| 4 | 2.23 | The Food Corporation of India was set up at a time when the country was faced with shortage of foodgrains and there was imperative need for building up buffer stock primarily from imported foodgrains to meet any contingency. Now that India has become practically self-reliant in foodgrains, the main emphasis in the operations of the Corporation will have to be on price support measures to benefit the producer so as to sustain his enthusiasm for increased production. It is equally important that foodgrains should be made available through fair price shops, particularly to the weaker sections of the society at reasonable prices. This twin objective can be achieved only if the overheads incurred by the Corporation in the handling operations are kept to the minimum by organising its activities in a most efficient and rational manner. Now that the Corporation has been functioning for several years and there is a new trend discernible |

| 1. | 2 | 3 |
|----|------|--|
| | | in the range and scope of its functions, the Committee would like Government to have its organisation and working critically examined early with a view to reduce handling charges. |
| 5 | 3.10 | The Committee find that since 1967 there had been shortfalls in achievement of targets of procurement ranging from 6 to 12 per cent despite the fact that Government had been keeping a watch on the progress of procurement in more than one way and taking remedial measures as and when problems arose. The Committee feel that whenever shortfalls in achievement of targets of procurement occur beyond a certain level in future, an investigation should invariably be carried out by Government to find out what had caused these shortfalls and devise remedial measures for future. |
| 6 | 3.16 | The Committee are conscious of the fact that food is a concurrent subject under the Constitution and hence the procurement policy had to be decided by the State Governments keeping in view the local conditions, in consultation with the Central Government. The Committee, however, recommend that Central Government should utilise the forum of Chief Ministers' Conferences and urge upon the State Governments to evolve their procurement policies on a stable basis so that changes from year to year or even during the course of a year in such policies are obviated. The Committee are of the view that stability in procurement policies is vital for effective implementation of food policy. It is to be achieved by the Central Government and the State Governments by mutual consultation and above all by making the operations of the Food Corporation so efficient and economic in the field as to win the confidence of the agriculturist, the consumer and the local authorities. |

| 1 | 2 | 3 |
|---|------|--|
| 7 | 3.26 | <p>The Committee are perturbed to find that FCI's direct procurement of Food Grains from farmers had been so low that it ranged between 0.1 to 3.4 per cent of the total procurement during the last three years. The Committee also find that the current involvement of cooperatives is only 25 per cent of total procurement. This involvement is not adequate. The Committee are glad to learn that the Government have agreed to increase the involvement of cooperatives in a phased manner in the years to come. The Committee feel that if the Cooperative movement is to make any significant advance in the area of procurement of foodgrains, its involvement should be stepped up from year to year on a programme basis. The Committee would like the Government/Food Corporation of India to draw up a detailed plan of action for "Rabi" and "Kharif" from year to year, to achieve this objective. Where the cooperatives are not functioning, direct purchase centres may be got opened in consultation with State Governments so as to procure the foodgrains directly from the producers without the intervention of "Arhtias" and other middlemen.</p> |
| 8 | 3.30 | <p>The Committee note that procurement of wheat and rice in various States is at present being done by multiplicity of agencies, namely, the State Governments, Food Corporation of India and Marketing Societies/Federations, etc. The Committee feel that if procurement operations are handled by a multiplicity of agencies it was bound to give rise to problems of coordination, costlier overheads and what is more, render the task of long term planning difficult. The Committee, therefore, recommend that Government should take up this problem with the Chief Ministers of various States and strive to evolve an agreed pattern which would assure the Food</p> |

| 1 | 2 | 3 |
|----|------|---|
| | | Corporation of India a major role in price support and buffer stock operations. |
| 9 | 3.32 | The Committee note that the turnover of the Food Corporation of India has registered marked growth from Rs. 289.61 crores in 1965-66 to Rs. 1423 crores in 1970-71. The Committee, however, feel that efficiency of a trading enterprise like the Food Corporation of India had to be judged more on the basis of the service it renders to farmers and consumers in the country than on the basis of turnover alone. |
| 10 | 3.36 | The Committee note that some States have still not passed the necessary legislation to establish regulated markets and that out of 3406 markets in the country as many as 1261 are not regulated. The Committee cannot too strongly stress the need for establishment of regulated markets in all the States for these are the best means of assuring a fair deal to the farmer as also facilitate the task of any Government agency like the Food Corporation of India to procure foodgrains in well regulated conditions. The Committee also wish to draw in this connection attention of Government to the recommendation made by the Estimates Committee (1960-61) in para 77 of their 129th Report on the Directorate of Marketing and Inspection (Ministry of Food and Agriculture), wherein it was stressed that (i) States which had not enacted legislation for regulation of markets should be persuaded to do so; (ii) constitution of Market Committee should be uniform; (iii) representation of growers in market Committees should not be less than 50 per cent; (iv) rates for various Commodities should be widely disseminated among producers, and (v) grading facilities should be provided to make the producers quality conscious. The Committee would like concerted measures to be taken to |

| 1 | 2 | 3 |
|----|------|---|
| | | achieve these objectives in the interest of the producer. |
| 11 | 3.40 | <p>The Committee need hardly stress that marketing intelligence is the key to market operations and therefore no pains should be spared in making it as precise and as realistic as possible. At the Conference on Agricultural Marketing held at New Delhi in September, 1969, the Economics and Statistics Adviser had conceded the viewpoint of representatives of State Governments that the information that was disseminated was often out of date and lacked precision, as it was for the Fair Average Quality. The Committee, recommend that Government should coordinate and streamline the market intelligence operations of the Economics and Statistical Wing and the Food Corporation of India in consultation with the State Governments so that the feeling among some State Governments that market intelligence machinery was not equal to the task expected of it was removed and what is more the market intelligence served as a reliable basis of planning procurement operations by the Food Corporation.</p> |
| 12 | 3.45 | <p>The Committee recommend that Advisory Committees may be set up at local or mandi level so that matters of local interest may be resolved in consultation with representatives of all concerned by producers, cooperatives etc.</p> |
| 13 | 4.5 | <p>The Committee are happy to note that the target of buffer stock of 5 million tonnes of food-grains by the end of the Fourth Five Year Plan fixed by the Central Government has already been achieved because the present stock of food-grains with the Government is stated to be about 8½ million tonnes which includes an operational stock of 2½ million tonnes.</p> |

| 1 | 2 | 3 |
|----|------|--|
| 14 | 4.20 | <p>The Committee are glad to note that the Expert Committee appointed by the Planning Commission and consisting of representatives of the Planning Commission, Ministries of Agriculture, Finance, Railway Board, Food Corporation, etc. had carried out a systematic assessment of country's requirements for storage during the Fourth Five Year Plan. The Committee hope that their assessment will serve as a guide for Government and the Food Corporation of India for drawing up a programme for augmentation of storage capacity. The Committee recommend that while drawing up a programme for augmentation of storage capacity in the country, the point up to which storage would be absolutely necessary and beyond which the money locked up in storage would be counter-productive should be carefully determined. The Committee find that if past experience is any guide wheat virtually "cascades" into mandis in wheat producing States and has to be bought at support prices. This naturally creates problems of storage and transportation.</p> |

The Committee feel that perhaps the best way is to encourage provision of warehouses and storage accommodation by the co-operative societies in agriculturally surplus areas so that it achieves the dual purpose of providing staying power to the farmer and regulating the flow of the food-grains into the market. The spare storage capacity could be utilised for other grains also depending on the seasonal requirements. The Committee would, therefore, urge Govt. to give encouragement to co-operative societies to set up modern storage facilities which are free from rodent and other pests and would serve best the interests of the producers and the people at large. Government should also exercise necessary vigilance in the formative years to ensure that the producers get dependable storage ser-

| 1 | 2 | 3 |
|----|------|---|
| | | vices, free from any suspicion of malpractices or mismanagement. Government/Food Corporation of India should also develop in the light of their experience and in consultation with Research Institutions design and specifications for storage which would meet best the requirements of co-operative societies. |
| 15 | 4.21 | During evidence it was admitted by the official representatives of the Ministry that some of the storage accommodation in the country was not of the requisite standard. The Committee wish to stress that whatever additional storage capacity is created under the Fourth Five Year Plan or subsequent Plans, it should be based on the most modern scientific techniques and should be equipped with latest facilities to prevent damage of foodgrains during storage and to ensure most economic handling. |
| 16 | 4.22 | The Committee understand that the latest trend is to provide bulk storage structures like Silos and Bins although the capital costs of bulk storage may not compare favourably with the present system of storage in bags. The operating costs are lower in the case of bulk storage with the added advantage of better preservation of grains. For taking up proposals for construction of silo storage, a detailed feasibility study would be necessary to examine what other complementary facilities are necessary to be provided in "Mandis" and elsewhere in order to ensure that working of silos was efficient and economical. The Committee are of the view that it is better to spend more on scientific storage now than lose year after year by allowing widespread damage to foodgrains owing to faulty and outmoded storage system. |
| 17 | 4.23 | The Committee feel that the view expressed at the Seventh Asia-Pacific Food Production Conference held in January, 1971 in New Delhi that |

| 1 | 2 | 3 |
|----|------|--|
| | | colossal wastage of foodgrains due to inadequacy of transport and storage facilities can be prevented by setting up a chain of "Portable Warehouses" in the country deserves a close study by Government. The Committee recommend that feasibility studies should be carried out to determine whether it would be advantageous and if so to what extent, to introduce portable warehouses in the country to cater for the requirements of peak periods. |
| 18 | 4.24 | The Committee regret to note that Crash Programme had failed to correct regional imbalances in the creation of storage capacity and that even now the Corporation had to resort to storage of stocks in the open which carried with it attendant risks of pilferage and damage due to vagaries of weather. The Committee, therefore, recommend that Government should draw up future programme of augmentation of storage capacity with an eye on correction of regional imbalances and keeping in view the field experience gained by the Food Corporation of India. |
| 19 | 4.32 | The Committee are of the view that in order to achieve efficiency in operation and ensure greater utilisation of storage capacity, coordination has to be secured not only at the Centre but at the State level between various agencies including the State Governments, State Warehousing Corporations and Co-operatives on the one hand and the Food Corporation of India, Central Warehousing Corporation and the Railways on the other. The Committee are glad to note that in order to ensure coordination among various agencies like the Food Corporation of India, Central Warehousing Corporation, State Governments etc., the State Governments of Andhra, Mysore, Kerala, Madhya Pradesh, Punjab, Maharashtra, Haryana, Orissa, Gujarat, Assam, West |

| 1 | 2 | 3 |
|----|------|--|
| | | <p>Bengal, Tripura and Manipur have already formed Storage Committees. They hope that the remaining State Governments of Tamil Nadu, Rajasthan and Bihar would also form such committees soon and thus help in tackling the problem of storage on rational lines.</p> |
| | | <p>The Committee recommend that the position should be closely watched by the Central Storage Committee so that corrective action to obviate overlapping or duplication of capacities may be taken in time.</p> |
| 20 | 4.35 | <p>The Committee find that the utilisation of godowns on gross capacity has improved from 52 per cent in 1965-66 to 77 per cent in 1971-72 (April—June). On usable capacity, the utilisation was 58 per cent in 1965-66 but in 1971-72 (April—June) it has gone up to 86 per cent. Though some improvement in the utilisation of godowns over the years is thus discernable, the Committee cannot regard the present level of utilisation as the optimum one. It is rather strange that on the one hand it is said that storage capacity in the country is inadequate to cater to the growing needs of the country but on the other hand one finds the utilisation of existing capacity as only 77 per cent of gross capacity and 86 per cent of usable capacity. It appears that Government and the Food Corporation of India are not giving adequate attention to the problem of optimum utilisation of existing storage capacity in the country. Optimum utilisation of storage capacity at procurement centres and consumption points cannot be ensured without evolving an integrated pattern for procurement, movement, storage and distribution after a close study of full conditions. The Committee, therefore, strongly recommend that concrete measures aimed at optimum utilisation of storage capacity should be evolved and given effect to.</p> |

| 1 | 2 | 3 |
|----|------|---|
| 21 | 4.39 | <p>The Committee recommend that Government should undertake a comparative study of operational costs of godown management of the Food Corporation of India, Central Warehousing Corporation and other agencies engaged in the construction and maintenance of godowns in the country so as to evolve norms for guidance of various agencies. Unless these norms are evolved, the Committee cannot see as to how the cost of storage of the Food Corporation of India or for that matter any other agency can be adjudged as reasonable or excessive.</p> <p>The Committee would like this comparative study to be undertaken without further delay. The Committee need hardly stress that in the light of this comparative study remedial action may be taken to reduce the cost of construction as well as of maintenance of godowns so that overheads on food handling and storage by the Food Corporation of India are reduced to the minimum, in the interest of consumers.</p> |
| 22 | 4.50 | <p>The Committee find that the Food Corporation of India suffered a total storage loss of Rs. 21.96 crores during 1966-67 to 1970-71 (5 years). The Committee are not impressed with the plea that viewed against the total turnover, these losses were not large. By themselves, these storage losses are substantial and they call for urgent and effective steps to minimise such losses. The Committee recommend that every case of storage loss which is in excess of the norm should be thoroughly investigated with a view to finding out the exact reasons for the loss and taking remedial measures. Investigation into storage losses should be undertaken promptly because if it was taken in hand after a lapse of appreciable time, the very purpose of such investigation to plug loopholes would be defeated. Besides the parties at fault would also evade</p> |

| 1 | 2 | 3 |
|----|------|--|
| | | responsibility. Norms for storage losses should be the lowest and should be so fixed as to leave no scope for unscrupulous elements to take advantage of high norms and remove the food-grains. There is also a clear need to intensify vigilance and surprise checks at the various loading, unloading and weighment points. The Committee need hardly point out that if responsibility for storage loss is fixed in every case, where the loss exceeds the norms, and deterrent action is taken against those found guilty, it will have salutary effect in bringing down the storage losses. |
| 23 | 4.51 | <p>The Committee note that as on 31-10-71 the Food Corporation of India had hired storage capacity of 6.11 lakh tonnes from the State Governments and 20.05 lakh tonnes from private parties. Since the Food Corporation is heavily dependent on private parties at present for godown accommodation, the Committee feel that every care should be exercised by the Food Corporation to ensure that the accommodation to be taken over or already taken over by them is made rodent-proof by the owners and that all necessary alterations and repairs are carried out efficiently to obviate chances of damage to food-grains due to rains or flood waters.</p> <p>The Committee need hardly stress that Food Corporation should ensure that the rent paid by it for the godowns is fully competitive so that it does not lead to the development of any vested interest.</p> |
| 24 | 4.58 | <p>The Committee are perturbed to note that there had been as many as 241 cases of thefts/pilferages at the godowns of the Food Corporation of India since its inception in 1965 involving a total loss of Rs. 13.08 lakhs.</p> |

1

2

3

The Committee expected Food Corporation of India to be seriously exercised about the matter and spare no effort to get an officer whose services would be available on an assured basis for a length of time so that all loopholes in the existing system which gave rise to thefts and pilferages were identified and effective remedial measures taken to plug them. The Committee are therefore not able to appreciate how the Corporation could persuade itself to employ as Manager Security in scale of Rs. 1600—2000 a person who was on the verge of retirement. The Committee would like the Corporation/Government to go into the matter and ensure that an officer whose services would be available for a length of time and who has proven experience and ability in security duties, is appointed to the post and held responsible for effectively organising the security measures so as to bring about appreciable reduction, if not elimination, of thefts from the godowns of the Food Corporation.

25

4.65

The Committee attach importance to standard weighment, stitching and packing of bags so as to reduce wastage and losses on these accounts to the minimum. The Committee note that the present capacity of bags is 100 Kgs. and that the labourers are paid an additional incentive amount of 5 per cent for handling these heavy bags. The Corporation, however, admit that difficulties are being experienced by labourers in certain parts of the country to carry such heavy loads. Apart from the possibility of providing wheel barrows or trollies to facilitate handling of bags, the Committee would like the Food Corporation of India to thoroughly examine the question of reducing the weight of the standard bag keeping in view the trade requirements, the cost of filling of bags and the difficulties experienced by labourers, etc.

26

5.30

The Committee note that from May to July 1968, out of 12.36 lakh tonnes of foodgrains transported from Punjab, Haryana and Andhra Pradesh on Government account from May to July during 1968, 2.36 lakh tonnes of foodgrains were transported in open wagons. Unfortunately there were early monsoon rains in the Eastern and Western regions where the bulk of despatches were concentrated and consequently 6,741 tonnes of foodgrains got wet and were rendered unfit for human consumption. The Dave Committee which investigated into the damages to foodgrains moved in open wagons recommended *inter alia*, that foodgrains should under no circumstances be carried in open wagons without tarpaulins. The Committee regret that despite Dave Committee's recommendation, the Food Corporation used 2,814 open wagons in 1970 of which 467 wagons were stated to be without tarpaulins. During 1971, 14,336 open wagons with tarpaulins were used. It was found that 58 wagons reached West Bengal Region and 21 wagons reached U.P. without any tarpaulins. It was explained by the Corporation that 'due to early rains and late harvesting' in 1970 and because of the fact that public offering of foodgrains was more in 1970 than in 1969, peak despatches had to be compressed in a much shorter period and consequently movement by open wagons had become necessary. The Committee recommend that keeping in view the experience of 1968 and as a matter of abundant caution, the use of open wagons should be avoided in future. Should it become unavoidable to use open wagon owing to unforeseen reason, it should be ensured that open wagons are covered with tarpaulins without fail. The Committee feel that the Corporation cannot afford to take chances in an important matter like this. The Committee have been informed by the Ministry of Railways that availability of

| 1 | 2 | 3 |
|----|------|---|
| | | covered wagons has increased from 1,58,083 BG and 76,205 MG in 1966 to 1,86,639 BG and 81,841 upto October, 1971. |
| 27 | 5.31 | <p>During evidence, the representative of the Ministry of Railways (Railway Board) opined that 'the danger is not that the foodgrains are moved in open wagons but the detention at terminals is fraught with danger in that they get exposed to rains'. The Committee also learnt during evidence that for the last six months or so, there had been hold-ups of movement in the Eastern sector. The wagons, it was stated, were not unloaded in time resulting in delays in the return back of the wagons. The Committee are deeply concerned with the problem of hold-up of wagons at terminals. Delays in unloading of wagons not only result in less availability of wagons for movement of foodgrains in the country but also create bottlenecks, frustrating the very objective of ensuring movement of foodgrains on a planned basis. The Committee, therefore, recommend that concerted efforts should be made by the Department of Food/Food Corporation of India and the Railways to ensure that wagons carrying foodgrains are not held up <i>en-route</i> or at terminals to obviate losses by 'wet' or pilferage.</p> |
| 28 | 5.32 | <p>In the Committee's view, smooth movement of foodgrains depends to a large extent on how well the movement of foodgrains is planned by the Food Corporation of India in coordination with the Railways. The Committee recommend that while preparing Movement Plans, the aim should be to spread out movement of foodgrains throughout the year so as to avail of closed wagons for safe transport. Now that the Food Corporation of India/Government have adequate storage capacity at their disposal this task should not prove formidable and it should be possible</p> |

| 1 | 2 | 3 |
|----|------|---|
| | | to draw up integral plan for procurement, movement and storage on the basis of well verified data. |
| 29 | 5.33 | The Committee find that the Food Corporation of India have been moving larger quantities of foodgrains by road particularly from Haryana to Delhi. The quantity of foodgrains moved by road into Delhi was 23,881 tonnes in 1968-69, 39,684 tonnes in 1969-70 and 57,255 tonnes in 1970-71. The Committee recommend that a comprehensive study be undertaken to determine break-even point between the cost of road transportation and cost of movement of foodgrains by rail for various regions in the country. Any enlargement of the scope of movement of foodgrains by road should depend on the results of such study and availability of spare capacity on the Railways to undertake the transport expeditiously and in time. |
| 30 | 5.40 | The Committee note that losses of foodgrains in transit had been rising steadily from 1.13 per cent of the quantity moved in 1965-66 to 1.58 per cent in 1966-67 and 1.76 per cent in 1967-68 until 1968-69 when such losses reached an all time high at 3.26 per cent. The Committee also note that subsequently, the Corporation had been able to arrest the rising trend of transit losses in close co-ordination with Railways. In 1969-70 transit losses were brought down to 1.4 per cent and it is estimated that these losses may be only 1.23 per cent during 1970-71. The Committee welcome the efforts made by the Food Corporation of India and the Railways to bring down these losses under control. The Committee, however, feel that scope for further reduction of transit losses still exists. Vigorous efforts are called for to minimise the transit losses. With this end in |

1

2

3

view, the Committee recommend the adoption of the following measures:—

- (i) bagging, stitching and weighment should be done with utmost care to avoid spillage of foodgrains. Use of non-standardised bags should be eliminated. Same types of scales for weighment may be used at loading and unloading points;
- (ii) loading and unloading operations should be supervised by responsible officials of the Corporation and the Railways because if the loading is done in a careless manner no amount of *en route* checks would be able to prevent these losses;
- (iii) with the improvement in the availability of covered wagons with the Railways, use of open wagons should be resorted to only in exceptional circumstances and after making sure that necessary provision for covering these wagons securely with tarpaulins and safe escort would be there;
- (iv) *en route* checks be intensified by the Railways to plug leakage of foodgrains and to ensure that tarpaulins remain in position and are not removed by unscrupulous people;
- (v) *en route* surprise checks be carried out to ensure observance of instructions; and
- (vi) security arrangements be augmented to avoid pilferage of foodgrains at loading and unloading points and Railway yards.

| 1 | 2 | 3 |
|----|------|---|
| 31 | 5.44 | <p>The Committee are glad to note that Food Corporation of India had entrusted the task of preparing a Wheat Movement Plan for 1970-71 to an expert body like the National Council of Applied Economic Research. This was no doubt a step in the right direction. The Committee hope that the recommendations made by the Council for rationalisation of wheat movement would continue to guide the Corporation in evolving movement plans for future years.</p> |
| 32 | 5.45 | <p>The Committee find that the National Council of Applied Economic Research had suggested improvement in the system of tele-communication including the installation of teleprinters in the Food Corporation of India in the context of problem of transportation of foodgrains. The Corporation, however, are not in favour of its introduction because utility of the communications will in their view have to be seen not only with reference to its orientation in terms of limited transportation problem during the peak "Rabi" season but also with regard to purchase and sale operations in a free market when the Corporation will necessarily have to take snap decisions on the basis of day-to-day fluctuations in market prices. Moreover, installation of teleprinters/telex at the important producing and receiving centres would involve extra investment which, the Corporation feel, may not be commensurate with the advantages claimed. While it is true that installation of teleprinters/telex involve expenditure, the Committee would like the Corporation to re-examine the matter in the light of the following facts:—</p> |
| | | <p>(i) For a country—wide Organisation like F.C.I. reliable and quick means of communication are an essential tool;</p> |

| 1 | 2 | 3 |
|----|-----|--|
| | | <p>(ii) teleprinter telex would naturally reduce heavy expenditure at present spent on trunk telephones;</p> <p>(iii) the investment on telex teleprinters may be reduced to the minimum necessary in consultation with Directorate of Telegraphs. To begin with only the most vital points where fast communications are a "must" may be connected by telex teleprinters and the position reviewed in the light of experience.</p> |
| 33 | 6.8 | <p>The Committee note that at the Conference of the Chief Ministers of the States held in New Delhi in October, 1971, need was felt for further strengthening of the public distribution system, particularly in rural and inaccessible areas. The Committee also note that as a follow up measure, the Ministry of Agriculture (Department of Food) have requested the State Governments to "review the position in different areas of their State and keep arrangements ready for enlarging the fair price distribution system and extending it to areas where it does not exist at present, so that the system may start working immediately when need is felt for it in any particular area." The Committee are aware of complaints sometimes voiced in the Press that fair price shops in the rural areas hardly function and where they do, the quantum of ration available is insufficient. The Committee have no doubt that in extending the system to rural areas and inaccessible areas in States, Government would take into account the difficulties being experienced by weaker sections of consumers in rural areas. The Committee desire that in the event of enlargement of the public distribution system to rural and inaccessible areas in various States, the Food Corporation of India would make special efforts to feed the</p> |

| 1 | 2 | 3 |
|---|---|---|
|---|---|---|

public distribution system in such areas with assured supply of foodgrains at a reasonable price.

- 34 6.13 The Committee note that sometime back the Government of India had suggested to various State Governments that the Food Corporation of India should be given the responsibility for wholesale distribution of foodgrains also, so that by taking on this additional work and using its staff, which did not have much work during the non-procurement seasons, the Corporation could reduce its overheads and thereby both procurement and distribution could be done a little cheaper than otherwise. The Committee have been informed that Government are examining this matter and a policy decision will be taken by them soon. The Committee would like Government to expedite their decision. The Committee would, however, like to stress that the approach should be for finding greater utilisation of staff already on the pay rolls of Food Corporation of India and not to add to them in the name of additional responsibilities taken over from States. As recommended elsewhere in the Report, there is a pressing need to reduce the burden of overheads, which are borne largely by the consumer and exchequer. Moreover, Government should keep in mind the fact that with growing abundance of foodgrains in the country the need for regulatory measures and extensive distribution agency may in course of time come to be reduced.

As far as the internal distribution of foodgrains in the States is concerned, it is and should continue to be the primary responsibility of the respective State Governments. The State Governments have a civil supplies organisation which is expected to handle this work. There should, therefore, be no question of transfer of internal distribution work to the Corporation along with the staff concerned in any State.

| 1 | 2 | 3 |
|----|------|---|
| 35 | 6.16 | The Committee recommend that the present system of sale of foodgrains may be reviewed to see how it could be improved so as not to discourage small and bona-fide traders. |
| 36 | 6.27 | One of the main grievance voiced before the Committee by a Federation of the Roller Flour Millers was that millers had to buy all their requirements of wheat from the Food Corporation of India and that even when open market prices of wheat were less than the Corporation's prices they could not take advantage of the reduced open market prices. During evidence the official representative of the Ministry of Agriculture (Department of Food) informed the Committee that the ban on the Roller Flour Millers to purchase their requirements from open market had since been lifted and now if a Miller did not want supplies from Government, he was free to purchase 100 per cent of the required grain from the open market but if a Miller still wanted supply from Government he can buy only upto 30 per cent from the open market. While the Committee hope that this relaxation will remove the main grievance of the Roller Flour Millers, the Committee wish to invite attention of Government to the need to ensure that whatever quantities of wheat are sold by the Corporation to the Roller Flour Millers at a fixed price are in fact milled into Atta and are not surreptitiously sold in the market in order to earn profits without rendering any service to the consumers of Atta. |
| 37 | 7.6 | The Committee are unhappy to note that the demurrage incurred by the Food Corporation on foodgrains and fertilizers had shot up from Rs. 0.28 lakhs in 1965-66 to Rs. 56 lakhs in 1969-70. During 1970-71, demurrage is estimated to be Rs. 15.79 lakhs. While as pointed out by the official representative of the Ministry, it was |

true that the Corporation had earned more despatch money than the demurrage incurred by it each year since 1965-66, the Committee stress that there should be unceasing effort to so regulate flow of imports as to avoid bunching of ships at ports and unload the foodgrains with utmost expedition so as to earn maximum despatch money and obviate any demurrage. The Committee recommend that the Corporation should undertake a critical investigation of each case of demurrage; assess responsibility for the lapse, and devise concrete remedial measures for future to arrest this disturbing trend.

38 7.21 The Committee find that though the Rice Mills Project was approved by Government in 1967 the location of the last 2 out of 24 rice mills was finalised as late as October, 1970. It thus took three years to complete finalisation of location of these Rice Mills. The time taken is obviously excessive and it should have been possible to finalise the matter with greater sense of urgency. The Committee also find that so far it had been possible to commission only 16 out of 24 modern Rice Mills in the country. The Committee understand that in setting up these Mills, the Corporation encountered difficulties like delay in acquisition of land, delay in supply of mild steel plates required for fabrication of Dryers, parboiling tanks and chimneys and special steel plates for boilers etc. The Committee feel that an important project like the Rice Mills should have been given high priority in allocation of steel, fabrication of parts and acquisition of land so as to make the Mills operative with the least possible delay.

39 7.22 The Committee find that according to the locations finalised by F.C.I. for setting up modern mills, the States of Tamil Nadu, Andhra Pradesh and West Bengal will have 4 rice mills each, the State of Orissa will have 3 rice mills, the State of

1

2

3

Assam, Bihar and Punjab will have 2 rice mills each, and the States of U.P., Haryana and Kerala will have one rice mill each. There would be no rice mill in Madhya Pradesh. During evidence the official representatives of the Ministry stated that one reason why no rice mill was located in M.P. was that there were already a large number of private mills there. Stating that efforts were being made to get rice milling in that State under the Cooperative Department's activity, the official representative assured the Committee, "but if it is considered necessary, we will certainly see that the rice mills were set up there." The Committee feel that the Corporation should make a careful re-assessment of the requirement of rice mills in the States not given adequate attention in the plan of location of rice mills hitherto (e.g. M.P., U.P., and other rice producing States). The plea that large number of private rice mills exist in a State is not a convincing argument. The Committee feel that no chances be taken with private mills and hence the Corporation should decide soon to locate rice mills in such States so that there is healthy competition between private and public rice mills or to break the monopoly of the private mills as they might misbehave any time.

40

7.23

The Committee note that in the original Project Report submitted to Government, additional out-turn of rice mills taken into account for determining the economic viability of all the 24 rice mills was only 2 per cent. The Committee have been informed by the Ministry of Agriculture that the return on capital was expected to be 41.37 per cent, 23.78 per cent and 12.06 per cent at 100 per cent, 70 per cent and 50 per cent capacity utilization. In other words, the key to ensure adequate return on capital and profitability of this venture depended on whether and if so

1

2

3

to what extent, the Corporation was able to utilise the capacity of these rice mills. The Committee have no doubt that knowing as they do this fact, the Corporation and the Government would do their utmost to see that these mills operate at their full capacity and look after the interests of the growers also.

The Committee would like Government/Food Corporation of India to keep a close watch on the financial results of working of the Rice Mills so as to obviate losses.

The Committee note that out of 67,100 rice mills in the country as on 1-1-1970 only 665 rice mills have been installed in the cooperative sector. The Committee are of the view that Government should publicise the salient features of the modern rice mills and their attendant advantages to encourage the cooperative sector to set up modern rice mills in the country. The Committee have an impression that not a few of the malpractices obtaining in rice trade are traceable to the private rice mills. The Committee consider that Government and Food Corporation should exercise great vigilance in their dealings with the rice mills so that there is no scope for any surreptitious leakage or diversion of rice contrary to orders and that in no case trade indulges in charging an unconscionably high price from the consumers particularly those coming from weaker sections of society.

41

7.25

The Committee are unhappy that the Rice Dryers were not properly located in the first instance and that additional expenditure would be incurred on their shifting. The Committee are con-

| 1 | 2 | 3 |
|----|------|--|
| | | cerned that a heavy investment of Rs. 1.11 crores should have been made without trying out the dryers on a pilot scale in the field. The Committee would like Food Corporation of India to keep a close watch on the working of the dryers so as to ensure their maximum use and obviate any losses. |
| 42 | 7.27 | The Committee would like the Corporation to carefully evaluate the working of the Maize dryer at Khanna (Punjab) before installing additional dryers. |
| 43 | 7.47 | The Committee find that since July, 1967 Food Corporation of India had so far produced 62,030 tonnes of 'Balahar' and Mill Atta fortified by it since 1970 was 42,012 tonnes. The Committee are convinced that at this rate it will not be possible to touch even the fringe of the problem of malnutrition and undernutrition in the country. The Committee are glad that Government are conscious of the magnitude of this problem and are considering proposal to expand these programmes so as to embrace the entire country and launch other programmes like setting up of 40 Nutrition Mobile Extension Units under the Fourth Plan, establishment of small scale Bakeries, stepping up of rate of production of Mil-tone, setting up Soyabean and Groundnut flour production plants, development of a weaning food utilising vegetable protein, etc. The Committee have no doubt that keeping in view the urgency of combating protein deficiency in the daily diet of the people particularly in the weaker sections of society decisions on these proposals would be arrived at soon and the approved programmes would be implemented with speed and vigours so as to bring these fortified foods within the reach of weaker sections of society. |

The need for a nutrition programme particularly for the weaker sections of society has been recognised for decades in our country and a mention about it has also been made in our Five Year Plans. Now that Government have a country-wide agency in the Food Corporation of India and also adequate stocks, the Committee feel that it should not be too difficult to implement in letter and spirit the programme of making available nutritious foodgrains e.g. 'Balahar', fortified 'atta' etc. at reasonable prices to the weaker sections of the society. The Committee need hardly stress that the programme should be so implemented in the field that the benefit reaches the weaker members of our society, particularly the children.

826

The Committee note that the Food Corporation of India exercised quality control over foodgrains at three vital stages of procurement, storage and processing, and that for this purpose the network of laboratories had been considerably expanded from 22 laboratories in 1965 to 95 in 1971. The Committee learnt during evidence that there were a few unresolved problems which called for urgent attention in order to ensure quality. The first problem which the Chairman of the Corporation termed as major one was that despite the fact that FCI had their agency for quality inspection, when the State Government or the Marketing Federation passed on stocks to the Corporation at the loading points, that is Railway Stations, cases had come to notice where such stocks were not put up to the Corporation for their inspection. The Committee consider this a serious lacuna and would urge the Central Government to take up all such cases promptly with the State Governments concerned. The Committee would like to be informed of the concrete

| 1 | 2 | 3 |
|----|------|---|
| | | measures taken to ensure that such lacuna in quality inspection are rectified. |
| 45 | 8.27 | <p>Another problem that needed to be tackled was the preponderance of subjectivity in the matter of enforcement of quality of foodgrains. It has been represented to the Committee that in some cases the officials of the Corporation, who were on the spot, rejected the grain offered by farmers for sale as being below "fair average quality" but when the same grain was purchased by the middlemen and offered to the Corporation, it was accepted. This naturally gave rise to suspicion that in such dealings, the conduct of FCI officials was not above board and that it was the subjective judgement of officials on the spot which really mattered. This is what was alleged to have happened while purchases of "Bajra" were made in Rajasthan. It was admitted during evidence that Government had received such complaints from U.P. and Rajasthan and they were looking into them. As was hinted during the evidence of official representatives, it was just likely that in some cases the middleman indulged in the malpractice of purchasing the grain from the farmer, blending it with the better type of grain and passing it on to the Corporation as a blended grain. The official representative of the Ministry added that in Rajasthan, 'Bajra' was purchased through middlemen because the market there was not properly organised and the availability of grain was not very large. The Committee are of the view that it should be possible for the Corporation to check this malpractice. The Committee are also convinced that if the supervisory staff of the Corporation are alert and vigilant, it should be possible to introduce a greater measure of supervision on the exercise of discretionary authority</p> |

| 1 | 2 | 3 |
|----|------|--|
| | | by the officials on the spot. The F.C.I. should strive continuously to avoid the entry of middlemen in the Corporation's purchase of foodgrains. |
| 46 | B.28 | <p>The Committee consider that since the Food Corporation of India has been primarily constituted in the interest of the producer and the consumer it should be its ceaseless endeavour to serve both these interests and eliminate the intervention of middlemen to the maximum extent possible. In this context, the Committee would urge that either the foodgrains should be procured directly from the farmer or from "collection centres" which may be organised in cooperation with agricultural cooperative societies of standing. The Committee are glad to note that the Food Corporation of India procured 25 per cent of foodgrains in "Rabi" season through cooperatives. This trend needs to be greatly accelerated. The Food Corporation may also have their own procurement organisations in "Mandis" so that the farmers who come there can sell the foodgrains directly to them without the intervention of any middlemen. In order to inspire in the producers a feeling of confidence in the categorisation of food-grains and the prices being paid for them, the Committee suggest that the Food Corporation/local authorities should widely publicise the grades of foodgrains and the prices being currently paid by the Food Corporation amongst the farmers so that they are encouraged to sell their foodgrain directly to the Corporation rather than to 'Arhittias' and other middlemen. The specifications should be so laid down that they are readily understandable to a farmer. What is even more important is that the process for categorisation should be done in such a manner as to leave no scope for any unfair or malpractice to creep in. The farmers need payment in cash. The Corporation should ensure that there is quick</p> |

| 1 | 2 | 3 |
|----|------|---|
| | | and prompt payment "on the spot" to the farmers for their foodgrains so as to win and sustain their confidence. The Committee consider that the Food Corporation should continuously endeavour to pass on the benefit of higher prices to the producer so as to serve one of the primary objectives for which they have been set up. |
| 47 | 8.29 | <p>The Committee feel unhappy that there were complaints both from U.P. and Rajasthan that foodgrains were purchased not directly from the producer but through the intervention of middlemen to the detriment of producers. The Committee note that the matter is being thoroughly investigated by the Corporation. The Committee would like to be informed of the outcome of the investigations and the action taken against all those found responsible for indulging in any unfair or malpractice.</p> <p>The Committee expect the large supervisory staff which the Corporation has to be alert and vigilant in their duties so as to ensure that officers on the spot render fair service to the producers and there is no ground for any suspicion of malpractice either in grading or payment for foodgrains or avoidable intervention of middlemen to the detriment of the producer.</p> |
| 48 | 9.13 | <p>The Committee note that the procurement price of wheat since 1969-70 had been and still is Rs. 76/- per quintal for all varieties except red indigenous variety subject to marginal adjustments in price in some States. Marginal increase in procurement price may have been just about sufficient to cover the higher cost of inputs and the general rise in price index. Agricultural Prices Commission had been recommending lowering of the procurement price of wheat but the Government firmly stuck to its view that such a step will dampen the spirit of farmers and</p> |

| 1 | 2 | 3 |
|----|------|---|
| | | <p>reduce over all production of foodgrains. The Committee agree that farmers must get an incentive price in order to maintain the tempo of green revolution. The Committee are equally concerned that the interests of consumer should be fully taken care of. Farmers should have the satisfaction that the procurement price not only adequately compensates them for the rise in the cost of inputs like fertilizer, power etc. but also leaves them with a fair return on their investment. and labour. The consumers should have the feeling of sharing the glow of green revolution by ensuring to them supply of foodgrains at a reasonable price. The Committee have no doubt that Government would take care of the legitimate interests of farmers and expectations of consumers in fixing the base price for foodgrains.</p> |
| 49 | 9.28 | <p>The Committee find that since 1965-66 the Food Corporation of India has been paid a total sum of Rs. 67.98 crores as subsidy by Government upto May 1971. Subsidy is mostly paid on account of wheat because the economic cost of wheat is more than its wholesale issue price. In the case of rice, distribution was made at the economic cost and consequently the subsidy thereon was negligible. During evidence the Committee could not get an assurance from the Corporation and the Government that the amount of subsidy would decline in the years to come. On the other hand, the Committee were informed in a note furnished by the Ministry of Agriculture after evidence that with the reduction in the import component of wheat, its economic cost and consequently the subsidy were likely to increase unless the issue price was correspondingly increased or the procurement price was reduced. The Committee are of the view that as the wholesale price of wheat is higher than the procurement price by Rs. 2/- per quintal the Food Cor-</p> |

| 1 | 2 | 3 |
|----|------|--|
| | | <p>poration of India which now has a dominating share in the foodgrains trade should be able to cut on its overhead charges and operational losses. The Committee are convinced that these expenses need initial analysis and meaningful follow up action so as to reduce the need and quantum of subsidy paid to the Food Corporation of India by General Exchequer and make available foodgrains at more competitive and reasonable prices to the consumers.</p> |
| 50 | 9.35 | <p>The Committee find that during the years 1961-62 to 1966-67, the production of foodgrains in the country was almost static with lowest production being 72.3 million tonnes in 1965-66 and the highest being 89.4 million tonnes in 1964-65. It was in the year 1967-68 that a major breakthrough was achieved by attaining a record production of 95.1 million tonnes. Since then the production of foodgrains had been steadily rising and in 1970-71, the production is estimated to have exceeded 107 million tonnes. This "Green Revolution" naturally raised high expectations that prices of not only foodgrains but also of other commodities would come down. But this did not happen. Index number of foodgrains wholesale prices which during the years 1961 to 1966 had ranged between 99.3 and 171.0 moved between 202.8 and 210.4 during the years 1968 to 1971—the years of bumper crops. In the context of this paradoxical phenomenon of rising prices in the midst of plenty, the Corporation bid to curb the rising market prices of wheat by opening sales centres is a welcome step inasmuch as Corporation's direct participation as a seller in the open market is expected to offer healthy competition to the private traders and check rising prices of wheat in particular and foodgrains in general. The Committee hope that as foodgrains price is an important determinant of</p> |

| 1 | 2 | 3 |
|----|-------|--|
| | | <p>general price level, Corporation's strategy to curb the rising prices of wheat by pumping into the open market adequate stocks would have a salutary effect on the general price level in the country. The Committee however wish to caution the Corporation that if unscrupulous private traders lift the additional wheat stocks from the open market and hoard the same, the Corporation's venture may ultimately fail. It is, therefore, essential that the Corporation should take adequate precautions to ensure that as far as possible the stocks released by them reach the genuine customers and are not cornered by speculative traders for hoarding at present with a view to release them when artificial scarcity is created so that they may indulge in profiteering.</p> |
| 51 | 10.28 | <p>The Committee view with concern the fact that there had been steep rise in the incidental expenses of the Food Corporation of India. During 1967-68 when the work was being handled by the Food Department directly, incidental expenses amounted to Rs. 51.40 per tonne. With the transfer of work relating to procurement, storage and distribution of foodgrains to the Corporation, these expenses rose to Rs. 77.10 per tonne during 1969-70 inclusive of buffer stock, carrying charges. These expenses were provisionally allowed at Rs. 91.50 per tonne. The Committee would like to focus attention of the Corporation as well as Govt. on some of the important components of incidental expenses in respect of which the rise has been phenomenal. For example 'transit and storage loss' has increased by 350 per cent, 'establishment charges' by 170 per cent and 'Godown Charges' by 37 per cent as compared to the charges incurred when the Food Department handled directly foodgrains.</p> <p>The Committee recognise that there has been increase in the 'scope, size and area' of operations of the Corporation and that some increase</p> |

in such charges could not be ruled out but they find it hard to accept that the present charges of Rs. 91.50 per tonne (Rs. 9.15 per quintal) are the barest minimum and there is no scope for reduction. During evidence, a representative of the Roller Flour Millers Federation of India informed the Committee that 'no where in the history of the foodgrains trade, handling charges are anything more than 3 to 4 per cent.' In the case of the Food Corporation of India, handling charges of Rs. 9.15 per quintal constitute 12 per cent of the procurement price of Rs. 76 per quintal of wheat. When 'procurement incidentals' of Rs. 10.26 per quintal are added to the Corporation's incidental of Rs. 9.15 per quintal, handling charges amount to Rs. 19.41 per quintal and constitute about 25 per cent of the procurement price of wheat. Some of the State Governments have also categorically stated in written memoranda to the Committee that incidental charges of the Corporation are extremely high and needed to be brought down to a reasonable level. The turnover of the Corporation has increased manifold and it is now admittedly one of the biggest trading Corporation in the world dealing as it does, with 10 million tonnes of foodgrains and sales to the tune of Rs. 800 crores. The Committee are constrained to observe that the Corporation have not been able to derive full benefit of economy of scale.

The Committee find that though the Food Corporation of India are in existence for the last seven years they have not evolved any norms for regulating the incidental expenses. In its Report on incidental expenses of the Corporation, the Cost Accounts Officer of the Ministry of Finance has expressed the opinion that 'perhaps one of the reasons why the unit incidentals as claimed by the FCI year by year is going up, despite more than proportionate increase in the quantity of foodgrains handled, is because the

| 1 | 2 | 3 |
|----|-------|--|
| | | allocations are related by FCI only to annual sales'. The Cost Accounts Officer has recommended that FCI should work out the incidence of handling charges for the years 1967-68 to 1970-71 on the basis indicated in his Report to 'exhibit a more realistic and acceptable picture' and to study the trend for the purpose of evolving norms for the future. The Committee expect that no further time would be lost in evolving such norms which are a vital instrument in the hands of Management to exercise check on such expenses and are indispensable for creation of cost consciousness among officers and staff at all levels of the Corporation. |
| 53 | 10.30 | The Committee note that the Food Corporation had got some aspects of their management and costs analysed by the Institute of Management, Ahmedabad and Ibcon (P) Ltd., but their Reports remain still under consideration of the Food Corporation of India. The Committee would like the Food Corporation of India to give highest priority to the processing of these Reports of expert bodies and take concrete measures to effect economies. |
| 54 | 10.31 | The Committee have dealt with the question of high cost of unduly large staff carried by Food Corporation of India in a separate Chapter on "Personnel and Administration" but they cannot help repeating that there is a paramount need for rationalisation of staff strength keeping in view the trends of procurement, stocking, distribution etc. To give an example, the large handling staff at ports are no longer obviously required when the imports of foodgrains have perceptibly come down and adequate buffer stock of 5-7 million tonnes built up. The Committee consider that the question of reducing the heavy 'incidentals' brooks no further delay and they |

| 1 | 2 | 3 |
|----|-------|---|
| | | <p>reiterate that it should receive earnest and continuous attention at the highest level. The Committee recommend that the Food Corporation of India/Government should critically analyse the present incidental expenses of the Corporation with the help of best experts available in the field of costing, management etc. and initiate effective steps, to bring down the 'incidental' expenses to the barest minimum level, for in the last analysis it is the poor consumer and the Exchequer who have to bear this unconscionably high productive burden of handling charges of foodgrains by the Food Corporation of India.</p> |
| 55 | 11.16 | <p>The case of misappropriation of Rs. 32 lakhs in 1968 in the Calcutta Regional Office of the Food Corporation of India is the most serious of all cases of misappropriation, fraud, over-payments etc. which have so far occurred in the Corporation. The Corporation have intimated that the CBI which had conducted the investigation into this case had not found any lacunae in the rules and procedures of the Corporation but had pointed out that there should have been effective checks on the dealings of the Corporation's officials involved in the case. As the case is <i>sub-judice</i>, the Committee do not wish to offer any views thereon. The Committee, however, recommend that the Corporation should tighten the financial discipline in their enterprise, tone up the administration of rules and procedures and provide adequate supervisory checks and enforce their observance at all important levels to prevent recurrence of such cases which besides entailing financial loss tarnish the fair image of the Corporation.</p> |
| 56 | 11.21 | <p>The Committee find that the outstandings of the Food Corporation of India have gone up from Rs. 36.60 crores as on 30th November, 1970 to Rs. 67.19 crores as on 31st October, 1971 despite</p> |

1

2

3

efforts made by the Corporation to bring down the outstandings. In this connection the Committee note that of the total amount of Rs. 67.19 crores, the outstandings from State Governments alone are Rs. 49.42 crores. Some of the oldest items outstanding from State Governments date as far back as 1966-67. The Committee are not averse to a reasonable time limit being allowed to State Governments to settle bills and make payment. But if the outstandings linger on for years and the Corporation find itself unable to clear the outstanding items within a reasonable time limit the Central Government should come to the aid of the Corporation by persuading the State Governments concerned to clear the outstandings expeditiously. It is obvious that if the outstandings are kept low, the Corporation would have larger liquid resources and will not be forced to lean too heavily on loans on which they have to pay a high rate of interest.

57

11.25

The Committee find that while the stocks with the FCI increased by about 11 times i.e. from Rs. 37.31 crores in 1965-66 to Rs. 446 crores in 1970-71, its loans and overdrafts went up by 18 times i.e. from Rs. 30 crores in 1965-66 to Rs. 546.85 crores in July, 1971. This does not reflect a comfortable position because Corporation's dependence on loans and overdrafts has far exceeded the value of stocks held by it. They recommend that the loans and overdrafts should be kept by the Corporation within reasonable limits as the "burden" of borrowing involves payment of interest at a higher rate and thus raises the cost of intermediate handling affecting the consumers in the long run. The Government should ensure that the Corporation does not, as a rule, lean heavily on loans and overdrafts to sustain its activities.

| 1 | 2 | 3 |
|----|-------|---|
| 58 | 11.31 | <p>The Committee note that the profit (prior to tax) earned by the Food Corporation of India has come down from Rs. 305 Lakhs in 1966-67 to Rs. 158 lakhs in 1970-71. The Committee are convinced that in the case of Food Corporation the conventional yardstick of judging the performance of an enterprise by the quantum of profit earned by it should not apply, though the Committee are not averse to marginal profits being made by the Food Corporation to meet any unforeseen contingencies. The Corporation has to be more judged by the achievement of the social objectives underlying its set up. The Committee would therefore like the Corporation to spare no efforts to ensure that the farmer is paid remunerative price, that the high cost of handling at present incurred by the FCI is reduced to the minimum so that the consumer is sold the foodgrains at reasonable prices and on assured basis. The Committee would also like Government to examine whether the cost for maintaining the buffer stock should not in all fairness be met by the Government so that it does not go unnecessarily to inflate the handling charges of the Food Corporation. The Committee need hardly stress that the size of the buffer stock should be most judiciously fixed in the light of experience gained and every care should be taken to see that stocks are duly rotated so that the foodgrains are sold well before the normal period of their preservation is exceeded.</p> |
| 59 | 11.34 | <p>The Committee recommend that steps to bring the Food Corporation of India within the audit control of Comptroller and Auditor General of India be taken as early as practicable.</p> |
| 60 | 12.20 | <p>The Committee find that, as on 31st March, 1971, while the turnover of the Corporation has increased five times its staff strength has increased 12 times. The Committee are not able to ap-</p> |

1

2

3

preciate the passive and somewhat complacent attitude adopted by the Corporation in the matter of taking over a large number of staff on the plea that they were doing the work before the Corporation was formed and took over those functions. The Committee feel that it should not have taken the Corporation long to work out some realistic norm and critically examine on each occasion to see whether it was at all necessary to add the entire staff while taking over some functions. It was obviously incumbent on the Corporation to ensure on each such occasion that the number taken over was absolutely the minimum and essential for the discharge of responsibilities. The Committee feel that had this critical and analytical approach been applied from the very inception, the Corporation would not have found itself burdened with the problem of an excessively large number of staff.

61

12.21

The Committee note that recently the Corporation have had two studies made of the operational norms and man-power by IBCON(P) LTD. and the Institute of Management, Ahmedabad. Now that the role and responsibilities of the Corporation are well defined and they have the benefit of the studies made by two expert bodies and extensive experience in the field it should be possible for the Corporation to evolve, without further delay, realistic norms for manning of the different operations. In evolving these norms, the Corporation would no doubt keep in mind the imperative need for reducing the unconscionably high handling charges which are at present being charged by them.

The Committee note that as on 31-3-71 the staff strength of the Corporation is made up of direct recruits (24 per cent), deputationists (19 per cent) and transferees (57 per cent). There should be no difficulty in placing back the services of

| 1 | 2 | 3 |
|----|-------|---|
| | | <p>deputationists who are surplus to the requirements at the disposal of the respective parent departments. No additional recruitment should be made unless it is absolutely inescapable and certified as such by the Managing Director in consultation with the Financial Adviser.</p> |
| | | <p>The Committee also find that the Corporation have taken over as many as 5,000 employees of West Bengal Government when the distribution of food-grains was taken over at the instance of West Bengal Government. The Committee feel that the Food Corporation should not be saddled with the duties and responsibilities of internal distribution which should appropriately be discharged by State authorities who had detailed knowledge and experience of local requirements. There should be no question of such State employees being taken over by the Corporation and swelling further the Staff strength.</p> |
| 62 | 12.22 | <p>The Committee would also like to draw attention to the problem of dock labour engaged specially for handling of food-grains. A study made in 1970 had revealed that as many as 2,989 dock labour were surplus to requirements. The Committee note that as a result of introduction of various measures such as Voluntary Retirement Scheme and alternative employment scheme, the Corporation were able to shed 1005 dock labour leaving still 1984 of dock labour as surplus. As our country has already attained self-sufficiency in food-grains and we have adequate buffer stock of 7 million tonnes of food-grains, the import of food-grains is bound to cease. The Committee recommend that keeping in view these factors, the Corporation should undertake continuous study to determine the extent of surplus departmental dock labour engaged in handling of food-grains</p> |

| 1 | 2 | 3 |
|----|-------|--|
| | | and draw up a time bound programme in consultation with Port Trusts, Dock labour Boards, Ministries of Transport and Labour for finding alternative employment for them. |
| 63 | 12.28 | Normally when the staff strength of an undertaking increases, expenditure on overtime allowance is expected to come down. The Committee however, observe that in the case of the Food Corporation of India, despite increase in its staff strength, expenditure on overtime allowance to staff showed an upward trend. Expenditure on Overtime Allowance has increased from about Rs. 10 lakhs in 1965-66 to Rs. 56 lakhs (approximate) in 1970-71. Keeping in view the fact that the Corporation have more than adequate number of personnel on their rolls, the Committee suggest that the deployment of manpower and rosters of duty should be so arranged as to bring down the incidence of overtime. |
| 64 | 12.32 | The Committee recommend that genuine grievances of the employees of the Corporation should be attended to with sympathy by the management of the Corporation. |
| 65 | 13.5 | The Committee note that the Food Corporation of India have a Planning and Research Division which has been expanded recently. The Committee feel that the work could have been handled by a cell instead of a Division, as the main purpose of planning and research is to help the management in devising tools for exercising vigilant, contemporaneous and effective control of field operations. The expenditure on this cell should be kept under close scrutiny and should be commensurate with the services it is able to render to the management. The Committee need hardly stress that the approach of the cell should be problem-oriented. The Committee would commend that the following problems, amongst |

1

2

3

others, may be taken by Research and Planning Cell for urgent study:

- (i) Devising ways and means for purchasing either directly or through genuine co-operatives from the producer so that he gets the maximum benefit of floor price;
 - (ii) planning movement of foodgrains so as to obviate "damage by wet";
 - (iii) Location of storage capacity, keeping in view the size of Buffer Stock to be built and the need to remove regional imbalances and transport bottlenecks;
 - (iv) Analysis of "incidentals" incurred by the Corporation with a view to reduce them to the minimum, and
 - (v) Perspective plan so that the Corporation may modify/rationalise its structure and modes of operation in keeping with changing requirements.
-